



EnergyAustralia

LIGHT THE WAY

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Submitted electronically

Dear Commissioners

ERC0276/RRC0031 – Reducing Customers' Switching Times

EnergyAustralia welcomes the opportunity to make this submission to the Australian Energy Market Commission's (AEMC) Draft decision on reducing customer switching times (the Draft decision).

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).

In this submission, we comment on the rules proposed by the AEMC, changes proposed in AEMO's High Level Design (HLD) and AEMO's subsequent NEM Customer Switching Issues Paper (Issues Paper). The proposed rules and procedure changes in these documents are interlinked and should be considered together.

At a high level, we observe that the AEMC's Draft decision proposes to make very few changes to the rules. It has only considered a narrow set of changes that will support AEMO's high level design. While we appreciate that the AEMC has a limited scope which cannot consider procedure changes within the remit of AEMO, we ask the AEMC to consider other preferable rule changes that might deliver or support an alternative solution being implemented by AEMO. We discuss alternative solutions at the end of this submission. In our view, these alternative solutions would meet the ACCC's recommendations while delivering better customer outcomes, at potentially lower overall cost to industry (via less system and process changes for AEMO and retailers).

Our concerns relate to the use of estimated reads for customer transfers, and notification to metering coordinators after the customer transfer. These concerns are discussed in turn below, followed by an outline of alternative solutions.

1. Use of estimated reads for customer transfers

In the Draft decision, the AEMC elected to not make changes to the rules related to meter read types and use of metering data for final bills. Final bills support customer transfers.

The AEMC noted that the existing rules allow for Meter Data Provider (MDP) generated estimated reads (MDP estimated reads) and customer self reads, to be used for final bills. Accordingly, the AEMC therefore did not propose any rule changes about the use of these reads to enable AEMO's HLD. Consistent with the HLD, AEMO's Issues paper also contemplates the use of MDP estimated reads for final bills.

We consider it a shortcoming that the AEMC did not assess the adequacy of MDP estimated reads for the purposes of customer transfers. MDP estimated reads are an inaccurate meter read option. Energy retailers and ombudsman schemes¹ widely agree that any use of MDP estimations in customer's billing – either for regular or final bills – is a major driver of customer dissatisfaction and complaints, leading to bill shock when there is a true up of the customer's account with an actual read.

Further, while we welcome and fully agree with the AEMC's decision to not change the undercharging and overcharging provisions in the National Energy Retail Rules as suggested in AEMO's high level design, in reality retailers may choose to not recover from customers undercharged amounts that are small amounts (even where permitted under the National Energy Retail Rules). This is because recovery of these small amounts could result in poor customer experience or increased complaints. If there were an increase in final bills widely based on MDP estimated reads, retailers would either wear the costs of small amounts or may indirectly pass through these costs to their general customer base. This is another reason to not broadly adopt MDP estimated reads for final bills.

Despite the concerns with MDP estimated reads, we recognise that they might be the only suitable option in some circumstances i.e. where there is no meter access, the meter is damaged/faulty. Therefore, to minimise poor customer experience, we consider that MDP estimated reads should only be considered after all other meter read types have been attempted and are unsuccessful. This is discussed more under Alternative solutions below.

2. Notification to Metering Coordinators after transfer

The AEMC proposes to remove clause 7.8.9(e)(1). The removal of this clause will facilitate a change by AEMO to amend all customer switching change requests so that they only facilitate a change of retailer (and not other metering roles). As a result, metering coordinators (MC) will not be nominated or notified upfront. Instead, this will occur after the customer transfer and so MCs will not be able to object to a nomination until after the

¹ <https://www.aemc.gov.au/sites/default/files/2019-08/Rule%20Change%20SubmissionRRC0031%20-%20Energy%20%26%20Water%20Ombudsman%20NSW%20-%2020190801.PDF>, pages 3 and 4.
<https://www.aemc.gov.au/sites/default/files/2019-08/Rule%20Change%20SubmissionRRC0031%20-%20EWOSA%20-%2020190724.PDF>, page 2

transfer. This would result in a two step process, where the MC must object after the transfer.

