8 July 2013

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam,

Re: ERC0149: National Electricity Amendment (Annual Network Pricing Arrangements) Rule 2013

Lumo Energy welcomes the opportunity to make a submission to the Australian Energy Market Commission (Commission) in relation to the Commission's Consultation Paper for Annual Network Pricing Arrangements.

Lumo Energy supports the changing of the notification timeframes to allow retailers to thoroughly consider the changes to network tariffs and realize the best offers that we can provide to our existing and prospective customers. This will enable us to communicate changes to customers in a straightforward way in the appropriate timeframes. Lumo Energy believes that the rule changes proposed will increase pricing certainty which is in the long term interests of consumers with respect to price.

The Commission's had direct questions for stakeholders to respond to in the Consultation Paper, which have been appended to this submission.

Please do not hesitate to contact myself or Stefanie Macri on 03 8683 2427 to discuss this submission further.

Yours sincerely

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

Att.

LUMO ENERGY

Attachment 1 - Lumo Energy's responses to each of the questions posed by the Commission

Questions	**Lumo Energy's Response**
1) Is the assessment framework presented in this consultation paper appropriate for assessing this rule change request?	Lumo Energy considers that the assessment framework proposed by the Commission is appropriate for assessing the rule change request, however, it is considered that the 'predictability and stability' and 'stakeholder engagement' should be given more weighting in the assessment framework. These two elements contribute more directly to the National Electricity Objective as engaging with Retailers and reducing uncertainty will provide beneficial outcomes that will be in the long term interests of consumers with respect to price.
2) Are there any other key dates or inputs in the pricing process for TNSPs and DNSPs?	Lumo Energy has no comments in relation to this question.
3) Other than the question of timing, are there any other differences in the regulatory arrangements in Victoria which are relevant for the purposes of this rule change request?	Section 26.4(b) of the Energy Retail Code sets out the obligations on retailers to give notice to customers regarding changes in the retail tariffs. All customers must be given notice as soon as practicable, but not later than their next bill, with the exception of customers with smart meters who require 20 business days' notice prior to a variation to their tariffs.
4) What are the risks in requiring the TNSPs and in particular, DNSPs to publish their annual prices earlier than currently required? What are the consequences of these risks and can be adequately managed if the proposed rule is made?	Lumo Energy has no comments in relation to this question.

Questions	Lumo Energy's Response
5) Should the AER have a set timeframe in which to assess all DNSP annual pricing proposals?	Lumo Energy supports the AER having flexibility in meeting their obligations under the National Energy Rules (NER). Lumo Energy considers that the timeframe between the approval date and effective date should be 2 months, placing the onus on DNSPs to meet all obligations under the NER and have their annual pricing proposal approved by 30 April or in the case of Victoria, 30 September each year. This will provide the best outcome for consumers, as retailers will be able to thoroughly consider the changes to network tariffs and realize the best offers that can be provided to consumers.
6) Is there anything else involved in the AER approving a DNSP's annual pricing proposal? How much time should be allocated to the AER for this assessment / approval?	Lumo Energy has no comments in relation to this question.
7) How much time do retailers and jurisdictional regulators require for notification of network prices before finalising retail tariffs and notifying customers?	Lumo Energy supports the proposal for two months notification of final network tariffs. This timeframe provides Lumo Energy with the opportunity to understand and assess the changes and realize the best offers that we can provide to our existing and prospective customers. All changes must also be implemented in IT systems to effect the tariff change. Two months will also allow Lumo Energy sufficient time to communicate to our customers regarding any changes to their retail tariff, meeting jurisdictional timeframes, and providing straightforward information to customers regarding the reasons for the change.One recent example, the AER approved a pricing proposal on 7 June 2013, which became effective on 1 July 2013. This allowed retailers 16 business days to assess the network tariff changes, make decisions on retail tariffs, effect system changes and communicate to consumers. Historically, it has been as short as 9 business days between the approval and the effective date.
8) Is the proposed notification of	Lumo Energy strongly supports the notification period of two months between the approval of

Questions	Lumo Energy's Response
two months sufficient?	network tariffs and the effective date.
9) What type of consultation on level and structure of network prices would be useful to consumers/consumer groups and what benefit would there be?	Consultation on changes to the structure and pricing of tariffs is strongly supported by Lumo Energy. Historically, some DNSPs have provided information sessions to retailers on the changes that they have proposed. Lumo Energy notes the Commissions consideration of timing implications between the notification window and time allowable for consultation. Lumo Energy supports obligations of consultation being added to the process, but not to the detriment of the notification window of two months.
10) How much scope would there be for consultation on proposed annual network prices?	Please see the response provided to question 9. Lumo Energy has no further comments in relation to this question.
11) How useful is the current statement of expected price trends to retailers and consumers?	The statement of expected price trends could be a useful document for retailers and consumers to understand and anticipate price changes. In its current state, when coupled with fluctuations in the underlying transmission costs as well as cost pass through events, these documents are generally not at all reflective of the overall network pricing changes experienced by consumers, and therefore do not provide a useful indication to retailers or consumers. Lumo Energy supports consistency in the approach of DNSPs in the publication of this information and accountability for the information contained within the statements. It is expected that this will minimise the unexpected fluctuations in annual network pricing. As previously stated, retailers needed to assess and implement the network pricing changes within a short period of time and communicate these changes to customers. Although policy and regulatory changes are difficult to for DNSPs to include within statements of expected price trends, large changes in network pricing should be explained and understood by retailers and consumers. This will allow for retailers to understand changes that occur throughout the year and

Questions	Lumo Energy's Response
	be able to forecast when large changes will occur in the future.
12) What influences the statement of expected price trends?	Lumo Energy has no comments in relation to this question.
13) Should a DNSP's approval of its annual prices be linked to how accurately it can track the statement?	It is not expected that in every year DNSPs will be able to accurately link their annual price changes, due to policy and regulatory changes during the five year period. However, Lumo Energy suggests that where it varies the DNSP should provide information to retailers, consumers and the AER on why. This will allow the AER to review and scrutinise, where appropriate.
14) What are the key dates in the initial year pricing process of TNSPs and DNSPs?	Lumo Energy has no comments in relation to this question.
15) What is the best option to manage the first year pricing issue? Is it necessary to keep timings for the first year and subsequent years the same?	Lumo Energy does not consider that there should be any variation in the timing requirements between the initial and subsequent years in the pricing period. As stated under question 5, a two month notification period between the approval of network tariffs and its effective date, is in the best long term interests of consumers.