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Ref: NB/TF/JD

Tuesday 24 December 2013

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

Dear Mr Pierce

RE: Submission on the Review of Electricity Customer Switching Issues Paper

Ergon Energy Corporation Limited (EECL), in its capacity as a Distribution Network Service Provider in Queensland, and Ergon Energy Queensland Pty Ltd (EEQ), in its capacity as a non-competing area retail entity in Queensland, hereinafter referred to as Ergon Energy, welcome the opportunity to provide comment to the Australian Energy Market Commission on its *Review of Electricity Customer Switching* Issues Paper (the Issues Paper).

Specific comments in relation to each of the questions raised in the Issues Paper are included in the attached submission.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416, or Trudy Fraser on (07) 3851 6787.

Yours sincerely

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Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission

Submission on the *Review of Electricity Customer Switching* Issues Paper

24 December 2013

Submission on the *Review of Electricity Customer Switching*

Issues Paper

Australian Energy Market Commission

24 December 2013

This submission, which is available for publication, is made by:

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd

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Introduction

Ergon Energy Corporation Limited (EECL) and Ergon Energy Queensland Pty Ltd (EEQ), welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *Review of Electricity Customer Switching* Issues Paper (the Issues Paper).

This submission is provided by:

- EECL, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland; and
- EEQ, in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'.

Ergon Energy is generally supportive of the approach suggested by the AEMC in the Issues Paper, and encourages any analysis of the current arrangements for the purpose of improving customer transfer processes, particularly where the intention is to inform and empower energy customers.

Further, Ergon Energy agrees that while the efficiency, in relation to both timeliness and accuracy of the current customer transfer process is generally adequate, an increase in customer complaints indicates some issues exist. To the extent that improvements can be made to the customer transfer process and the systems supporting it, Ergon Energy encourages any initiatives resulting in greater participation of customers and better communication between, and accountability of, market participants.

On this basis, Ergon Energy broadly accepts the AEMCs proposed assessment framework, and anticipates the release of an Options paper in 2014.

In response to the AEMC's invitation to provide comments on the Issues Paper, Ergon Energy has provided detailed comments in the attached table. Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Table of detailed comments

AEMC Question	Ergon Energy Response
Question 1 Criteria for the review Are the proposed criteria for assessing the efficiency of the switching process appropriate in guiding the development of the AEMC's recommendations under this review?	Ergon Energy broadly supports the AEMC's proposed review criteria.
Question 2 Regulatory frameworks for the customer transfer process (a) Are there any other regulatory instruments that the AEMC should consider as being part of the regulatory framework that applies for small customer transfers in the NEM?	Ergon Energy does not consider that there are any additional regulatory instruments applicable to small customer transfers in the National Electricity Market (NEM) that the AEMC should consider as being part of the regulatory framework that applies for small customer transfers in the NEM.
(b) Do the regulatory frameworks governing the customer transfer process allow for efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is or is not the case?	In general, Ergon Energy believes the regulatory frameworks which govern the customer transfer process are reasonably robust and allow for efficient outcomes. However, the continuance of such efficiencies is dependent on the market knowledge of participants and the extent to which this knowledge is applied in good faith.
(c) Are there any specific factors, specified in jurisdictional codes, that the AEMC should consider as allowing for efficient outcomes in accordance with our assessment framework?	Ergon Energy has not identified any factors specified in jurisdictional codes that the AEMC should consider as allowing for efficient outcomes in accordance with its assessment framework.
(d) Are appropriate incentives currently placed on parties under the regulatory framework for the customer transfer process to allow for efficient outcomes in accordance with our assessment framework?	Ergon Energy considers that the current regulatory framework places appropriate incentives on parties to efficiently effect customer transfer processes.
(e) Do the current compliance and enforcement provisions governing the customer transfer process allow for efficient outcomes in accordance with our assessment framework (e.g. in relation to the timeliness and accuracy of the customer transfer process)?	Ergon Energy regards the current compliance provisions as appropriate and suitable for their purpose. However, Ergon Energy believes enforcement of the provisions is often insufficient. The integrity of the transfer process relies on participants' compliance with the procedures; to the extent this compliance is poor, enforcement by the Australian Energy Market Operator (AEMO) is preferred.
Question 3 MSATS customer transfer process (a) Does the current MSATS customer transfer process promote timely and accurate customer transfers in accordance with our assessment framework?	Ergon Energy believes the current Market Settlement And Transfer Solution (MSATS) procedures allow for timely and accurate customer transfers. With that being said, this timeliness is contingent upon numerous factors and consequently delays can be experienced. For example, as MSATS is a labour intensive system, where delays are experienced in data entry, timeframes for transfer can also be delayed.
(b) What potential enhancements could be made to the customer transfer process, both in terms of timeliness and accuracy that could facilitate a more effective customer transfer process?	Ergon Energy suggests the AEMC consider a reduction in the cooling off period and a review of the timeframe rules, in particular, the objection clearing days/prospective business days (currently 65). While Ergon Energy supports the introduction of any enhancements that may improve the timeliness of transfers, it should not be at the

