

9 June 2016

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



positive energy

Dear Mr Pierce

**Consultation Paper: Using estimated reads for customer transfers (ERC0196)**

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its consultation paper relating to a rule change request from the Council of Australian Governments (COAG) Energy Council seeking to allow customers the option of transferring on an estimated read in order to reduce the time it takes to change to a new electricity retailer. This rule change flows from the AEMC's review of electricity customer switching arrangements in the National Electricity Market (NEM) in 2014.

Energex participated in the consultation process for the Electricity Customer Switching Review and provided feedback to the AEMC on the various options put forward to improve the accuracy and timeliness of customer transfers. This feedback acknowledged the importance of having efficient processes in place to support timely and accurate customer transfers, but also conveyed the view that potentially costly changes to the current practice of transferring customers on an actual meter read were not warranted.

In Energex's view, the current process of initiating a customer transfer on an actual meter read on the next scheduled meter read date is straightforward and efficient. Where a customer or the customer's retailer does not wish to wait for a transfer to occur on the next scheduled meter read date, a special meter read can be requested. Energex currently charges \$8.40 (including GST) for a special read, making it a low-cost option for expediting the transfer process. Special reads are also more reliable and efficient than estimated reads as they provide customers with an actual meter reading, thereby reducing the potential for a poor transfer experience.

While a small number of customers and retailers seeking to expedite the transfer process may benefit from the ability to request an estimated read, there are also costs associated with this proposal that must be considered, namely:

- For metering data providers (MDPs) to be able to provide estimated reads IT system changes will be required, the costs of which will not be insignificant (estimated to be between \$250,000 and \$500,000); and
- Allowing estimated reads will add an additional level of complexity and confusion to the current process and may lead to disputes and increased complaints to energy ombudsmen which will result in additional administrative costs for MDPs and retailers.

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Along with these costs, it should also be borne in mind that, with the rollout of advanced meters (which has already commenced in South East Queensland ahead of the new metering contestability framework), the number of manually read meters will progressively diminish and thereby significantly reduce the need for MDPs to provide either special reads or estimated reads for customer transfer purposes once the new framework commences. Consequently, with this in mind, Energex does not consider it is in the long-term interests of electricity consumers to undertake costly changes to current IT systems and processes to facilitate what will effectively be an interim measure, particularly where there is already an efficient and cost-effective alternative to expedite transfers available for customers in Energex's distribution area.

It is also noted that one of the reasons that has been put forward in support of allowing estimated reads is to facilitate transfers where access to obtain an actual meter read is difficult. However, as the proposed arrangements will require that the meter reading immediately preceding an estimated read must be an actual read, it is difficult to understand how allowing estimated reads to expedite customer transfers will assist in situations where there are ongoing access issues. This requirement will therefore further lessen the number of instances where an estimated read can be used for transfer purposes.

Notwithstanding the above, it is highly probable that distribution businesses will seek to recover the additional costs of providing an estimated read by charging for that service. Indeed, in anticipation of this proposed rule change, Energex included a fee for an estimated read in its proposal for the 2015-2020 regulatory control period. This fee was approved by the Australian Energy Regulator (AER) and Energex has included a charge for an estimated read in its 2016/17 Annual Pricing Proposal (approved by the AER on 3 June 2016) to apply in the event this rule change proceeds. The approved estimated read charge (\$8.67 including GST) is to account for the additional administrative costs associated with providing the service and is slightly higher than the cost of a special meter read (\$7.79 including GST). Consequently, when presented with a choice, Energex considers that in the majority of instances customers or electricity retailers would be more likely to elect to expedite a transfer on an actual special read rather than on an estimate.

In light of these considerations, Energex remains of the view that the costs that would be incurred by MDPs and retailers to upgrade their systems and introduce new administrative processes to manage the provision of what is likely to be a small (and progressively diminishing) number of estimated read requests to expedite the transfer process would not be a proportionate response to the perceived deficiencies in the current process. Energex therefore does not consider that this rule change is in the long-term interests of consumers and does not promote the National Electricity Objective and National Energy Retail Objective.

Should you have any queries regarding this submission, please contact Leigh Henderson, on (07) 3664 4118.

Yours sincerely



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