

NATIONAL ELECTRICITY LAW

SECTION 74

INFRINGEMENT NOTICE ISSUED TO

LUMO ENERGY AUSTRALIA PTY LTD

**TO: Lumo Energy Australia Pty Ltd (ACN 100 528 327)**  
**LEVEL 3**  
**565 BOURKE STREET**  
**MELBOURNE VIC 3000**

**Infringement Notice No.: AER02-2014**

1. The Australian Energy Regulator (AER):
  - (a) has reason to believe that Lumo Energy Australia Pty Ltd (ACN 100 528 327) (**Lumo Energy**) has breached clause 3.19(c) of the *National Electricity Rules* (**Electricity Rules**), as described in Schedule 1 to this Infringement Notice (**the alleged breach**); and
  - (b) has decided to serve this Infringement Notice on Lumo Energy under section 74 of the *National Electricity Law* (**Electricity Law**).
2. Clause 3.19(c) of the Electricity Rules is a civil penalty provision within the meaning of the Electricity Law.
3. The infringement penalty is \$20,000.

**WHAT CAN LUMO ENERGY DO IN RESPONSE TO THIS  
INFRINGEMENT NOTICE?**

4. Lumo Energy can choose whether or not to comply with this Infringement Notice. If Lumo Energy chooses not to comply with this Infringement Notice, the AER may commence proceedings against it in relation to the alleged breach. Lumo Energy is entitled to disregard this Infringement Notice and to defend any proceedings in respect of the alleged breach.
5. If Lumo Energy chooses to comply with this Infringement Notice, it must pay the infringement penalty. Payment of the infringement penalty must be received by the AER between the date this infringement notice is served and on or before 19 June 2014 (**the compliance period**).
6. If Lumo Energy pays the infringement penalty within the compliance period, the AER will not institute proceedings in respect of the alleged breach unless the Infringement Notice is withdrawn before the end of the compliance period.

## HOW DOES LUMO ENERGY PAY THE INFRINGEMENT PENALTY?

7. Lumo Energy may pay the \$20,000 infringement penalty in two ways:
- (a) by cheque made out to the "ACCC Official Administered Account",\* enclosing a copy of this Infringement Notice to:

Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

you should allow at least 5 business days for payment to be received

or

- (b) by electronic funds transfer to the following account:\*

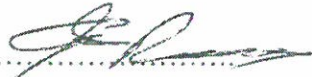
Account name: ACCC Official Administered Account  
BSB: 032-730  
Account: 146550  
Description: AER02-2014

you should allow at least 2 business days for payment to be received.

- \* Please note that the ACCC handles the receipt of infringement penalty payments for the AER.

8. Please allow sufficient time for your payment to be received within the compliance period.
9. Lumo Energy will be issued with a Tax Invoice following payment of the \$20,000 infringement penalty.

DATE OF ISSUE: 19 May 2014

  
.....  
Andrew Reeves  
Chair  
Australian Energy Regulator

## SCHEDULE 1

### MATTERS CONSTITUTING AN ALLEGED BREACH OF A RELEVANT CIVIL PENALTY PROVISION

#### Relevant rules

1. Clause 3.19(c) of the National Electricity Rules (**Electricity Rules**) provides that a Registered Participant must comply with the Market Management Systems Access Procedures.
2. Clause 3.19(a) of the Electricity Rules provides that the Australian Energy Market Operator (**AEMO**) may publish the Market Management System Access Procedures. On 1 June 2009, AEMO published these procedures in a document entitled 'Policy 020113: Electricity Market Management Systems Access Policy and Procedure' (**Market Management Systems Access Procedures**).
3. The Market Management System Access Procedures set out, among other things, the requirements a 'Participant' must comply with in order to be provided with a permanent connection to AEMO's Electricity Market Management Systems (**EMMS**). Under the Market Management System Access Procedures, the reference to a Participant includes a Registered Participant.
4. A component of the EMMS is the Market Settlement and Transfer Solution (**MSATS**) system. The MSATS system is administered by AEMO and facilitates the transfer of customers in the National Electricity Market (**NEM**). The MSATS system also contains data relating to each connection point in the NEM.
5. Market Management System Access Procedures also provide that AEMO may exempt a Participant from complying with those procedures.

#### Relevant conduct

6. At all times between 20 February 2012 and 19 May 2014, Lumo Energy was:
  - (a) a Registered Participant under the Electricity Rules and provided retail electricity services in Victoria, South Australia, New South Wales and Queensland; and
  - (b) not exempt by AEMO from having to comply with the Market Management System Access Procedures.
7. On 20 February 2012, Lumo Energy made changes to its IT network. These changes were made to provide the third parties Lumo Energy engaged to provide customer acquisition services (**Channel Partners**) with access to MSATS system through a password protected webpage. Access was limited to defined IP addresses belonging to its authorised Channel Partners through its firewall (**20 February 2012 Changes**).
8. On 28 August 2012, Lumo Energy also made changes to its IT network. These changes were made to address access problems experienced by Lumo Energy's Channel Partners with the MSATS password protected webpage. This involved making changes to Lumo Energy's firewall settings (**28 August 2012 Changes**).

9. The 20 February 2012 Changes and 28 August 2012 Changes resulted in Lumo Energy failing to comply with the Market Management Systems Access Procedures by allowing the following to occur:
  - (a) non-defined and unregistered/private IP addresses to be exposed to the MSATS system; and
  - (b) the transmission of unencrypted MSATS data over the public internet.
10. Allowing non-defined and unregistered/private IP addresses to be exposed to the MSATS system, Lumo Energy failed to comply with the following requirement specified on page 3 of the Market Management Systems Access Procedures:

Unregistered / private TCP/IP addresses must not be visible to [the EMMS]. Where participant organisations choose to use unregistered private IP addresses within their internal networks, they must ensure the addresses are translated to registered public IP addresses for accessing [the EMMS].
11. Allowing for the transmission of unencrypted MSATS data over the public internet, Lumo Energy failed to comply with the following requirement specified on page 3 of the Market Management Systems Access Procedures:

Participants must ensure that access to [the EMMS] is restricted to secured, dedicated servers. Apart from web-browser connections to web servers, direct access from user workstations is not allowed other than to support remote business continuity requirements.
12. The possibility of Lumo Energy's IT network allowing for the transmission of unencrypted MSATS data over the public internet is contrary to the requirement imposed upon it to ensure that access to the EMMS is 'restricted to secured, dedicated servers'. Further, the fact that access to Lumo Energy's MSATS webpage was password protected does not mean that access was 'restricted to secured, dedicated servers'. A password protection mechanism by itself is not secure. It may be susceptible to exploitable security vulnerabilities. It is also not a substitute for using industry standard virtual private network (VPN) technology.
13. Following discussions with AEMO, on 16 December 2013, Lumo Energy disabled its MSATS password protected webpage.
14. The 20 February 2012 Changes and the 28 August 2012 Changes resulted in Lumo Energy failing to comply with the requirements specified in the Market Management System Access Procedures at all times between 20 February 2012 and 16 December 2013, in breach of clause 3.19(c) of the Electricity Rules.