



1 August 2019

Ms Lisa Shrimpton
Senior Advisor
Australian Energy Market Commission
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Dear Ms Shrimpton,

Reducing Customers' Switching Times – Rule Change (RRC0031/ERC0276)

Origin Energy (Origin) appreciate the opportunity to respond to the Australian Energy Market Commission's (the AEMC) consultation paper relating to changes that could be made to the retail transfer process to reduce the time it takes for a customer to switch retailers.

The Australian Energy Market Operator (AEMO) has submitted a rule change request to improve the existing customer transfer process and to address recommendations from the ACCC Retail Electricity Pricing Inquiry.

Origin support the objective to transfer customers in the shortest possible timeframe by utilising existing market systems, billing and customer management processes and systems, where practicable and cost effective. However, Origin note that transfer related customer complaints with regards to delayed transfers, are minimal. This is in the face of increased competition and increased levels of customer switching.

We are concerned that the changes proposed by AEMO will result in significant modifications which will be costly for retailers and ultimately customers. For this reason, it is imperative that the AEMC ensure that any changes to the rules are supported by a clear quantitative assessment that shows that the market and consumer benefits clearly outweigh the industry costs.

AEMO's rule change request seeks several amendments to the National Electricity Rules (NER) and National Energy Retail Rules (NERR) to support operational changes to the Market Transfer and Settlement (MSATS) and Customer Administration and Transfer Solution (CATS) procedures so that the only item that can be nominated for change at the customer transfer date is the retailer role.

Specifically, AEMO propose to remove clause 7.8.9(e)(1) of the NER. As a result, the MC, MP, MDP roles would not be able to commence until after completion of the retail transfer. AEMO argue that the existing role nomination in MSATS enables those parties to object to a customer transfer and hence delay or suspend a transfer request from occurring.

In addition, AEMO propose to remove the option of a Next Scheduled Reading Date (NSRD) in MSATS for a retail customer transfer. As a result, estimated reads will be the principal measure for the transfer of customers with an accumulation meter.

We recognise that the changes proposed by AEMO should reduce transfer times for customers with an accumulation meter. However, there are practical reasons why the NER includes conditions around parties being able to decline a role nomination and for customers to transfer based on a NSRD.

Nominated parties will not always have a contractual arrangement with a prospective retailer. Removing the ability to object prior to the allocation of roles is necessary to allow parties to appropriately manage their contractual and operational risks. We believe that it is inappropriate to expect a commercial entity

to deliver services to a third party when it has no contractual protections for the delivery of those services.

Furthermore, we do not consider that the rule change proposal in its current form makes adequate provisions for how the financial risks will be allocated between parties by removing transfers based on a NSRD. Under the proposed arrangements, there is no adequate mechanism that addresses anomalies in usage between meter reads. As a result, where a customer's circumstances change (such as the installation of new appliances or they go on holidays) it is not clear how the change in usage will be allocated between the outgoing and prospective retailer.

While we support initiatives to reduce customer switching times, we consider that the proposed rule change introduces unnecessary risk and costs for the parties involved. Ultimately, we believe that the increasing proliferation of smart meters will progressively diminish the need for the proposed rule change.

We believe that a practical approach to expedite customer switching times could include allowing customer transfers on the basis of a customer self-read and allowing all parties to object except the outgoing retailer. We consider that this provides a reasonable balance between the policy objective and the costs and risks to the industry.

Origin's response to the questions raised in the Consultation Paper are set out below.

Question 1:

Do you agree that Clause 7.8.9(e)(1) of the NER restricts the delivery of the proposed changes to the customer transfer procedures and process?

