

14 February 2014

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235



positive energy

Dear Mr Pierce

**Options Paper: Review of Electricity Customer Switching (EPR0038)**

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC's) options paper for the review of electricity customer switching arrangements in the National Electricity Market (NEM).

In its options paper the AEMC has proposed a range of possible options to improve the electricity customer transfer process, including the timing of the transfer process, accuracy of MSATS data and effectiveness of the objections framework. Energex's responses to the questions raised by the AEMC in relation to the options are provided in **Attachment 1**.

In summary, Energex acknowledges the importance of an efficient transfer process to support customer choice but does not consider that extensive changes to the current process and/or the imposition of potentially onerous and costly obligations are warranted.

Notwithstanding existing metering and market arrangements, Energex considers that the current process is functioning in an efficient and timely manner. This view is supported by the relatively small proportion of complaints from customers to energy ombudsmen relating to the customer transfer process when compared to the large volume of transfers that occur annually across the NEM.

Further, Energex notes that transfer-related complaints to energy ombudsmen are associated with issues relating to consent, delays, cooling off rights, billing, site ownership, contract terms, objection/rejection by retailers and retailer errors. While Energex acknowledges that the options proposed by the AEMC may assist in reducing complaints in some of these areas, it is questionable whether the underlying causes of a large proportion of the complaints associated with the transfer process will be addressed. On this basis, Energex considers that further emphasis should be placed on ensuring that:

- the underlying causes of complaints to energy ombudsmen relating to the customer switching process are clearly identified and targeted;
- any proposed changes to the transfer process are a proportionate response to substantiated material deficiencies in the current process; and
- a thorough cost-benefit analysis of proposed changes is undertaken to ensure that the benefits will significantly outweigh any costs imposed.

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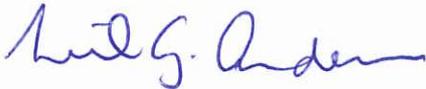
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Energex also considers that a key outcome of this review should be to ensure that customers are provided with a better understanding of the transfer process, including greater awareness of their rights and responsibilities, and sufficient information to enable informed decision-making. Energex believes that greater customer awareness of the transfer process may assist in reducing transfer-related customer complaints.

Finally, as noted in the AEMC's options paper, it is anticipated that the customer transfer process will be considerably enhanced with the deployment of advanced metering infrastructure. Therefore, Energex would question the benefits of undertaking significant changes to the current process prior to a market-led roll-out of advanced meters.

Should you have any enquiries regarding this submission please contact Charmain Martin, Senior Regulatory Analyst, on (07) 3664 4105.

Yours sincerely



Neil Andersen  
Group Manager Regulation and Pricing

| Issues for Consultation   | Energex Response  |
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| Question 1: Possible options to address the timing of the customer transfer process   |   |
| <p>The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered. We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:</p> <ul style="list-style-type: none"> <li>• reducing the maximum prospective timeframe for customer transfers (Option A1);</li> <li>• introducing estimated reads (Option A2), including whether our proposed process has addressed stakeholder concerns with the use of this read type;</li> <li>• introducing incentive arrangements on metering data providers, relating to the timely and accurate provision of special reads (Option A3); and</li> <li>• increasing monitoring and reporting on customer transfer timeframes (Option A4).</li> </ul> <p>We are also interested in stakeholder comment and evidence as to whether there are other NEM jurisdictions (aside from Victoria) that do not permit customer transfers to occur on the basis of estimated reads.</p> | <p><u>Option 1</u></p> <p>Energex does not consider reducing the maximum prospective timeframe for customer transfers is warranted for the following reasons:</p> <ul style="list-style-type: none"> <li>• The current transfer process is, in Energex’s opinion, already functioning in an efficient and timely manner and the statistics provided to date do not sufficiently indicate that the issue of maximum timeframes is creating barriers to efficient customer switching. This view is supported by the following: <ul style="list-style-type: none"> <li>– approximately two-thirds of customers typically experience transfer times within 30 calendar days which is well in advance of the maximum allowable timeframe of 65 business days;</li> <li>– the majority of transfer-related complaints to energy ombudsmen are not associated with transfer delays, but are attributed to issues relating to consent, cooling off rights, billing, site ownership, contract terms, retailer objections/rejections or retailer error; and</li> <li>– the number of electricity customers switching in Queensland almost doubled between the June and September 2013 quarters<sup>1</sup> which would suggest that the 65 business day maximum prospective timeframe is not a material barrier to customer switching.</li> </ul> </li> <li>• There are advantages for retailers in being able to submit requests into MSATS in real time for a future agreed upon transfer date, for example, where a customer is “shopping around” for a new retailer a number of weeks prior to current contract expiry. Consequently, reducing the maximum prospective timeframe may unintentionally also reduce flexibility for customers and disrupt the workflows of retailers in having to hold transfers to a point at which they can be submitted.</li> </ul> |

