

Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Improving the accuracy of customer transfers) Rule 2016

National Energy Retail Amendment (Improving the accuracy of customer transfers) Rule 2016

National Gas Amendment (Improving the accuracy of customer transfers) Rule 2016

Rule Proponent
COAG Energy Council

28 April 2016

**RULE
CHANGE**

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Reference: ERC0195

Citation

AEMC 2016, Improving the accuracy of 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.

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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 Transfer Accuracy Rule Change Request and the Estimated Reads 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 Transfer Accuracy Rule Change Request.¹

1.1 Transfer Accuracy Rule Change Request

The Transfer Accuracy Rule Change Request proposes the following changes to the rules governing the electricity and gas markets:

- the implementation of an address standard in order to reduce errors and delays in customer transfers;² and
- obligations on retailers to promptly resolve erroneous customer transfers.³

An erroneous customer transfer is considered to have occurred if one customer has requested a transfer to a new retailer, but there is an error in processing their request and a different customer is transferred, without that customer's knowledge or consent.⁴

Although arising out of a review focussed on the electricity market, the Transfer Accuracy Rule Change Request requires the AEMC to consider whether the proposed changes should also apply to the gas retail markets.⁵

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

This paper:

- sets out of 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

1 Its full name is "Improving the accuracy of the electricity customer transfer process Rule Change Request." It is available on the AEMC website, www.aemc.gov.au, with the reference ERC0195.

2 This part of the rule change request relates to the National Electricity Rules (NER) and the National Gas Rules (NGR).

3 This part of the rule change request relates to the National Energy Retail Rules (NERR).

4 Transfer Accuracy Rule Change request p8.

5 Transfer Accuracy Rule Change Request p2.

- outlines the process for making submissions.

1.2 Estimated Reads Rule Change Request

The Estimated Reads Rule Change Request proposes to allow small customers to make an in-situ transfer to a new retailer on the basis of an estimated meter read.⁶ A separate consultation paper has been prepared in relation to the Estimated Reads Rule Change Request, published on the same date as this consultation paper and available on the AEMC website with the reference ERC0196.

⁶ The full name of this rule change request is "Improving the timing of the electricity customer transfer process Rule Change Request".

2 Background

This chapter outlines key matters that provide important context to the Transfer Accuracy Rule Change Request. It provides:

- an overview of the Review;
- a brief summary of the existing rule and processes for transferring customers and resolving erroneous transfers; and
- analysis of data on erroneous transfers.

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.⁷

The Power of Choice Review identified a maximum timeframe of 65 business days for customers transferring to new retailers,⁸ which lagged behind many countries internationally. The Power of Choice Review therefore recommended to the Standing Council on Energy and Resources⁹ 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 that could be made to the transfer process, and other factors and processes associated with transfers, including the potential impact new technologies (such as remotely read meters) could have on transfers. In undertaking the Review, the AEMC focused on small customers (households and small businesses) and customers transferring between retailers 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.

⁷ Full title: *Power of Choice Review - giving consumers options in the way they use electricity*, final report, 30 November 2012.

⁸ Refer to Figure 2.1 and section 2.2 for further information.

⁹ 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 MSATS data	COAG Energy Council request to Australian Energy Market Operator (AEMO), March 2015
Review the effectiveness of the MSATS framework	
Increasing monitoring and reporting of transfer statistics	COAG Energy Council considered that this change was not required

The next two sections provide a brief discussion of the Review's findings that are relevant to the rule change request, namely the findings relating to address data and erroneous transfers.

2.1.1 Address data

The Review found issues concerning address data in the Market Settlement and Transfers Solution (MSATS) system.¹⁰ One particular issue is inconsistency between address data held by different market participants. This involves a discrepancy between the address given by a customer to a new retailer when seeking a transfer, and either (or both):

- National Metering Identifier (NMI) Standing Data in MSATS;¹¹ or
- address data held by the retailer or metering data provider (MDP).

These discrepancies can lead to delays and errors in the transfer process.

2.1.2 Erroneous transfers

The Review made several findings with regards to erroneous transfers in the NEM. Erroneous transfers impose costs on consumers, retailers and on the broader electricity system. They impose direct financial costs on retailers through their handling of complaints. The time and resources taken to resolve an erroneous transfer also impose direct financial costs and reduce efficiency. They further impose broader system costs

¹⁰ MSATS is controlled by AEMO.

¹¹ The NMI Standing Data schedule refers to a series of fields including the National Metering Identifier itself, a NMI Checksum, classification code and status code. Requirements relating to NMI Standing Data are set out in AEMO's Operating Procedure "MSATS CATS History Model."

through reduced retail market participation as a result of eroded customer confidence in the switching process.

The Review also found that the NER and NERR are not prescriptive in assigning responsibility to resolve erroneous customer transfers. AEMO's MSATS Procedures require participants to resolve incorrectly assigned roles within two business days of a request to do so.¹² However, we understand from AEMO that this requirement is impracticable in relation to wrongly assigned retailers and is rarely enforced in such circumstances.

While retailers commented in submissions to the Review that they were aware of their obligations, jurisdictional ombudsmen commented that retailers tended not to accept responsibility to resolve erroneous transfers. The Review concluded that erroneous transfers could not be resolved without substantial input and effort from the wrongly transferred customer. Customers had to coordinate communications between the two relevant retailers in order to reverse the erroneous transfer. At this point, customers were likely to submit complaints to ombudsmen.

2.2 The customer transfer process

This section describes the existing customer transfer process and explains how the process operates in practice. For further information on the customer transfer regulatory framework, please see Appendix section A.1, and for details on the relevant AEMO procedures, please see Appendix section A.2. Some of the steps highlighted below apply to small customers only.

2.2.1 Outline of process

At a high level, customer transfers comprise five steps. Table 2.2 provides a summary of these steps, and each step is discussed in more detail in the following sections.

Table 2.2 Key steps in the customer transfer process for small customers

Step	Key actions
Step 1: Customer decides to transfer to a new retailer	<ul style="list-style-type: none"> Involves contacting retailers directly or going through third parties to initiate a switch
Step 2: New retailer gains information from the customer	<ul style="list-style-type: none"> Confirms address and NMI of the customer
	<ul style="list-style-type: none"> Customer provides explicit informed consent
	<ul style="list-style-type: none"> Customer has 10 business day cooling off period
Step 3: MSATS customer	<ul style="list-style-type: none"> Enter read codes into MSATS

¹² MSATS Procedures: CATS Procedure Principles and Obligations, v4.1, 1 July 2014 (CATS Procedure), clause 2.2(m).

Step	Key actions
transfer process commences	<ul style="list-style-type: none"> • Objection period begins - five business days to lodge an objection from the initiation of the transfer request
	<ul style="list-style-type: none"> • Objection response period runs for 20 business days from the initiation of the transfer request
Step 4: Billing and market settlement with outgoing retailer	<ul style="list-style-type: none"> • The customer's meter is read
	<ul style="list-style-type: none"> • Outgoing retailer reconciles meter data received
	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • New retailer commences selling electricity to customer

2.2.2 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 National Energy Customer Framework (NECF) has been adopted,¹³ 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 Australian Energy Regulator's (AER) 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;¹⁴ or

¹³ The NECF currently applies in all NEM jurisdictions except Victoria.

¹⁴ One such example is iSelect. See: www.energy.isselect.com.au/electricity for further information. When applying, iSelect acts as an intermediary and houses an application on its website.

- large scale consumer campaigns, such as "One Big Switch"¹⁵ which use aggregated customer transfer power to negotiate retailer discounts on behalf of consumers.

2.2.3 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 (the NMI 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.¹⁶ After the customer is given specified information about the contract, there is a cooling-off period of 10 business days.¹⁷ During this period, the customer can withdraw from the contract (and is no longer bound by it). It is common practice that the winning retailer initiates the customer transfer process in MSATS after the end of the cooling-off period.¹⁸

2.2.4 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 initiated by raising a relevant change request in the CATS system 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 purposes of the rule change request.

Table 2.3 Relevant types of meter reads¹⁹

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

¹⁵ See: www.onebigswitch.com.au

¹⁶ Sections 38(a) and (b) of the National Energy Retail Law (NERL).

¹⁷ NERR rule 47.

¹⁸ 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.

