



AGL Energy Limited

ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1234

8 November 2017

Reference: RRC0009

Submitted online: AERInquiry@aer.gov.au

Dear Mr Pierce,

Proposed Rule Change – Strengthening Life Support Protections

AGL Energy Limited (AGL) is pleased to respond to the AEMCs Consultation Paper – National Energy Retail Amendment – Strengthening Protections for Customers Requiring Life Support Equipment (Life Support Rule Change).

As one of Australia’s largest integrated energy companies with over 3.7 million retail customers, AGL has a keen interest in appropriate protections for our customers and efficient market processes and strongly supports the protection of customers with valid life support requirements.

AGL supports strong and robust Rules and industry processes to ensure that Life Support customers are appropriately registered and protected, receive appropriate information and support from industry to maintain their energy supply.

AGL supports the general thrust of the proposed Rule Change, but has substantial concerns about certain aspects of the proposed Rules, which we believe means the proposed Rule does not meet its objective in the most effective and efficient way. The issues of concern relate to:

1. Commencement of the process relative to the customer transfer being completed.
2. The additional administrative burden placed on consumers for energy concessions.
3. Necessary changes to participants’ system and business processes.
4. The application of civil penalties to all clauses, including the implementation of systems and processes requirements, including the Business to Business (B2B) requirements .

AGL recommends that before finalising the decision the AEMC should consult with the Information Exchange Committee (IEC) on the requirements for implementing the participants’ business and system changes brought about by these new Rules. This will ensure that the AEMC captures all the relevant information and facts to ensure the Rule achieves its objectives in the most efficient and effective way and that an appropriate time frame is provided for participants to implement the new obligations

Annex A contains AGL's detailed views on each of these issues.

Should you have any questions in relation to this submission please contact Mark Riley on 0475 805 262 or by e-mail: mark.riley@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux', is positioned above the typed name.

Elizabeth Molyneux

Head of Energy Market Regulation

Annex A

Issues of concern with the Propose Rule Change

Background

Retailers often contract with customers well in advance of the customer transfer (or 'move in' taking effect) and is often triggered by various events. This can occur anywhere in the customers billing cycle and can mean, in some instances, a delay of approximately 90 days between being contracted and the new retailer taking responsibility for that customer (if indeed they ever do).

Customer transfers are submitted to the market (via MSATS) generally 6 to 10 days prior to the likely meter read date. It is not unusual for a customer to receive other offers and change their mind and remain with the losing retailer or select another retailer during this final period, prior to the transfer taking place.

In this instance, the Retailer's customer transfer will be cancelled and that Retailer then has no further rights or obligations to engage with the customer, use or share with Distributors, the customer's private information.

Issue 1 – Process Commences very early relative to the customer transfer being completed

Given the transfer process outlined above, AGL believes the formal process outlined in the Draft Rules can commence too early, leading to increased administrative burden (and cost), a greater potential for the customer to believe that they are registered and potentially block the ability of a non-certified customer from being de-registered.

The Draft Rules are now requiring the retailer (or Distributor) to undertake the following activities:

1. Promptly, when advised, register that customer;
2. Within 5 business days provide the customer with a Life Support pack; and
3. Notify the Distributor of the customer's Life Support requirements and the date from which the Life Support equipment is needed.

In several instances, this will mean that the incoming retailer will register that customer within its own system as requiring life support, and then issue a life support pack to the customer, potentially 90 or more days from the likely date that the retailer will be registered in MSATS¹ as being responsible for that site.

Under the Draft Rules (with a 50 business day cycle) for initial registration, issuing Life support packs and potentially de-registering a customer from Life Support, it is entirely possible that the incoming retailer could complete, or almost complete, this process prior to the customer transfer being finalised.

If the customer chooses another retailer near to the transfer date, the initial incoming retailer will not finalise the process, and the customer will have to start again with another retailer.

The AEMC have noted in their Draft Determination (p23) that the requirement to provide Life Support certificates every 2-3 years could:

'...represent an additional administrative burden on life support customers which could lead to unintentionally burdensome outcomes, such as persons with incurable conditions being repeatedly required to gather evidence that they have not been cured.'

Under the Draft Rule, AGL submits that a customer is now far more likely to be required to provide a medical certificate multiple times (which is likely to incur additional medical fees) due to the process commencing too early in the transfer process.

Further, as the customer has likely completed the relevant forms and submitted them to one retailer they may be more likely to mistakenly believe that they have met their obligations and are likely to be more upset when advised by the next retailer that they need to have the relevant forms signed by a doctor yet again.

Finally, the Draft Rules (R 125) make the initial party the only one who can commence a de-registration process. In the case where a customer changes retailer prior to the final churn and the initial winning retailer has commenced the registration process, but the Life Support registration needs to shift to the second retailer.

¹ AEMO Market Settlement and Transfer Solution (MSATS) – this is the record of source for retailer allocations to NMLs.