In its Issues paper, AEMO noted there “may reasonably be circumstances in which an MC does not wish to be nominated as MC at a connection point and should be able to object to a proposed appointment”. This could be where the MC does not have a contract with the retailer. AEMO then also notes that very few (less than 0.1%) change requests propose to change the MC upfront. We note that this low number may reflect the fact that Power of Choice has only been in place since December 2017 and the upfront use of the meter coordinator notification may be expected to increase over time. Further, the relevant statistic to inform this issue is how many of those transactions are objected to.

3. Alternative solutions

We outline alternative solutions that will address the ACCC’s Recommendations 8 and 9 from the Retail Electricity Pricing Inquiry (REPI) Final Report below (regarding reducing save activity and reducing customer transfer time).

(i) Using NSRD for prospective retailer role changes

We welcome the proposal in AEMO’s Issues paper that considers retaining the Next Scheduled Read Date (NSRD) for retrospective retailer role changes within the last 15 business days. We agree that this will effectively allow in-situ customers to access the benefits of using a recently obtained actual reading to facilitate switching retailers. We will further consider the appropriateness of the 15 business day period in our submission to AEMO.

As per our previous submissions, EnergyAustralia’s own data does not support that customers’ transfers are unreasonably delayed by the extended periods suggested by the AEMC and AEMO. We can provide this data to the AEMC and AEMO confidentially upon request. This is likely to be the case for other retailers, particularly where those retailers are using special reads for final bill/transfers.

However, if we were to accept that customer delays is a broader, systemic concern, we consider that the NSRD should be used for prospective transfers where the NSRD is up to 12 business days following the change request for change of retailers. The 12 business day period will reflect the 10 business day cooling off period and the ideal transfer time of 2 business days. But equally, up to 15 business days (to align with retrospective transfers) would deliver similar customer benefits in transferring on an actual read and in a relatively short time period compared to three months (as cited by AEMO). This will also avoid the potential cost and customer confusion caused by potentially receiving two bills at the same time from the losing and prospective retailer.

(ii) MDP estimated reads used as last resort

As above, we believe poor customer experience will result from final bills based on MDP estimated reads. This should drive a preference in the AEMC rules and/or AEMO procedures for actual meter readings being used for final bills to support a customer transfer. As described in (i), actual reads could take the form of either a retrospective transfer using a NSRD or a prospective transfer using a future NSRD, or a special read for transfers outside

these options. MDP estimated reads should only be used as final bill reads as a last resort where these three options have been attempted unsuccessfully. This will reduce instances of poor customer experience due to MDP estimated reads.

(iii) Banning saves

Aside from upfront notification to the MC (which should be retained as discussed above), we agree that removing notification to other market participants including the losing retailer will impede any saves activity by limiting the trigger for it. We recognise that this result aligns with Recommendation 8 of the ACCC's REPI Final Report. We also acknowledge that reducing saves activity could promote better market and customer outcomes by reducing the time customers wait to be on their new energy plan offer.

However, while the above will resolve the saves issue, it might result in retailers moving from saves to win-back activity after the customer transfers. This has been the result in other jurisdictions that have undertaken similar changes, such as the United Kingdom.

Separately, an unintended effect of removing the notification to the losing retailer, is that retailers will have reduced time to stop any disconnection service requests they had arranged for the site. With a reduced timeframe to cancel a disconnection service order, there will be instances in which customers are disconnected when they would not have if the losing retailer had been provided more notice.

Banning saves and win back activity would be a direct means to achieve the ACCC's Recommendation 8 and avoid any unintended consequences.

(iv) Expedite the smart meter rollout

Lastly, EnergyAustralia believes the issues that the rule change is directed at addressing will be redundant once basic meters are replaced with Type 4 metering. We therefore propose if a special read for a transfer does not occur, this should trigger retailers to arrange for a smart meter to be installed. This will gradually accelerate the roll out of type 4 meters and reduce customer transfer times and meter reading issues in the future.

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

Regards,

Sarah Ogilvie

Industry Regulation Leader