¹⁹ Based on information in CATS Procedure table 4-M.

Meter read type	Comments
	obliged to use reasonable endeavours to collect metering data for customers with manually-read meters every three months, ²⁰ so if a meter read was done just before the customer decided to change retailers, the next scheduled meter read could be nearly three months away.
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. ²¹ 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.
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. They are also known as customer self-reads.

Within MSATS there also exists an objection process. A participant can raise an objection within five business days following the initiation of the transfer request in MSATS. There are many grounds for objections.²² Objections must be resolved 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.²³ If it is not resolved within that 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.²⁴

The customer transfer process can extend beyond the maximum prospective timeframe of 65 business days (as referred to in section 2.1). 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 or vicious dogs present near the meter). There is, however, an upper limit to the transfer timeframe. The CATS

²⁰ AEMO Metrology Procedure: Part A, sections 3.4.6(b) and 3.4.7(b).

²¹ 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 entry into the contract.

²² Some common objections include meter access issues at the site, customer debt issues with the outgoing retailer, lack of business to business notifications and dates used in the transfer request that do not align to a meter read (retrospective transfers only).

²³ CATS Procedure clause 6.9.

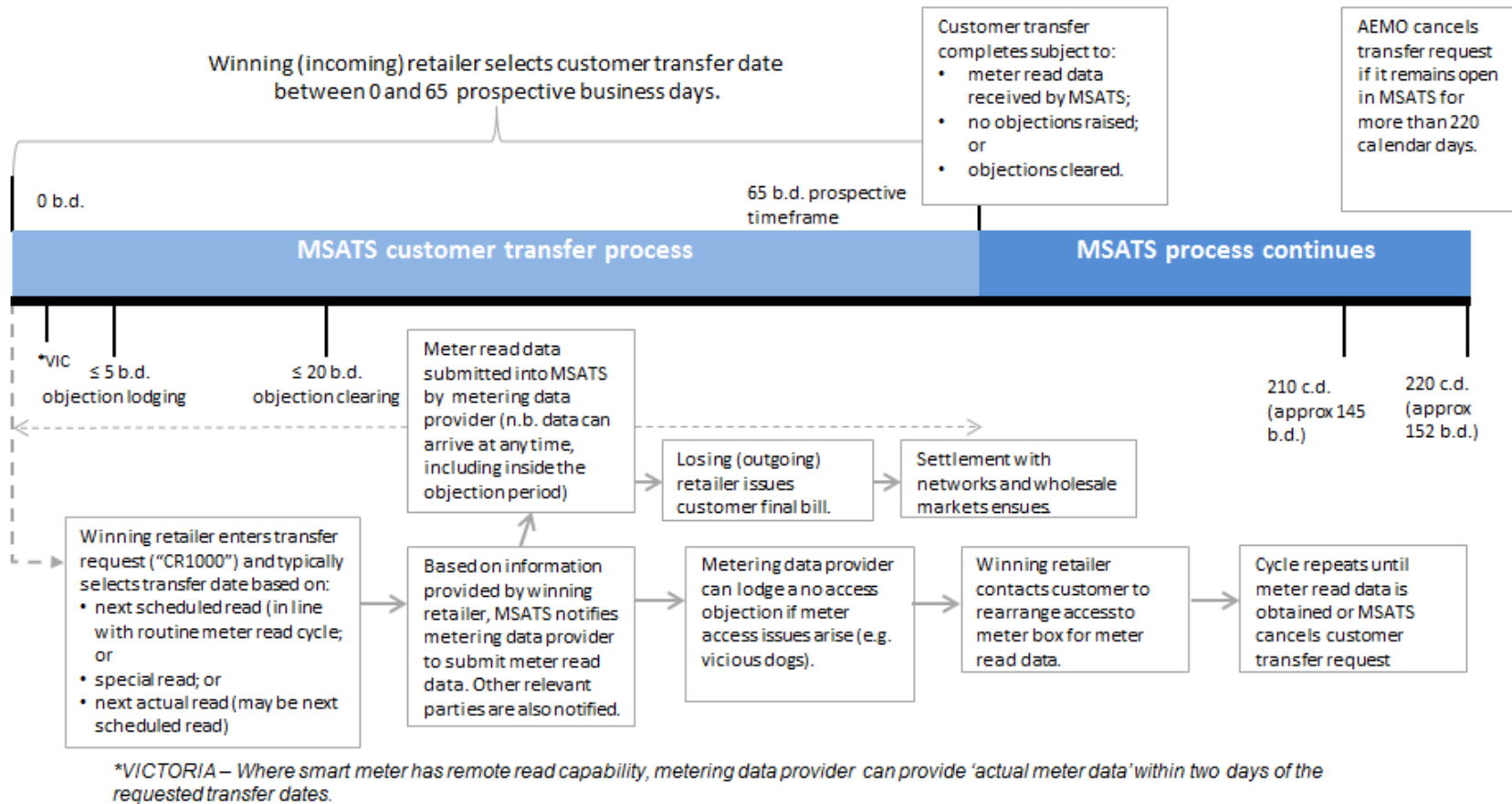
²⁴ CATS Procedure, note (2) to clause 4.7(c).

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.²⁵

A diagrammatic representation of the MSATS process for customer transfers is shown in Figure 2.1.

²⁵ CATS Procedure clause 2.3(i).

Figure 2.1 Detailed schematic of the customer transfer process



2.2.5 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.²⁶ 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.²⁷

2.2.6 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.²⁸

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:²⁹

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

2.3 Resolving erroneous transfers

In most instances small customers will only find out that they have been erroneously transferred when they either receive a final bill from their original retailer or a welcome pack or new bill from the retailer to which they have been wrongly transferred.

²⁶ CATS Procedure clauses 2.3(o)-(p).

²⁷ 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 exchanges 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.

²⁸ NERR rule 58.

²⁹ NERR rule 59.

There are various mechanisms and processes in the NERL and in AEMO's procedures which relate to the resolution of erroneous transfers. This section discusses:

- the legal position of customers when they are erroneously transferred;
- dispute resolution provisions; and
- AEMO procedures to re-transfer customers to their original retailer.

2.3.1 Legal position of erroneously transferred customer

As explicit informed consent is a prerequisite for entry into a valid market retail contract between a retailer and a small customer, the law contains provisions on what happens to customers when this condition is not met, such as in the case of an erroneous transfer. Under the NERL it appears that a customer's contract with their original retailer (Retailer A) would terminate if an erroneous transfer occurred,³⁰ and the customer would be a carry-over customer on a standard retail contract with the retailer to which the customer was erroneously transferred (Retailer B).³¹

However, if it can be established that Retailer B did not obtain the customer's explicit informed consent to the arrangement with Retailer B, then the contract with Retailer B is void.³² The NERL also provides that the wrongly transferred customer is liable to pay Retailer A (not Retailer B) for electricity consumed after the erroneous transfer, on the customer's original contractual terms.³³ If Retailer B has already billed the customer under the void arrangement, then the customer's payments to Retailer B can be offset against the customer's liability to Retailer A.³⁴ There is no time limit on the application of these provisions.

2.3.2 Dispute resolution procedures

The NERL provides guidance and a framework for a complaints and dispute resolution process for small customers. The NERL requires that retailers develop standard complaints and dispute resolution procedures. Under the NERL every retailer and every distributor must develop, make, regularly update and publish on its website a set of procedures detailing the retailer's or distributor's procedures for handling small customer complaints and disputes.³⁵ Small customers may make complaints concerning matters relevant to retailers or distributors, and retailers and distributors are to attempt resolution in accordance with their standard complaints and dispute resolution procedures. The NERL prescribes that outcomes of the process must be communicated to the customer, and retailers and distributors must also provide

³⁰ NERR rule 49(1)(d); NERL section 54(2)(b).

³¹ NERL sections 54(1)(b) and 55(1).

³² NERL section 41(1).

³³ NERL section 41(5)(a).

³⁴ NERL section 41(5)(b).

