

Australian Energy Market Commission

CONSULTATION PAPER

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

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

Rule Proponent
COAG Energy Council

28 April 2016

**RULE
CHANGE**

Inquiries

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au

T: (02) 8296 7800

F: (02) 8296 7899

Reference: ERC0196

Citation

AEMC 2016, Using estimated reads for customer transfers, Consultation Paper, 28 April 2016, Sydney

About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

This work is copyright. The Copyright Act 1968 permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

Contents

1	Introduction	1
1.1	Estimated Reads Rule Change Request	1
1.2	Transfer Accuracy Rule Change Request	1
2	Background	2
2.1	2014 Review of Electricity Customer Switching	2
2.2	Current rules and procedures on the use of estimates	5
2.3	Current provisions on resolution of disputes arising under Metrology Procedures	6
2.4	Current provisions on explicit informed consent.....	6
2.5	Data on time to transfer and meter read types associated with long transfer times .	7
3	The rule change request.....	9
3.1	Issues the rule change request is seeking to address	9
3.2	Solution proposed in the rule change request.....	11
4	Assessment framework.....	13
4.1	Introduction	13
4.2	Proposed assessment criteria.....	14
4.3	Compatibility with consumer protections.....	15
5	Issues for consultation	17
5.1	Reasons why estimated reads are not currently used on transfers.....	17
5.2	Proposed restrictions on transferring on an estimate	18
5.3	Customer's consent to transfer on an estimate.....	19
5.4	Use of estimates for settlement	21
5.5	New estimation methodology for estimates on transfer	22
5.6	New dispute resolution process for disputes relating to the use of estimates on transfer.....	23
6	Lodging a Submission	25
6.1	Lodging a submission electronically	25
6.2	Lodging a submission by mail or fax	25
	Abbreviations and definitions.....	26

A	Appendix	28
A.1	Customer transfer process	28
A.2	Review's proposed process for use of estimated reads for customer transfers	33

1 Introduction

In November 2015, the Council of Australian Governments (COAG) Energy Council submitted two rule change requests to the Australian Energy Market Commission (AEMC): the Estimated Reads Rule Change Request and the Transfer Accuracy Rule Change Request. These rule change requests aim to improve the process by which customers transfer to new retailers, based on recommendations from the AEMC's Review of Electricity Customer Switching, published in April 2014 (Review). This consultation paper relates to the Estimated Reads Rule Change Request.¹

1.1 Estimated Reads Rule Change Request

The Estimated Reads Rule Change Request proposes changes to the rules governing the electricity and retail energy markets to allow small customers with manually read meters to make in-situ transfers to new retailers on the basis of estimated meter reads. The customer's explicit informed consent will be required for the use of estimates in these circumstances. In addition, the customer's previous meter read must have been an actual meter read. The aim of the changes is to decrease the time it takes to transfer to a new retailer, increasing consumer confidence in the transfer process and thereby promoting competition between retailers.

This consultation paper has been prepared to facilitate public consultation on the Estimated Reads Rule Change Request by seeking stakeholder submissions on specific issues arising from the rule change request.

This paper:

- sets out a summary of, and a background to, the rule change request;
- identifies a number of questions and issues to facilitate public consultation on the rule change request; and
- outlines the process for making submissions.

1.2 Transfer Accuracy Rule Change Request

The Transfer Accuracy Rule Change Request proposes two changes: first, to implement an address standard for address data used in customer transfers, in order to reduce transfer errors; and second, to place obligations on retailers to promptly resolve erroneous customer transfers. A separate consultation paper has been prepared in relation to the Transfer Accuracy Rule Change Request, published on the same date as this consultation paper and available on the AEMC website with the reference ERC0195.

¹ Its full name is "Improving the timing of the electricity customer transfer process Rule Change Request." It is available on the AEMC website, www.aemc.gov.au, with the reference ERC0196.

2 Background

This chapter outlines key matters that provide important context to the Estimated Reads Rule Change Request. It covers:

- an overview of the Review;
- a brief summary of existing provisions that are relevant to the changes proposed in the rule change request; and
- analysis of data on transfer times.

The information set out in this chapter is background reading for the remaining chapters in this consultation paper.

2.1 2014 Review of Electricity Customer Switching

The Review had its genesis in the AEMC's 2012 Power of Choice Review.²

The Power of Choice Review identified a maximum timeframe of 65 business days for switching between retailers, which lagged behind many countries internationally.³ The Power of Choice Review therefore recommended to the Standing Council of Energy and Resources⁴ that customer transfer arrangements in the National Electricity Market (NEM) should be reviewed to consider whether and how transfers to new retailers could be made more efficient, better supporting consumer choice.

The terms of reference for the Review required the AEMC to address several aspects of customer transfers. These included current market arrangements, barriers to transfers and potential improvements, and other factors and processes associated with transfers, including the potential impact new technologies (such as smart meters) could have on transfers. In undertaking the Review, the AEMC focused on small customers (households and small businesses) and customers transferring in-situ (without moving address).

The Review concluded that both the timing and accuracy of the customer transfer process could be improved and made six recommendations. The Review's recommendations and the COAG Energy Council's responses are summarised in Table 2.1 below.

2 Full title: *Power of Choice Review - giving consumers options in the way they use electricity*, final report, 30 November 2012.

3 Refer to Figure A.1 and section A.1 in the appendix for further information.

4 A predecessor name to the COAG Energy Council.

Table 2.1 Review recommendations and COAG Energy Council's responses

Recommendation	COAG Energy Council response
Introduce an address standard	Transfer Accuracy Rule Change Request
Confirm and strengthen obligations on retailers to coordinate to resolve erroneous customer transfers	
Confirm that estimated reads are allowed for customer transfers	Estimated Reads Rule Change Request
Cleanse the Market Settlements and Transfer Solutions (MSATS) data	COAG Energy Council request to Australian Energy Market Operator (AEMO), March 2015
Review the effectiveness of the MSATS framework	
Increase monitoring and reporting of transfer statistics	COAG Energy Council considered that this change was not required

The remainder of this section provides a brief discussion of the Review's findings that are relevant to the rule change request.

2.1.1 Findings of the Review in relation to transfer times and estimated reads

The Review made several findings in relation to transfer times and estimated meter reads:⁵

- One of the main reasons for lengthy transfer times was that most transfers were booked to occur on the next scheduled meter read date. As most manually read meters have a quarterly meter reading cycle, the next read could be months away.
- Timeliness could also be further impacted by meter access issues at the property.⁶
- 30 calendar days is a reasonable time period for small customer transfers to be completed.
- Special meter reads, an alternative to waiting for scheduled reads to transfer to a new retailer, may not provide an effective solution in all cases due to the cost of a special meter read.
- The responsible person for providing a meter read (or estimate), typically the distributor, may not be strongly incentivised to ensure timely and accurate meter reads are provided.

⁵ Review pp21-22.

- There appeared to be some confusion as to whether customer transfers could take place on the basis of estimated meter reads in each jurisdiction. This may be one of the reasons why estimated reads for customer transfers are not more widely used.

The Review found that prolonged transfer times had several adverse impacts on customers. Customers who experienced longer than expected transfer times may complain to either retailers or jurisdictional ombudsmen. When the bill was received it may be higher than expected as it related to a longer than usual billing period. A customer's bad experience, through negative word of mouth and media reporting, could disenchant other customers and result in reduced overall confidence in the transfer process and in retail markets more broadly, leading to lower participation in the retail market.⁷

Retailers also face costs in relation to long transfer times. When transfer times were long, the Review found that retailers devoted greater resources to handling queries and complaints from customers who experienced lengthy transfers. The Review noted that handling meter access issues in the MSATS system also involved administrative costs, as the retailer is required to contact both the metering data provider (MDP) and customer to coordinate a new date for a meter read when meter access is available. Excessive costs such as these were identified by the Review as having potentially detrimental impacts on retail competition and new entry to the retail market.⁸

2.1.2 Conclusions of the Review in relation to transfers on estimated reads

The Review recommended that the rules should clarify that estimated reads can be used on transfer, as the use of estimates would facilitate quicker customer transfers. However, the Review concluded that estimated reads should only be used on transfer in certain circumstances, to reduce the chances of disputes arising in relation to the estimated reads:⁹

- the transfer is an in-situ transfer, not a change of address;
- the customer consents to the use of an estimate;
- the customer does not have a remotely read meter; and
- the previous meter read was an actual read.

Please see Appendix section A.1 for further information on the customer transfer process in general, and Appendix section A.2 for further information on the Review's proposed procedure if an estimated read is used.

