



EnergyAustralia

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Dear Commissioners,

AEMC 2016 – Improving the accuracy of customer transfers – Draft Rule Determination

1. Introduction

EnergyAustralia welcomes the opportunity to comment on the National Energy Retail Amendment (Improving the accuracy of customer transfers) Rule Draft Determination. We are one of Australia's largest energy companies, providing electricity and gas to over 2.5 million household and business customers in New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

This rule change, requested by the Council of Australian Government Energy Council (COAG EC), aims to improve the customer experience when resolving erroneous customer transfers by minimising the effort required by customers to resolve the error. EnergyAustralia recognises that current processes and obligations can be confusing and frustrating for both customers and retailers. While in principle we support the proposed rule change to clarify resolution processes, we are of the view that the addition of Rule 116(j), which imposes additional requirements for de-energisations, will be ineffective at protecting customers. This regulation will be difficult for retailers to comply with completely and will not offer customers the protection that the Australian Energy Market Commission (the Commission) is aiming for. Our submission also seeks clarification on aspects of the draft rule and comments on requirements for a successful implementation.

2. Restrictions on de-energisations (Draft Rule 116(j)) will be ineffective at protecting customers

EnergyAustralia is most concerned about the proposed changes to prevent retailers from de-energising customers where the retailer did not have explicit informed consent (EIC) for the transfer of that customer. While we understand the intent of this change is to protect customers, we do not believe this is the most effective way to protect customers that who don't have EIC.

There are three categories of customers without EIC: erroneously transferred customers, defective EIC customers, unknown consumers and Retailer of Last Resort (ROLR) customers. The effectiveness of Draft Rule 116(j) for each of these customer groups is detailed below.

Erroneously transferred customers

Erroneously transferred customers are those who have been transferred by mistake due to human or system errors including:

- Incorrect National Meter Identifier (NMI) provided by a customer during a sale
- Incorrect NMI entered into Market Settlement and Transfer Solution (MSATS) by a consultant during a sale
- Address data in MSATS or provided by customer is insufficient to identify the correct NMI in MSATS
- Crossed meters where address and NMI data in MSATS are switched for neighbouring properties

Rule 116(j) will be ineffective at preventing the disconnection of these customers. Checks conducted prior to disconnection are unlikely to detect any EIC issues as evidence of the customer providing EIC will show that the customer details advised during the sale reflect the customer details in our databases. Unless a customer alerts us to an EIC issue prior disconnection, we will not be able to detect that there is a problem until after a disconnection has occurred. Therefore despite best efforts to comply with this rule, retailers' compliance will be beyond their control at that point. EIC checks prior disconnection will be costly yet largely ineffective at preventing disconnection of customers without EIC when the customer has been erroneously transferred. This may mean that retailers may not be able to do anything additional to comply with the proposed rule other than what they do today.

Customers with defective EIC

Customers with defective EIC are those who are incorrectly transferred by a retailer during a sale process without consent as required by Division 5 of the National Energy Retail Law (NERL).

EnergyAustralia do not believe that the Commission's proposed rule is the most effective way to protect customers with deficient EIC. There are existing regulations that aim to prevent retailers from obtaining customers without EIC and compliance with these

obligations is the most effective way to minimise incidence of EIC issues for all customers.

EnergyAustralia takes issues of deficient EIC very seriously and takes proactive measures to minimise the number of defective EIC cases. These measures include sales call monitoring and quality assurance, regular refresher training for consultants and text messages to new customers to confirm their consent to transfer. We aim to avoid EIC issues at the point of sale, and to detect and rectify any issues that arise as soon possible after they have occurred.

Beyond the commitment to meet our obligations under the NERL, EnergyAustralia has additional incentives to reduce complaint costs and the administrative burden associated with resolving erroneous transfers. EnergyAustralia's corporate culture further drives our efforts to reduce incidences of defective EIC. 'Doing the right thing' is one of our three corporate values which is strongly supported by management.

In addition, checks for EIC prior disconnection will be costly for retailers with minimal benefit to customers due to the low coverage these activities will have. The cost for consultants to locate, listen to analyse call recordings will add at least 30 minutes to disconnection checklists which are currently 20-30 minutes long, increasing costs associated with credit collection. However, the number of customers with defective EIC that will be identified at this stage will be very small. EnergyAustralia believe that directing resources towards preventing and resolving EIC cases earlier in the customer's life cycle will be of greater benefit to improving the experience of all customers.