Origin does not agree that the nomination of roles prior to a transfer restrict a customer transfer from happening in a timely manner. This is because:

- retailers have contractual agreements with parties to perform the MC, MP and MDP roles. It is important that a party is allowed to decline from taking responsibility for a site when there is no contractual arrangement in place with the incoming FRMP;
- if an objection is raised, this is only relevant to smart metered customers. This is because the DNSP is the MC for accumulation meter sites until a smart meter is installed. Given the objection is only relevant to smart metered customers, the prospective retailer has the ability to resolve the issue as soon as practicable and the customer can transfer the next day;
- we are not aware of any MC who is currently charging separately for MC services as there are processes in place to ensure all market roles are correct prior to the transfer occurring. If the ability to object is removed, MC's will need to develop pricing proposals to accommodate these cases. These costs will need to be absorbed by customers; and
- once a customer is transferred, there are complexities in terms of time, systems and processes to seek the prospective retailer to amend MSATS to correctly reflect the metering responsibilities for the premises. The incentives to correct the MC are significantly reduced.

Obligations on current MC's to provide transfer data

We do not agree with AEMO's proposed obligation of requiring the current MC to obtain the data (ie estimated read) for a transfer for the following reasons:

- there will be little incentives on the current MC, through the MDP, to provide the data in a timely fashion. MDPs can respond and reject requested services for a number of reasons including "no access to the meter" or "dog on premises". This would then delay agreeing another read type;
- MDPs provide estimates based on usage at the premises for the same period of the previous year. Any inaccuracy or anomaly is addressed via a 'true up' of usage when an actual meter read is taken. Therefore, there are higher risks of MDP estimates under or over estimating usage;

- the current retailer is likely to accept any higher MDP estimates that are provided as they are unable to recoup any undercharged or alternate metering costs associated with the transfer;
- retailers incur additional costs for reading meters for which they are an MC. Origin is MC for type 4A meters where smart meters have been installed, however they have been installed without remote comms. These are known as MRAM meters. The costs of reading MRAM meters are significantly more expensive off cycle. If the prospective retailer made the decision that a MRAM read would be the most appropriate meter read option, the customer would be required to pay the MC's costs. This cost would not necessarily be transparent and would vary from MC to MC; and
- there is a missing link of how reads such as estimates will be published from the current MC to the new MDP so that networks can issue correct network bills.

It is unclear to Origin whether the current retailer or the prospective retailer will be responsible for assigning the read type for the transfer. This requires further consideration and is discussed further below.

Proposed removal of CR1500

The proposal to remove CR1500 means an entered transfer will go through to completion without requiring confirmation of metering roles prior to the transfer. However, the CR1500 allows time for validation of parties, meter data, and dates. Therefore, it provides a valuable check mechanism.

Origin suggest the time out period of 220 days for the pending status be reduced. This would in turn provide notification back to the prospective retailer that the Change Request will not progress in the market.

Increase in the number of 'error' transfers

We believe transfers and complaints in relation to error transfers are likely to increase. Only the prospective retailer can cancel a transfer and they may have limited ability and time to correct a transfer if a customer changes their mind during the cooling off period. If the cancellation is not promptly entered in MSATS, the transfer will complete and the customer will have transferred in error. Origin consider the proposed 12 days for a transfer is too short and needs to be reviewed.

It should be noted that customers may sign up with a prospective retailer, however all the details regarding the pricing and plan information may not be provided to the customer until some days later. Origin's experience is that it is only after receiving these documents that they consider whether there are other options available to them. By this time, the cooling off period has already commenced and it reduces the number of days in which a customer can change their mind and request a prospective transfer be cancelled.

Removal visibility of Next Schedule Read Date (NSRD)

Origin does not support AEMO's proposal to remove the option of a Next Scheduled Read for a change request in MSATS. It will be difficult to manage customer expectations, determine the best alternative meter read option and it will result in significant back office administration.

Origin question whether there are customers who prefer to transfer on the NSRD and provide access around the NSRD timeframes to allow for an actual read to be obtained. It also raises the question whether a customer would choose a NSRD read for a transfer over an estimated read if it was known that the NSRD was imminent.

Removal notification of Pending Transfer

Removing notification of a pending transfer, removes the ability of current retailers to manage those customers that are most at risk of falling into debt or customers who are uncertain who they have signed with.