⁶ This could arise due to workplace health and safety issues such as vicious dogs, or inaccessible meters at a property.

⁷ Review p23.

⁸ Review p23.

⁹ Review pp67-68.

2.2 Current rules and procedures on the use of estimates

Rule 21 in the National Energy Retail Rules (NERR) provides for the use of estimated reads for the purposes of small customers' bills. Bills may be based on estimates if:¹⁰

- the customer consents; or
- the retailer is not able to reasonably or reliably base the bill on an actual meter reading; or
- metering data is not provided to the retailer by the responsible person.

An estimate may be based on:¹¹

- the customer's own read;
- the customer's historical metering data; or
- the average use of energy by a comparable customer over the corresponding period, if no historical metering data is available for the customer.

The retailer is also required to inform the customer that the bill is based on an estimate.¹² A retailer who issues a bill based on an estimate and subsequently issues a bill based on actual meter data must:¹³

- include an adjustment on the later bill to take account of any overcharging that has occurred; and
- generally, if requested by the customer, offer the customer time to pay any undercharged amount in agreed instalments.

On the technical side, AEMO has an important role in establishing estimation methodologies and procedures for their use, as AEMO is responsible for the Metrology Procedures.¹⁴ The NER stipulate that the Metrology Procedures must include procedures on the validation and substitution of metering data and the estimation of metering data.¹⁵ The types of estimation methodologies relevant to this rule change request - those applying to manually read interval (type 5) and accumulation (type 6) meters - are detailed in clauses 3 and 4 of Part B of the Metrology Procedures.¹⁶

10 NERR rule 21(1).

11 NERR rule 21(2).

12 NERR rule 21(3).

13 NERR rule 21(4).

14 National Electricity Rules (NER) rule 7.14.1.

15 NER rules 7.14.1(c)(6)(i) and (ii).

16 The full name is "Metrology Procedure: Part B: Metering data validation, substitution and estimation procedure for metering types 1-7," 15 May 2015. It is available on the AEMO website, www.aemo.com.au.

2.3 Current provisions on resolution of disputes arising under Metrology Procedures

The rule change request proposes to require AEMO to include a dispute resolution process in the Metrology Procedures, for disputes between a retailer and an MDP arising from the use of an estimate for a final bill.

Currently, the Metrology Procedures refer disputes between the MDP and a responsible person to the dispute resolution process set out in an appropriate service agreement, or if there is no such agreement, to the dispute resolution process in rule 8.2 of the NER.¹⁷

Rule 8.2 of the NER provides as follows, in brief:

- the parties must first meet to determine how the dispute is to be conducted, such as by direct discussions between the parties or by mediation;
- if the dispute is not resolved within 20 business days, any relevant party may refer it to the dispute resolution adviser appointed by the Australian Energy Regulator (AER);
- if the adviser is not able to resolve the dispute, the adviser may refer it to a dispute resolution panel, consisting of three members appointed by the adviser from a pool of experts;
- the panel must resolve the dispute within 30 business days (if the dispute is between two parties);
- a written agreement by the parties resolving the dispute, and a determination by the panel, are binding on the parties, and failure to comply with the agreement or determination is a breach of the NER, in respect of which the AER may take action in accordance with the National Electricity Law (NEL).

2.4 Current provisions on explicit informed consent

The rule change request proposes to require a retailer to gain a customer's explicit informed consent to a transfer on an estimate. "Explicit informed consent" is an existing concept in the National Energy Retail Law (NERL).

The NERL provides that certain transactions in the retail market require explicit informed consent from the small customer, including transferring to a new retailer and entering into a market retail contract.¹⁸ The NERL describes explicit informed consent as consent given by a small customer to a retailer where the retailer has clearly, fully and adequately disclosed all matters relevant to the consent of the customer, including each specific purpose or use of the consent, and the customer has given their consent in

¹⁷ Metrology Procedure: Part A, clause 1.11.1(c).

¹⁸ NERL section 38.

writing, verbally or by electronic communication.¹⁹ Retailers must create a record of each explicit informed consent.²⁰ A transaction is void if explicit informed consent was required and was not obtained (including where the retailer cannot provide satisfactory evidence of the consent).²¹

2.5 Data on time to transfer and meter read types associated with long transfer times

We obtained data from AEMO on completion times recorded in MSATS for in-situ transfers of small electricity customers over the three year period from 1 January 2013 to 31 December 2015, across the NEM (excluding Victoria). As the rule change request only relates to customers with manually read meters²² we excluded Victorian data due to the prevalence of advanced metering with remote read capabilities in that jurisdiction.

The MSATS data indicate that a substantial proportion of relevant customers experience long transfer times - approximately half of small in-situ customer transfers take 30 or more calendar days to complete. Specifically, 28 per cent of relevant transfers took between 30 and 60 days to complete, and a further 22 per cent took greater than 60 days.

It is illuminating to examine transfer times broken down by meter read type. When a transfer is initiated in MSATS, a meter read is required and the new retailer chooses an appropriate meter read code. The most relevant meter read types for the purposes of this rule change request are Next Scheduled Read Date, Next Read Date, Special Read, Estimated Read and Consumer Read. These are discussed in more detail in Appendix section A.1.3.

As can be seen below in Figure 2.1, while some transfers associated with all meter read types are completed within 30 days, the majority of transfers where the customer is waiting for the next actual meter read take 30 or more days. Special meter reads correspond to quicker customer transfers with 99.7 per cent completed in less than 30 days, although these reads comprise only 13.5 per cent of all in-situ transfers for small customers with type 5 and 6 meters. Transfers where the customer has a type 4 meter (a remotely read interval meter) also complete more quickly with 70 per cent of small customer in-situ transfers being completed in less than 30 days. There are no instances of transfers taking place on estimates during 2013-2015.

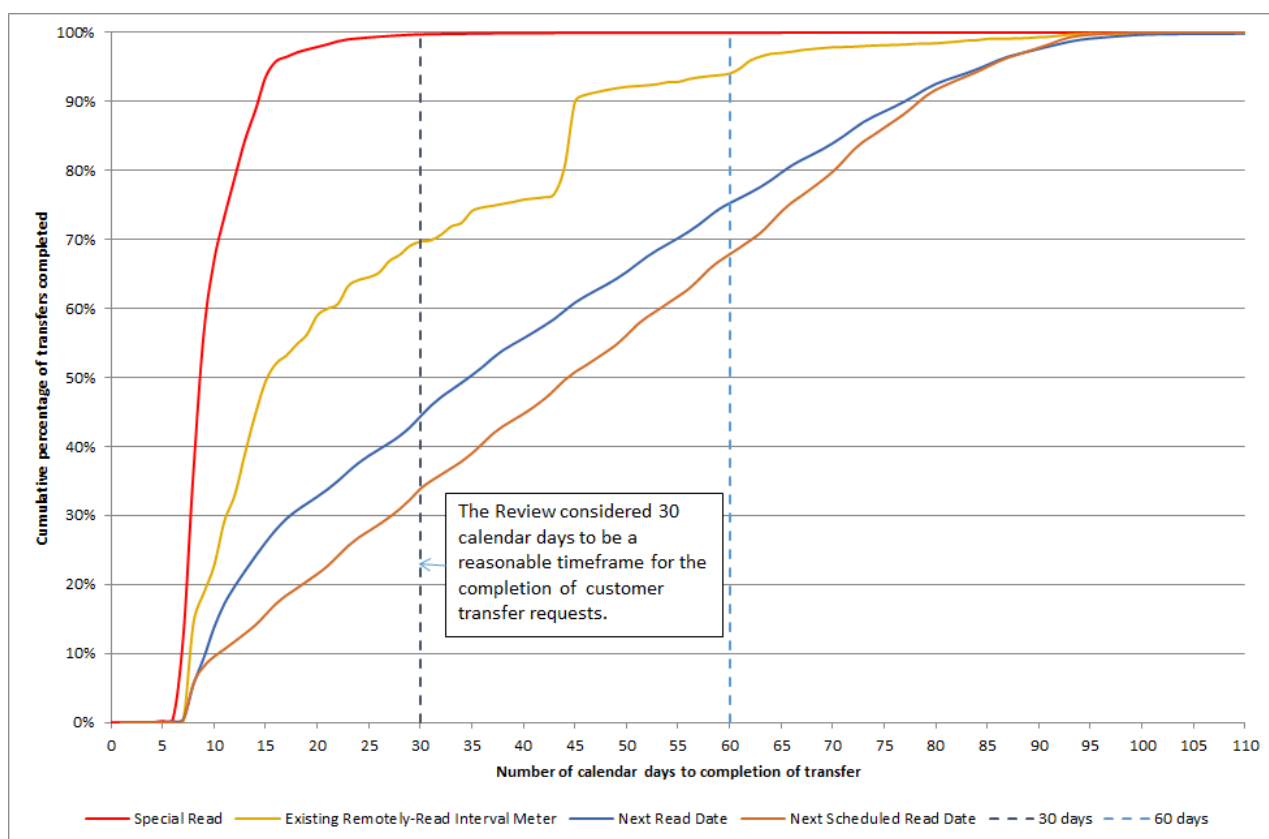
19 NERL section 39.

