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10 June 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Pierce,

Re: ERC0195 – Improving the accuracy of customer transfers

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on National Electricity, Retail and Gas Amendment (Improving the accuracy of customer transfers) Rule 2016 Consultation Paper (the Consultation Paper).

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to approximately 1 million customers.

The COAG Energy Council (the Proponents) identified two issues for the Commission to solve for both the electricity and gas markets; implementing an address standard to reduce errors and delays in customer transfers and to place obligations on retailers to promptly resolve any erroneous transfers. Red and Lumo support the objectives of the Proponents to ensure that customers who choose to participate in energy markets receive a positive experience, which is efficient and focused on delivering value with minimum disruption to the customer.

Red and Lumo do not support the Commission making a Rule to meet the objectives of the Proponents, as these issues are procedural in nature and therefore not in the remit of the Rules.

Background: Address Standard and Customer Transfers

The Consultation Paper outlines the three existing address standards and note that the format of addresses captured in the Market Settlements and Transfer Solution (MSATS) is governed by AS4590. The Consultation Paper does not recognise that the energy industry use their own addressing arrangements under the aseXML schema.¹ This schema covers address attributes transacted between participants and aims to be largely consistent with the Australia Post address standard.

¹ The aseXML is a standard developed by Australian energy industries to facilitate the exchange of information between participants of the energy industries using XML. AEMO, 2016, aseXML Standards: <http://www.aemo.com.au/About-the-Industry/Information-Systems/aseXML-Standards>

The schema is regarded as largely consistent and not exact as the current Australia Post standard has duplicate address attributes, (for example it allows both AV and AVE as a description of Avenue) which has caused further addressing issues for industry. Subsequent to this being identified, AEMO and industry have worked through a clean up process and removing these duplicates is scheduled for implementation in November 2016. A rule change was not required for industry and AEMO to complete this work.

In order to facilitate a customer transfer, AEMO systems require the National Metering Identifier (NMI) or Meter Installation Registration Number (MIRN) to identify the site and associated consumption that a retailer wishes to gain financial responsibility for in the market.

In electricity, the MSATS was designed to be a database providing the location of metering installation, not customer information. In gas, the distributors who are the asset owner of the metering installation provide the equivalent database. The market developed a NMI Discovery and MIRN Discovery process in order to identify the correct meter, and therefore customer, to transfer in the market.

The Consultation Paper identifies that the National Energy Retail Law (NERL) provides obligations on retailers to obtain a customer's Explicit Informed Consent (EIC) to facilitate a transfer and an ability to revert a customer to the previous retailer where no EIC was received, which can include where a NMI or MIRN was erroneously transferred in the market. To facilitate these NERL obligations, the Retail Market Procedures² have established processes to manage the correct and erroneous transfer situations. On this basis, we consider that the Retail Market Procedures are the correct place to improve the accuracy of customer transfers, not the Rules.

Address Standard

The Consultation Paper proposes a Rule that obliges AEMO to develop in consultation with industry, and publish, an industry address standard for both electricity and gas. Whilst Red and Lumo support a proposal that address information is standardised, we do not believe that the proposed Rule will resolve the issue.

As noted above, the energy industry databases are required to hold location information in relation to where the connection point (NMI or MIRN) is located on site and not the customer's address. There are many instances in regional locations where customers reside on a particular road, but the connection point and therefore NMI is located on a shed at the rear of the property, associated with a different road. Additionally, as discussed in the Consultation Paper, there are instances where the connection point is established with a Lot number and once the housing development is complete, the Lot numbers vary from the actual street address. Establishing an industry address standard unfortunately will not resolve these issues.

The Consultation Paper also proposes that an outgoing retailer is required to provide the incoming retailer with the customer's address information. Red and Lumo strongly oppose this recommendation. Aside from the cost of implementation, incoming retailers have the most up to date information from the customer regarding

² We use the term Retail Market Procedures, as defined in the National Energy Retail Rules, which cover both the electricity and gas Procedures.

their contact details. As such, the provisioning of such information is very unlikely to be utilised by the incoming retailer.

Red and Lumo recommend that the Commission work with AEMO, who have been both reviewing the effectiveness of the MSATS and cleansing the MSATS data, to seek industry support in strengthening Retail Market Procedure requirements placed on the meter asset owner (distributor or meter provider as the case may be) to maintain the information regarding the location of their assets. Additionally, given the changes to support metering contestability, we recommend that AEMO review who is required to populate and maintain the location information in the MSATS. Finally, we consider that AEMO and industry must consider what the future requirements of the MSATS are, particularly in light of the update to the B2B e-Hub, to ensure that the systems are fit for future purpose.

Erroneous Transfers

The level of competition in energy markets results in energy retailers being focused on providing a positive customer experience and ensuring they deliver value to their customers. Unfortunately for a variety of reasons a very small percentage of customers are transferred in error.

The Consultation Paper highlights the NERL obligations for the new retailer to revert a customer back to their original retailer when erroneous transfers occur. This obligation provides a consumer with the protection of being able to go back in instances of no or defective EIC, however, in practice this protection is also provided in the instances where the wrong NMI was selected for transfer.

The competitive market has ensured that there are appropriate processes in place to ensure that a speedy resolution is available in instances where this occurs. In electricity and more recently in gas, the transfer notification in the market has the losing retailer's identity. This information can be used when an erroneous transfer is identified. It is in the original retailer and the customer's best interest that the issue is solved expeditiously and with minimum effort on the part of the customer. Red and Lumo consider that if the original retailer does not meet the customer's expectations, the customer is likely to find another retailer that does. It is for this reason we do not believe that there is justification for a regulatory approach to solve this issue.

Assessment Criteria

Red and Lumo do not consider that a Rule based approach to solving the objectives of the rule change request is required or justified. The Commission outlined that it will assess the proposed Rules against promoting competition, transparency and certainty of legal frameworks and the regulatory and administrative burden. We consider that the competitive market will deliver solutions to improve the accuracy of customer transfers without the need for the proposed Rule. Whilst we consider that Retail Market Procedures may need to be amended to support the objectives of the rule change request, proposed solutions will be assessed against the costs and benefits of implementation. It may be that there is a low cost solution that can be implemented into the Retail Market Procedures. This should be investigated prior to making a Rule that is likely to require changes to market systems and participants to implement, ultimately increasing the costs consumers pay for these services.

For these reasons, we believe that increasing the cost of energy for all consumers, without a long term consequential benefit fails the consumer protection test under the National Energy Retail Law.

Red and Lumo thank the Commission for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, do not hesitate to contact Stefanie Macri, Manager – Regulatory Affairs on 03 9976 5604.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal line extending to the right.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd