



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



11 November 2019

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Pierce,

Re: National Electricity Amendment (Reducing Customer's Switching Time) Rule - Draft Determination (ERC0276/RRC0031)

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Commission (the Commission) on the Draft Determination for the National Electricity Amendment (Reducing Customer Switching Times) Rule (the draft determination).

Red and Lumo strongly support retail competition, and customers being able to access their chosen retailer's product promptly. We continue to support the goal of the draft determination to improve customer switching times. However, upon review of the draft determination, we consider that there are unintended consequences within the draft rules that detract from achieving a quicker transfer. Namely, we disagree with the Commission's draft determination to delete rule 7.8.9(e)(1) as this will add inefficiencies in the transfer process. Additionally, we do not consider that the Commission should endorse the use of estimated reads for customer transfers as this too will create inefficiencies and complexity. We consider that transferring on estimates has the potential to reduce confidence in the retail market, a view shared by the Commission in 2018¹.

Notwithstanding the costs to implement the Procedures component of the change, we consider that there are some costs in implementing the rules. To this end, we consider that there is a need for the Commission and the Australian Energy Market Operator (AEMO) to work together, to ensure that the costs do not outweigh the benefits. Implementation of a cost effective and efficient overall outcome, will deliver to the long term interests of consumers.

¹ Australian Energy Market Commission, Estimated meter reads, Consultation Paper, 17 May 2018, pp. 6

Role appointment in the transfer process

Red and Lumo do not agree with the Commission's draft determination to remove rule 7.8.9(e)(1) as it will add inefficiencies and operational complexity into the transfer process.

Currently, retailers satisfy their obligation to appoint a metering coordinator to be responsible for their customer's metering installation, as required in rule 7.2.1, through the customer transfer process. The Commission considered that there would be significant detriment if a retailer did not appoint a metering coordinator so this obligation is a civil penalty provision. Retailers undertake a competitive process to appoint a metering coordinator who provides their customers metering services.

Customer transfers are a high-volume transaction, which AEMO's issues paper notes to be approximately 213,000 customer transfers a month². Adding an additional 213,000 metering coordinator appointments a month, in order to achieve retailer compliance with rule 7.2.1 is inefficient. The removal of rule 7.8.9(e)(1) is littered with unintended consequences that add operational inefficiencies, such as additional transactions, and appear to be in contrast with the National Electricity Objective. We recommend that this rule is reinstated to ensure that retailers maintain efficiency in appointing themselves and their selected metering coordinator in the roles to enable the customer to be transferred effectively and efficiently.

Use of estimate reads

The use of actual meter data is a cornerstone of the energy market with regards to the settlement of the wholesale market, the billing of customer invoices and the settlement of network charges. Actual reads can be obtained through a special read, a customer self-read or through the use of a retrospective actual read.

We are concerned that there remains little to no examination on how the potentially widespread use of estimated reads as a basis for customer transfers will impact on these as well as its potential impact on new initiatives such as 5 minute settlement and global settlement.

Red and Lumo echo concerns raised by the Commission in 2018 about the potential negative impacts of the use of estimated reads for customer transfers. The Commission considered "the introduction of estimated reads for in-situ transfer would not significantly improve transfer times and would likely reduce customers' confidence in the retail market."³ Consistent with this determination, and the Commission's 2016 review into switching, we strongly urge the

² Australian Energy Market Operator, Customer Switching in the NEM issues paper, October 2019, pp.10

³ Australian Energy Market Commission, Estimated meter reads, Consultation Paper, 17 May 2018, pp. 6

Commission to participate in the AEMO Procedure change process to ensure that estimated reads are not part of the end solution.

We firmly believe that AEMO and the Commission can achieve the broader policy objective of faster switching, and deliver operationally efficient outcomes for consumers with the proposed transfer on special read, customer self read and retrospective reads. There is no need to extend this proposal to allow for transfers on estimated reads.

Ensuring consumer benefits are realised

The Commission has stated that there are “zero to minimal costs as a result of this rule change”⁴ and that “AEMO is also required to separately assess its proposed high level design against the NEO”⁵. As noted above, the Commission is adding considerable costs to retail operation should it decide to remove rule 7.8.9(e)(1). We also note that the changes to the model standard retail contract terms and conditions do not occur without costs. Retailers will need to account for the destruction of existing stock and the reprinting of new terms and conditions in order to comply with the Commission’s rule. Red and Lumo considers that the costs to comply with the draft determination are substantial across industry and require further analysis and quantification.

