



17th August 2017

Mr Greg Williams
Australian Energy Market Commission
PO Box A2449 Sydney South
NSW 1235

REF: RRC0009

Dear Mr Williams

RE: AEMC 2017, Strengthening protections for customers requiring life support equipment, Consultation Paper, 20 June 2017, Sydney.

ERM Business Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper on the rule change proposal to strengthen protections for customers requiring life support equipment.

About ERM Business Energy

ERM Power Retail Pty Ltd, which trades as ERM Business Energy, is a subsidiary of ERM Power Limited, an Australian energy company operating electricity sales, generation and energy solutions businesses. Since launching in 2007, ERM Business Energy has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹, with operations in every state and the Australian Capital Territory. ERM Business Energy has increasing success in the small business market. www.ermpower.com.au

General Comments

ERM Business Energy is generally supportive of the proposed rule. We understand the critical importance of ensuring life support customers are given adequate opportunity to self-identify and are provided with information to understand the mutual obligations that exist between customers, distributors and retailers. Further, the proposed rule attempts to clarify roles and responsibilities between entities, brings consistency to information provision and imposes strict timeframes for notifications. However, ERM Business Energy believes some aspects of the proposed rule could be enhanced to provide greater efficiencies in the process and further reduce the risks surrounding the management of life support customers. We have addressed these in our submission below, answering a selection of questions presented in the Consultation Paper.

¹ Based on ERM Power analysis of latest published financial information.

Consultation Paper - response to questions

Question 1 The concerns the AER has identified with the life support rules

(a) Has the AER accurately characterised the problems with the life support rules?

In our view, the proposed rule has sought to highlight the most prevalent issues experienced by retailers and distributors in the management of life support customers. One of the key issues is the lack of evidence provided by customers that identify as requiring life support registration, and this subsequently leads to retailers and distributors taking a prudent approach and not removing customers from the register.

Retailers and distributors are often requested to register a customer for life support, but receive no further supporting evidence from the customer. Frequently customers fail to return life support forms, even after multiple attempts to contact and prompt the customer. This places a risk on retailers (or distributors) with an assessment as to whether to remove the customer from a life support register. Retailers have historically taken a prudent approach to the removal of life support status.

Question 2 The registration process

(b) Are the registration obligations proposed by the AER efficient and do they provide greater certainty and transparency for consumers and businesses? Are there more preferable arrangements?

We have identified a potential issue with the registration process proposed. If a registered life support customer transfers to a new retailer, the customer may assume that life support has already been identified, although being prompted to identify with the new retailer during the sales process. In this instance the customer may not take steps to self-identify with the new retailer and the new retailer may not be notified of the life support status until a reconciliation occurs between the distributor and the retailer. We recommend the following to address this scenario:

On identification of transfer, the distributor must notify the new retailer of an existing life support status of the site, regardless of whether the distributor is the registration process owner or not. The distributor would default to being the registration process owner when the site transfers (if the previous retailer was the registration process owner).

Further there may be a transitional issue whereby all existing life support customers will need to have a registration process owner identified. We recommend that:

All existing life support registrations at the time of the rule change have the distributor as the 'registration process owner' assigned by default.

Question 3 The medical confirmation process

(a) Is the medical confirmation process proposed in the rule change request appropriate for consumers, retailers and distributors?

We believe the additional requirement of providing the customer a 30 day extension for returning substantiating evidence of life support is unnecessary, will create inefficiencies and will over complicate the process. The customer has been given adequate notice, and additionally a reminder

period to return the form. An additional 30 days extension at the customer's request, requires event capture and tracking, adding to the cost of implementation and system changes. We believe the initial period and then reminder period is a more than adequate timeframe for the customer to act.

We recommend that:

The registration process owner may remove the customer from the register after the end of the 21 day reminder period.

Question 4 The deregistration process

(a) Does a voluntary process for deregistration strike the right balance between the needs of customers and businesses?

As a voluntary process, deregistration will be determined by each party in consideration and acceptance of the risks. As drafted in the proposed rules, regardless of the 'registration process owner' acting as the initiator of deregistration, the other party may still keep the registration open. It is unclear whether such a scenario results in the registration process owner status being transferred to the party that keeps the registration open. What is clear is that this situation results in life support registers not reconciling between parties. Unless deregistration (due customer inaction) is mandated, the current issues surrounding inconsistency in life support registrations and differing triggers to removal will remain, as retailers and distributors manage deregistration according to their risk appetite.

Regardless of the drivers for a variance in registers, ERM Business Energy considers the reconciliation task of comparing life support registers as important and remains to be a sensible method of identifying missed records. We believe the current arrangements of routinely reconciling distributors' registers with retailers' could be more frequent and we would support a move to a monthly reconciliation.

The deregistration process

The deregistration process proposed provides an unreasonably short timeframe for compliance and adds unnecessarily to compliance costs, with the requirement to have operations staff working over holiday periods. A reference to 'business days' would provide a more reasonable allowance for holidays and be appropriate, noting that deregistration should be deemed less urgent than life support registration.

We recommend that:

Notices between parties refer to 'business days' rather than 'calendar days'.

Closing Comments

The proposed rule has sought to address some crucial issues surrounding life support. A consistent industry timeframe for customers to return forms may reduce the incidence of customer inaction, with the explicit widespread understanding that such inaction may result in the customer's removal from the life support register. However, we contemplate that benefits of a consistent industry approach to promote customer obligations may be eroded when the consequences for inaction remain inconsistently applied. The non-mandated removal from life support due to customer inaction will still



produce an inconsistent outcome across with industry, with some participants willing to remove the customer from registration, while others may not.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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