

14 February 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Sir/Madam,

RE: Review of Electricity Customer Switching Options Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) *Review of Electricity Customer Switching Options Paper* (the Options Paper).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

This submission compliments the ERAA's input to the *Review of Electricity Customer Switching Issues Paper* (the Issues Paper). As we outlined in our submission to the Issues Paper, we support cost-effective improvements to the in-situ electricity switching process.

Process to investigate options

The current timeframe for this review requires the AEMC to provide a Final Report to the Standing Council on Energy and Resources (SCER) by 31 March 2014. This gives the AEMC around six weeks to consider stakeholder feedback to the Options Paper. The AEMC have requested that stakeholders provide cost benefit information on the options proposed in the Options Paper. The ERAA believes that additional time is required to undertake proper assessment of costs and benefits for both stakeholders and the AEMC. As system and process changes can impose significant costs on industry and government, this analysis may need to be undertaken by the Australian Energy Market Operator (AEMO) in conjunction with further input from participants. To accommodate this necessary process, the ERAA recommends that the final report is provided to SCER on 30 April 2014. This extension will provide a better balance between the need for timely changes, and ensuring that any recommended options are in the long-term interests of consumers.

Smart metering

In our submission to the Issues Paper, the ERAA argued that smart meters provide the most cost effective solution to many of the concerns raised. We reiterate this position. In the Options Paper, the AEMC states that:

“the options contained in this paper do not specifically consider the issue or role of AMI in the customer transfer process. All policy options identified could be implemented in the absence of AMI and are also consistent with the introduction of AMI. This is reflective of the principle of competitive neutrality, whereby different technologies in the NEM are subject to the same arrangements.”¹

¹ AEMC (2014), *Review of Electricity Customer Switching, Options Paper*, p.6



The ERAA believes the transfer-related benefits that smart meters provide are relevant to the current transfer process. Should the costs and benefits of a non-smart meter option be considered in isolation, a positive cost-benefit analysis would suggest that this change should be implemented. However, this approach may ignore the fact that smart meters could provide the same benefits at a much lower cost. To address this issue when analysing the merits of any options, the AEMC should consider if similar outcomes can be achieved in a more cost-efficient manner through the introduction of smart metering. The ERAA believes that our proposed approach is more consistent with the Terms of Reference provided by SCER, which calls for the AEMC to “consider what impact technologies such as smart meters could have on improving the accuracy of switch readings.”²

Possible options to address the accuracy of data used in the customer transfer process

The ERAA agrees that a cleansing of data in Market Settlement and Transfer Solutions (MSATS) would achieve higher accuracy levels. As outlined in our submission to the Issues Paper, this should be undertaken following a separate review of MSATS. The ERAA understand that AEMO is currently working on standardising the address attributes in MSATS along with a wider review of MSATS data standards which is scheduled to commence in 2014. The findings from this electricity customer switching review should be utilised as a key input to inform this wider review being undertaken by AEMO.

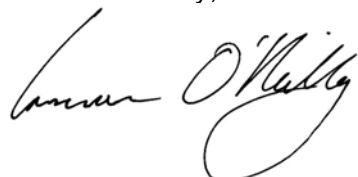
Options to increase monitoring and public reporting of transfers

As a general principle, the ERAA does not support regulation where there is no identified market failure. The AEMC in their Issues Paper and Options Paper does not identify a specific market failure that needs to be addressed, and the ERAA does not believe that increased monitoring and/or public reporting on transfers by the Australian Energy Regulator or AEMO will address the assessment framework proposed in the Options Paper.

When considering potential changes to monitoring and reporting regimes, it is important to consider existing regulations in a holistic manner. Energy retailers currently face a large number of regulatory obligations. The energy industry is subject to multiple Laws, Regulations, Codes and Rules that govern how it interacts with consumers. The ERAA does not believe there to be a market failure in these regimes and questions whether a change to add additional obligations on retailers, is warranted.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia

² Terms of Reference, May 2013, p. 2. Available at:
<http://www.aemc.gov.au/market-reviews/open/review-of-electricity-customer-switching.html>