³⁵ NERL section 81.

customers with the contact details of the relevant energy ombudsman if the customer wishes to have the dispute resolved by an independent party.³⁶

The NERL defines the role of the energy ombudsman for each jurisdiction³⁷ and outlines its function and powers.³⁸ The NERL provides for small customers to engage the energy ombudsman to resolve disputes that were not resolved to the customer's satisfaction through the retailer's or distributor's complaints and dispute resolution procedures.³⁹

2.3.3 AEMO procedures

MSATS Procedures provide for the resolution of various errors in customer transfers. Relevantly, the MSATS system has a code for transfers that are made in order to correct an erroneous transfer.⁴⁰ The original retailer (from which the customer was erroneously transferred) can use this code to raise a request in MSATS to transfer the customer back to the original retailer. The date of the requested re-transfer can be retrospective, up to 130 business days prior to the date of the request,⁴¹ so if the erroneous transfer is identified within 130 business days of occurring, a re-transfer can be made effective on the date of the erroneous transfer.

2.4 Data on erroneous transfers

AEMO and jurisdictional energy ombudsmen obtain substantial amounts of data relating to erroneous transfers. The data discussed in the following sections were provided to the AEMC by AEMO and jurisdictional ombudsmen on request.

2.4.1 AEMO data on erroneous transfers

AEMO data on erroneous transfers is generated when a retailer uses the change reason code "Transferred in error" when requesting the re-transfer of a customer (usually after the customer notifies the retailer of the error).⁴² As such, a potential limitation of the data is that it does not capture those small customers who do not realise an erroneous transfer has occurred or do not seek to reverse the transfer.

According to AEMO data on the use of the code "Transferred in Error," there were over 107,000 erroneous transfers of small electricity customers across the NEM in the three-year period from 1 January 2013 to 31 December 2015. This is approximately 2.2

³⁶ NERL section 82.

³⁷ Provided that the energy ombudsman is authorised to perform those functions by jurisdictional legislation or a constitution, charter or other arrangements. See NERL section 80.

³⁸ NERL section 84.

³⁹ NERL section 83.

⁴⁰ CATS Procedure section 7.1: code 1025, "Transferred in Error."

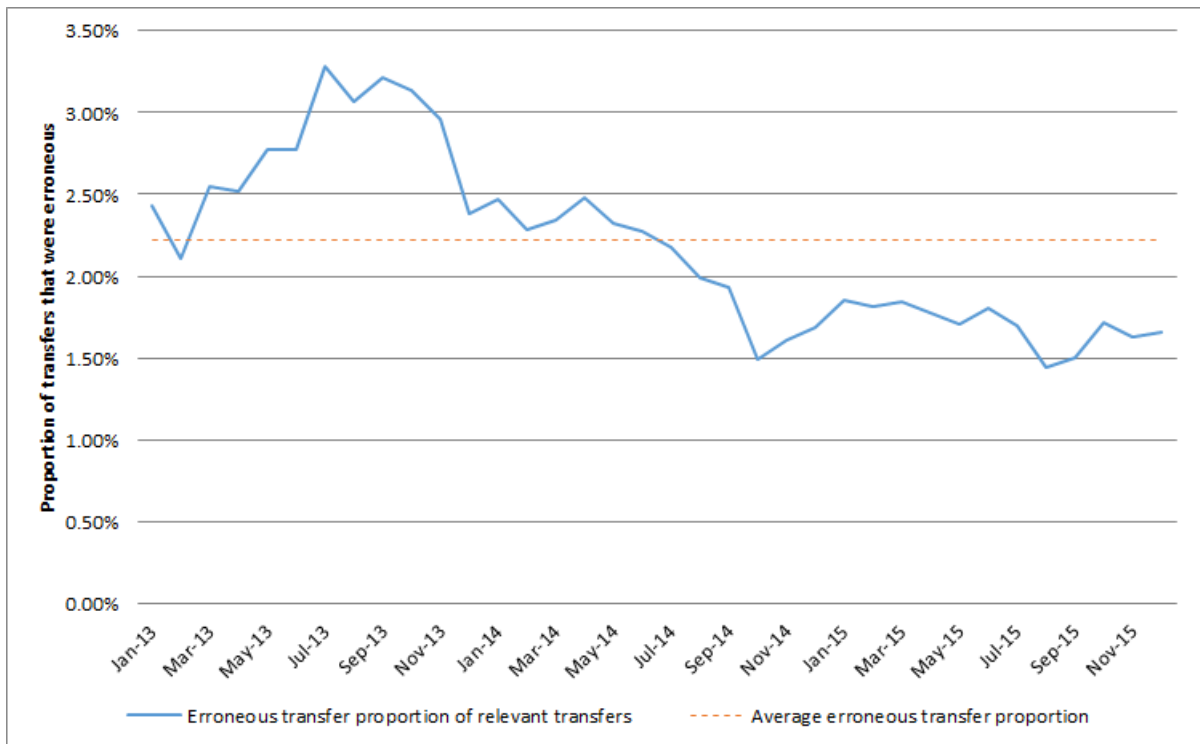
⁴¹ CATS Procedure Table 7-A.

⁴² See section A.2.1 in the Appendix for further information on this change reason code.

per cent of all small customer transfers initiated in MSATS during that period,⁴³ across all jurisdictions in the NEM. Please see Figure 2.2 below for a graphical representation of this data.

The proportion of small customer transfers that were erroneous as recorded by the MSATS system was relatively constant from 2013 to 2015.⁴⁴

Figure 2.2 Average and monthly erroneous transfers in NEM



2.4.2 Ombudsman data on erroneous transfers

Ombudsmen data also sheds some light on the prevalence of erroneous transfers, in relation to other types of complaints received by ombudsmen. (Note that only serious cases which were unable to be resolved by the retailer will be referred to the ombudsman.) Ombudsmen compile quarterly data on complaints they receive.

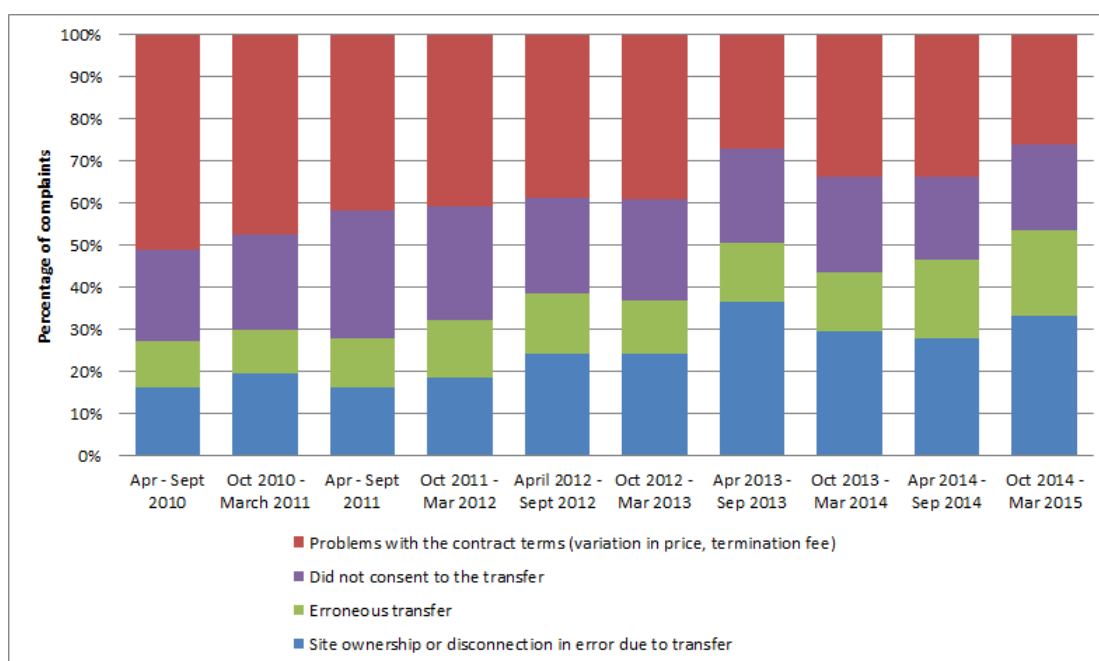
⁴³ We consider transfers carried out under AEMO change reason codes 1000, 1010, 1030, 1040, 1080, 1081, 1083 and 1084 to be the relevant transfers for the purposes of this analysis. This method excludes other change requests which are to resolve errors in those eight base change requests. See CATS Procedure table 4-A.