AEMC Question	Ergon Energy Response
	expense of accuracy.
(c) Are there any different ways of structuring charges for the provision of metering data, in order to incentivise metering data providers to supply more timely and accurate meter reads, for the purpose of facilitating an effective customer transfer process?	Ergon Energy requests that, in its analysis of the customer transfer process, the AEMC remain cognisant of some of the contingencies involved for Ergon Energy's network. For instance, under current arrangements, Ergon Energy has monthly, quarterly and annual meter reading blocks, which are determined by locality, access and metering type. When an actual meter read is required to effect a transfer on a small site, there is a corresponding cost associated with obtaining an off-cycle meter read. Given the size and distances involved in maintenance of Ergon Energy's network, the costs incurred by new requirements can be significant, and may ultimately be borne by all customers.
Question 4 Jurisdictional customer transfer processes Does the current jurisdictional customer transfer processes promote timely and accurate customer transfers in accordance with our assessment framework?	Ergon Energy does not believe the current jurisdictional transfer process necessarily allows for timely customer transfers. As actual readings are required to enable a transfer, the timings involved can vary. For instance, where the transfer is to occur after a special read at a cost to the customer/retailer or on the Next Scheduled Read Date (NSRD), the timeframe involved could be up to 90 days, dependent on the read cycle or whether a meter change is required. Ergon Energy also notes the following general issues specific to the transfer process in Queensland: • The timeframes specified in the Queensland Electricity Industry Code for special reads in the Ergon Energy area are reliant on feeder classes and locality and should be taken into consideration when determining a standard expected timeframe for completion; • Metrology Procedures - Large NMIs (over 100MWhs) require compliant metering (and communications device) to be installed to effect a transfer. The timeframe for the completion of this work can be delayed depending on the condition of the metering installation and switchboard e.g. damaged switchboard, asbestos and access; • MSATS procedures (Financially Responsible Market Participant responsibility) Cooling off period timeframes for Queensland transfers (currently 10 business days) where transfers cannot be completed until the end of the cooling off period; • Expedited transfers where there is a new Change Request type; • Read required for transfer i.e. scheduled read dates/special read, both require additional time and resources; • Transfers cannot be effected based on an estimated read i.e. must be a physical read, which can be delayed as a consequence of resource limitations; • Access to meters to enable a meter read, is the responsibility of the retailer, though it is not always provided or checked with the customer prior to the transfer being initiated. In particular corporate site transfers where multiple sites are involved or

AEMC Question	Ergon Energy Response
	where authorised access is or communications towers in obscure or hard to access locations; • Erroneous transfers, whereby a retailer will transfer a National Market Identifier (NMI) without explicit consent from the customer, or the retailer chooses the wrong NMI to transfer. Such mistakes are only realised after performing NMI discovery. This results increased time/resource costs for Network Service Providers (NSPs).
Question 5 Objections to the MSATS process (a) Does the current objections framework allow for efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is, or is not, the case?	Ergon Energy considers that the overall objection framework is appropriate, although in some circumstances participants who log objections do not follow up or withdraw objections as required.
(b) Are there any particular aspects of the objections framework that could be further refined in order to improve the efficiency of the objections MSATS process? (E.g. particular objection codes that are redundant?)	Ergon Energy suggests a reduction in the objection clearing period from 20 days to 10 and believes a review of all objection rules in relation to responsibilities and ownership, to assess relevance and appropriateness, would lead to continuous improvement of the customer transfer process.
(c) What underlying factors create these objections? How could these be resolved under the current customer transfer framework?	Nil comment.
Question 6 Continuation of MSATS processes Does the current continuation of the MSATS process beyond 65 business days allow for efficient outcomes in accordance with our assessment framework?	Ergon Energy does not believe the continuation of the MSATS process beyond 65 business days is necessary, as 65 business days is a sufficient period of time.
Question 7 Billing and market settlement Do the current arrangements for billing and market settlement allow for efficient outcomes in accordance with our assessment framework?	Ergon Energy regards current billing and market settlement arrangements as adequate for achieving efficient outcomes.
Question 8 Customer experiences with the customer transfer process What are typical customer experiences where the customer transfer process has broken down?	In Ergon Energy's experience, the typical scenarios in which failures of the customer transfer process occur would include: • Transfer without consent of customer; • Failure to read meter; • Incorrect meter type quoted to effect transfer; • Where CR1500 is not triggered to market by Metering Data Provider (MDP).
Question 9 Customer transfer process for large customers Are there any aspects of the customer transfer process for large customers that could be applied for the purpose of effecting timely and efficient small customer transfers?	In Ergon Energy's experience, the installation of type 1-4 metering and associated communication devices on all Large NMIs greatly assist the transfer process. Although there is a delay associated with the initial installation, Large NMIs are not reliant on scheduled meter read dates, allowing for expedited transfers to occur more easily.
Question 10 Customer experiences with the customer switching process	EECL, in the execution of its responsibilities as LNSP, does not ordinarily engage directly with customers and as such, does not have any specific comments in response to this