<sup>1</sup> AER Retail Energy Market Performance Update for Quarter 1, 2013-14



| Issues for Consultation | Energex Response  |
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|                         | <ul style="list-style-type: none"> <li>As previously highlighted in Energex’s response to the AEMC’s issues paper, it is important to note that the current 65 business day timeframe is merely the maximum timeframe within which a proposed transfer date can be requested in advance. Energex understands that the timeframes quoted in the AEMC’s issues and options papers are calculated from the date the transfer is initiated by the winning retailer to when the transfer actually occurs. Consequently, the statistics do not necessarily reflect an untimely response to a transfer request given that customers or retailers may elect to initiate the transfer in advance of an agreed upon transfer date. The ability to request a future transfer date will therefore distort any transfer timeframe statistics calculated on this basis.</li> <li>Delays generally only occur where genuine difficulties arise in the transfer process. These difficulties need to be resolved before the transfer can be effected satisfactorily. Reducing the maximum timeframe will place parties involved in the transfer process under additional pressure to undertake customer transfers faster which could potentially result in increased numbers of erroneous transfers and associated complaints to energy ombudsmen.</li> <li>A relatively inexpensive and straightforward option to expedite the transfer process is already available for retailers and/or customers who value a faster transfer timeframe, i.e. special meter reads. The AER approved fee for Energex to undertake a special read is \$8.80 (+ GST) which, in Energex’s view, is neither expensive nor a barrier to efficient customer transfers. As noted in our response to the AEMC’s issues paper, while the charge for Energex to perform a special meter read is comparatively low, very few retailers and/or customers elect to transfer before the next scheduled meter read (approximately only seven per cent based on November 2013 statistics). The relatively low number of special reads undertaken by Energex would tend to suggest that the current 65 business day maximum prospective timeframe is not a matter for significant concern.</li> </ul> |



| Issues for Consultation | Energex Response  |
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|                         | <p data-bbox="891 304 1014 331"><u>Option A2</u></p> <p data-bbox="891 357 2078 456">Under the Queensland Electricity Industry Code, a customer transfer must occur on an actual meter read which can be either the next scheduled meter read or a special meter read. Energex does not support the introduction of estimated reads for the following reasons:</p> <ul data-bbox="943 483 2085 1337" style="list-style-type: none"><li data-bbox="943 483 2085 651">• The current practice of only allowing a transfer to occur on an actual meter read is efficient and straightforward. Further, the relatively low volume of special reads undertaken by Energex (referred to above) would, in our view, indicate that the majority of retailers and/or customers are generally content to wait until the next scheduled meter read for the transfer to take effect.</li><li data-bbox="943 679 2085 778">• While this option would circumvent access issues, allowing customers to transfer on estimated reads would add an additional level of complexity and confusion to the process and may result in decreased consumption data accuracy and market inefficiencies.</li><li data-bbox="943 807 2085 906">• Disputes may arise between losing and winning retailers over estimated reads which may affect the timeliness of customer transfers and result in increased complaints to ombudsmen.</li><li data-bbox="943 935 2085 1102">• This option would require modification of Metering Data Providers' (MDPs') existing information technology systems and business processes, the costs of which will ultimately flow on to electricity consumers. The costs associated with implementing those changes for the limited number of instances where an estimated read may be requested could potentially outweigh the anticipated benefits.</li><li data-bbox="943 1131 2085 1337">• Rather than imposing additional costs on MDPs by introducing estimated reads, Energex considers that special reads should continue to be the preferred option for expediting transfers in advance of the next scheduled meter read. The process for transferring on an actual meter read is efficient, accurate and straightforward for all parties and the systems and processes are already in place to undertake and manage special reads. Energex understands that the cost of special reads varies across geographical areas and that the high</li></ul> |



