AEMC

REVIEW

Australian Energy Market Commission

FINAL REPORT

Review of Electricity Customer Switching

10 April 2014

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Final Report

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About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

Executive Summary

A critical component of a competitive retail energy market is a customer transfer process that is efficient, supports customer choice, and promotes confidence in the integrity of market processes.

The Australian Energy Market Commission (AEMC or Commission) has undertaken a review of electricity customer switching arrangements in the National Electricity Market (NEM) to determine if the current process is effective, timely and accurate, and whether any improvements could be made.

The review has revealed that, generally, customer transfers occur in an efficient manner. Nearly three-quarters of small customer transfers in the NEM between January to July 2013 were completed in less than 30 calendar days.

However, for some customers, transfers may be lengthy or inaccurate. Further, it only takes unsatisfactory experiences for a few customers to be made known more widely to undermine confidence in the retail market.

Therefore, the review has identified areas of improvement to the current customer transfer process – in particular, its timing, and its accuracy. The Commission's advice and recommendations to the Standing Council on Energy and Resources (SCER) on ways to improve the efficiency of the current customer transfer process in the NEM in these areas are set out in this report.

Effectiveness of the current customer transfer process

In Australia, there have been a number of developments in retail energy markets over the past decade or so, such as the progressive introduction of full retail contestability across NEM jurisdictions.

Given this, the SCER's request for advice is timely. It presents an opportunity for all energy market stakeholders to contribute to a review that considers the effectiveness of the customer transfer process in the NEM, including the potential impact of emerging electricity metering technologies.

In this final report, the Commission has concluded that two areas of the customer transfer process can be improved:

- **The timing of the customer transfer process.**
    - For the majority of customers, transfers occur within a timely manner. However, our research has identified that some customers experience transfer completion times in excess of 30 calendar days – with a small number of transfer times extending beyond 60 calendar days (around 10 per cent of small customer transfers).

- The time taken to transfer is largely determined by the current practice of transferring a customer only after an actual meter read for their electricity consumption has been recorded.[1] If the actual read is not for some time or is delayed, so is the customer transfer.

- **The accuracy of the customer transfer process.**

  - Erroneous transfer rates (the proportion of customers wrongly transferred) have remained constant at three per cent of all transfers, since the introduction of full retail contestability.

  - Erroneous transfers are caused by errors, and also by incorrect data used, in the customer transfer process. The most common issue is a mismatch between the address data that exists in the NEM's central registry[2] for each electricity consumption point, and the commonly used address of the customer's premises.

Lengthy and inaccurate transfers comprise a relatively small proportion of total transfers. However, the impact felt by customers that experience such transfers can be substantial. Stakeholder submissions received by the Commission during public consultation throughout this review confirmed this. For example, submissions from jurisdictional energy ombudsmen explained the complexities and frustrations experienced by customers who have been incorrectly transferred. In the Commission's view, it only takes unsatisfactory experiences for a few customers to be known more widely to undermine confidence in the retail market.

The Commission's recommendations to improve these areas of the customer transfer process are discussed in more detail below.

Timing of the customer transfer process

The timing of the customer transfer process will be improved through providing an alternative to obtaining an actual meter read for the purposes of a transfer.

The Commission recommends that customer transfers be permitted to occur on the basis of an estimated meter read, where a manually read meter exists.[3]

This would provide consenting customers with the option of moving to their new retailer (and retail market offer) in a potentially shorter timeframe, compared to waiting for their next scheduled meter read which may be up to three months away.

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1 The reference here is to an actual meter read from a manually read meter (not a remotely read meter).

2 The Market Settlements and Transfer Solution (MSATS) system.

3 For the purpose of in-situ customer transfers (i.e. where the customer does not move premises, but seeks to change retailer).

Customers could opt to transfer on an estimated meter read where the benefits to them of a faster transfer time outweigh the cost of waiting for an actual meter read (whether scheduled or a special meter read).

Accuracy of the customer transfer process

To improve the accuracy of the customer transfer process, the Commission recommends that:

- standards be developed, and then applied by market participants, for the data that is used in the Market Settlements and Transfer Solution (MSATS) system (which supports the customer transfer process). In particular, this includes a standard for how addresses are recorded in the system, to minimise erroneous transfers. This is to be carried out by the Australian Energy Market Operator (AEMO);

- a periodic review of the effectiveness of the application of the MSATS procedure be undertaken by the AEMO. In the first instance it should focus on the objections framework that is used in the transfer process; and

- reporting on the timing and accuracy of the customer transfer process be carried out by the Australian Energy Regulator as part of its annual Retail Market Performance reporting.

The Commission also recommends strengthening the obligations on retailers to resolve erroneous transfers in a timely manner, which provides customers with a rules based "right" to having erroneous transfers resolved expeditiously.

More accurate transfers facilitate positive customer experiences, meaning that customers are more likely to continue to engage with the retail market in the long term. Accurate and efficient customer transfers are consistent with the promotion of greater customer choice in retail market engagements.

Recommendations and implementation plan

We recommend that SCER propose rule changes to the AEMC that would give effect to our recommendations. The implementation plan at Table 1 below sets out our recommendations in full, along with the actions to implement them.

This review, and its recommendations, is part of a broader package of work that the Commission is undertaking to help households, businesses and industry to make informed choices about the way they use electricity, and manage expenditure. For example:

- The annual Retail Competition Review is considering the state of competition in the small customer electricity and natural gas markets and the possible future development of competition.

- The Distribution Network Pricing Arrangements rule change request is considering how the principles used to set prices for distributors should be adjusted, to encourage distributors to set and structure network prices that differ at different times of day. This would encourage customers to change consumption in accordance with these price signals.
- The upcoming Competition in Metering and Related Services rule change request will consider the expansion of competition into the provision of metering and related services, providing customers with more choice about how these services are provided.

Table 1 Review of Electricity Customer Switching - Implementation Plan

Final Recommendations	SCER action	Implementation
Improving the timing of the customer transfer process		
Recommendation 1: Confirm that estimated meter reads can be used for the purpose of in-situ customer transfers between retailers. This will provide customers with an alternative to waiting for an actual meter read, or paying for a special meter read, in order to transfer faster.	Submit a rule change request to give effect to these modifications. Section 7.3 details how these changes would be implemented in the rules by setting out draft specifications.	SCER decision at its next meeting.
Improving the accuracy of the customer transfer process		
Recommendation 2: Introduce an address standard, which all NMI Standing Data should be consistent with. This will deliver enduring benefits to customers, since it would reduce one of the main causes of error in the customer transfer process.	Submit a rule change request to give effect to these modifications. Section 7.4 details how these changes would be implemented in the rules by setting out draft specifications.	SCER decision at its next meeting. AEMO to specify the address standard by no later than six months after the rule change giving effect to this recommendation has been made.
Recommendation 3: Cleanse the NMI Standing Data, which is contained within the MSATS system. This will improve transparency, clarity and confidence in the transfer process, since participants would have more confidence that the NMI Standing Data is accurate.		
Recommendation 4: Increase monitoring and reporting of statistics associated with the timing and accuracy of the transfer process. Increased information provision creates benefits through increased market transparency.		

Final Recommendations	SCER action	Implementation
Recommendation 5: Confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous customer transfers. This means that retailers would have a clear and specific process, and line of accountability for resolving erroneous customer transfers. This also lifts the obligation for resolving such matters from the customer to the retailer.		
Recommendation 6: Project to improve the effectiveness of the MSATS framework. This would provide benefits for the market through a more streamlined customer transfer process. It would also better inform market participants about the MSATS system and its processes, further increasing the likelihood of transfers being completed in an accurate and timely manner.		

Contents

1 Introduction

This Final Report contains the Australian Energy Market Commission's (Commission or AEMC) recommendations for the review of electricity customer switching. These are focussed on improving the timeliness and accuracy of the electricity customer transfer process.

These recommendations have been developed as part of the advice that the AEMC has been requested to provide to the Standing Council on Energy and Resources (SCER) on the existing electricity customer switching arrangements to better support customer choice, and to make customer switching between retailers more efficient.[4]

1.1 Context of this advice

The Commission considers that the preparation of advice is timely given developments in retail energy markets over the past decade or so. Indeed, this review is part of a broader package of work that the Commission is undertaking, which is designed to help households, businesses and industry have greater opportunities to make informed choices about the way they use electricity, and manage their expenditure.

1.1.1 Power of choice review recommendation

Over the course of 2011-12, the Commission developed a substantial reform package for the National Electricity Market (NEM) through its Power of choice (PoC) review.

The Final Report, containing final recommendations for the review, was submitted to the SCER in November 2012.[5] These recommendations included gradually phasing in efficient and flexible pricing options,[6] introducing competition in metering and related services,[7] and developing a framework for "smart meters" and their services.

Another recommendation was that the SCER should direct the AEMC to review whether the current arrangements for customer switching supported the efficient and timely transfer of electricity customers between retailers, which is the focus of this report.

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4 SCER, *Terms of Reference: Australian Energy Market Commission (AEMC) Review of Electricity Customer Switching*, 31 May 2013; and SCER, *Request for an Extension of Time Regarding the SCER Directed Review of Electricity Customer Switching*, August 2013. Hereafter, these are collectively referred to as "Terms of Reference".

5 AEMC, *Power of choice review - giving consumers options in the way they use electricity*, Final report, 30 November 2012.

6 See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

7 See: SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

This proposal was driven by the AEMC identifying that the maximum allowable prospective timeframe for transferring customers between retailers in the NEM was 65 business days.[8] This appeared to lag behind other countries, with the maximum timeframe elsewhere typically ranging between 10 and 20 business days.

1.1.2 Development of retail energy markets

From the late-1990s, NEM jurisdictional governments progressively introduced competition in retail energy markets. This culminated in "full retail contestability" (FRC), where all customers have the ability to exercise choice and choose their own retailer.

FRC reached all small customers in Victoria and New South Wales in 2002, Australian Capital Territory and South Australia in 2003, Queensland in 2007, and is expected to be completed in Tasmania in 2014. Allowing customers this choice has, in turn, encouraged competition between retailers in retail energy markets.

The Commission understands that the current small customer transfer process has evolved from systems and processes that were initially developed for the transfer of a relatively small number of large customers between retailers. As more and more customers were allowed choice in selecting their retailer, market systems and processes have been incrementally adapted in order to accommodate this.

The Commission, therefore, considers that this advice is timely. It is important to periodically and objectively review the effectiveness of the transfer process in today's energy markets. That is, where customers are empowered and have a more prominent role in the retail market, customer transfer requests occur more frequently,[9] and markets are generally more competitive. Any review should also consider how markets may evolve in the future, such as increased penetration of smart meters, and the possible introduction of contestability in metering and related services for small customers.

1.2 Purpose of this advice

Competition between energy retailers provides a number of benefits to customers, including:

- prices, which trend to efficient levels over time;
- incentives for retailers to reduce costs and prices over time;

8 AEMC, *Power of choice review - giving consumers options in the way they use electricity,* Final report, 30 November 2012, p. 37

9 For example, the number of customer transfers that were completed in January 2002 in Victoria (straight after the introduction of FRC), were 530. In January 2014, this was 55,842. See: http://www.aemo.com.au/Electricity/Data/Metering/Retail-Transfer-Statistical-Data/Historical-Retail-Transfer-Statistical-Data; and See: AEMO, National Electricity Market Monthly Retail Transfer Statistics, January 2014.

- a quality of service matching customer expectations; and
- a choice of products and services consistent with customer preferences.

Therefore, a desirable outcome of a competitive market is that customers are aware of the choices available to them and are able to act on those choices. The ability for electricity customers to exercise *choice*, and easily switch between retailers, may be influenced by the market and regulatory arrangements for processing customer transfers.

Fast and reliable switching allows customers to engage in the retail energy market. This engagement supports competition and benefits consumers.

Therefore, the Commission considers that making improvements to the current customer transfer process in the NEM is beneficial. Where customers are able to engage in an easy and timely process, they are likely to be more willing to switch retailers in order to select the retail product that most closely reflects their needs and perception of good value. It also reduces the time and energy that customers incur in making and resolving complaints, where transfers do not occur in a timely and accurate manner.

Further, creating an easier and timely process for customer transfers also benefits retailers. For example, an efficient transfer process with minimal objections or complaints about the transfers that do occur, is likely to reduce the administrative costs of retailers by reducing the time that it takes for retailers to respond to, and deal with, such matters.

For these reasons, the Commission considers that a faster and more reliable switching process promotes competition and efficiency for the longer-term benefits of customers.

1.3 Terms of reference

The AEMC received a terms of reference from the SCER to review electricity customer switching arrangements to improve the ease and time for how customers switch (or transfer) retailers. The purpose of the review was to assess whether the current customer switching process between retailers is efficient, and whether more specific maximum transfer timeframe rules should be introduced to the NEM.

The terms of reference required the AEMC to consider:[10]

- Current market arrangements - what impact the current rules and processes, including jurisdictional arrangements, around time limits have on the decision or ability of customers to switch retailers and the efficiency and accuracy of the switching process. The AEMC should consider whether improvements to the current rules and processes could be made to promote maximum efficiency for the customer switching process;

10 Terms of Reference, May 2013, p. 2. Available at: http://www.aemc.gov.au/market-reviews/open/review-of-electricity-customer-switching.html.

- Barriers and improvements - whether there are any barriers to customer switching and what improvements could make customer switching easier; and

- Other factors and processes associated with customer switching, such as what impact technologies, such as smart meters, could have on improving the accuracy of transfers.

In providing this advice, the Commission has focussed on those small customers (i.e. households and small businesses) who seek to transfer from their current electricity retailer to another preferred supplier without moving address (i.e. in-situ transfers). However, to the extent that there is some commonality in the transfer process for small and large customers, these recommendations may be applied, and may be relevant, to the customer transfer process for large customers.

1.4 Other processes relevant to the Commission's considerations

In developing this Final Report and recommendations, the implications of other relevant AEMC projects were considered, including:

- completed review of competition in the retail electricity and natural gas markets in New South Wales (NSW), in which the AEMC assessed competition in the retail markets for electricity and natural gas in NSW for the purpose of retaining, removing or reintroducing retail price regulation;[11]

- current 2014 retail competition review, which is assessing the state of competition in the small customer electricity and natural gas retail markets across all NEM jurisdictions;[12]

- current review of a framework for open access and communication standards, which will provide advice to the SCER on open access and common communication standards to support contestability in demand side participation end-user services enabled by smart meters;[13]

- current SCER rule change request on distribution network pricing arrangements, which would improve the arrangements within the National Electricity Rules (NER) by which distribution network prices are set and structured;[14] and

- upcoming SCER competition in metering and related services rule change request, which would establish arrangements for increased competition in metering and related services in the NEM.[15]

11 See: http://www.aemc.gov.au/market-reviews/completed/nsw-retail-competition-review.html.

12 See: http://www.aemc.gov.au/market-reviews/open/2014-retail-competition-review.html.

13 See: http://www.aemc.gov.au/market-reviews/open/framework-for-open-access-and-communication-standards.html.

1.5 Advice process and stakeholder consultation

Under this review, the SCER has requested the AEMC to consult with jurisdictions and key stakeholders (which include energy retailers and consumer groups) during the preparation of its reports.

The Commission published an Issues Paper for this review on 3 December 2013 to seek stakeholders' initial views on the causes and materiality of issues in the current customer transfer process. The Commission received submissions from 20 stakeholders, including retailers, distributors, energy industry associations, jurisdictional energy ombudsmen and consumer groups.

The Commission also published for consultation an Options Paper on 23 January 2014. This built on the material issues that were identified in, and in response to, the Issues Paper. A number of possible options were set out to improve the effectiveness and efficiency of the customer transfer process, along with further questions for stakeholder comment. The Commission received submissions from 24 stakeholders, including retailers, distributors, energy industry associations, jurisdictional energy ombudsmen, consumer groups and industry bodies. A summary of submissions to the Options Paper is contained in appendix D to this Final Report.

A full list of submissions to both the Issues Paper and Options Paper can be found at www.aemc.gov.au. These submissions assisted the Commission in developing the final recommendations in this Report.

This Final Report sets out our final recommendations for this review, along with an implementation plan for how these options could be implemented.

Consistent with our terms of reference, we have also met with a number of key stakeholders (including retailers, metering data providers, energy ombudsmen and consumer groups) throughout this review to discuss the customer transfer process. We appreciate the advice and evidence provided, and the time and resources committed to this advice.

14 See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

15 SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

Table 1.1 Advice process

Document	Purpose	Date
Issues Paper	To present the assessment framework and key issues identified by the Commission and set out the process for the review.	Provided to SCER's Energy Market Reform Working Group (EMRWG) by 29 November 2013 Published on AEMC website on 3 December 2013
Options Paper	To address issues raised in submissions to the Issues Paper and identify potential policy recommendations.	Published on AEMC website on 23 January 2014
Final Report	To set out the Commission's policy conclusions and recommendations.	Provided to SCER by 31 March 2014 Published on AEMC website by 30 April 2014

1.6 Structure of this report

The remainder of this report is structured as followed:

- chapter 2 contains a summary of the Commission's recommendations;
- chapter 3 summarises the Commission's assessment framework that has been used to develop our final recommendations;
- chapter 4 sets out the Commission's assessment of the effectiveness of the current customer transfer process;
- chapter 5 discusses our recommendations that aim to improve the timing of the customer transfer process, specifically, the introduction of estimated meter reads as a basis for customer transfers;
- chapter 6 discusses our recommendations that aim to improve the accuracy of the customer transfer process;
- chapter 7 discusses the next steps, and implementation plan for the Commission's recommendations;
- appendix A defines commonly used terms in this report;
- appendix B provides an overview of the current regulatory frameworks for customer transfers;
- appendix C provides an overview of the current customer transfer process; and
- appendix D summarises stakeholders' submissions to the Options Paper, and the Commission's responses to the issues raised.

2 Summary of the Commission's Recommendations

2.1 Introduction

The recommendations incorporate two elements to improve the efficiency, in terms of the timeliness and accuracy, of the customer transfer process:

- allowing the use of estimated meter reads for the purposes of customer transfers, which aims to provide an alternative to the current practice of retailers only transferring a customer after an actual meter reading has been recorded; and
- a series of measures that aim to improve the accuracy of both:
  - the data that is used in the customer transfer process (i.e. that the process is based on accurate data and information); and
  - the customer transfer process itself (i.e. that the correct customer is transferred to their retailer of choice without error).

This chapter provides an overview of our analysis and recommendations. Chapters 4 and 5 provide more detail.

2.2 Summary of our assessment of options

The Options Paper set out a range of options that could be deployed to address several issues the Commission had identified with the customer transfer process.

These options were assessed against our assessment framework for this review, as detailed in chapter 3. We considered these options against the following criteria:

- transparency of arrangements;
- clarity and simplicity;
- promotion of efficient incentives under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- the level of regulatory and administrative burden.

Submissions from stakeholders, in response to both the Issues Paper and the Options Paper, also provided valuable input to the Commission's assessment of the relative merits of each of the options, and in developing our final recommendations. Appendix D discusses the main issues raised in submissions to the Options Paper, and the Commission's response to these issues.

2.3 Summary of recommendations

Table 2.1 identifies those options that the Commission has recommended. It summarises the Commission's recommendations, and relates these back to the options that were proposed in the Options Paper.

Table 2.1 Summary of the Commission's recommendations

Option from Options Paper	Final Recommendations	Section of report that discusses the recommendation
Improving the timing of the customer transfer process		
A2: Allow customer transfers on the basis of estimated meter reads.	Recommendation 1: Confirm that estimated meter reads can be used for the purpose of in-situ customer transfers between retailers.	Chapter 5.
Improving the accuracy of the customer transfer process		
B1: Cleanse the MSATS data.	Recommendation 2: Introduce an address standard, which all NMI Standing Data should be consistent with. Recommendation 3: Cleanse the NMI Standing Data, which is contained within the MSATS system.	Sections 6.2 and 6.3.
A4: Increase monitoring and reporting of statistics associated with the timing of the customer transfer process. B2: Increase monitoring and public reporting of statistics associated with the accuracy of the customer transfer process.	Recommendation 4: Increase monitoring and reporting of statistics associated with the timing and accuracy of the transfer process.	Section 6.4.
B4: Strengthen the obligation on retailers to co-ordinate to resolve erroneous customer transfers in a timely manner.	Recommendation 5: Confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous customer transfers.	Section 6.5.
C1: Improve the functioning of the objections framework.	Recommendation 6: Undertake a project to improve the effectiveness of the MSATS framework.	Section 6.6

Table 2.2 identifies those options that the Commission has not recommended, for the reasons summarised in Appendix D. In summary these options were not recommended since there were a large number of impracticalities associated with the implementation of these options, which would not be offset by the associated benefits.

Table 2.2 Summary of those options that the Commission has not recommended

Description of option from Options Paper	Section of report that discusses why this option has not been recommended
Options to address the timing of the customer transfer process	
A1: Reduce the maximum prospective timeframe for customer transfer requests. The maximum prospective timeframe for customer transfer requests, as set out in the MSATS Procedures, would be reduced from 65 business days to 21 business days.	Appendix D.
A3: Introduction of an incentive scheme on regulated metering data providers. Introduce an incentive scheme on regulated metering data providers to encourage such parties to provide more timely and accurate special meter reads.	Appendix D.
Options to address the accuracy of data used in the customer transfer process	
B3: Obligation for NMI stickers to be displayed on all small customer meters. Introduce an obligation for the NMI number to be displayed on all small customer meters	Appendix D.

2.4 Incremental improvements to be independently progressed by retailers and metering data providers

Some submissions to the Commission's initial Issues Paper raised a number of other useful, incremental improvements to the customer transfer process. Further, stakeholders expressed support for these improvements in submissions to the subsequent Options Paper.[16]

16 See: Origin Energy, Options Paper submission, p. 11; United Energy, Options Paper submission, pp. 5-6; NSW DNSPs, Options Paper submission, p. 14; ENA, Options Paper submission, p. 4; Energex, Options Paper submission, p. 8; EnergyAustralia, Options Paper submission, p. 6; ERM Power, Options Paper submission, p. 5; AGL, Options Paper submission, p. 8.

These improvements include:

- better customer appointments by metering data providers where access to the meter is required - metering data providers could accommodate scheduled visits to premises within more narrow appointment windows. The Commission understands that although some metering data providers have very good appointment systems, in some regions, a customer may be required to wait at home for up to 4-5 hours for a scheduled visit, or alternatively, scheduled visits are not offered at all;[17]

- increased use of electronic communication - considering advances in technology, increased use of text messages, emails and mobile phone numbers could be used by metering data providers, and retailers to reduce:

  - site "no access" read failures. For example, a generic text message could be sent as a reminder to a customer one hour before the meter read is scheduled to occur;[18] and

  - potentially, erroneous customer transfers, for example, banks typically require a "net bank" code to be entered prior to a transfer taking place. A similar confirmation could occur with customers prior to being transferred;

- better information to customers - customers could be better informed about a number of aspects in the transfer process, including:[19]

  - the ability to expedite the transfer process by requesting a special meter read if their preference is to transfer before the next scheduled meter read (although, also the knowledge that this would come with an associated charge); and

  - the requirement for meter readers to be provided with clear and safe access to their meter box and electricity meters in order to facilitate a timely transfer where applicable (i.e. to lock up their dogs, unlock the gate).

As these measures do not require any regulatory changes, the Commission considers they can be better progressed by retailers and metering data providers themselves, subject to their own analysis of the costs and benefits.[20]

17 See: AGL Energy, Issues Paper submission, p. 3.

18 See: EnergyAustralia, Issues Paper submission, p. 2.

19 See: Energex, Issues Paper submission, p. 6; Origin Energy, Issues Paper submission, p. 5; and United Energy, Issues Paper submission, p. 1; NSW DNSPs, Issues Paper submission, p. 7.

20 See: Energex, Options Paper submission, p. 8.

3 Assessment Framework

Summary of this chapter

A series of criteria were developed to assess our recommendations. They were developed having regard to the National Electricity Objective (NEO). They are:

- transparency of arrangements;
- clarity and simplicity;
- promotion of efficient incentives under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- the level of regulatory and administrative burden.

This chapter sets out the AEMC's assessment framework for this review. It first discusses the overarching objective that has guided this review - the National Electricity Objective (NEO) (section 3.1). It then discusses the criteria used to develop the recommendations contained in this Final Report (section 3.2).

3.1 National Electricity Objective

The NEO states that:

> "The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to -
>
> (a) price, quality, safety, reliability, and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system."

The three fundamental limbs of efficiency are:

- allocative efficiency (efficient use of);[21]
- productive efficiency (efficient operation);[22] and

[21] Allocative efficiency is achieved when resources used to produce a given set of goods and services are allocated to their highest value uses. This requires that goods and services are provided, and that consumption decisions are made, on the basis of prices that reflect as closely as possible the opportunity (or marginal) cost of supplying those goods and services.

- dynamic efficiency (efficient investment).[23]

All three forms of efficiency have been considered by the AEMC in assessing the customer transfer arrangements, and in making our final recommendations.

Where feasible, competitive markets provide the best means of driving allocative, productive and dynamic efficiencies. Switching is the most powerful tool customers have available for exerting their influence on the competitive process. The rules and process for customer transfers should therefore maximise the opportunity, incentive and ability for customers to switch retailers.[24] This is the overriding objective of the assessment framework.

The efficiency of the customer transfer process can be considered in relation to two broad aspects, specifically the:

- timing of the customer transfer process (i.e. that the transfer process occurs in a timely manner, allowing customers to switch to their new retailer in a relatively short period of time and so gain the benefits of their new retail offer); and

- accuracy of the customer transfer process (i.e. that the transfer process allows the correct customer to be switched to their new retailer of choice without error, with this process being based on accurate data and information).

As Ergon Energy commented in its submission to the Issues Paper, it is important to consider both of these elements together. That is, the timeliness of transfers should not be improved at the expense of the accuracy of transfers.[25]

3.2 Criteria

The Commission has used the following criteria or principles to develop the recommendations contained in this report:

- transparency of arrangements;

- clarity and simplicity;

- promotion of efficient incentives under the arrangements;

- efficient allocation of risks and costs;

- predictability; and

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22 Productive efficiency is achieved when only the minimum resource inputs are used to produce a given set of goods and services. Achieving productive efficiency is important because it avoids wasting resources which could have been used for producing something else.

23 Dynamic efficiency is concerned with ensuring allocative and productive efficiencies are sustained over time. This requires markets and supporting regulatory arrangements to provide incentives for firms to innovate and invest at efficient levels over time.

24 This was supported by SACOSS. See: SACOSS, Options Paper submission, p. 2.

- the level of regulatory and administrative burden.

How each of the principles relate to the promotion of the NEO in the context of the customer transfer process is briefly discussed below.

All stakeholders that commented on this assessment framework, as set out in the Issues Paper, were supportive of these criteria.[26]

3.2.1 Transparency of arrangements

It is important that the obligations on participants in the transfer process are clear and enforceable. Further, all necessary information must be provided to businesses that are party to a transfer, so that the switching process can proceed as efficiently as possible for the customer.

There are a number of different parties, as well as the customer, that are involved in the switching process, including:

- the "winning" and "losing" retailers (i.e. the retailer the customer moves to, and moves from, respectively);
- the metering data provider (typically the distributor); and
- the AEMO, who manages the central database and user interface for facilitating and communicating the transfer between retail and distribution businesses.

Each plays a play different role in the transfer process and has different obligations under the rules for providing and managing information.

Transparency promotes accountability and confidence in the retail market. This encourages retail businesses and other participants who operate in the market to commit future funds for investment and improve the quality of service provision. This supports allocative and dynamic efficiency.

3.2.2 Clarity and simplicity

The switching process should be clear, easily understood by all parties, and simple for customers to navigate.

For example, if transferring from one retailer to another required a customer to contact both the winning and losing retailers, the customer may find this too hard (i.e. the transaction costs of transferring may be too great). Therefore, the customer may (understandably) resolve to stay on their existing retail contract with their current

25 See: Ergon Energy, Issues Paper submission, p. 5.

26 See: Aurora Energy, Issues Paper submission, p. 2; Energex, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 5; Lumo Energy, Issues Paper submission, p. 1; Origin Energy, Issues Paper submission, p. 4; and United Energy, Issues Paper submission, p. 1.

retailer. In this scenario, the customer would be discouraged from transferring between retailers, and so the competitive process would be undermined.

Ideally, a simple process for switching would require that the customer deal with only one party - the winning retailer - who would be responsible for initiating the transfer. This is currently the case in the NEM (i.e. the customer only contacts the winning retailer, who then arranges the transfer).

Transaction costs may also apply from the perspective of the winning retailer. That is, the process of securing a new customer should be straightforward and unencumbered. For example, if it is hard to secure cooperation from others who are party to the transfer, or access necessary information, retailers could be discouraged from competing for new customers (perhaps focussing only on the highest value prospects). This could, in turn, discourage an active level of competition and new entry.

In summary, the easier the switching process is for all parties involved, the greater its contribution to the promotion of the competitive process.

Further, clear and simple processes are likely to result in fewer switching errors, and so will contribute to addressing one of the causes of longer than necessary customer switching times.

3.2.3 Promotion of efficient incentives under the arrangements

A critical part of having an efficient transfer process is that participants in the process have appropriate incentives, or effective obligations, to:

- provide relevant information and undertake their specified functions in a timely fashion (e.g. obtain and supply meter readings); and
- require that data and information used in the switching process is accurate and consistent (e.g. information on National Metering Identifier (NMI) standing data in the relevant AEMO database is consistent with customer addresses held by retailers).

Where parties do not have sufficiently strong incentives to undertake their functions in a timely manner, or for data to be accurate and consistent, this can lead to switching errors (or erroneous customer transfers). For example, the wrong customer may be transferred to a retailer because the address information provided by another customer is inconsistent with the NMI Standing Data for that address in the relevant AEMO database.

Transfer errors can prolong the switching process and, thereby, undermine the quality of the customer experience. Poor customer experiences may cause customers to lose confidence in the retail market and create risks of regulatory intervention. This will have the effect of undermining dynamic efficiency.

3.2.4 Efficient allocation of risks and costs

Efficient incentives usually arise where costs and risks are appropriately allocated. As a general rule, costs and risks should be allocated to those parties best placed to manage them, which leads to lower system costs over time.

An example in the context of this review is the provision of metering data. An accurate and timely meter reading is integral to an efficient and quality transfer in relation to that customer. For the majority of meters in the NEM, metering data providers (typically the distributor) are responsible for undertaking the meter reading and providing this data to the retailer.[27] However, it is retailers who have the relationship with the customer and are, therefore, held accountable by customers for any poor service experience with respect to a switch caused by inaccurate or delayed meter readings.

There may, consequently, be a misalignment of incentives because those who bear the costs of any poor metering service provision (i.e. the retailer) may not be the ones who impose the costs (i.e. the metering data provider). Therefore, a lack of control over the meter reading process may create risks for retailers. These risks need to be managed, and in managing these risks, costs are incurred.

Therefore, it has been important to consider whether those, who bear any costs or risks in the switching process, are in the best position to manage them. This allows the costs of managing risks to be minimised, supporting productive efficiency.

Further, if the environment in which businesses operate becomes less risky, then businesses' incentives to invest and/or innovate over time increases. This supports dynamic efficiency.

3.2.5 Predictability

Processes and arrangements that promote predictability (or minimise uncertainty) are important for the achievement of dynamic efficiency.

This principle is, in part, a function of successfully meeting the principles listed above. Clear and transparent rules enhance predictability. The customer, and all other parties involved in a transfer, should understand what their own and others' obligations under the rules are, and how they should interact with other parties to effect a customer switch. Participants should, and also expect others to, act consistently with their obligations under the rules.

27 Currently in the NEM, metering data providers are typically distributors, who are regulated by the Australian Energy Regulator (AER). Under the upcoming SCER competition in metering and related services rule change more parties may become metering data providers. That is, in the future, metering data providers may not always be distributors, and so may not be regulated.

The rules should not be overly burdensome, complex or duplicative. For example, a different switching process in each NEM jurisdiction would not promote predictability.[28]

Further, where retailers have predictability about how the transfer process will operate now and into the future, confidence in the retail market is promoted. This is important for future investment and innovation.

We have also been mindful of the importance of having a predictable process for changing market arrangements. Recommendations for change should be a proportionate response and stakeholders should have sufficient warning of, when and how, changes will be implemented. Where changes lead to unanticipated outcomes, are misunderstood or overly complex, this can undermine dynamic efficiency.

3.2.6 The level of regulatory and administrative burden

The customer transfer process, or changes to it, should not impose undue regulatory or administrative costs for parties associated with a transfer.

In this regard, productive efficiency applies equally to regulatory and administrative arrangements as much as it does to the firms that operate under those processes. Where arrangements are complex to administer, difficult to understand, or impose unnecessary risks, they are less likely to achieve their intended ends, or will do so at a higher cost.

We have also kept this consideration in mind in respect of the changes we have recommended to the arrangements. Retailers have existing information technology and business processes that are structured to meet existing obligations. New arrangements and obligations could require existing systems and processes to be modified. Any costs this imposes should be proportionate to the benefits likely to be derived from those changes.

28 This is consistent with Lumo Energy's submission to the Issues Paper, which stated that they strongly support a national, harmonised approach to transfers that is free from unnecessary jurisdictional derogations. See: Lumo Energy, Issues Paper submission, p. 3.

4 Assessment of Effectiveness of the Current Customer Transfer Process

Summary of this chapter

The Commission has considered the effectiveness of the current customer transfer process and has concluded that the following areas of the customer transfer process should be improved:

- The timing of the customer transfer process. The time taken to transfer is largely determined by the current practice of transferring a customer only after an actual meter read for their electricity consumption has been recorded. Where actual reads are not obtained in a timely manner, for example due to property access issues to a manually read meter, transfer times are extended.
- The accuracy of the customer transfer process, including:
  - the accuracy of the data that is used, with the most common issue being a mismatch between the address data that exists in MSATS for each electricity consumption point, and the commonly used address of the customer's premises; and
  - the accuracy of the customer transfer itself, with erroneous transfers (where the wrong customer is transferred) having significant impacts on customers.
- The overall effectiveness of the MSATS system for facilitating customer transfers, in particular the objections framework that forms part of the customer transfer process. This has evolved in a piecemeal fashion since the gradual introduction of full retail competition in the National Electricity Market (NEM), so it is timely to consider measures that aim to improve its overall effectiveness.

This chapter reviews evidence on the efficiency of the current customer transfer process in the NEM, focussing on the timing (section 4.1), accuracy (section 4.2) and overall effectiveness of the MSATS system (section 4.3). The Commission's recommendations, which are discussed in the following chapters, focus on improving these aspects of the customer transfer process.

4.1 Timing of the customer transfer process

4.1.1 Data on transfer times for small customers

The MSATS system, which is administered by the Australian Energy Market Operator (AEMO), facilitates customer transfers in the NEM. AEMO has provided transfer

completion data, which stems from this database. This data sets out electricity customer switching times between energy retailers in the NEM for recent years.

Specifically, it sets out the customer transfer timeframe from the point at which the transfer process in MSATS is initiated, to when the transfer is completed in MSATS.[29] The data for customer transfers in the NEM has been categorised as occurring:

- within 30 calendar days (equivalent to 21 business days);
- between 30 and 60 calendar days (21 to 42 business days); and
- greater than 60 calendar days (at least 42 business days).

In most cases, 30 calendar days is considered to be a reasonable timeframe for the completion of customer transfer requests.[30] This is also consistent with timeframes in overseas jurisdictions.[31] In submissions to the Issues Paper, the majority of stakeholders agreed that 30 calendar days was a reasonable timeframe for transfer requests to be completed.[32] The Commission considers that transfers should be completed within 30 calendar days at the upmost. Ideally, however, transfers should be completed in less time.

This data for the NEM, as set out in Figures 4.1 and 4.2, indicates that from January 2010 to July 2013, 51.9 per cent (or approximately 1.8 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations (i.e. both manually and remotely read meters). This compares to 26.5 per cent (0.9 million) and 22.4 per cent (0.8 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

29 We note Etrog Consulting's point that this time may be some time after the customer informed their retailer of choice that they wished to switch to them, after the winning retailer has gained the necessary information and consent from the customer in order to commence the transfer process, and after the cooling-off period has expired. See: Etrog Consulting, Options Paper submission, p. 3.

30 Although, in some instances, there may be valid reasons why transfers do not complete within 30 calendar days.

31 For example, in 2009, the European Union identified that all customer transfers should occur within 21 calendar days (or 3 weeks).

32 See: SACOSS, Issues Paper submission, p. 2; Aurora Energy, Issues Paper submission, p. 6; Alinta Energy, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 8.

Figure 4.1 **Small customer transfers in the National Electricity Market - number of completed transfers, for all meter read types**

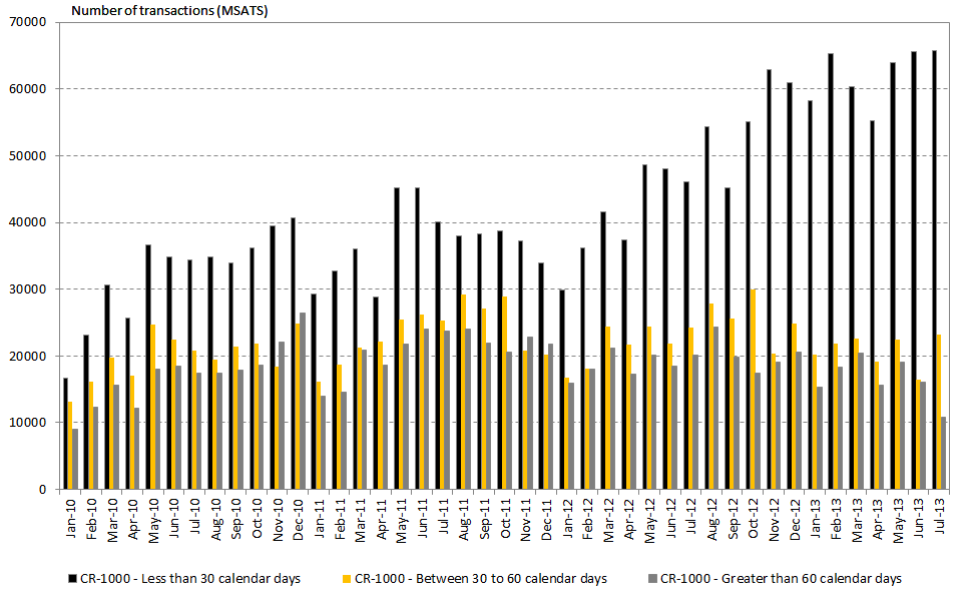
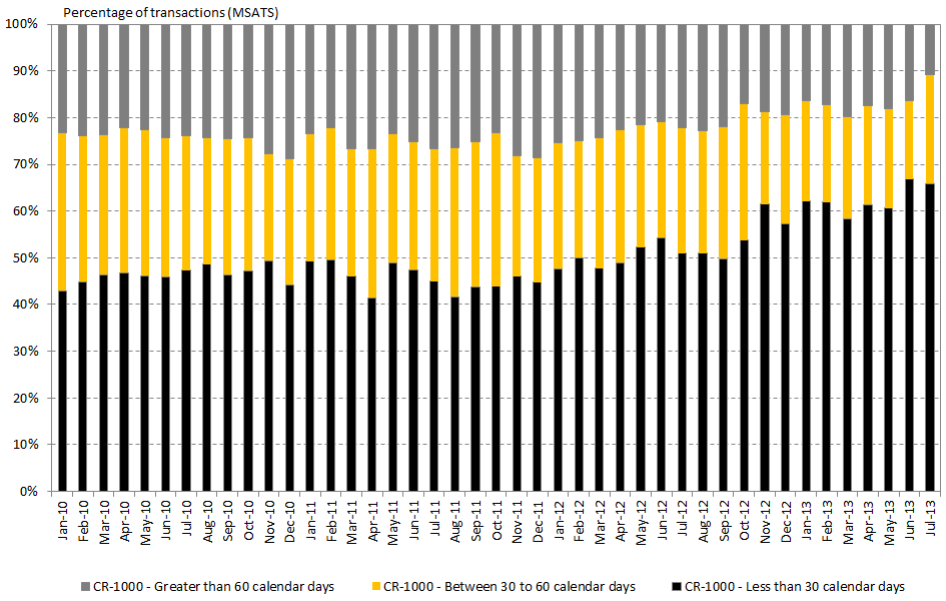


Figure 4.2 **Small customer transfers in the National Electricity Market - proportion of completed transfers, for all meter read types**



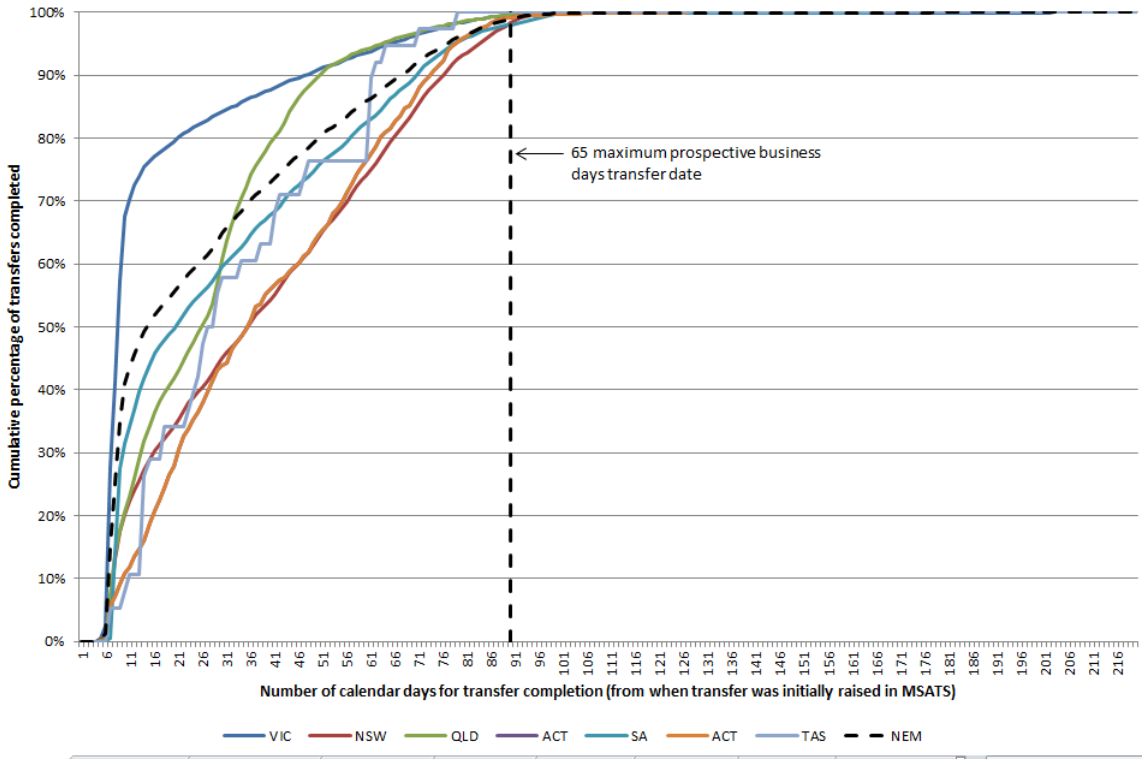
The data indicates that, since January 2012, an increasing proportion of small customer transfers between retailers have completed in less than 30 calendar days. In addition, the proportion of small customer transfers taking at least 30 calendar days to complete has been trending downwards. The downward trend has been most apparent in small customer transfers completing in greater than 60 calendar days. This downward trend

in the NEM is likely to have been driven by the increasing number of remotely read meters rolled-out in Victoria.

The Commission has also obtained more disaggregated MSATS data, which sets out individual customer transfer times. This is summarised in Figure 4.3 below, which sets out the cumulative totals of customer transfers that are completed, based on the number of calendar days required for the transfer to complete. This data is based on the period January 2013 to July 2013.

This data demonstrates that nearly three-quarters of customer transfers in the NEM were completed in less than 30 calendar days (21 business days) at an aggregated level across jurisdictions for the period under consideration. Further, nearly all (99.5 per cent) customers had their transfers completed within the 65 prospective business days limit that is current specified in the MSATS Procedures as the furthest time period in advance that a transfer can be scheduled (91 calendar days).

Figure 4.3 Cumulative percentage of customer transfer completions in a certain number of calendar days



The improvements in overall NEM customer switching times, which have occurred over the past several years, have been largely driven by Victoria. In Victoria, a substantial number of customer transfers are being completed faster than in other NEM jurisdictions (86 per cent within 30 calendar days), as demonstrated above. The fast transfer times in Victoria have largely been driven by the smart meter roll-out, which means that data on meter reads can be remotely received, approximately weekly. Other jurisdictions, aside from Victoria, are broadly similar in their patterns for transfer completion times.

4.1.2 Drivers of customer transfer times

The time taken to transfer appears to be determined largely by the current practice of transferring a customer only after an *actual* meter read is obtained.[33] Transfer requests complete once an actual meter read has been obtained, and supplied to the MSATS system by the metering data provider.

In order to obtain an actual meter read, retailers either:

- wait for the next scheduled meter read, which:
  - for manually read meters, occurs in accordance with a quarterly meter reading cycle that is managed by the metering data provider; and
  - for remotely read interval meters, data is received approximately weekly; or
- pay (or obtain consent from the customer to pay) for a special meter read, where the metering data provider undertakes a one-off read of the meter outside of the scheduled quarterly meter reading cycle, in order to obtain an actual read.

Currently, for a manually read meter where the next scheduled meter read is some time away, some retailers request special meter reads allowing them to transfer customers more quickly.[34] However, there are costs involved in obtaining special meter reads, which must be incurred either by the retailer or a consenting customer. Some stakeholders consider that special meter reads are too expensive (and potentially not cost reflective) and are, therefore, not opted for by either retailers or customers.[35,36] If a special meter read is not opted for, the quarterly meter read cycle may mean it is some time before an actual meter read is obtained, and so the transfer time would be extended.

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33 This was supported by discussion in Etrog Consulting's submission. See: Etrog Consulting, Issues Paper submission, p. 6.

34 Special meter reads can also be requested for remotely read interval meters. Special meter reads for remotely read meters can occur more quickly than for manually read meters - typically metering data is (remotely) received over night by the metering data provider.

35 See: EnergyAustralia, Issues Paper submission, p. 4; Ergon Energy, Issues Paper submission, p. 8. ERM Power also comments that customers have the ability to pay for a special read outside the usual cycle, but they do not generally choose to do so. ERM Power do not comment on any potential reasons why this may be. See: ERM Power, Issues Paper submission, p. 1.

36 The Commission is currently undertaking a rule change that is considering how the distribution network pricing principles should be adjusted to encourage distribution businesses to set and structure network prices (including special meter reads) on a more cost reflective basis, providing more efficient pricing signals to customers. See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

The more material issue associated with obtaining an actual meter read is related to access to manually read meters.[37] Currently, approximately two-thirds of households and businesses in the NEM have manually read meters.[38] Under both of the above options available to retailers for obtaining a meter read (scheduled or special meter reads), metering data providers are permitted to "object" in MSATS to a transfer request on the basis of "no access" (i.e. no actual meter read can be obtained since the metering data provider cannot obtain access to the customer's meter). Objections to the customer transfer process relating to no access comprise a large proportion of objections that are raised in MSATS (29 per cent).[39]

There are legitimate workplace health and safety reasons why access may not be obtained by metering data providers (e.g. vicious dogs, locked gate). Metering data providers may not, however, always have sufficient incentives placed on them to obtain timely and accurate meter reads.

Although retailers may have stronger incentives (both regulatory and competitive) to resolve property access issues and so complete transfers faster, they are not actually in control of undertaking the meter reads and providing data, since they are not the responsible person for the meter.[40] The responsible person is currently typically the distributor, who may not be subject to the same competitive pressures as retailers (although they are subject to similar regulatory pressures), and so may not face the same incentives for providing efficient services.

The upcoming rule change request to be considered by the AEMC, relating to the expansion of competition in metering and related services,[41] seeks to expand competition into the provision of metering and related services. Under this, metering data providers may have stronger incentives to complete meter reads in a more timely and accurate manner.

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37 See: AGL Energy, Issue Paper submission, p. 3; Origin Energy, Issues Paper submission, p. 5; EWOV, Issues Paper submission, p. 7; Aurora Energy, Issues Paper submission, p. 6; Simply Energy, Issues Paper submission, pp. 2-3; Alinta Energy, Issues Paper submission, p. 1; Energex, Issues Paper submission, p. 3; ERAA, Issues Paper submission, p. 2; Lumo Energy, Issues Paper submission, p. 3.

38 The penetration of remotely read meters varies across jurisdictions, and types of customers. Victoria has nearly all of its meters being remotely read, while other jurisdictions have minimal amounts of remotely read meters. The penetration of remotely read meters is also typically higher for businesses than for households.

39 AEMC calculations from AEMO data.

40 The responsible person is the person responsible for: the provision, installation and maintenance of a metering installation; and collection of metering data from each metering installation for which it is responsible, the processing of that data and the delivery of the processed data to the metering database. See: NER clause 7.2.1(a).

41 SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

4.1.3 Customer impacts from prolonged transfer times

As discussed above, failure to obtain actual meter read data currently extends the customer transfer process. Longer than expected transfer times can have significant impacts on both customers and retailers.[42]

For example:

- a customer who has experienced a longer than expected time to transfer to their retailer of choice may also complain that they have not received their final bill (from the losing retailer) or first bill (from the winning retailer); or
- when a bill(s) is received, the bill(s) may be higher than expected since it would relate to a longer than usual billing period.[43]

Such examples can affect a customer's level of confidence in the switching process. The customer may become disenchanted and participate less in the retail market. One customer's bad experience, through negative word of mouth and media reporting, can also disenchant other customers, thereby reducing overall confidence in the switching process and retail markets.

Retailers may also incur greater administrative costs:

- since they are obliged to field more queries and complaints from customers where the transfer has not yet occurred, which may ultimately end up with energy ombudsmen; and
- associated with responding to, and dealing with, no access objections that are raised in response to transfer requests (e.g. the retailer would have to contact both the customer and metering data provider in order to set up a new time where site access would be provided to read the meter).

Excessive transaction costs associated with securing customers are likely to undermine retail competition and prospects for new entry.

4.1.4 Summary

Transfer times in the NEM can be improved. For a majority of customers, transfers are completed within a timely manner (e.g. three-quarters of transfers are completed in less than 30 calendar days). However, for a small, but still significant, number of customers, this is not the case.

These cases largely relate to customers where:

- there is no remotely read meter at the site; or

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42 Examples, such as those discussed later in this section, were also highlighted in EWOV's submission. See: EWOV, Issues Paper submission, p. 7.

43 See: EWOV, Issues Paper submission, p. 7.

- their next scheduled meter read is some time away; or
- where access to the customer's meter to obtain an actual meter read may be an issue; or
- a special meter read is considered too costly.

Given the potential for longer than expected transfer times to have significant detrimental impacts on both parties involved in the transfer process, and more generally, such delays should be addressed.

The market-led provision of more advanced technology such as smart meters will circumvent some of these issues, since the weekly receipt of remotely read data will allow transfers to complete faster, as well as alleviating any access issues that may occur.

Notwithstanding these developments, the Commission considers it important to provide an alternative means for customers with manually read meters for transfers to occur in a faster timeframe in the meantime. The Commission recommends improving the timing of the customer transfer process through the introduction of the use of estimated reads for the purposes of a transfer. This is discussed in more detail in chapter 5.

4.2 Accuracy of the customer transfer process

4.2.1 Evidence on the accuracy of transfers

In addition to having data on transfer times the MSATS system also holds an array of data - termed "NMI Standing Data" - that relates to each customer's connection point (i.e. the agreed point of supply between the retailer and the network service provider). This includes each connection point's unique NMI, the applicable network tariff and the customer's consumption threshold bands.

Accurate data and information has the potential to positively impact on the customer's experience with the transfer process, through the potential for an overall lower level of error in the process. Fewer errors in the transfer process also contribute to lower operational costs for retailers, and handling of complaints cases that must be resolved with energy ombudsmen.

However, there are some aspects of the transfer process that may have some inaccuracies; specifically data that is used for a customer transfer, and customer transfers that are performed in error. Stakeholder submissions to the Issues Paper also agreed that these issues exist with the data used in the customer transfer process.[44] These are discussed further below.

44 See: Origin Energy, Issues Paper submission, p. 10; Simply Energy, Issues Paper submission, pp. 2-3; ERAA, Issues Paper submission, p. 3; Lumo Energy, Issues Paper submission, p. 2.

Inaccurate NMI Standing Data

The current rules and procedures, and guidelines made under them, provide clear guidance and standards on the maintenance of accurate metering data and information. Various obligations are placed on registered participants to encourage them to meet certain performance standards with regard to the collection and processing of information.

For example, the MSATS Procedures currently require:[45]

- all new and existing standing data in MSATS to be kept current and relevant; and
- that the relevant participant must update the NMI Standing Data in MSATS within 20 business days of becoming aware that the data is no longer current or relevant.

Further, AEMO has developed a number of procedures and guidelines for entering data into MSATS. For example, "Standing Data for MSATS" details the data requirements for the various data elements that comprise NMI Standing Data, together with relevant examples and definitions.[46] It also specifies what party is required to source the data.

Based on these existing requirements, many parties that supply NMI Standing Data to MSATS (largely LNSPs) already have business processes in place to achieve a high level of data accuracy.[47]

However, in spite of these existing requirements and processes, numerous submissions to this review commented on situations in which data inaccuracies have arisen. The Commission understands that there are issues with the accuracy of the NMI Standing Data that is contained in MSATS. In particular, the more problematic fields include:

- the physical address associated with the connection point;
- the network tariff associated with the connection point; and
- the meter read cycle date, or date of the next scheduled meter read, or date in a relevant code representing the read cycle date.

The largest issue of inaccurate data relates to the address data for the NMI, such as:[48]

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45 Clauses 2.2(i) and (j).

46 See: http://www.aemo.com.au/Electricity/Policies-and-Procedures/Market-Settlement-and-Transfer-Solutions/Standing-Data-for-MSATS.

47 See: ENA, Options Paper submission, p. 4; NSW DNSPs, Options Paper submission, p. 12; Energex, Options Paper submission, p. 5.

48 Such examples were provided by the EWOV, EWON and the ERRA in their submissions to the Issues Paper. See; EWOV, Issues Paper submission, p. 5; EWON, Issues Paper submission, p. 1; ERAA, Issues Paper submission, pp. 3-4.

- The local government's property description (i.e. the address that the customer associates with the premises) does not always align with the NMI standing data, or the data in either the retailer's or metering data provider's system. This can result in the wrong property being transferred.

- Greenfield sites are assigned a NMI and initial address. However, these sites are often re-addressed by builders or local governments following development, with these new addresses not being updated in MSATS.

- The NMI in MSATS does not match the details at the customer's supply address, because the data has not been updated in MSATS, or the address was assigned the wrong NMI.

- In order to make a correction to the supply address in MSATS, the Local Network Service Provider (LNSP) requires the financially responsible market participant to supply a local government rates notice. Where the customer resides at a rental property, this may be difficult to procure since it requires the co-operation of the property owner or their agent.

The customer may not always have ready access to the NMI itself, which places increased reliance on the accuracy of the address that is provided to the retailer as part of the transfer. Therefore, inaccuracies with this field can create problems in transfers.

Also, other data elements may not always be accurate, including:

- Date of the next scheduled read. This typically forms the basis for the date the transfer is requested for in MSATS. Sometimes there are errors with this schedule, related to inconsistent information held by the retailer and distributor. If such an error existed, an objection would be raised by the metering data provider in MSATS in relation to the transfer, since the date of change for a transfer would not align with the proposed read date.

- Network tariff associated with the connection point. For example, a customer's consumption may have increased to exceed the small customer limit, and so this profile type should change to a large customer. If this does not occur, the transfer will be objected to by the metering data provider, because the wrong profile type would have been entered by the retailer.

Such inaccurate data extends the time taken for the transfer process to complete. If an objection is raised (e.g. due to inaccurate data being used, as discussed above), then the transfer impediment must be identified and mutually resolved, potentially lengthening the time for a transfer to successfully complete.

Erroneous transfers

Erroneous transfers can also occur (e.g. where a customer is transferred to another retailer without the customer's consent).[49]

This typically occurs when a retailer raises the transfer request in MSATS, with the retailer entering the incorrect NMI due to:[50]

- the customer quoting the NMI incorrectly to the retailer; or
- error by the retailer when entering the NMI in MSATS.

Under the current arrangements, an erroneous transfer is not likely to be identified until it has occurred. A customer may identify they have been wrongly transferred when they receive a new customer welcome pack, or first electricity bill, from a new (unfamiliar) retailer.

An erroneous transfer cannot be resolved without considerable input from the wrongly transferred customer.[51] This customer may be required to coordinate communications between the two affected retailers, and effectively undertake the planning for a reversing in-situ customer transfer request. Retailers may not always have an incentive to take responsibility to promptly resolve an erroneous transfer.

Erroneous transfers increase time and resource costs for retailers, customers, energy ombudsmen and, potentially metering data providers, who must allocate time and resources towards reversing the erroneous transfer.

4.2.2 Customer impacts from inaccurate transfers

There are a number of potential negative impacts for customers, and retailers, from inaccurate transfers, including:

- account disruption - for example, the resulting disruption to the erroneously transferred customer's existing payment arrangements may cause them to fall into arrears;
- effects upon a third party - where there is a transfer error, the incorrectly transferred NMI will likely affect another customer. That is, there is a customer who thought they had been transferred to a new retailer, but are not since someone is transferred instead;

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49 Erroneous transfers can also result through unscrupulous marketing practices, whereby customers are signed up without explicit informed consent (which was more common under door-knocking). However, this type of marketing conduct is out of scope of this review.

50 Such examples were provided by the EWOV and the ERAA in their submissions to the Issues Paper. See: EWOV, Issues Paper submission, p. 5; ERAA, Issues Paper submission, pp. 3-4.

51 See: EWON, Issues Paper submission, p. 5.

- customer service centre impact - where there is a transfer error, customers can be confused about which energy retailer should be billing them for electricity consumption at their property, so they contact their retailer or an energy ombudsman for clarification, creating administrative costs;

- costs to retailers and customers - where complaints relating to inaccurate transfers are escalated to energy ombudsmen, ombudsmen officers spend time resolving these requests. Ombudsmen schemes are funded by retailers, who may pass on such costs to customers.

These issues are often evidenced in ombudsmen customer complaints.[52]

Erroneous transfers comprise around three per cent of total transfers that are given effect through the MSATS system annually. While they comprise a relatively small proportion of total transfers, this proportion has been relatively constant over time (i.e. has not improved).

4.2.3 Summary

Inaccurate transfers, while comprising a small portion of total transfers, can have significant impacts on customers, and create costs for retailers, metering data providers, and energy ombudsmen. Therefore, it is important that measures are undertaken to facilitate accurate data and processes.

Retailers and distributors currently have business processes in place to promote accurate transfers. However, we consider that there is sufficient evidence suggesting that not all transfers occur in an accurate manner (either through incorrect data, or the wrong customer being transferred). This has the potential to add time to the transfer process, since retailers have to spend more time and effort finding the correct data and information for the customer who wishes to transfer. Further, one customer's bad experience, through negative word of mouth and media reporting, can disenchant a broader customer population over time.

Therefore, the Commission considers it important for accuracy to be improved. Recommendations that are aimed at improving the accuracy of the customer transfer process are discussed in chapter 6.

4.3 Overall effectiveness of the MSATS system

The current small customer transfer process has evolved from systems and processes that were initially developed for the transfer of a relatively small number of large customers between retailers. As choice in retailer selections was made available to an increasing number of customers (i.e. through the gradual introduction of full retail contestability), the MSATS Procedures, and associated systems, were incrementally amended to accommodate this.

52 See: EWOV, Issues Paper submission; and EWON, Issues Paper submission, for further details on such customer complaints, including customer case studies.

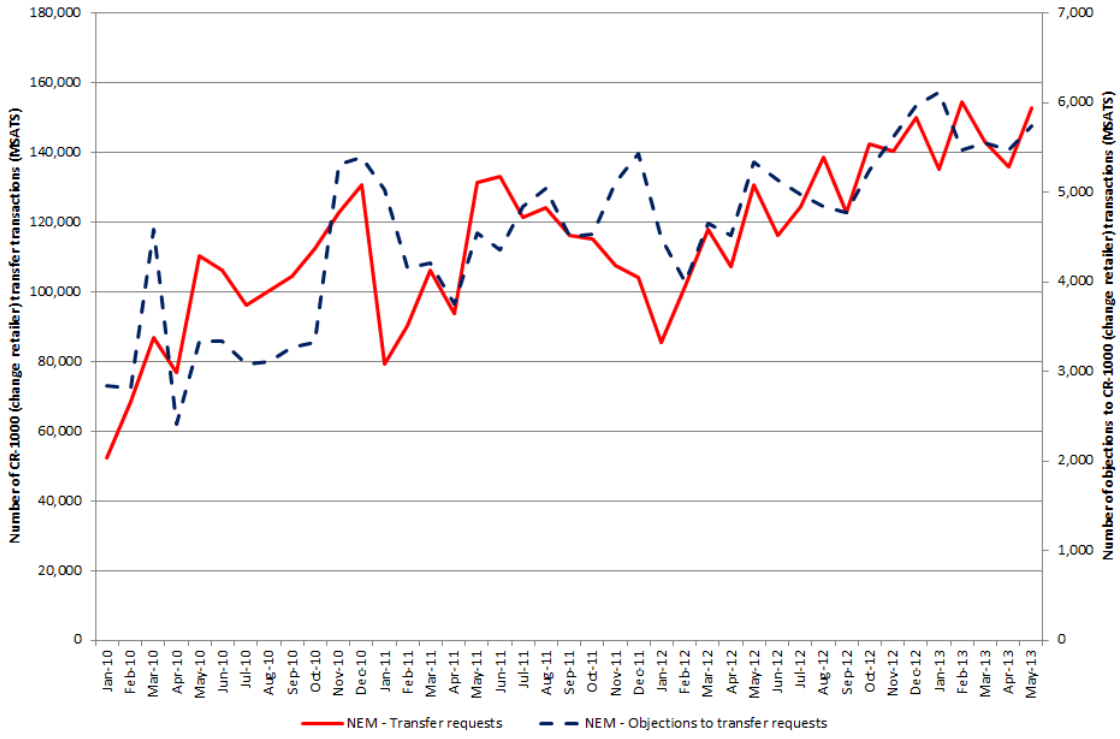
Since the process and system evolved in a piecemeal way, the Commission considers that there may be some aspects that are no longer effective or as efficient as they could be. One area of the MSATS system that stakeholders identified as potentially causing some inefficiencies was the objections framework.[53] Below, we discuss the evidence on the efficiency of the objections framework.

