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Australian Energy Market Commission
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Dear Sir/Madam

Re: Options Paper– Review of Electricity Customer Switching

1. Introduction

EnergyAustralia (EA) appreciates the opportunity to provide a submission on the Review of Electricity Customer Switching Options Paper (Options Paper).

We are one of Australia's largest energy companies, providing electricity and gas to over 2.7 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 5,600MW of generation in the National Electricity Market.

EA notes that the Options Paper has excluded the consideration of the increasing role that smart meters will play in reducing switching times and improving the accuracy of customer transfers. Instead, the focus has been on identifying incremental improvements to the existing transfer process that will deliver improvements regardless of the metering technology. While this approach appears to have some merit, the cost/benefit analysis to support these incremental improvements must account for the benefits that have already been, or will be in the future, allocated to smart metering. Remote access and daily metering are key attributes delivered by smart metering that already have, and will undoubtedly, improve switching times and accuracy going forward. Care must be taken not to replicate the costs allocated to customers for improved switching times via similar market changes that will deliver similar improvements, especially when there is no apparent market failure evident by a lack of customer participation or switches in the National Electricity Market (NEM).

The Options Paper makes several references to "one-off costs"[1] by industry in a manner to justify the cost of incremental rule, system and training changes. EA

[1] AEMC Switching Options Paper Sections 4.3.4 page 9 and 6.1.2 page 62

believes that the approach to the cost/benefit of this review should be more holistic and with a longer term view as per the National Electricity Objective (NEO).

2. Consultation Questions

Question 1 Possible options to address the timing of the customer transfer process.

The AEMC would be interested in receiving feedback on these options.
Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.
We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- *reducing the maximum prospective timeframe for customer transfers (Option A1);*
- *introducing estimated reads (Option A2), including whether our proposed process has addressed stakeholder concerns with the use of this read type;*
- *introducing incentive arrangements on metering data providers, relating to the timely and accurate provision of special reads (Option A3); and*
- *increasing monitoring and reporting on customer transfer timeframes (Option A4).*

We are also interested stakeholder comment and evidence whether there are other NEM jurisdictions (aside from Victoria) that do not permit customer transfers to occur on the basis of estimated reads.

2.1 Option A1 Reducing the maximum prospective timeframe for transfers

In the absence of additional market changes, reducing the maximum prospective timeframe for customer transfers would impose a strict obligation on retailers without the necessary tools to comply, other than to request special meter readings, which come at considerable cost in some jurisdictions.

EA is disappointed that the AEMC has chosen to remove from the scope the cost of special reads as an option for improvement in this review and rely on the proposed AEMC rule change covering distribution network pricing principles to address special read costs. If special reads were priced at a reasonable commercial rate they could be used more readily and many of the more complex options discussed in this paper could be overlooked, avoiding additional costs to participants. While it is understood that the AEMC may not be able directly to resolve the special read costs, we believe that recommendations to the Standing Council on Energy and Resources SCER to have this issue highlighted and remedied would be a positive step.

Imposing the existing special read costs onto customers could reduce churn and participation in the market. Customers may not be comfortable with a transfer based on an estimate (should it be widely accepted by the market) as proposed in Option A2 and, therefore, a firm obligation as proposed under option A1 would cause additional costs to be passed through to customers.

2.2 Option A2 Estimated reads

Introducing the broader use of estimated reads for insitu transfers across the NEM should be investigated further as it appears to resolve the primary cause of transfer delays - the 3 month billing cycle. However the increased use of transfers under the proposed method creates several additional issues to resolve including:

- Gaining customer consent for the use of the estimate;
- The development and implementation of a new transfer type;
- The introduction of a new objection/validation code for the estimate;
- Managing and supporting the proposed estimation/validation dispute process;
- How and when the new retailer will determine if the previous read was an actual read to ensure an estimate can be used for transfer;
- An extension to the customer contract consent script to gain agreement to an estimated read;
- The implementation costs of this new process to all industry participants; and
- Will customer confusion be increased with additional consent requirements at the point of contract acceptance?

More clarity is required on all of these issues to ensure they do not impose significant industry costs that can't be supported by benefits. For example, if a new transfer type was required for transfers based on using estimated reads where the previous read was an actual and subject to it being an insitu transfer, it is estimated that this would cost EA in the range of $1-2M to implement. When you consider that distributors, other retailers and AEMO would also need to make system changes, the cross industry cost is significant.

2.3 Option A3 Introduce incentives for meter data providers (MDP) to achieve timely and accurate special reads.

Under this option, second and subsequent attempts by the MDP to achieve actual special reads would be charged at a reduced cost to the initial attempt. EA does not believe this option will achieve any increase in successful special reads. MDPs may increase their price of all special reads to cover for lost revenue. It may also result in unsafe practices that do not comply to Occupation Health and Safety standards with meter readers striving harder to achieve access. Some aspect of this type of incentive already exists between the meter reading contractors and their readers. Participants would be better placed overcoming site access constraints by reducing appointment windows for access and using SMS messaging (as proposed under Option C1) to keep customers better informed of exactly when access is required.