20 NERL section 40.

21 NERL section 41.

22 Estimated Reads Rule Change Request p19.

Figure 2.1 Cumulative small customer in-situ transfers by meter read type



These figures provide a strong case for the ability of the proposed rule change to reduce transfer times, if under the new rules customers who would otherwise wait until the next meter read elect to transfer on an estimate instead.

Reviewing the correlation between transfer times and objections received during the transfer process can also illuminate some of the reasons for lengthy transfers. Meter access objections accounted for approximately 26 per cent of transfer objections in the MSATS framework from 2013 to 2015.²³ This is a substantial proportion, indicating that an estimated read could be an effective alternative to an actual read as meter access problems would no longer apply.

This is further supported when observing the length of time it takes to resolve objections. In the MSATS system, for all objections (including both large and small customers) from 2013 to 2015, 'No access' objections took an average of 36 days to be confirmed as resolved in MSATS. To give an indication of the impact this has on transfer times in a relative sense, the next two longest objections (that a participant is not approved to operate in the local network service provider area of the customer and contract based objections) took approximately 10 days to resolve.

²³ Please note that this data is not differentiated by jurisdiction and thus includes objections in Victoria, unlike other data reported in this section. As remotely read advanced metering has largely been rolled out in Victoria, there would likely be a downward bias in objections around meter access.

3 The rule change request

This chapter provides an overview of the issues and proposed solutions identified in the Estimated Reads Rule Change Request.

The rule change request states that customer transfer delays adversely impact the retail market as they reduce customers' confidence in the process of transferring to a new retailer, therefore inhibiting retail competition.

The rule change request is particularly concerned with reducing the amount of time it takes for small customers to transfer to new retailers in-situ under the existing framework. To address this issue, the rule change request proposes to allow customers the option to transfer on the basis of estimated reads, rather than waiting for the next scheduled meter read or paying for a special read.

The rule change request proposes to implement this solution by amending both the NERR and the NER. Changes to the NERR are proposed to set conditions in which an estimated read may be used for a customer transfer, and to amend the model terms and conditions for standard retail contracts to allow estimated reads to be used for customer transfers.

Changes to the NER are proposed to provide support for transfers on the basis of estimates. The proposed NER changes require AEMO to set out how estimates for final billing are to be prepared and develop a dispute resolution process for disputes between retailers and MDPs arising from the use of estimates for transfers.

The COAG Energy Council submits that these changes to the rules can reduce delays in the customer transfer process. By making it clear that customers can choose to use estimated reads as a basis for transferring between retailers, the proposed rule change is expected to increase the timeliness of transfers by providing an alternative to waiting for a scheduled read or paying for a special read. The COAG Energy Council also expects it to contribute to lower costs for retailers, with fewer resources spent administering lengthy transfers and fewer resources devoted to complaints to retailers and jurisdictional ombudsmen regarding delayed transfers.

3.1 Issues the rule change request is seeking to address

The rule change request notes the Review's conclusions that 30 calendar days is a reasonable timeframe for customer transfers to complete.²⁴ Although a majority of transfers in the NEM are completed within 30 days, the rule change request cites findings presented in the Review that a substantial proportion of customer transfers took 30 or more calendar days to be completed, with 10 per cent taking over 60 days.²⁵

²⁴ Estimated Reads Rule Change Request p8. It notes that this timeframe is consistent with transfer times in other countries similar to Australia.

²⁵ Estimated Reads Rule Change Request pp8-9.

The rule change request puts forward several factors that tend to lengthen transfer times for manually read meters. They can be summarised as:²⁶

- waiting to transfer based on the next scheduled meter read, which could be months away given the typical quarterly meter reading cycle;
- a reluctance by the customer or retailer to pay for a special meter read instead of waiting for the next scheduled meter read; and
- meter access issues at the property (this is a common issue that applies to both scheduled and special meter reads).

Lengthy customer transfer times can impose costs on the customer, the retailer and the broader market.²⁷

Impacts on customers	Impacts on retailers
<p>Affected customer has reduced confidence in the transfer process and in the retail market generally.</p> <p>This can lead to reduced participation in the retail market by other customers (through customers' word of mouth and media reporting of negative experiences with the transfer process).</p>	<p>Increased administrative costs, as retailers are required to respond to:</p> <ul style="list-style-type: none"> • queries and complaints from customers regarding transfer delays, including complaints to ombudsmen; and • 'no access' objections raised in the MSATS transfer process when a meter read cannot be completed due to access issues. The retailer is required to contact both the customer and the MDP to coordinate a new time when access to the meter can be provided. <p>Increased administrative costs to secure new customers could undermine retail competition and the entry of new retailers into the market.</p>

The rule change request recognises that not all small customers are affected by these issues. Customers who have remotely read meters (such as most customers in Victoria) do not experience the same delays in transfers as meters can be read remotely at any time. However, as a large majority of small customers in the NEM remain on manually read meters, the rule change request considers that there are benefits from providing such customers an option to transfer more quickly.²⁸

Estimated reads are highlighted by the rule change request as a useful alternative to an actual meter read (either a scheduled or special read) as they do not require meter access and there is no additional charge for the service. The MSATS system already allows for the use of estimated reads and so the use of estimates for final billing and transfer will not require significant changes to the system.

²⁶ Estimated Reads Rule Change Request pp9-10.

²⁷ Estimated Reads Rule Change Request p10, citing the Review.

²⁸ Estimated Reads Rule Change Request p10.

3.2 Solution proposed in the rule change request

The rule change request argues that a new provision clarifying when and how estimated reads can be used for customer transfers will help reduce customer transfer times. This solution to the issue described in the previous section will take effect through changes to the NERR and the NER. The proposed changes are described in the following two sections.

3.2.1 Changes to the NERR

The current regulatory framework does not prohibit small customer transfers taking place based on estimated reads. However, there is confusion as to whether transfers on estimates are allowed and how estimates would work in the context of a transfer.²⁹

The rule change request suggests an amendment to rule 21 of the NERR ("Estimation as a basis for bills"), and the inclusion of a new rule headed "Final bill for transferring small customer may be based on estimation," to make explicit that a small customer can transfer on the basis of an estimated read.

However, the rule change request proposes to limit the circumstances in which this can take place. A transfer on an estimate could occur where all of the following conditions are met:³⁰

- the transfer is in-situ (does not involve a move of address);
- the customer provides explicit informed consent to the transfer being based on an estimated read;
- the meter at the customer's property is a manually read meter; and
- the immediately prior meter reading was an actual meter reading.

Under the proposed rule, if the final read for an outgoing retailer is an estimated read, the outgoing retailer will not be required to repay any overcharged amount or receive any undercharged amount from the customer.³¹ But across the last bill from the outgoing retailer and the first bill from the new retailer, the customer will always pay only for the amount of energy they actually consume. An overestimate of energy use at

²⁹ Estimated Reads Rule Change Request p11, citing the Review. Confusion may occur in part because, although estimates are currently permitted, NERR rule 21(4) provides for corrections on the next meter read (with adjustments in the bill for overcharging or undercharging) and it is not clear how this would take place if the customer has transferred to a new retailer. The proposed rule change seeks to address this.

³⁰ Estimated Reads Rule Change Request p3, p19.

³¹ The Estimated Reads Rule Change Request proposes (p18) that NERR rule 21(4) will not apply where a final bill is based on an estimated read.

the time of transfer would be reflected in a lower first bill from the new retailer (and vice versa for underestimates).³²

The proposed changes would affect the process of customer transfer. If the customer consents to a bill being issued based on estimated data, the customer's original retailer must issue a bill based on estimated data relying on evidence of customer consent provided by the new retailer to whom the customer is transferring. For final and ongoing billing, both of these retailers must use the same estimated meter reading, to be determined using methodology set out in AEMO's metrology procedure and MSATS procedures.³³

There are also proposed changes to the model terms and conditions for standard retail contracts, to provide that a final bill can be based on an estimate and the customer will not be repaid any overcharged amount by the outgoing retailer or be required to repay to the retailer any underpaid amount when the new retailer obtains the next actual read for the premises. The new rule would also apply to market retail contracts.³⁴

3.2.2 Changes to the NER

The rule change request also proposes changes to the NER in relation to the use of estimated reads for customer transfers.