4.3.1 Data on the objections framework

The objections framework allows eligible parties to object to a customer transfer request in the customer transfer process in MSATS. The intention of this is to allow for a checking mechanism, to confirm that the correct roles and responsibilities are allocated to parties to facilitate the transfer process, and so transfer errors can be avoided.[54]

MSATS data for the NEM indicates that the number of objections, to in-situ customer transfers between retailers, has been generally increasing over time. This is likely driven by the increased number of transfers occurring within the NEM following the introduction of full retail contestability. Indeed, the ratio of objections to transfers has remained relatively constant across this period - approximately six to seven per cent of all customer transfers have had objections raised. Further, this proportion is relatively consistent across the different jurisdictions.

Figure 4.4 Objections in the National Electricity Market - number of objections, for in-situ customer transfers



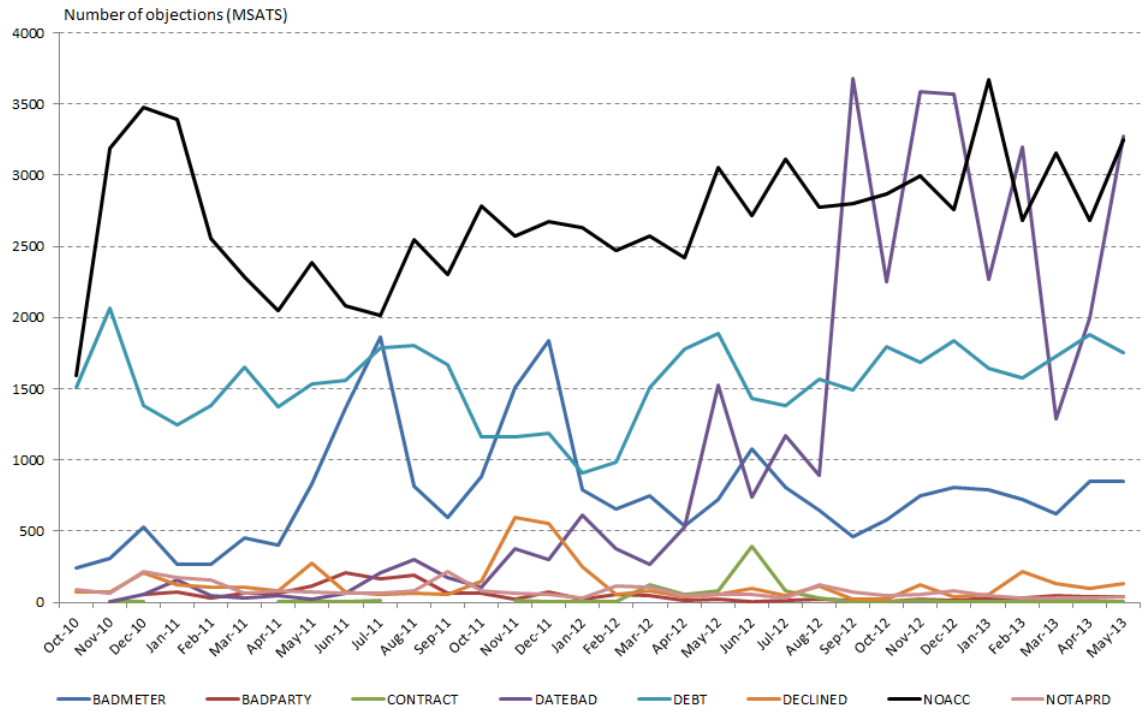
53 See: EWOV, Issues Paper submission, pp. 7-8; EWON, Issues Paper submission, p. 7; Lumo Energy, Issues Paper submission, p. 2; Energex, Issues Paper submission, p. 1; EnergyAustralia, Issues Paper submission, p. 2.

54 Further detail on the objections framework is provided in section C.4.2.

In most cases, objections to transfers are justified and supportive of the transfer process, since the objections framework allows issues to be identified and resolved inside the available objections window in MSATS, rather than the transfer request being rejected. Where a transfer request is rejected, the winning retailer would be required to resubmit the transfer, which would impose time and resource costs. Further, it is likely that, if issues are not resolved, the same objection may be raised again. However, unnecessary objections can extend the customer transfer process.

Data for the NEM indicates that the most common form of MSATS objections raised relate to "objection codes" that affect the effective operation of the customer transfer process, and so are justified (e.g. where no meter read can be obtained due to property access issues).[55]

Figure 4.5 Objections in the National Electricity Market - reason for objection, for change retailer transfers



However, the objections framework may be considered to impose inefficiencies. Both EWOV and EWON commented that, in their experience, there is some confusion and inconsistent understanding by retailers and metering data providers about the use of the objections framework.[56] Further, several submissions commented that a review of the timeframes associated with the objections framework should be conducted, and potentially reduced, which would also result in transfers occurring faster.[57]

55 The relevant objection codes were summarised in section C.4.2.

56 See: EWOV, issues Paper submission, pp. 7-8; and EWON, Issues Paper submission, p. 7.

57 See: Lumo Energy, Issues Paper submission, p. 2; Energex, Issues Paper submission, p. 1; EnergyAustralia, Issues Paper submission, p. 2.

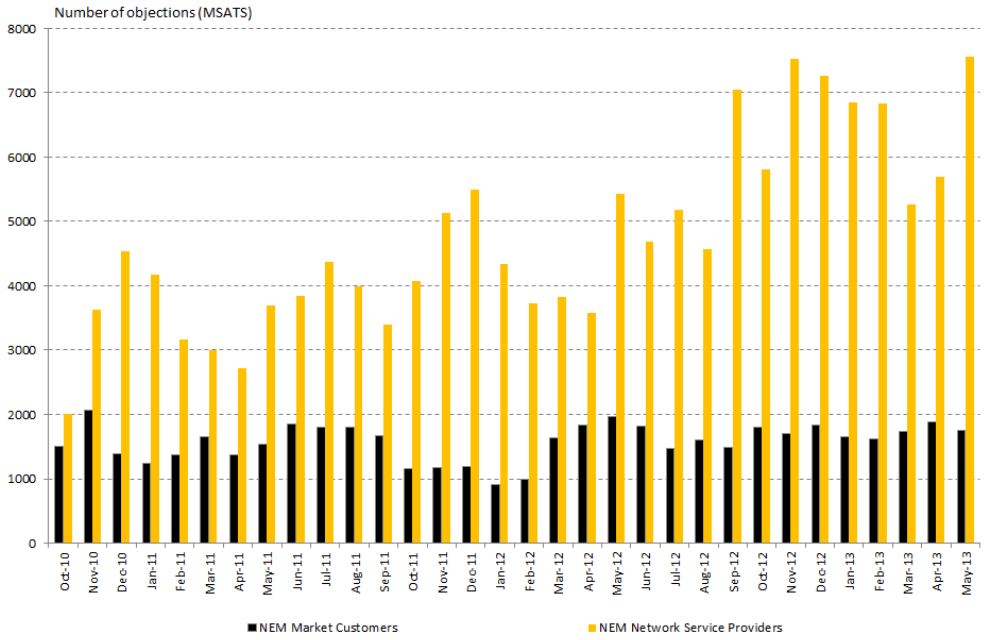
Some objection codes may also be considered as out of date. An example is "DATEBAD". This is raised by metering data providers where retailers have entered the incorrect date for the next scheduled meter read, which should correspond to the effective date of the transfer. This date is found in a separate file provided to the retailer by the metering data provider, which sets out dates for the scheduled meter reads. The Commission understands that errors can occur either due to metering data providers changing their meter reading schedule and not updating the retailer, or through error on the retailer's part.

It has been suggested that some retailers may object to transfers for reasons that are not legitimate, in order to delay and discourage an outgoing customer's transfer request. However, analysing the parties raising objections to all types of MSATS transactions in the NEM shows that, in the period October 2010 to May 2013, network service providers[58] raised two-thirds of all objections, with market customers (i.e. retailers) raising the remaining amount of objections.

To the extent that the losing retailer raises an objection, this is largely on the basis of "BAD DEBT" grounds, which can only be raised in jurisdictions (i.e. Queensland and Victoria) that have yet to adopt the National Energy Customer Framework (NECF). Therefore, to the extent that the NECF is adopted by these jurisdictions (and relevant local instruments amended), it is likely that the number of objections raised by losing retailers would likely decline.

Based on this information, this tends to suggest that objections are typically being raised by the appropriate party (i.e. network service providers) and for appropriate reasons.

Figure 4.6 Objections raised by participant - market customers versus network service providers, for change retailer transfers



58 E.g. distributors, metering data providers, LNSPs.

4.3.2 Summary

Based on our assessment of MSATS data, objection codes are largely being used for the appropriate reasons; and by the appropriate parties.[59] Two-thirds of all objections are raised by metering data providers, as opposed to losing retailers.

The Commission considers that there are areas for improvement in the objections framework. This includes:

- reducing the confusion surrounding the framework, such as promoting understanding of objection codes;
- updating the objections framework, such as reviewing the number of, and type of, objection codes; and
- reviewing the timeframes that relate to objections in MSATS.

The Commission discusses recommendations that are aimed at improving the overall effectiveness of the MSATS system in section 6.6.

59 Submissions to the Issues Paper generally concurred with this, noting that the current objections framework does largely allow for efficient outcomes. See: Aurora Energy, Issues Paper submission, p. 4; Ergon Energy, Issues Paper submission, p. 7.

5 Recommendations: Improving the Timing of the Customer Transfer Process for Manually Read Meters

Summary of this chapter

One way to reduce the time for customer transfers is to provide an alternative to obtaining an actual meter read, where the customer has a manually read meter.

The Commission recommends that estimated meter reads be allowed for use for in-situ customer transfers between retailers. This would provide customers with the *option* of moving to their new retail offer sooner, and so not needing to wait until their next scheduled meter read.

The Commission also recommends that a new process be established around how estimated meter reads can be used in the customer transfer process.

This chapter discusses the Commission's recommendation that is aimed at improving the timing of the customer transfer process, specifically allowing for estimated meter reads to be used for the purposes of a customer transfer.

The approach that we recommend for implementing this change to the customer transfer process is set out in chapter 7.

5.1 Recommendation 1: Allow estimated meter reads to be used for customer transfers

Recommendation 1

- Allow estimated meter reads to be used for the purpose of in-situ customer transfers between retailers (i.e. where a customer wishes to transfer from their current electricity retailer to another preferred retailer, without moving address).
- In order to facilitate the effective use of estimated meter reads by retailers, several aspects of the customer transfer process should be clarified or enhanced, including:
  - requiring explicit informed consent from the customer before an estimated read is used for the purpose of a customer transfer;
  - only permitting a customer to transfer on the basis of an estimated read, where the immediately prior meter read for the customer's premises is an actual meter read;
  - only permitting the use of an estimated meter read for transfers where the customer does not have a remotely read meter;

- requiring AEMO to develop an updated version of the current method to estimate meter reads, as set out in the Metrology Procedures; and
- introducing a dispute resolution process for estimated reads, should there be differing opinions between retailers and metering data providers as to the value of the estimated meter read for the customer's site.

5.2 Description of this recommendation

5.2.1 Background

Currently, the MSATS system has a read code that can be used to give effect to a transfer on the basis of an estimated meter read.[60] An estimated read is defined in the MSATS Procedures as being where no actual meter read is required. Instead, the metering data provider estimates a read in accordance with the Metrology Procedures and jurisdictional requirements.[61]

However, there appears to be some confusion as to whether customer transfers can take place on the basis of estimated meter reads in each jurisdiction.[62]

The Victorian Electricity Customer Transfer Code does prohibit transfers on the basis of estimates.[63] However, in other jurisdictions there are no provisions that prohibit the use of estimated reads for transfers.

5.2.2 Confirmation that meter estimated reads are allowed for customer transfers

This recommendation would, therefore, confirm that the rules and procedures allow customer transfers to take place on the basis of estimated meter reads, by specifying in the rules that such a process can occur.

The use of estimated reads for transfers should only be available as an option where the customer does *not* have a remotely read meter. Where the customer does have a remotely read meter, consumption data is provided more frequently; typically weekly. This regular provision of data supports a timely customer transfer. Given the roll-out of smart meters in Victoria, it does not pose a significant concern that customer transfers on the basis of estimated reads are not currently allowed in this jurisdiction, since actual consumption data is readily available.

60 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

61 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

62 See: AGL, Options Paper submission, p. 3; Origin Energy, Options Paper submission, p. 5; United Energy, Options Paper submission, p. 2.

63 Clause 4.3(b) of the Victorian Electricity Customer Transfer Code.

Importantly, this recommendation would not require retailers to give effect to *all* customer transfer requests on the basis of an estimated read.[64] Rather, it would provide retailers with another service option to be offered to potential customers who wish to quickly transfer to the retailer. This would allow an alternative source of meter read to fulfil the customer's transfer request, where:

- there is no remotely read meter at the site; or
- the next scheduled meter read is some time away and the customer does not wish to wait; or
- where access to the customer's meter to obtain an actual meter read may be an issue; or
- a special meter read is considered too costly.

These scenarios are currently the main contributors to prolonged transfer times, as detailed in section 4.1.[65] Providing for the use of an estimated read in these circumstances should go some way to addressing long transfer times.

While retailers would not be obliged to offer estimated reads to customers, they would be obliged to put in place systems to facilitate transfers on the basis of estimated reads. Both the winning retailer offering the estimated read for the purposes of a transfer, and the losing retailer who must transfer the customer on the basis of an estimated read would need to have systems to give effect to the transfer.

5.2.3 Circumstances under which estimated meter reads could be used for in-situ customer transfers

In-situ customer transfers

The Commission considers that estimated meter reads should only be used for an in-situ customer transfer (i.e. where a customer wishes to transfer from their current electricity retailer to another preferred retailer, without moving address).[66]

By restricting the use of estimated reads to this particular scenario, it is less likely that the transfer process would be complex, or create confusion. Where it is a "move-in" or

64 This was supported by submissions. See: ERM Power, Options Paper submission, p. 2; Origin Energy, Options Paper submission, p. 5.

65 See: AGL Energy, Issues Paper submission, p. 3; Origin Energy, Issues Paper submission, p. 5; EWOV, Issues Paper submission, p. 7; Aurora Energy, Issues Paper submission, p. 6; Simply Energy, Issues Paper submission, pp.2-3; Alinta Energy, Issues Paper submission, p. 1; Energex, Issues Paper submission, p. 3; ERAA, Issues Paper submission, p. 2; Lumo Energy, Issues Paper submission, p. 3.

66 This was supported by ERM Power. See: ERM Power, Options Paper submission, p. 2.

"move-out" transfer request (i.e. not in-situ), more parties are involved, with two customers being affected, and so such transactions are more complex.[67]

An in-situ customer transfer request is given effect through a particular transaction code in the MSATS system - the "CR1000" code. Since there is already an existing estimated read code that relates to this transfer code, there may be no need for a new meter read code to be developed in MSATS in order to give effect to this recommendation.

Requirement that the previous meter read be an actual read

The Options Paper also contemplated that estimated reads should only be allowed for transfers where the previous read for the customer's site was an actual read.

Several submissions commented that restricting the use of estimated reads in this manner would involve greater system changes in order to accommodate this recommendation and, thereby, increasing its implementation costs.[68] For example, a new objection code would have to be created in MSATS, which would be used to flag where the previous read for that site was not an actual read. EnergyAustralia considered that it would cost them approximately $1-2 million to implement a new transfer code for transfers based on using estimated reads where the previous read was an actual, and subject to it being an in-situ transfer.[69] No other stakeholders included cost estimates in their submissions.

However, several submissions commented that it is important that this restriction is maintained – the likelihood of an estimated read being incorrect increases significantly if the previous meter read was not an actual read.[70] For example, under the scenario where a property has been vacant for some time (e.g. the customer is on vacation); if this is not known, then the estimated read used for the customer transfer will overstate the level of consumption that has occurred at the site.

While there may be costs associated with implementing systems in order to check whether or not the previous meter read for a customer was an actual read, this is an important check on the process, which would minimise risks for retailers and the market overall. That is, this check would reduce the likelihood of there being material differences between actual and estimated consumption levels, and so minimises the chance of disputes arising over the validity of the estimated read.

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67 The moving-out customer's final bill is settled on an estimate, and that customer's consumption would never be reconciled. The new customer would move in, and commence consuming based on the previous customer's consumption.

68 See: AGL, Options Paper submission, pp. 4-5; Energex, Options Paper submission, p. 3; Lumo Energy, Options Paper submission, p. 2; NSW DNSPs, Options Paper submission, p. 9; Origin Energy, Options Paper submission, p. 5.

69 See: EnergyAustralia, Options Paper submission, p. 3.

70 Indeed, the maintenance of this criterion may mitigate EWOV's concerns that a transfer on an estimated meter read may be the latest in a series of estimated reads, which compounds existing billing issues and may potentially lead to a large backbill, possibly for a customer in financial hardship. See: EWOV, Options Paper submission, p. 4.

5.2.4 New regulatory process for use of estimated reads

The rules and procedures could be clarified to remove ambiguity and to allow an estimated read to be more effectively used.

The Commission further recommends that where an estimated read is used for an in-situ customer transfer, that a new process should be implemented. The following process should be reflected in relevant rules, guidelines and procedures:

1. The customer begins the process to switch retailers by choosing a new ("winning") retailer.

2. The winning retailer would advise the customer of the option to transfer on the basis of an estimated meter read, among other alternatives.[71] It is likely that, through this process, the winning retailer may also be able to advise the customer of their next scheduled meter read date, and the cost of obtaining a special meter read, in order to inform and assist them with their decision.[72] The customer would then have several options from which to choose the type of read used for the transfer:

    (a) if the next scheduled meter read date is not too far in the future, or if the customer does not want a more timely transfer, then the customer may decide to wait for the next scheduled read;

    (b) if the next scheduled meter read date is a date in the future that is beyond what the customer is prepared to wait, and the customer prefers the absolute accuracy of an actual read over an estimated read, then the customer may be willing to pay for a special read in order for the transfer to occur faster and based on their actual consumption;[73] or

    (c) if the next scheduled meter read is a date in the future that is beyond what the customer is prepared to wait, and the customer considers that the cost of the special read is greater than what they are willing to pay, or that there may be property access difficulties that means a special read attempt may fail, then the customer may consent to a faster transfer based on an

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71 This may require changes to the customer consent script that retailers use, to reflect that customers would need to provide agreement to transfer on the basis of an estimated read. See: EnergyAustralia, Options Paper submission, p. 3.

72 We understand that retailers currently have access to this information, since the metering data provider provides a separate file to the retailer that sets out scheduled meter read dates. That is, retailers should have no issues with access to this data.

73 ENA commented that, in their opinion, it is more cost effective to incur the costs of a special read, rather than an estimated read, since estimated reads lead to customer complaints and high costs for correction errors and/or resolution of disputes. The Commission considers that, by providing customers with an option as to whether they wish to transfer on a special read, an estimate, or a normal scheduled read, that customers will weigh up the costs and benefits to themselves, and so make an informed choice. This choice would reflect what they consider to be beneficial to them. See: ENA, Options Paper submission, p. 5.

estimated read. The customer would also accept that there may be a small difference between their actual and estimated consumption levels.

3. If the customer decides on an estimated read, in the process of signing up to the winning retailer, the customer would be required to provide explicit informed consent that it may be transferred on the basis of an estimated read.[74]

4. The winning retailer would commence the transfer process in MSATS (observing any cooling-off period requirements). In submitting the transfer request into the MSATS system (through the existing CR1000 code), the winning retailer would select the (existing) meter read type, "estimated read".

5. The metering data provider would source an estimate for the customer's consumption, as at the relevant transfer date.[75] This estimate would be sourced in accordance with a method for estimating meter reads, which would be set out in the Metrology Procedures (discussed further below).[76]

6. The metering data provider would validate this estimate. This validation could include the use of the metering data provider's system to validate the estimated consumption within an acceptable range, or (for example) an accompanying photo of a meter read provided by the customer.

7. The metering data provider would enter the estimated consumption into the MSATS system, with this forming the basis for the customer transfer.

8. The losing and winning[77] retailers would have a right to dispute the estimated read, if their own estimated read value was more than 200 kWh different to the metering data provider's validated value, with any dispute to be resolved in accordance with a dispute process (discussed further below).

9. Once the estimated data has been uploaded to MSATS by the metering data provider, a series of billing and settlement processes would be initiated amongst the various registered participants and AEMO.

10. The winning and losing retailers would be settled in the wholesale market on the basis of this estimated read. There is no subsequent adjustment for the customer between the actual and estimated consumption levels.

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74 This was supported by a number of submissions. See: EWOQ, Options Paper submission, p. 2; PIAC, Options Paper submission, pp. 1-2.

75 There would be costs to the metering data provider of sourcing this estimate. It is unclear at this stage what the magnitude of these costs may be. However, the Commission considers that these costs may be minimal, once the systems and process have been set up. The estimate would be based on a methodology defined in the Metrology Procedures.

76 Alternatively, if the estimate had been provided by the customer, the retailer would need to provide this estimate to the metering data provider to validate it.

77 We recognise that it would be unlikely that the winning retailer would dispute the estimated read, since it would not have a history of data on the customer, which would be used in developing its own estimate.

11. The losing retailer would provide a final bill to the customer, with this being based on the estimated read. No other billing would occur with the losing retailer.[78]

12. Following the conclusion of these billing and settlement processes, the winning retailer would become financially responsible for that customer, and the customer transfer process would be complete. Any future billing would only occur with the winning retailer for consumption post the transfer date.

Updated methods for estimating customer reads

AEMO's Metrology Procedures currently sets out methods for estimating meter reads for manually read interval (i.e. type 5) and accumulation (i.e. type 6) meters.[79]

AEMO would be tasked to develop an updated, standardised, robust estimation methodology suitable to support customer transfers, based on a number of principles, including promoting accuracy.[80] Such a method would reduce the likelihood that an estimated read would be significantly different to an actual meter read for a customer. The updated method should be based on, and consider, the existing methods for estimating reads.[81]

Estimated reads could be based on information that may be provided by the:

- metering data provider, estimated through a robust statistical method; or
- the customer, estimated by the customer reading (or photographing) the meter.[82]

The practicalities of using different sources of information should be investigated by AEMO when developing the updated method. For example, the updated method should consider how jurisdictions may have differing consumption load profiles.

Regardless of how the "estimate" is sourced, the metering data provider would be required to validate the estimate to check that it falls within a plausible range, and provide the validated estimate to the retailer (via MSATS) for this to be used in the customer transfer process. This validation could include the use of the metering data

78 This was supported by EWON. See: EWON, Options Paper submission, p. 2.

79 Specifically, Part B section 15, specifies the use of substitution reads for the purposes of transferring customers in the event of a Retailer of Last Resort event. See: AEMO, Options Paper submission, p. 2.

80 This was supported by a number of submissions. See: Etrog Consulting, Options Paper submission, p. 6; EWON, Options Paper submission, p. 2.

81 AEMO noted that they would leverage off the processes as set out in the Metrology Procedures in allowing for the use of estimated meter reads for the customer transfer process. See: AEMO, Options Paper submission, p. 2.

82 Although, the communication chain to give effect to this would need to be considered. For example, if the photographed self-read was provided initially to the winning retailer, and then on to the metering data provider to validate, this would complexities associated with the transfer process. See: AGL, Options Paper submission, p. 5.

provider's system to estimate consumption, or (for example) an accompanying photo provided by the customer, along with the self-read.[83]

Dispute resolution process

It is important that there is a dispute resolution process in place.[84] This is because:

- the transfer of a customer results in a different party being responsible for the customer, which has ongoing financial ramifications and responsibilities for retailers; and
- using estimated reads for transfers is a new process, which increases the likelihood of disputes as participants "learn" how the process works.

Either the winning, or losing, retailer should be able to dispute the estimated read that the metering data provider provides. However, retailers should only be able to dispute the read where it may have significant financial consequences. To that end, we have proposed that disputes can only occur where the retailer considers that the estimated read value is incorrect by more than 200 kWh (approximately $50).[85]

The retailer would dispute the read through the MSATS process. AEMO would confirm that the method for estimating the read has been used, and, therefore determine the appropriate estimated read to be used in the transfer. It would do this by applying the method for estimated reads to confirm the value equates to that derived by the metering data provider.

Alinta Energy commented that this option (as described in the Options Paper) presupposes that both retailers are prepared to accept the use of an estimated read to facilitate the transfer process. Alinta were concerned that the outlined process does not contemplate the scenario where the losing retailer does not wish to use an estimated read to finalise an account.[86]

Retailers should be left largely "whole" in terms of settlement, under this recommendation. The estimated read is used in both transferring the customer, and in the wholesale market (see discussion below), and so retailers should be largely indifferent as to whether or not the customer transfers on an estimated or read or actual, given the method to be used. Little extra work would be required for a retailer to give effect to transfers on the basis of estimated reads.

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83 Further, as EWON commented in their submission to the Options Paper, taking a photograph of the meter would likely reduce settlement and billing risks for retailers. See: EWON, Options Paper submission, p. 2.

84 ERM Power considered that a dispute process is not required if the estimated read is provided in accordance with the AEMO-specified method. See: ERM Power, Options Paper submission, p. 2.

85 This figure is consistent with the process for disputing estimated reads that is used in New Zealand. In New Zealand, the winning retailer can dispute the losing retailer's reading if the difference is above 200kWh. There are differences in the overall process, between what we have recommended, and what is used in New Zealand.

86 See: Alinta Energy, Options Paper submission, p. 2.

Further, since the retailer can dispute the estimated read value in certain circumstances, this should prevent the retailer from being significantly financially impacted.

In summary, the Commission recommends that retailers cannot oppose a transfer purely on the basis that an estimated meter read has been selected (as opposed to an actual read). Retailers can dispute the *consumption value* estimate that is calculated, but not the fact that an estimated read is used for the transfer request.

Impacts on the wholesale and retail markets

The Commission considers that there are no issues created with settlement in the wholesale market or billing in the retail market.[87] This is since the *same* estimated read is used in both the wholesale and retail markets. There is no need for adjustment between actual and estimated reads for the customer. Therefore, there are no "unders" or "overs" for retailers, in terms of wholesale settlement, or in terms of billing customers in the retail market.

The NSW DNSPs, AGL, and Red Energy commented on what would occur if a transfer occurred on the basis of an estimate, and the next actual read ended up being lower than the earlier transfer estimate.[88] These parties considered there may be difficult adjustment issues to overcome.

The Commission considers that this circumstance would be rare, but could be overcome. An estimated meter read is more likely to be *overestimated* in situations where it is taken very close to the next scheduled meter read. The estimation method may be more likely to predict that the customer's consumption was higher than it actually was. However, in these instances, given that the next scheduled meter read is only a short while away, the customer is more likely to wait until the actual meter read is taken to transfer. Further, since transfers would only be permitted to occur where a previous actual meter read exists, this could reduce the likelihood fo such adjustment problems occurring.

If the next actual meter read is lower than the earlier transfer estimate, then the customer may have "over" paid at the time of the transfer. In this instance, the Commission considers the following should occur:

- Since the customer has paid the "final bill" to the losing retailer on the basis of the estimated meter read, and the losing retailer has been settled in the wholesale market on the basis of this estimate, there should be no adjustment between the customer and the losing retailer (i.e. no further billing is to occur). This will mean that the losing retailer is left largely "whole".

87 This was supported by Etrog Consulting. See: Etrog Consulting, Options Paper submission, p. 10.

88 See: AGL, Options Paper submission, p. 3; NSW DNSPs, Options Paper submission, p. 10; Red Energy, Options Paper submission, p. 3.

- However, the customer will be in "credit" with the winning retailer. The winning retailer should then, through its usual billing process, issue a credit to the customer in their next bill.[89]

- Industry reconciliation for differences between estimated and actual meter reads, a rolling process which already occurs in the wholesale market, should largely reimburse the winning retailer for the credit that it had provided to the customer previously.

Mechanisms to rectify against rare circumstances, such as those described above, could be considered further as part of the updated Metrology Procedures that AEMO develops for estimated meter reads.

5.3 Assessment and rationale for the Commission's recommendations

There are numerous benefits associated with allowing transfers to take place on estimated reads, specifically:

- the transparency and understanding of the current arrangements would be increased for all participants, allowing them to manage transfers as effectively as possible. This may improve customer engagement and confidence in the retail market, thereby supporting retail competition;[90]

- customers would have the option of moving to their new retail offer much sooner than having to wait to transfer on their next scheduled meter read or pay for a special read.[91] This would, therefore, reduce transaction costs for those customers that opt to switch on estimated reads, since transfers would occur more quickly and potentially more cheaply;

- this option provides an alternative means of obtaining a meter read, which circumvents the problems of meter access that have been widely cited as being one of the main constraints on giving effect to faster transfers;[92] and

- there would be reduced transaction costs for retailers, since they would be able to become the financially responsible market participant for the new customer sooner, and so benefit from customer revenues sooner.[93]

There are also economies of scale with this option. That is, the more retailers make use of estimated reads, the more likely it is that the value derived from the benefits will outweigh the implementation costs. The Commission considers that it is likely that

89 Although, we note that this credit may not exactly reimburse the customer, since the tariffs between the two retailers may be slightly different.

90 See: PIAC, Options Paper submission, p. 2; Origin Energy, Options Paper submission, p. 5.

91 See: AGL, Options Paper submission, p. 4.

92 For example, see: CALC, Options Paper submission, p. 3.

93 AGL commented that this benefit would be offset by the earlier loss of the customer by the losing retailer. See: AGL, Options Paper submission, p. 4.

some customers would wish to take advantage of this option for a faster transfer based on an estimated read, and so this recommendation is worthwhile pursuing.[94] The Commission has this view since several consumer groups and energy ombudsmen supported the use of estimated reads in their submissions to the Options Paper.[95]

ERM Power also supported the use of estimated reads for transfers.[96] In submissions to the Options Paper, AGL, Origin Energy and EnergyAustralia all withheld expressing a view on this option, until it is further developed.[97] Other second tier retailers did not support this recommendation.[98]

There may be a number of costs associated with this option, including:

- some changes to the rules, as further detailed in section 7.2, to support in-situ transfers based on estimated reads;
- some changes to participants' back-office business and process systems to accommodate changes to the customer transfer process (e.g. metering data providers may need to adapt their systems to reflect the new estimation methodology);[99]
- training of retailers' staff in order for them to be aware that they must obtain the explicit informed consent of the customer prior to promoting a transfer to occur in MSATS on the basis of an estimated meter read;[100]
- costs associated with any disputes that may arise from disagreements over estimated read values.[101] However, we consider that by limiting grounds for disputes to those where the estimate differs by more than 200 kWh (approximately $50), this would limit the extent of those costs; and
- a potential increase in risk to retailers, relating to their hedging strategies.[102]

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94 Further, as AGL commented, if such restrictions are placed on the use of estimated reads, this will limit the set of customers that can transfer on an estimated read, in turn, limiting benefits that may be created through the use of estimated reads. See: AGL, Options Paper submission, p. 8.

95 See: PIAC, Options Paper submission; Etrog Consulting, Options Paper submission; EWOQ, Options Paper submission; and EWON, Options Paper submission.

96 See: ERM Power, Options Paper submission, p. 2.

97 See: AGL, Options Paper submission, p. 5; Origin Energy, Options Paper submission, p. 5; EnergyAustralia, Options Paper submission, p. 3.

98 See: Simply Energy, Options Paper submission, p. 1; Lumo Energy, Options Paper submission, p. 1; Alinta Energy, Options Paper submission, p. 2.

99 See: AGL, Options Paper submission, p. 4; Energex, Options Paper submission, p. 3.

100 See: AGL, Options Paper submission, p. 5.

101 See: AGL, Options Paper submission, p. 5; Energex, Options Paper submission, p. 3; NSW DNSPs, Options Paper submission, p. 9.

102 Should the use of estimated reads become more widespread, retailers may experience some changes in their hedging position. Origin Energy agrees with the Commission that, over time, the impact on individual retailer contractual positions will generally gravitate to neutral. See: Origin

The first three costs would be largely one-off costs, while the latter two potential costs would need to be managed over time.

Some distributors commented that allowing estimated reads for transfers would add an additional level of complexity and confusion to the customer transfer process.[103] However, the Commission considers that the process described above aims to inform both market participants and customers, and so minimise confusion. Further, clarifying that estimated reads can be used for transfers will offset existing confusion and complexity that is experienced by customers when their transfers occur late, or with mistakes.

5.3.1 Incentives under the use of estimated reads

There may be concerns that the party responsible for providing the estimate (i.e. the metering data provider) has limited exposure to the risk of an estimate being incorrect, and so may have limited incentives to resolve any errors, or provide an accurate estimate. However, since the estimated read would be undertaken by the metering data provider, in accordance with the new method for estimation set out in the Metrology Procedures, the likelihood of inaccurate estimates should be minimal. There would be little scope for the metering data provider to deviate from this agreed method. Indeed, it would be a compliance issue if they did so.

While the winning and losing retailers may have incentives to influence the estimate (i.e. since they settle with generators in the wholesale market, based on the level of energy they buy, which is influenced by this estimate), there would be little opportunity for them to do so given the standardised method for estimation.

5.3.2 Consumers and estimated reads

Several consumer groups and energy ombudsmen commented that customers may be wary of estimated reads, given the potential for such estimates to be different to the amount of electricity that is actually consumed. Based on their experience, estimated reads have the tendency to create customer complaints and result in disputes.[104] These disputes have the potential to escalate to the ombudsmen, creating costs for both customers and retailers.

However, under the process described above:

- to the extent that the estimated consumption is different to actual consumption, this would be adjusted for the customer when an actual read is taken by the

Energy, Options Paper submission, p. xx. Other submissions consider that there would be an increase in risk. See: Alinta Energy, Options Paper submission, p. 2.

103 See: Energex, Options Paper submission, p. 3.

104 See: Origin Energy, Options Paper submission, p. 5; Energex, Options Paper submission, p. 2.; EWOQ, Options Paper submission, p. 2; NSW DNSPs, Options Paper submission, p. 9; Lumo Energy, Options Paper submission, p. 2; Simply Energy, Options Paper submission, p. 4; CALC, Options Paper submission, p. 3; ENA, Options Paper submission, p. 3.

winning retailer. That is, the customer is only billed for the energy they have consumed between two actual meter reads. The extent to which a customer may be financially affected, would depend on the difference in the customer's retail tariff under the losing retailer, compared to the winning retailer. This is likely to be small;

- since explicit informed consent is required by the customer in order to permit a transfer to occur on the basis of an estimated read, only those customers that would value a faster transfer are likely to opt for this approach;[105] and

- if the estimation was based on a customer self-read, then customer wariness may be mitigated.

Requiring a customer's consent may limit the frequency with which this mechanism is actually used, thereby depressing the benefits case. In its submission to the Options Paper, AGL commented that transfers based on estimated reads could be deployed in the same way as routine billing on estimates where an actual read is not obtained - that is, customer consent is not necessarily required, and charging is brought back into alignment at the next actual read.[106]

However, the Commission considers that it is important to empower and offer choice to consumers, allowing them to decide on whether they wish to transfer on an estimate, wait for the next scheduled actual read, or pay for a special read. Therefore, transferring on an estimate should only be permitted where the customer provides explicit informed consent.[107]

105 EWOV noted that many customers do not always understand the implications of giving their consent, particularly at the time of marketing, and so many later question their billing with their retailer, and potentially the energy ombudsman. See: EWOV, Options Paper submission, p. 4.

106 AGL, Options Paper submission, p. 8.

107 The importance of customers making fully informed decisions about meter read options, and explicitly consenting to their preferred option was highlighted in EWOQ's submission. See: EWOQ, Options Paper submission, p. 2.

6 Recommendations: Improving the Accuracy of the Customer Transfer Process

Summary of this chapter

Accuracy of the customer transfer process could be improved - both in terms of the data that is used, and also in the process itself.

Most commonly a mismatch occurs between the address data that exists in MSATS for each electricity consumption point, and the commonly used address of the customer's premises that is provided by the customer to the winning retailer.

There are also instances where the wrong customer is transferred (i.e. erroneous transfers).

These inaccuracies have the potential to negatively impact on the customer's experience with the transfer process. Errors in customer transfers contribute to higher operational costs for retailers, and handling of complaints cases that must be resolved with energy ombudsmen.

It only takes unsatisfactory experiences for a few customers to be made known more widely to undermine confidence in the retail market.

Therefore, the Commission has made a number of recommendations that are aimed at promoting accuracy in, and of, the customer transfer process. These recommendations task AEMO with a number of responsibilities to give effect to these recommendations, including:

- developing standards that NMI Standing Data must be cleansed to (including an address standard); and
- undertaking a periodic review of the effectiveness of the system used to give effect to customer transfers.

Further, the Commission also recommends the introduction of a rule in the NERR that places an obligation on retailers to resolve erroneous customer transfers in a timely manner.

This chapter discusses the Commission's five recommendations that are aimed at improving the accuracy of the customer transfer process.

The approach that we recommend for implementing these changes to the customer transfer process is set out in chapter 7.

6.1 Roles and responsibilities for these recommendations

The recommendations in this chapter are all aimed at improving the accuracy of the customer transfer process. In so doing, they task AEMO with a number of responsibilities for various tasks. The Commission considers that AEMO is the best party to undertake these tasks since:

- it is responsible for the administration, and development of the MSATS system, under the NER;
- given this responsibility AEMO is intimately aware of how the system operates, and how it could be improved;
- as the market operator AEMO is best placed to implement these recommendations that benefit customers indirectly;
- MSATS system improvements are currently given effect through AEMO actioning matters that are raised through industry working groups, and so the following recommendations are relevant to its current activities; and
- AEMO has industry working groups that could be used to develop these recommendations.[108]

However, multiple parties use, and are responsible for data that is stored in, MSATS.[109] Given this, the Commission considers that they should be involved in giving effect to some of these recommendations (such as the cleansing of data).

6.2 Recommendation 2: Introduction of an address standard

Recommendation 2

- AEMO to determine an address standard, which would be used to standardise address data that is used in the MSATS customer transfer process.
- This address standard is to be developed by no later than six months after the rule change giving effect to this recommendation has been made.

108 AEMO already coordinates a number of working groups that comprise a range of energy market stakeholders to discuss issues or share information. There are currently several working groups that could assist with these recommendations (for example, the Data Management Working Group). We also understand that the aseXML Standards Working Group is currently considering developing an address standard (this is discussed further in Recommendation 2, below).

109 These include: retailers (as the responsible party, or financially responsible market participant), and distributors (as the LNSP, metering provider, or metering data provider).

6.2.1 Background

As discussed in section 4.2, numerous submissions to this review highlighted on issues concerning address data that is contained in the MSATS system.[110] For example, the local government's description of the customer's address (i.e. the address that the customer associates with their premises) does not align with the NMI Standing Data in MSATS, or with the data in either the retailer's or metering data provider's database.

Therefore, the Commission considers that it is important to develop a standard for addresses to be entered into the MSATS system, thereby promoting accuracy of data and more efficient transfers.

6.2.2 Description of this recommendation

AEMO would be tasked with the development of an address standard. This standard would be used by market participants when entering new data into MSATS, as well as in the cleanse of NMI Standing Data (see Recommendation 3, discussed below).

The agreed standard should govern both content and structure of the address fields in MSATS.

There are several existing address standards that could potentially be used:

- Australia Post address standard;[111]
- the ANZLIC address standard, which aims to provide a nationally-consistent, standards-based framework for addresses;[112] or
- Geo-coded National Address File, which is a composite of information supplied by Australia's government mapping agencies and land registries, the Australian Electoral Commission and Australia Post.[113]

The Commission understands that the issue of standardising addresses has been considered by industry in the past, but to date, a standard has not been agreed. Therefore, the Commission recommends that this standard be determined by AEMO no later than six months after the rule change giving effect to this recommendation has been made.

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110 Such examples were provided by the EWOV, EWON and the ERAA in their submissions. See: EWOV, Issues Paper submission, p. 5; EWON, Issues Paper submission, p. 1; ERAA, Issues Paper submission, pp. 3-4.

111 This is given effect through the Postal Address File, which is a database of Australian postal addresses. See: NSW DNSPs, Options Paper submission, p. 12.

112 See: http://www.anzlic.org.au/NAMF. This address standard is used in New Zealand, where data in a central "Registry" is required to comply with this address standard.

113 See: NSW DNSPs, Options Paper submission, p. 12.

One issue associated with agreeing on an address standard that the AEMO will need to resolve is that retailers and metering data providers maintain addresses for different purposes:[114]

- metering data providers maintain a locational address for the purpose of obtaining the meter reading; while
- retailers maintain addresses for customer billing purposes.

However, the Commission considers that there should be standardised data in MSATS for the purpose of associating a particular NMI and meter number to a site for the purpose of facilitating customer transfers.[115] Once alignment of the existing address data to this standard has occurred (through the data cleansing process as discussed above), the Commission considers that to the extent that parties have different addresses to the NMI Standing Data, then this other (deemed to be correct) information should be reflected in their own systems. However, recording data in their own systems should not be at the expense of recording accurate and correct NMI Standing Data.

The Commission also considers there may be benefits in applying the agreed address standard to both gas and electricity retail markets.[116] Therefore, AEMO should also consider the implications of introducing this address standard into gas standing data (or data that is related to the Meter Installation Reference Number).

6.2.3 Assessment and rationale for the Commission's recommendations

The introduction of an address standard would deliver enduring benefits to customers, since it would improve the accuracy of the customer transfer process and minimise the likelihood of transfer requests being delayed by objections. This is on the basis that the address field is the main cause of errors in the customer transfer process.

There may be some one-off costs associated with AEMO developing the address standard.

However, once the standard has been agreed, there would be few on-going costs associated with this recommendation. There may be some training of market participant staff to input addresses consistently with this new standard.

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114 See: AGL, Options Paper submission, p. 6.

115 AEMO notes that MSATS uses the NMI to facilitate the customer transfer process and as input into the wholesale market settlement, rather than the site address. The Commission considers that since retailers generally undertake a "NMI discovery" process, for the purpose of identifying the customer's NMI, and matching it to their commonly used address for the purposes of billing and mailing out a new energy retail contract and product information, it is important for this process that the address is also accurate. See: AEMO, Options Paper submission, p. 2.

116 See: AGL, Options Paper submission, p. 6.

Indeed, the majority of submissions to our Options Paper supported this option, since it was relatively low cost, but would provide benefits.[117]

6.3 Recommendation 3: Cleanse of the MSATS data

Recommendation 3

- AEMO to develop procedures for the cleansing of the NMI Standing Data that are used in the customer transfer process.
- Matters the procedures should cover include development of:
  - standards to be used for entering NMI Standing Data into MSATS;
  - a process under which market participants commit to undertaking an annual audit of at least five per cent of data that the participant is responsible for, with the aim of improving historical data that is contained in MSATS; and
  - a process under which market participants commit to a program of ongoing future improvement in entering data into MSATS in a manner that is consistent with the agreed standards.

6.3.1 Background

The current rules and procedures, and guidelines made under them, provide clear guidance and standards on the maintenance of accurate metering data and information. Various obligations are placed on registered participants to encourage them to meet certain performance standards with regards to the collection and processing of information.

Based on these existing requirements, many parties that supply NMI Standing Data to MSATS (largely LNSPs) already have business processes in place to achieve a high level of data accuracy.[118]

However, in spite of these existing requirements and processes, numerous submissions to this review commented on situations in which data inaccuracies have arisen, which were discussed in section 4.2.[119] The outcome of such data inaccuracies is that a customer can end up being transferred to a retailer when they have not requested it. The customer seeking to transfer remains with their existing retailer.

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117 See: Alinta Energy, Options Paper submission, p. 3; ERM Power, Options Paper submission, p. 4; EWON , Options Paper submission, p. 3; ERAA, Options Paper submission, p. 2.

118 See: ENA, Options Paper submission, p. 4; NSW DNSPs, Options Paper submission, p. 12; Energex, Options Paper submission, p. 5.

119 Such examples were provided by the EWOV, EWON and the ERAA in their submissions. See: EWOV, Issues Paper submission, p. 5; EWON, Issues Paper submission, p. 1; ERAA, Issues Paper submission, pp. 3-4.

Therefore, the Commission recommends a cleanse of the MSATS data. The benefits and costs associated with this recommendation are discussed in further detail below in section 6.3.3.

6.3.2 Description of this recommendation

In the first instance, cleansing the MSATS data should focus on the NMI Standing Data that is critical to the customer transfer process. Such an approach is consistent with views expressed by numerous stakeholders in their submissions to the Options Paper, which commented on the large amount of data that is housed in MSATS.[120] It is therefore appropriate to only cleanse a subset of MSATS data that directly impacts on the efficiency of customer transfers (i.e. NMI Standing Data). The Commission considers that the cleanse should be applied to those NMI Standing Data elements that are important to the customer transfer process. These include:

- the address associated with the connection point;
- the network tariff associated with the connection point; and
- the meter read cycle date, or date of the next scheduled meter read, or date in a relevant code representing the read cycle date.

The Commission recommends the cleanse of the NMI Standing Data be given effect through the following process:

- AEMO be required to develop procedures to support the task of cleansing the NMI Standing Data;
- Matters that the procedures must address include development of:
  - "standards" to be used for entering NMI Standing Data into MSATS;
  - a process to enable market participants to commit to undertaking an annual audit of at least five per cent of data that the participant is responsible for, with the aim of improving historical data that is contained in MSATS; and
  - a process to enable market participants to commit to a program of ongoing future improvement in entering data into MSATS in a manner that is consistent with the agreed standards.

These matters are considered further below. The Commission considers that this framework provides appropriate guidance to determine appropriate customer data definitions and standards, in order for the data to be cleansed.[121]

120 See: Energex, Options Paper submission, p. 5.

121 See: AEMO, Options Paper submission, p. 2.

Agreement on Industry Standards

AEMO would be tasked to develop standards for the NMI Standing Data, with these standards being used to cleanse the data.[122]

Such standards will facilitate both the cleansing of existing (historical) data, as well as maintaining the cleansed and incoming (future) data.

In terms of guiding AEMO with its development of what standards the NMI Standing Data should be cleansed to:

- AEMO's existing guidelines for entering NMI Standing Data could be used as a basis; and
- the address standard, developed under Recommendation 2 (discussed above), should be taken to be the standard for addresses.[123]

Continuous Improvement Program

AEMO would facilitate a process whereby market participants commit to cleansing a certain proportion of the NMI Standing Data annually, which each participant is then responsible for. This has the aim of improving and validating the accuracy of historical data that is contained in MSATS.

The Commission considers that an appropriate level for participants to commit to would be five per cent of NMI Standing Data per annum.

The actual cleanse would involve the party responsible for the data validating that it is correct. Additionally, and in turn, other parties would also have to align their data with the accurate information.[124] For example, a LNSP is responsible for the address associated with the meter, and so the cleansing process could occur as follows:

- the LNSP would develop a list of addresses for all the customers in its system, with these addresses formatted in the address standard. In doing this, the retailer should also validate addresses against data contained by local governments;
- the LNSP would compare the NMI Standing Data addresses against the corresponding addresses for all customer sites in its system;
- where there is a discrepancy between the two addresses, the LNSP would determine which address is correct;

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122 The Commission notes that AEMO has commenced a process with industry to review data standards. The initial phase of the data standards review is intended to map data flows and their use, clarify where data ownership resides, and identify what data standards are in place including any gaps. This review will cover meter data, standing data and customer data. See: AEMO, Options Paper submission, pp. 2-3.

123 Industry input into the development of the standard will be captured as part of the rules consultation procedure that AEMO would follow when developing the standard.

124 This was supported by AGL. See: AGL, Options Paper submission, p. 6.

- the LNSP would then submit the correct address into the MSATS database in a format that is consistent with the industry agreed address standard;

- the corresponding retailer (financially responsible market participant) for that customer's NMI would then reflect any changes to the customer's address in its system. The retailer should then attempt to check that the address aligns with the address held by the retailer. To the extent that retailers may have different addresses for billing purposes, the retailer should maintain a different postal address for that customer's NMI in their own billing system; and

- all other parties that have responsibilities for that NMI, would be required to cross-check and align their addresses with the correct address in the MSATS system.

This data cleansing task may involve a significant investment in time on the part of AEMO and market participants. However, the more problematic fields that have been identified by this review could be cleansed first (e.g. address fields, profile type of customer, next scheduled read date). This would allow systemic issues to be readily identified by participants, and corrected across the whole of the dataset in a more timely manner. This would avoid market participants waiting to uncover potential errors in their dataset until the next annual audit.

Market participants could annually report to AEMO (who would then publish these reports subject to any confidentiality issues) on their progress through this continuous improvement program. For example they could report on: what fields they targeted in a particular year; what proportion of data parties cleansed; some examples of systemic issues identified; and proposed fields to be targeted in the following year.

Requirement to comply with standards

Once the standards are developed, market participants must comply with these on an ongoing basis (i.e. any new information entered into MSATS must comply with these standards). This is an essential step since this will minimise the risk of unwinding all of the time and effort that has been invested in cleansing the historical data. It will also mitigate against the need for another comprehensive cleanse of NMI Standing Data in the future.[125]

6.3.3 Assessment and rationale for the Commission's recommendations

A large number of submissions to the Options Paper supported a cleanse of MSATS data.[126]

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125 This also alleviates EnergyAustralia's concern, that since multiple parties capture and utilise customer data, it may be a difficult task to maintain the accuracy of this data going forward. See: EnergyAustralia, Options Paper submission, p. 4.

126 See: Alinta Energy, Options Paper submission, p. 3; ERM Power, Options Paper submission, p. 4; EWON, Options Paper submission, p. 3; Simply Energy, Options Paper submission, p. 2; EWOV, Options Paper submission, p. 4.

The benefits of this recommendation include:

- improving transparency, clarity and confidence in the transfer process since participants would have more confidence that NMI Standing Data is accurate to begin with;[127]
- reducing the instances of erroneous transfers, through having the NMI aligned with the correct address data;
- reducing costs associated with customer complaints and disputes, which are escalated to ombudsmen (who are funded by industry), by having more accurate transfers;
- placing stronger incentives on market participants to improve the accuracy of information that is entered into the MSATS system;[128] and
- speeding up the customer transfer process, by minimising the likelihood of objections being raised in response to inaccurate data.[129]

Further, the AEMC's Power of choice review recommendations (including the introduction of competition into metering) may promote opportunities for new and existing industry participants to take up new roles and responsibilities.[130] The effectiveness with which participants can discharge their functions will be reliant on the availability of accurate data. Accordingly, the Commission considers now is an opportune time to establish a program for ongoing improvements to the quality of data that is utilised by industry for their benefit and the benefit of their customers.

Costs associated with this recommendation will not be insignificant. There is one record for each customer in the NEM, with numerous elements of standing data associated with this record. Therefore, distributors and retailers (particularly larger entities) may be required to audit a significant number of records each year.

For example, Energex commented, in their submission to the Options Paper, that they have approximately 1.3 million customers. Therefore, if they committed to self-cleansing five per cent of MSATS data annually, they would be required to audit 65,000 records per year.[131]

However, the Commission considers that the involvement of *all* market participants in this cleansing will minimise ongoing administrative costs to participants associated with correcting erroneous transfers and resolving customer complaints.

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127 See: ENA, Options Paper submission, p. 4; ERAA, Options Paper submission, p. 2; Origin Energy, Options Paper submission, p. 9; Red Energy, Options Paper submission, p. 3.

128 See: Origin Energy, Options Paper submission, p. 8.

129 See: Origin Energy, Options Paper submission, p. 8.

130 See: United Energy, Options Paper submission, p. 3.

131 See: Energex, Options Paper submission, p. 6. AGL and Lumo Energy also commented on the large costs associated with this option. See: AGL, Options Paper submission, p. 6; Lumo Energy, Options Paper submission, p. 2.

6.4 Recommendation 4: Increase monitoring and reporting of statistics associated with the transfer process

Recommendation 4

- The AER to report on the timing and accuracy of the customer transfer process publically, as part of the annual Retail Market Performance reporting that the AER currently undertakes.
- The AEMO to use this information to identify potential improvements to the MSATS system, which is used to give effect to the customer transfer process.
- The AER to use this information to identify and investigate potential breaches related to the customer transfer process.

6.4.1 Background

As discussed above, the MSATS Procedures impose obligations on registered participants, metering providers and metering data providers regarding the provision of information to the MSATS system. Compliance with the MSATS Procedures is required by clause 7.2.8 of the NER. In the event of non-compliance, AEMO may refer the matter to the AER for consideration.

In light of this, the AER and the AEMO have formed a working relationship to improve the accuracy of data held within the MSATS system.[132] Since 2009, the AER has met regularly with AEMO to monitor levels of compliance with the MSATS Procedures. In addition, the AER receives monthly reports from AEMO, which captures inaccurate data levels in MSATS. Based on this information, the AER has engaged with a number of registered participants, particularly local network service providers, and requested remedial actions to improve compliance.[133]

In its retail market performance report, the AER currently reports on, amongst other things:[134]

- the number of customer transfer complaints to retailers, which relate to complaints about the timeliness of a transfer, disruption of supply due to transfer, and billing problems directly associated with a transfer, disaggregated by retailer for small residential customers;
- the number of customer transfer complaints to retailers, which are defined as above, disaggregated by retailer for small business customers; and

132 See: AER, Options Paper submission, p. 2; AEMO, Options Paper submission, p. 2.

133 See: AER, Options Paper submission, p. 2.

134 National Energy Retail Rules (NERR), rule 167.

- the number of customers on existing hardship programs who transferred to another retailer, disaggregated by retailer.

The AER also undertakes compliance reporting in the electricity and gas markets. In their Quarterly Compliance Report, and in accordance with the National Electricity and Gas Laws, the AER currently report on, amongst other things, the number of MSATS errors made by each local network service provider in the last week of each month (e.g. NMIs that have not had their status updated to "active").[135]

The Commission understands that AEMO also provides a list of pending transfers to alert metering data providers to overdue transfers (excluding transfers where there is an objection for no access) to facilitate the transfer process.[136]

Despite this existing level of information in the market, the Commission considers that more information could be provided, and made transparent, which would further facilitate improvements to the customer transfer process. The Commission notes that AEMO is planning to review and amend the reporting metric to capture relevant information to assist in identifying data issues and their materiality.[137]

6.4.2 Description of this recommendation

Under this recommendation, the nature of matters on which the AER should report on as part of the retail market performance reports should be increased to include information relating to the timing and accuracy of customer transfers.

The purpose of publishing this information is to:

- improve the transparency of information and data flows that relate to the customer transfer process;
- increase the awareness of those parties interested in the timing and accuracy of the customer transfer process; and
- to the extent that any compliance issues arise, the AER would then be well placed to commence any enforcement action, as appropriate.

Ideally, performance metrics could be published on a number of aspects of the customer transfer process (subject to any confidentiality concerns), including:

- average length of time for a small customer transfer request to complete;[138]
- average length of time for a large customer transfer request to complete;

135 See: http://www.aer.gov.au/sites/default/files/Quarterly%20compliance%20report%20July%20-%20September%202013_0.pdf.

136 See: United Energy, Options Paper submission, p. 4.

137 See: AEMO, Options Paper submission, p. 2.

138 See: Energy Action, Options submission, p. 1.

- the number and proportion of erroneous small customer transfers that occur;
- the number and proportion of erroneous large customer transfers that occur;
- the number of special meter read attempts for a site, by regulated metering data provider; and
- the proportion of estimated reads of the total reads undertaken by the regulated metering data providers in each distribution zone.[139]

For the purposes of compliance only (not publication) the above data could also be made available by the AEMO to the AER disaggregated by retailer and metering data provider.

The first four performance metrics may reveal which retailers undertake more timely, and accurate, customer transfers. Disaggregating the data by metering data provider would also allow consideration of whether any delays in the customer transfer process are more likely to be driven by the retailer (e.g. by not promptly engaging with parties to resolve objections to transfer requests), or by the metering data provider (e.g. by not promptly providing a timely and accurate meter read to MSATS in response to a transfer request).

Reporting on the completion of special meter reads, and the number and proportion of estimated reads, which are returned by metering data providers may reveal the geographical areas in which access is more problematic, and which metering data providers have the most success in overcoming access issues (and why). This may improve the incentive of metering data providers to obtain a meter read whenever reasonably practicable. Further, to the extent that distributors engage a third party contractor to perform metering reading services, this may encourage distributors to negotiate performance-based commercial incentives in order to encourage timely and accurate meter reads by its service providers.

The Commission understands that retailers request metering data providers to undertake special reads through the Business to Business (B2B) system, which operates between market participants. AEMO is not privy to the transaction information in this system as it operates outside of MSATS. Therefore, under this recommendation, the AER may be required to request this data directly from metering data providers. This is discussed further in section 7.3.3, which discusses the implementation of this recommendation.

Under a contestable metering environment in the future, AGL commented that such reporting on metering data providers may not be necessary, or appropriate, where commercial contracts will govern service levels and performance rewards between retailers and metering data providers.[140] The Commission agrees with this, and considers that these metrics may need to be reviewed and revisited at such a point in time where competition in metering is deployed.

139 See: AGL, Options Paper submission, p. 6.

140 See: AGL, Options Paper submission, p. 6.

In its submission to the Options Paper, the AER noted, that, in their view, the monitoring of MSATS data would be enhanced if practical changes were made to AEMO's reporting metrics.[141] For example, the AER states that current MSATS data error reports do not include a range of relevant information, such as financially responsible market participant errors and the potential misuse of objection codes.

The AER also considered that existing error reports would be more useful if they represented data in a continuous manner. For example, the LNSP's error reports are compiled using data for the last week of each month. Data that considered each day of the month would provide greater insight into overall levels of compliance. It would also allow a more accurate comparison of behaviour over time as all available data is considered. To the extent that the existing monitoring reports do not consider these metrics, the Commission considers that AEMO and the AER should engage in discussions with each other in order to improve the reporting requirements, where possible.

Based on these monitoring results, AEMO (or indeed, any other interested parties) could identify potential barriers to faster switching times, which may include regulatory barriers. This could then translate into proposed changes to the MSATS Procedures. For example, if over time, the average length of time for a customer transfer was reducing substantially, this could include proposing a reduction in the maximum prospective timeframe of 65 business days for a transfer request once there is sufficient evidence and data that transfers are being completed in a faster manner.

Also based on these monitoring results, the AER could monitor parties for compliance with the customer transfer process. If any breaches were identified, then compliance measures could be undertaken.

6.4.3 Assessment and rationale for the Commission's recommendations

This recommendation would deliver a large number of benefits, that are likely to outweigh the costs.[142] Submissions to the Options Paper were largely supportive of this option, for the benefits it creates, specifically:

- increased publication of statistics could assist the AER, customers, and other interested parties in comparing performance metrics of retailers and metering data providers in terms of undertaking timely and accurate customer transfers;[143]

- retailers and metering data providers can monitor information more easily, and so develop and share best practice;[144]

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141 See: AER, Options Paper submission, p. 2.

142 This was supported by stakeholders in submissions to the Options Paper. See: Alinta Energy, Options Paper submission, p. 3.

143 See: EnergyAction, Options Paper submission, p. 1; EWON, Options Paper submission, p. 2.

144 See: EWON, Options Paper submission, p. 2

- increased transparency of timing and accuracy associated with the customer transfer process, with this providing greater benefits given the move towards competitive retail markets;[145]

- increased incentives on parties to effect customers transfers, and meter reads, in a more timely and accurate manner;[146] and

- increased information available to policy makers, market agencies, ombudsman, customers and participants, which would provide a basis to consider future market challenges.[147]

While there would be some costs associated with the provision and monitoring of more, and potentially different, information, these would be incremental.[148] AEMO already provides some information to AER, with the AER already monitoring such metrics.

There would need to be more significant system changes for metering data providers to provide information to the AER on service orders. This information would need to stem from these parties, since service orders are given effect through the B2B system, which AEMO does not have visibility of.[149] The Commission notes that there may be less need for such reporting where competition in metering and related services is extended. Competitive pressures should encourage such parties to provide timely and accurate services, and so reputational incentives and compliance provisions become less necessary.

6.5 Recommendation 5: Confirm and strengthen the obligations on retailers to coordinate to resolve erroneous customer transfers

Recommendation 5

- The introduction of a rule in the NERR that places an obligation on retailers to resolve erroneous customer transfers in a timely manner.

- This obligation would apply to either the previous retailer, or the current retailer, for the customer (NMI). That is, whichever of those two (previous or current) retailers the customer contacts initially, would be responsible for coordinating the successful resolution of that customer's erroneous transfer.

145 See: EWOQ, Options Paper submission, p. 3; AEMO, Options Paper submission, p. 2.

146 See: Alinta Energy, Options Paper submission, p. 3.

147 See: ENA, Options Paper submission, p. 4; Origin Energy, Options Paper submission, p. 2.

148 The NSW DNSPs considered that this option would entail substantial system changes. See: NSW DNSPs, Options Paper submission, p. 11.

149 This option would increase the regulatory burden to participants, as noted by EnergyAustralia. See: EnergyAustralia, Options Paper submission, p. 4.

- These additional consumer protections that are recommended to be included in the NERR would only have effect in National Energy Customer Framework (NECF) adopting jurisdictions. To apply in the other jurisdictions it would be necessary to make amendments to their respective energy consumer protection instruments.

