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National Electricity Amendment & National Energy Retail Amendment – Reducing Customers Switching Times Rule Change Proposal

Alinta Energy welcomes the opportunity to make a submission on the proposed rule change "*National Electricity Amendment & National energy Retail Amendment – Reducing Customers Switching Times Rule Change Proposal*" (**Rule Change**).

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, including 1,700MW of gas-fired generation facilities and 1,070MW of thermal generation facilities, and in excess of 1.2 million electricity and gas customers, including more than 620,000 in east coast markets. As such, we are well placed to provide comments on the proposed Rule Change Proposal.

Alinta Energy is supportive of changes to the market operation that aid customers in exercising their choice of energy supplier. This includes improving customer switching times. However, any changes to the market need to consider the whole of market effect to ensure any change is in line with achieving both the *National Electricity Objective* and the *National Energy Retail Objective*.

There remains some question as to whether AEMO has adequately considered or assessed the whole of market impact from its proposed changes. In particular the transfer of financial responsibility that occurs through the customer transfer transactional process.

Our overall concern is a question around the robust nature of the investigative work that has been undertaken by AEMO in support of the need for the rule change. AEMO's analysis of retailer processes, problems, inefficiencies and benefits that are stated in the rule change consultation paper rest on assumptions.

Also, the statistical, data and market behaviour information relied upon by AEMO in support of the proposed rule change predates the introduction of the Power of Choice reforms. Such an assessment under a completely different B2B architecture is not going to be representative of market operations today and is not going to reflect the issues facing the market at present.

The removal of meter read types (such as the next scheduled read) for use in customer transfers, introduces limitations on participants in managing customer transfers, noting that the meter read serves as the point of settlement when determining a change in financial responsibility for energy consumed at a site.

Likewise AEMO's proposal to separate out the appointment of metering roles such that retailers would be required to raise a separate request post completion of the transfer, only serves to introduce inefficiencies along with operational and administrative burden.

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While not supportive of the rule change in its current form, we understand AEMO could address the issues it has raised in support of the rule change through changes to its own procedures. This itself calls into question the validity and efficiency of addressing the issues raised via a rule change.

Our detailed comments are set out below.

Should you wish to discuss any aspect of our submission I may be contacted on (02) 9372 2600 or via email: shaun.ruddy@alintaenergy.com.au

Yours sincerely

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Transfer Times for Manually Red Meters

AEMO's rule change proposal proports that approximately 92% of manual meter readings are collected by meter readers on a standard quarterly cycle.

Therefore, approximately 92 per cent of customers with a manually read metering installation are likely to be able to transfer retailer sometime between 1 and 91 days after the 10-day cooling-off period.

AEMO also asserts that it is reasonable then to consider that many customers seek to change retailers shortly after receiving an electricity bill, which will have been generated following the most recent scheduled quarterly reading cycle. As a result, AEMO considers it likely that the typical timeframe for this customer group to transfer is in the 50-70 calendar day range (post 10-day cooling-off period).

The remaining 8 per cent of customers, whose meters are not read via the first quarterly cycle, will have to wait a further 89 to 91 calendar days until the next quarterly reading cycle, in hope that the meter can be read on that occasion.

AEMO's assumption / assertion fails to take account of the options retailers present to customers in the competitive market associated with the method and therefore timeframe of the completion of the transfer. Under the current market arrangements retailers are able to present options to the customer to facilitate a prompt transfer, this includes the use of special meter reads.

Retailers competing in the market actively manage and expedite customer transfers through the transfer pipeline. The statistics quoted by AEMO are not transparent enough to consider the other factors that can impact the average time-frame for transfer completion. In order to understand the complexity and issues impacting customer transfer times, AEMO should investigate the number of transfer requests attempts raised before the successful completion of a transfer.

Such a review would highlight that the underlining issues to facilitate transfers are complex and go beyond the issue of obtaining a meter read (or meter read type).