AEMO would be required to amend the Metrology Procedures to ensure they support the use of estimated reads for customer transfers. These changes would cover:³⁵

- establishing a new procedure for the estimation of metering data for the purposes of a final bill for a transferring customer; and
- establishing a dispute resolution process for disputes between a retailer and an MDP arising from the use of an estimate for a final bill.

AEMO would also be required to consider, develop and publish any consequential amendments to the MSATS Procedures necessary as a result of all the other changes described in this section.³⁶

³² This could be done through changes to the Metrology Procedures that set out how the incoming retailer's first bill to the new customer (based on an actual read) would be calculated, for type 5 (interval) and type 6 (accumulation) meters, taking into account the new actual read, the estimated figure used on transfer, and the previous actual read.

³³ Estimated Reads Rule Change Request p3, p19.

³⁴ Estimated Reads Rule Change Request p20.

³⁵ Estimated Reads Rule Change Request p22.

³⁶ Estimated Reads Rule Change Request p23.

4 Assessment framework

4.1 Introduction

4.1.1 Requirement to consider objectives

In assessing the Estimated Reads Rule Change Request, the AEMC must consider:

- whether the proposed changes to the NER promote the National Electricity Objective (NEO);³⁷ and
- whether the proposed changes to the NERR promote the National Energy Retail Objective (NERO) and are compatible with the development and application of consumer protections for small customers.³⁸

The AEMC can make changes to the NER and the NERR that are different from the changes proposed in the rule change request if the AEMC is satisfied that its changes will or are likely to better promote the NEO and the NERO than the changes proposed in the rule change request.³⁹

This chapter sets out the NEO and the NERO and the AEMC's proposed framework for assessing whether the rule change request promotes those objectives, or whether there are other changes that better promote those objectives. This framework is similar to the assessment framework proposed for the Transfer Accuracy Rule Change Request, as both rule change requests seek to improve the customer transfer process.

4.1.2 The objectives

The NEO is:⁴⁰

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to -

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

The NERO is:⁴¹

³⁷ NEL section 32.

³⁸ NERL sections 236(1) and (2).

³⁹ NEL section 91A and NERL section 13.

⁴⁰ As set out in NEL section 7.

⁴¹ As set out in NERL section 13.

“to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.”

In addition, under the NERL the AEMC must, where relevant,⁴²

“satisfy itself that the Rule is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers.”

This is referred to as the consumer protection test.

The AEMC is also required to have regard to any relevant Ministerial Council on Energy (MCE) statements of policy principles,⁴³ but there are currently no relevant MCE statements.

4.2 Proposed assessment criteria

The AEMC proposes to use the following criteria to assess whether allowing estimated meter reads to be used for the purpose of in-situ customer transfers between retailers promotes the NEO and the NERO:

- Will this change promote competition in the retail electricity market?
- Will this change promote transparency and certainty of supporting legal frameworks?
- Will this change have a disproportionate regulatory and administrative burden?

The following sections outline how we intend to approach our assessment of each of these criteria.

4.2.1 Promoting competition

The AEMC will consider whether reducing the time it takes to transfer to a new retailer, by allowing a final bill to be based on an estimated read rather than waiting for the next meter read where the customer consents, will promote customer confidence in the transfer process and support customers in exercising choice. Consumer participation in the market - particularly by changing (or threatening to change) retailers - is a fundamental driver of competition.

Where competition is effective, retailers will have strong incentives to provide products and services that consumers value and set prices that reflect costs. They will also seek out ways to provide products at the best possible price and invest and

⁴² NERL section 236(2)(b).

⁴³ NEL section 33 and NERL section 236(2)(c). The MCE is now known as the COAG Energy Council.

innovate to meet changing consumer preferences. Retailers that do not effectively compete in this way risk losing profits and being forced to exit the market. Given the importance of competition in driving efficient outcomes in markets, and hence in promoting the long-term interests of consumers under the NEO and NERO, a key consideration of the AEMC in assessing this rule change request is the degree to which the proposed rule is likely to promote competition between retailers.

4.2.2 Transparency and certainty of legal frameworks

The legal framework relating to transferring to a new retailer should be clear and understandable for all participants. Such transparency is integral to consumer confidence and engagement in the market.⁴⁴

Although in-situ transfers to a new retailer on the basis of an estimated read are not prohibited under the current rules, it is not clear how the current requirements for retailers to correct for any overcharging that arose from the estimation, in the bill following the next actual meter read,⁴⁵ would operate where the retailer has changed. This may be one of the reasons why estimated reads are not currently used on transfers. Greater clarity about how estimated reads would work in the circumstances of a change of retailers would be beneficial for both retailers and consumers.

The AEMC will also consider how to ensure consumers will have sufficient relevant information to inform the decision as to whether to transfer on the basis of an estimated read (rather than waiting for the next actual read).

4.2.3 Regulatory and administrative burden

Would the implementation or operation of the proposed rules result in a disproportionate regulatory or administrative burden on market participants, compared to the benefits of the proposed rules? Any new provisions should be simple and practicable from a consumer's perspective. From the perspective of businesses, the new rules should be simple and should be the minimum necessary to achieve their intended objectives. If regulation is excessive or complex, it increases costs for businesses, which are likely to be passed through to consumers in the form of higher prices.

4.3 Compatibility with consumer protections

In simple terms, the consumer protection test can be interpreted as: Can the proposed rule changes be made without causing problems for, or conflicting with, the development and application of consumer protections for small customers?

⁴⁴ As discussed above, consumer participation in the market promotes retail competition and hence efficiency, which is the principal consideration in the NEO and NERO when determining what is in the long-term interests of consumers.

⁴⁵ NERR rule 21(4).

The "application" of consumer protections relates to consumer protections as they currently exist and as they are presently applied, both within and outside the energy rules. More specifically, would the proposed changes allowing the use of estimated reads impede currently applicable consumer protections, such as those relating to the accuracy of customer bills, or are they consistent with such protections?

Considering the "development" of consumer protections requires a forward-looking assessment. Are the proposed changes likely to be compatible with the future legislative development of consumer protections, and with consumer protections that may be developed through other regulatory avenues, such as judicial decisions?

The AEMC will consider whether the proposed new rules are compatible with the development and application of:

- relevant consumer protections within the NERL and NERR;
- consumer protections under the general law, including the Australian Consumer Law;
- consumer protections under retail energy laws and regulations of jurisdictions participating in the National Energy Customer Framework (NECF); and
- relevant consumer protections under energy laws and regulations of Victoria.⁴⁶

⁴⁶ The AEMC is not required to take into account the consumer protections specific to non-NECF jurisdictions (that is, Victoria), as the proposed changes to the NERR would only apply in those jurisdictions that have implemented the NECF. However, Victorian consumer protections may have some relevance insofar as they indicate potential directions for the development of consumer protections in NECF jurisdictions.

5 Issues for consultation

This chapter identifies a number of issues for consultation relating to the proposal to allow small customers to transfer to new retailers based on an estimated meter read. The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the Estimated Reads Rule Change Request or this consultation paper including the proposed framework.

5.1 Reasons why estimated reads are not currently used on transfers

As discussed in section 2.5, transfers taking 30 days or more are still very common, at approximately 50 per cent of the total number of in-situ small customer transfers (excluding customers in Victoria). Almost all of the transfers that took 30 days or more were transfers where the retailer and customer waited until the next meter read to transfer (rather than paying for a special read or having an estimated read).

This raises the question: why are estimates not used on transfer currently, to avoid waiting for the next meter read date? Use of estimates in connection with in-situ transfers is not currently prohibited,⁴⁷ and it appears that in many cases using estimates could significantly improve transfer times (not least by avoiding meter access issues) and/or avoid the costs of a special read. It seems likely that the completion times for transfers on an estimate would be similar to those for transfers on a special read (approximately 95 per cent are completed within 15 days),⁴⁸ or even quicker as there would be no meter access issues. However, AEMO data shows that no transfers took place on the basis of an estimated read during 2013-2015.

