

28 October 2019

Mr John Pierce
Chairman
Australian Energy Market Commission
Sydney, NSW

(By electronic submission)

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Dear Mr Pierce

AEMO submission – Draft rule determination *Reducing customers' switching times*
(RRC0031)

AEMO welcomes the opportunity to submit to the Australian Energy Market Commission's (AEMC) Reducing customers' switching times rule change draft determination. As outlined in our rule change proposal, AEMO is supportive of enabling changes to the NER and NERR to realise an efficient and reliable customer switching process.

There is one matter within the draft determination which AEMO provides further submission for the AEMC's consideration.

Practicality of NERR arrangements regarding overcharging and undercharging

NERR clauses 21(4), 30 and 31 relate to over and under charging processes:¹

- 21(4): Estimation as basis for bills
- 30: Undercharging
- 31: Overcharging

The Draft Determination has concluded that no changes are required to these clauses to facilitate AEMO's implementation of the High-Level Design (HLD) and that the current rules provide a sufficient level of consumer protection while protecting the rights of retailers to recover revenue where a bill is determined to be inaccurate.²

In AEMO's HLD paper which accompanied the rule change proposal, the circumstances that might lead to an in-situ customer being over charged or undercharged were considered.³ Specifically, AEMO considered customers whose connection points are fitted with a manually read meter which records energy data in time intervals of 30 minutes or less (type 4A and 5 metering installations) and who switches to a new retailer via an estimate reading. For small

¹ Refer National Energy Retail Rules (version 17)

² Draft Determination page (ii)

³ Retailer Transfer Process in the NEM: High Level Design (May 2019) - section 4.1.2 (pages 15-16)

customers, the energy recorded in each time interval is aggregated, forming a bill to the customer which looks identical to an accumulation reading.

Unlike all other manually read metering installations, providing an actual meter reading is obtained within 199 days⁴ from the date of transfer at a type 4A or 5 metering installation, interval energy data relating to the period prior to the transfer date would update the previously calculated estimate in all cases – at least to some extent.

AEMO provides the following scenario for consideration.

A customer with a type 5 metering installation switches retailer on 10 April on an estimate reading. The customer's last bill was based on an actual meter reading dated 1 March.

The following process may ensue:

- Customer switch reading is calculated based on estimated interval data provided from the Metering Data Provider (MDP) for the period 1 March to 10 April (energy estimated for each interval for the entire period is aggregated to form one or more accumulation readings).
- Final bill from the 'losing' retailer to the customer is for the period 1 March to 10 April.
- On 1 June, the MDP attempts to obtain a reading from the type 5 metering installation but fails.
- On 1 September, the MDP attempts to obtain a reading from the type 5 metering installation and succeeds. The data collected includes 30-minute interval data for the entire period of 1 March to 1 September, including historic data from the losing retailer's period of supply between 1 March to 10 April.
- The retailer for this period (the losing retailer) is provided with the historic data and identifies that they undercharged/overcharged the customer.
- September/October - the losing retailer issues a credit or charge for the difference between the original calculated amount and the revised collected amount of energy.

It is likely that at some point in the future, actual metering data will be collected at the majority of type 4A and 5 metering installations and a variation of the scenario above will apply. AEMO considers that in most cases the actual variance between the energy values is likely to be small. This is due to the high rates of data collection for small customers with these metering types, the relatively small amounts of energy used by small customers and the likelihood of a customer switch being instigated by the receipt of a recent bill, meaning that the timeframe between an actual reading an estimate reading is often likely to be short.

While these metering arrangements cover only a small number of customers in the NEM⁵, AEMO believe that the nature of data collection and provision for customers on type 4A and type 5 meters requires specific consideration within the NERR on the topic of under and overcharging. Addressing these considerations should minimise the impact of errors caused by

⁴ The NER (Clause 7.8.2(a)(10)) requires type 4A and 5 metering installations to include facilities which store interval energy data for a period of at least 200 days.

⁵ Approximately 4% of small customers in the NEM are type 4A and 5 at 30/11/18 (and falling due to the installation of remotely read interval metering).

estimate reads, avoid unnecessary confusion for the customer and ensures that these customers are not inhibited from accessing faster switching times. AEMO note that customers with these metering arrangements do not have the same level of customer protection afforded to customers with manually read accumulation meters, who are able to query bills based on estimates on receipt of the bill by providing their own readings, due to the complex nature of the metering equipment at their property (a matter which they have had little or no part in determining).

In practice, it is probable that many retailers will determine a materiality limit themselves regarding the back billing of customers due to the costs of seeking to recover small sums. However, establishing limitations in the NERR is likely to provide a greater level of customer confidence in the switching process.

AEMO maintains the view expressed in the rule change proposal - that the AEMC consider the introduction of a mechanism which ensures that customers who have been provided with a type 4A or 5 metering installation can access the improvements to the customer switching process with confidence. These customers should be protected from receiving bills following the termination of an agreement with a retailer, at least unless a materiality limit has been exceeded which unreasonably benefits the customer at the losing retailer's expense. In addition to AEMO's initial rule change proposal and HLD, AEMO recommend the AEMC consider:

- A 'materiality limit', which would determine either a quantity of energy or a dollar amount, beyond which credits and rebills may be issued. Such a limit would ensure that the debt or credit to be issued to the customer would be commensurate with the effort required to do so and that neither party is unreasonably burdened or financially disadvantaged to a material extent; and
- A time limitation on the period for which a retailer can recover any undercharged amounts where an estimate has been provided as the basis for a customer switch, for example 10 weeks from the date of the customer switch, which would include the opportunity for the next quarterly reading to be obtained and data corrected in the vast majority of cases.

AEMO recommends that the AEMC reconsider the application of these clauses ahead of its Final Determination.

If you would like to discuss the contents of this submission further, please do not hesitate to contact Kevin Ly, Group Manager – Regulation on (02)9239 9160.

Yours sincerely,



Peter Geers
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