While AEMO has access to limited data from the market systems to use in identifying transfer completion timeframes, AEMO can identify and monitor transfer activity based on;

- The date in which a retailer submits a transfer request (Requested Date)
- The proposed date within the transfer request (Proposed Date)

If AEMO were to compare the timings between the Requested Date and the Proposed Date, it would be able identify that timeframes have significantly reduced since the introduction of Power of Choice rule changes, as have overall timeframes for customer transfers in the market.

The rule change also proports that a current retailer, or another participant at the connection point, may raise an objection once the change request has been made that cannot be

resolved until after the next scheduled meter reading, further delaying the transfer for the retailer.

However, under the CATS procedures, if a participant raises an objection to the transfer during the objection window (the objection logging window being one business day from transfer being lodged in the market):

1. the transfer status changes to Objected and waits the specified time-frame in the CATS procedures (The CATS procedures outline this Objection logging window is 20 Business days for Change Retailer transfers);
2. Once this period has expired and a participant has not lifted their objection then the transfer is cancelled.

The Objection process has no relationship with the next schedule meter reading.

Issues with the current Rule

National Electricity Rules – clause 7.8.9 (e)(1)

Clause 7.8.9(e)(1) of the NER requires that the MSATS procedures include provisions that enable a prospective retailer to nominate a new Metering Coordinator (MC), Metering Provider (MP) or Metering Data Provider (MDP) and enable those appointments to be recorded as effective at the same time as the completion of the customer transfer or, where requested by the prospective retailer, after this date.

AEMO state that role nomination and appointment in MSATS is supported by an objection process, enabling those parties being appointed to suspend the completion of a role change request. If the MC, MP or MDP roles are nominated as part of the transfer process, an opportunity arises for the parties nominated to object and delay or prevent the customer transfer from completing.

For example, an MC may not have agreed to be appointed to a particular connection point, or an MDP may not be suitably accredited to perform the role to which they are appointed. The objection suspends the proposed change request until such time as the objection is cleared or the change request is cancelled. However, given the nature of metering contestability it is expected that in order to nominate a contestable metering provider the FRMP and relevant accredited parties must have a commercial or deemed commercial agreement in place.

It is then not surprising that if a retailer nominates a metering provider for a site that they do not have a commercial relationship with that that metering provider has the ability to object to the role nomination.

AEMO has not considered the underlying problem that the rule is attempting to resolve, or the evidence of such issues presenting in the market. The rule allows a prospective retailer to nominate a prospective MC for the purpose of meter churn. The date at which these roles become active in theory could be prior to the physical meter being replaced however, in reality it is the date on which the meter churn takes place, and this is due to a number of reasons;

1. Meter Fault: During the transfer process and post the introduction of Power of Choice, there is a significant number of meter fault objections being placed on regulated assets. The prospective retailer trying to facilitate a transfer does NOT have visibility of this until a transfer is lodged and objected to in the market by the current LNSP/MC/MDP (Bad Meter is the Objection Code used). AEMO is able to report on

the volume of transfers objected to using this code since 2017 and therefore should have clear data on its materiality.

2. Customer and retailer agreement: Retailer product offerings are tailored for customers to be able to opt-in to a meter exchange and smart meter benefits as part of a sale and transfer. Some customers wish to have their meter exchanged at the point of transfer.

AEMO Procedure Changes

Meter reading methodology – Customer transfer processes are proposed to be amended so that they are not reliant on a meter reading having been taken prior (other than where a special meter reading is specifically requested). AEMO procedures will provide options which facilitate the delivery of a meter read immediately following the completion of the transfer in AEMO systems, including the use of remote, substituted and recently taken meter readings.

Meter reading methodologies, delivery and accuracy of metering data is currently covered under existing obligations in various AEMO procedures and under the current rules.

If the current rules are amended to remove the meter reading this will have fundamental impacts on the calculation of financially responsibility. (Table 4N - CATS procedures currently allow for multiple readings to be used such as Customer Read, Estimated Read, special Read, Next Read and NSRD)

The barrier that exists in AEMO's current procedures, is that they do not allow an MDP to provide these reads and complete a transfer on anything other than an actual deemed read. If the procedures were amended to allow an MDP to validate these readings in line with historical consumption and other methodologies currently set in the procedures, then the transfer will be completed on the proposed date.

