

14 February 2014

Victoria Mollard  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Ms Mollard

**RE: REVIEW OF ELECTRICITY CUSTOMER SWITCHING**

ERM Power Limited welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Options Paper *Review of Electricity Customer Switching* (your reference: EPR0038).

Despite our reservations as stated in our previous submission from December 2013, we support many of the options proposed by the Commission and would like to see these developed further. As a second tier retailer we would like transfer times to be improved, as long as retailers do not bear more risk as a result.

**About ERM Power Limited**

ERM Power Limited is an energy company listed on the ASX that operates electricity sales, generation, and gas exploration and production businesses across Australia. Our energy sales business, ERM Power Retail, is licensed to sell electricity in all Australian states, the Australian Capital Territory and the Northern Territory, and has grown organically to become the fourth largest seller of electricity in the National Electricity Market by load.

ERM Power Retail (branded as ERM Business Energy) specialises in providing electricity to business and government customers. We have accrued over 18 per cent of the large Commercial and Industrial (C&I) customer market, and in 2013 we started to offer electricity to the Small to Medium Enterprise (SME) segment of the market.

For the third consecutive year, the independent Utility Market Intelligence (UMI) survey has rated ERM Power Retail as having the highest customer satisfaction rating of any business energy retailer. With an overall customer satisfaction rating of 87 per cent, ERM Power Retail has consolidated its position as the leader in customer service.

## Options to address timing of the customer transfer process

As noted by the Commission, transfer request times might be improved. The Commission has raised four options to address this, as follows:

- **Option A1:** reduce the maximum prospective timeframe for customer transfer requests, as set out in the MSATS Procedures, from 65 business days to 21 business days (30 calendar days).
- **Option A2:** allow customer transfers to occur on the basis of estimated reads, which would provide an alternative to the current practice of obtaining an actual meter read for a transfer request to complete.
- **Option A3:** introduce an incentive scheme on metering data providers, to encourage such parties to provide more timely and accurate special meter reads.
- **Option A4:** increase monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the AEMO and/or the AER.

Of the options presented (which we note are not alternatives but may be complementary), we support a modified version of Options A1 and A2, but only under certain circumstances.

First, we note that effecting A1 would require transfers to occur on estimated reads under A2. It will not be possible to bring forward transfers otherwise unless customers are prepared to pay for special reads, which is the current situation. If A2 can be made to work effectively then we support A1, but with the caveat that it cannot be mandated given the data validation issues below.

On the matter of A2, we strongly support transfers on estimates in the following circumstances:

- The Meter Data Provider (MDP) validates its own estimate with a customer self-read and reliable photograph, as suggested by the Commission. There will need to be rules to validate the read: the integrity of the approach relies on data being as accurate as possible, so we expect that a date stamped and undoctored customer photograph of the meter as per the self-read must be provided to the MDP. There must be a clear and robust process to obtain and send a customer reference read to the MDP and ensure that this is processed in suitable timeframes. There would also need to be agreed processes if the MDP determines that further validation of that read is required which requires customer contact.
- Given the above, a shorter time to transfer cannot be mandated, but is an option. This is because some consumers may not have the sophistication or technology to provide a suitable read. We do not support transfers on MDPs' own estimates only or estimates that are based on customers' reads without photographic evidence.
- Transfer on an estimate can only occur in situ – we do not support customers moving premises on estimates as this creates incentives for some customers who are moving out to understate their consumption and potentially doctor their photographs. The resulting risk to retailers may be difficult to manage. In any event, we would expect an actual read to occur for customers moving premises as per current practice.

- We note the Commission states that in submitting the transfer request into the MSATS system the winning retailer would select the meter read type 'estimated read'. ERM Power Retail's view is that a new meter read type is required, whether this is a version of an estimate or a version of an actual. Either way, the meter read type will need to clearly show that it is a read that is fit for in situ transfer and is effectively an actual read for this purpose.
- Leading from the above, the Commission has said that the 'estimated read' type would be selected when there is the existence of an immediately previous actual read for the relevant site. We do not believe it is necessary to have an immediately previous actual read. If the read has passed the validation rules (which we again note will require a customer date-stamped photograph) then previous reads are irrelevant.
- The Commission has said that the estimated read type could only be selected where the next scheduled read is greater than 30 calendar days in the future. We believe that imposing this parameter is not necessary and that the approach should be free to be used at any stage. This will reduce the potential for consumer confusion and also accounts for where the consumer might miss their next scheduled read and so experience a delay of 30 days regardless of original intent. The scheduled read may be missed for a number of reasons, including the lack of appointments made by some MDPs, which we return to later in this submission.
- We do not believe that a dispute process as suggested by the Commission will be required if the estimated read possesses the integrity discussed above.

We do not support A3 without further examination of the detail. The Commission's proposal as is does not seem efficient in our view. Financial incentives also imply someone will bear the cost, which tends to mean the customer. Instead of the A3 option proposed by the Commission we would support an option regarding appointment times, discussed below.

We do not have a view on A4: the industry itself understands the transfer process and issues associated with it and we question the degree to which other stakeholder interest justifies another reporting regime.

