Listen Assist Resolve

23 December 2013

Australian Energy Market Commission PO Box A2449 SYDNEY SOUTH NSW 1235

Lodged online at: <u>www.aemc.gov.au</u> Project number EPR0038

Dear Sir/Madam

Re: AEMC Issues Paper – Review of Electricity Customer Switching

Thank you for the opportunity to comment on the Australian Energy Market Commission (AEMC) *Issues Paper – Review of Electricity Customer Switching* (the Paper).

The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that helps Victorian energy and water consumers by receiving, investigating and facilitating the resolution of their complaints. EWOV's interest in responding to the Paper is based on our extensive experience in handling customer complaints.

This submission provides details of EWOV's case handling experience in matters where customers have been affected by a transfer error, transfer delay or transfer objection. Firstly, we provide some general comments about our role when resolving electricity transfer complaints, then we provide some EWOV transfer-related case data, some analysis and insight into the impact that transfer problems have on customers and case studies to illustrate some customer experiences. We also respond to questions 8, 10 and 14 set out in the Paper.

EWOV's role when resolving electricity transfer complaints

When reading these comments, it is important to consider that EWOV's understanding of the reasons behind electricity transfer issues is incomplete. Our understanding is mostly based on energy retailers' advice about the reason for a transfer issue, rather than an independent investigation of the cause of the problem. This is because we are focused on customer outcomes using dispute resolution processes, rather than regulatory compliance. We are

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therefore well placed to describe the customer experience. However, under EWOV's Charter¹ we have a responsibility to actively identify and examine all potential systemic issues that arise and report these issues to the regulator, the Essential Services Commission, which considers whether regulatory redress is needed.

In EWOV's experience, customers rarely complain about the mechanics of the switching process itself. Rather they contact us when a problem arises, such as a delay in receiving their first bill from a new retailer, getting a 'Dear Occupier' letter, receiving a bill from a different retailer than their own, or finding that their energy supply is disconnected despite having paid their bills. However, these customer experiences may have arisen from a transfer process problem or error.

EWOV's transfer-related complaints are often quickly resolved using more informal alternative dispute resolution processes, such as direct over-the-phone negotiation with the customer and their energy company. EWOV would seldom have to investigate whether the technical reason for the transfer problem arose from an issue with MSATS, distributor or retailer transfer systems, or was the mistake of the customer. EWOV resolutions commonly include a retrospective transfer to the customer's preferred or original electricity retailer without financial penalty, while ensuring that the customer is accurately billed. Sometimes there will be a payment to recognise the inconvenience caused to the customer, and where a transfer error results in a supply disconnection, EWOV will assess whether a Wrongful Disconnection Payment (WDP) should be paid to the customer.

¹ See clauses 7.1(m) and 7.2(b) of EWOV's Charter - <u>http://www.ewov.com.au/about-us/charter</u>

EWOV financial year data for the total number of EWOV transfer error, transfer delay, and transfer objection cases



Graph A below shows the total number of EWOV cases about transfer errors, transfer delays and transfer objection received each financial year since 2009/10:

Graph A shows that there is an increasing number of Victorians contacting EWOV for assistance with transfer-related matters.

In the 2012/13 financial year, the number of EWOV transfer error, transfer delay, and transfer objection cases increased by 55% from the previous financial year — an increase of 2,069 cases. Further, there was a 154% increase in these types of transfer cases in the four-year period from 2009/10 to 2012/13. These transfer issues and the reasons for the growth in cases are explored below - however any conclusions drawn should be taken in context with the overall increase in EWOV cases².

² For example, as reported in EWOV's 2012/13 Annual Report, EWOV received a 21% increase in cases in the 2012/13 financial year – see <u>http://www.ewov.com.au/publications-and-media/annual-report-2009/ewov-2013-annual-report</u>

When considering this upward trend in EWOV transfer cases, the AEMC should be aware that a single energy retailer made a significant contribution to this case increase. For example, in the July 2013 to September 2013 quarter, the retailer received a total of 1,836 transfer-related cases, which is 36% of all EWOV transfer cases received that quarter. Its billing system upgrade and billing-related issues continued to generate high customer demand for its contact centre, contributing to the large number of complaints to EWOV, particularly about transfer delays and associated billing problems, such as unbilled accounts.

EWOV quarterly data for transfer error, transfer delay, and transfer objection cases

Graph B below shows the total number of EWOV cases received quarterly since 1 July 2011 concerning transfer errors, transfer delays and transfer objection:



A closer look at transfer error cases

Sometimes the billing rights to a customer's supply address are transferred between retailers in error. Since January 2012, there has been an increase in EWOV's transfer error cases each quarter. There was a 5% increase in the July to September 2013 quarter compared to the previous quarter – from 803 to 831 cases, 28 more cases. Further, there was a 65% annual increase in transfer error cases from July to September 2012 relative to July to September 2013.

As outlined earlier, EWOV is focused on customer outcomes, rather than root-cause analysis of the transfer issues or regulatory compliance, however we have found that MSATS transfer errors usually happen because of mismatches between property address descriptions, meter numbers and NMI details. In examining EWOV cases, we found that transfer errors generally arise in the following circumstances:

- The council property description does not align with the NMI or meter number details listed in MSATS, or the distributor's or retailer's systems, resulting in the wrong property being transferred, such as property number 166 instead of 166A.
- The energy retailer inputs incorrect address, NMI or meter details into its system or MSATS.
- A customer quotes the incorrect meter details to the energy retailer, or one that doesn't correspond with the NMI or meter details in MSATS.
- A problem with the MSATS listing itself. For example, the NMI or meter number in MSATS does not match the details at the address because it has not been updated in MSATS or was assigned the wrong number.
- Retailer and distributor business-to-business communications or systems problems.

A transfer error may have several consequences for a customer and an energy retailer, which could include:

- Disconnection risk for example, the new retailer establishes an 'unknown consumer' account and sends bills addressed to 'Dear Occupier', but the customer does not respond as they do not believe they have an account with that retailer. Where this continues for a long time, the customer is at risk of disconnection by the new retailer for non-payment.
- Account disruption for example, the resulting disruption to the customer's existing payment arrangements may cause them to fall into arrears.
- Effects upon a third party where there is one transfer error, the incorrectly transferred NMI will likely affect another customer.
- Customer service centre impact where there is a transfer error, customers can be confused about which energy retailer should be billing their property, so may contact their retailer or EWOV for clarification.

EWOV believes that a more accurate alignment between a property address description, its meter number, its NMI and the details in MSATS would reduce the number of transfer errors resulting from the automatic aspects of the electricity transfer process.

EWOV suggests that retailers can play a role in minimising the risk of a transfer error by taking greater care when asking customers for their address and NMI details, maintaining good and efficient internal systems and making early communications with customers should a transfer error occur.

Case study - a customer's electricity supply was transferred in error and then disconnected (2013/11942)

The customer was dissatisfied with the retailer after it transferred her electricity account in error and then disconnected her electricity supply. She contacted her preferred company, and was told that her account had been transferred to another company. She then discovered that the retailer had made a request to disconnect her electricity.

She contacted the retailer on several occasions on the day of disconnection and was advised that she would need to establish an account in order to have the electricity reconnected. Dissatisfied with this information, the customer contacted EWOV for assistance.

EWOV arranged for the customer's electricity supply to be reconnected that same day and raised an Investigation³.

The retailer apologised to the customer and advised that it had mistakenly used the meter details at the customer's property to establish an account for a new customer. To recognise its error, the retailer provided the customer with \$300 for loss of income, \$60 for spoilt food and \$30 for phone calls, totalling \$390. The retailer also arranged for the account to be retrospectively transferred back to the customer's preferred company.

Additionally, the retailer did not follow the correct procedures under the *Energy Retail Code*⁴ when disconnecting the electricity supply, so a Wrongful Disconnection Payment of \$252.78 was paid to the customer.

³ An investigation is registered where an Assisted Referral has failed, as the matter remains unresolved, and the customer has recontacted EWOV, or the matter is complex and unlikely to be resolved as an Assisted Referral.

⁴ See <u>http://www.esc.vic.gov.au/getattachment/64a7c91d-45c1-468c-a15f-5accaedcdbc9/Energy-Retail-Code-</u> %28version-10a%29.pdf

A closer look at transfer delay cases

There was a 26% increase in EWOV transfer delay cases from the July to September 2013 quarter compared to the previous quarter – from 760 to 961 cases, 201 more cases. Comparing the July to September 2013 quarter to the same quarter in 2012, there was a 158% annual increase in transfer delay cases - from 372 to 961 cases, 589 more cases.

These are cases where there has been a delay in the electricity or gas transfer process. For example, where a customer is informed by their new energy retailer that the transfer will occur from the next scheduled meter read, but instead the customer receives another bill from their previous retailer.

In analysing EWOV transfer delay cases, we suggest that a transfer delay can occur for the following reasons:

- A transfer error or objection requires identifying the transfer impediment, then resubmitting the transfer request, with the consequence of delaying the transfer to the new retailer.
- A transfer can only be affected on an actual meter read, so therefore if the distributor has not been able to access the meter to read it, there will be a delay in the transfer.
- A Smart Meter, solar bi-directional meter or interval meter may have experienced a problem during the reading process so that meter data was not obtained, causing a transfer delay.
- Issues with the business-to-business communications between a distributor and a retailer, such as receiving meter read data compatible with the retailer's billing system.

Also, EWOV has often found that the delay in the new retailer sending a first bill may result from billing system problems, rather than a transfer issue – the underlying difficulty may be the non-billing of an account after the completed transfer.

EWOV has observed that transfer delays can have a significant impact on customers. Typically, a customer who has experienced a delay in transferring to their new energy retailer would also complain that they have not received their first bill, or that when received, the bill is higher than expected as it relates to a longer than usual billing period (sometimes several months). This may have serious financial repercussions for customers, especially if they are experiencing financial hardship. The consequences of a transfer delay may also have a detrimental effect on retailers.

Retailers will be obliged to field more queries and complaints from customers who have yet to receive their first bill, have received a high backbill or need payment assistance. Retailers may also be required to write off any charges over nine months old, pursuant to clause 6.2 of the *Energy Retail Code*⁵.

EWOV believes that the use of Smart Meters in Victoria should improve the timeliness of electricity transfers because remotely read meters overcome issues with meter access to take a physical read. However, we have found that sometimes retailers have had difficulties processing the distributor's meter read data in their system, causing transfer and billing delays. It is important for efficient customer transfers that distributors and retailers address any meter read data compatibility issues between the different systems they operate.

It will also help customers, and reduce complaints to their call centres and EWOV, if retailers identify delayed transfers early on and explain to customers the reasons for the delay and the steps being taken to fix the issue.

⁵ See <u>http://www.esc.vic.gov.au/getattachment/64a7c91d-45c1-468c-a15f-5accaedcdbc9/Energy-Retail-Code-</u> %28version-10a%29.pdf

Case study – there was a delay in transferring a customer's electricity supply with the consequence that it was disconnected (2013/26384)

The customer was unhappy that the retailer failed to transfer his electricity account when requested, with the consequence that his electricity supply was disconnected. In late February 2013, the customer contacted the retailer and entered into a contract for electricity to his residential property. On 22 April 2013, his electricity supply was disconnected resulting in him losing food items from his fridge. He contacted the retailer and said that he was told that because a manager was not available, his electricity would not be connected until the following day. As his wife was pregnant, he decided to stay in a hotel until supply was reconnected, which occurred the next day.

The disconnection was requested by a previous retailer who had the ongoing billing rights to the customer's property because the retailer had not completed a successful transfer request.

On 14 May 2013, the customer contacted EWOV and an Assisted Referral⁶ was raised. This did not finalise the complaint, so it was resolved using EWOV's Real Time Resolution process⁷.

The retailer apologised for the inconvenience caused to the customer and reimbursed him with \$479.50 for his hotel costs and lost food items. It acknowledged that it had made three unsuccessful transfer requests resulting in a delay in it securing the rights to bill his property. This delay meant that the previous retailer remained the retailer to the property and allowed it to request an electricity disconnection. The retailer successfully transferred the customer's account on 16 May 2013.

EWOV investigated the circumstances leading up to the previous retailer's disconnection and found that under s39(7) of the *Electricity Industry Act⁸*, there was a deemed contract between the customer and the previous retailer, which ended 180 days after it commenced. Consequently, as no contract existed between the customer and the previous retailer at the time of disconnection, WDP did not apply.

⁶ An Assisted Referral is where a customer has spoken with someone at their company's contact centre about their complaint, but it remains unresolved and the matter is referred to a higher level complaint resolution officer at the company. EWOV does not know the outcome of these referred complaints, except where the referral does not resolve the issue for the customer and they come back to us.

⁷ EWOV's Real Time Resolution Team receive failed Assisted Referrals calls from customers and then work to resolve the complaint through customer education and direct negotiation with the customer and their company to reach a fair and reasonable outcome – all within a one-call approach.

⁸ See <u>http://www.austlii.edu.au/au/legis/vic/consol_act/eia2000261/</u>

A closer look at transfer objection cases

There was a 2% quarterly increase in EWOV transfer objection cases from July 2013 to September 2013 - from 232 to 236 cases, 4 more cases. However, the increase is more noticeable when observed over a 12-month period – a 72% case increase from July 2013 to September 2013, compared to the same period in 2012 – an increase of 99 cases.

These are cases where an energy retailer objects to the transfer of a customer's account – either to, or from it. This may occur where a customer's current retailer objects to the transfer of a customer away from it, usually because of an outstanding account balance or the customer's new retailer objects to the transfer until a bond is paid as a security.

A transfer objection may also occur for technical reasons arising from the compatibility of the meter type with MSATS or the retailer's billing system. For example, a retailer bases an MSATS transfer request on a basic meter when the there is a Smart Meter installed at the property. The rollout of Smart Meters in Victoria should mean that meter types become more universal and therefore, as long as MSATS is updated accurately, there should be fewer transfer objections due to incompatible meter types.

EWOV does not have enough insight into the technical MSATS objections to make an informed view about how to improve the efficiency and accuracy of the transfer process. However, in looking at EWOV cases about transfer objections we have found occasions where a transfer objection is based on account debt not in the customer's name, but in the name of the previous occupant of the property and objections because the meter reader cannot access a property for a physical read – less likely now that most customers have Smart Meters. These are situations that can be avoided through better systems checks and improved retailer communications with customers.

Case study - previous tenants' account arrears cause transfer problems for a customer (2013/51388)

In October 2012, the customer contacted his preferred energy retailer to organise a new electricity connection before moving into his property. On 26 August 2013, his electricity supply was disconnected by another retailer. He spoke to this retailer which advised that it had objected to transfer requests from the customer's preferred retailer as there was an outstanding debt on the account from a previous customer. This resulted in the billing rights to the property remaining with the retailer.

Unhappy with the retailer's disconnection and transfer objections, the customer contacted EWOV and an Investigation⁹ commenced.

The retailer apologised for the inconvenience caused by the disconnection and its transfer objection. The retailer objected to the transfer requests from the customer's preferred retailer because there was an outstanding debt on the account. However, this account and debt was not in the customer's name, but in the name of the previous occupant of the property. The retailer accepted a transfer request and did not bill the customer for electricity used while he was at the property. The customer agreed to contact his preferred retailer by 1 October 2013 to set up an account.

