

22 November 2016

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Dear Mr Pierce

Submissions on the AEMC's draft determinations: Using Estimated Reads for Customer Transfers and Improving the Accuracy of Customer Transfers

Please find attached our submission regarding the AEMC's draft determinations on the rule change proposals for Using Estimated Reads for Customer Transfers and Improving the Accuracy of Customer Transfers.

We would be pleased to provide further assistance to the AEMC regarding these rule changes. If you would like to discuss or have any questions regarding this submission, please do not hesitate to contact myself or Violette Mouchaileh, Group Manager Market Enhancement on (03) 9609 8551.

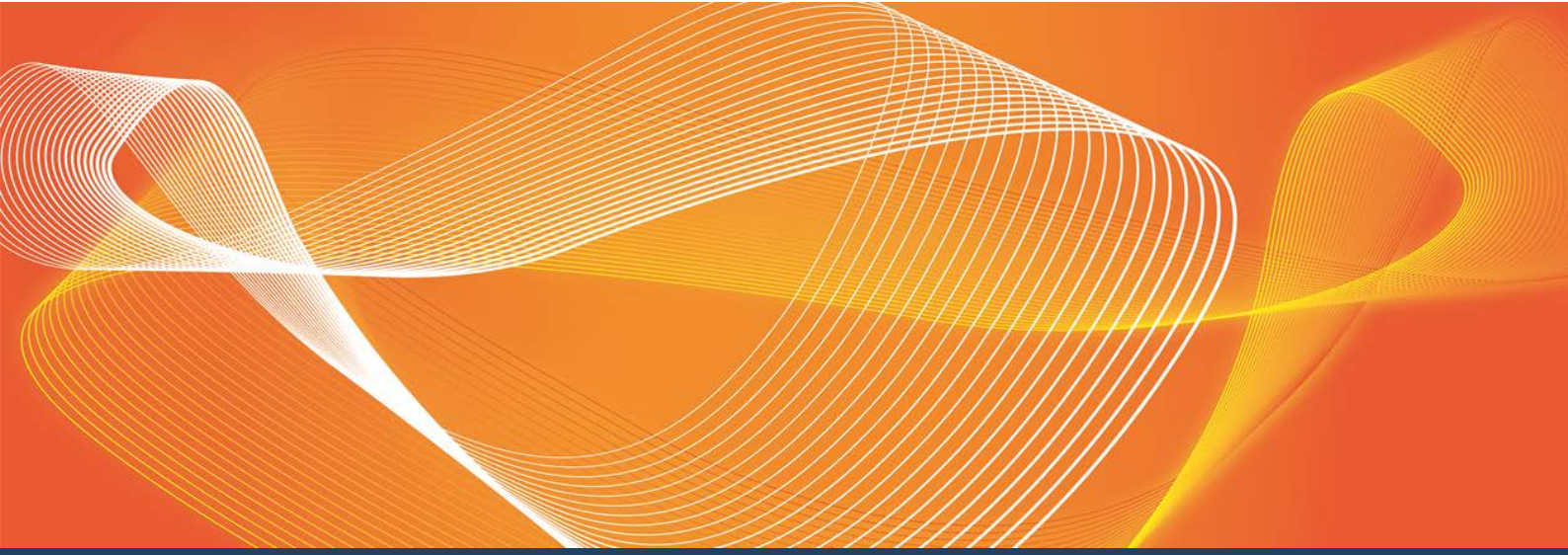
Yours sincerely



Peter Geers
Executive General Manager, Markets

Attachments:

1. AEMO Submission: Using estimated reads for customer transfers Initial Consultation and Improving the accuracy of customer transfers Initial Consultation



AEMO SUBMISSION:

**USE OF ESTIMATED READS
FOR CUSTOMER TRANSFERS**

AND

**IMPROVING THE ACCURACY
OF CUSTOMER TRANSFERS**

1. SUMMARY

AEMO welcomes the opportunity to provide a submission on the AEMC's draft determination for the Use of Estimates for Customer Switching, and for the related rule, Improving the Accuracy of Customer Transfers.

1.1 Estimated readings

Whilst it is unlikely to reduce the timing of customer transfers in the short term, AEMO considers that there is value in progressing the rule for the use of estimate reads for customer transfers, the principle benefit being the establishment of a level playing field for customer switching for customers that have, and those that do not have, advanced metering installations.