⁴⁴ The range in the proportion of erroneous transfers was 1.8 per cent and the standard deviation of the dataset was 0.5 per cent, indicating a low degree of variability.

The complaints data from the Energy and Water Ombudsman of NSW (EWON) gives an indication of the level of severity of the problem.⁴⁵

Figure 2.3 below charts EWON data on transfer-related complaints over the period April 2010 to March 2015, including erroneous transfers. While there have been some fluctuations in the number of transfer complaints relating to erroneous transfers, the average trend has been upward with average growth (per half year) of 10.6 per cent over the past 10 reporting periods, from 131 complaints in the first period to 360 complaints in the last period. In addition, as a proportion of all transfer-related complaints, complaints of erroneous transfers grew in most reporting periods, from 11.1 per cent of transfer-related complaints in the first period to 20.4 per cent in the last period.

Figure 2.3 EWON data on transfer-related complaints



⁴⁵ Consistent with the conceptual understanding of erroneous transfers in the rule change request, EWON defines erroneous transfers in its complaint statistics as where:

- A customer has requested the transfer of their NMI / DPI but the incorrect NMI / DPI is requested or won by the Provider. This customer is being billed on another customer's usage;
- A customer has not requested a transfer but their NMI / DPI has been won by another Provider. This customer may receive a final bill from their preferred Provider and possibly a phone call as to why they are transferring away; or a Dear Occupant or Dear Customer letter from the new Provider.

3 The Transfer Accuracy Rule Change Request

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

The rule change request states that there are unresolved issues with the existing regulatory framework for the customer transfer process, and that these issues reduce customer confidence in transferring to new retailers, and therefore inhibit retail market competition.

The rule change request is particularly concerned with reducing the errors associated with the transfer process, and with resolving erroneous transfers if they do occur. The rule change request consists of two solutions for two separate issues. These are, first, the introduction of an address standard to improve the speed of transfers and reduce erroneous transfers, and second, the strengthening of obligations on retailers to resolve erroneous transfers.

The rule change request proposes to implement these solutions by amending all three energy rules. Changes to the NER are proposed in order to implement an address standard; changes to the NERR are proposed to oblige retailers to resolve erroneous transfers; and the rule change request requires the AEMC to consider corresponding changes to the NGR for an address standard applicable to the retail gas markets.

The COAG Energy Council submits that these changes to the rules can address issues relating to the customer transfer process. Fewer errors, and clearer obligations to resolve errors, are expected to increase customer confidence in switching retailers and contribute to lower costs for retailers, as there would be fewer transfer-related complaints to retailers and jurisdictional ombudsmen.⁴⁶

3.1 Address standard

3.1.1 Issues the rule change request is seeking to address

The rule change request notes that despite existing rules and AEMO procedures on the maintenance of accurate metering data and information, there are many inaccuracies in the MSATS standing data. The COAG Energy Council cites the numerous submissions made to the AEMC on the Review as evidence. It also cites one of the Review's findings that the main cause of errors in the transfer process is inaccurate address information associated with NMIs.⁴⁷

Under the current rules and procedures, registered participants have obligations to meet minimum performance standards in collecting and processing information. The MSATS Procedures require:

⁴⁶ Transfer Accuracy Rule Change Request pp6-7.

⁴⁷ Transfer Accuracy Rule Change Request p7.

- all new and existing standing data in MSATS to be kept current and relevant;⁴⁸ and
- relevant participants to update the standing data in MSATS within 20 business days of becoming aware that the data is no longer current or relevant.⁴⁹

There are other procedures and guidelines for MSATS data entry. For example, the MSATS document titled "Standing Data for MSATS" details data requirements for elements that comprise NMI Standing Data and provides relevant examples and definitions. It also specifies a responsible party to source the data.

The rule change request notes that there are several factors which lead to inaccurate addresses in MSATS despite the above requirements. These factors include:⁵⁰

- the local government's property description (the address that the customer associates with the premises) not aligning with the NMI Standing Data, or with data in the MDP's or retailer's systems;
- greenfield sites being re-addressed by builders or local governments following development, with these new addresses not being updated in MSATS;
- the NMI in MSATS not matching the customer's supply address as the data has not been updated in MSATS or the address has the wrong NMI assigned; and
- the distributor requiring the FRMP to supply a local government rates notice to correct a supply address in MSATS. This may be difficult to procure for rental properties as it requires cooperation of the owner or their agent.

The rule change request states that these inaccuracies can lead to lengthy transfer times, and in some cases, erroneous transfers.⁵¹

The rule change request points out several impacts the above issues can have:⁵²

“Inaccurate transfers, while comprising a small portion of total transfers, can have significant impacts on customers, and create costs for retailers, metering data providers, and energy ombudsmen. When transfers do not occur in an accurate manner, this has the potential to lengthen the transfer process, since retailers have to spend more time and effort finding the correct data and information for the customer who wishes to transfer. Further, one customer’s bad experience, through negative word of mouth and media reporting, can disenchant a broader customer population over time.”

48 CATS Procedure clause 2.2.(i).

49 CATS Procedure clause 2.2.(j).

50 Transfer Accuracy Rule Change Request p7, drawing on the factors noted in the Review.

51 Transfer Accuracy Rule Change Request p8.

52 Transfer Accuracy Rule Change Request p9.

3.1.2 Solution proposed in the rule change request

The rule change request proposes to oblige AEMO to develop and publish an industry address standard. The NER would be amended to oblige AEMO to make and publish the required changes to MSATS Procedures.

The proposed changes to the NER would require industry participants to comply with this address standard. The new standard must be used for any new NMI Standing Data entered into MSATS, and the rule change request would also require AEMO to detail how existing data would be brought into compliance with the address standard.

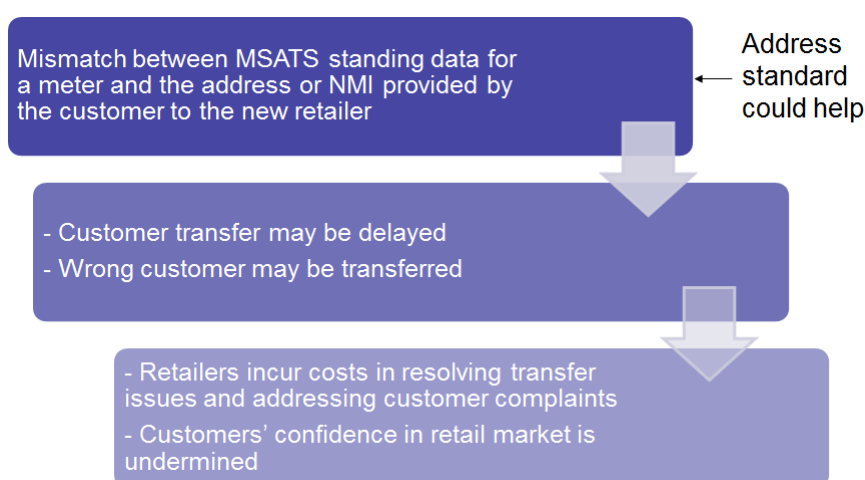
The rule change request proposes to require AEMO to publish the address standard within six months following commencement of the new rule. AEMO would develop the standard in accordance with the standard process under the NER for consultation on procedure changes (the rules consultation procedures).

The rule change request suggests three examples of address standards that could be implemented. These are the Australia Post address standard, the ANZLIC address standard, or the geo-coded National Address File.⁵³ However, under the proposed rule AEMO would have discretion to develop the address standard following industry consultation.

The rule change request also suggests the same changes be applied to the NGR. Therefore, changes to the NGR are being considered within scope for this rule change request.

Figure 3.1 summarises the problems identified and the proposed solution regarding inaccurate address data and address standards.

Figure 3.1 Address standard: problems and solution identified in the rule change request



⁵³ These were the three example address standards mentioned in the Review. See section 5.2.1 of this consultation paper for more details.

3.2 Resolving erroneous transfers

3.2.1 Issues the rule change request is seeking to address

The rule change request also proposes to improve the process for resolving erroneous transfers. Erroneous transfers occur if one customer has requested a transfer to a new retailer, but there is an error in processing their request and a different customer is transferred, without that customer's knowledge or consent. This typically occurs when a retailer raises a transfer request in MSATS and enters an incorrect NMI to be transferred.