One of the issues may be that it is not clear how the current requirements for retailers to correct for any overcharging that arose from the estimation, in the bill following the next actual meter read,⁴⁹ would operate where the retailer has changed. Issues of this nature may lead to customer disputes, which are expensive for retailers to resolve.

Any changes to the rules regarding the use of estimated reads on transfer must address the reasons why such reads are not currently used.

Question 1	Reasons why estimated reads are not currently used on transfers
-------------------	--

- | | |
|------------|---|
| (a) | Are consumers aware of the ability to transfer on an estimate, and if so, why are they reluctant to do so? |
| (b) | Why are retailers reluctant to initiate a transfer based on an estimated |

⁴⁷ Rule 21(1) in the NERR allows bills to be based on estimates in certain situations, including where the customer consents. CATS Procedure Table 4-N shows that the meter read type code "Estimated Read" can be used with the general transfer code 1000, "Change Retailer."

⁴⁸ See Figure 2.1 in chapter 2 for more details on transfer times.

⁴⁹ NERR rule 21(4).

read? Does this reluctance stem from difficulties with the requirement to correct any overcharging in the next bill, and the potential for disputes to arise regarding this process, or are there other factors? Are there different reasons for this reluctance for the incoming retailer in a transfer, compared to the outgoing retailer?

5.2 Proposed restrictions on transferring on an estimate

The rule change request proposes to allow a customer to transfer on the basis of an estimated read only if all of the following conditions are met:

- the customer is remaining at the same premises;
- the customer has consented to the final bill being based on an estimate;
- the customer's meter is a manually read meter; and
- the immediately prior meter reading was an actual meter reading.⁵⁰

These conditions are based on recommendations in the Review, and are designed to ensure that consumers are protected, and the potential for disputes minimised, by allowing estimates only in appropriate circumstances. The two key features are that transferring on an estimate would be an additional option for consumers, not mandatory (issues relating to consent are discussed further below), and that the customer has recently had an actual meter read, avoiding the situation where there are several sequential inaccurate estimates followed by bill shock when an actual read occurs.

Although important, these restrictions may increase the costs of system changes necessary to support transfers on estimates - for example, retailers will need to implement systems to ensure that estimates are not offered when the customer's previous meter read was not an actual read. In addition, these restrictions may reduce the extent to which the new rule cuts transfer times, by reducing the number of transfers for which an estimate can be used (compared to an alternative rule that does not require the previous meter reading to be an actual meter reading, for example). If these impacts are substantial some changes to the restrictions could be considered, particularly given that there is a finite period in which the rule change would be effective in reducing transfer times. This period would end when all customers in the NEM have remotely read meters, which obviate the need for estimates as the meters can be read remotely at any time.⁵¹

⁵⁰ Estimated Reads Rules Change Request p3, p19.

⁵¹ There will be a gradual, market-led roll-out of remotely read advanced meters across the NEM commencing in late 2017, as a result of the package of changes to the NER and NERR to expand competition in metering and related services. These rule changes were issued on 26 November 2015 and will become effective on 1 December 2017. The new rules and related information are available on the AEMC website at:
<http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv#>.

Question 2 Proposed restrictions on transferring on an estimate

- (a) Are the proposed restrictions on the use of estimates on transfer sufficient to overcome the consumer and retailer issues identified in answers to Question 1 above?**
- (b) If not, what additional restrictions or protections are required?**
- (c) Are there any changes to the proposed restrictions that would improve the effectiveness of this proposed rule in reducing transfer times, without sacrificing consumer protections?**
- (d) Are there any changes to the proposed restrictions that would reduce the costs of implementing the proposed rule, without sacrificing consumer protections?**

5.3 Customer's consent to transfer on an estimate

The rule change request proposes to require a particular kind of customer consent to the use of estimates on transfer: explicit informed consent.⁵² This is more stringent than the current rule, which allows bills to be based on estimates if the customer consents.⁵³

As discussed in section 2.4, the NERL sets out the nature of explicit informed consent, how customers may give it, how retailers must record it, and the consequences if it is not correctly obtained and recorded.⁵⁴ Consideration should be given to which aspects of the explicit informed consent regime set out in the NERL should apply in the context of transfers on estimated reads, and how these provisions would operate in practice.

5.3.1 Matters relevant to consent

The rule change request appears to envisage that, in relation to a final bill being based on an estimated read, the retailer has "clearly, fully and adequately disclosed all matters relevant to the consent of the customer."⁵⁵ Rule 46A in the NERR specifies (without limitation) certain matters that are relevant to the consent of the customer in relation to entry into market retail contracts, and it would be possible to include a similar provision in relation to matters relevant to consent to final bills on estimates.

⁵² Estimated Reads Rules Change Request p12, p19.

⁵³ NERR rule 21(1)(a). Under rule 21, instead of requiring a high standard of consent for estimates, consumers are protected by rule 21(4) which requires retailers to adjust for any overcharging.

⁵⁴ NERL sections 38-41.

⁵⁵ NERL section 39(1)(a).

Question 3 Matters relevant to consent to transfer on an estimate

- (a) In the interests of clarity and certainty, should the NERR specify the matters the retailer must disclose to the customer that are relevant to the consent of a customer to a final bill based on an estimate?
- (b) If so, what matters should be included? Potential matters include the bases on which an estimate may be prepared, and the fact that, while the estimate will not be replaced with an actual read, the customer will only be charged for the energy they consume (as between the last bill from the old retailer and the first bill from the new retailer).

5.3.2 How retailers should record and communicate customer consent

It is likely that a customer would decide to transfer to a new retailer in the course of a telephone call with that retailer or through the new retailer's website. At that time the customer could give their explicit informed consent to the use of an estimate for their final bill, based on information provided by the retailer over the phone or on the website (as applicable).⁵⁶ The new retailer will then need to inform the original retailer that the customer wishes to transfer and has consented to the use of an estimate. The rule change request states that in relation to a transfer based on an estimated read:⁵⁷

“Explicit informed consent is to be given to the winning retailer but is intended to be binding as it regards the losing retailer.”

Therefore, the new retailer should document the customer's consent in such a way that the original retailer is able to rely on the accuracy of the new retailer's statements, and, if later requested by the customer, produce a record of the customer's consent.⁵⁸

Question 4 Record of customer's consent to transfer on an estimate

- (a) Should the proposed rule include a requirement for the new retailer to provide the old retailer a record of the customer's explicit informed consent to the use of an estimate that complies with the requirements of sections 39 and 40 of the NERL?
- (b) If so, how should that record be provided? Would the Business to Business (B2B) Procedures provide an appropriate framework for providing consent records?

⁵⁶ This could be done in the same way in which retailers currently gain customers' explicit informed consent to transfer and enter into new market retail contracts.

⁵⁷ Estimated Reads Rules Change Request p12.

⁵⁸ NERL section 40(3) provides that a retailer must, on request by a customer, provide the customer with access to a copy of the record of explicit informed consent. This record-keeping requirement may be helpful in reducing disputes as to whether or not the customer consented.

5.3.3 Consequences of using an estimate without consent

The NERL provides that a transaction between a retailer and a small customer that requires explicit informed consent is void if the customer asserts that consent was not obtained and the retailer cannot produce a satisfactory record of the informed consent.⁵⁹ Where a customer has consented to a transfer to a new retailer, but did not agree to the use of an estimate for the final bill, it is unclear how it would be possible to void the use of the estimate. It may not be appropriate to void the entire transfer (returning the customer to the retailer they wished to leave) merely because there was no consent to the estimate.

Question 5 Consequences of using an estimate without consent

If a customer's final bill is based on an estimate, and the customer gave explicit informed consent to the transfer to a new retailer but did not consent to the use of an estimate for the final bill, what should the consequences be for the customer, the old retailer and the new retailer? Is it appropriate for the transfer to become void or would some other remedy better serve the customer?

5.4 Use of estimates for settlement

Allowing the use of an estimated read on transfer as proposed in the rule change request will mean that the same estimated energy usage figure is used in all of the following circumstances:

Retail market	The final bill by the outgoing retailer to the customer, and the first bill by the new retailer to the customer. The customer will pay the retailers based on this figure. There is no requirement to replace the estimate with an actual meter reading. ⁶⁰
Wholesale market	Payments by each retailer to generators (through AEMO's settlement process) for the amount of energy consumed by the customer.
Other payments by retailers	Payments by each retailer for other charges based on energy purchases, such as network charges, feed-in tariffs, Renewable Energy Certificate (REC) obligations, and other ancillary charges. ⁶¹

While it is possible that (for example) an estimated read underestimated the amount of energy a customer used in the period between the last actual meter read and the transfer date, the outgoing retailer should not be materially worse off because that

⁵⁹ NERL sections 41(1) and 41(2).