A competitive advanced metering market does not provide any surety that any customer will receive advanced metering until their current meter fails, which may be in excess of 20 years in many cases. If customers with manually read metering installations cannot access an estimated reading to support transfers, AEMO considers it likely that they will be disadvantaged when compared to customers with advanced metering installations, in two key areas:

1. the timing of the transfer process; and
2. the costs to facilitate a short transfer period.

Enabling the use of estimated transfer readings will allow the customer to be in control of the method of switching that best suits their needs. AEMO notes the improvement in NEM transfer times between 2013 and 2015, but considers that the timing is significantly longer than comparable market operation, such as the mobile phone portability or New Zealand electricity customer transfer timings, against which it could reasonably be judged.

AEMO also considers that if the power is placed in the hands of the retailer to determine whether or not to offer an estimate reading, the process need not be complex or confusing for the customer and the risks of not being able to use an estimated reading can be minimised.

AEMO considers that the proposed costs for the provision of estimate reads are hard to justify on consideration of the current metering data processes and services, which support the provision of circa 1 million 'provide metering data' requests per month without the application of transactional fees, and the established processes for the forward estimation of accumulation and interval metering data.

1.2 Improving the accuracy of customer transfers

AEMO has reviewed the draft determination and supports the AEMC's findings and proposed rule.

2. SUBMISSION

2.1 Transfer times

The draft determination highlights the improvements in customer switching times between the 2013 and 2015 years with a specific focus on customer transfers that completed within a 30 calendar day period. AEMO considers that the benchmark implied in the rule change proposal was for all customer transfers to be completed within a 30 calendar day period, and whilst the 2015 statistics are an improvement on those from 2013, they are still significantly shy of that completion target.

AEMO notes that other, similar markets have developed and implemented requirements that have moved the goal-posts in terms of customer expectation for transfer of supply or contract. For example, AEMO notes that both the 2013 and the 2015 figures relate very unfavourably with arrangements in comparable markets, including:

1. The New Zealand Electricity market - The New Zealand electricity market retailer transfer requirements specify that:

- 100% of customer transfers occur within a 10 business day period; and
- In any 12 month period, at least 50% occur within a timeframe of 5 business days.

Public information on the New Zealand Electricity Authority's website indicates that average transfer times are between 3 to 4 days as a result of these requirements and associated processes in the New Zealand Code¹, although AEMO understands anecdotally, that switching times are on average less than 2 days.

2. The mobile phone market - Mobile Number Portability industry code² requires:

- 90% of ports to be completed within 3 hours; and
- 99% of ports to be completed within 2 business days.

The current market arrangements and constraints, which in every case involves a physical visit to the customer's metering installation, are at least likely to continue to act as a barrier to organic improvements, whilst other comparable markets facilitate increasingly swifter transfer arrangements; it is reasonable to consider that customer expectations are likely to be shaped by such changes.

Whilst the rule for use of estimate reads in switching does not go as far as the market arrangements referenced above, in that no mandated minimum or maximum timeframes for switching are being considered, enabling retailers to access estimates would at least provide an additional tool, and would provide an alternate option from the traditional meter reader visit, which by its nature adds a delay into the transfer process.

2.2 Advanced metering deployment

AEMO agrees that the pending changes in market arrangements as a result of the rule change for Competition in Metering and Related Services, published by the AEMC in November 2015, will assist in lowering transfer times for customers where advanced metering is deployed as have been evidenced in Victoria. AEMO also agrees that for these customers, and those who have already have remotely read interval metering installations, any rule for the use of estimate readings in the customer transfer process is likely to be moot.

However, unlike regulated rollouts such as the Victorian AMI program, the framework for competitive provision of advanced metering provides no guarantee that all customers will be able to access advanced metering, nor does it provide a timeframe in which existing customers, who have a working type 5 or 6 meter today, will be able to access or will be provided with an advanced metering installation.

AEMO consider that for many customers, advanced metering may not be proactively deployed by retailers for many years and that it is possible that deployment activity may favour certain regions or customer groups with particular characteristics or demographics. Even for those customers who are offered an advanced metering installation, the NER will allow for manually read 'type 4A' metering installations to be installed in some circumstances. As a result, AEMO does not consider that advanced metering deployment resolves the need to consider the use of estimates for customer transfers rather that, over time, advanced metering deployment will reduce the number of customers who would benefit from such a rule, the rate of which is unknown.