6.5.1 Background

The current NER and NERR arrangements are not prescriptive regarding responsibility for resolving erroneous customer transfers. Therefore, AEMO develops MSATS Procedures on such issues (although this is not required under the rules). Accordingly, there are currently requirements in the MSATS Procedures that participants must consider and action, as necessary, any requests to correct the wrongly assigned retailer to a customer.[150]

In submissions to the Options Paper, several retailers commented that they are aware of their obligations, and so no changes are required.[151] However, ombudsmen have commented that retailers tend not to accept responsibility for resolving erroneous customer transfers.[152] Currently, an erroneous customer transfer cannot be resolved without considerable input from the wrongly transferred customer (who may not have even requested a transfer in the first place). The wrongly transferred customer may be required to coordinate communications between the two affected retailers and, effectively, undertake the planning of a reversing in-situ customer transfer.[153] Aggrieved customers are then likely to submit complaints to the ombudsmen, imposing costs on retailers.

The current obligation in the MSATS Procedures clause is not as effective as it could be at making retailers accountable for such erroneous transfers.

6.5.2 Description of this recommendation

This recommendation would introduce a rule in the NERR that places an obligation on retailers to resolve erroneous customer transfers in a timely manner.

Introducing a requirement in the NERR provides clarity to customers on who is actually responsible for resolving the erroneous transfer. The Commission considers that whichever retailer is contacted first (i.e. the previous retailer, or the current retailer for the NMI in MSATS), must take responsibility for coordinating the successful

150 MSATS Procedures: CATS Procedure Principles and Obligations, clause 2.2(m).

151 See: Alinta Energy, Options Paper submission, p. 4.

152 AGL also supported the development of guidelines, since where a current retailer agrees with they have erroneously won a customer's site, the site cannot be returned to the previous retailer unless that previous retailer raises a transaction in MSATS to win the site back. Although the current retailer who won the site in error will ask the previous retailer to win the site back, occasionally they will not do so, or not do so in a timely manner. See: AGL, Options Paper submission, p. 7.

153 See: EWON, Issues Paper submission, p. 5.

resolution for the incorrect transfer in a timely manner. This should minimise the likelihood of retailers trying to shift responsibility for resolving the error to another party.

These additional consumer protections that are recommended to be included in the NERR would only have effect in National Energy Customer Framework (NECF) adopting jurisdictions. To apply in the other jurisdictions it would be necessary to make amendments to their respective energy consumer protection instruments.

Retailers have the primary relationship with the customer in relation to transfers, and so should have responsibility for resolution of such issues. While other parties may also contribute to erroneous transfers, it is appropriate that the retailer has the responsibility for resolving such matters.[154]

Including this obligation in the rules will allow the AER to more easily investigate, and pursue, breaches of this requirement. For example, if a retailer is systemically creating, and not resolving, erroneous customer transfers, the AER is more likely to have a clearer path to take action against such a retailer.

The Commission considers that it would also be useful to have clear guidelines for retailers, setting out common examples of erroneous customer transfers, and how they should be corrected. For example, this should make it clear that the previous retailer has to effectively "win" back the customer via a transfer request in MSATS, and clarifying whether the customer can be treated by the current financially responsible market participant, as a deemed customer on a deemed arrangement until the error is rectified.[155,156]

Under another scenario, it may be the case that the customer initially contacts a retailer that has not had a financial relationship with that customer in the past.[157] In that instance, the retailer should use its best endeavours to identify the customer's previous or current retailer, who would then have responsibility for resolving the transfer. The third party retailer could use the NMI discovery process to identify the current financially responsible market participant for that customer and refer the customer to that retailer.

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154 Origin Energy noted that erroneous transfers may be the result of MSATS data entered incorrectly by third parties and so beyond retailer control. See: Origin Energy, Options Paper submission, p. 11.

155 See: AGL, Options Paper submission, p. 7.

156 These guidelines would also provide more guidance on potentially more complex issues, such as, what happens if a retailer does not agree a transfer was erroneous. This may address Alinta Energy's concerns that there are numerous considerations and issues that need to be taken into account. See: Alinta Energy, Options Paper submission, p. 4.

157 For example, Customer X is seeking to transfer from Retailer A to Retailer B. However, instead, Customer Y is transferred. Customer Y is not aware of this until they receive a welcome pack from Retailer B. However, Customer Y rings up the first retailer it comes across - Retailer C - in order to ask how this can be corrected.

6.5.3 Assessment and rationale for the Commission's recommendations

Confirming and strengthening the obligations on retailers to coordinate erroneous customer transfers would mean that retailers would have a clear and specific process, and line of accountability, for resolving erroneous customer transfers. This shifts the obligation of coordinating a resolution from the wrongly assigned customer to their previous or current retailer. The customer would have a "right" to have their erroneous transfer resolved in a timely manner by either their current or previous retailer.

It is expected that there would be a number of potential benefits, including:

- customers would have a clearer sense of who is responsible for resolving their concerns related to erroneous customer transfers (i.e. a "right"). This promotes transparency in the retail market;
- customers would have reassurance that, where erroneous transfers do arise, they will be dealt with in a timely manner, thereby minimising any negative experiences and promoting confidence in retail markets;[158]
- ombudsmen would potentially benefit, with the obligation on which retailer is responsible for rectifying the error being clearer, potentially minimising the number of transfer-related complaints received;[159] and
- retailers would potentially benefit, through having to fund fewer ombudsmen investigations of customer complaints against retailers;
- erroneous transfers would likely be resolved faster, and more efficiently, and so the time and effort that customers would normally spend on resolving these issues would be reduced. This reduces transaction costs.

The implementation costs associated with this recommendation would include the costs of implementing the rule change, and training of retailers' call-centre staff to be made aware of their obligations. To the extent that any retailers are not resolving erroneous transfers already, there may be additional on-going costs, since they would likely have to spend more time handling incoming customer queries and resolving erroneous transfers in order to comply with the obligation.

In submissions to the Options Paper, a large number of retailers did not support this option, with many commenting that in a competitive market (as in many jurisdictions), there are existing incentives on retailers to resolve erroneous transfers in a timely manner.[160]

However, the Commission notes there are a large number of potential negative impacts on customers from erroneous transfers, such as account disruption (i.e. the resulting

158 See: NSW DNSPs, Options Paper submission, p. 13.

159 See: EWOQ, Options Paper submission, p. 3.

160 See: ERM Power, Options Paper submission, p. 4; Simply Energy, Options Paper submission, p. 2; Lumo Energy, Options Paper submission, p. 3.

disruption to the customer's existing payment arrangements may cause them to fall into arrears).

Further, while erroneous transfers comprise a small proportion of total transfers (approximately three per cent), the number has remained constant over time. Also, an erroneous transfer has a large impact on individual customers. Therefore, it is important to address this ongoing problem under this review. In the Commission's view, it only takes unsatisfactory experiences for a few customers to be made known more widely to undermine confidence in the retail market.

It may not be possible to exclude customers from resolving erroneous transfers entirely. They still have a role to play. For example, the previous retailer may want confirmation directly from the customer that they do want to be transferred back to them from their current (erroneous) retailer. If this did not occur, there is a risk that the previous retailer may perpetuate the problem of transfers in error, or without consent.[161]

6.6 Recommendation 6: Review the effectiveness of the MSATS framework

Recommendation 6

- AEMO to undertake periodic reviews to improve the effectiveness of the MSATS framework. These should be conducted at regular intervals, and in the first instance, should focus on improving the effectiveness of the objections framework for customer transfer requests.

6.6.1 Background

The Options Paper discussed AEMO undertaking a project to solely focus on the MSATS objections framework. However, there have been significant developments in the NEM since the introduction of the MSATS system, including:

- evolutions in retail competition (e.g. introduction of full retail contestability to all NEM jurisdictions); and
- significant changes expected to occur over the upcoming decade (e.g. potential introduction of contestable metering; increased market-led provision of more advanced technology such as smart meters).

The MSATS framework developed in a piecemeal manner over time in response to these developments.

161 See: AGL, Options Paper submission, p. 7.

It is timely for AEMO to review the MSATS framework more holistically. Further, the MSATS framework should periodically be reviewed, with the aim of improving the effectiveness of the MSATS system.[162]

6.6.2 Description of this recommendation

This recommendation tasks AEMO with undertaking a review to improve the effectiveness of the MSATS framework, with this being revisited on a regular basis (every five years). In the first instance, this would focus on reviewing the effectiveness of the existing objections framework for customer transfers. This should include AEMO examining:

- the merits of the objection codes, including the definitions of these objection codes, and ways to streamline or reduce the number of unnecessary objections that are raised in relation to these codes (e.g. energy ombudsmen comment that there are differing interpretations of the codes across different parties);
- updating the definitions of each of the objection codes, so that all parties are fully aware of what circumstances each of the codes should be used in;[163]
- whether there is a need for new objection codes (e.g. retailers comment that metering data provider responses to objections code are not fulsome, allowing more free-text cells may address some of these concerns); and
- the timeframes of the objections framework. If a lesser number of objections were being raised, or they were being resolved faster, then the timeframes of the objections framework should be considered.[164]

The Commission considers it would be beneficial for AEMO to test its findings through an industry working group.[165]

The Commission notes that AEMO has submitted that it is able to facilitate a review of the current transfer objections framework.[166]

6.6.3 Assessment and rationale for the Commission's recommendations

To the extent that the MSATS system's effectiveness could be improved, all market participants would benefit through having a more streamlined process. In addition, the

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162 EnergyAustralia was concerned with a thorough review of the objections process since industry has already invested in the current transfer objections process. However, the Commission considers that such a review is timely given recent NEM developments. See: EnergyAustralia, Options Paper submission, p. 6.

163 See: AGL, Options Paper submission, p. 7; Alinta Energy, Options Paper submission, p. 5.

164 AGL were opposed to shortening the timeframe for raising objections. See: AGL, Options Paper submission, p. 7.

165 This was supported in some submissions. See: Alinta Energy, Options Paper submission, p. 5.

166 See: AEMO, Options Paper submission, p. 3.

outcomes of the review would likely better inform market participants about the MSATS system and its processes, which may further increase the likelihood of transfers being completed in an accurate and timely manner.

A better understood objections framework could result in fewer objections being raised, potentially reducing the workload of retailers and metering data providers in resolving objections. This may also result in potentially fewer customer complaints, thereby potentially reducing the workload of ombudsman schemes.

AEMO would incur costs with undertaking this project. Further, to the extent that the review identifies improvements that can be made in the process, and so the MSATS system is to be amended, there may be flow-on changes to MSATS Procedures, processes and IT systems for market participants.

These potential net benefits were recognised by stakeholders, with submissions largely supportive of this option in the Options Paper.[167]

167 See: Alinta Energy, Options Paper submission, p. 5; ENA, Options Paper submission, p. 4; Energex, Options Paper submission, p. 8; EWOQ, Options Paper submission, p. 3; Lumo Energy, Options Paper submission, p. 3; Origin Energy, Options Paper submission, p. 11; PIAC, Options Paper submission, p. 3; EWOV, Options Paper submission, p. 6; PIAC, Options Paper submission, p. 3.

7 Next Steps and Implementation

Summary of this chapter

A number of rules and procedure changes would be necessary in order to give effect to the recommendations made in this final report. This would include amending both the National Electricity Rules (NER) and the National Energy Retail Rules (NERR).

SCER should submit two separate rule change requests in order to give effect to the recommendations contained in this report, specifically, those recommendations associated with:

- improving the timing of the customer transfer process; and
- improving the accuracy of the customer transfer process.

This chapter sets out the amendments to the rules that would need to occur in order to give effect to recommendations.

This chapter outlines the approach to be undertaken to implement the recommendations for improving both the timeliness and accuracy of the customer transfer process set out in this report.

7.1 Recommendation to SCER

The Commission recommends that SCER submits two separate rule change requests to the AEMC to give effect to the recommendations contained in this report. These would relate to amending both the National Energy Retail Rules (NERR) and the National Electricity Rules (NER).

While there are a number of recommendations, covering a range of areas, the proposed amendments are largely interrelated. Therefore, subject to relevant National Electricity Objective (NEO) and National Energy Retail Objective (NERO) arguments, it would be possible for these recommendations to be grouped into two rule change requests, specifically recommendations associated with:

- improving the timing of the customer transfer process (focus of chapter 5), the implementation of which is discussed in section 7.2; and
- improving the accuracy of the customer transfer process (focus of chapter 6), the implementation of which is discussed in section 7.3.

Some of the recommendations made in this report relate to the NERR, including the additional consumer protections under recommendation 5 for retailers to resolve erroneous customer transfers. Therefore, in order to uniformly adopt these recommendations across the NEM, non-National Energy Customer Framework

(NECF) adopting jurisdictions (i.e. Queensland and Victoria) would need to make corresponding changes to the relevant jurisdictional instruments.

The proposed amendments to the rules, if implemented, would lead to consequential changes being required to be made to some subsidiary documents. Most notably, the Retail Market Procedures, which include the MSATS Procedures, Metrology Procedures and B2B Procedures.

7.2 Implementation of recommendations to improve the timing of the customer transfer process

7.2.1 Recommendation 1: Confirm that estimated reads are allowed for customer transfers

In order to give effect to this recommendation, a number of changes to both the NERR and the NER are likely.

The proposed changes to both the NERR and NER could be addressed in the one rule change request. However, the proposed rules would need to be requested to be made under both the National Energy Retail Law (NERL) and National Electricity Law (NEL). Accordingly, the rule change request would need to address the NERO, as well as the NEO. While the reasons for the proposed change may be applicable to both rules, the NERO analysis will also need to address the consumer protection limb of this objective.

A summary of possible NERR and NER changes is presented below.

NERR changes

At a minimum, new obligations should be inserted in the NERR to put it beyond doubt that a customer transfer can occur on the basis of an estimated meter read.

It is appropriate that this recommendation is given effect through a new rule since the rule would need to apply to both small and large customers, while most rules in Part 2 of the NERR apply only to small customers. Further, the issue is discrete enough to warrant its own rule.

This new rule would provide the following framework:[168]

(a) Where a customer is transferring from one retailer to another, the final bill to be issued to the transferring customer can be based on an estimation of the customer's consumption, where the customer consents, and the meter at the customer's premises is manually read;

168 This new rule could be included in Part 2, Division 9 of the NERR, which addresses miscellaneous retailer obligations.

(b) For the purposes of (a), evidence from the winning retailer, (who is currently required to obtain explicit informed consent to the transfer) that the customer consents to the final bill being based on an estimation, will be sufficient consent for a losing retailer to issue a final bill based on estimated data;[169]

(c) Where the customer consents to a bill being issued based on estimated data the losing retailer must issue a bill based on estimated data.

(d) Estimated data can only be used as a basis for a final bill where the immediately prior meter read is an actual meter read.

(e) For the purposes of ongoing billing, both winning and losing retailers must use the same estimated meter read as determined by the following procedure:

    (i) if the estimated meter read used by the losing retailer preparing the final bill differs by less than 200kWh from the estimation determined by the metering data provider, the estimated read used for the final bill will be used by both winning and losing retailers; and

    (ii) if the estimated meter read used by the losing retailer preparing the final bill differs by 200kWh or greater than from the estimation determined by the metering data provider, either winning or losing retailers who are involved in the transfer can dispute the reading in accordance with the relevant dispute reconciliation procedure, which is to be included in the Retail Market Procedures.[170]

Consideration will also need to be given as to whether the model terms and conditions for standard retail contracts (which are contained in Part 2, Division 1 of the NERR), will need to be amended to give effect to the above provisions. Similarly, whether to include a minimum requirement in the terms and conditions of market retail contracts

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169 We note that Division 5, section 38 of the NERL currently requires the winning retailer to obtain explicit informed consent from the customer that the customer is willing to enter into the relevant customer retail contract, and so transfer retailers. This is complemented by the same requirement in rule 57(1)(a) of the NERR. Explicit informed consent is defined in the NERL in Division 5, section 39. Currently, under rule 21 of the NERR a bill based on an estimate can be issued with the consent of a customer. In the case of customer transfer where a final bill will need to be issued, there is likely to be little incentive for the losing retailer (the retailer with the existing relationship with the customer) to seek the customer's consent to have the final bill issued on the basis of an estimate. Such consent is most easily obtained by the new, winning retailer who is required under the NERL to obtain explicit informed consent to the transfer, generally, and so can easily address consent issues surrounding the issue of a final bill based on an estimate. As explicit informed consent needs to be recorded (either in writing, verbally recorded, or through electronic communication generated by the customer), it will not be difficult for a winning retailer to provide some level of evidence to the losing retailer that as part of giving the explicit informed consent, the customer also consented to the final bill being based on an estimate.

170 The Retail Market Procedures are defined in the NER as "procedures made under these Rules for or in connection with the sale and supply of electricity to retail customers or the operation of retail electricity markets including: B2B Procedures; and the MSATS Procedures; and the metrology procedures; and other procedures dealing with, or incidental to, the retail sale or supply of electricity or related services."

(which are contained in Part 2, Division 2 of the NERR), will also need to be considered.

NER changes

To complement the above proposed NERR changes some existing NER obligations may need to be amended, or some new ones may need to be included.

At a minimum, the following amendments to the NER would be required:

1. The content of the Metrology Procedures (clause 7.14.1) will need to be amended to ensure those procedures give effect to allowing transfers on the basis of estimates (e.g. how estimates are to be validated, and disputes resolved) including:

    (a) a requirement that the Metrology Procedures provide for the estimation of metering data, including methods for the validation of such an estimate;

    (b) AEMO to develop and publish a method by which disputes, arising from the use of estimated metering data used when transferring customers, are to be resolved. The method would be based on principles consistent with (e) above, and AEMO deciding on such disputes. This method could be either the subject of guidelines or be part of relevant procedures (e.g. Metrology Procedures);

2. The content of the MSATS Procedures (clause 7.2.8) must provide for the use of estimated metering data used when transferring customers.

To the extent consequential changes to related AEMO procedures are necessary to give effect to the use of estimated reads for the purposes of transfers, AEMO will be able to attend to such changes through its usual procedure making processes.

7.3 Implementation of recommendations to improve the accuracy of the customer transfer process

The Commission considers that it would be preferable to include any proposed rule changes (under both the NEL and the NERL) required to give effect to the recommendations to improve the accuracy of the customer transfer process in a single rule change request.

As noted above, the proposed changes to both the NERR and NER could be included in a single rule change request. However, the proposed rules would need to be requested to be made under both the NERL and NEL. Accordingly, the rule change request would need to address the NERO, as well as the NEO. While the reasons for the proposed change may be applicable to both rules, the NERO analysis would also need to address the consumer protection limb of this objective.

A summary of possible NERR and NER changes is presented below.

7.3.1 Recommendation 2: Introduction of an address standard

NER changes

In order to give effect to this recommendation, we consider that specific obligations should be created to develop an industry standard for addresses, and that once developed, compliance with it be included within the MSATS Procedures. Specifically:

(a) AEMO would be required to develop a standard for addresses by no later than six months after the rule change to give effect to this recommendation has been made. In developing this standard, industry consultation would be appropriate. Accordingly, AEMO should be required to develop the standard in accordance with the rules consultation procedures; and

(b) the content of the MSATS Procedures be extended to require that NMI Standing Data comply with this standard.

7.3.2 Recommendation 3: Cleanse the MSATS data

NER changes

In order to give effect to this recommendation, new obligations need to be included in relation to data cleansing.[171]

A new rule containing such obligations would, at a minimum require:

(a) AEMO to determine the below matters, with these to be contained in procedures:[172]

  (i) the protocols for the cleansing of data; and

  (ii) priorities for the data cleansing process;

(b) obligations to be imposed on market participants to cleanse NMI Standing Data in accordance with these protocols and priorities;

(c) AEMO to monitor market participant compliance with these protocols and priorities. Such monitoring would not be dissimilar to the monitoring role AEMO currently has in relation to compliance with MSATS Procedures (under clauses 7.2.8(e) and (f));

(d) market participants to provide annual reports on their progress in cleansing the data; and

171 Such new obligations could be included in a separate rule located within Chapter 7 of the NER.

172 These could be contained possibly in MSATS Procedures themselves, or in separate procedures.

(e) AEMO to publish the annual reports, referred to above, on their website, subject to any confidentiality issues arising

Schedule 7.6.3 of the NER relates to the capabilities of metering data providers. This requires metering data providers to have systems for the processing of metering data including processes for the verification and commissioning of metering data and relevant NMI Standing Data pertaining to each metering installation into the metering data services database. However, as discussed in chapter 6, the cleansing of the MSATS data to relate to a broader group of market participants than metering data providers. Therefore, this schedule alone is not sufficient for the purposes of giving effect to this recommendation, and so obligations should be included.

In addition to the above, the Commission considers that it would be beneficial for AEMO's auditing powers under Chapter 7 of the NER to be broader than what they currently are, being focused primarily on audits of metering installations' compliance with Chapter 7 and consistency between data held in the metering database and the data held in the relevant metering installation.

7.3.3 Recommendation 4: Increase monitoring and reporting of statistics associated with the transfer process

NER changes

In relation to data that is currently available to AEMO in MSATS, the regulatory framework allows AEMO to extract this data and provide this to the Australian Energy Regulator (AER), and so facilitates AER monitoring of the relevant obligations. The existing framework also provides AEMO with a monitoring role in relation to compliance with MSATS Procedures. Therefore, there is scope for AEMO to increase monitoring of such data of their own accord.

NERR changes

One of the AER's statutory functions is to monitor compliance by registered participants with both the energy law and rules.[173] Therefore, there is scope for the AER to increase the level of monitoring of their own accord. That said, the Commission considers it is best to mandate a particular level of monitoring and reporting, with this done through a rule change to introduce such obligations.

Rule 167 of the NERR sets out what must be included in the AER's Retail Market Performance Report. This rule should be amended to require the AER's Retail Market Performance Report to cover the timeliness and accuracy of customer transfer requests.

To the extent that information relating to this new reporting obligation is confidential, there are various exceptions to the publication of confidential information under the

173 Section 15(1)(a) of the NEL, Section 204(1(a) of the NERL.

NERL that the AER may be able to rely on, for example, by aggregating information at a jurisdictional level.

To the extent the AER requires data directly from metering data providers, it could rely on its general information gathering powers under the NERL[174] and issue a notice to the relevant metering data provider, where the AER considers that the relevant metering data provider is capable of providing information or producing a document relevant to the AER's functions of powers. The AER's functions under the NERL and NERR include the preparation and publication of retail market performance reports, the contents of which will include, if the recommendation to expand the content of what such reports must cover under the NERR is accepted, reporting on special meter reads.

7.3.4 Recommendation 5: Confirm and strengthen the obligations on retailers to coordinate to resolve erroneous customer transfers

NERR changes

Obligations on retailers to coordinate to resolve erroneous customer transfers in a timely manner need to be confirmed and strengthened.[175]

This new rule would provide for the following situation: if a customer makes a complaint to their current or previous retailer that it has been transferred from the previous retailer erroneously, then the retailer that the customer initially contacts must:

- resolve the complaint, expeditiously, in accordance with its standard complaints and dispute resolution procedures; and
- when resolved, give notice to the customer that the erroneous transfer has been rectified.

NER changes

The operation of clause 7.7 of the NER may need to be clarified to allow that all retailers that a customer may contact in the event of an erroneous transfer, can access NMI Standing data for the purposes of resolving such a complaint (and only for that purpose).

In the event of an erroneous transfer the customer may contact a retailer who is neither the immediately past nor current, retailer responsible for that customer (i.e. a 'third party' retailer with no financial interest). Rule 7.7 of the NER limits access to NMI Standing Data and the metering data for a metering installation to (relevantly) either the financially responsible market participant or a registered participant with a

174 Section 206.

175 We consider that this new rule is best located in Part 2, Division 9 of the NERR, which relates to "other retailer obligations".

financial interest in the metering installation or the energy measured by the metering installation.

It will be necessary to allow that, to the extent the contacted retailer does not otherwise fall within these classifications, access is still available, so the contacted retailer can identify who the customer should contact (i.e. the current financially responsible market participant) in order for the erroneous transfer to be resolved. This will support customer confidence in transfer processes and retail market competitiveness more generally.

7.3.5 Recommendation 6: Review the effectiveness of the MSATS framework

NER changes

A new obligation tasking AEMO to periodically review the effectiveness of the MSATS framework would need to be created.[176]

Such an obligation would provide the framework for:

(a) AEMO to conduct a periodic review of the MSATS Procedures, including in relation to:

  (i) the operation of frameworks within the MSATS Procedures relevant to objections that can be made to the transfer of customers from one financially responsible market participant to another;

  (ii) such matters considered relevant by AEMO;

(b) The review to be completed:

  (i) in the case of the first review, addressing at a minimum, paragraph (a)(i), by no later than six months after the rule change to give effect to this recommendation has been made; and

  (ii) for each subsequent review, no later than 5 years after the last review was completed;

(c) For each review to be conducted under this rule, AEMO is to comply with the rules consultation procedures.

176 This could be given effect through the inclusion of a new clause in rule 7.2.8 of the NER (which relates to the MSATS Procedures).

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CATS	Consumer Administration and Transfer Solution
FRC	Full Retail Contestability
FRMP	Financially Responsible Market Participant
LNSP	Local Network Service Provider
MCE	Ministerial Council on Energy
MSATS	Market Settlements and Transfer Solution
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NMI	National Metering Identifier
SCER	Standing Council on Energy and Resources

A Common Terminology and Parties in the Customer Transfer Process

Table A.1 sets out commonly used terminology throughout this report.

Table A.1 Common metering infrastructure terms

Term	Description
National Metering Identifier (NMI)	A NMI is an identifying code that uniquely defines a "metering installation" for the purpose of National Electricity Market (NEM) settlements. The metering installation typically relates to a customer's connection point.
NMI Standing Data	NMI standing data is the information that exists in the Market Settlement and Transfer Solution (MSATS) system that is related to a customer's connection point. This information relates to the physical location and properties of a customer's meter, and includes the applicable network tariff, the customer's consumption threshold bands, and the next scheduled read date.
Metering installation	The metering installation is the assembly of components required to measure, process and make available for collection the energy data for a connection point, including: • measurement element(s) (meters); • current and voltage instrument transformers (if required); • recording and display equipment; and • communications interface (if required).
Metering installation type	The type of metering installation and its accuracy requirements for a metering installation are determined in accordance with the National Electricity Rules (NER) and depend on the size of the load. Meter types are categorised as: • greater than 1,000 GWh – type 1; • between 1,000 GWh and 100 GWh – type 2; • between 100 GWh and 750 MWh – type 3; and • between 750 MWh and zero – types 4, 5, 6 and 7. These types are described in more detail below.
Type 1 to 4 meters	These meters record energy use every half-hour and send those readings to a central database on, generally, a daily basis. These are usually known as "remotely read, interval meters". These are typically installed in large businesses.
Type 5 meter	These meters record energy on a half-hourly basis, but are read in-situ by meter readers on a routine basis, typically quarterly. These are usually known as "manually read, interval meters", and are typically installed in small (household and small business) customer premises.

Term	Description
Type 6 meter	These meters simply record energy consumed from one read to the next, and are read in-situ by meter readers on a routine basis, typically quarterly. These are usually known as "accumulation meters", and are typically installed in small (household and small business) customer premises.
Type 7 meter	These meters refer to unmetered sites, where no meter is installed, and are typically used where the load is miniscule and unmetered (e.g. street lights).
Smart meter	Smart meters record consumption on a near real time interval basis (that is, half hourly consumption). Smart meters also have communication technology that allow data to be retrieved remotely, provides other smart services (e.g. network support such as faults/problems on network or load management) and can link to devices in the home to allow instant access for the customer to their electricity use profile. Jurisdictions in the NEM are currently in different stages of deployment for smart meters.

Table A.2 summarises the main parties, aside from the customer, involved in the customer transfer process, and their roles as they relate to the customer transfer process.

Table A.2 Market participants involved in the customer transfer process under the National Electricity Rules

Party	Role in customer transfer process
Australian Energy Market Operator (AEMO)	AEMO is responsible for developing a number of procedures that relate to the customer transfer process. AEMO is also responsible for undertaking settlement of the wholesale market, and registering participants.
Financially responsible market participant (FRMP)	The FRMP is responsible for market load at a particular connection point. Generally, the FRMP is the retailer that is responsible for the supply of electricity to a customer, including for the billing and wholesale market arrangements.
Local Retailer (LR)	This is the retailer that has responsibility for the supply of electricity to franchise customers[177] in a local area. For example, the local retailer must offer regulated retail contracts in a supply area to small customers that do not wish to enter into a market retail contract, where it is the FRMP for the relevant connection point.
Metering Data Provider (MDP)	Metering data providers must be accredited and registered by AEMO. They are responsible for carrying out metering data services that includes the collection, processing, storage and delivery of meter data. Other responsibilities also include the management of relevant NMI Standing Data.
Metering Provider (MP)	Metering providers must be accredited and registered by AEMO. They are responsible for the installation and maintenance of metering installations, including providing and maintaining the security controls of metering installations.

177 Franchise customers refers to those small electricity customers who have the option to move to a market (i.e. unregulated) offer, but remain on a regulated retail price.

Party	Role in customer transfer process
Responsible Person (RP)	The responsible person is the entity that is formally responsible for a range of metering and metering data activities. This includes the provision, installation and maintenance of a metering installation, as well as collection, processing and delivery of meter data. Which entity can be the responsible person depends on the metering installation type. For a remotely read interval meter (type 1 to 4) the FRMP, usually the retailer, can choose to be the responsible person. Alternatively, the FRMP can request the LNSP to be the responsible person or engage a third party. For manually read interval meters (type 5), accumulation meters (type 6) and metering installations without a meter (type 7), the responsible person must be the LNSP.
Local Network Service Provider (LNSP)	This is the distributor that has responsibility for the supply of electricity to franchise customers in a local area (typically a geographical area that has been allocated to it by jurisdictional electricity legislation).

B Rules and Procedures

B.1 Introduction

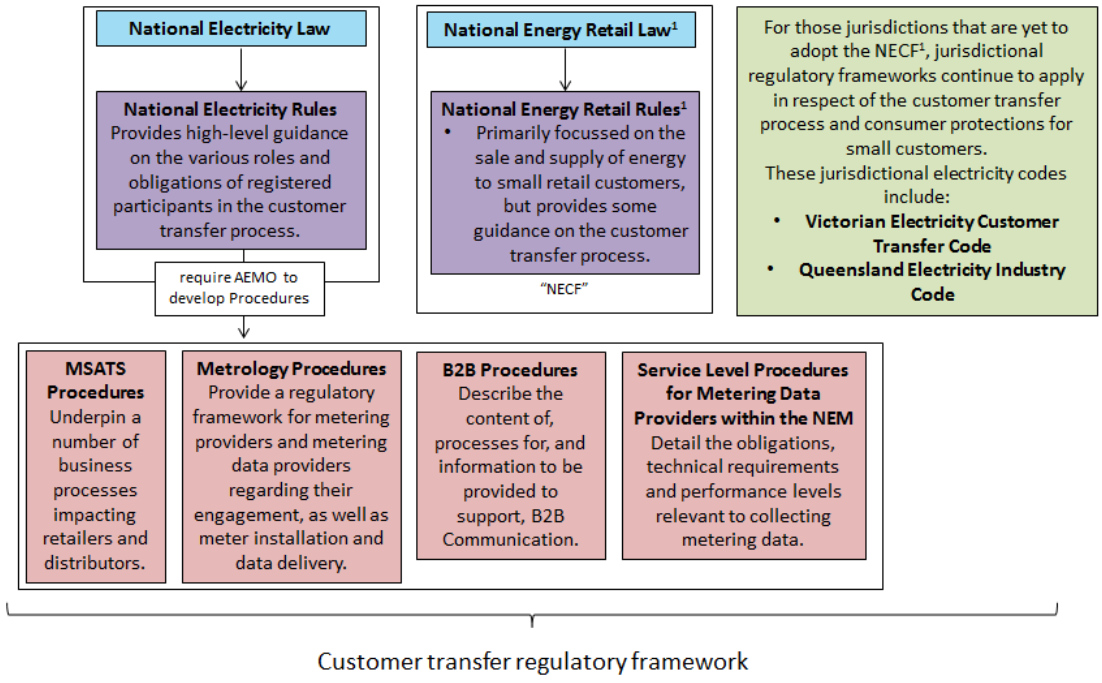
The process for transferring customers between retailers in the NEM is determined by a range of regulatory instruments, including the National Electricity Rules (NER), National Energy Retail Rules (NERR), various AEMO procedures, and jurisdictional electricity codes.