⁶⁰ Estimated Reads Rule Change Request p19.

⁶¹ For example, REC liability is calculated based on the amount of energy a retailer purchases from AEMO, using metering data used for AEMO settlement statements (Renewable Energy (Electricity) Regulations 2001 (Cth), s21). The estimated energy usage figure would be used in AEMO settlement statements so it would be reflected in the retailer's REC liability.

same underestimate will also be used in calculating the retailer's wholesale market charges and other usage-based charges.⁶²

Accepting an estimate in place of an actual meter read is already established practice in some circumstances, for example when transferring customers to a Retailer of Last Resort.⁶³ In MSATS terminology, the estimate will be a "final substitution."⁶⁴

Question 6 Use of estimates for settlement

- (a) What, if any, issues would be raised by the use of an estimated read (not corrected by an actual read) for a final bill with retail billing, wholesale market settlement or other payments made by retailers, for example network charges, feed-in tariffs, REC obligations, and market and ancillary charges?**
- (b) What, if any, substantial changes to the systems or procedures of AEMO, retailers, MDPs or others would be required to address these issues?**
- (c) How would the costs of implementing the changes referred to in Question 6 (b) compare to the savings to retailers and customers from reduced payments to MDPs for special reads on transfer and from reduced administrative costs (including those in relation to meter access issues) relating to long transfer times?**

5.5 New estimation methodology for estimates on transfer

The rule change request proposes to require AEMO to consult on, develop and publish a procedure for the estimation of metering data for the purposes of preparing a final bill upon transfer. In doing so, AEMO is to have regard to the accuracy and cost of the procedure, and its consistency with the MSATS and the current metrology procedure. The aim is to reduce the likelihood that an estimated meter read would be significantly different from an actual read for a customer.⁶⁵

The rule change request proposes that the current rules on the permissible bases for estimates (the customer's reading, historical metering data for the customer, or average usage by a comparable customer)⁶⁶ would not apply to estimates for a final bill on

⁶² Customers would also be protected from overcharging arising from an overestimate because, as discussed in section 3.2.1, there will be a corresponding reduction in the first bill from the new retailer.

⁶³ AEMO Metrology Procedure Part B (v5.30, 15 May 2015), chapter 15 ("Substitution Reads for Transfer").

⁶⁴ AEMO Metrology Procedure Part B (v5.30, 15 May 2015), clause 1.7.1(d): "For substitutions that are of a permanent or final nature and subject to clause 1.7.3, the metering data would not be replaced by actual metering data at any time."

⁶⁵ Estimated Reads Rules Change Request p12, p22.

⁶⁶ NERR rule 21(2).

transfer, on the grounds that it is preferable that AEMO has the discretion to consider the practicalities of different sources of information.⁶⁷

Question 7 New estimation methodology for estimates on transfer

- (a) In the context of preparing estimates for final bills for in-situ transfers, are the current estimation methodologies set out in AEMO's metrology procedures sufficient or is a new methodology necessary?**
- (b) Should the rules include any general principles regarding the new estimation methodology, for example that customer reads should be given priority, where available?**

5.6 New dispute resolution process for disputes relating to the use of estimates on transfer

The rule change request proposes to require AEMO to amend the metrology procedure to set out a dispute resolution process for disputes between a retailer and an MDP arising from the use of estimates on transfer. The procedure would specify the circumstances in which a retailer is permitted to dispute an estimation of metering data.⁶⁸

The rule change request also proposes to include a provision in the NERR that a retailer may only dispute an estimate if the retailer would suffer significant financial consequences, and in accordance with the relevant metrology procedure.⁶⁹ These provisions appear to be based on the recommendations in the Review that retailers only be permitted to dispute estimated reads where they consider that the estimate is incorrect by more than 200 kWh (approximately \$50). The Review stated that the retailer would dispute the estimated read through the MSATS process, and AEMO would then determine the appropriate estimated read to be used in the transfer by applying the new estimation methodology.⁷⁰

However, the Review also stated that retailers should be largely indifferent as to whether estimates or actual reads are used on transfer, as the same figure (whether it is an estimate or an actual read) will be used by both the original and new retailers for customer billing and for wholesale market settlement.⁷¹ Therefore, there may be no need to include a special dispute resolution process solely for estimated reads, as few disputes may arise.

⁶⁷ Estimated Reads Rules Change Request p12, p18.

⁶⁸ Estimated Reads Rules Change Request p22.

⁶⁹ Estimated Reads Rules Change Request p19. It is not clear how this restriction would be interpreted or enforced.

⁷⁰ Review p40. The 200kWh limit is drawn from New Zealand law.

⁷¹ Review p40.

If any disputes on estimates do arise, they could be addressed under the existing dispute resolution procedures. The metrology procedure currently refers disputes between MDPs and responsible persons regarding any matter associated with the metrology procedure to the dispute resolution process set out in an appropriate service agreement, or if there is no such agreement, to the dispute resolution process in rule 8.2 of the NER.⁷² This dispute resolution process is outlined in section 2.3 of this consultation paper.

It is not clear, therefore, whether a new dispute resolution process is required and, if so, whether AEMO is the appropriate body to determine that process.

Question 8 Dispute resolution process for disputes relating to the use of estimates on transfer

- (a) Is a new dispute resolution process required for disputes arising from the use of estimates on transfer, or should existing dispute resolution procedures in rule 8.2 of the NER be used?
- (b) If a new dispute resolution process is required, should it follow the outline given in the Review, where the retailer would dispute the estimated read through the MSATS process, and AEMO would then determine the appropriate estimated read to be used in the transfer by applying the new estimation methodology?
- (c) If an estimate is taken through a dispute resolution process, should a materiality threshold be imposed, below which changes to the estimate determined by the MDP would not be made? For example, if on review the estimate determined by AEMO is less than 200 kWh different from the estimate originally determined by the MDP, should the MDP's estimate be retained? This would be one way to restrict the number of estimates that are disputed.
- (d) As an alternative to disputing an estimate through a dispute resolution process, should a retailer that objects to an estimate be permitted to arrange a special meter read (at its cost)?

⁷² AEMO, Metrology Procedure: Part A, National Electricity Market (v5.30, 15 May 2015), clause 1.11.1(c).

6 Lodging a Submission

The AEMC invites written submission on the Estimated Reads Rule Change Request.⁷³ Lodge submissions online or by mail by 9 June 2016 in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the AEMC's guideline for making written submissions on rule change requests.⁷⁴ The AEMC publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Lily Mitchell on (02) 8296 7809.

6.1 Lodging a submission electronically

Lodge electronic submissions online via the AEMC's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code ERC0196. The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receiving the electronic submission, the AEMC will issue a confirmation email. If the submitter does not receive this confirmation email within three business days, contact Lily Mitchell to ensure the submission has been delivered successfully.

6.2 Lodging a submission by mail or fax

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. Send the submission by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

The envelope must be clearly marked with the project reference code: ERC0196.

Alternatively, send the submission by fax to (02) 8296 7899.

Unless the submission has also been received electronically, upon receiving the hard copy submission the AEMC will issue a confirmation letter.

If the submitter does not receive a confirmation letter within three business days, contact Lily Mitchell to ensure the submission has been delivered successfully.

⁷³ The AEMC published a notice under section 95 of the NEL and section 251 of the NERL to commence and assess this rule change request.

⁷⁴ This guideline is available on the AEMC's website.

Abbreviations and definitions

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
B2B	Business to Business
CATS	Consumer Administration and Transfer Solution
CATS Procedure	MSATS Procedures: CATS Procedure Principles and Obligations, AEMO, 1 July 2014, v4.1
COAG	Council of Australian Governments
DNSP	Distribution Network Service Provider
Estimated Reads Rule Change Request	Rule change request titled "Improving the timing of the electricity customer transfer process" submitted by COAG Energy Council to AEMC in November 2015
FRMP	Financially Responsible Market Participant
MCE	Ministerial Council on Energy (now known as the COAG Energy Council)
MDP	Metering Data Provider
MSATS	Market Settlement and Transfer Solution
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NMI	National Metering Identifier
REC	Renewable Energy Certificate as defined in the <i>Renewable Energy (Electricity) Act 2000</i> (Cth)

Review	Review of Electricity Customer Switching, published by AEMC in April 2014
Transfer Accuracy Rule Change Request	Rule change request titled "Improving the accuracy of the customer transfer process" submitted by COAG Energy Council to AEMC in November 2015

A Appendix

A.1 Customer transfer process

This section describes the existing customer transfer process and explains how the process operates in practice.