EnergyAustralia believe that preventing defective EIC incidences in the first place is the most effective way to protect customers and reduce the risk of any detrimental impacts on customers in future.

Unknown consumers and ROLR customers

Unknown consumers are those that we are supplying electricity to where there is no contract in place and we are unaware of the customer's identity. This usually occurs when customers move into a vacant property where the power was already connected and have not contacted us to establish a contract. The retailer for the previous consumer places these customers on a default standing offer contract but will not have customer details or EIC from the new customer.

ROLR customers are those who have transferred retailers due to a ROLR event but may not be aware that they are now on a deemed contract with the new retailer. Similar to unknown consumers, retailers do not have EIC for the account until the customer makes contact to establish an agreement.

We are not sure that Rule 116(j) is intended to apply to unknown consumers and ROLR customers.

As drafted in the rules,

"a retailer must not arrange de-energisation ... (j) where the customer transferred to the retailer from another retailer within the previous 12 months and the retailer does not have a record of the customer's explicit informed consent to the transfer of the customer as required by Section 38 of the Law" (Draft Rule 116, NERR).

Interpretation of Section 38 of the National Energy Retail Law (NERL) implies that EIC is only required for customers who establish a retail contract with a retailer;

"A retailer must obtain the explicit informed consent of a small customer for the following transactions: (b) the entry by the customer into a market retail contract with a retailer" (Section 38, NERL).

EnergyAustralia seek confirmation that customers who have not actively entered into a service agreement with a retailer, such as unknown consumers and ROLR customers, are not subject to the provisions of Draft Rule 116(j). We seek clarification on this point due to the potential impact on the processes we use to identify unknown consumers.

3. Clarifying the process for handling unknown consumers that are erroneously transferred

We would also like clarification on the treatment of customers who have no EIC with any retailer. An example of how this customer may be in this situation is illustrated below:

- 1.** Customer A provides incorrect address to a new retailer during sale and this results in Customer B being transferred in error.
- 2.** Customer A realises their error when they don't receive any welcome packs or bills, and contacts the new retailer to rectify.
- 3.** New retailer correctly transfers Customer A but Customer B was erroneously transferred. As there is no EIC for Customer B, the new retailer contacts previous retailer to request they raise a retrospective transfer.
- 4.** Original retailer discovers they don't have EIC either as that customer was an Unknown Consumer.

The current rule proposal does not make it clear who is obligated to take customers where neither party has EIC.

4. Timeframes and framework for a successful implementation

The use of B2B (business-to-business) transactions should be considered to improve the operation of this new procedure. The use of transactions will allow participants to track timeliness of responses, improve transparency, facilitate reporting on transfer data and reduce ongoing labour costs from manual processing. However, consideration does need to be given to whether the costs of introducing new B2B transactions will outweigh the current costs of manual processing. If B2B transactions are to be created, the implementation timeframe needs to be considered in the context of other substantial industry changes underway in preparation for commencement of competition in metering from 1 December 2017. We would prefer that any system changes associated with this

change are delayed until competition in metering implementation, and associated subsequent market adjustments work, is complete.

5. Conclusion

In principle, EnergyAustralia supports a rule change to clarify the processes and obligations for resolving erroneous transfers as this will improve customers' confidence in the retail market. However, we believe that the inclusion of Rule 116(j) regarding disconnections is unnecessary. Existing laws for obtaining EIC are sufficient for retailers to put in place practices to prevent defective EIC cases and prevention of EIC issues in the first instance is a better way to protect **all** customers from all issues arising from EIC deficiency, not just those who are disconnected for non-payment. We believe that this rule will be ineffective at providing any meaningful additional protection for customers as it will not facilitate the successful detection of EIC issues prior disconnection. Better approaches to addressing customer detriments would encourage earlier identification and rectification of EIC issues and avoiding erroneous transfers from all sources.

Should you require further information regarding this submission or request further information regarding the proposed rule changes, please call Georgina Snelling on 03 8628 1126.

Regards

Melinda Green
Industry Regulation Leader