Further, if AEMO placed a time-frame for validation to be undertaken then this would further support the expedition of the transfer process.

An issue with AEMO's current proposal is how will financial responsibility be calculated for a point in time with no reference as the basis for the calculation, no meter read at the point of transfer.

This element of the proposed rule change will have significant impacts on retail settlement, forecasts and network settlements.

The AEMO proposal is that special meter readings will continue to be supported, whilst the use of the Next Scheduled Read Date (NSRD) will be removed from transfer processes.

This contradicts a key objective of the rule change to facilitate timely transfers. Removing any method of obtaining readings including alignment to an NSRD will only add further complexities and restrictions on the transfer process by reducing or eliminating customer choice.

In order to facilitate expedited transfer in the market any and all methods of obtaining a meter reading should be considered as a vital improvement to the framework currently in place.

It is also likely that the Information Exchange Committee (IEC) would be required to consider changes to the B2B Procedures. Some consultation has already occurred with the B2BWG and a preliminary opinion has been formed that amendments would be required to the B2B

procedures including but not limited to the inclusion of a new transaction that would facilitate the loosing and winning retailer to coordinate and agree to reconcile meter reads and consumption when over or under estimation occurs.

The likelihood of this taking place in an effective and efficient manner is remote.

Removal of Barriers to Transfer Competition

It is proposed that the removal of notifications to the current retailer of a pending customer transfer will limit 'save' activity (where the current retailer uses the notification to contact the switching customer to encourage them to cancel the pending change of retailer). This will in turn reduce overall customer acquisition and retention cost. The view that notifications of pending transfers are used only for save's activity is a narrow one. Notifications can be used for multiple purposes, including but not limited to forecasting. Further detailed consideration should be given to the potential removal of this notification to fully understand all consequences from its removal.

AEMO's data and analysis that it based its rule change proposal on to address issues facing transfers in the market does not account for market activity post Power of Choice (2018 or 2019).

If AEMO wishes to remove the barriers to transfer completion, then a holistic examination of all existing barriers needs to be explored. For example:

- Meter fault notification and churn procedures;
- The use of objections by participants; and
- The current time frames between transfer lodged and proposed date.

This analysis should be undertaken before seeking to remove pending transfer notifications.

Process Efficiencies

AEMO state that under the rule change proposal the risk of a change request objection delaying or preventing the transfer from completing is substantially reduced, being limited to the certified debt objection requirement (which only applies in Victoria). For customers outside Victoria, a prospective retailer can guarantee a change of retailer on a specified or agreed date which could be the next business day, or in limited circumstances on a date in the recent past.

However, a retailer cannot guarantee this when other issues currently presenting in the market have not been addressed. For example, if a meter fault exists on a meter or a customer's meter display is not available, then a transfer still cannot be completed. Or where there have been ongoing estimated reads used at the customer's premises for billing. Alinta Energy would emphasise the importance that market and consumer confidence in the transfer process relies on an accurate measurement for both customer transfer and change in financial responsibility.

Move-in Costs and Inefficiencies

AEMO states that the current practice for issuing re-energisation service orders ensures that a move-in customer has a supply of electricity and that a meter reading is taken to enable the change of retailer role when they move into new premises. This approach can result in high costs to customers. Trends show that costs of service provision for re-energisation and reading are likely to continue to rise into the future for manually-read meters. This proposal provides an opportunity to revisit this process and to establish a framework which removes unnecessary work and reduces costs to customers.

However, our concern is not the cost of re-energisation of smart meters and manually read meter installations, it is the use of existing technologies that can reduce the need for complex and costly re-energisations to be undertaken in the first place. In all states outside of Victoria, there is no access to remote services as yet and therefor re-energisation requires a costly service to be undertaken in order to facilitate connection and reading.

This perceived cost impost can be addressed through the adoption of the use of remote services, or through the network determinations given the costs associated with these services is approved by the AER (and disconnection costs are punitive in New South Wales).