At a high level, customer transfers comprise five steps. Table A.1 provides a summary of these steps, and each step is discussed in more detail in the following sections. Some of the steps apply to small customers only.

Table A.1 Key steps in the customer transfer process for small customers

Step	Description
Step 1: Customer decides to transfer to new retailer	Involves contacting retailers directly or going through third parties to initiate a switch
Step 2: New retailer gains information from the customer	Confirming address and NMI of the customer
	Customer provides explicit informed consent
	Customer has 10 business day cooling-off period
Step 3: MSATS customer transfer process commences	Enter read codes into MSATS
	Objection period begins - five business days to lodge an objection from the initiation of the transfer request
	Objection response period runs for 20 business days from the initiation of the transfer request
Step 4: Billing and market settlement with outgoing retailer	The customer's meter is read
	Losing retailer reconciles meter data received
	Upon validation and reconciliation, final bill is prepared for small customer
Step 5: Customer transfer completes, and winning retailer becomes financially responsible market participant (FRMP)	New retailer commences selling electricity to customer

A.1.1 Step 1: Customer decides to transfer

The customer transfer process commences with a customer deciding to transfer to a new retailer. Customers may seek new retailers for various reasons. This may include seeking out a better deal, product or customer service offering from their retailer. In jurisdictions where the NECF has been adopted⁷⁵ the NERL and NERR contain minimum requirements that must be met by retailers and distributors in their interaction with customers seeking to switch retailers.

Customers can initiate this process in various ways. Broadly speaking they can either contact a retailer directly or initiate through a third party. For the former method, customers have two options:

- comparing retailer offers through the AER's Energy Made Easy price comparison website, which leaves it up to the customer to contact their preferred retailer; or
- contacting retailers directly to enquire about and change between products.

For the latter method, which leaves the responsibility for contacting the relevant retailer to the third party, there are:

- third party commercial price comparator websites where the products can be selected on the website;⁷⁶ or
- large scale consumer campaigns, such as "One Big Switch"⁷⁷ which use aggregated customer transfer power to negotiate retailer discounts on behalf of consumers.

A.1.2 Step 2: Retailer gains information from customer

At step 2, the new retailer initiates the customer transfer process. This involves several activities. Firstly, the retailer asks the customer for their address or NMI (it is set out on electricity bills) and then confirms the address and NMI of the customer on MSATS. As this involves matching separate databases where different customer data are held, any address discrepancies can delay the customer transfer. Secondly, the retailer must obtain the customer's explicit informed consent to the transfer and the entry into a new market retail contract.⁷⁸ After the customer is given specified information about the contract, there is a cooling-off period of 10 business days.⁷⁹ During this period, the customer can withdraw from the contract (and is no longer bound by it). It is common

⁷⁵ The NECF currently applies in all jurisdictions except Victoria.

⁷⁶ One such example is iSelect. See www.energy.iselect.com.au/electricity for further information. When applying, iSelect acts as an intermediary and houses an application on its website.

⁷⁷ See: www.onebigswitch.com.au

⁷⁸ NERL sections 38(a) and (b).

⁷⁹ NERR rule 47.

practice that the winning retailer initiates the customer transfer process in MSATS after the end of the cooling-off period.⁸⁰

A.1.3 Step 3: MSATS customer transfer process commences

Step 3 involves the new retailer initiating the transfer in the Consumer Administration and Transfer Solution (CATS) system, which is part of MSATS. A transfer request is raised by entering a relevant change request code⁸¹ for the customer's NMI no later than two days after the end of the cooling-off period. The new retailer must also select the meter read type on which the customer will be transferred, which then informs the effective transfer date in MSATS. The meter read codes set out in the following table are most relevant for the purpose of this rule change request.

Table A.2 Relevant types of meter reads⁸²

Meter read type	Comments
Next Scheduled Read Date	The customer transfers to their new retailer at the next scheduled read date and no additional read of the customer's meter is required. Next scheduled reads tend to correspond to the longest customer transfer times. MDPs are obliged to use reasonable endeavours to collect metering data every three months for customers with manually-read meters. ⁸³
Next Read Date	The customer's transfer will be on the date when the meter is next read. This code encompasses situations when it is likely that the MDP may be required to undertake work at the premises prior to the next scheduled read.
Special Read	The MDP is requested to arrange a special meter read for the transfer. Retailers commonly use this option when a scheduled read has occurred recently and the retailer wishes to secure the new customer before the next scheduled meter read. If the customer requests a special read, retailers may charge the new customer. ⁸⁴ This only applies to manually read interval (type 5) and accumulation (type 6) meters.
Estimated Read	One of the less commonly used meter read type codes where no actual read is taken for the customer transfer to take effect. The MDP estimates a read in accordance with Metrology Procedures and jurisdictional requirements.

⁸⁰ There are no prohibitions against initiating a transfer request during the cooling-off period other than in Victoria. Change requests must not be completed during the cooling-off period and are required to be initiated no later than two business days after the conclusion of the cooling-off period. See CATS Procedure clauses 2.3.(b) and 2.3(c). Currently Victoria requires the transfer request in MSATS to be raised following the completion of the cooling-off period. See clause 4.1 of the Victorian Electricity Customer Transfer Code, April 2011.

⁸¹ This is a code in the CATS system which initiates a change in retailer.

⁸² Based on information in CATS Procedure table 4-M.

⁸³ AEMO Metrology Procedure: Part A, sections 3.4.6(b) and 3.4.7(b).

⁸⁴ If the retailer wishes to charge for a special read as a separate item then it should draw attention to the item before the customer gives their explicit informed consent to enter into the contract.

Meter read type	Comments
Consumer Read	One of the less commonly used meter read type codes where a customer takes a meter read and provides the relevant information to the retailer.

There is an objection process in MSATS. A participant can raise an objection within five business days following the initiation of the transfer request in MSATS. Objections must be cleared within 20 business days of the initiation of the transfer request in MSATS; if the objection is not resolved in that period, the winning retailer may cancel the transfer request.⁸⁵ If it is not resolved within this period, the MSATS system automatically cancels the transfer request. The only exception to this is where the objection is raised due to property access issues.⁸⁶

There is a maximum prospective timeframe of 65 business days enshrined in the CATS Procedure's "Time Frame Rules."⁸⁷ The customer transfer process can, however, extend beyond this timeframe. Delays tend to occur when the MDP does not provide an actual meter read at the agreed date. This happens most commonly due to meter access issues (such as locked gates and vicious dogs present near the meter). There is, however, an upper limit to the transfer timeframe. The CATS Procedure requires transfer requests to be cancelled by the new retailer if they are not completed within 210 calendar days of initiation of the change request.⁸⁸

A diagrammatic representation of the MSATS process for customer transfers is shown in Figure A.1.

