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Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

EPR0038

Dear Commissioners

Review of Customer Switching Options: Options Paper

Thank you for the opportunity to comment on the Australian Energy Markets Commission's (AEMC's) Options Paper for the Customer Switching Review.

Simply Energy is one of the larger second tier retailers supplying customers in Victoria, South Australia, New South Wales and Queensland.

Timing of the transfer process

Simply Energy supports the AEMC's objective of reducing the length of the transfer process and we would be delighted if all transfers could be completed within 21 business days. To this end, we support Option A1 raised in the Options Paper, which is reducing the maximum prospective timeframe for customer transfer requests in the MSATS Procedures from 65 business days to 21 business days.

However, this change alone will not achieve the AEMC's objective. Without other supporting changes, just changing the maximum prospective timeframe in MSATS will result in transfers failing to complete because of the lack of timely meter reads.

Using estimates or customer self-reads is not a solution to the lack of an actual read (Option A2). Customers do not like their bill being estimated and they do not like having to self-read their meter. We currently transfer a small number of customers on estimates and self-reads when a meter reads continues to be unavailable, and nearly all of those transfers end up in complaints to us or the ombudsman.

Switching retailers should be a seamless and effortless process for customers. Having customers read their own meter does not make the process effortless, and is inconvenient for the customer solely because the industry cannot solve a problem with its processes.

Neither are we enthusiastic about ending up in a dispute process with another retailer that could take months or years to resolve. It is the meter data provider (estimate) or customer (self-read) who provides the data — we merely deliver the externally provided figure to the market. Therefore in the event of a dispute the disputing retailer should engage directly with the meter data provider or customer who provided the data.

The only genuine solution to shortening the transfer process is increased penetration of smart metering. With remote reading, we could complete transfers within a few days of the cooling off period ending.

Until smart metering becomes more prevalent, the second best solution is to look at the arrangements governing regulated metering data providers (Option A3). Regulated metering data providers should be subject to tighter requirements to deliver timely data, and penalties for failure to deliver to these requirements.

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We are unconvinced of the benefit that reporting on transfer statistics would provide (Option A4) as it will not drive improvements in the length of the transfer process. We feel that industry, AEMO and AER resources are better used elsewhere than in reporting on transfer statistics.

Accuracy of the transfer process

We support the AEMC's proposal for AEMO to establish a workgroup to cleanse the data retained in MSATS (Option B1) and are willing to participate in that process.

However, a cleansing process will not be sufficient to improve the accuracy of the transfer process. Cleansing will improve the quality of the data that has already been entered but it will not ensure the quality of data that is entered in the future.

There need to be tighter controls around entering data into MSATS as it currently provides too much opportunity for users to enter free text. Improved validation processes that quality assure the data entered into MSATS are required. In particular, there should be stronger rules and procedures around how meter numbers are assigned to NMIs.

As with the timeliness of the transfer process, we are unconvinced of the benefit of having AEMO and the AER report on the accuracy of the transfer process (Option B2). The reporting itself will not drive improvements without more fundamental changes.

We think that stickers are subject to error and their application will require strict quality assurance measures to ensure the correct NMI sticker goes on the right meter (Option B3). We believe that more robust procedures around data entry into MSATS are a more effective means to improving data accuracy.

We do not support the inclusion of an obligation on retailers to coordinate to resolve erroneous transfers in a timely manner (Option B4). It is unnecessary and will not drive any improvements because we already cooperate on a daily basis with other retailers to complete transfers successfully and to correct erroneous transfers as quickly as we can.

We would prefer that the AEMC focuses its attention on the impact of the 130 business day threshold in MSATS. MSATS does not allow us to look back beyond 130 business days to determine who may have been the former FRMP. This forces us to send out a global email to all other retailers to try and locate the former FRMP which can significantly slow the correction of erroneous transfers.

The AEMC could make a significant improvement just by recommending an adjustment to this 130 business day threshold.

Incremental improvements

We support the AEMC's proposal for AEMO to undertake a project to improve the existing objections framework (Option C1).

In the main part of our submission that is attached, we comment on the incremental improvements suggested by other stakeholders in their submissions.

Conclusion

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We support the AEMC's objective of reducing the maximum number of days that it takes to transfer a customer. In the absence of smart metering, the only credible way of achieving this objective is to improve the performance of regulated meter data providers.