The rule change request offers two reasons for erroneous transfers. First, the customer may quote the NMI incorrectly to the retailer. Second, the retailer may make an error when entering the NMI in MSATS during the customer transfer process.⁵⁴

The rule change request explains the nature of the problem it is trying to address with this rule change request:⁵⁵

“Under the current arrangements, an erroneous transfer is unlikely to be identified until it has occurred. A customer may identify they have been wrongly transferred when they receive a new customer welcome pack, or first electricity bill, from a new (unfamiliar) retailer. A key issue is that an erroneous transfer cannot be resolved without considerable input from the wrongly transferred customer. That is, the customer may be required to coordinate communications between the two affected retailers, and effectively undertake the planning for a reversing in-situ customer transfer request. Retailers may not always have an incentive to take responsibility to promptly resolve an erroneous transfer.”

The rule change request further illustrates the impacts of erroneous transfers on the retail system:⁵⁶

“Erroneous transfers increase time and resource costs for retailers, customers, energy ombudsmen and potentially metering data providers, who must allocate time and resources towards reversing the erroneous transfer.”

3.2.2 Solution proposed in the rule change request

The rule change request proposes an amendment to the NERR to assist with the resolution of erroneous transfers. The amendment would create a provision that, if a customer complains to their current or previous retailer that they were erroneously

54 Transfer Accuracy Rule Change Request p8.

55 Transfer Accuracy Rule Change Request p8.

56 Transfer Accuracy Rule Change Request p8.

transferred from their previous retailer, the retailer the customer initially contacts must:

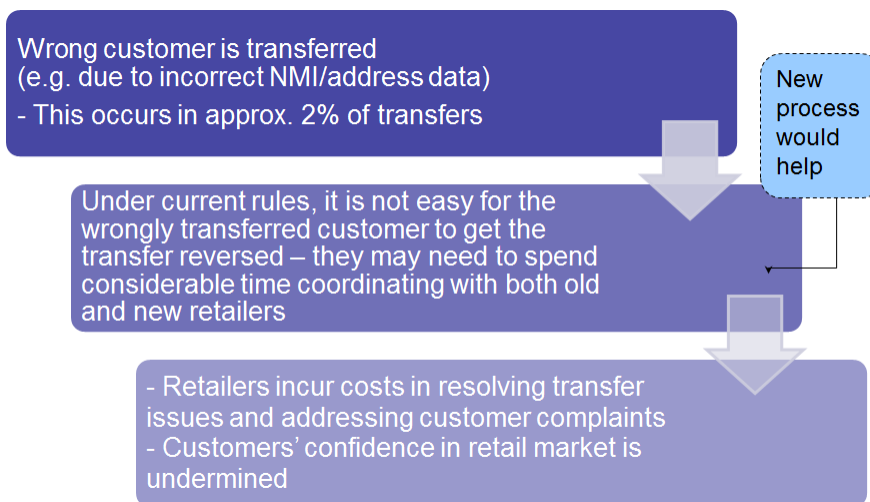
- resolve the complaint expeditiously, in accordance with its standard complaints and dispute resolution procedures; and
- notify the customer when the transfer has been rectified.

This new rule would apply to standard and market retail contracts for electricity in jurisdictions that have adopted the NECF, and the AEMC is to consider whether it should also apply to gas customers.⁵⁷

The new rule is expected to support customer confidence in the transfer process, potentially encouraging transfers and, therefore, retail market competition.⁵⁸

Figure 3.2 summarises the problems identified and the proposed solution in relation to the resolution of erroneous customer transfers.

Figure 3.2 Erroneous transfers: issues and solution



⁵⁷ Transfer Accuracy Rule Change Request p2.

⁵⁸ Transfer Accuracy Rule Change Request pp10-11.

4 Assessment framework

4.1 Introduction

4.1.1 Requirement to consider objectives

The Transfer Accuracy Rule Change Request relates to all three energy rules. Therefore, in assessing this rule change request, the AEMC must consider:

- whether the proposed changes to the NER to implement an address standard will promote the National Electricity Objective (NEO);⁵⁹
- whether the proposed changes to the NGR to implement an address standard will promote the National Gas Objective (NGO);⁶⁰ and
- whether the proposed changes to the NERR to improve the process for resolving erroneous transfers will promote the National Energy Retail Objective (NERO) and are compatible with the development and application of consumer protections for small customers.⁶¹

The AEMC can make changes to the NER, the NGR 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, the NGO and the NERO than the changes proposed in the rule change request.⁶²

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

4.1.2 The objectives

The NEO is:⁶³

“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 -

⁵⁹ National Electricity Law (NEL) section 32.

⁶⁰ National Gas Law (NGL) section 72.

⁶¹ NERL sections 236(1) and (2).

⁶² NEL section 91A, NGL section 296 and NERL section 13.

⁶³ As set out in NEL section 7.

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

The NGO is:⁶⁴

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

The NERO is:⁶⁵

“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,⁶⁶

“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,⁶⁷ but there are currently no relevant MCE statements.

4.2 Proposed assessment criteria

The AEMC proposes to use the following criteria to assess whether implementing an address standard promotes the NEO and the NGO, and whether improving the process for resolving erroneous transfers promotes the NERO:

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

⁶⁴ As set out in NGL section 23.

⁶⁵ As set out in NERL section 13.

⁶⁶ NERL section 236(2)(b).

⁶⁷ NEL section 33, NGL section 73 and NERL section 236(2)(c). The MCE is now known as the COAG Energy Council.

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 improving the accuracy of customer transfers and the process for resolving erroneous transfers 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 lower costs and invest and 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, NGO 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 and resolving erroneous transfers should be clear and understandable for all participants. Such transparency is integral to consumer confidence and engagement in the market.⁶⁸ The AEMC will consider whether there is a need for greater transparency and certainty in relation to the procedure for resolving erroneous transfers, given the difficulties consumers currently appear to face in obtaining a prompt resolution to the erroneous transfer.

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.

⁶⁸ As discussed above, consumer participation in the market promotes retail competition and hence efficiency, which is the principal consideration in the NEO, NGO and NERO when determining what is in the long-term interests of consumers.

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?

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 relating to the resolution of erroneous transfers impede currently applicable consumer protections, 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 provisions on the resolution of erroneous transfers 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 NECF; and
- where relevant, consumer protections under energy laws and regulations of Victoria.

5 Issues for consultation: Address standard

This chapter identifies a number of issues for consultation relating to the proposal to introduce an address standard. The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the Transfer Accuracy Rule Change Request or this consultation paper including the proposed assessment framework.

5.1 Address mismatch as a cause of delays and errors in transfers

Several submissions to the Review highlighted issues with the address data contained in MSATS.⁶⁹ For various reasons, the address given by a customer for a particular connection point may not match the address for that connection point contained in MSATS. Such a mismatch can create problems with transfers. In particular, it may extend the time taken for the transfer to complete as the new retailer may have to spend some time determining the correct address-NMI match,⁷⁰ or objections to the address may be raised through the MSATS objections process. If the error is not identified during the transfer process, it could lead to the wrong customer being transferred.⁷¹

It is common for an in-situ transfer of a small electricity customer to a new retailer to take 30 or more calendar days,⁷² and erroneous transfers equal approximately 2.2 per cent of relevant transfers of small customers.⁷³ However, it is unclear to what extent these issues relate to address mismatches.

Question 1 Address mismatch as a cause of delays and errors

- (a) Is address mismatch a common cause of delays in the transfer process?
- (b) Is address mismatch a common cause of erroneous transfers, where the wrong customer was transferred?

5.2 Nature and implementation of address standard - impacts on effectiveness

As discussed in section 4.2.1, an address standard may promote the NEO and NGO if it improves consumer confidence in the transfer process, facilitating correct transfers and

⁶⁹ Review p25, p48.

⁷⁰ Early consultation on this rule change request indicated that retailers devote substantial time and other resources to ensuring that the correct customers are transferred, using information in MSATS as well as several external sources of information.

⁷¹ Review pp26-27.

⁷² Transfer times are discussed in more detail in section 2.5 of the consultation paper on the Estimated Reads Rule Change Request, available on the AEMC website with reference ERC0196.

