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20 August 2021

Ms Rebecca Knights  
Director, Energy Policy & Projects  
Department for Energy and Mining  
Energy and Technical Regulation Division  
GPO Box 320  
ADELAIDE SA 5001

Submitted electronically: [demsawng@sa.gov.au](mailto:demsawng@sa.gov.au)

Dear Ms Knights,

**Re: Consultation Paper on the Stand-Alone Power Systems - South Australian Implementation**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide a submission to the South Australian Government (the Department) on the consultation paper on the proposed Stand-Alone Power Systems (SAPS) - South Australian Implementation (the consultation paper).

Red and Lumo continue to support the introduction of distribution network service provider (DNSP) led SAPS in the NEM, in remote areas and at the fringes of the grid where the costs of providing electricity services are highest and where the DNSP deems it a viable investment option under the distribution regulatory investment test for distribution (RIT-D).

On this basis, we support South Australia implementing the SAPS framework. However, initial regulations should only include the specific areas identified in the consultation paper as the most appropriate. We consider that this approach will allow the Department, DNSP, retailers, consumers and other stakeholder groups to be confident in the application of the SAPS framework. Ensuring that SAPS delivers the intended benefits to consumers. Once this is established, we support a change to the regulations to allow it to apply to the remainder of South Australia.

**SAPS framework in practice**

The SAPS framework was designed with the consumer at the centre in order to ensure that consumer protections and retail competition remain. However, Red and Lumo are concerned that as the consequential amendments to the retail market procedures are yet to be made by the Australian Energy Market Operator (AEMO), opening up SAPS across the whole of South Australia is premature. The areas identified by South Australian Power Networks (SAPN) in the consultation paper provide a solid starting point for the introduction of SAPS in South Australia.

However, since this is a new framework, it is crucial that the theoretical design be proven to also work in practice.

At this early stage, without the requisite AEMO Procedures, systems and processes are yet to be developed by retailers or SAPN. This includes understanding how B2B and business to market (B2M) processes will work. Undertaking a trial of the framework in the limited areas will enable all stakeholders to assess these elements, including what works well, what may be missing and what can be improved. Consequential changes can be made to the operational framework from these learnings. This approach of a softer introduction would help to gain consumer confidence in the program and confidence from industry as a whole—including DNSPs in other jurisdictions who will be assessing the suitability of SAPS in their networks.

### **Regulation and implementation**

In considering the development of the regulations to enable the limited introduction of SAPS, Red and Lumo query how this framework will link into other jurisdictional derogations and programs, as well as other national regulatory reforms.

We seek clarification from the Department regarding whether the Default Market Offer will apply to these SAPS. Further, will customers in SAPS be able to access the REPS scheme, and the SA Switch for Solar program. Finally, we seek clarity on how the regulations fit together with the SA Smarter Homes regulations. We look forward to working with the Department on the drafting of the regulation to ensure that it does not create any unintended consequences.

### **About Red and Lumo**

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and in the ACT to over 1.1 million customers.

Red and Lumo thank the Department for the opportunity to respond to its consultation paper. Should you wish to discuss this submission, please call Christophe Bechia, Regulatory Manager on [REDACTED].

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

**Ramy Soussou**  
General Manager Regulatory Affairs & Stakeholder Relations  
**Red Energy Pty Ltd**  
**Lumo Energy (SA) Pty Ltd**