

1 August 2019

Mr John Pierce
Dr Brian Spalding
Ms Allison Warburton
Mr Charles Popple
Ms Michelle Shepherd
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Commissioners

RRC0031 – Reducing Customers’ Switching Times

EnergyAustralia is one of Australia’s largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

EnergyAustralia welcomes the opportunity to make this submission to the Australian Energy Market Commission’s (AEMC) consultation paper reducing customer switching times.

We support the intention of the proposed rule change. Improving the process in which customers transfer from their current retailer, will provide value to customers and put emphasis on retailers’ consideration of their ability to retain and attract. Reviewing the current regulations to establish if it is impeding customers’ potential savings was appropriate and opportune.

Although we support the driver behind the rule change, we do not consider that there is anything preventing AEMO from making the necessary changes to the customer transfer process as is. We believe that the proposed changes could create some unintended consequences and have concerns with how it would operate in practice. While, AEMO argues that the current customer transfer process may allow some parties to conduct ‘save’ activity, we do not believe that any changes should be focused solely on this. In considering any amendments to support streamlining the customer transfer process, the AEMC should look to if there are other limitations in the rules. For example, do customer’s value a 10-day cooling off period or should special reads be set at \$0.

Appointment of roles

AEMO proposes that clause 7.8.9(e)(1) of the National Electricity Rules (NER)– which provides for the ability for an incoming customer’s retailer to appoint Meter Coordinators (MC), Metering Providers (MP) and Metering Data Providers (MDPs) for a connection point in MSATS before a customer transfer is complete - be removed. AEMO’s view is that this clause enables these parties to object and contributes to the delay in customer transfer request from occurring.



EnergyAustralia

LIGHT THE WAY

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

We are aware that in the current market there are some MCs that may refuse to establish a contractual relationship with all retailers. This causes unnecessary delays and objections which are detrimental for customers.

We consider that the proposed amendment to 7.8.9(e)(1) would address this behaviour, in so far as requiring bilateral agreements for notification between retailers, MC, MP, and MDPs, and force parties to have contractual relationships with all retailers. With appropriate agreements in place the only objections would presumably be for acceptable reasons; as an example, metering concerns on ownership of Current Transformers.

Notwithstanding, we encourage the AEMC to consider more broadly the consequences of amending this clause and whether it will actually go some way to address the identified issue – that is delays of transfers. For example, removing this notification will remove the initial driver for a lot of retailer, MC, MP, and MDP action, will result in additional communication requirements, and the likely increase in inefficiencies.

In addition, there will still be transactions available to market that provide notification of a pending transfer to MC, MP, and MDP, and potential retailer. For example, take a customer who has signed up to a new retailer. If that customer has a basic meter, which is the responsibility of a contestable MC, a market transaction for a special read is raised for the start read. While there will be no change request transaction pending (as proposed by AEMO), it could be easily assumed that the customer is churning out and the current retailer could attempt to win the customer back.

We are also concerned that this proposed change will impact activity – such as identifying transfer in error prior to a transfer completing. The alternative to resolve these would be via the erroneous transfer process, which relies heavily on off-market communication between retailers. This process of communication is not effective and routinely results in delays and a corresponding poor customer experience. The AEMC must consider the impacts and likely increase the proposed rule change will have on the erroneous transfer process, and what additional changes would be required to streamline the process and address poor retailer behaviour.

'Saves' activity

We note that there has been a focus on reducing the practice of customer saves. That is, where a retailer is notified that a customer is transferring out, some retailers may choose to contact that customer and offer them an incentive to stay. It is understandable that this behaviour is viewed as not in the best interest of all customers, as offers are provided only at the time of customer churn. Though, it could be argued that customers receiving the save activity benefit from an incentive that they may not actually receive by going to a new retailer. As such, a perverse outcome could be that the customer would have actually benefited by being saved. However, we do agree that an increased emphasis on winning and retaining customers, rather than a 'saves' model is in the better interest of customers.

The AEMC should consider the lessons from other jurisdictions with similar models to what AEMO is proposing. Great Britain does not provide notification to the losing retailer or new participants prior to the transfer having completed. However, this has had no impact on the market where the retention/saves activity is widespread and occurring after the transfer.

Clarifying the meter read options

Reliance on the Next Scheduled Meter Read (NSRD) as part of the transfer process has some significant and obvious issues, particularly when type 4a, 5, and 6, meter reading frequency is set at 90 days. It is unreasonable for customers to experience a delay of this length when they have requested a transfer to a better offer from another retailer.

The Advanced Meter Installation (AMI) rollout in Victoria and the Power of Choice reforms have hastened the roll out of remotely read meters that are not reliant on the NSRD for transfer purposes; however, 69% of meters in the NEM are still accumulation meters or interval meters that require physical reading.