I can be contacted on (03) 8807 1132 if you would like to discuss this submission or any other aspect of the review with Simply Energy. We would be delighted to help the AEMC in its deliberations.

Yours sincerely

Dianne Shields
Senior Regulatory Manager

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Review of Customer Switching Options: Options Paper

This submission sets out Simply Energy's submission to the AEMC's review of Customer Switching.

Timing of the customer transfer process

The AEMC has set out four options for resolving the issue of the length of time a customer transfer can take:

- A1 Reduce the maximum prospective timeframe for customer transfer requests in the MSATS Procedures from 65 business days to 21 business days
- A2 Allow transfers to occur based on estimated meter reads
- A3 Incentives arrangements on regulated metering data providers in relation to special meter reads
- A4 Introduce monitoring by AEMO and AER of the timing of the customer transfer process

As requested by the AEMC, we discuss the merits of these options using the AEMC's assessment criteria.

Option A1: Reducing the maximum timeframe to 21 business days

We support the AEMC's proposal to reduce the maximum prospective timeframe for customer transfer requests in the MSATS Procedures from 65 business days to 21 business days.

However, it will not fulfil the AEMC's assessment criteria without the support of other changes to the transfer process. Option A1 alone will fail the criteria of predictability and efficient allocation of risks and costs. It will not provide a predictable outcome because transfers will fail to complete without a timely meter read. It does not provide for the efficient allocation of risk because retailers will bear the risk of non-compliance with a shorter transfer timeline, but are unable to manage this risk. The majority of meters across the NEM are read by regulated meter data providers over whom retailers have little control.

Option A1 must be accompanied by other changes, in particular the implementation of Option A3, to fully meet the AEMC's criteria.

Option A2: Transferring on an estimate/self-read

Option A2 fails all of the AEMC's assessment criteria. It is not transparent, simple or predictable and will create excessive regulatory and administrative burden from the high volume of customer and ombudsman complaints that it will create.

Customers do not like bills based on estimates and do not like having to conduct self-reads. A high proportion of the small number of transfers we currently complete using estimates (when a meter read continues to be unavailable) end in customer complaints and ombudsman cases. Customers do not trust the reading that has been used (even when they provide it themselves), resulting in anxiety and confusion. We must then spend a large amount of time and cost in resolving the matter to the customer's satisfaction (usually involving us undertaking a special meter read).

We are strongly opposed to other retailers being able to object to the estimate or self-read that we are using. In both situations, it is not us that has produced the estimate or self-read. It is provided by the meter data provider or the customer — we merely deliver the externally provided figure to the market for the purposes of the transfer. Therefore in the event of a dispute the disputing retailer should engage directly with the meter data provider or customer who provided the data.

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We also believe that Option A2 will have unintended consequences. If, as we expect, estimates and self-reads are not considered final for settlement of the wholesale market and determination of network charges, then there will be much higher levels of bill re-issues once an actual meter read is available to true-up wholesale market settlements and network charges. As a result, customers will be subject to more frequent over-charging and under-charging, and reissued bills. This will increase complaints and the risk of bill shock.

For this reason, we also believe that Option A2 fails the AEMC's criteria of an efficient allocation of risks and costs. We rely on other parties to provide an estimate (meter data provider) or self-read (the customer) and we have no methods to manage the risk that the estimate or self-read may be inaccurate.

We are also concerned that the ability to object to the estimate or self-read could be abused by retailers to delay the completion of transfers and thus prevent customers from switching away.

Option A3: Incentive arrangements on regulated metering data providers

Regulated metering data providers should be subject to tighter requirements to deliver timely data, and penalties for failure to deliver to these requirements.

We recommend the AEMC to refer this to the AER to develop a mechanism (similar to the GSL mechanism) that creates incentives to deliver accurate, timely meter reading data. A well thought out framework that avoids creating loopholes is needed.

The penalty payments could be made to the retailer who has incurred the rework and other costs associated with a failed transfer due to the lack of a timely meter read. The regulated metering data provider's regulated revenue cap would be adjusted to ensure that the penalty payments are not recovered.

Option A4: Monitoring by AEMO and AER

This option will not contribute toward the clarity, simplicity or predictability of the transfer process. In our view, the costs of this monitoring would be greater than the benefits because it will not in itself drive improvements in the accuracy of the transfer process. We believe industry, AEMO and AER resources are better used elsewhere.

Accuracy of the customer transfer process

The AEMC has set out four options for resolving the issue of the accuracy of the customer transfer process:

- B1 Cleanse the MSATS data in order to achieve higher accuracy levels
- B2 Increased monitoring and reporting by AEMO and AER of the accuracy on the customer transfer process
- B3 Obligation to display the NMI number on the meter
- B4 NERR obligation on retailers to coordinate to resolve erroneous transfers in a timely manner

Option B1: Cleanse the MSATS data in order to achieve higher accuracy levels

We support Option B1 because we expect it to improve the predictability and clarity of the transfer process. While it will increase the level of administrative burden, we believe that this cost is worth the benefits from improved MSATS data quality.

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However, a cleansing process is not sufficient to improve the accuracy of the transfer process. Cleansing will improve the quality of the data that has already been entered but will not ensure the quality of data that is entered in the future.

Tighter controls around entering data into MSATS are required, as currently there is too much opportunity to enter free text. Improved validation processes that protect the quality of the data entered into MSATS are required. In particular, there should be much stronger rules and procedures around how meter numbers are assigned to NMIs.

Option B2: Increased monitoring and reporting by AEMO and AER

Option B2 may go some way to improving the transparency of arrangements but it will not contribute to the clarity, simplicity or predictability of the transfer process. We expect the costs of this monitoring to be greater than the benefits, because it will not in itself drive improvements in the accuracy of the transfer process. In our view, industry, AEMO and AER resources are better used elsewhere.

Option B3: Obligation to display the NMI number on the meter

We believe that the costs of option B3 would outweigh the benefits. The costs would not be limited to the cost of the stickers and the labour costs associated with fixing stickers to meters.

Stickers are subject to error and strict quality assurance measures will be required to ensure the correct sticker goes on each meter. There is also no protection against the stickers being tampered with or removed.

We believe that more robust procedures around data entry into MSATS is a preferable means to improving data accuracy, and would be a more beneficial use of industry resources.

Option B4: NERR obligation on retailers

We do not support the inclusion of an obligation on retailers to coordinate to resolve erroneous transfers in a timely manner. It is unnecessary and will not drive any improvements because we already cooperate on a daily basis with other retailers to complete transfers successfully and to correct erroneous transfers as quickly as we can. As we are already cooperating, this option will not contribute toward clarity, simplicity or predictability. Neither will it promote efficient incentives because retailers already have incentives to make the transfer process effortless for customers.

We would prefer that the AEMC focuses its attention on the impact of the 130 business day threshold in MSATS. MSATS does not allow us to look back beyond 130 business days to determine who may have been the former FRMP. This forces us to send out a global email to all other retailers to try and locate the former FRMP which can significantly slow the correction of erroneous transfers.

Other incremental improvements that could be made

We support AEMO undertaking a project to improve the existing objections framework and are willing to contribute resources to the project.

The AEMC has also highlighted some suggestions that were raised in submissions that the AEMC would like comment on:

- Better appointments by meter data providers

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- Increased use of electronic communications — text messages, emails and mobiles could be used to reduce site 'no access' read failures and potentially erroneous transfers
- Better information to customers to better inform them about a number of aspects of the transfer process – using special reads to expedite the process; requirement for meter readers to be provided with clear and safe access to their meter box to ensure timely transfer

Better appointments

We are often frustrated in our attempts to make a meter reading appointment for our customers. We go to considerable lengths to organise a suitable time with the customer when the meter data provider can access the meter.

It is frustrating for us and particularly frustrating for our customers when the meter data provider does not turn up for the appointment. Often the customer has had to take leave from their own workplace to be available.

We believe that a new uniform approach to appointments is required but we do not have any ready solution on how this might work. However, we would be happy to work with the appropriate body to devise a solution.

Electronic communications

There may be some value in increasing the use of electronic communications. However, the approach to using it would need to be standardised as it is error prone.

Better information

We already provide information to customers on how to transfer faster when the customer requests this. We inform them of the availability of special meter reads and that access to the meter is required.

However, there is a basic customer service principle that customers should not have to know very much about the transfer process. Their requested transfer should occur seamlessly and they should not have to worry about organising a special read or whether the meter reader can access the meter.