If a customer is a hardship customer, once they transfer, they are no longer eligible for the hardship support of their previous plan. The notification of intention to transfer will allow the retailer to contact that customer to discuss their options if they wish to leave the retailer. This gives the hardship/vulnerable customer an opportunity to assess debt repayment options and minimise the possibility of entering into a new contract that does not recognise a customer's hardship status.

Marketing approaches

Some retailers are moving back to the more traditional marketing practices of door-to-door activity as well as presence in shopping centres where customers can sign up on the spot. Signing customers up this way can lead to confusion for some customers as they forget who they signed up with and ring the current retailer to find out. Retailers would neither be able to tell them who they signed with, whether they are on the best offer and who they would need to call if they wanted to cancel the transfer with the prospective retailer. Removing visibility of a customer transfer will make the customer management process very difficult.

Question 2:

Are there any impacts from removing Clause 7.8.9(e)(1) from the NER and allowing the MC, MP or MDP roles for a metering installation to be nominated in the procedures but as a separate request or in parallel to a retail customer transfer?

Origin does not support allowing the nomination of MC, MP or MDP to be through a separate request or in parallel to a retail customer transfer. The risk of information not matching in the procedures and the customer transfer process is heightened. Missing or incorrect information could then lead to a wrongful disconnection.

Further, separate transactions could potentially lead to misalignments in roles with the FRMP role being assigned, however the retailer is unable to bill until MC/MDP or MP start date.

All of this could lead to a poor customer experience and customer unrest that the retailer has not provided satisfactory services. Customers are not actively engaged in the market to know that many of these services are subcontracted to other parties.

Question 3:

Are there any unintended impacts from removing or clarifying Clause 7.8.9(e)(2) of the NER and including the requirement in AEMO's meter churn procedures?

Clause 7.8.9(e)(2) of the NER requires that the MSATS procedures include provisions that enable the installation of metering equipment as soon as practicable after a customer transfer to a new retailer.

Origin does not support removing 7.8.9(e)(2) of the NER. Origin has a concern that it could lead to a failure of replacement meters being installed on time which may lead to loss of supply and compensation claims. MSATS operates in near real time, whereas AEMO's processes can be subject to delays and backlogs. We have a real concern that moving the requirement to AEMO's meter churn procedures could lead to increased complaints and transfer issues for both customers and the market.

Question 4:

Are the existing provisions in the NERR related to customer billing impacting consumers utilising alternative meter read options and switching electricity retailers in a timely manner?

Origin believe that the number of timely transfers is only increasing as the number of smart meters deployed are increasing. While some minor improvements to the switching process could be made, the long-term solution to materially improving both the timelessness and accuracy of customer transfer remains the deployment of smart meters.

Alternative meter reading approaches

Special reads

Origin support the use of special reads to expedite a transfer for in situ customers. The use of special reads for a transfer is a generally available option, however, this does attract additional cost. Assuming the alternative control service costs associated with special reads are set at an economically efficient level (approved by the AER), there exists the option to accelerate a transfer by lodging a special read.

The proposed rule change notes that the costs associated with special meter reads have risen. These are a network determined fee. Origin questions whether special meter reads should be classified as standard control services and a single NEM wide fee applied to provide consistency in the provision of this service.

Transfer on estimates

Transferring customers on MDP estimates may appear to be one solution to accelerating the transfer process, however, the complexity involved increases the likelihood of higher costs in the long term with limited benefits in terms of more timely transfers. Furthermore, the objective of maintaining accuracy and data integrity in the transfer process is more likely to be compromised.

