

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

24th December, 2013

By submission online

Review of Electricity Customer Switching

Dear Sir,

Energy Action welcomes the opportunity to provide comment to the AEMC's Issues Paper: Review of Electricity Customer Switching, and is supportive of the process being undertaken to review market performance in this area. As a leading provider of energy management solutions Energy Action assists in more than 4,000 retailer transfers each year. Currently we have over 12,000 supply points under management throughout the National Electricity Market and Western Australia.

As described in the Issues Paper, the principal objective of the review is to examine the current arrangements for customer transfers and, if necessary, to consider how their efficiency might be improved. The Issues Paper goes on to state that whilst the Terms of Reference for the review does not discriminate between large and small customer transfers it is with the performance of small customer transfers that the review is principally concerned as large customer metering arrangements facilitate timely transfers for that sector of the market.

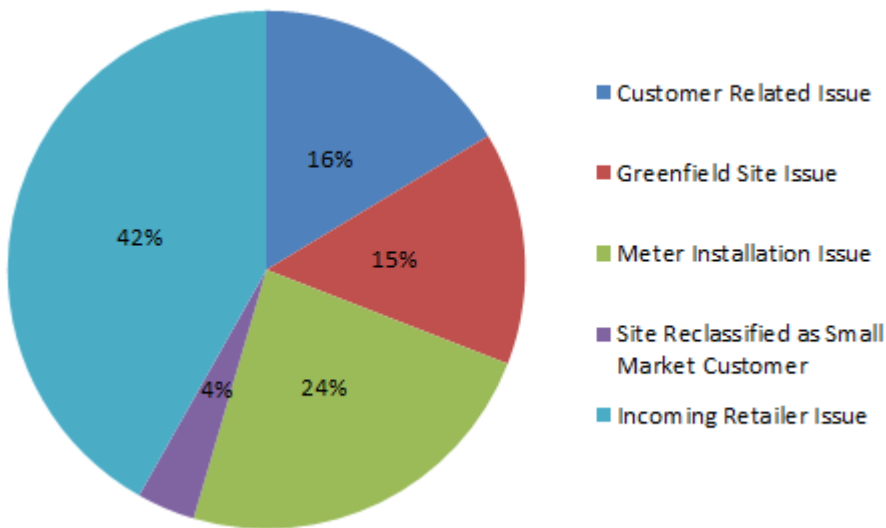
It is Energy Action's experience that in a significant number of cases the transfer of large customers are either not achieved on time or alternatively are only achieved on time following close management of the transfer process by parties such as ourselves. To this end we believe that the review should consider large customer transfers on equal footing with small customer transfers. Accordingly we are happy to describe our experience with large customer transfers in order to provide you with a more complete picture of market performance for this sector.

1. Measurement of Transfer Performance for Large Customers

In our role as an energy management business Energy Action's involvement in the transfer process originates with the execution of a market contract between the successful retailer and the customer. The commencement date for supply under the contract will be at some future date as agreed between the parties. Our experience is for this most commonly to be in the region of six months post contract execution although this may vary from as short as a few weeks post execution to as long as over a year into the future. In the majority of cases the actual commencement date is determined by the expiry date for the customer's current contract with this typically being the last day of a calendar month. Given these conditions the benchmark against which transfer performance is to be measured for large customers ought not to be that of a fixed number of days. Rather where the lead time to commencement of the new contract is greater than (say) one month, which will be the case for the majority of large customer retail churns, then the applicable criteria should be performance against the agreed transfer date whenever that may be. Any criteria based upon a set number of days from commencement of the transfer process would in this case be misleading. Were existing systems to be capable in all cases of completing transfers within 20-30 days of inception as defined under Step 3 of the Issue Paper's description of the transfer process (pp 30/1) it may still be that the agreed transfer date is not met. This can be due to several causes including failure by the retailer to initiate the transfer process until less than 20-30 days before the

transfers failed to take place by the intended date. Of these the majority were associated with contracts signed up to 100 days prior to the intended transfer date and a sizeable minority were for contracts signed between 100 and 320 days prior to the intended transfer date. The total number of late transfers during this period represented slightly more than 1% of all transfers for Energy Action customers.

Reasons for Late Transfers



A further break down of these statistics shows that the majority of late transfers were caused by issues relating to the incoming retailer (42%) and covering matters such as failure to initiate the transfer process in MSATS in a timely manner, failure to complete arrangements with the metering provider/metering data agent for the site and a number of other reasons. The second commonest category was metering installation issues and the third commonest category was issues relating to the customer amongst which was failure to pass credit checks.

3. Consequences of Late Transfers for Large Market Customers

Any failure to transfer on time may lead to significant penalties for the customer irrespective of the reason for the late transfer. Retailers typically charge default rates for large customers which fail to transfer away at the expiry of their contract. These default rates are significantly in excess of the customers' contracted rates. In the majority of cases of late transfers that Energy Action has been involved with we have been able to secure a retrospective transfer or a credit for the customer against these increased fees which can be in the order of several tens of thousands of dollars per customer. However, we cannot guarantee to secure these outcomes and are reliant upon the exiting retailer effectively waiving its default rates or alternatively accommodating a retrospective transfer. Whilst this represents an equitable outcome for the customer it is nevertheless an uncertain one and is reliant upon the good relationship between ourselves and the exiting retailer. It is our belief that it would be difficult for a customer to achieve such an outcome itself other than by recourse to the Energy Ombudsman for the relevant jurisdiction. It is also our experience that retrospective transfers or credits cannot be achieved where a default bill has been issued by the exiting retailer and this has been paid by the customer, i.e. there are no refunds of monies paid.