### **Options to address accuracy of the customer transfer process**

The Commission has stated that some aspects of the data used in the customer transfer process are not accurate, meaning that customer transfer timeframes are longer than necessary. The Commission has raised four options to address this, as follows:

- **Option B1:** cleanse the MSATS data that is used in the customer transfer process, and development an industry-agreed standard for addresses in the MSATS database.
- **Option B2:** increase monitoring, and public reporting, of statistics associated with the accuracy of the data that is used in the customer transfer process, by the AEMO and/or the AER.

- **Option B3:** introduce an obligation for the NMI number to be displayed on all small customer meters, such as a sticker of the NMI number to be attached to the meter by the MDP during the scheduled meter reading cycle.
- **Option B4:** confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner.

We agree that data inaccuracies are a problem for transfers, and note that data in MSATS is not always correct. For this reason, we strongly support the Commission's Option B1 to cleanse the MSATS data used in the customer transfer process and develop an industry-agreed standard for addresses in the MSATS database. We agree that incorrect addresses contained in MSATS are a problem and support AEMO developing a standard for addresses as proposed, in conjunction with an industry working group. We agree that standardisation of addresses to reflect the Australia Post standard could be beneficial.

Option B2 could be useful, but only where data collected is of some value for decision-making, such as to evaluate the effectiveness of the measures implemented under B1.

We support Option B3 as a supplement to the previous options only.

Option B4 does not seem warranted; it seems driven by a specific retailer rather than as a result of systemic issues within the industry.

### **Improve the functioning of the objections framework**

The Commission has suggested Option C1, which is for AEMO to undertake a project to improve the functioning of the objections framework that forms part of the customer transfer process, with the objective of promoting the efficiency of this particular element.

We are not certain this is required, particularly if the previous options discussed are implemented effectively. For example, if MSATS was cleansed as per Option B1, there would be less BADMETER and BADPARTY objections. The objection code DATEBAD would also be greatly reduced in use should Options A1 and A2 be implemented.

We do not support a new objections code as suggested by the Commission. The reason for a new code is unclear: the DNSPs have apparently referred to retailer requests that are "illogical" but we do not know what this means. The comments from retailers that MDP responses are not "fulsome" are also unclear. The Commission's suggestion that more free-text cells may be required does not appear to resolve a particular issue, and instead introduces more of the unstructured exceptions that we are concerned to avoid in order to speed up the transfer process.

The Commission has also suggested that the timeframes of the objections framework could be addressed as part of the AEMO project under C1. The timeframe could be reduced from five days but we consider this will not provide as much benefit as the other measures discussed.

## **Incremental improvement to be independently progressed by retailers and metering data providers**

The Commission's Options Paper also notes other incremental improvements to the customer transfer process that have been raised by stakeholders. These include:

- better appointments by MPS;
- increased use of electronic communication; and
- better information to customers.

ERM Power Retail supports improvements to appointments made by MDPs (generally networks). Many MDPs refuse to schedule an appointment for a special read, meaning that the customer must spend all day at the premises where they need to provide access to the meter. Some MDPs advise that daily appointment times are up to midnight, so if there are access issues the customer needs to be available at the site until midnight. Our latest experience was of a customer waiting until 8pm for an MDP, in this case without power. This means that even a brief trip to the shops is not possible, and if a meter reader comes when the customer is out the customer is charged for the visit and then needs to go through the process again. We believe that something more needs to happen in a regulatory sense to encourage the scheduling of reasonable appointment windows.

We also support developments on the second matter of electronic communication. We know of MDP trucks that only use two-way radio and do not even have phones on board, meaning that communications with customers are not possible. This would seem somewhat anachronous in today's age and is certainly not customer friendly or conducive to managing appointments, as mentioned above.

The last aspect of better information has not been explained sufficiently, with the Commission's examples reflecting information that retailers are already incentivised to provide consumers to effect a smooth (and swift) transfer process.

### **The need for rules for AMI transfers**

As a last point, and one that we note the Commission has not raised in the Options Paper, we would like to raise the lack of rules to transfer customers with advanced metering infrastructure (AMI, commonly known as smart meters) which we have experienced in Victoria.

Clearly the issues of estimated reads and special reads disappear when smart meters are in place, as the reads are collected remotely and on half-hourly on actual data (if all is working as intended). However, the question is then which of the reads is used for transfer, and when.

The time of day is not an issue as it is common practice to use midnight of the coming day. The issue is which *day* an MDP (again, generally a network) uses, with the range as follows:

- the MDP uses the first available day after the five day objection period has passed;
- the MDP waits for the proposed transfer date; or
- the MDP uses the next available day's read after the retailer's request.



There is currently no way for a retailer to nominate a day for transfer in any predictable way, with MDPs pursuing their own policies. What this means is that retailers cannot effectively manage their prospective customers' expectations about dates for transfer and ensure that transfers are completed in line with contractual obligations. This is inefficient and potentially puts retailers at risk of breaching regulations that expect retailers to know when a customer will transfer.

We recommend that a regulatory obligation is placed on MDPs to transfer customers with smart meters consistently via an agreed process.

If you have any queries about this submission please call me on the number below.

Yours sincerely,

[signed]

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