2.4 Option A4. Increase monitoring and public reporting of statistics

EA is not supportive of additional monitoring and public reporting as a means to improve switching times. Retailers already have suitable incentives to achieve a reasonable transfer time for customers such as additional revenue and customer

satisfaction. AEMO already has access to transfer data that could be monitored and managed with individual participants.
Ongoing additional reporting is not required and would only increase the regulatory burden to industry participants.

EA agrees with the comments made by the AEMC on page 44 of the Options Paper that:

> "*.....this would be unlikely to result in much change to customer transfer times*".

Question 2 Possible options to address the accuracy of data used in the customer transfer process

The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.

We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- *a cleanse of data in MSATS in order to achieve higher accuracy levels (Option B1);*
- *monitoring, and reporting by AEMO and AER of the accuracy of the customer transfer process (Option B2);*
- *placing an obligation to display NMI number on small customer meters (Option B3); and*
- *placing an NERR obligation on retailers to resolve erroneous transfers in a timely manner (Option B4).*

2.5 Option B1 Cleanse data in MSATS

AEMO already has a current project scheduled to address data accuracy. EA fully supports this project and the objective of maintaining accurate data across the NEM. As mentioned in the options paper, multiple parties capture and utilise customer data and it is an ongoing difficult task to maintain the accuracy of this data. A suitable balance between cost to maintain and accuracy needs to be achieved and we support AEMO in its process to achieve this balance.

2.6 Option B2 Monitoring and Reporting by AEMO and the AER the accuracy of the transfer process

It is commonly acknowledged that to improve a process you need to measure and report on it. However, EA is not sure that public reporting of these results will have any impact with consumers. The collation of this data and subsequent reporting may create more cost than benefits. Moreover, the publication may not necessarily align the correct causer to the published defaulting party. For example, incorrect data can sometimes be caused by the customer, rather than the retailer or distributor. Rather than using resources to monitor or report on this issue, it would be more efficient to utilise these resources to identify and correct root causes.

2.7 Option B3 Displaying the NMI number on each meter

EA is not convinced that displaying the NMI on each meter will have any significant impact on erroneous transfers. Customers often do not know where their meter is located, particularly in flats and units, and there is a real risk that they could inadvertently quote a NMI number related to another property's meter. This option may actually cause the number of erroneous transfers to be increased. Attaching the NMI onto customer meters was considered prior to Full Retail Competition, with industry and consumer groups agreeing that it posed increased risk of fraudulent behaviour by various parties, as an address linked to a NMI should remain reasonably confidential.

With the NMI number already printed on the customer's bill, EA believes that customers are more likely to use this avenue to identity their NMI than going to their actual meter. The trend towards monthly billing and electronic billing by retailers means the customer has, or will have, many more billing references to determine their NMI.

2.8 Option B4 Create a new rule to place an obligation on retailers to resolve erroneous transfers

Greater analysis of AEMO's error correction codes should be undertaken before more onerous new regulations are imposed. There are multiple transfer error correction codes used in MSATS that can identify the causer and issue related to the transfer errors. EA believes that an investigation into the use of these codes by all participants would be valuable with reinforcement and education by AEMO on participant obligations to comply.

Question 3 Other policy options to improve the efficiency of the customer transfer process

The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.

We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- *AEMO undertaking a project to improve the objections framework (Option C1); and*
- *the additional incremental improvements that could be independently progressed by stakeholders.*

2.9 Option C1 AEMO project to improve Objections Framework

EA supports a minor project by AEMO to consider changes for the transfer objections framework where a particular focus is placed on redefining the existing objection codes so that participants can have a better understanding of the reason for the objection and are better able to resolve the objection. Participant compliance with using the correct objection codes should also be investigated and improved. Emphasis should not be placed on reducing the objection period, as this will likely have the perverse outcome of participants increasing their use of automated, delaying more customer transfers.

We are concerned with the proposal, in the Options Paper, to instigate a thorough review of the objections process, even if it results in system changes. Industry has already invested in the current transfer objections process and it should not be subjected to additional costs based on an assessment that they are only "one-off" costs.

Additional incremental improvements whereby participants voluntarily increase their use of electronic communication to keep customers more informed of their transfer progress as well as utilising SMS messaging to improve site access for special reads are fully supported by EA.

3. Summary

Some of the proposed improvement options appear promising but unfortunately due to the limited time for them to be assessed adequately EA would be concerned if they were presented as recommendations to SCER. Industry should have the opportunity to further investigate and cost these options before they are imposed on the market via rule changes.

This is particularly important when there is no clear evidence of failure in the switching aspect of the market and there is a real risk of imposing more costs that will be avoided with the introduction of new technology smart metering. EA would like to avoid a similar situation that occurred with the SCER recommendation regarding the Demand Response Mechanism. This was proven to be uneconomic but only after AEMO and industry had expended considerable time on detailed design work. This could have been avoided if more time was taken to assess these changes prior to firm recommendations.

We look forward to working with the AEMC, AEMO and industry to investigate these options more to ensure they deliver real value to consumers.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager