

31 October 2014

2015-2016 Retailer Feed-in Tariff - Draft Price Determination
Statement of Reasons
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Submitted electronically to escosa@escosa.sa.gov.au

Dear Sir/Madam

Re: 2015-2016 Retailer Feed-in Tariff: Draft Price Determination

Lumo Energy welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (the Commission) in relation to the Draft Price Determination regarding the 2015-2016 Review of Retailer Feed-in Tariffs (Draft Determination).

Lumo Energy is a member of the Energy Retailers Association of Australia, and supports their submission made.

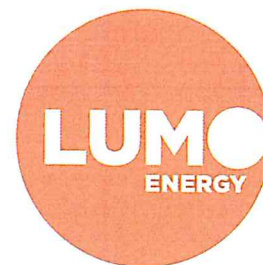
The Commission has made the draft decision to continue regulating the minimum Retailer Feed-in Tariff (R-FiT) as a lack of competition exists for solar customers. Lumo Energy strongly opposes this view as a strong level of competition exists for all customers in South Australia. Lumo Energy strongly believes that a light-handed regulatory approach is in the best interests for all customers in South Australia, to promote innovation and product choice in the market.

Switching as a measure of effective competition

Lumo Energy would like the Commission to re-evaluate their position of whether there is effective competition for solar customers and therefore the need to continue R-FiT regulation.

Lumo Energy considers that the data provided to the Commission should be divided between customers who receive the R-FiT alone and those who also receive the 44c or 16c Distributor-paid Feed-in Tariff (D-FiT) in South Australia. The Commission in providing their draft decision has only considered the overall churn rates for small customers with and without PV. In our view, the Commission should broaden their analysis to assess the churn rate for small customers without PV, customers with R-FiT only and customers with both D-FiT and R-FiT.

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Customers have different incentives to change retailers. Lumo Energy is firmly committed to customer service; as such customers who are receiving higher levels of customer service may not wish to switch. In addition, customers with accounts regularly in credit due to their exports to the grid may have less financial incentive to switch retailers. These customers are more likely to receive the 44c D-FiT. Therefore, in order to assess competition, the Commission must take into account the desire of customers to switch and which type of customer category they fall into.

Impact of regulation

Lumo Energy strongly believes that a light-handed approach to regulation is in the best interests for all customers in South Australia, to promote innovation and product choice in the market.

Whilst Lumo Energy supports a fair and reasonable FiT premium being applied to the generation of electricity exports, a deregulated market will enable the FiT to be set at the most appropriate economic value.

The Commission deciding to continue regulating the R-FiT may limit the product offerings and innovative solutions provided to customers over the next two years. Lumo Energy is concerned that by continuing this regulatory intervention, the ability for innovation in the market will be compromised. As such, Lumo Energy implores the Commission to reconsider their position on regulating the R-FiT for a further two years.

Should you have further queries about this submission, please do not hesitate to contact Stefanie Macri, Regulatory Manager on 03 9976 5604 to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to be the initials "AG" inside a circular flourish, with a long horizontal line extending to the right.

Aneta Graham
General Manager, Regulatory Affairs & Corporate Relations
Lumo Energy (SA) Pty Ltd