⁷³ See section 2.4.1 of this consultation paper.

thereby promoting retail competition. This will occur if the address standard reduces the causes of delays and errors in the transfer process. The effectiveness of an address standard in achieving these goals will depend in part on the nature of the address standard and in part on the way in which it is implemented. Each of these dimensions raises several issues for consideration.

5.2.1 Nature and scope of address standard

The rule change request proposes to give AEMO discretion in relation to the type of address standard that is adopted, stating merely that the address standard should govern both the content and the structure of the address fields in the MSATS, and should be developed with industry consultation.⁷⁴ The Review envisaged that the address standard "would be used to standardise address data that is used in the MSATS customer transfer process."⁷⁵

The format of the address fields in MSATS is currently governed by AS4590 (Interchange of client information), published by Standards Australia. However, this standard is not an "address standard" in the sense considered in the Review and the rule change request, as it does not provide address validation against a unique identifier. There are several existing address standards that do provide this functionality, including the ones set out in the following table.⁷⁶

Examples of existing address standards

Name	Key features
Australia Post address standard	The Postal Address File is commercially available from providers accredited by Australia Post. It was developed for postal delivery; each address is given a unique Delivery Point Identifier (DPID). Address validation is available. ⁷⁷
Geo-coded National Address File	This was developed for location addresses; each address has a spatial identifier. Address validation is available. As of 26 February 2016 this dataset is freely available. ⁷⁸
ANZLIC address standard	The National Address Management Framework published by ANZLIC refers to both of the above address files, to provide a complete source of address data for address verification, and includes an address data interchange standard. ⁷⁹

⁷⁴ Transfer Accuracy Rule Change Request pp2-3.

⁷⁵ Review p47.

⁷⁶ These examples are noted in the Transfer Accuracy Rule Change Request, p3, drawing from the Review, p48.

⁷⁷ Australia Post, viewed 11 March 2016, <http://auspost.com.au/business-solutions/address-matching-approval-system.html>.

⁷⁸ ANZLIC, viewed 11 March 2016, <http://www.anzlic.gov.au/open-data-projects>.

⁷⁹ ANZLIC, viewed 11 March 2016, <http://www.anzlic.gov.au/resources/national-address-management-framework>.

The provision of authoritative address data and address validation by means of an address standard such as the ones outlined above is likely to help reduce the incidence of address mismatch and therefore reduce issues with customer transfers. However, an address standard alone is unlikely to resolve all causes of errors and delays in the transfer process.

AEMO has indicated that requiring the outgoing retailer to provide the new retailer with the customer's billing address (and potentially other address information held by the outgoing retailer) as part of the transfer process would be a useful addition to the address standard rules, in terms of reducing address mismatches and transfer delays. This information could be shared through B2B procedures or through MSATS, if AEMO creates new fields in MSATS for this information.

Question 2 Effectiveness of address standard

- (a) Once implemented, how effective would an address standard, such as the ones outlined above, be in reducing the causes of delays and errors in the transfer process?**

- (b) Are there specific additional features or information items (such as the outgoing retailer's billing address for the customer) that should be included in order to improve the effectiveness of the address standard?**

5.2.2 Efficient implementation of address standard

The rule change request proposes that the address standard be applied to existing data, as well as new data, but does not specify how this should be done.⁸⁰ The Review contemplated a cleanse of all existing MSATS address data, in the course of which all existing addresses would be aligned with the address standard,⁸¹ but some stakeholders expressed concerns regarding the costs of such an activity. If, as proposed by the rule change request, an address standard is implemented in order to improve the speed and accuracy of customer transfers, it may be most efficient to focus the implementation of the address standard on transferring customers.

AEMO has stated that, due to the costs of checking and updating all existing MSATS address data, it would prefer an incremental approach to implementing an address standard, subject to its consultation with stakeholders. In this approach, the address standard would be applied to addresses for new connections, and users of MSATS would be required to apply it to existing address data when they are amending that data (or data in related fields).

Currently, address fields in MSATS can only be amended by distribution businesses (rather than by AEMO or retailers). Distribution businesses have an interest in maintaining accurate information on the physical location of meters but, unlike

⁸⁰ Transfer Accuracy Rule Change Request p3.

⁸¹ Review p49.

retailers, they are not concerned with billing addresses or with addresses used by customers (which may not match the address of the meter maintained by the distribution business). Although retailers currently use an array of internal procedures and sources of information to match addresses given by customers with NMIs, the benefits of these internal matching processes are not made available to other parties, in part because retailers cannot directly amend addresses in MSATS.

Therefore an efficient method of implementing an address standard, so as to target the issues arising with customer transfers while leaving addresses used by distribution businesses undisturbed, may be to require a retailer winning a new customer to validate that customer's address as part of the transfer process (using a specified address standard and any information provided by the outgoing retailer as contemplated in Question 2(b)), and record the validated address in a new field for the relevant NMI in MSATS.

Question 3 Efficient implementation of address standard

- (a) What method of implementation of an address standard would best balance the costs of implementation with the benefits (to both customers and retailers) of a reduction in transfer delays and errors?**
- (b) Would it be efficient to couple an incremental approach (such as applying the address standard to new connections) with specific requirements applying to retailers in relation to customer transfers, for example requiring the incoming retailer to validate the address of its new customer and record the results in a new field in MSATS?**

5.2.3 Appropriate commencement dates for AEMO and retailer requirements

The rule change request proposes to require AEMO to consult on, develop and publish an address standard within six months of the commencement date of the amending rule.⁸² AEMO has, however, indicated a need for a somewhat longer period, such as nine months, in order to complete its consultation process.

The rule change request proposes to require market participants to comply with the address standard, without specifying a commencement date for this requirement.⁸³ Depending on the nature and scope of the address standard and the way in which it is to be implemented for existing and new data, some changes to the systems and procedures of users of the MSATS may be required. These changes may take some time to make, and could only be made once the form of the address standard is known. This should be recognised in the changes to the rules by specifying that market participants must comply with the address standard by a certain date (which would be a date after the date by which AEMO is required to publish the address standard).

⁸² Transfer Accuracy Rule Change Request p2, p15.

⁸³ Transfer Accuracy Rule Change Request p15.

Question 4 Appropriate commencement dates for address standard obligations

- (a) How long would it take AEMO to consult on, develop and publish an address standard after the rule change is made?
- (b) How long would it take retailers and other users of MSATS to make the necessary preparations to comply with an address standard, after the form of the address standard is published?

5.3 Extension of address standard to gas market address data

The terms of reference for the Review, and the Review's recommendations, were limited to the electricity market.⁸⁴ However, in submissions during the Review AGL commented that the AEMC should consider whether any of the options proposed in the Review might appropriately be implemented across gas markets. In response, the AEMC noted that some of its recommendations, and the address standard in particular, could be extended to gas retail markets.⁸⁵

The rule change request directs the AEMC to consider whether there are benefits in applying the rule change to gas retail markets through any necessary amendments to the National Gas Rules.⁸⁶ AEMO has indicated that it supports applying the address standard to both electricity and gas address data. It seems likely that an address standard would bring the same benefits to the gas markets, in terms of reducing transfer errors and delays, as it would bring to the electricity market. However, as the gas markets do not have a centralised MSATS-type system, the implementation of the address standard may need to be different for electricity and gas.

Question 5 Extension of address standard to gas market address data

- (a) Are transfer errors and delays due to address mismatches a material issue in gas markets? Would an address standard be likely to reduce these issues in gas markets?
- (b) Should the same address standard be implemented in both the electricity and gas markets?
- (c) How, if at all, should the implementation of an address standard in the gas markets differ from the way it is implemented in the electricity market, given the lack of a centralised MSATS-type system in the gas markets?

84 Review p3.

85 Review p104.

86 Transfer Accuracy Rule Change Request pp2-3.

6 Issues for consultation: Resolving erroneous transfers

This chapter identifies a number of issues for consultation relating to the proposed procedure for resolving erroneous transfers. The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the Transfer Accuracy Rule Change Request or this consultation paper including the proposed assessment framework.