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|                         | <p>cost of some fees is considered prohibitive. However, this issue may be addressed through the AEMC’s distribution network pricing principles rule change which intends to consider how the AER can determine more cost reflective charges, including for special meter reads, in order to provide more efficient pricing signals to customers.</p> <ul style="list-style-type: none"> <li>As noted in our response to the AEMC’s issues paper, Energex considers there is an opportunity for customers to be better informed of their obligations in relation to the requirement for meter readers to have clear and safe access to the meter to ensure a timely transfer. In Energex’s view, this would be a more cost-effective solution to circumventing access issues than imposing additional costs on MDPs by introducing estimated reads.</li> </ul> <p><u>Option A3</u></p> <p>Energex refutes the assertion that special meter reads are not currently conducted in a timely and accurate manner and does not support the introduction of incentive arrangements on MDPs for the following reasons:</p> <ul style="list-style-type: none"> <li>There are already strong market and regulatory incentives for MDPs to undertake their functions with respect to special reads in a timely manner, e.g. compliance with service level obligations. As noted in our response to the AEMC’s issues paper, Energex has an obligation to complete special reads within 4 business days of the receipt of a service order request and performance against this service level is monitored by the Queensland Competition Authority on a quarterly basis. During 2012/13, Energex finalised 99.7 per cent of special meter reads within the obligation timeframe. Of the total number of special reads Energex performs, typically only two per cent cannot be performed due to issues such as no access.</li> <li>MDPs should not be penalised for inability to perform a special read due to circumstances beyond their control. Customers are required to provide clear and safe access to their meter and, as the AEMC has stated, workplace health and safety issues are a legitimate reason for inability to perform a special read. Energex is committed to ensuring an injury-free workplace and takes the safety of our meter readers seriously. Consequently, meter</li> </ul> |

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|   | <p>readers are advised not to enter a premises where they believe they may encounter an unsafe situation. Energex would therefore be concerned about the imposition of any scheme which may inadvertently encourage unsafe behaviours.</p> <ul style="list-style-type: none"> <li>• Significant system and administrative costs are likely to be incurred in managing the charging of two separate fees.</li> <li>• Rather than imposing the scheme put forward in the AEMC’s options paper, Energex considers 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.</li> </ul> <p><u>Option A4</u></p> <p>In principle, Energex does not have any significant concerns with regard to increased monitoring and reporting on the number of successfully completed customer transfers and how this number changes over time.</p> <p>However, Energex would query the perceived value in reporting special read service order statistics as a means by which to encourage successful completion of more special reads by MDPs when, as noted above, inability to perform special reads is beyond the MDP’s control.</p> |
| <p>Question 2: Possible options to address the accuracy of data used in the customer transfer process</p>   |   |
| <p>The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.</p> | <p><u>Option B1</u></p> <p>While Energex understands that accurate NMI standing data significantly underpins a large proportion of market functions, we do not support a wholesale cleanse of MSATS address data for the following reasons:</p> <ul style="list-style-type: none"> <li>• There is insufficient tangible evidence to suggest that the perceived level of MSATs address data inaccuracy would warrant the effort and costs involved in a full data cleanse.</li> </ul>  |



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| <p>We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:</p> <ul style="list-style-type: none"> <li>• a cleanse of data in MSATS in order to achieve higher accuracy levels (Option B1);</li> <li>• monitoring, and reporting by AEMO and AER of the accuracy of the customer transfer process (Option B2);</li> <li>• placing an obligation to display NMI number on small customer meters (Option B3); and</li> <li>• placing an NERR obligation on retailers to resolve erroneous transfers in a timely manner (Option B4).</li> </ul> | <ul style="list-style-type: none"> <li>• As part of business as usual activities, Energex undertakes significant work with councils, developers, real estate agents and customers to ensure the accurate matching of addresses and NMIs before they are entered into or updated in MSATS. In addition, on-going address reconciliations are conducted to ensure that MSATS aligns with the relevant council databases. Consequently, from Energex’s perspective, a cleanse of all NMI address records held in MSATS is unlikely to identify a high volume of errors.</li> <li>• The feasibility of undertaking a data cleanse of the magnitude proposed in the AEMC’s options paper is questionable. If, as is proposed, market participants were to commit to self-auditing five per cent of MSATS data annually, with approximately 1.3 million customers, Energex would be required to audit 65,000 records per year. Consequently, implementing this option would not only be unnecessary but also time-consuming and costly.</li> </ul> <p>Before significant costs are imposed on the market to cleanse MSATS, Energex would recommend that a careful assessment is undertaken to determine the extent of the perceived problem this option is intended to address and whether the benefits of a market-wide data cleanse of address data would outweigh any costs imposed.</p> <p><u>Option B2</u></p> <p>Energex does not have any significant concerns with regard to monitoring and reporting by AEMO and the AER on the accuracy of the customer transfer process. Increased monitoring and reporting may be useful in identifying the true extent of the perceived problem and in pinpointing specific areas for attention.</p> <p>However, as with Option B1 above, Energex would query the feasibility of the AER undertaking the “add-on” option of target sampling two per cent of DNSP’s data. In Energex’s case alone, this would require the AER to audit approximately 26,000 records.</p> |