EnergyAustralia is very supportive of improving the transfer limitations of the current NSRD; however, strongly believe that the proposed rule change will open retailers to significant financial settlement risk and a corresponding increase in direct and indirect pass through charges to customers. Factoring in the reason for the rule change is fundamentally to achieve a saving for customers, as such, it is paramount that the AEMC factor in the actual benefit and potential negative consequences of the proposed rule change.

Allowing customers with manually read meters to transfer without the requirement of NSRD, will result in an increase in special meter reads, customer own reads or estimations used for final reads.

Customer own reads are suitable for type 6 basic meters, if customers are provided with a suitable format for obtaining and sending the meter reading. A lot of retailers offer this functionality in their mobile apps, enabling customers to take a verified photo of their meter. Any requirement for retailers to request customer own reads will impose an increased liability risk resulting from any potential harm that a customer may experience by obtaining a reading; EnergyAustralia believes a risk averse position is appropriate.

Issues also arise when customers have type 5 Manually Read Interval Meters or type 4a Communications Disabled Interval Meter, as the meters are more complex for customers to understand, obtain, and provide; for example, a customer that is on a time of use tariff.

The proposed option of allowing estimations for final reads is one that provides an avenue to transfer where there are issues with meter access, meter read accuracy, or other parties objections; however, EnergyAustralia's extensive customer surveys have consistently reported customers dislike for estimations used in billing.

Dislike for estimations is predominantly based on the consistency of inconsistency. If an MDP does not have a minimum of 12 months historical consumption, there is no way to accurately determine the estimation. Additionally, any changes at a customer's premises - new appliances, more/less people in the household - will result in a change to historical consumption. The AEMC should consider how accurate estimations have been historically, and how to address the negative impression customers have of estimations. A solution could be using different terminology, for example 'mutually agreed start'.

Any increase in estimations used for final billing will raise significant financial risk for retailers. AEMO has proposed that any undercharging that is not materially high

(>200kWh), should be worn by the retailer. There will be no similar obligation for overcharging - as any amount overcharged must be refunded to the customer. It is unclear why AEMO has elected to suggest a kWh limit over a monetary value; regardless, any incapacity for a retailer to rebill undercharging will result in loss to the business, ultimately needing to be recouped, and resulting in increased costs for all customers.

Error correction and management of concurrent transfer change requests

EnergyAustralia appreciates that any impacts to transfers from the proposed rule will be reviewed as part of AEMC and AEMO's consultation, we are confident that all intended and unintended consequences will be identified via this process. We would like the same consideration to be had on the additional consequences of the rule change, such as the expected increase in special meter read fees.

Other considerations

There are changes that can be made to the current regulations that will achieve the desired result of the proposed rule change, without the significant risk to retailers and corresponding impacts on customers' retail offers. The alternative options below consider the direct and indirect financial impact to a customer as the priority:

1. Reduce the cost of a special read to \$0, with the actual cost of special reads to be recouped via distributors and MDPs through other means. The cost of special reads is a significant barrier to requesting them more regularly when a scheduled read is not readily available. This would not require any procedural amendments by AEMO, would enable customers to transfer in a timely manner, a more even cost dispersion, and reduced liability/risk for retailers.
2. Increasing the interval of the NSRD, from 90 to 30 days. The proposed rules could be adapted in line with the shortened timeframe, still allowing estimation on recently read, and to require a special read to occur if a customer was >10 days from their previous and not <10 days from their NSRD. This would render the significant delay that can be experienced because of the current NSRD process inconsequential. Any consideration of this would need to factor in the future reduction in basic meters as more type 4 meters are installed.
3. Require retailers to conduct a simple cost benefit analysis comparing a customer's financial benefit if they transferred before the NSRD. If the benefit of the transfer is greater than the cost of a special read, then require the current retailer to either allow the transfer on estimation, raise special read at no cost to the customer, or wait for the NSRD with a requirement to provide a credit to the customer in lieu of the expected saving.
4. Ensuring the AER have more oversight of objections and increased enforcement powers when objections are deemed to be not in a customer's best interest. The AER should be reviewing objection data more frequently and taking note of trends that are leading towards inappropriate behaviour. It is apparent that increased oversight and enforcement by the AER would be an additional alternative to any of the proposed rule changes, as the changes are partially made to deter poor behaviour and misconduct by market participants.

Summary

We agree that significant improvement to the customer transfer process would result in better outcomes for customers. However, we believe that this can be achieved without the proposed changes to the rules or through different amendments. A detailed assessment of the cost benefit analysis will be essential for this rule change proposal including; reviewing historical transfers, the savings customers would have received with current market offers, and assessing whether the proposed rule change will achieve these benefits with all consequences considered.

If you would like to discuss this submission, please contact me on 03 8628 1704 or Travis.Worsteling@energyaustralia.com.au.

Regards

Carmel Forbes

Industry Regulation Lead