¹ Electricity Industry Participation Code 2010 Schedule 11.3 – New Zealand Electricity Authority

² C570:2009 Incorporating Amendment No.1/2015

2.3 Costs of estimated and special readings

2.3.1 Estimated readings

The design of the process for requesting and delivering an estimate read will ultimately determine the cost associated with its provision. AEMO considers that there are a number of current market processes and services that could potentially be leveraged to facilitate the provision of an estimated reading, including the:

- Provide Meter Data (PMD) service request – which enables a participant to request metering data for a current or historic period, providing the participant has a right to access that data in accordance with the NER; and
- Verify Meter Data (VMD) service request – which enables a participant to query the veracity of metering data that it has previously been provided.

There are anywhere between 750,000 and 1,250,000 PMD service requests and 17,000 to 77,000 VMD service requests raised in any one calendar month, based on AEMO's records between January and October 2016. It is AEMO's understanding that PMDs and VMDs are provided by distributor Metering Data Providers (MDPs) in the general course of business and that no transactional fee is applied.

MDPs already provide estimates when providing actual or substituted readings for manually read metering installations. The estimate is for the period between the current reading and the next scheduled reading date, typically around 3 months into the future, and includes either accumulation or interval metering data depending on the nature of the metering installation. MDPs also provide estimate readings to support the retailer of last resort retail transfers. AEMO considers that there may be an opportunity to leverage these existing processes to support the delivery of an estimated reading for customer switching.

Whilst AEMO note that one distributor has published fees for provision of an estimated meter reading service, it is unclear how this was determined. Regardless, AEMO considers that given current market practice for metering data provision, it appears hard to justify a transactional fee for provision of an estimate read as considered in the proposed rule and in particular that any fee would be equivalent to the cost of sending a meter reader to take a unscheduled meter reading.

2.3.2 Special readings

AEMO agrees with the AEMC's view that the current cost of providing a special read is generally low across the NEM. AEMO is concerned that over time the costs for special read provision may escalate, in particular as a result of the introduction of competitive advanced metering. Medium to high advanced metering penetration in any one area will undoubtedly apply pressure to the current pricing for this service as resource and system costs need to be supported by an ever decreasing number of serviceable customers.

Enabling the use of estimate readings for switching would allow customers who do not have access to advanced metering to receive a switching service that was equitable with those that do, in terms of both timing and cost.

2.4 Implementation complexity

AEMO considers that it would be possible for the use of estimate readings to be implemented without creating an overly complex set of requirements for participants, or for customers. For the process to be straightforward, the use of estimate readings would need to be optional.

Manual reading attainment rates remain relatively high across the NEM; AEMO understands that actual readings are taken at over 90% of customers metering installations every quarter. Therefore it is reasonable to consider that there will have been an actual reading taken in the last reading cycle for the majority of customers requesting

a transfer. In the case that there was not an actual reading, the estimate cannot be used and the transfer can occur via an alternative method, which can be agreed prior with the customer, for example:

- The customer is offered to switch via an estimate if the retailer can obtain one, with the fall-back position being one of the existing options – the timeframe and ;
- If an estimate reading is able to be provided by the MDP, as the previous reading was an actual reading the transfer can proceed as agreed with the customer;
- If an estimate reading was not able to be provided by the MDP as the previous reading was a substitute reading, the MDP can then continue to provide the traditional meter reading service to facilitate the transfer, consistent with the retailer's original agreement with the customer.

Retailers could also use information gathered through the switching process to assist in their determination of whether or not to offer an estimated reading to the customer. For example, if a customer confirms that there is no impediment to accessing the metering installation (e.g. it is not indoors, locked behind a gate, the customer does not have a dog, etc.) then the likelihood of an actual reading having been previously obtained is significantly increased. Similarly, if the customer has their current or previous electricity bill to hand, the retailer may be able to determine, with the customer's assistance, whether the previous reading was based on an actual reading. This example is not designed to be exhaustive, but is illustrative of the logic that a retailer could deploy should the facility to use estimate readings for transfers be established.

3. RELATED RULE CHANGE

AEMO has reviewed the draft determination for the related rule change, Improving the Accuracy of Customer Transfers, and supports the AEMC's findings and proposed rule.

Further, AEMO can confirm that with regard to address standards, AEMO would consider progressing the change outlined in section 2.4.2 of the draft determination, should the final determination on an address standard be consistent with the proposal in the draft.