We consider that the role of the Commission should be in all instances to ensure that efficient rule changes are progressed, while avoiding unnecessary costs and improving customers’ experience with the retail market. To this end, a proper impact assessment and cost benefit analysis must be carried out by the Commission and/or AEMO.

Historically, cost benefit analysis has occurred at one of two stages. Firstly, it occurs either through the rule change process, where the Commission assesses the costs and benefits against the NEO. Alternatively, it could occur as part of the procedure change process, whereby AEMO requests participants to outline the potential costs and benefits to ensure that the end outcome is a net benefit to consumers. This has been the standard that the Commission and AEMO have set in order to comply with the rules consultation process outlined in rule 8.9 of the NER.

A standard process includes AEMO outlining its own costs. Industry’s recent experience with five minute settlements, where the Commission was advised that AEMO’s costs were considerably smaller than the subsequent actual costs has impacted our view about how this

⁴ Australian Energy Market Commission, Reducing customers’ switching times, draft rule determination, 26 September 2019, pp ii

⁵ Australian Energy Market Commission, Reducing customers’ switching times, draft rule determination, 26 September 2019, pp 4.

determination should proceed. We wish to avoid a new precedent being set, particularly as rule 8.9(n) provides an out to consulting parties. It must be established that the regulatory changes implemented are of net benefit and in the long term interests of consumers.

We believe that the Commission must undertake a proper cost benefit analysis of this change. It should assess the potential costs, benefits and any unintended consequences of implementing any change. AEMO have suggested that its own costs are limited, while the costs of participants have not been taken into account and they remain uncertain and potentially material. For example, the likely IT implementation costs will differ depending on whether the Commission decides to proceed with the use of estimated (or substituted) reads for transfers. In fact, it should be noted that the Commission in looking at the specific aspect of this proposal previously stated that it “considered the benefits would not be outweighed by the likely cost to consumers for in-situ transfer to occur through an estimated read.”⁶

Given the magnitude of change, there has been no evidence put forward that a cost benefit analysis is unwarranted. As a result, we urge the Commission to work with AEMO to ensure that the eventual delivery of faster switching times for consumers meet the NEO, NERO and delivered in the least cost and most efficient way.

Implementation and other consequential amendments

Implementation timeframe

Given the changes to the model terms and conditions are inconsequential to the outcome of the overall policy objective of providing a faster switching time for consumers, we question whether they are warranted at all. However, should the Commission consider they are required to be implemented, we recommend that they commence at least 6-9 months after the final determination. This will allow retailers to make all necessary changes to collateral changes as a result of both the rule and procedure changes.

Overcharging and undercharging

Red and Lumo welcome the decision by the Commission to not make changes to rule 21(4), 30, 31 of National Energy Retail Rules (NERR) that would have facilitated “AEMO’s proposal to remove the ability of retailers to recover any undercharged amount as a result of a customer transfer.”⁷ We agree that these rules provide “a sufficient level of consumer protection.”⁸

⁶ Australian Energy Market Commission, Estimated meter reads, Consultation Paper, 17 May 2018, pp. 6

⁷ Australian Energy Market Commission, Reducing customers’ switching times, draft rule determination, 26 September 2019, pp. ii

Other consequential amendments: Customer notification of transfer delay

Changes proposed by AEMO provide an opportunity to the Commission to streamline the NERR even more. Specifically, given that a customer transfer will occur within a specific timeframe, there is little need for rule 59 which requires the retailer to notify customers of a delay in their transfer. The obligations under rule 59 not only require retailers to advise of the delayed transfer but also notify consumers “of the reason for the delay ... [and] of the new expected date of the completion of the transfer.”⁹ With the introduction of the new transfer processes, it is unclear what reasons retailers will provide for the delay or failure of the transfer taking place. Upon completion and implementation of the procedure changes, rule 59 will become redundant and should be removed.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales and Queensland, and electricity in the ACT to over 1 million customers.

Should the Commission wish to discuss or have any enquiries regarding this submission, please contact Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal line extending to the right.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd

⁸ Australian Energy Market Commission, Reducing customers' switching times, draft rule determination, 26 September 2019, pp. 6

⁹ National Energy Retail Rules, rule 59