AEMC Question	Ergon Energy Response
(a) Do small customer experiences with the customer transfer process demonstrate efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is, or is not, the case?	question. EEQ as a non-competing retailer is not exposed to the rigours of the electricity market or the transfer (switching) process, and therefore does not experience the totality of adverse outcomes in customer transfer processes.
(b) What is the reason for the rising trend in evidenced customer complaints submitted to jurisdictional ombudsmen relating to customer transfers? Does this specifically relate to the MSATS transfer process?	Ergon Energy believes the two leading reasons for the increase in customer complaints are increasing numbers of erroneous transfers and the offering of corporate deals, the details of which are often not sufficiently explained to the customer. Ergon Energy does not believe these are specifically related to the MSATS transfer process.
(c) Are the current compliance and enforcement arrangements associated with the customer transfer process sufficient to respond to the various customer transfer issues that are being raised with jurisdictional ombudsmen?	Ergon Energy does not believe the current compliance and enforcement arrangements are consistently applied, and therefore, do not always deliver satisfactory outcomes for customers. At present the success of the arrangements is dependent on the issue and the extent to which the ombudsman has been informed about its particulars. As a result, application of the compliance and enforcement arrangements can vary greatly from one case to another.
(d) To what extent have the current compliance and enforcement arrangements applying to the customer transfer process been utilised to date?	Ergon Energy is not aware of any enforcement taken to-date in relation to the customer transfer process.
Question 11 Small customer transfer timeframes (a) Is up to 30 calendar days for the completion of a small customer transfer considered to be a reasonably acceptable timeframe in which to complete a switch?	Ergon Energy generally regards the 30 calendar day timeframe for completion of small customer transfers as appropriate. Although, this timeframe requirement must be considered in the context of the contingencies created where customers are receiving quarterly meter reads.
(b) For customers that experience switch times in excess of 30 calendar days, what are the main reasons for (and obstacles to faster) switching times?	In Ergon Energy's experience, excessive switch times are ordinarily experienced by customers as a result of quarterly meter reading blocks; the requirement to have compliant metering installed, resourcing constraints and costs associated with special reads.
(c) Does the AEMO MSATS data on small customer transfer timeframes suggest that the existing customer transfer process allow for efficient outcomes in accordance with our assessment framework?	Although Ergon Energy believes there is always an opportunity for continuous improvement of any system or process, the MSATS data on small customer transfer timeframes indicates that current outcomes are generally efficient.
Question 12 Large customer transfer timeframe (a) Does the AEMO MSATS data on large customer transfer timeframes suggest that the existing customer transfer process allows for efficient outcomes in accordance with our assessment framework?	In circumstances where large customers wish to transfer and maintain existing metering and remain with the same metering participants, the transfer timeframes are reasonably efficient. In Ergon Energy's observation, once a request is made to transfer that also includes changes to metering arrangements, the potential for delays is increased significantly.
(b) In terms of possible improvements, what lessons from the large customer transfer experience could be applied to the small customer transfer experiences?	Ergon Energy believes the installation of COMMS metering and the ability to receive readings/data at any time, rather than cyclic reads, would greatly improve the transfer experience for small customers.
Question 13 Objections to the customer transfer process Does the AEMO MSATS data on objections to the customer	On the basis of AEMO's MSATS data on objections to the customer transfer process, Ergon Energy generally regards the existing process as capable of achieving efficient

AEMC Question	Ergon Energy Response
transfer process suggest that the existing customer transfer process allow for efficient outcomes in accordance with our assessment framework?	outcomes.
Question 14 Evidence on the customer transfer process Are there any other aspects of the customer transfer process that could be improved to allow for more efficient outcomes in accordance with our assessment framework (e.g. issues with erroneous transfers)? What evidence, if any, is there to demonstrate that these aspects are, or are not, a problem?	Ergon Energy notes that some of the issues which arise in the customer transfer process are: • Additional resources required to enable off-cycle meter reads; • Customer move-outs during transfer processes and unknown customer move-ins; and • Absence of fee associated with scheduled reads for transfers, meaning the delay could be up to 90 (depending on the meter reading cycle). Consequently, Ergon Energy requests the AEMC's consideration of the following, as potential opportunities to improve the customer transfer process: • Introduction of expedited transfers for small customers where there is a new Change Reason type and new metering is not required; and • Where a physical meter reading is required for a small customer with a basic meter installation to enable an expedited transfer, NSPs should be given the opportunity to charge additional fees where costs are incurred (i.e. where the cycle for NSRD is outside of the timeframe and a special read is required).