6.1 Issues with current processes for resolving erroneous transfers

6.1.1 Current processes for resolving erroneous transfers

The current laws, rules and procedures provide some tools that may be used to address erroneous transfers. As discussed in more detail in section 2.3, these include the following:

Provision	Relevance for erroneous transfers
NERL section 41	<ul style="list-style-type: none">Provides that a transfer without consent is voidProvides that erroneously transferred customers are not liable to pay their new retailer - instead, they pay their original retailer at their original rate
NERL sections 80-84	<ul style="list-style-type: none">Require retailers to develop and publish dispute resolution provisionsEstablish role of energy ombudsmen in resolving complaints
CATS Procedure	<ul style="list-style-type: none">Allow transfers back to the original retailer to be made retrospectively, based on the previous meter read (this would be the meter read that was carried out for the erroneous transfer).⁸⁷Require CATS participants to address within two business days any requests from incorrectly assigned CATS participants to correct the participant allocation in MSATS.⁸⁸

6.1.2 Resolution of erroneous transfers remains difficult

Despite the provisions outlined above, the rule change request states (based on the findings of the Review) that an erroneous transfer cannot currently be resolved without considerable input from the wrongly transferred customer, and that retailers may not always have an incentive to take responsibility to promptly resolve an erroneous transfer. Lengthy resolution periods impose time and resource costs on customers, retailers, energy ombudsmen and potentially MDPs.⁸⁹

⁸⁷ CATS Procedure tables 4-N and 7-A.

⁸⁸ CATS Procedure section 2.2(m).

⁸⁹ Transfer Accuracy Rule Change Request p8.

Ombudsman case studies show that an erroneous transfer may result in a customer being disconnected, or being required to open an account with the new retailer to avoid disconnection, and being charged amounts by the new or old retailer for which the customer is not liable under the NERL.⁹⁰ While erroneous transfers are not particularly common (sitting at approximately 2.2 per cent of all relevant transfers - see section 2.4.1), their impacts may be felt more broadly as erroneously transferred customers report their experiences to friends and family, decreasing general customer confidence in the transfer process.⁹¹

The case study set out in Box 6.1 below provides an example of an erroneous transfer that was referred to an ombudsman for resolution.

Box 6.1 Case study: Erroneous transfer referred to ombudsman

The customer owns the supply address which had two NMIs, both of which were with Retailer A. The customer's tenant attempted to establish an account with Retailer B, which transferred the customer's NMI in error. The customer contacted Retailer A, but Retailer A seemed unable to win back the billing rights. After the customer made many contacts with Retailer A, Retailer A eventually recommended that the customer open an account with Retailer B (the retailer which had taken the site in error). Retailer A then billed the customer for an early termination fee. After the EWON investigation, Retailer A withdrew the late payment fee.

Source: Energy & Water Ombudsman NSW

It appears therefore that the current laws, rules and procedures are insufficient to ensure that retailers swiftly resolve erroneous transfers.

Question 6 Issues with current processes for resolving erroneous transfers

- (a) In your experience, is there a particular part of the NERL or procedures noted in the table above (or a part of the laws, rules or procedures that is not noted above) that does not function as intended in the case of erroneous transfers, and therefore contributes to, or fails to address, delays and difficulties in resolving erroneous transfers?
- (b) Are consumers and retailers sufficiently aware of their rights and obligations under the NERL, and the procedural options and obligations in the CATS Procedures, that are noted in the table above?

⁹⁰ Case studies provided to AEMC by EWON (18 March 2016) and Energy and Water Ombudsman Victoria (22 March 2016). Further information is available on their websites: www.ewon.com.au; www.ewov.com.au. Note that only serious cases are referred to ombudsmen.

⁹¹ Transfer Accuracy Rule Change Request p9.

6.2 Ways to improve the resolution of erroneous transfers

When considering the best method to make the resolution of erroneous transfers quicker and easier from the customer's perspective, we must bear in mind some basic legal and procedural requirements that apply in the case of an erroneous transfer, particularly those delineating the rights and responsibilities of the original retailer (Retailer A) versus those of the retailer to which the customer was erroneously transferred (Retailer B). These include the following:

- On the procedural side, once the erroneous transfer has completed, only Retailer A can enter a request in MSATS for the customer to be transferred back to Retailer A. Retailer B, once it is the current FRMP for the customer, cannot initiate the re-transfer process.⁹²
- On the legal side, the customer's original contract with Retailer A terminates upon the transfer to Retailer B. Assuming the customer wishes to transfer back to Retailer A, Retailer A will need to enter into a new contract with the customer, and must obtain the customer's explicit informed consent to do so.⁹³ This will usually require (at the minimum) a telephone call between Retailer A and the customer, in which Retailer A must explain the terms of the new contract. Retailer B cannot re-establish the original contract between the customer and Retailer B.

Therefore, although it is likely that Retailer B caused the erroneous transfer, Retailer A necessarily has a key role in reversing the erroneous transfer. The customer is likely to contact Retailer B first (as the customer may first find out about the erroneous transfer when they receive a bill or other correspondence from Retailer B), but it is not possible for Retailer B, alone, to resolve the erroneous transfer.

This has implications for the ways in which the resolution of erroneous transfers can be improved. Under the process proposed in the rule change request, whichever retailer the customer contacts first (whether Retailer A or Retailer B) must "resolve" the complaint expeditiously in accordance with its published complaints resolution procedure.⁹⁴ The Review clarifies that the retailer contacted first must "take responsibility for coordinating the successful resolution for the incorrect transfer in a timely manner" so that the customer does not have to take this responsibility.⁹⁵ Several questions arise in relation to the appropriate roles of Retailer A and Retailer B in coordinating the resolution.

⁹² CATS Procedure section 7.3(a).

⁹³ NERL section 38. Although NERL section 41 allows the customer to pay Retailer A in accordance with the terms of their original contract with Retailer A, it does not have the effect of reinstating the customer's contract with Retailer A.

⁹⁴ Transfer Accuracy Rule Change Request p3, p14, reflecting Review p72.

⁹⁵ Review pp60-61.

Question 7 Ways to improve the resolution of erroneous transfers

- (a) If a rule on the resolution of erroneous transfers is made, should it explicitly recognise that "resolving" an erroneous transfer relates to improving communication between the retailers involved and reducing the need for the customer to contact both retailers?
- (b) Should the rule specify different roles for Retailer A and Retailer B in the resolution process?
- (c) If different roles are specified for Retailer A and Retailer B, would obligations similar to the following ones be practicable (from the retailers' perspective) and effective in helping resolve the issue quickly and easily (from the customer's perspective)? If not, what obligations would be appropriate?
- Retailer B (if contacted first) could be required to promptly contact Retailer A to explain that an erroneous transfer has occurred
 - Retailer A could then be required to promptly contact the customer, request consent to a new contract, and initiate a transfer request in MSATS retrospective to the date of the erroneous transfer
 - Both retailers would be obliged to review their bills to the customer in light of section 41 of the NERL, and promptly issue revised bills, refunds or credits if necessary.
- (d) Are there effective alternatives to including new specific requirements on retailers regarding this issue? For example, could the problem be addressed by doing one or both of the following:
- altering the incentives applying to one or both retailers to act quickly once an erroneous transfer is identified?
 - providing more information to customers about their rights under section 41 of the NERL?
- (e) Are either of the potential approaches noted in question (d) above likely to be particularly burdensome to implement, relative to their likely benefits?

6.3 Definition of erroneous transfer

The term "erroneous transfer" is not currently defined in the NERL or the NERR. In the interests of regulatory transparency and certainty, a definition of this term should be

included as part of the proposed changes to the NERR. The rule change request (following the Review) provides a general description as follows:⁹⁶

“Erroneous transfers can occur (e.g. where the customer is transferred to another retailer without the customer's consent). This typically occurs when a retailer raises the transfer request in MSATS, with the retailer entering the incorrect NMI due to:

- The customer quoting the NMI incorrectly to the retailer; or
- Error by the retailer when entering the NMI in MSATS.”

This description appears to exclude situations where the retailer considered that the customer gave some form of consent to the transfer, but the consent was defective (and indeed such situations were outside the scope of the Review).⁹⁷

Question 8 Definition of erroneous transfer

How should "erroneous transfer" be defined so as to clearly and accurately capture the types of "errors" described in the rule change request, while excluding transfers undertaken with defective consent?