Where the first incoming Retailer registers a customer for Life Support with the Distributor and the second has not registered the customer, there are now the two parties who have a relationship with the customer, but both are unable to either complete the process to seek a Life Support Certificate or de-register the customer since neither is the initiating party.

A similar outcome can occur with a new Retailer attempting to win a customer, applying a life support flag prospectively, but then not winning the site. The Distributor will register the site as having Life Support, which will be communicated either when the next service order is sent, or during reconciliation. At this point, neither party associated with the site has been responsible for setting the Life Support flag, and under the Draft Rules potentially neither party can initiate the process to request a Life Support Certificate.

This is an outcome which occurs regularly with the current Life Support process, but which would now be exacerbated by the limitation in who can commence a process to seek a certificate or de-register the site from requiring Life Support. AGL suggests for clarity in this instance, that one of the existing participants associated with the site (either Retailer or Distributor) be allocated the responsibility to confirm or de-register the Life Support status.

AGL also re-iterates it previously submitted position that in certain circumstances another party should be able to commence the process. In the case of a customer transferring between retailers too quickly for a de-registration process to complete, or where neither party was the initiating party, then the Distributor should be able to notify the current Retailer and seek agreement for them to take responsibility for the process. Equally, a Retailer should be able to request a Distributor to take responsibility for the process to ensure that there is a positive outcome for the customer.

Issue 2 – The additional administrative burden placed on consumers for energy concessions

Under the Draft Rules, when notified by the customer that Life Support is required, the Distributor is only required to issue a medical confirmation form for the consumer to complete (which will require a Doctor to sign) and not the energy concession form (where relevant) for that jurisdiction. Further, the Draft Rules do not require the Distributor to provide a copy of the medical confirmation form to the retailer.

The AEMC in its Draft Determination (p 29) stated that it was

‘unfeasible to harmonise the life support registration process with rebate schemes as these vary from state to state whereas the rules apply to the entire NEM.’

However, the AEMC has not considered that each Distributor operates within a single jurisdiction and would be appropriately aware of the relevant Life Support concession schemes related to the jurisdiction. Further, the AEMC has not considered that retailers provide energy offers (including concession information) to their customers regardless of the jurisdiction they are operating in.

Therefore, when the Retailer is advised by the Distributor that a customer (or incoming customer) requires Life Support the retailer will then have to issue the appropriate jurisdictional concession form to the customer to be completed and returned to the retailer.

In these instances, the consumer must now deal with the added administrative burden (and cost) of having to have the new medical confirmation form completed for the Distributor and then having to complete an energy concession form for the retailer.

This forces an additional administrative and cost burden on both the customer and the retailer that could have been avoided. More likely, the customer will not understand the need for additional forms and may ignore the correspondence, leaving them without the appropriate concession, which is a poor customer experience, particularly for a customer who is entitled to a concession.

AGL would prefer that Life Support customers are referred by the Distributor to the Retailer for the initial processing of the Life Support request so that the Retailer can be sure of the details regarding the account holder, the Life Support patient and that all necessary forms are provided in the initial pack to the customer.

Issue 3 – Necessary changes to Participant business and system processes

Obligations, processes and systems to share information between participants are not fully established for incoming Retailers and Distributors.

When a Retailer has registered a customer's premises under Draft Rule 124, the retailer has an ongoing obligation to provide the Distributor with information to update the requirements for a customer's premises and update their own registration.

In the case where a customer advises an incoming Retailer of a Life Support requirement, the incoming Retailer has no relationship with the Distributor or obligation in respect of the nominated premises until AEMO's Market Settlement and Transfer Solution (MSATS) issues a notice advising of a completed customer transfer. At that point, the registered Retailer will send a Customer and Site Details Notification (CSDN) to the Distributor.

The various market processes regarding information sharing and obligations are directly tied to the Retailer registered by MSATS for a particular site (i.e. the NMI). The only party who is obligated and transactionally capable of sharing information with a Distributor regarding a particular site is the retailer who is registered in MSATS for that site.

In the case of a move-in customer, there is both an incoming retailer and an incoming Distributor, neither who have a shared relationship with the customer or the nominated site, until the customer transfer has completed.

The Draft Rules are placing various market obligations on incoming retailers and incoming distributors which can extend to a substantial period prior to the customer churn being completed.

The AEMC has indicated in the Draft Determination (p. 26) that the implementation timeframe for the proposed new Rule is six months based on the premise that '...the new rules are unlikely to entail major systems changes for businesses'.

Analysis undertaken by AGL of internal system requirements indicates that the new Rules will require system changes to manage each set of contact dates, the initiating party (i.e. AGL or the relevant Distributor) to be able to track the status from the initial request for Life Support through to the provision of a certificate or the deregistration of Life Support status (as a result of a certificate not being provided).