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|                         | <p data-bbox="891 304 1012 331"><u>Option B3</u></p> <p data-bbox="891 355 2051 419">Energex would strongly oppose the introduction of an obligation on metering providers to display NMI numbers on all meters for the following reasons:</p> <ul data-bbox="943 448 2085 1337" style="list-style-type: none"><li data-bbox="943 448 2085 687">• In Energex’s distribution network, the meter serial number is the reference point for manually read meters and meter readers do not have visibility of or access to NMI numbers. Consequently, the implementation of this option would involve either a highly manual process for meter readers to match meter serial numbers with NMIs or system changes to make NMI numbers available to meter readers. In either case, the costs involved in implementing this option would not be “relatively low-cost” as anticipated in the AEMC’s options paper.</li><li data-bbox="943 715 2085 994">• As this option relies on meter readers manually attaching stickers to meters, it carries with it the potential for human error which may result in NMI number stickers being mistakenly affixed to the wrong meters. This option could therefore result in more erroneous transfers, not less as intended. In addition, as opposed to a permanent property asset tag embedded in the meter, printed stickers may be removed, come off or fade over time. For these reasons, there may also be a potential requirement for ongoing monitoring and maintenance of NMI stickers to ensure readability and accuracy, thereby increasing the potential costs associated with this option.</li><li data-bbox="943 1021 2085 1337">• As noted in the AEMC’s options paper, there is already a requirement for the small customer’s bill to have the NMI number displayed clearly on it. Imposing additional costs on meter providers by also requiring NMI number stickers to be attached to meters is, in Energex’s view, a disproportionate response to dealing with the limited number of instances where an in-situ customer does not have access to their bill. Furthermore, the NMI number is not the only piece of information on the customer’s bill which is of value to customers when shopping around for a new energy contract. In this regard, the AER’s document “Energy – shopping around and switching contracts” (published on the AER’s website), recommends that it is also a good idea for customers to have access to recent energy bills to</li></ul> |

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|  | <p>determine energy use and how much they are currently paying in order to compare different offers with their current offer.</p> <ul style="list-style-type: none"> <li>This option would only assist in reducing erroneous transfers in circumstances where the customer has access to their meter. As mentioned in the AEMC’s options paper, not all customers have ready access to their meter nor do customers necessarily know which meter is theirs when faced with a number of meters on a switchboard (i.e. in multi-tenancy premises).</li> </ul> <p><u>Option B4</u></p> <p>Energex would support placing an NERR obligation on retailers to resolve erroneous transfers in a timely manner.</p>  |
| <p>Question 3: Other policy options to improve the efficiency of the customer transfer process</p>   |  |
| <p>The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.</p> <p>We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:</p> <ul style="list-style-type: none"> <li>AEMO undertaking a project to improve the objections framework (Option C1); and</li> <li>the additional incremental improvements that could be independently progressed by stakeholders.</li> </ul> | <p><u>Option C1</u></p> <p>Energex would support a project to improve the functioning of the objections framework that forms part of the customer transfer process. As noted by the AEMC, the objections framework has developed in piecemeal fashion since the introduction of retail competition and no review has been undertaken since MSATS was developed. Energex would welcome the opportunity to participate in any industry workshops involved in undertaking a review of the objections framework.</p> <p><u>Incremental improvements that could be independently progressed</u></p> <p>Energex is committed to ensuring efficient customer transfer outcomes and, as such, continuously evaluates and improves its systems and processes. However, as standard business practice, a thorough cost-benefit analysis would need to be undertaken before significant changes to current IT systems and/or business processes are made.</p> |