In general:

- the NER includes high-level obligations on AEMO to produce various procedures that relate to various aspects of the customer transfer process;
- the NERR provides limited guidance on the customer transfer process, aside from some aspects relating to consumer rights;
- AEMO procedures, most notably the Market Settlement and Transfer Solution (MSATS) Procedures, set out the most detail on the customer transfer process; and
- for those jurisdictions that have not yet adopted the National Energy Customer Framework (NECF), jurisdictional electricity codes also provide some guidance on the customer transfer process.

These regulatory instruments are summarised in Figure B.1 below.

Figure B.1 Summary of regulatory arrangements



[1]Currently, only NSW, ACT, Tasmania and South Australia have adopted the NECF Framework.

These regulatory arrangements form part of broader market operations that underpin the efficient operation of the NEM, including arrangements relating to: the efficient functioning of the wholesale market; network connection and planning; economic regulation; and metering.

Of interest to this advice, the regulatory arrangements also deal specifically with the customer transfer process. This appendix outlines these various regulatory instruments as they relate to the customer transfer process. Specifically:

- section B.2 discusses the relevant aspects of the NER;
- section B.3 discusses the relevant aspects of the NERR;
- section B.4 discusses the relevant AEMO procedures; and
- section B.5 discusses the relevant jurisdictional electricity codes.

B.2 National Electricity Rules

Chapter 7 of the NER sets out provisions relating to: metering installations; metering data; inspection, testing and audit requirements; security of, and rights of access to, metering data; competencies and standards of performance; metering data services database; and metering register requirements.

Chapter 7 also provides high-level guidance on the various roles and obligations of registered participants that may be involved in the customer transfer process. This

includes, for example, metering providers, metering data providers, and Local Network Service Providers (LNSPs). The NER does not describe the roles and obligations of each of these parties to a great level of detail. Rather, it delegates this responsibility to AEMO to determine these through its procedures.

The NER does establish requirements surrounding the preparation, development and content of these procedures. The relevant NER requirements are detailed in the sections below. The main procedures relevant for current purposes are:

- MSATS Procedures, which detail the arrangements for billing, settlement and customer transfers in the NEM;[178]
- Metrology Procedures, which deal with the treatment of metering data and information;[179] and
- Service Level Procedures, which detail the obligations, technical requirements and performance levels associated with the processes of meter reading, data collection, data processing, adjustment, aggregation and delivery of metering data.[180]

These procedures are discussed in further detail in section B.4 below.[181]

The NER also requires compliance by the relevant market participant with these procedures.[182] Failure to comply with these procedures is a breach of the NER.

In the case of MSATS, AEMO has a discretion to send a notice to a Registered Participant only, setting out the nature of the breach.[183] If the breach has not been rectified within five days of receipt of AEMO's notice, AEMO is required to advise the relevant state regulator responsible for enforcing any local metering requirements and the Australian Energy Regulator (AER).[184]

Failure to comply with MSATS Procedures by any of the registered participants, metering providers and metering data providers, is a breach of a civil penalty provision.[185] This is currently classified as a civil penalty provision under the National Electricity (South Australia) Regulations (the Regulations).[186] Breach of a civil penalty provision allows the AER to issue an infringement notice to the relevant entity, which

178 NER clause 7.2.8.

179 NER clause 7.14.1.

180 NER clause 7.14.1A.

181 The Business to Business (B2B) Procedures, which relate to the inter-business processes associated with metering and the retail electricity market. See: NER clause 7.2A.3.

182 NER clauses 7.2.1(b), 7.2.8(d), 7.4.2(bb), 7.4.2A(e)).

183 NER clause 7.2.8(e)).

184 NER clause 7.2.8(f).

185 NER clause 7.2.8(d).

186 See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.

will outline the infringement penalty for the breach (currently $20,000 for a body corporate).[187]

Alternatively, the AER could commence proceedings in a court of law and seek an order from the court declaring that the relevant person is in breach of the NER and ask the court to declare that the relevant person do any of the following:

- pay a civil penalty, determined by the court in accordance with the NEL, NER, or the Regulations;
- cease the breaching activity or conduct;
- take such action or adopt practices to remedy the breach or prevent it from occurring again; or
- implement a specified program for compliance with the NEL, NER or the Regulations.[188]

In the case of Metrology Procedures or the Service Level Procedures, a similar AEMO compliance process (to that described above) is contained in the NER in relation to metering providers and metering data providers, and so is relevant to the issue of compliance with these procedures.[189] Under that compliance process, AEMO has principles against which to evaluate the breach and the ability to send a notice setting out the nature of the breach, a failure to comply with which will lead to a review of the relevant metering provider or metering data provider and possible deregistration.

Again, as with the case of MSATS Procedures, it is open to the AER to seek to pursue any registered participants, metering providers or metering data providers in a court of law for a breach of the Metrology Procedures or the Service Level Procedures; breach of either being a breach of the NER.

Compliance with requirements of relevant procedures is also a matter for market participants responsible for metering installations. For example, if the accuracy of a metering installation does not comply with the requirements of the NER, the responsible person must undertake the actions in accordance with clause 7.6.2 and clause 7.9.5 of the NER.

B.3 National Energy Retail Rules

The NERR focusses on the sale and supply of energy to, primarily, small retail customers. This includes guidance on the terms and conditions of retail contracts, information provision and marketing, customer hardship policies and connections.

187 See Part 6, Division 5 of the NEL.

188 See Part 6, Division 2 of the NEL.

189 NER clause 7.4.3.

The NERR also provides guidance on the inter-relationships between distributors and retailers in coordinating the supply of electricity and gas to small customers.

Currently, the NERR only applies in the adoptive jurisdictions of NSW, the ACT, Tasmania and South Australia. As Queensland and Victoria are yet to adopt the NERR, their existing retail electricity codes continue to apply.[190] In some instances this has implications for the customer transfer process, as discussed in Appendix C.

The NERR provides some guidance on the customer transfer process. Specifically, Rule 57 of the NERR outlines that small customers are to be transferred in accordance with the relevant retail market procedures.[191]

Otherwise, the NERR provides limited guidance on the customer transfer process. It does include some requirements, such as:

- a retailer must not submit a request for transferring a customer unless the retailer has obtained explicit informed consent;[192]
- the winning retailer must notify the customer that the transfer process is complete, the winning retailer is now the Financially Responsible Market Participant (FRMP) for that customer, and the date when they commenced selling electricity to the customer;[193] and
- the retailer must also notify the customer if the transfer did not commence as expected, along with several related aspects.[194]

The NERR also contains provisions relating to billing that have relevance to the customer transfer process.[195]

190 In December 2012, Standing Council on Energy and Resources (SCER) and Council of Australian Governments (COAG) reiterated their commitment to have all jurisdictions in the NEM commence the NECF as soon as practicable and no later than 1 January 2014, subject to the resolution of issues specific to those jurisdictions yet to implement. Since that time, the Queensland Government has announced that it will implement the NECF in early to mid-2014.

191 As noted in the previous section, the most relevant procedures include: MSATS Procedures; Metrology Procedures; and Service Level Procedures.

192 Rule 57 of the NERR. This rule also permits the retailer to begin processing the customer transfer process prior to the completion of the cooling off period, provided that the process can be reversed if the customer changes their mind regarding the new contract prior to the cooling off period expiring. The requirement for explicit informed consent is also contained in the NERL.

193 Rule 58 of the NERR.

194 Rule 59 of the NERR.

195 This includes: Rule 20, which sets out what a bill might be based on, and while generally requiring bills to be based on metering data, it does allow "any other method agreed by the retailers and the small customer" to also be the basis of a bill; and Rule 21, which allows for a bill to be based on an estimation of consumption. Both Rules are relevant to the final bill that would be issued as part of the customer transfer process.

B.4 AEMO procedures

This section discusses a number of AEMO procedures that are relevant to the customer transfer process. Specifically:

- section B.4.1 discusses the MSATS Procedures;
- section B.4.2 discusses the Metrology Procedures; and
- section B.4.3 discusses the Service Level Procedures.

The Commission notes that:

- once contestability has been introduced to the market for small customer metering services, the Meter Churn Procedure for the FRMP, may also be relevant;[196] and
- the B2B Procedures, which prescribe the content of, the processes for, and the information to be provided to support B2B Communication, may also be relevant. Such communication is used by retailers to request a special meter read to enable an earlier transfer than on the next scheduled meter read.[197]

B.4.1 Market Settlement and Transfer Solution (MSATS) Procedures

The MSATS Procedures are a key feature of the NEM. They underpin a number of business processes impacting retailers and distributors, including wholesale market settlement, billing and the customer transfer process. In addition to this, the MSATS infrastructure provides a repository for the collection, processing, storage and delivery of meter data that is used for settlement and billing.

The NER require that:[198]

- AEMO develop the MSATS Procedures in consultation with registered participants, and in accordance with the rules consultation procedures;[199]
- AEMO amend the MSATS Procedures from time to time;[200]

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196 This Procedure is developed in accordance with NER clause 7.3.4(j), for the financially responsible market participant to manage meter churn consistently within the NEM. Meter churn occurs where one or more meters are changed at a connection point, which results in a misalignment between the information provided in the participant metering data file, and NMI standing data recorded in MSATS.

197 The NSW B2B Procedures, which deal with other processes such as network billing or reflect specific NSW Government objectives within these types of transactions, may also be relevant. NSW market participants are meant to comply with both procedures.

198 NER clause 7.2.8.

199 NER clause 7.2.8(a).

200 NER clause 7.2.8(b).

- the MSATS Procedures can outline the roles and responsibilities of metering providers and metering data providers;[201]
- all registered participants, metering providers and metering data providers comply with the MSATS Procedures;[202]
- AEMO have a discretion to send a notice to registered participants that have breached the MSATS Procedures, outlining the nature of the breach; and[203]
- AEMO notify the AER if a registered participant remains in breach of the MSATS Procedures for more than five business days after they receive notification from AEMO.[204]

The interaction of various market participants in relation to customer billing and transfers is captured through the Consumer Administration and Transfer Solution (CATS) Procedures, which forms part of MSATS. The CATS Procedures serve a specific purpose by detailing the roles and obligations of various parties in relation to a connection point (i.e. a small customer's metering installation), as well as containing the principles that govern customer transfers, the registration of metering installations, and the management of standing data.

The CATS Procedures:

- define the attributes of a connection point for the purpose of transferring customers. This may include the registration of the NMI for that connection point (i.e. the meter installation); and
- facilitate market settlement and efficient industry processes for transferring NMIs between retailers, as well as the provision and maintenance of standing data, rules and codes. This also includes processes for NMI discovery.

The processes and guidelines outlined in the CATS Procedures contribute to defining the customer transfer process between retailers.

The CATS Procedures contains the 65 business day maximum prospective timeframe for a customer transfer. This relates to the clause that specifies that a prospective transfer date can only be specified for a period of up to 65 business days in the future. However, as detailed further in Appendix C, the customer transfer process can extend beyond this 65 business day period where difficulties arise in the transfer process (e.g. property meter access issues). Importantly, at the start of the transfer process, a retailer cannot nominate a prospective transfer date that exceeds 65 business days.

201 NER clause 7.2.8(c).

202 NER clause 7.2.8(d).

203 NER clause 7.2.8(e).

204 NER clause 7.2.8(f).

B.4.2 Metrology Procedures

The Metrology Procedures developed by AEMO provide a framework for metering providers and metering data providers (including their engagement).

The NER require that:[205]

- AEMO must establish, maintain and publish the Metrology Procedures in accordance with the rule requirements;
- the Metrology Procedures include (amongst other things):
  - information on the devices and processes that are to be used;
  - requirements for the provision, installation and maintenance of metering installations;
  - obligations of responsible persons, FRMPs, LNSPs, metering providers, and metering data providers;
  - details on the parameters that determine the circumstances when metering data must be provided to AEMO, the timeframe obligations for delivering metering data, and performance standards for metering data; and
  - procedures for the: validation and substitution of metering data; and estimation of metering data.

The NER also provide guidance on the treatment of jurisdictional variations in relation to metrology procedures, especially as it relates to the type of metering installation (types, 5, 6, and 7).[206] The NER also require that jurisdictional metrology material can only be provided to AEMO for inclusion in the metrology procedure by the Ministers of the Ministerial Council on Energy (MCE) (now SCER).

The metrology procedures are divided into two separate procedures:

- Part A[207] sets out the roles and obligations of each party in relation to the provision, installation, routine testing and maintenance of a metering installation, including the measurement of electrical energy. Part A also provides guidance on the provision of metering data services to facilitate the efficient operation of the market, and for load profiling purposes; and
- Part B[208] outlines the methods to be used by metering data providers concerning validation, substitution and estimating of meter data. It also outlines the process

205 NER clause 7.14.1.

206 See NER clause 7.14.2 for further detail.

207 AEMO, *Metrology Procedure: Part A National Electricity Market*, 31 October 2011.

208 AEMO, *Metrology Procedure: Part B: Metering Data Validation, Substitution and Estimation Procedure for Metering Types 1-7*, 31 October 2011.

of collating and determining metering data into trading intervals for accumulation (type 6) meters and meters without metering installations (type 7).

B.4.3 Service Level Procedures

The Service Level Procedures detail the obligations, technical requirements and performances associated with the processes of meter reading, data collection, data processing, adjustment, aggregation and delivery of metering data.

The NER require that:[209]

- AEMO must establish, maintain and publish the Service Level Procedures applying to metering providers and metering data providers, in accordance with the rule requirements;
- the Service Level Procedures must include:
  - the requirements for the provision, installation and maintenance of metering installations by metering providers;
  - the system requirements and processes for the collection, processing and delivery of metering data by metering data providers;
  - the performance levels associated with the collection, processing and delivery of metering data;
  - the data formats that must be used for the delivery of metering data; and
  - the requirements for the management of relevant NMI Standing Data;
- the Service Level Procedures include accreditation requirements for both metering providers, and metering data providers.

AEMO has developed Service Level Procedures for both metering data providers, and metering providers within the NEM.

B.5 Jurisdictional electricity codes

In the NEM jurisdictions where the NECF has not yet been adopted (i.e. Victoria and Queensland), jurisdictional regulations continue to apply in respect of the customer transfer process and consumer protections for small customers.

The jurisdictional electricity codes are designed to work in conjunction with the NER and AEMO's MSATS Procedures. These jurisdictional electricity codes are detailed below.[210]

209 NER clause 7.14.1A.

The extent to which these jurisdictional policies differ from the MSATS Procedures, and potentially impact on the business processes of retailers that operate on a national basis, are considered in greater detail in Appendix C.

B.5.1 Victorian Electricity Customer Transfer Code

The Victorian Electricity Customer Transfer Code (Victorian Code) is the key instrument that impacts on the customer transfer process in Victoria. The purpose of this regulation is to facilitate and regulate aspects of the process by which customers can choose to change retailer.

The Victorian Code states that the customer transfer process should happen in accordance with the AEMO CATS Procedures. However, there are minor differences between the NECF framework and the Victorian Code. Most notably, the Victorian Code states that the customer transfer process may be completed within 20 business days (as opposed to 65 business days) for small customers.[211]

B.5.2 Queensland Electricity Industry Code

The Queensland Electricity Industry Code (Queensland Code) is the key instrument that impacts on the customer transfer process in Queensland. This Code is similar in scope to the NERR in that it provides guidance on the roles, responsibilities and obligations of distributors and retailers in the coordinated supply of electricity to small customers. The Queensland Code also sets out principles for electricity metering that are not covered by the NER.[212]

The Queensland Code sets out that any proposed customer transfers must be done in accordance with the MSATS Procedures developed by AEMO. However, similar to the Victorian Code, there are minor differences between the NECF framework and the Queensland Code.

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210 The Victorian Electricity Customer Metering Code may also be relevant. This regulates the non-technical provisions and customer obligations relating to metering in respect of first and second tier customers. Of relevance to the customer transfer process is clause 2.1, which provides that customers must provide at all times convenient and unhindered access to metering and associated equipment.

211 Although, with the agreement of the relevant customer, a proposed transfer date may be up to 65 business days after a customer's request to transfer is made to the proposed new retailer.

212 The Queensland Objection Code Guidelines 2013, which the AEMC understands are still in force, may also be relevant.

C Customer Transfer Process

C.1 Introduction

As part of providing this advice, we have mapped out the current customer transfer process in the National Electricity Market (NEM). The mapping process commences at the point at which a small electricity customer initiates the process to switch retailers, through to the completion of the customer transfer process whereby the winning retailer becomes the Financially Responsible Market Participant (FRMP).

At a high level, this comprises five steps, specifically:

- Step 1: Customer makes decision to switch;
- Step 2: Retailer gains information from customer;
- Step 3: MSATS customer transfer process commences;
- Step 4: Billing and market settlement occurs; and
- Step 5: Customer transfer completes, and winning retailer becomes FRMP.

There are two key stages to customer switching. The first stage reflects a customer responding to retail market offers and leads to the customer choosing a new retailer. The second stage reflects the process of transfer between the losing and winning retailers. It begins with the signing of a contract and ends with the customer receiving their first bill from the new retailer.

For the purpose of this advice, reference to the customer switching process refers to the commencement of the customer transfer process at Step 3, as outlined above (i.e. the second stage). This process generally commences after the expiration of the cooling-off period and the customer transfer request is raised in the Market Settlement and Transfer Solution (MSATS) system by the winning retailer.

The MSATS process can be used for a variety of types of customer transfers, including re-energisations and disconnections. However, this advice has focussed on those small customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address (i.e. in-situ transfers). Accordingly, this appendix focuses on describing the process for these small customers.

C.2 Step 1: Customer makes decision to switch

Customer switching typically results from a generally competitive market process in which a customer changes their electricity supplier. In jurisdictions where the National

Energy Customer Framework (NECF) has been adopted,[213] the National Energy Retail Law (NERL) and National Energy Retail Rules (NERR) primarily contains the minimum requirements that must be met by retailers and distributors in their interaction with customers seeking to switch their electricity supplier.[214]

Customers may seek to change electricity supplier for a variety of reasons, including seeking out a better deal or product, or for obtaining better customer service.

Customers can begin the process for switching retailers in a number of different ways:

- Comparing energy products on regulators' price comparator websites, such as the Australian Energy Regulator's (AER) Energy Made Easy website.[215] After a customer makes a decision regarding an energy product, they are responsible for contacting the relevant retailer to enter into a new electricity retail contract.

- Comparing energy products on a third-party commercial price comparator website, where the customer selects the energy product through the website. The third party that owns/operates the website is then responsible for contacting the relevant retailer to inform them of the customer's selection. The responsibility is then on the relevant retailer to follow up with the customer. We understand that the retailer will typically follow up in one to two business days.

- Contacting the energy retailer directly to change to a specific energy product. The retailer switching process can begin immediately from this point, subject to the customer providing explicit informed consent to the retailer.

- Signing up to an energy product through large-scale consumer campaigns activities, such as "One Big Switch".[216]

C.3 Step 2: Customer switches retailer

The "winning" retailer begins the customer transfer process according to the sequence of events listed below:

- The retailer confirms the address and National Metering Identifier (NMI) of the customer. This requires the retailer to match the address given by the customer with the NMI of the customer's meter, with each of these pieces of information contained in separate databases. We understand that in some cases, this process can be expedited where the customer has access to their NMI, such as on a recent electricity bill. Where incorrect customer information is used, or there are difficulties in obtaining this information, the likelihood of delays in the transfer

213 ACT, Tasmania, NSW and South Australia.

214 The Australian Consumer Law may also be relevant to some transfers under certain circumstances.

215 See www.energymadeeasy.gov.au.

216 One Big Switch is a consumer campaign to cut the cost of electricity through the power of group switching. This was first launched in June 2012, with over 250,000 Australian households joining the campaign. See: www.onebigswitch.com.au.

process is increased (e.g. where the address that the customer uses is not the address that is in the MSATS system).

- The customer provides explicit informed consent to the transfer and enters into the new contract with the retailer.[217] The retailer subsequently issues a new contract for the customer, which they typically receive in writing within a week of providing verbal explicit informed consent.

- A cooling-off period of 10 business days commences once the customer receives all information relevant to a contract.[218] During the cooling-off period, the customer is able to renegotiate on their decision to enter into the new contract without attracting any penalties or break fees.[219]

After the cooling-off period has expired, the winning retailer initiates the customer transfer process in MSATS.

A retailer may initiate the customer transfer process in MSATS prior to the cooling-off period by selecting an effective transfer date that falls within the permitted date range after the cooling-off period expires.[220] However, the Commission understands, in general, that most retailers prefer to commence the MSATS transfer process after the cooling-off period has expired. This avoids potentially complicated reversal processes for the retailer where the customer cools off, which can add to a retailer's business costs.

In Victoria, the Victorian Electricity Transfer Code (Victorian Code) states that retailers can only raise a customer transfer request to change retailers at the expiration of the cooling-off period.[221] In Queensland, the Queensland Electricity Industry Code (Queensland Code) states that the proposed transfer may be initiated prior to the expiry of any applicable cooling-off period, but the transfer must not be completed until the cooling-off period has expired.[222]

C.4 Step 3: MSATS customer transfer process

Figure C.1 outlines the highly automated customer transfer process in MSATS.

217 Sections 38(a) and (b) of the NERL.

218 See Rule 47 of the NERR.

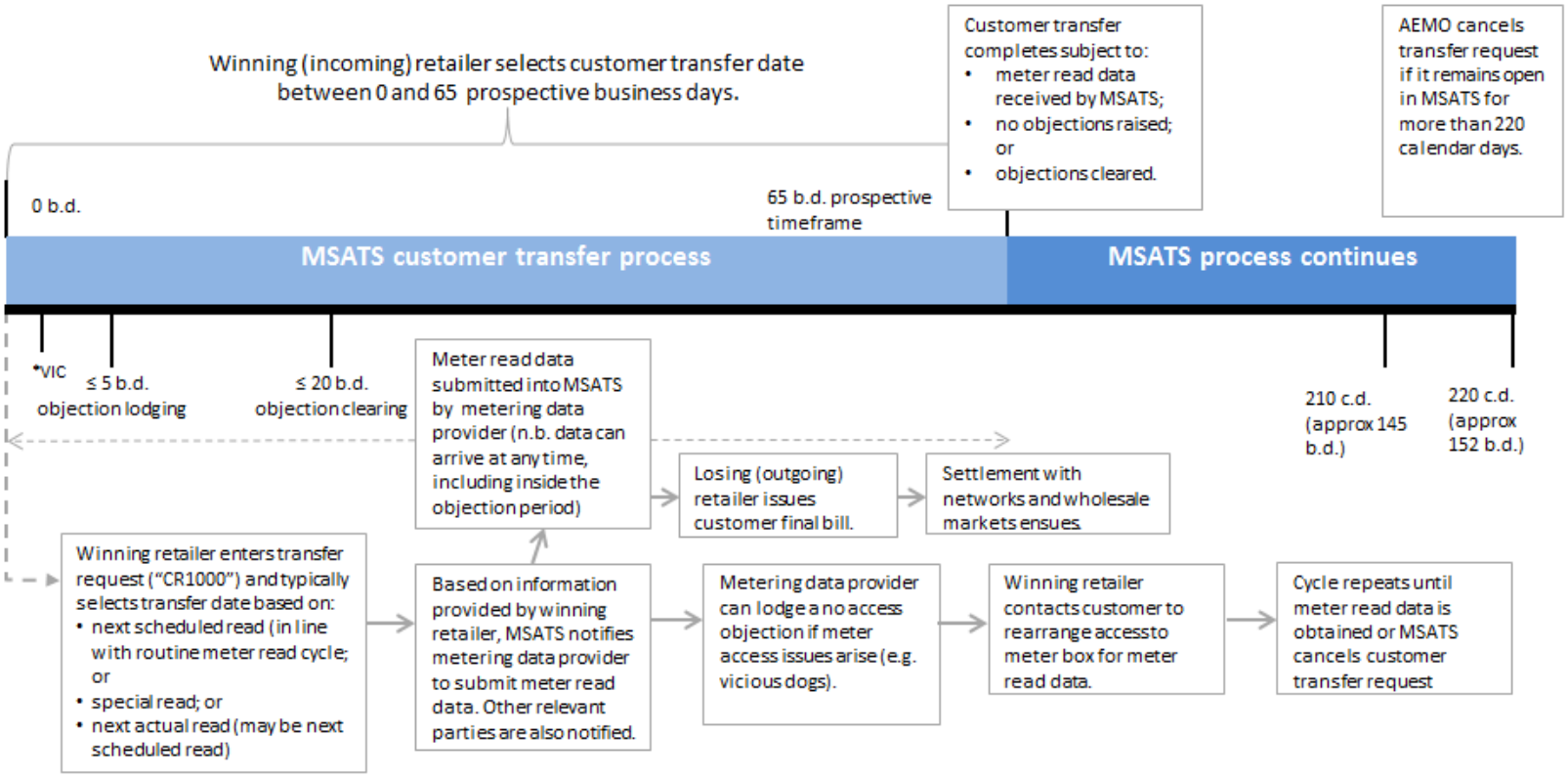
219 Existing customer protection measures (including the length of the cooling-off period) are out of scope for this advice.

220 Rule 57 of the NERR also permits the retailer to begin processing the customer transfer process prior to the completion of the cooling-off period, provided that the process can be reversed if the customer changes their mind regarding the new contract prior to the cooling-off period expiring.

221 Clause 4.1 of the Victorian Electricity Customer Transfer Code, April 2011.

222 Clause 6.5.1 of the Queensland Electricity Industry Code, February 2013.

Figure C.1 Detailed schematic of customer transfer process



**VICTORIA – Where smart meter has remote read capability, metering data provider can provide 'actual meter data' within two days of the requested transfer dates.*

C.4.1 Entering of change request code

The customer transfer request starts in MSATS when the winning retailer enters the corresponding "change request" for that customer's NMI, which must occur no later than two days after the expiry of the cooling-off period.[223,224]

At the time of raising the change request, the MSATS system notifies all relevant parties to the customer transfer.

Also at the time of raising the request, the winning retailer is required to select the meter read type on which the customer will be transferred.[225] This also forms the basis for selecting the date that the customer transfer becomes effective. We understand that the transfer date for a small customer generally coincides with the metering data provider's schedule for taking an actual meter read of that customer's metering installation.[226] This means the prospective change date will be highly dependent on the metering data provider's meter read cycle for that customer.

The AEMC understands that retailers typically select one of three meter read types:

- **Next scheduled read date.** This code sends a notification to the relevant metering data provider that the proposed prospective change date for the customer transfer is the next scheduled read date (usually monthly or quarterly) to be undertaken by the current metering data provider (i.e. no other meter read is required).[227] The AEMC understands that Part A of the Metrology Procedures[228] state that metering data providers should use reasonable endeavours to collect metering data once every three months. This (three months) corresponds to the maximum 65 business day prospective transfer date for a customer's transfer to a new retailer to become effective. This read type is typically used for accumulation and remotely read interval meters.

- **Special read date.** This code sends a notification to the relevant metering data provider that the proposed change date for the customer transfer is one that does

223 MSATS Procedures: CATS Procedure Principles and Obligations, clause 2.3(b). The CATS Procedures relates to the Consumer Administration and Transfer Solution (CATS) Procedures, which form part of MSATS.

224 In the case of a common customer transfer between retailers, the relevant change request code is CR1000. This code refers to those customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address, and is the focus of this advice.

225 Clause 2.3(l) of the MSATS Procedures: CATS Procedure Principles and Obligations states that the new FRMP, after obtaining the customer's consent, can request information for metering data from the metering data provider or responsible person.

226 We understand that the metering data provider's schedule is provided to retailers in a separate document.

227 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

228 See clause 3.4 of Metrology Procedures, in the general sense. See also clauses 3.4.6-3.4.7; clause 6.4.1(a) of the Service Level Procedures.

not align with the scheduled read cycle for the metering data provider.[229] Here, the metering data provider is required to arrange for a special meter read.[230] This code only applies to type 5 (manually read, interval) and type 6 (accumulation) meters. The Commission understands that retailers typically use special meter reads:

  - if the customer's next scheduled meter read has only recently occurred, and so given that the next scheduled read is up to three months away, the retailer will absorb the cost of the special read in order to win the customer sooner and become their FRMP; and

  - if a small customer requests a special read, then the retailer will utilise a special read. Typically, the retailer will use their discretion as to whether or not they absorb the special read cost; but explicit informed consent would be obtained from the customer if the customer was asked to pay.

- **Next read date.** This code sends a notification to the relevant metering data provider that the proposed change date for the customer transfer is to be the date that the meter is next read.[231] For example, "next read date" may be selected where it is likely that the metering data provider may be required to undertake work at the premises at a date in the near future, which is before the next scheduled read date. The next read date may occur earlier than the next scheduled read date.

There are also a number of other meter read types, that are not described above. The Commission understands that these additional read types are not commonly used. These include:

- **Estimated read.** No actual meter read is required. The metering data provider estimates a read in accordance with the Metrology Procedures, and jurisdictional requirements;[232] and

- **Consumer read.** This may be otherwise known as a customer self-read. The customer itself undertakes a meter read, and provides the pertinent information to the relevant parties (e.g. a customer could take a smart phone picture of their meter and provide this to the appropriate party).[233]

The date selected on the basis of the meter read type forms the "prospective transfer" date. This is validated by MSATS and becomes the "actual change date".[234]

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229 It is also expected that a B2B service order is also sent when using read type "Special Read" in a transfer.

230 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

231 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

232 See: MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

233 This only applies to accumulation meters and is only available if approved by jurisdictional policy. See: MSATS Procedures: CATS Procedure Principled and Obligations, clause 4.13(i).

234 MSATS Procedures: CATS Procedure Principles and Obligations, section 4.13, Table 4n.

At present, the maximum allowable time for a prospective transfer date is 65 business days from when the transfer request is first raised by the winning retailer.[235] Conversely, the winning retailer cannot select a prospective transfer date that is before the date the change request is first raised.[236] However, the customer transfer process can potentially extend for longer than 65 business days, as detailed below.

MSATS requires that for prospective changes that do not require a manual meter read, such as for smart meters with remote read capability, the metering data provider confirms the actual change date within two days of the requested transfer date.[237]

This means that the customer's metering data can be provided to the retailer within approximately two business days of the initial change request. Therefore, the minimum transfer timeframe for customers with smart meters is between 13-15 days, including the expiry of the 10 business days cooling-off period.[238] This estimation generally aligns with anecdotal information that we have received from retailers operating with smart meters, as well as consumer groups throughout the preparation of this advice.