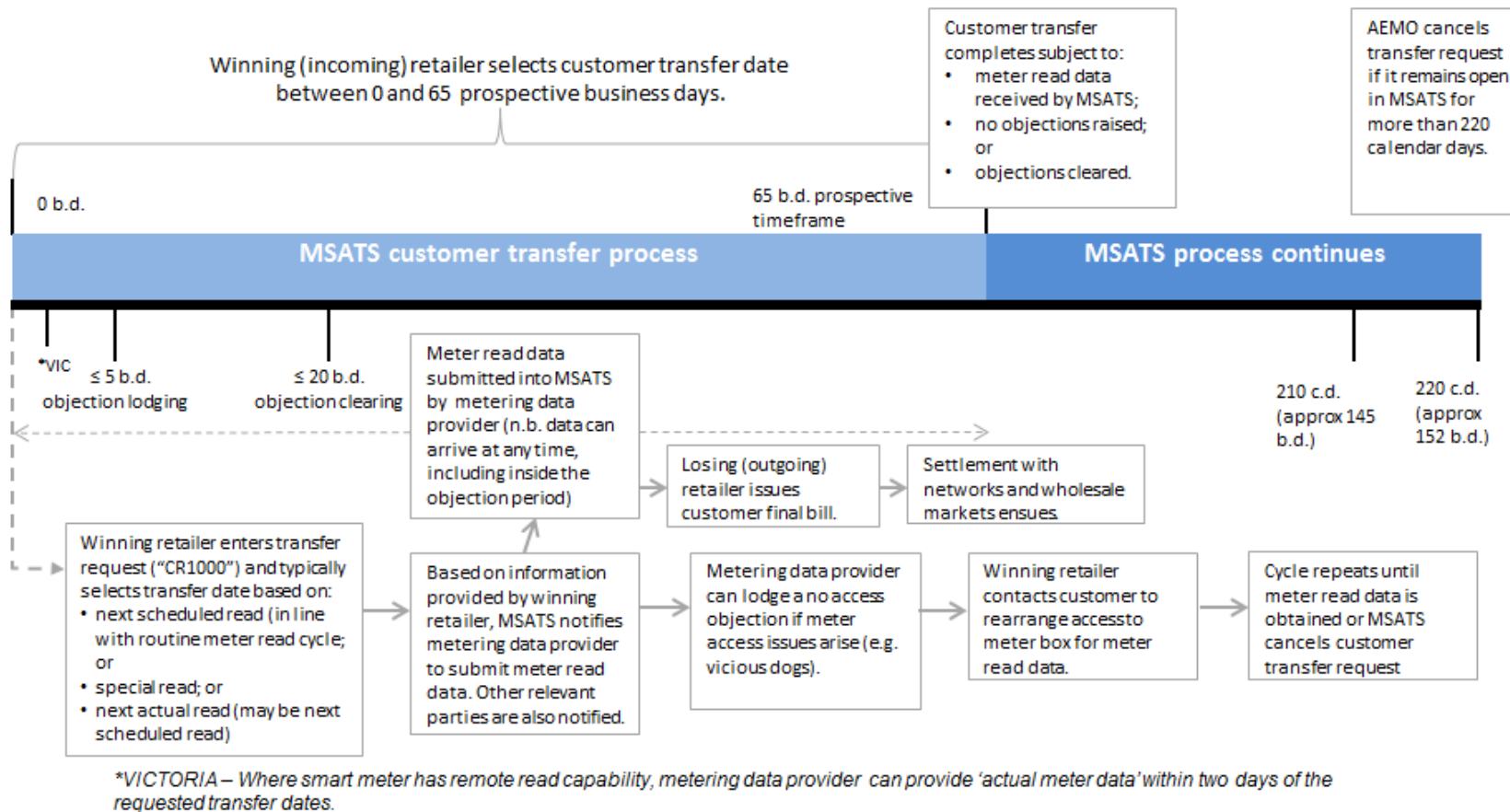
85 CATS Procedure clause 6.9.

86 CATS Procedure note (2) to clause 4.7(c).

87 CATS Procedure clause 6.9.

88 CATS Procedure clause 2.3(i).

Figure A.1 Detailed schematic of the customer transfer process



A.1.4 Step 4: Billing and market settlement occurs

Step 4 involves billing and market settlement. Following the successful transfer of a customer's NMI when their meter is read, and relevant metering data is provided, billing and settlement processes are initiated between the various registered participants and AEMO.

The outgoing retailer reconciles the meter data it has received in relation to the customer's NMI with information provided by AEMO. Once this meter data is validated and reconciled, the outgoing retailer issues the small customer their final bill.⁸⁹ A network bill for payment to the distributor is also issued to the outgoing retailer. This is facilitated through the established business-to-business (B2B) communication systems.⁹⁰

A.1.5 Step 5: Customer transfer completes and winning retailer becomes FRMP

The final step for small customer transfers involves the new retailer becoming the FRMP. The new retailer is responsible for electricity supply to the customer's premises once the transfer process is completed in MSATS. The NERR require that when the new retailer becomes the FRMP it must notify the customer of the completion of the transfer, including the commencement date of its sale of electricity to the customer.⁹¹

The NERR also require the retailer to notify the customer if the transfer is delayed or does not occur on the expected date of transfer as previously notified by the retailer, including providing:⁹²

- the reason for the delay; and
- the new expected date of transfer.

A.2 Review's proposed process for use of estimated reads for customer transfers

The Review proposed the following process for the use of estimated meter reads in customer transfers:⁹³

⁸⁹ CATS Procedure clauses 2.3(o)-(p).

⁹⁰ B2B Process Specification: Network Billing. While these procedures are jurisdiction-specific, see section 1.5 of the NSW/ACT process specification for an example of the generic B2B transaction exchange that take place around network billing from distributors to retailers. The B2B technical Specification also contains references to network billing transaction exchanges in section 2.5, and has national coverage.

⁹¹ NERR rule 58.

⁹² NERR rule 59.

⁹³ Review pp37-39. The footnotes to the following text are also taken from the Review, but footnotes that referred to stakeholder submissions to the Review have been omitted.

1. The customer begins the process to switch retailers by choosing a new ("winning") retailer.
2. The winning retailer would advise the customer of the option to transfer on the basis of an estimated meter read, among other alternatives.⁹⁴ It is likely that, through this process, the winning retailer may also be able to advise the customer of their next scheduled meter read date, and the cost of obtaining a special meter read, in order to inform and assist them with their decision.⁹⁵ The customer would then have several options from which to choose the type of read used for the transfer:
 - (a) if the next scheduled meter read date is not too far in the future, the customer may decide to wait for the next scheduled read;
 - (b) if the next scheduled meter read date is a date in the future that is beyond what the customer is prepared to wait, and the customer prefers the accuracy of an actual read over an estimated read, then the customer may be willing to pay for a special read in order for the transfer to occur faster and based on their actual consumption;⁹⁶ or
 - (c) if the next scheduled meter read is a date in the future that is beyond what the customer is prepared to wait, and the customer considers that the cost of the special read is greater than what they are willing to pay, or that there may be property access difficulties that means a special read attempt may fail, then the customer may consent to a faster transfer based on an estimated read. The customer would also accept that there may be a difference between their actual and estimated consumption levels.
3. If the customer decides on an estimated read, in the process of signing up to the winning retailer, the customer would be required to provide explicit informed consent that it may be transferred on the basis of an estimated read.
4. The winning retailer would commence the transfer process in MSATS (observing any cooling-off period requirements). In submitting the transfer request into the MSATS system (through the existing CR1000 code), the winning retailer would select the (existing) meter read type "estimated read".

⁹⁴ This may require changes to the customer consent script that retailers use, to reflect that customers would need to provide agreement to transfer on the basis of an estimated read.

⁹⁵ The Review noted that retailers currently have access to this information, since the MDP provides a separate file to the retailer that sets out scheduled meter read dates. That is, retailers should have no issues with access to this data.

⁹⁶ The Review considered that, by providing customers with an option as to whether they wish to transfer on a special read, an estimate, or a normal scheduled read, that customers will weigh up the costs and benefits to themselves, and so make an informed choice. This choice would reflect what they consider to be beneficial to them.

5. The MDP would source an estimate for the customer's consumption, as at the relevant transfer date.⁹⁷ This estimate would be sourced in accordance with a method for estimating meter reads, which would be set out in the Metrology Procedures (discussed further below).⁹⁸
6. The MDP would validate this estimate. This validation could include the use of the MDP's system to validate the estimated consumption within an acceptable range, or (for example) an accompanying photo of a meter read provided by the customer.
7. The MDP would enter the estimated consumption into the MSATS system, with this forming the basis for the customer transfer.
8. The losing and winning⁹⁹ retailers would have a right to dispute the estimated read, if their own estimated read value was more than 200 kWh different to the MDP's validated value, with any dispute to be resolved in accordance with a dispute process (discussed further below).
9. Once the estimated data has been uploaded to MSATS by the MDP, a series of billing and settlement processes would be initiated amongst the various registered participants and AEMO.
10. The winning and losing retailers would be settled in the wholesale market on the basis of this estimated read. There is no subsequent adjustment for the customer between the actual and estimated consumption levels.
11. The losing retailer would provide a final bill to the customer, with this being based on the estimated read. No other billing would occur with the losing retailer.
12. Following the conclusion of these billing and settlement processes, the winning retailer would become financially responsible for that customer, and the customer transfer process would be complete. Any future billing would only occur with the winning retailer for consumption post the transfer date.

⁹⁷ There would be costs to the MDP of sourcing this estimate. It is unclear what the magnitude of these costs may be. However, the Review considered that these costs may be minimal, once the systems and process have been set up. The estimate would be based on a methodology defined in the Metrology Procedures.

⁹⁸ Alternatively, if the estimate had been provided by the customer, the retailer would need to provide this estimate to the MDP to validate it.

⁹⁹ The Review recognised that it would be unlikely that the winning retailer would dispute the estimated read, since it would not have a history of data on the customer, which would be used in developing its own estimate.