

13 December 2013

Mike Philipson
Essential Services Commission South Australia
GPO Box 2605
Adelaide SA 5001

Submitted via email: escosa@escosa.sa.gov.au

Dear Mr Philipson

Re: NERL Review: Issues Paper

Lumo Energy welcomes the opportunity to make a submission in response to the Essential Services Commission of South Australia (Commission) NERL Review Issues Paper (Issues Paper).

Lumo Energy is 100% owned by Infratil Limited, a company listed on the New Zealand and Australian Stock Exchanges. Lumo Energy currently retails across the National Electricity Market and gas markets in Victoria, South Australia and New South Wales, and is one of the largest second tier energy retailers.

Lumo Energy is a member of the Energy Retailers Association Australia and is supportive of their submission.

When considering how best to review the National Energy Retail Law (NERL) it is important to recognise the original intent of the National Energy Customer Framework (NECF) and to test the proposals outlined in the Issues Paper against the original objectives as set down by the Standing Council on Energy and Resources (SCER).

The NECF was developed in recognition that energy is an essential service for all Australians and seeks to provide strong protections for Australians struggling to pay their energy bills. The benefits of the NECF were to include an expected increase in retail competition by reducing regulatory complexity and lowering barriers for energy retailers to enter into the market across participating states and territories. The NECF will continue to encourage residential and small business customer participation in a competitive market by providing strong and equitable customer protections and will operate in a complementary way with general consumer protection laws that apply in the energy sectors at both state and Commonwealth level, including privacy laws and the Australian Consumer Law.¹

¹ <http://www.scer.gov.au/workstreams/energy-market-reform/national-energy-customer-framework/>



Lumo Energy remains a strong proponent of the NECF and has consistently advocated for:

1. the timely uptake of the NECF across all jurisdictions;
2. a nationally consistent framework for consumer protections; and
3. the avoidance of unnecessary jurisdictional derogations.

These three principles assist to ensure all efficiency gains from streamlining regulation can be realised.

It is for these reasons that Lumo Energy is concerned with particular methodology approaches proposed in the Issues Paper which appear to be considered in isolation from other germane factors which may assist the Commission with conducting a more comprehensive review.

When considering the methodology approach, Lumo Energy asks that the Commission contemplate the following factors:

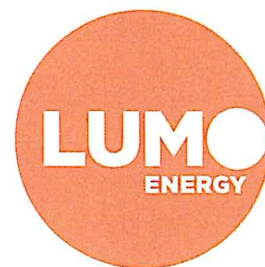
Benefits of a nationally consistent framework

By adopting the NECF it was expected that operational efficiencies would be gained by having a nationally consistent framework and one Regulator; thereby removing duplication of work. One perceived benefit of the NECF was the streamlining of reporting. By requesting additional South Australian specific reporting this potential efficiency gain is removed (noting South Australia's additional reporting requirements for telephone and written enquiries have already somewhat negated this benefit).

The Commission could in the first instance consider how to utilise data which will be provided via existing regulatory arrangements such as the annual reporting to the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC) annual price trend and the effectiveness of competition reports.

If there is a prevailing need for additional data then Lumo Energy would question why this data isn't already being captured by the AER or isn't considered of a national benefit; if the need is proven and quantified then Lumo Energy is supportive of providing relevant data on a nationally consistent basis.

Furthermore, delays across all jurisdictions in adopting the NECF have meant implementation costs have significantly escalated and the efficiencies of a single execution have been lost.



Retailing in a dynamic market environment

It is our view that drawing conclusions between the NECF, deregulation of pricing and retailer operating costs or margins will take a significant amount of effort for little benefit and be inconclusive.

There are many factors that influence and drive trends and the NERL review should be considered in tandem with all aspects. Energy affordability has widely been recognised as an increasing issue for Australians in general and increases in the general cost of living will have a direct impact on reporting indicators, such as disconnection and hardship rates. Lumo Energy would caution the Commission in drawing the conclusion that a 'step up change' from a reporting indicator is indicative of a potential failure of the NECF.

Additionally external pressures such as the carbon mechanism, Large-scale Renewable Energy Target (LRET), Small-scale Renewable Energy Scheme (SRES), network prices and the Residential Energy Efficiency Scheme (REES) have placed upwards pressure on energy affordability.

Conclusion

In determining the most appropriate methodology approach Lumo Energy would welcome the opportunity to participate in an open forum with the Commission and all interested parties (including NERL obligated distributors) to discuss this matter further.

Should you wish to discuss this submission, please do not hesitate to contact myself on 03 9976 5401.

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized capital 'A' followed by a long, horizontal, slightly wavy line extending to the right.

Aneta Graham

General Manager, Regulatory Affairs & Corporate Relations
Lumo Energy South Australia Pty Ltd