AGL's analysis also indicates that there are Business to Business (B2B) procedural changes required and mechanisms needed to share the de-registration letter between participants, and other relevant information to ensure both Retailer and Distributor have adequate information to undertake their obligations.

AGL understand that the AEMC has not made inquiries the Information Exchange Committee, which is responsible for B2B changes, nor has it undertaken a process analysis of the current processes and the required new processes to implement these Rules.

AGL has previously suggested that the Draft Rules should be carefully analysed and process mapped to determine the impact on industry systems and processes prior to being finalised. The consultation process to change the B2B procedures for this matter will take close to six months, and that is without any B2B system and transactional changes.

Therefore, AGL strongly recommends that the AEMC confer with the Information Exchange Committee, on the necessary timing required to implement the final Rules.

Other Matters

Misuse of Life Support Status

It was proposed that Life Support Customers be obligated to provide updated Life Support Certificates periodically to ensure that the Life Support requirement is still valid. The AEMC rejected this suggestion and noted in their Draft Determination (p. 23) that the requirement to provide Life Support certificates every 2-3 years could:

'...represent an additional administrative burden on life support customers which could lead to unintentionally burdensome outcomes, such as persons with incurable conditions being repeatedly required to gather evidence that they have not been cured.'

However, in two jurisdictions, Life Support customers are required to apply directly with the government for rebates, one jurisdiction has no limit for application and the other requires the form to be re-submitted every two years for that customer to continue to receive the concession.

These customers are already obliged, under government's concession policy requirements, to undertake regular checks of their eligibility with retailers, or government departments. Therefore the proposal to seek renewed Life Support Confirmation forms every 2/3 years should not be a substantial additional administrative burden on consumers, and would ensure that the requirements for life support were current.

The AEMC also noted in their Draft Determination (p. 23) that there was a risk of **Life Support customers neglecting their** obligation to re-confirm their need for life support:

'Under the first proposal, requiring customers to re-confirm their medical status or else lose their protections inevitably creates the possibility that genuine life support customers will neglect to fulfil this obligation.'

Rather, the AEMC is placing these liabilities and obligations on retailers to manage these customer obligations without confirmation that these requirements remain eligible over time.

AGL would have expected that where a Life Support Customer's Medical Confirmation was due to expire, the relevant Retailer would provide them a reminder notice prior to the expiration. If no Medical Confirmation had been provided then a version of the de-registration process would commence (taking into account the initial reminder or reminders had already been sent prior to the certificate expiring).

AGL believes that those customers with genuine Life Support requirements should be afforded the appropriate protections and concessions. However, these customer's benefits are being eroded by those customers who do not genuinely meet these criteria.

Participants have submitted information to the AEMC that the number of life support registrations has been increasing annually² (i.e. in the order of 20% per annum for some distributors) but at the same time have stated that they have '...seen no evidence that misuse of the system is occurring on any appreciable scale.'

AGL has a large number of customers who have claimed to require Life Support, but have failed to provide the required medical confirmation, after multiple communications requesting that confirmation. In those jurisdictions where there is a clear financial benefit for energy concessions, the return rate varies between 27% and 66%. This suggests that a substantial number of customers who request Life Support potentially cannot provide a medical confirmation.

Emergency Contact

Under Draft Rule 124(1)(vi), an emergency contact number must be provided for both the Distributor and Retailer. In the event of an emergency, the Distributor would be best placed to deal with the emergency promptly. AGL considers that the provision of a second emergency number could confuse or slow down the process necessary for a Life Support patient seeking relevant information on outages or other emergency events.

Transitional Arrangements

AGL notes that there are already a substantial number of customers registered for Life Support. While AGL believes that the implementation of the proposed rules seeking a medical certificate are very appropriate, AGL believes that it would be a substantial burden to contact all existing customers immediately on Rule commencement.

AGL notes that the Distributors already have obligations to contact Life Support customers annually, and suggests that after implementation, the new Rules require the Distributors to include, as part of their annual process, the initial request for Medical Certificates.

This allows all participants to bed the new processes and systems down prior to commencing follow ups with existing Life Support Customers.

² AEMC, Draft Rule Determination National Electricity Amendment (Strengthening protections for customers requiring life support equipment) Rule 2017, p21

Civil Penalty Provisions

AGL notes that the AEMC is proposing that the majority of the new clauses are now underpinned by civil penalty provisions. In particular, AGL is particularly concerned that the AEMC is proposing this for Rule 126 which will require retailers' to 'establish policies, systems and procedures for registering and deregistering a premise as requiring *Life Support Equipment*'.

However, the AEMC has not consulted with the Information Exchange Committee on the requirements for implementation of those policies, processes or systems in relation to B2B processes, yet has made a Draft Determination that there are no major changes, without that analysis being undertaken.

AGL strongly suggests that the AEMC should liaise with the Information Exchange Committee on the participant requirements for B2B process implementation, prior to finalising these Rules.