



EnergyAustralia

9 June 2016

Mr John Pierce
Mr Neville Henderson
Dr Brian Spalding
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically: www.aemc.com.au

Reference ERC0196

EnergyAustralia Pty Ltd

ABN 99 086 014 968
Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Dear Commissioners,

AEMC 2016 - National Electricity Amendment (Using estimated reads for customer transfers) Rule

AEMC 2016 - National Energy Retail Amendment (Using estimated reads for customer transfers) Rule

1. Introduction

EnergyAustralia welcomes the opportunity to comment on the National Electricity Amendment (Using estimated reads for customer transfers) Rule Consultation Paper. 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.

The intent of the proposed rule change is to reduce the time taken for customers to change retailers; currently the lead times can be in excess of 30 days. EnergyAustralia recognises that reducing transfer times would be valuable for customers as they will be able to access the benefits of their new energy contracts earlier. This would improve the competitiveness of, and customer confidence in, the retail market. However, it is likely that any benefits of this rule change will accrue to a diminishing number of customers, due to the increasing base of smart meters. In this submission, we have outlined a number of issues for the AEMC to consider as part of a cost benefit analysis before progressing with the proposed rule change.

2. Substantive Issues

2.1 Benefits are short-term and diminishing

From implementation, the benefits of this rule change will be derived from a decreasing pool of customers due to the progressive roll out of meters with remote read capability. Customers with these meters installed are able to transfer between retailers in 14 days.

At present the majority of customers in Victoria have meters with remote read capability. Manually read meters in other jurisdictions will be progressively replaced with remotely read meters, particularly from 1 December 2017 under the Competition in Metering Rule change¹ where new and replacement meters must have remote read capability. Retailers are also proactively rolling out smart meters to customers, further reducing the number of customers who can benefit from the proposed rule change. In addition, the population of eligible customers will be limited to those who understand the process and are prepared to transfer on an estimate read.

2.2 Costs to support the change to be incurred by all customers

EnergyAustralia has identified a number of IT changes that will be required, at cost, to support this rule change, including:

- *Enabling discovery of last read type*

Retailers will need to identify whether a last read was an actual read to have an informed discussion with customers about their transfer options at the time they are signing up or shortly after. This will require changes in both market systems (to make the information available in MSATS NMI Discovery) and in internal systems that reference MSATS data.

- *IT system logic changes*

Changes to system logic will be required to allow estimated, or deemed actual, reads to be recognised and processed correctly. For example, allowing estimated reads to flow from market databases to internal databases or, triggering a bill from the receipt of a deemed estimate read rather than a final read, under certain conditions.

- *Capturing customer consent*

Changes will be required to allow Explicit Informed Consent for the transfer on estimates to be captured and stored.

EnergyAustralia has also identified a number of other costs that will be incurred including:

- *Complex process changes*

Changes to internal processes will be required to handle the complexity of transfers on estimates. The process will also need to be explained to customers to manage their expectations around a final bill.

- *Increased billing disputes*

The proposed rule change will add complexity to customer bills which may lead to an increase in bill disputes. For example, customers may challenge charges with their incumbent retailer if their usage is overestimated.

These costs are likely to be spread across all industry participants, not only those that will benefit from the reduced transfer timeframe. This may not represent an efficient outcome for customers, particularly if the number of customers positively impacted is reducing.

¹ Expanding competition in metering and related services, AEMC, <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv> [accessed 8 June 2016]

3. Summary

Whilst EnergyAustralia sees it as beneficial for customers to have shorter transfer timeframes when switching retailers, the costs appear to be substantial. We request that the AEMC thoroughly considers whether the benefits will be sufficient to outweigh the costs before progressing with this rule change. The benefits of the proposed rule change are likely to be short lived as the number of customers affected will decrease over time and as there is also no certainty of how many of these customers are likely to elect to transfer on an estimate.

Should you require further information regarding this submission please call me on 03 8628 1126.

Yours sincerely

Georgina Snelling

Industry Regulation Analyst