We are not supportive of allowing transfers on estimates for the following reasons:

- generally, the party responsible for providing the estimate (i.e. MDP), has limited exposure to the risk of an estimate being incorrect and is unlikely to be involved in resolving the error with the customer;
- the use of an estimate will require customer consent, adding to the regulatory burden on retailers and introducing a new process into the customer transfer requirements to the extent these are not currently incorporated in each retailer's systems and terms;
- the cost of disputes will increase, since there will likely to be far more estimated reads in use, which may paradoxically, delay a customer transfer unnecessarily if a scheduled read is taken in this time;
- if challenged in the future, the settlement of differences among parties will lead to additional costs that will be ultimately be reflected in higher prices; and
- there would be changes required to the NERR and participant information technology systems to support routine transfers on estimates.

Given these reasons, we do not believe any incremental benefits gained (ahead of the installation of smart meters) would exceed the cost of allowing routine transfer on the basis of an estimated read. It would require significant changes to existing processes and systems that are likely to be costly for industry and AEMO.

Customer self-reads

Increases in customer self-reads have been facilitated by the AEMC Rule change in 2018 allowing small customers who receive an estimated bill to adjust their bill by providing their own reading of their meter. Instructions are provided to the customer on how to read the meter, with the meter reading validated by a digital photograph of the meter. Industry has already committed a significant investment in new processes and procedures to manage customer self-reads and ensure that that customer receive bills that more accurately reflect their consumption.

The ability to upscale current processes to allow transfers based on validated customer self-reads could be further investigated. Origin believes that this is a fairer and more accurate process than allowing estimated reads.

Transfer on Actual Read (retrospective 15 days)

Origin support the use of actual reads for customers transfers. Actual reads provide the most accurate form of meter data for a transfer and ensures that customers are billed based on actual usage.

AEMO propose to allow meter reads provided in the 15 calendar days prior to the proposed customer transfer to be used without requiring an agreement from the current retailer (i.e. if a meter read is taken and a request for transfer comes within 15 days after the meter read).

Generally, this proposal appears reasonable. However, specific work would need to be undertaken with settlements and network billing to ensure there are not unintended impacts for allowing such transfers.

Question 5:

Is there any evidence to suggest that customers with manually read metering installations would not take up alternative meter read options to transfer retailers in a timely and seamless manner?

Origin suggest that the majority of customers will find it difficult to understand the meter read options available to them or the method of meter reading for a transfer that would provide the greatest accuracy for the purpose of a transfer.

Whilst alternative meter read options may be transparent, a prospective retailer may not be clear on which alternative read type (compared to a scheduled actual read) would be best to apply in each particular case. Certainty with respect to this may be acquired over time, but it would seem this option will create additional costs as each retailer has to investigate the availability and cost of alternate means of acquiring meter reads, for each relevant distribution network and associated MDP in which it markets electricity.

While retailers may be incentivised to explore alternatives to scheduled actual reads in order to accelerate a transfer within the shortened timeframe, such incentives are not efficient if the impacted party (the prospective retailer) is unable to manage or influence the risk of non-performance. The costs of alternatives again may be borne by the prospective retailer, which may have consequences for competition in the retail electricity market. Origin again questions how it will ever be proven whether an estimated read at the time of transfer is correct or not.

A theme with the Consultation Paper is the misallocation of risk to a party who is not ideally positioned to manage these risks. Since the cost, management and delivery of conventional (scheduled) and alternate (estimated, special) reads are not determined by retailers, it would appear this option fails this criterion and does not support dynamic efficiency.

Question 6:

Based on AEMO's proposed high level design and changes to the existing procedures, are clarifications required to clause 21(1) of the NERR to remove ambiguity about issuing final bills on estimate metering data?

Origin believe that it would be essential that the customer agrees to the estimation of the bill to ensure that the customer fully understands the implications of transferring retailers based on an estimated bill. In the above clause 21(1) of the NERR, the clause is set up as 'or' so there would be the potential for the retailer to imply that a meter reading is not available and undertake a transfer based on an estimate without the customers consent.

Other limiting circumstances for an estimated bill would include that estimations could not be utilised for a move-in customer (the load and usage profile of the previous occupant could be very different to a new occupant) and estimated bills would be limited to manually read meters. There should be no ability

for smart metered customers to utilise estimation processes given the frequency in which data is provided to smart metered customers.