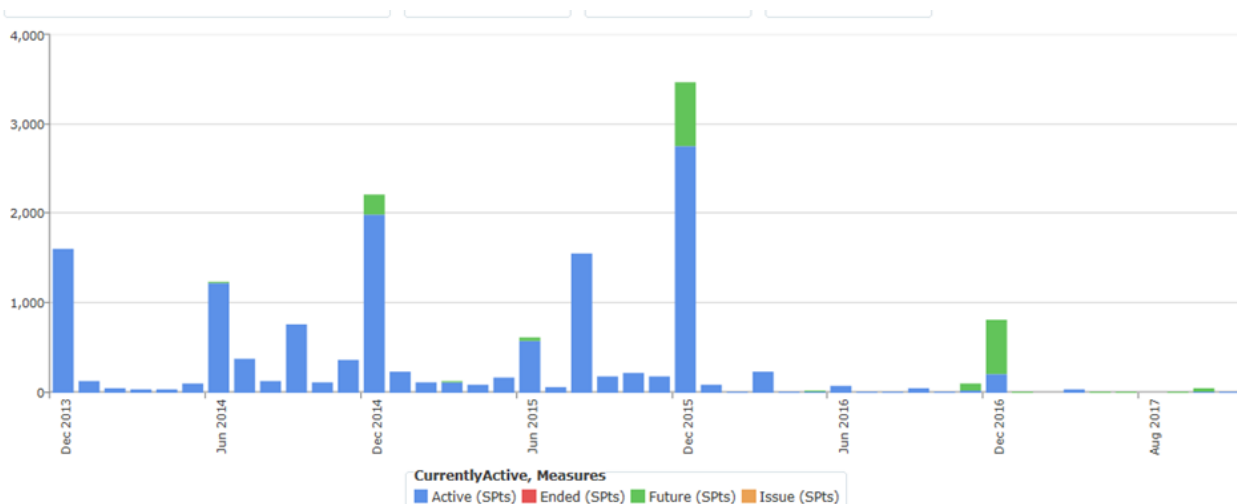
4. Complexity of Current Arrangements

Here our observations are that the transfer process commencing with initiation within MSATS by the incoming retailer and concluding with transfer of the site requires much management if it is to complete in a timely manner. Whilst the number of participants required to take action within the MSATS system is relatively small the nature of the process is such that it requires a high level of active participation. This is attended to by Energy Action's involvement in expediting transfers on behalf of our customers. One example of the difficulties that arise under current arrangements relates to appointment of the meter/metering data provider. When transferring between retailers it is common for a new provider to be appointed. When this occurs it is routine practice for the new provider to replace the customer's existing meter. By the effective introduction of this step into all large customer transfers the process is inevitably lengthened and the potential for error is increased.

5. Sustainability of Current Arrangements

The final point that I wish to raise concerning performance is the sustainability of current arrangements under stress conditions. As has been described previously, the majority of large customer transfers take place at month end as this is typically when existing contracts expire. Furthermore, for historical reasons there is also an excess of transfers at the end of December and June. This unevenness in workload increases the likelihood for failed transfers. Our experience is that the cases with which we are involved are heavily biased towards these two months when transfer failures exceed those experienced during other times of the year by a factor of four. Based upon Energy Action's current portfolio of contracts and replicated across the market as a whole (as seems likely) the number of transfers taking place during December 2014 and December 2015 will be unusually high. This is a consequence of contracting behaviour in response to previous uncertainties surrounding transition of the carbon tax from a fixed to a floating rate. Whilst this has since become less of an issue the overhang of an excess of contracts terminating at the end of those months remains leading to the potential for increased numbers of late transfers at those times. The same may also be said of any other unexpected event requiring large numbers of transfers such as the failure of a large retailer.

Contract Expiry Dates – Energy Action Customers



6. Applicability of the Proposed Assessment Criteria

We have reviewed the assessment criteria proposed in the Issues Paper and consider them to be reasonable. However, we request that AEMC give consideration to the following when undertaking this review.

- Firstly, we believe that the scope of the review should place greater emphasis on large market transfers than is indicated by the Issues Paper. The reasons for this belief are attested to by our experience with large customer transfers as described within this submission.
- Secondly, we believe that for large customers the review should consider the time from contract execution to commencement of the MSATS process by the incoming retailer to be part of the transfer period.
- Thirdly, and with particular reference to the assessment criteria for transparency, the AEMC should give consideration to expanding the AEMO's reporting requirements for large customer transfers such that more information is readily available on numbers of transfers by participating state and on transfer performance in general. This would provide a basis for an informed and continuing discussion of transfer performance.

Energy Action welcomes the opportunity to participate in the current review and is supportive of the AEMC in this undertaking.

Scott Wooldridge
CEO

Energy Action