

7 November 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Submitted electronically

Dear Sir/Madam,

Re: GRC0027 Removal of Force Majeure Provisions in the DWGM: Draft Rule Determination

Lumo Energy welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Removal of Force Majeure Provisions in the Declared Wholesale Gas Market (DWGM) Draft Rule Determination 2014.

We are 100% owned by Snowy Hydro Limited. We sell gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland. We are currently one of the largest second tier retailers.

Lumo Energy lodged a submission in response to the initial consultation paper published by the Commission on this matter. The submission outlined that the removal of the Force Majeure (FM) provisions in the DWGM was inappropriate. Further, we raised concerns that removal of the FM provisions from the DWGM would only be appropriate in the full knowledge that the current market settings were set at the right level.

Whilst AEMO had reviewed the Cumulative Price Threshold (CPT) in 2013 to assess whether the pricing and market risk to market participants following the removal of the FM provisions was appropriate, our view was a review of this index in isolation was inadequate.

To fully assess the pricing and market risk to market participants in the DWGM following the removal of the FM provisions, the three market settings (CPT, Value of Lost Load (VoLL) and Administrative Price Cap (APC)) needed to be reviewed collectively, not individually. A review of individual components discretely (such as the recent CPT Review) was not appropriate and may lead to distorted results in any analysis, with unacceptable outcomes for the market.

The Commission acknowledged the concerns raised by Lumo Energy. As the Commission considered these matters outside the scope of the rule change, it was recommended we approach AEMO with these matters directly. Lumo Energy is currently consulting with AEMO to have these matters resolved.

We would like to take this opportunity to thank the Commission for its draft decision in response to this rule change. Additionally, we would appreciate the opportunity to contribute further in the deliberation of this matter. Should you have any further enquiries regarding this submission, please call Con Noutso Wholesale Regulatory Manager on 03 9976 5701.

Yours sincerely

A handwritten signature in black ink, appearing to read "Con Noutso".

Con Noutso
Wholesale Regulatory Manager
Lumo Energy Australia Pty Ltd

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