The selection of the date in MSATS triggers an action to request the metering data provider to obtain the actual read.[239] The metering data provider's system automatically picks up the metering data when it becomes available, and sends this to MSATS.

Outside this largely automated MSATS process, metering data providers and retailers typically follow "exception procedures" to monitor and rectify failed/late processes relating to transfers (i.e. meter read not obtained; meter read overdue; failed meter read).

Application in Victoria

The Victorian Code specifies that the proposed transfer date for a small customer may be up to 20 business days (or up to 65 business days with agreement from the small customer),[240] and that it should happen in accordance with the AEMO MSATS: CATS Procedure Principles and Obligations.[241]

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235 MSATS Procedures: CATS Procedure Principles and Obligations, clause 3.10.2 and 6.9(b).

236 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

237 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(c).

238 See section 6.6 "MDP Obligations" of the MSATS Procedures.

239 See section 6.6 "MDP Obligations" of the MSATS Procedures: CATS Procedure Principles and Obligations.

240 Clause 4.2(a) of the Victorian Electricity Customer Transfer Code. Clause 4.2(c) states that in the case of a customer who is not a small customer (defined in Victoria as a "relevant customer"), or with the agreement of a relevant (i.e. small) customer, a proposed transfer date may be up to 65 business days after the request to transfer is made to the proposed new retailer.

241 Clause 4.1(a) of the Victorian Electricity Customer Transfer Code.

The Victorian Code imposes the following requirements in relation to objections and transfers periods:[242]

- a proposed transfer date of a relevant customer (the Victorian equivalent of a small customer) can only be up to 20 business days after the transfer request;[243]
- a proposed transfer date for all other customers (other than relevant customers, or with the agreement of the relevant customer) can be up to 65 business days after the transfer request is made;[244]
- a retailer may object to transfer of a customer (both small and large) on the grounds of a certified debt if the debt meets the requirements in clause 5.1 of the Victorian Code;
- an objection must be notified to the customer within five business days of the objection being made;[245] and
- the objecting retailer and the new retailer must use reasonable endeavours until the end of the 20th business day (resolution period) after the objection was made to resolve the objection (involving the customer where necessary).[246]

The Victorian Code specifies that remotely read metering data from smart meters should be considered as an "actual read" or "scheduled read".[247,248] We understand from Victorian retailers that selecting the "next read date in MSATS allows receipt of smart meter data within two business days of the requested transfer date.[249]

As noted in MSATS, the "next scheduled read" date will only be required for the metering installations where a manual meter reading is necessary.[250] To the extent that smart meters in Victoria continue to be classified as remotely read interval (type 5) meters, with remote reading capabilities,[251] then there is no need to select the :next scheduled read" date as the basis of the customer transfer request.

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242 It also states that a retrospective transfer cannot be more than 130 business days before the date is nominated to AEMO or the date that the retailer becomes the financially responsible market participant for the premises. See: clause 4.3(c) of the Victorian Electricity Customer Transfer Code.

243 Clause 4.2(a) of the Victorian Electricity Customer Transfer Code.

244 Clause 4.2(d) of the Victorian Electricity Customer Transfer Code.

245 Clause 5.4 of the Victorian Electricity Customer Transfer Code.

246 Clause 5.5 of the Victorian Electricity Customer Transfer Code.

247 Clause 4.1A of the Victorian Electricity Customer Transfer Code.

248 We note that the Victorian Electricity Customer Transfer Code allows customer self-reads for the purpose of billing (i.e. not transferring between retailers) where the customer has an arrangement to do so with a distributor or responsible person.

249 This was discussed above. See: MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(c).

250 MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

251 NER clause 9.9B.

However, we understand that if a customer has requested a specific transfer date, then the retailer is likely to request a "special read" and raise a separate service order with the metering data provider in order to allow the transfer to occur on the requested date.[252] If a customer has not requested a specific transfer date, then the retailer is likely to request reads as set out above.

Clause 6.2 of the Victorian Energy Retail Code also has practical importance when there has been a prolonged transfer delay or unresolved transfer error.

Application in Queensland

The Queensland Code specifies that proposed customer transfers must be done in accordance with any MSATS Procedures developed by AEMO, as they relate to the National Electricity Rules (NER).[253]

The Queensland Code states that a transfer must not be completed, until the applicable cooling-off period has expired.[254]

There are a number of other specific provisions from the Queensland Code that may be relevant, specifically:

- a retailer must not initiate the transfer of a customer without obtaining the explicit informed consent of that customer;[255]
- the proposed transfer of a customer may be initiated prior to the expiry of any applicable cooling-off period until the retail contract has expired;[256]
- a retailer must ensure that a transfer is not completed until the applicable cooling-off period under the retail contract has expired;[257]
- a retailer must cancel the customer transfer request in accordance with MSATS Procedures as soon as practicable where the retail contract is terminated by the customer during any applicable cooling-off period;[258]
- a transfer on an actual meter reading date must be based on an actual meter reading that is a scheduled meter read, or a special meter read, which either conforms with the CATS Procedures retrospectivity rules or has occurred after the customer entered into the new retail contract;[259] and

252 There may also be special reads in Victoria for those smart meters that do not have remote read capabilities at this stage.

253 Clauses 6.2.2 and 6.5.1 of the Queensland Electricity Industry Code.

254 Clause 6.5.1(b) of the Queensland Electricity Industry Code.

255 Clause 6.3.1(a) of the Queensland Electricity Industry Code.

256 Clause 6.5.1(a) of the Queensland Electricity Industry Code.

257 Clause 6.5.1(b) of the Queensland Electricity Industry Code.

258 Clause 6.5.2 of the Queensland Electricity Industry Code.

259 Clause 6.6(b) of the Queensland Electricity Industry Code.

- a retailer must not transfer a customer on the basis of a special meter read, unless it obtains explicit informed consent from that customer to conduct the special meter read and charge the customer at a fee that must be disclosed to the customer.[260] Explicit informed consent is not required if the retailer does not charge the customer.[261]

In addition, under the Queensland Code, distributors are obliged to perform special meter read requests within an obligation timeframe of four business days.[262] The Queensland Competition Authority (QCA) monitors distributors' compliance with specified timeframes and takes enforcement action where performance is considered to be unsatisfactory.

C.4.2 Raising an objection to the customer transfer process

Once the winning retailer enters the change request code into the MSATS system, various parties are notified of the customer transfer by the MSATS system - including of any roles or obligations that they may have in regard to the NMI transfer.[263]

The initial period of the customer transfer process in MSATS also provides a fixed time period for eligible parties to object to the customer transfer process from completing.[264]

Several parties can object to the customer transfer process. These parties have until five business days after the change request code is first raised in MSATS to object.[265]

The parties that can object, and the grounds upon which they can object, are outlined in sections 4.7 and 6.10 of the MSATS Procedures: CATS Procedure Principles and Obligations (for changing retailers for small and large NMIs). Table C.1 summarises what objections can be raised and by whom these objections can be raised by.[266] Objections are largely raised in relation to technical issues.

260 Clause 6.6(c) of the Queensland Electricity Industry Code.

261 Clause 6.6(d) of the Queensland Electricity Industry Code.

262 Clause 5.7.3 of the Queensland Electricity Industry Code.

263 MSATS Procedures: CATS Procedure Principles and Obligations, clauses 6.4-6.8.

264 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

265 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

266 Other objection codes can be raised for other transfer types, however, this table summarises the objection codes that are allowed for in-situ transfers.

Table C.1 Raising an objection to the customer transfer process

Objection code	Reason	Who can object?
BADMETER	The metering equipment for the connection point is not correct (i.e. correct metering for change to proceed not installed yet). For example, the retailer has entered a code suggesting that the meter is a type 4 meter. However, the metering data provider considers the meter to be a type 5 (i.e. the actual metering type does not match the information provided).	Metering Data Provider Responsible Party LNSP
BADPARTY	The nominated metering data provider or metering provider is incorrect. This is for use by the new responsible party on retail transfer type transactions where the FRMP has nominated the wrong metering data provider or metering provider.	Responsible Party
DATEBAD	This objection code is used where the date of change nominated for a change of retailer does not align with a proposed or actual meter read. This code is usually only used for type 5 or 6 metering installations. This could be used as a result of a previous read type code, where the proposed change date (being the retrospective previous read) does not align with the actual read date held by the metering provider or metering data provider.	Metering Data Provider
DECLINED	The identified party declines to perform the service. This is for use by the nominated new party to indicate that they decline to act in the role they have been nominated for.	Metering Data Provider Responsible Party
NOTAPRD	The party is not approved to operate in the LNSP area.	LNSP
NOACC	No meter read can be obtained due to an issue of no access. This code can only be raised against manually read meters. Objections for NOACC are not subject to objection logging or clearing periods. A valid actual change date being entered against a change request with an objection of NOACC will withdraw any NOACC objections.	Metering Data Provider
DEBT	There is an aged debt that meets a jurisdictional limit. In Queensland, this objection can be raised for large and small customers. In Victoria, this objection can only be raised in relation to small customers.	Current FRMP (ie "losing" retailer)
CONTRACT	This code is used where a customer transfer is sought prior to the termination or end date of term contract for supply of electricity. This code only applies to large customers in Queensland.	Current FRMP (ie "losing" retailer)

If an objection to the customer transfer process is raised, then the party that raised the objection and the winning retailer have up to 20 business days from when the change request code was first raised to resolve the objection and for the transfer to continue.[267]

Typically, the objecting party and the winning retailer's approach to resolving the objection is to resolve the matter through bilateral communications outside of the MSATS system. The AEMC understands that the process may be as simple as e-mail communication between the affected parties.

If the objection matter cannot be resolved by the affected parties within the 20 business day timeframe, the winning retailer may cancel the transfer request.[268]

Alternatively, if the objection is not resolved within the timeframe, and the winning retailer has not cancelled the transfer request, the MSATS system will automatically cancel the transfer request.[269] The only exception to the automatic cancellation process is where the objection is raised on the grounds of meter access issues.[270]

The AEMC understands that a meter read can be submitted into MSATS by the metering data provider at any time from when the change request code was first raised, including inside the objection period. This metering data can be used for the purpose of transferring the customer, subject to any objection matters being resolved.

In Victoria, a customer must be notified of an objection to a transfer within five days of it being made.[271] While there is no time limit on resolving the objection, the small customer prospective transfer date is still expected to be within 20 business days (or within 65 business days with agreement from the customer). An objection to a customer transfer using objection code "DEBT" must not be made by an existing retailer unless the debt is certified debt.[272]

The AEMC also understands that, in Queensland, additional measures are in place for objections to the customer transfer process. Similar to the practice in Victoria, retailers may object to a customer transfer request on the basis of objection code "DEBT" for an aged debt.[273]

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267 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

268 Clause 2.3(i) of the MSATS Procedures states that the winning retailer must ensure that any pending retail transfers are withdrawn within 210 calendar days of the lodgement of the change request. However, the Commission understands that retailers do not typically follow this practice given that MSATS automatically cancels the transfer request at 220 calendar days.

269 MSATS Procedures: CATS Procedure Principles and Obligations, clause 3.3(j).

270 See note (2) to clause 4.7(c) of MSATS Procedures: CATS Procedure Principles and Obligations.

271 Clause 5.4 of the Victorian Electricity Customer Transfer Code.

272 Certified debt means an aggregate sum of $200 or more and does not include structured repayments and is net of any refundable advance held by the retailer. (Victorian Electricity Customer Transfer Code, clause 6).

273 The Queensland Objection Code Guidelines 2003, which the AEMC understands are still in force, define an aged debt as an amount owing by a customer in respect of a NMI and for which the amount has been outstanding for at least 40 business days in respect of the sale or supply of

C.4.3 Continuation of MSATS processes beyond 65 business days

In some circumstances, the customer transfer process can extend beyond the initial (or prospective) 65 business days from when the change request code was first raised in MSATS. This situation may arise where the metering data provider fails to provide an actual meter read according to the agreed "actual change date" it had initially confirmed when the change request code was first raised.

A metering data provider may fail to provide metering data relating to an actual meter read attempt for a variety of reasons. The AEMC understands that the most frequent reason is due to workplace, health and safety issues (e.g. meter access issues, vicious dogs present).

When this situation arises, the metering data provider must advise the winning retailer that it has failed to read the meter.[274] This then notifies the winning retailer to contact the customer to rearrange or confirm future access to the meter. In a similar fashion to when the change request code is first raised, the winning retailer is then required to select a proposed transfer date based on the meter read type, for which the metering data provider must confirm.[275]

This process continues in MSATS until either the metering data provider submits actual meter read data into MSATS, or MSATS cancels the change request code.

The MSATS Procedures require that any pending retail transfers are withdrawn within 210 calendar days of raising the change request code.[276] Conversely, where the retailer fails to cancel any pending retail transfer requests within 210 calendar days of raising the change request code, then AEMO, through its administration of MSATS, will cancel or withdraw any dormant retail transfers that remain incomplete within seven months.[277]

C.5 Step 4: Billing and market settlement

Once the meter data relating to the customer's NMI is uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO.

First, the losing retailer is required to reconcile the meter data it has received in relation to the customer's NMI with information provided by AEMO. Once this meter data is validated and reconciled, the losing retailer generates a final customer bill.[278]

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electricity or connection services. An objection can only be made on this basis if the debt is greater than $4,000.

274 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(h).

275 MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.4(i).

276 Clause 2.3(i).

277 Clause 2.11(i).

278 MSATS Procedures: CATS Procedure Principles and Obligations, clause 2.3(o)-(p).

The losing retailer also issues a network bill for payment to the Local Network Service Provider (LNSP), which is facilitated via the business to business systems. This can either happen through a direct payment or a clearing house arrangement.

C.6 Step 5: Customer transfer process completes and winning retailer becomes the financially responsible market participant

The winning retailer becomes responsible for electricity supply to the customer's premises once the transfer process is completed in MSATS (as opposed to the expiration of the cooling-off period).[279] The transfer process includes a final bill being issued by the losing retailer to the customer, as detailed above.

Following completion of the transfer, the winning retailer then becomes the FRMP for the customer, and so is responsible for the supply of electricity to the customer's premises. The winning retailer now has responsibility for billing the customer for their consumption from this point in time.

Rule 58 of the NERR requires that, once the transfer process is complete, and the winning retailer becomes the FRMP, the winning retailer must notify the customer that the transfer has occurred. This should include the date at which they commenced selling electricity to the customer.

Further, Rule 59 of the NERR requires that, where the customer transfer did not commence as expected, a retailer is required to notify the customer:

- that the transfer did not occur;
- the reason for the delay; and
- the new expected date for completing the transfer.

Similarly, the Queensland Code states that if the customer transfer does not occur on the date previously advised by the winning retailer, and it is not expected to occur within one month of that expected date, then the retailer must advise the customer that the transfer did not occur, the reasons for the delay, and the new expected date of completion.[280]

C.7 Customer transfer process for large customers

The process for transferring large customers in the NEM also occurs through MSATS. However, because of the underlying advanced metering infrastructure (or smart meters) supporting large customer electricity consumption (meter types 1 to 4), the customer transfer process is typically more straightforward.

279 MSATS Procedures, clause 2.3(p).

280 Queensland Electricity Industry Code, clause 6.7.

The presence of smart meters for large customers means that the customer transfer process is timely and subject to fewer delays that may arise through meter access issues that are typically faced by mass market customers, since meters are remotely read.

Further, retailer business processes that support large customers, and their transfer, generally allow for greater flexibility than mass market transfers as large customers tend to be account managed.

The AEMC understands that given the flexibility in processes and underlying contractual arrangements, large customers are likely to transfer in line with financial year or calendar year activities. For retailers that must eventually be settled in the wholesale market, the general preference is to transfer large customers at the end of a month to coincide with these settlement processes.

D Submissions

This appendix sets out a summary of the issues raised in stakeholders' submissions on the Options Paper for the AEMC's review of electricity customer switching, and the AEMC's response to the issues raised. Note that where stakeholder views relate to the same issue, they have been grouped together in the table and responded to by the AEMC collectively.

Table D.1 Summary of submissions to the Options Paper

Issues raised	Stakeholder	AEMC response
General		
Agree that a comprehensive approach will be required to alleviate all the problems identified (i.e. a single option will not be sufficient).	PIAC, p. 1.	The AEMC agrees that a comprehensive response is required to improve the efficiency of the customer transfer process. Therefore, in this Final Report, the Commission has set out six recommendations that aim to improve both the timeliness and accuracy of the customer transfer process.
No evidence of a material market failure with respect to switching in any NEM jurisdiction.	EnergyAustralia, p. 1; Alinta Energy, p. 1; ERAA, p. 2.	The Commission considers that, while there is not one single market failure to be addressed, some stakeholders have provided information in their submissions to this review that customers can be adversely impacted under current processes. Accordingly, there are a number of improvements that can be made to the current customer transfer process, which would increase its efficiency. These form the basis of our recommendations in this report.
Do not consider that the cost-benefit case has been made in relation to the options proposed.	ENA, p. 1.	Due to the tight timeframes of this advice, we have not been able to undertake a full cost-benefit assessment of these recommendations. However, we have endeavoured to consider indicative costs and benefit figures in making our final recommendations.
Any move to minimise delays in customer transfers would be beneficial to all participants. But it is important that any significant changes to the process	Red Energy, p. 1.	

Issues raised	Stakeholder	AEMC response
of switching do not take away from the current requirements and protections regulated in the market.		
Analysis should consider whether any of the options proposed might appropriately be implemented across gas markets.	AGL, p. 1.	The terms of reference for this review focus on the electricity customer switching process. However, the Commission recognises there are similarities with the gas switching process. The Commission considers that some of our recommendations could be extended to gas retail markets, where relevant. For example, the standardisation of addresses to a particular standard. We also note that estimated reads are currently available for transfers in both the South Australian, ACT and NSW gas retail markets.
Consider the performance of switching arrangements for large customers deserves to be treated on an equal footing with switching arrangements for small customers.	Energy Action, p. 1.	Given the timeframe constraints for our advice to the SCER, we have not been able to consider large customer switching in great depth. However, to the extent that there is some commonality in the transfer process for small and large customers, our recommendations could be adopted to apply to large customers as well.
Consumer concerns, that CALC are aware of, do not suggest the core issue in the switching process to be delays to transfer times.	Consumer Action Law Centre, p. 2.	The Commission notes CALC's comments that consumers are left to deal with the consequences of a transfer delay. In this review, by addressing the issues that have the potential to create transfer delays, the Commission is of the view that the fewer transfers are likely to result, which reduces the likelihood of customer complaints.
The Options Paper does not assess each of the proposals from a consumer perspective.	Consumer Action Law Centre, p. 2.	In its assessment of these recommendations, in this report, the Commission has considered the impact on consumers. The criteria used to assess our recommendations were derived from the National Electricity Objective, which has regard to the long-term interests of consumers.

Issues raised	Stakeholder	AEMC response
Option A1: Reduce the maximum prospective timeframe for switching from 65 business days to 21 business days		
30 days would reflect an appropriate reduction in the maximum prospective timeframe.	Alinta, p. 2.	The Commission has not recommended to reduce the maximum prospective timeframe for switching from 65 business days to 21 business days. This decision has been driven by a number of factors, including: • the only option currently available to customers and retailers to speed up the transfer process is to pay for a special read. However, this imposes costs, and does not guarantee that a read would occur since there may still be access issues. Further, an alternative would be to require all transfers to occur on the basis of special reads, but this would impose significant costs on the market; • retailers, while responsible for giving effect to the transfer, are not in control of obtaining meter reads and meter data provision, which is performed by metering data providers. Given these split incentives, it is not appropriate to impose rules obligations on retailers by reducing the maximum prospective timeframe, without providing retailers with the ability to meet those obligations; • while our recommendation to introduce estimated reads will provide retailers with another option, not all customers will choose to use this option; • an upcoming rule change proposal will consider the benefits of introducing competition into the provision of metering and related services. This may encourage meter reads to be more timely and accurate; and
Do not support, since: • current customer transfer process is already functioning in an efficient and timely manner; • there are advantages for retailers being able to submit requests into MSATS in real time for a future agreed upon transfer date; • the current timeframe is merely the maximum timeframe within which a proposed transfer date can be requested in advance; • delays generally only occur where genuine difficulties arise in the transfer process; and • a relatively inexpensive and straightforward option to expedite the transfer process is already available (special reads).	Energex, pp. 1-2.	
Do not support, since do not consider that the cost-benefit case has been made. Further, the potential for arbitrary reductions in the maximum allowed days without any real change in the operating environment may result in unintended consequences, such as increased errors.	ENA, p. 1.	

Issues raised	Stakeholder	AEMC response
Do not support, since it does not address the causes for delays in the existing customer transfer process.	ENA, p. 3.	• the increased penetration of remotely read meters will also enable transfer times to become faster. However, at this stage, there is not sufficient penetration in the NEM to justify a change to the maximum prospective timeframe. However, the Commission considers that, in future, where there may be a higher penetration of smart meters, and more cost effective alternatives for transferring customers are available to retailers, the maximum prospective timeframe could be reduced. Indeed, this should be considered in AEMO's periodic review of the MSATS system (see section 6.6).
Do not support, since it does not address the underlying issues for delays in customer transfers.	NSW DNSPs, p. 7.	
Do not support, since do not see what this option, on its own, would achieve.	Etrog Consulting, p. 8.	
Do not support, since factors contributing to prolonged transfer times are largely outside the control of retailers.	Origin Energy, p. 4.	
Do not support, since simply reducing the maximum prospective timeframe for customer transfers in MSATS would not address the underlying reality of a common quarterly read cycle. Under the current framework, the only way a retailer could select a prospective transfer date would be to raise special reads, which would impose substantial new costs on industry.	AGL, p. 3.	
Do not support, since in the absence of additional market changes, reducing the maximum prospective timeframe would impose a strict obligation on retailers would the necessary tools to comply, other than to request special meter readings.	EnergyAustralia, p. 2.	
Do not support, since do not believe that reducing the maximum timeframe on its own will create any greater efficiency, but will increase the regulatory burden. It may be possible to reduce the switching time by increasing the incentives for all participants,	Red Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
without the need for an additional regulatory burden for retailers of a shorter timeframe for transfer.		
This option is workable in Victoria since most customers have remotely read smart meters with no or negligible special meter reads. However, EWOV have concerns about customers with manually read meters incurring special meter read costs in order for industry to meet the shorter transfer timeframe.	EWOV, p. 2.	
Supportive of improving the customer transfer process for consumers. However, it is also important to ensure that parties are provided with sufficient time to object and clear objections in an appropriate manner. UE would be concerned if reduced timeframes compromised the objection process and led to later role responsibility or billing/transfer issues.	United Energy, p. 2.	
Does not consider this to be an effective measure for reducing customer switching timeframes unless adequate incentives are provided to the appropriate party. Aurora does not consider that incentive should be applied to retailers since they do not own the metered installation.	Aurora Energy, p. 2.	
Support, however, without other supporting changes, this will result in transfers failing to complete because of the lack of timely meter reads.	Simply Energy, p. 1.	
Support, under certain circumstances. Effecting this option would require transfers to occur on estimated reads. If introducing estimated reads	ERM Power, p. 2.	

Issues raised	Stakeholder	AEMC response
can be made to work effectively, then we support this option, but with the cavaet that it cannot be mandated.		
Support a reduction in the maximum transfer time for customer transfers, however, are not in a position to comment whether 21 business days is reasonable or not. The length of time necessary to effect a transfer will be reduced if some of the other options are also adopted.	EWOQ, p. 1.	
Support a reduction in the maximum transfer time for customer transfers, but only upon the introduction of the market-lead roll-out of smart metering. In the absence of this, this does not meet the assessment framework.	Lumo, p. 2.	
The use of smart meters will eliminate the current problems of meter access, untimely meter reads and costly special meter reads.	EWON, p. 1.	
The AEMC should prioritise the removal of residual barriers to an efficient market delivery of smart meters, following which the market should be permitted a period to evolve and demonstrate the consequent improvements in metering services.	AGL, p. 3.	
Reducing the maximum prospective timeframe for customer transfers may require a review of the: • end to end customer transfer process (including the 10 business day cooling-off period;	AEMO, p. 1.	

Issues raised	Stakeholder	AEMC response
• the 25 business day objection period; and • the quarterly meter reading cycle) to enable these processes to fit within any prescribed maximum transfer period.		
Option A2: Confirm that transfers can occur on the basis of an estimated meter read		
Strongly support transfers on estimates in the following circumstances: • the MDP validates its own estimate with a customer self-read and reliable photograph; • it is not mandated, it is only an option; • in situ transfers; • a new meter read type is created; • do not consider that the existence of an immediately previous actual read is necessary; • this approach should be free to be used at any stage; and • do not consider a dispute process will be required.	ERM Power, pp. 2-3.	The Commission has recommended that it be confirmed that estimated reads can be used for the purpose of in-situ customer transfers between retailers. In order to facilitate the effective use of estimated reads by retailers, the Commission also recommends that several aspects of the customer transfer process should be clarified in order to better support the transferring of customers based on estimates. The Commission considers that the introduction of estimated reads would provide an alternative to both retailers and customers to transfer faster. Importantly, this would not be mandated, this would provide an option to customers to transfer faster. While there are a number of costs associated with this recommendation, the Commission considers that these would be offset by the numerous benefits, including: • the transparency and understanding of the current arrangements would be improved; • customers would have the option to moving to their new retail offer much sooner;
Support the increased use of estimated or customer self-meter reads for final accounts, which could significantly support transfer timeframes.	PIAC, pp 1-2.	

Issues raised	Stakeholder	AEMC response
Support use of estimated reads.	Etrog Consulting, p. 9.	• this provides an alternative means of obtaining a meter read, which circumvents the problem of meter access; and • reduced transaction costs for retailers. This recommendation is discussed further in chapter 5.
Support, consider this a workable approach to addressing the issue.	Aurora Energy, p. 2.	
Theoretically support the use of an estimated read, but has serious concerns surrounding the practical implications of such a change.	Red Energy, p. 2.	
Do not feel that AGL are in a position to support or oppose this option.	AGL, p. 5.	
Introducing the broader use of estimated reads for in situ transfers should be investigated further. However the increased use of transfers under the proposed method creates several additional issues to resolve.	EnergyAustralia, p. 3.	
Do not support, either estimates or customer self-reads since nearly all of these transfers end up in complaints to the retailer or the ombudsman.	Simply Energy, p. 1.	
Do not support since: • the current practice of only allowing a transfer to occur on an actual meter read is efficient and straightforward; • this would add an additional level of complexity and confusion to the process; • disputes may arise, affecting the timeliness of customer transfers;	Energex, pp. 3-4.	

Issues raised	Stakeholder	AEMC response
• this would require modification of MDP existing IT systems and business processes. Special reads should continue to be the preferred option.		
Do not support, since it is more cost effective to be handled by a special read than an estimated read.	ENA, p. 1.	
Do not support, since estimated reads are unlikely to improve transfer arrangements in a cost efficient manner relative to any perceived public benefit, whilst their use would also expose retailers to a higher level of risk and uncertainty.	Alinta Energy, p. 2.	
Strongly do not support the introduction of the option to transfer customers on estimated reads.	Lumo Energy, p. 1.	
Do not support, due to the necessary complexity of the process there may be customer confusion, and distributor and retailer costs. Transfers on an estimated read may cause customer confusion and lead to a lack of confidence that they have been billed correctly.	EWOV, p. 2 and 4.	
Do not support, while this has some merit, there would need to be a number of limitations placed on this to work in practice.	NSW DNSPs, p. 7.	
Do not support, since there is an increased risk of consumer problems e.g. high bills, inaccurate bills. CALC's experience is that estimated reads, not in the context of customer transfers, have a higher	Consumer Action Law Centre, p. 3.	

Issues raised	Stakeholder	AEMC response
tendency to result in disputes compared to actual meter reads. CALC think there is an opportunity for the AEMC to prevent estimated reads during the switching process, and that this is likely to contribute to improved competition due to more confident and engaged consumers.		
The Metrology Procedures outlines the methodology for meter data validation, substitution and estimation. The Metrology Procedures, Part B section 15, specifies the use of substitution reads for the purposes transferring customers in the event of a Retailer of Last Resort (ROLR) event. AEMO would consider leveraging off these processes in allowing for the use of estimated meter reads for the customer transfer process.	AEMO, p. 2.	
Many customers do not always understand the implications of giving their consent, particularly at the time of marketing, and so may later question their billing with their retailer and potentially EWOV.	EWOV, p. 4.	The Commission considers that it is the retailer's role as customer service provider to ensure that customers do understand the implications of giving their consent.
Favours allowing a customer the option of transferring on the basis of an estimated read. However, the customer should have a choice between receiving an estimated read, paying for a special read, or waiting until the next actual read. Customers should make fully informed decisions about the meter read options available to them, and explicitly consent to their preferred option.	EWOQ, p. 2.	Agreed. The Commission considers customers should be able to choose between transferring on the basis of an estimated read, a special read (which incurs a cost), or waiting until the next scheduled read. This allows the customer to have "choice", and to weigh up their costs and benefits for transferring by which means.

Issues raised	Stakeholder	AEMC response
When discussing the meter read options with the customer, retailers should take the opportunity to carefully explain the consequences of a customer failing to provide access to the meter. Consideration could be given to transferring on an estimated read being a default option in the event of lack of access to the meter (i.e. if no access is obtained, an estimated read would be provided by the metering data provider).	EWOQ, p. 2.	The Commission has considered switching on the basis of an estimated read as a default option, in the event of no access. However, the Commission considers that this would be inconsistent with the principle of allowing customers choice and so should not be pursued.
EWON considers that the most cost-effective and reliable way to obtain an estimated read is for customers to photograph their meter where possible.	EWON, p. 2.	Agreed. The Commission considers that AEMO should investigate the use of photographs when developing an updated estimation methodology, that would be contained in the Metrology Procedures.
Do not support mandated use of estimated reads, but notes there does not seem to be any restriction (other than in Victoria) to the use of estimated reads today.	Origin Energy, p. 5.	Agreed. The Commission's understanding is that, in jurisdictions other than Victoria, there are no provisions that prohibit transfers on the basis of estimated reads. However, the Commission considers that this would be confirmed upon adoption of our recommendation. Further, that the process for transferring on the basis of an estimate could be refined and improved in order to provide for better outcomes for customers.
Important that if customers are transferred based on an estimated meter read, the last actual meter read and the estimated meter read are provided to the new retailer.	PIAC, p. 3.	Agreed. It is the Commission's understanding that this data would be available to the new retailer through the MSATS system.

Issues raised	Stakeholder	AEMC response
Option A3: Introduce an incentive scheme for special reads on regulated metering data providers		
Support, but note that it may not be effective in accelerating the timing of in situ customer transfers ahead of the rule change considering distribution network pricing principles.	Origin, p. 6.	The distribution network pricing arrangements rule change,[281] which the Commission is currently considering, relates to how distribution network prices are set and structured. Since distribution pricing principles that are developed through this rule change apply to both standard and alternative control services, this rule change will consider how the AER can determine more cost reflective charges - including for special meter reads. Therefore, the Commission considers that the option of pursuing more cost reflective special reads should be considered under that rule change, rather than as part of this review. Having more cost reflective charges for special reads, will help retailers and customers decide whether it is beneficial for them to pay for a special read in order to achieve a faster transfer.
Support in principle, provided no additional cost is passed on to the customer.	EWOQ, p. 2.	The Commission has not recommended the introduction of an incentive scheme for special reads on regulated metering data providers. This decision has been driven by a number of factors, including: • there are legitimate occupational safety issues why access to a meter for the purposes of obtaining a read may not occur, and so metering data providers may be inappropriately penalised for not successfully obtaining access to a meter, and so a meter
Cautiously support, but note that this option would not be suitable in a contestable environment where contract terms govern performance levels.	AGL, pp. 1 and 5.	
With the exception of meter access and occupational safety issues, EWON considers that if the need to introduce incentive arrangements for MDPs suggests that there is an issue in performing a service order	EWON, p. 2.	

281 See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

Issues raised	Stakeholder	AEMC response
the first time it is raised, then perhaps there is a need to review why this may be occurring.		read; • the performance of metering data providers in providing special reads will have increased focus under increased monitoring of such statistics, as recommended in section 6.4. This increased monitoring provides the AER with more information to investigate distributors in a more targeted manner (i.e. who are systemically performing badly at this metric), and potentially, introduce compliance measures; • there is an upcoming rule change proposal to be considered by the AEMC, which will evaluate the benefits of introducing competition into the provision of metering services, including meter data provision. If such competition is introduced for services associated with manually read meters, then existing metering data providers may have stronger incentives to complete meter reads in a more timely and accurate manner; and • there is likely to be an increased penetration of remotely read meters into the NEM over the upcoming years. The increased use of remotely read meters circumvents the need for special reads, since meter read data would be received more frequently. Therefore, the Commission does not consider that any benefits that may be gained from this option would be outweighed by its costs.
Second best solution (until smart meters are introduced). Regulated metering data providers should be subject to tighter requirements to deliver timely data, and penalties for failure to deliver to these requirements.	Simply Energy, p. 1.	
Do not support, since the administrative effort involved in developing and implementing an incentive scheme for special meter reads, which is a small segment of distribution network business models, does not warrant its introduction. In future, competition will hopefully drive efficiencies as additional players enter the metering data provider market. Further, the introduction of smart meters will eliminate the need for special meter reads. Recommend relying on the compliance regime to resolve any issues regarding special meter reads not being undertaken within a reasonable timeframe.	AER, p. 3.	
Refutes the assertion that special meter reads are not currently conducted in a timely and accurate manner. Do not support, since: • strong market and regulatory incentives for MDPs to undertake their functions with respect to	Energex, pp. 4-5.	

Issues raised	Stakeholder	AEMC response
special reads in a timely manner; • MDPs should not be penalised for inability to perform a special read due to circumstances beyond their control; • significant system and administrative costs are likely to be incurred; • greater focus should be placed on investigating and determining the validity of any alleged instances of poor metering service provision on a case by case basis.		
Do not support.	NSW DNSPs, p. 7.	
Do not support, since it does not address the cause of delayed meter reads and would incur additional costs to consumers.	ENA, p. 3.	
Do not support, since in Tasmania there is no margin or profit applied to the regulated charges for special meter reads. Incentive schemes are preferably symmetric. Also, if the read is not obtained for occupational health and safety reasons, the distributor is being penalised for the behaviour of other parties, which is inequitable.	Aurora Energy, p. 3.	
Do not support, since allowing customers to pay a lower charge if access is not successful, there is no incentive for the customer to provide access in order for access to be successful.	United Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Do not support, without further examination of the detail. Propose an alternative option regarding appointment times.	ERM Power, p. 3.	The Commission agrees that there would be benefits created from metering data providers having better appointment systems. Metering data providers could accommodate scheduled visits to premises within more narrow appointment windows. Indeed, this is one of the suggested incremental improvements, summarised in section 2.4. The Commission considers that such changes could be implemented, without any changes to the regulatory framework.
Do not support, since do not believe this option will achieve any increase in successful special reads. Participants would be better placed overcoming site access constraints by reducing appointment windows for access and using SMS messaging to keep customers better informed.	EnergyAustralia, p. 3.	
Option A4: Monitoring by AEMO and the AER of the timing of the customer transfer process		
Support in principle, an increase in monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the AEMO and/or the AER.	EWOQ, p. 3.	The Commission has recommended that AEMO should formally provide information on the timing and accuracy of the customer transfer process to the AER. The AER should then report on this information publically. AEMO could also use this information to identify potential improvements to the customer transfer process, which may be investigated through its periodic review of effectiveness (see section 6.6). The AER could use this information for investigating potential breaches related to the customer transfer process. The Commission considers that this option is relatively low cost, but that significant benefits would be created, including: • interested parties could more easily "benchmark" different retailers and metering data providers in terms of undertaking timely and accurate customer transfers;
Merit in further investigating this option.	Origin Energy, p. 7.	
Support the increased monitoring by AEMO and the AER of the timing of the customer transfer process.	EWON, p. 2.	
Support, since it would promote industry accountability. It is appropriate for the AEMO and the AER to examine the timeliness of the customer transfer process.	EWOV, p. 4.	
Support, and note that such monitoring would be enhanced if practical changes were made to AEMO's reporting metrics. Welcome any recommendations from this review which would help facilitate the improvement of those error reports.	AER, p. 2.	

Issues raised	Stakeholder	AEMC response
Does not have significant concerns with regards to this option. But would query the perceived value in reporting special read service order statistics, when inability to perform special reads is beyond the MDPs control.	Energex, p. 5.	• increased transparency helps promote competitive retail markets; • reputational incentives would be placed on parties to effect customer transfers, and meter reads, in a more timely and accurate manner; and • more information would be available generally to inform future market challenges. This recommendation is discussed further in section 6.4.
Support, since additional monitoring and reporting would provide comfort to rule makers, ombudsman, customers and participants. Note that the particular reporting activities should be subject to a cost benefit analysis.	ENA, p. 4.	
Support, since it should be a straightforward step for the AEMO to produce statistics on the number of late large market transfers and other metrics on the number of days late and the reasons why. Statistics on large market late transfers should be included in this enhanced reporting. For large customer transfers, a breakdown by metering provider, as well as by retailer and NEM jurisdiction would be valuable.	Energy Action, pp. 1-2.	
Support, since would provide greater visibility of transfer timelines. Would not pose significant cost or resource requirements and may seek to provide an indirect incentive to effect customer transfers in a timelier manner.	Alinta, p. 3.	
Support, since it will address the assessment framework proposed in the Options Paper.	ERAA, p. 2.	
Support in principle, subject to undertaking a cost benefit analysis and reporting being done on a	NSW DNSPs, p. 7.	

Issues raised	Stakeholder	AEMC response
comparative and normalised basis.		
Query the benefit of additional reporting.	United Energy, p. 3.	
Do not support, since unconvinced of the benefit that reporting on transfer statistics would provide. Industry, AEMO and AER resources are better used elsewhere than in reporting on transfer statistics.	Simply Energy, p. 2.	
Do not support.	EnergyAustralia, p. 3.	
Unclear how additional reporting obligations will improve the timeliness of customer transfers as far as this relates to a particular retailer. May be some value in reporting on the volume of estimated reads returned by regulated MDPs in each distribution zone.	AGL, p. 6.	
AEMO currently monitors and reports on the quality of some data (i.e. meter data) in MSATS, and makes these reports available to the relevant market participants and the AER. AEMO is planning to review and amend the reporting metric to capture relevant information to assist in identifying data issues and their materiality. This does not currently include metric reporting on the customer transfer process. AEMO would welcome working with the AER to identify and implement relevant customer transfer process performance reporting based on data	AEMO, p. 2.	

Issues raised	Stakeholder	AEMC response
available within the MSATS system. AEMO is currently unable to report on or manage the data used in the B2B Service Orders as AEMO does not retain this information.		
Option B1: Cleanse the MSATS data that is used in the customer transfer process, and develop an industry-agreed standard for addresses in the MSATS database		
Undertaking a cleanse of all data is an extremely large project, and most value is likely to come in a cleansing exercise focussed more narrowly on address information. May be value in pursuing uniform address standards to apply across both the gas and electricity retail markets.	AGL, p. 6.	The Commission has recommended that AEMO should develop an agreed address standard, which would be used in MSATS. While there may be some one-off costs associated with agreeing on this standard, there would be few on-going costs, aside from those associated with the cleansing of the data (discussed above). Further, the introduction of such a standard would deliver enduring benefits to customers, since it would improve the accuracy of the customer transfer process and minimise the likelihood of transfer requests being delayed by objections. This recommendation is discussed in greater detail in section 6.2.
Support development of an industry-agreed standard for addresses.	Origin, p. 8; EWON, p. 3.	
Strongly support the development of an industry-agreed standard. Standardisation to the Australian Post standard could be beneficial.	ERM Power, p. 4.	
Support, standardising addresses, subject to a cost benefit analysis.	United Energy, p. 3.	
Do not support, since: • insufficient tangible evidence to suggest that the level of inaccuracy warrants the effort and costs of a full data cleanse; • Energex already undertakes significant work to ensure the accurate matching of addresses and	Energex, pp. 5-6,	

Issues raised	Stakeholder	AEMC response
NMIs before they are entered into MSATS; and • feasibility of undertaking a data cleanse is questionable. Would recommend that a careful assessment is done to determine whether the benefits outweigh the costs.		
Do not support the development of an energy specific standard for address data. The AEMC should direct AEMO to investigate the merits of industry developed addressed data such as CPAS.	NSW DNSPs, p. 7.	
Note that MSATS uses the NMI to facilitate the customer transfer process and as input into the wholesale market settlement, rather than site address.	AEMO, p. 2.	
Support, both the cleansing of the MSATS data that is used in the customer transfer process, and the development of an industry agreed standard for addresses in the MSATS database.	EWOQ, p. 3.	The Commission has recommended that AEMO should develop procedures for the cleansing of the NMI Standing Data that is used in the customer transfer process. The Commission notes that the costs associated with this recommendation will not be insignificant. There is one record for each customer in the NEM, with numerous elements of standing data associated with each record. Therefore, distributors and retailers may be required to audit a significant number of records each year. However, the Commission considers that the involvement of all market participants in this cleansing will minimise ongoing
A full cleanse of MSATS data would be a significant undertaking and is perhaps best considered as a separate initiative (including obligations on parties submitting data to MSATS). A wholesale review of MSATS data will require further consideration and Origin would consider this a separate review of itself.	Origin, p. 8.	
Support.	EWON, p. 3; Alinta Energy, p. 4.	

Issues raised	Stakeholder	AEMC response
Support, since improving the data quality in MSATS will minimise delays in transfer, and make for more accurate transfers.	Red Energy, p. 3.	administrative costs to participants associated with inaccurate transfers. There are also a large number of other benefits from this recommendation including: • improving transparency, clarity and confidence in the transfer process; • reducing the instances of erroneous transfers, and resulting customer complaints and disputes; and • placing stronger incentives on market participants to improve the accuracy of information that is entered into the MSATS system. Lastly, the AEMC's Power of choice review recommendations are likely to promote opportunities for new and existing industry participants to take up new roles and responsibilities. The effectiveness with which participants can effectively do this depends on the availability of accurate data. Therefore, now is an opportune time to establish a program for ongoing improvements to the quality of data. This recommendation is discussed in greater detail in section 6.3.
Strongly support.	ERM Power, p. 4.	
AEMO already has a current project scheduled to address data accuracy.	EnergyAustralia, p. 4.	
Cleansing of data would achieve higher accuracy levels. This should be undertaken following a separate review of MSATS.	ERAA, p. 2.	
Supports, but any proposed changes must provide net value to industry.	Lumo Energy, pp. 2-3.	
Support, the cleansing of data, subject to a cost benefit analysis.	ENA, p. 4	
Support, however note that cleansing the data will not ensure the quality of data that is entered into the future. Need to be tighter controls around entering data into MSATS (e.g. strong rules and procedures around how meter numbers are assigned to NMIs).	Simply Energy, p. 2.	
Support, but note that the method must balance the costs associated with cleansing the data with a reasonable timeframe to complete the audit process and make corrections to the records.	EWOV, p. 4.	
Support, since it may have merit in increasing and maintaining data accuracy.	Aurora Energy, p. 3.	

Issues raised	Stakeholder	AEMC response
Do not support, since it is better use of AEMO's time to work to improve system verifications and resolve standards issues than to just audit data.	United Energy, p. 3.	
In the absence of a regulatory framework to determine appropriate customer data definitions and standards, AEMO is unable to audit the accuracy or validity of address data provided by market participants. AEMO has commenced a process with industry to review Data Standards. The initial phase of the review is intended to map data flows and their use, clarify where data ownership resides, and identify what data standards are in place including any gaps. This review will cover meter data, standing data and customer data.	AEMO, p. 2.	
Option B2: Increased monitoring, and reporting by AEMO and AER of the accuracy of the customer transfer process		
Support, increased monitoring, and reporting by AEMO and AER of the accuracy of the customer transfer process.	EWOQ, p. 3; EWON, p. 4.	The Commission has recommended that AEMO should formally provide information on the timing and accuracy of the customer transfer process to the AER. The AER should then report on this information publically. AEMO could also then use this information to identify potential improvements to the customer transfer process, which may be investigated through its periodic review of effectiveness of the MSATS system (see section 6.6). The AER could use this information for investigating potential breaches related to the customer transfer process.
Could be useful, but only where data collected is of some value for decision making, such as to evaluate the effectiveness of the measures implemented under the cleansing of the data.	ERM Power, p. 4.	
Support, but notes that monitoring would be enhanced if practical changes were made to AEMO's reporting metrics.	AER, p. 2.	

Issues raised	Stakeholder	AEMC response
Welcome any recommendations from this review which would help facilitate the improvement of those error reports.		The Commission considers that this option is relatively low cost, but that significant benefits would be created, including: • interested parties could more easily "benchmark" different retailers and metering data providers in terms of undertaking timely and accurate customer transfers; • increased transparency helps promote competitive retail markets; • reputational incentives would be placed on parties to effect customer transfers, and meter reads, in a more timely and accurate manner; and • more information would be available generally to inform future market challenges. This recommendation is discussed further in section 6.4.
Does not have any significant concerns with regard to monitoring and reporting by AEMO and the AER. However, would query the feasibility of the AER undertaking the "add-on" option of target sampling two per cent of DNSP's data.	Energex, p. 6.	
Support, subject to a cost benefit analysis.	ENA, p. 4.	
Support, since it will address the assessment framework.	ERAA, p. 2.	
Support in principle, subject to the outcome of a cost benefit analysis.	NSW DNSPs, p. 7.	
Support, since it promotes transparency through more monitoring and public reporting by the regulators, which should lead to greater data clarity and accuracy.	EWOV, p. 5.	
Support, since it may have merit in increasing and maintaining data accuracy.	Aurora Energy, p. 3.	
Accuracy of MSATS data should not be a focus of retail performance reporting, since the provision of standing data is not the primary function of retailers.	Origin Energy, p. 9	
Do not support, since unconvinced of the benefit of having AEMO and AER report on the accuracy of the transfer process.	Simply Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Do not support, since it would not address any of the underlying impediments to an accurate transfer process.	AGL, p. 6.	
If the cleansing of MSATS data was implemented, this option would no longer provide any additional benefit or serve a valid purpose.	Alinta, p. 4.	
Do not support, since not sure that public reporting of results will have any impact with consumers. Would be more efficient to utilise these resources to identify and correct root causes.	EnergyAustralia, p. 4.	
Do not support, since it may be more useful to spend the time assessing the problem and the practical and efficient means of improving the situation.	United Energy, p. 4.	
AEMO currently monitors and reports on the quality of some data (i.e. meter data) in MSATS, and makes these reports available to the relevant market participants and the AER. AEMO is planning to review and amend the reporting metric to capture relevant information to assist in identifying data issues and their materiality. This does not currently include metric reporting on the customer transfer process. AEMO would welcome working with the AER to identify and implement relevant customer transfer process performance reporting based on data available within the MSATS system.	AEMO, p. 2.	

Issues raised	Stakeholder	AEMC response
AEMO is currently unable to report on or manage the data used in the B2B Service Orders as AEMO does not retain this information.		
Option B3: Obligation to display NMI number on meter		
Support, in principle customers having their NMI number displayed on all meters in addition to continuing to include the NMI on their bill.	EWOQ, p. 3.	The Commission has not recommended the introduction of an obligation on metering providers for the NMI number to be displayed on all meters. While the Commission considers that it would be beneficial for the NMI to be displayed on the meter, since this would assist retailers in more easily identifying the customer's NMI (rather than relying on the customer having a copy of their latest bill, which must have the NMI printed on it), the Commission also considers that the costs of this option outweigh its benefits. This decision has been driven by a number of factors including: • this obligation would not be effective where meters are not easily accessible, such as in apartment blocks, where meters are typically contained in an access restricted area; • there is the potential for human error when placing the NMI sticker on the meter; and • there may be confidentiality concerns with the NMI being publicly visible.
Support, subject to the costs of its implementation being minimal.	Origin Energy, p. 10.	
Support, but only as a supplement to the previous options only.	ERM Power, p. 4.	
Support, but only when combined with other options to help reduce the chances of mismatches between the customer's address and the NMI number.	EWOV, p. 6.	
Support.	EWON, p. 4.	
Do not support.	United Energy, p. 4; NSW DNSPs, p. 8; Aurora Energy, p. 3.	
Do not support, since stickers are subject to error and their application will require quality assurance measures to ensure the correct sticker goes on the right meter. Believe that more robust procedures around data entry are a more effective means to improving data accuracy.	Simply Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Strongly do not support, since: • implementation would involve either a highly manual process, or system changes; • potential for human error; • already a requirement for the bill to have the NMI number displayed on it; and • would only assist in reducing erroneous transfers in circumstances where the customer has access to the meter.	Energex, pp. 7-8.	
Do not support, since the costs of displaying the NMI on meters would appear to be excessive in relation to the benefit.	ENA, p. 4.	
Do not support, since not clear that displaying the NMI on the metering installation will add a great deal of value.	AGL, pp. 6-7.	
Do not support, since not convinced that displaying the NMI on each meter will have any significant impact on erroneous transfers.	EnergyAustralia, p. 5.	
Do not support, since industry has some concerns that a NMI is considered confidential information and where this is visible and not secure, personally identifiable information could be compromised. Further, do not believe a transfer should or necessarily could be affected without the provision of the relevant supply address as this acts as	Alinta, p. 4.	

Issues raised	Stakeholder	AEMC response
confirmation the NMI and site transferred are in fact one and the same.		
Option B4: NERR obligation on retailers to co-ordinate to resolve erroneous transfers in a timely manner		
Support, a NERR obligation on retailers to co-ordinate to resolve erroneous transfers in a timely manner.	EWOQ, p. 3; Energex, p. 8; EWON, p. 5; AGL, p. 7.	The Commission has recommended that an obligation should be placed in the NERR, on retailers to resolve erroneous customer transfers in a timely manner. The Commission considers that the implementation costs associated with this recommendation are likely to be small. However, it is expected that there would be a number of potential benefits, including: • customers would have a clearer sense of who is responsible for resolving their concerns related to erroneous customer transfers, and reassurance that if such transfers arise, they will be dealt with in a timely manner; • fewer ombudsmen complaints may be likely, and accompanying costs; and • erroneous transfers would likely be resolved faster, and more efficiently, and so the time and effort that would normally be spent on resolving these issues would be reduced. This recommendation is discussed further in section 6.5.
Support, since retailers have responsibility for the customer relationship and for resolution of customer issues.	ENA, p. 4.	
Strongly support.	NSW DNSPs, p. 8.	
Support, since it would provide regulatory guidelines to winning and losing retailers about how to quickly fix transfer errors.	EWOV, p. 5.	
Support, since it has merit in increasing and maintaining data accuracy. However, will only be effective in jurisdictions that have implemented the NECF package, unless non-NECF jurisdictions implement similar provisions.	Aurora Energy, p. 3.	
Support, subject to a cost benefit assessment.	Origin Energy, p. 11.	
Do not support, since it does not seem warranted; it seems driven by a specific retailer rather than as a result of systemic issues within industry.	ERM Power, p. 4.	
Do not support.	Simply Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Do not support, since greater analysis of AEMO's error correction codes should be undertaken before more onerous new regulations are imposed.	EnergyAustralia, p. 5.	
Do not support, since retailers are aware of their obligations relating to erroneous customer transfers. The proposed option has a number of wide ranging practical difficulties.	Alinta, p. 4.	
Do not support, since an increased focus on data accuracy will reduce the amount of erroneous transfers. Consequently, additional obligations on retailers are not required.	Lumo Energy, p. 3.	
Option C1: AEMO to improve the functioning of the objections framework that forms part of MSATS		
Support, the AEMO improving functioning of the objections framework that forms part of MSATS.	EWOQ, p. 3; Simply Energy, p. 2; Lumo Energy, p. 3.	The Commission recommends that AEMO undertake a project to improve the effectiveness of the MSATS framework. This project should be conducted at regular intervals, and in the first instance, should focus on improving the effectiveness of the objections framework for customer transfer requests. While the Options Paper discussed AEMO undertaking a project to look solely at the objections framework, the Commission considers that there have been significant developments in the NEM since the introduction of the MSATS system, and so it is timely for AEMO to review the MSATS framework more holistically. AEMO would incur costs with undertaking this project. Further, to the extent that the review identifies improvements that can be made in the process, and so the MSATS system is changed, there may be changes to flow-on to MSATS Procedures, processes and
Support, since the value of the codes and participants interpretation and use of them does require examination. Considers a project established by AEMO to address this is an appropriate way forward.	Origin Energy, p. 11.	
Support: • more proactive work from retailers and other market participants to improve the efficiency and effectiveness of the customer transfer objections framework; and • AEMO undertaking a project to increase the	PIAC, pp. 1 and 3.	

Issues raised	Stakeholder	AEMC response
efficiency and effectiveness of customer transfer dispute framework.		IT systems for market participants. However, to the extent that the MSATS system's effectiveness could be improved, all market participants would benefit through having a more streamlined process. In addition, this project would likely better inform market participants about the MSATS system and its processes, which may further increase the likelihood of transfers being completed in an accurate and timely manner. This recommendation is discussed further in section 6.6.
Support, a project to improve the functioning of the objections framework. Welcome the opportunity to participate in any industry workshops involved in undertaking a review of the objections framework.	Energex, p. 8.	
Support, subject to a cost benefit analysis of the project.	ENA, p. 4.	
Support a review of the objections framework, but note that retailers should be involved.	Alinta, p. 5.	
Support, since such a review will result in more efficient and fewer errors are made.	EWOV, p. 6.	
Consider merit in further investigating this option.	NSW DNSPs, p. 8.	
Not opposed to AEMO improving the functioning of the objections framework.	United Energy, p. 5	
Support a minor project to consider changes for the transfer objections framework where a particular focus is placed on redefining the existing objection codes. Concerned with the proposal to instigate a thorough review of the objections process.	EnergyAustralia, p. 5.	
Not certain this is required, particularly if the previous options discussed are implemented effectively.	ERM Power, p. 4.	
Object to reducing the objections timeframe.	AGL, p. 7.	

Issues raised	Stakeholder	AEMC response
Generally consider that the current objection codes serve a valid purpose.		
AEMO is able to facilitate a review of the current transfer objections framework and welcomes the opportunity to assist with defining the criteria and objectives of the review. The timing for implementation of these changes will be influenced by the outcomes of the review, procedure consultation timeframes and any technology changes that would be required.	AEMO, p. 3.	
Other incremental improvements		
Support the proposals for other incremental improvements to customer switching arrangements (metering data providers to make more specific appointments with residential customers; customers to confirm their change of supplier by telephone or via SMS; and better communication with customers about the customer transfer process). However, consider that the AEMC should examine whether regulation is required to compel service providers to offer these services to customers.	PIAC, p. 3.	As set out in section 2.4, the Commission considers that there are a number of other useful, incremental improvements that could be made to the customer transfer process. These improvements include: • better appointments by metering data providers; • increased use of electronic communication; and • providing better information to customers on their role in the customer transfer processes. These improvements would not require any regulatory changes. Therefore, the Commission considers that these should be progressed independently by parties involved in the customer transfer process, subject to internal business cost-benefit cases being made.
Support, since a number of the incremental improvements initiatives have merit and present an opportunity for industry stakeholders to reach agreed improvements, without regulatory intervention.	Origin Energy, p. 11.	
Energex continuously evaluates and improves its systems and processes.	Energex, p. 8.	

Issues raised	Stakeholder	AEMC response
However, a thorough cost-benefit analysis would need to be made before significant changes to current IT systems and/or businesses processes are made.		
Support, DNSPs are committed to efficient transfer processes and strongly support cost effective improvements to customer transfer processes.	ENA, p. 4.	
Support initiatives to improve meter access and overcome chronic access issues, including greater use of electronic and mobile communication by regulated MDPs to notify a customer when a read is going to take place and to overcome access issues as they arise.	AGL, p. 8.	
Support improvements to appointments made by MDPs.	ERM Power, p. 5.	
Support a new uniform approach to appointments is required. Happy to work with the appropriate body to devise a solution.	Simply Energy, p. 7.	
Support developments on increased use of electronic communication.	ERM Power, p. 5.	
May be some value in increasing the use of electronic communications. However, approach would need to be standardised as it is error prone.	Simply Energy, p. 7.	
SMS may have the potential to improve access issues, though this will need to be weighed against the associated cost of implementing this option.	NSW DNSPs, p. 8.	

Issues raised	Stakeholder	AEMC response
Improved customer details and increased use of SMS, emails and mobile phones could assist in the transfer process and increase the potential for actual reads.	United Energy, p. 5.	
Consider Simply Energy already provides sufficient information to customers. There is a basic customer service principle that customers should not have to know very much about the transfer process.	Simply Energy, p. 7.	Customers could be better informed about a number of aspects in the transfer process, including the: • ability to expedite the transfer process by requesting a special meter read if their preference is to transfer before the next scheduled meter read (although, also the knowledge that this would come with an associated charge); and • the requirement for meter readers to be provided with clear and safe access to their meter box and electricity meters in order to facilitate a timely transfer where applicable (i.e. to lock up their dogs, unlock the gate).
Strongly endorse the better provision of information to customers on the ability to expedite the transfer process with special reads and also by retailers to clearly articulate the need for safe access by the meter reader to assist the transfer process and accurate billing.	United Energy, p. 5.	
Other aspects of the switching process		
Encourages the Commission to pursue opportunities for improving competition in SA, particularly that slow switching times do impact on customer engagement.	SACOSS, pp. 1-2.	The Commission is currently undertaking its 2014 Retail Competition Review. The review is to assess the state of competition in the small customer electricity and natural gas retail markets in NEM jurisdictions.
AEMC should focus attention on the impact of the 130 business day threshold in MSATS.	Simply Energy, p. 2.	As noted in our Issues Paper and Options Paper, the Commission's focus in this review is efficient in situ, small customer transfers, given the limited timeframes for advice to SCER. To broaden the Commission's investigation of the customer transfer process to include retrospective transfer requests, as well as other types of issues related to transfer requests, would make it

Issues raised	Stakeholder	AEMC response
		difficult to complete the review by the date required in the terms of reference.
Consider that monthly billing should become the norm, with this based on actual meter reads wherever possible.	SACOSS, p. 2.	As noted in our Issues Paper, the Commission considers that the broader aspects of metering are out of scope. This includes the large number of rules and regulations relating to metering installations and processes under the NER (e.g. that a meter should be read every three months). Therefore, the Commission has not considered this as a potential option.
Cooling-off period		
Given that EWON continues to receive complaints from customers about being signed up under pressure or misleading circumstances, we consider that improvements to the transfer timeframe should not come at the expense of consumer protection measures.	EWON, p. 2.	As noted in our Issues Paper, customer protection measures (including the cooling-off period) are considered out of scope for this review, since the Commission considers that these matters raise broader considerations (beyond energy specific issues)that are best addressed by the relevant jurisdictions. The Commission notes that a number of stakeholders have raised the issue of the cooling-off period throughout this review. In particular, we note the concerns of energy ombudsmen and consumer groups that the cooling-off period should not be reduced. Therefore, while we have not considered this issue in our review, we consider that these concerns should be noted. The cooling-off period is an important component of customer protection, and enable customers to more effectively exercise their choice. We note that in all NECF-adopting jurisdictions, and in accordance with the NERR, a retailer can commence the customer transfer
Does not support any reduction in the cooling-off period.	SACOSS, p. 2.	
The Options Paper, however, appears to take a view that it would be beneficial if transfers began during a cooling-off period. We are concerned that risks arise for the consumer should a transfer be executed during the cooling off period. In particular, consumers may face additional and unnecessary barriers to having their decision reversed. This has been our experience with cooling off periods across different industries.	Consumer Action Law Centre, p. 2.	

Issues raised	Stakeholder	AEMC response
		process in MSATS for a market retail contract prior to the expiry of the cooling-off period, provided the retailer can reverse the transfer if the customer elects to withdraw from the contract prior to the expiry of the cooling-off period. Therefore, the cooling-off period should not have a significant impact on customer transfer times, since the process for small customer market retail contracts can be started prior to the expiry of the cooling-off period.
Advanced Metering Infrastructure		
Lack of rules to transfer customers with advanced metering infrastructure. Currently no way for a retailer to nominate a day for transfer in any predictable way, with metering data providers pursuing their own policies. Recommend that a regulatory obligation is placed on metering data providers to transfer customers with smart meters consistently via an agreed process.	ERM Power, pp. 5-6.	Clause 6.6(c) of the MSATS Procedures states that for prospective changes that do not require a manual meter read, such as for smart meters with remote read capability, the metering data provider should confirm the actual change date within two days of the requested transfer date.
The only genuine solution to shortening the transfer process is increased penetration of smart metering.	Simply Energy, p. 1.	The Commission agrees with the potential benefits that advanced metering infrastructure brings to the customer transfer process. The Commission considers that improvements can be made to the customer transfer process prior to any market-led provision of more advanced technology, such as smart meters. Therefore, the recommendations contained in this paper do not specifically consider the issue or role of advanced metering infrastructure in the customer transfer process. All the recommendations identified can be implemented in the absence of advanced metering infrastructure; and are also consistent with the introduction of advanced metering infrastructure. This is reflective of the principle of competitive neutrality, whereby different technologies in the NEM are subject to the same arrangements.
Some of the benefits may be only short-term given the introduction of advanced metering infrastructure.	AGL, p. 2.	
Options Paper has excluded the consideration of the increasing role that smart meters will play in reducing switching times and improving the accuracy of customer transfers. AEMC should consider if similar outcomes can be achieved in a more cost-efficient manner through the introduction of smart metering.	EnergyAustralia, p. 1.	

Issues raised	Stakeholder	AEMC response
Smart meters provide the most cost effective solution to many of the concerns raised.	ERAA, p. 1.	
Encourages the pursuit of effective options in advance of the introduction of advanced metering infrastructure.	SACOSS, p. 2.	
Supports prioritising the introduction of advanced metering infrastructure to those dwellings where meter access is restricted.	SACOSS, p. 2.	
There is a real risk of imposing more costs that will be avoided with the introduction of new technology smart metering.	EnergyAustralia, p. 1.	