6.4 Applying the new procedure to erroneous transfers of gas customers

The terms of reference for the Review, and the Review's recommendations, were limited to the electricity market,⁹⁸ but the AEMC noted that some of its recommendations could be extended to gas retail markets.⁹⁹ The Transfer Accuracy Rule Change Request directs the AEMC to consider whether there are benefits in applying the proposed rule changes to gas retail markets.¹⁰⁰

It seems likely that improving the process for resolving erroneous transfers would bring similar benefits to the gas markets, in terms of increasing confidence in the transfer process, as it would bring to the electricity market. The fact that the proposed change is to the NERR (rather than the NER) strengthens the argument in favour of applying the proposed changes to both electricity and gas customers, as the NERR is designed to apply to both electricity and gas customers and most of the NERR obligations apply equally to gas and electricity retailers.

However, the AEMC does not currently have data on the extent of the problem of erroneous transfers in gas markets, or on the costs of implementing an improved

⁹⁶ Transfer Accuracy Rule Change Request p8. A more specific definition than this would be required for inclusion in the NERR.

⁹⁷ Review p27.

⁹⁸ Review p3.

⁹⁹ Review p104.

¹⁰⁰ Transfer Accuracy Rule Change Request p2.

resolution process for gas markets. In addition, as the gas markets do not have a centralised MSATS-type system, certain parts of the rule change may need to be different for electricity and gas.

Question 9 Applying the new procedure to erroneous transfers of gas customers

- (a) Is the resolution of erroneous transfers a material issue in the gas markets?
- (b) Should any new procedure on the resolution of erroneous transfers be implemented for both electricity and gas customers?
- (c) How, if at all, should the erroneous transfer resolution procedure for gas customers differ from the procedure for electricity customers?

7 Lodging a Submission

The AEMC invites written submissions on the Transfer Accuracy Rule Change Request.¹⁰¹ 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.¹⁰² 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 or lily.mitchell@aemc.gov.au.

7.1 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 ERC0195. The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

On 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.

7.2 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: ERC0195.

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.

¹⁰¹ The AEMC published a notice under section 95 of the NEL, section 303 of the NGL and section 251 of the NERL to commence and assess this rule change request.

¹⁰² 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
DNISP	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
EWON	Energy and Water Ombudsman of New South Wales
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
NGL	National Gas Law

NGO	National Gas Objective
NGR	National Gas Rules
NMI	National Metering Identifier
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 rules in the NER and NERR

As the customer transfer process involves several parties, the regulatory framework is complex. Between two sets of rules, the NER and the NERR, jurisdictional electricity codes, and several AEMO procedures (discussed in section A.2 of this Appendix), the regulatory framework for the customer transfer process includes requirements for metering, data collection, communications, consumer protections, and the roles and obligations of various market participants involved in the customer transfer process.

The NER, the NERR and Victoria's electricity customer transfer code generally devolve the detail of the customer transfer process to AEMO procedures. However, the rules do stipulate some broad requirements and set out specific requirements in some areas. These are described in more detail below.

A.1.1 Relevant provisions of the NER

Chapter 7 of the NER covers two aspects which underpin the customer transfer process. Metering provisions in Chapter 7 of the NER set out the requirements for meter reads in relation to the provision of data for billing services, which is a key part of the customer transfer process.

The NER also provide a high level guide to roles and responsibilities of participants in the customer transfer process. The NER delegates to AEMO discretion to establish the manner in which customer transfers occur through its MSATS, Metrology, B2B and Service Level Procedures. Section A.2 of this Appendix provides further detail on these procedures and their relation to the customer transfer process.

A.1.2 Relevant provisions of the NERR

The NERR focus on small retail customers. The NERR primarily provide guidance on relationships between distributors and retailers in coordinating the supply of electricity and gas to small customers, and terms and conditions of retail contracts, including in relation to customer hardship policies and connections and disconnections.

The NERR provide specific guidance on the customer transfer process. Rule 57 outlines that small customers must be transferred in accordance with the relevant retail market procedures - in this case, the procedures mentioned in section A.2 of this Appendix. Other rules contain requirements such as:

- customers must provide explicit informed consent to a transfer;
- the new retailer must notify the customer that the new retailer is now that customer's FRMP, and the commencement date of this relationship;

- the new retailer must notify the customer if the transfer did not occur as expected, including reasons for the delay, and a new expected transfer date if the transfer is still proceeding;
- billing requirements for customers which have relevance to the data used in a final bill to close a relationship with a retailer.

The NERR currently applies in the NEM jurisdictions of New South Wales, Queensland, the Australian Capital Territory, Tasmania and South Australia. Victoria has not yet adopted the NERR and has its own energy retail code that regulates the relationships between small customers, retailers and distributors.

A.2 AEMO procedures relating to customer transfers

The technical procedures which relate to the customer transfer process in the NEM are the MSATS Procedures, Metrology Procedures, B2B Procedures and Service Level Procedures. The NER delegates to AEMO the responsibility to develop, manage and amend these procedures in consultation with registered participants, other than the B2B Procedures which are made by AEMO following a recommendation from the Information Exchange Committee. Each of these procedures is discussed below.

A.2.1 MSATS Procedures

Within the MSATS system there are CATS Procedures which cover the interactions between market participants for billing and transfers, including the correction of erroneous transfers. All registered participants, metering providers and MDPs must comply with the MSATS Procedures.¹⁰³

The original retailer from whom a customer was wrongly transferred can raise a change request in accordance with the CATS Procedure for a re-transfer of the customer. Transfer requests must be made using an appropriate change reason (CR) code. To correct an erroneous transfer a retailer is likely to select CR1025, "Transferred in Error." CR1025 captures situations where a small customer was transferred in error and requests a transfer back to their original retailer. The explanation of this code in the CATS Procedure is as follows:¹⁰⁴

“This is a situation where the current retailer transferred the NMI in error and requests the new retailer to transfer it back. A wrong NMI was selected by the current retailer to transfer.”

MSATS allows re-transfers under CR1025 based on a previous meter read or an estimated read. There is no requirement in MSATS to wait for the next scheduled meter read in order to correct an erroneous transfer.

¹⁰³ NER rule 7.2.8(d). This is a civil penalty provision.

¹⁰⁴ CATS Procedure section 7.1.

A.2.2 B2B Procedures

The B2B Procedures detail the processes for providing information between different market participants, notably between MDPs, retailers and DNSPs. There are several examples of specific B2B transactions and procedures which relate to the transfer process, including:

- a B2B Procedure called the Customer and Site Details Notification Process which states that the winning retailer must use reasonable endeavours to send a business document called CustomerDetailsNotification, containing some transaction data and customer site details, at the completion of transfer;
- a Procedure for Meter Data Processes, including notification of scheduled meter reads and reads in response to service order requests; and
- Service Order Requests through the B2B communications system, which work in tandem with MSATS transactions for transfers, e.g. when a transfer is to take place on a special meter read a service order for that meter read type must be raised.

A.2.3 Metrology Procedures

The Metrology Procedures detail the treatment of metering data and information and provide a framework for metering providers and MDPs, including MDP engagement. The Metrology Procedures set out:

- information on the metering devices and processes that are to be used;
- requirements on the provisions, installation and maintenance of metering installations;
- obligations of responsible persons, FRMPs, DNSPs, metering providers and metering data providers;
- details on the parameters that determine the circumstances when metering data must be provided to AEMO;
- performance standards and timeframe obligations for data delivery; and
- procedures for the validation and substitution of metering data, and estimation of metering data.

The Metrology Procedures are divided into parts A and B. Part A sets out the roles and obligations with respect to provision, installation, routine testing and maintenance of a metering installation, including electricity measurement. It also provides guidance on metering data services to facilitate efficient market operation and load profiling. Part B sets out the methods to be used by MDPs for validation, substitution and estimation of meter data. It also outlines processes to transform metering data into trading intervals

for accumulation (type 6) meters and connection points without metering installations (type 7).

A.2.4 Service Level Procedures

Service Level Procedures detail the obligations, technical requirements and performance associated with the processes of meter reading, data collection and processing, adjustment, aggregation and metering data delivery. These specifically apply to metering providers and MDPs. The procedures cover:

- requirements for provision, installation and maintenance of metering installations;
- system requirements and processes for collecting, processing and metering data delivery;
- performance levels associated with collecting, processing and metering data delivery;
- data formats used for metering delivery; and
- requirements for the management of NMI Standing Data.