Question 7:

Are additional provisions required in the NERR to address overcharging and dispute resolution arrangements in situations when a retail electricity customer has transferred using estimated meter reads?

It is noted that AEMO propose the current retailer should be required to adjust a customer's bill when a material inaccuracy in an estimated meter read resulted in a materially higher final bill to the customer.

Origin question: (1) who has the responsibility to review a bill in the circumstances that a customer has not transferred on an actual meter read; and (2) how it will ever be possible to determine if the MDP estimated meter read was correct at the time of transfer. Once a customer leaves a retailer, contracts are terminated and the requirement for a customer to cooperate with a retailer is severed.

A bigger issue for a retailer is that when a customer switches retailer or moves, the current retailer has no details as to whether the customer is the same or a new customer has moved into the premises. This adds to the administrative burden of managing accounts and transfers.

Origin strongly oppose the proposal that the current retailer would not have the ability to re-bill if the customer was found to be undercharged. This is inconsistent with the principles of the market and the NERR which allow for the recovery of undercharges where it is found that bills are incorrect. The removal of such provisions from a customer transfer will open the market up to possible gaming by customers. For example, where a customer consents to the transfer mechanism that will give them the lowest bill, knowing that they will never have to repay any difference identified.

If transfers occurred on a customer validated self-read or an actual read, there can be little or no disputes as to the read at the time of transfer.

Customer consent

Section 57A of the NER was designed to provide a dispute mechanism so that a retailer could resolve any concern around lack of Explicit Informed Consent on the customer's behalf. This provision would need to be reviewed in light of the proposal of alternative meter read options and the MC performing the reads.

Question 8:

Is there any additional information requirements needed for a customer to transfer retailers using different forms of meter reads, including self, last billable or estimate meter reads?

Model terms and conditions would need to be reviewed to ensure any changes to the NERR are reflected in the terms and conditions.

The change request codes in MSATS would need to be amended to include the type of read raised to allow the transfer. This would need to be recorded in the event discrepancies or disputes arose.

If customer self-reads were to be included as a means to transfer retailers, provisions would be needed in systems to store photo evidence of self-reads.

The set up of customer credit and payment plans would need to be reviewed. If a customer has set up a payment plan, or predicable monthly payment schedule with their retailer, they may have been billed and paid for energy based on those arrangements outside of a quarterly read. Conditions are placed on these arrangements with additional direct payments made on bill dates. System and process changes would need to be made to set up for ad hoc transfers.

Question 9:

Are there any other matters that should be considered in the proposed assessment framework for this rule change request?

Origin believe that the materiality of this issue to consumers and industry needs to be a key consideration in the assessment framework.

As previously discussed, Origin note that transfer related complaints, in particular with regards to delayed transfers, are minimal. Delayed transfer complaints were approximately 1 per cent of total complaints in NSW in 2017-18, 1.5 per cent in Victoria and 0.1 per cent in Queensland for the same period¹. Origin suggest the number of complaints are not material enough to require significant changes to current regulations and the accompanying processes.

Closing

While there may be interim solutions that could address some existing problems, the clear long-term solution is the introduction of smart meters. Alternative measures such as customer self-reads and transfers based on estimates have real potential to increase complexity and cost and may add to customer confusion in relation to the switching process. Origin look forward to working further with the AEMC and AEMO to work through each of the above issues.

Should you have any questions or wish to discuss this submission further, please contact Caroline Brumby on (07) 3867 0863.

Yours sincerely



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¹ Qld: Total complaint cases received 10,328, 11 delayed transfer complaints, 8 objection on by a retailer 2017-18, NSW: total complaints 26,416, total transfer complaints 2,339, delayed transfer 319, reject by a retailer 2017-18, Vic: 34,524 case complaints received, 4077 total transfer complaints, 542 delayed complaints in 2017-18.