Additionally, the customer's electricity supply was reconnected the same day that the customer contacted EWOV. EWOV investigated the circumstances leading up to the disconnection and found that under s39(7) of the *Electricity Industry Act¹⁰*, there was a deemed contract between the customer and the retailer, which ended 180 days after it commenced, which was on 1 May 2013. Consequently, as no contract existed between the customer and the retailer at the time of disconnection, WDP did not apply.

⁹ An investigation is registered where an Assisted Referral has failed, as the matter remains unresolved, and the customer has recontacted EWOV, or the matter is complex and unlikely to be resolved as an Assisted Referral. ¹⁰ See <u>http://www.austlii.edu.au/au/legis/vic/consol_act/eia2000261/</u>

Question 8 - Customer experiences with the customer transfer process

What are typical customer experiences where the customer transfer process has broken down?

We have outlined above the impact that transfer process problems can have on customers. Customers rarely complain about the transfer process itself, rather they contact us when an associated problem arises, usually a billing issue. In summary, some typical customer experiences are as follows:

- Continuing to receive bills from their previous retailer, potentially at a higher tariff rate.
- A delayed first bill from the customer's new retailer, which may lead to a large backbill causing payment difficulties.
- Customer confusion about which company is their energy retailer.
- The inconvenience of contacting their energy retailer, or an Ombudsman, to resolve the problem.
- The disruption to the payment arrangement established on the account may result in the customer falling into arrears.
- The disconnection of their energy supply after the billing rights to the customer's property are mistakenly transferred to another retailer who disconnects supply when payments are not being made.
- The receipt of 'Dear Occupier' letters where the retailer with the billing rights to a property does not have the customer as an associated account holder where this continues, the customer is at risk of disconnection.

Question 10 - Customer experiences with the customer switching process

(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?

EWOV doesn't have enough information to determine whether the transfer process is efficient for customers. However, with the increase in use of Smart Meters and the ability to quickly obtain remotely read meter data, there is an opportunity for the industry to review the maximum allowable timeframes for transferring customers.

(a) 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?

We have outlined above the extent of the increase in transfer-related complaints to EWOV and made some comments about the reason for this increase, particularly for transfer error and transfer delay cases.

As stated earlier, EWOV has observed problems with the MSATS transfer process when a property address description, its meter number, its NMI and the details in MSATS do not align. This may not be an issue with MSATS itself, rather a limitation of the management and synchronisation of the various information sources needed to coordinate the transfer.

(b) 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?

(c) To what extent have the current compliance and enforcement arrangements applying to the customer transfer process been utilised to date?

As outlined earlier, EWOV is concerned with reaching fair and sustainable resolutions to customer complaints using alternative dispute resolution processes. While we regularly report to the Essential Services Commission about systemic issues, we are not involved in regulatory compliance and enforcement.

In EWOV's experience, although not specifically related to the transfer process, clause 6.2 of the *Energy Retail Code*¹¹ has practical importance when there has been a prolonged transfer delay or unresolved transfer error. In these circumstances, sometimes a customer may not receive a bill for several months or more. However, pursuant to clause 6.2 of the *Energy Retail Code*, the energy retailer cannot bill the customer for any charges that are more than nine months old and the customer must be given equal time to pay the delayed bill. This clause should be an incentive for energy companies to identify and fix transfer issues as early as possible.

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

¹¹ See <u>http://www.esc.vic.gov.au/getattachment/64a7c91d-45c1-468c-a15f-5accaedcdbc9/Energy-Retail-Code-</u> %28version-10a%29.pdf

erroneous transfers)? What evidence, if any, is there to demonstrate that these aspects are, or are not, a problem?

As outlined earlier, EWOV has found that MSATS transfer errors usually happen because of mismatches between property address descriptions, meter numbers and NMI details. Sometimes there may also be an issue with the MSATS listing itself. For example, the NMI or meter number in MSATS does not match the details at the address because it has not been updated in MSATS or was assigned the wrong number.

We trust that these comments are useful. Should you require further information or have any queries, please contact Justin Stokes, Senior Research and Communications Advisor on (03) 8672 4272.

Yours sincerely

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