



Reducing customers' switching times

Final rule determination

The Australian Energy Market Commission (AEMC or Commission) has made a final rule to reduce customer switching times. The final rule is in response to a rule change request submitted by the Australian Market Operator (AEMO). This rule change provides flexibility to AEMO and industry to implement changes to the market process which enables customers to switch their energy retailer.

Context

The AEMC and AEMO provided joint advice to the Council of Australian Governments (COAG) Energy Council on 3 December 2018 in response to a request from the Senior Council of Officials. It addressed improvements to the customer transfer process in the NEM, taking into account the related recommendations 8 and 9 of the Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry Final Report (REPI).

The current customer transfer process results in customers having to wait significant periods to access products and services they want and provides opportunities for losing retailers to conduct save activity. The delay in these customer transfers, combined with existing processes that notify the 'losing' retailer, allow the losing retailer to conduct save activity. This may undermine retailers' incentives to maintain competitive prices and good customer service for existing customers.

AEMO's high level design proposes to create market processes that will provide for customers to transfer electricity retailers within two days irrespective of their metering type — being an accumulation or advanced electricity meter. This new process will cease retail save activity and allow customers faster access to prices and products that they want.

In developing the advice AEMO and the AEMC highlighted that the changes are largely within AEMO's control through procedure changes. The only changes required to the rules are clarifications and to make sure that consumer protections are adequate for a circumstance where more customers may change retailers based on self-reads and estimated reads. Given the nature of the rule change it is possible to progress them simultaneously.

Final rule determination

The AEMC released a final rule determination and a final rule on 19 December 2019. The Commission's final rule determination is to make a more preferable final rule (the final rule). The final rule achieves the intent of AEMO's rule change request but with variations in its implementation. The final rule is the same as the Commission's draft rule, except for the commencement date of the NERR changes.

The changes made in the rule facilitate the implementation of AEMO's high level design by removing elements of the Rules to provide AEMO and industry with the flexibility to create a faster transfer process while also providing clarity on the existing provisions. These changes are in the long term interests of consumers because they simplify the National Electricity Rules and National Energy Retail Rules (the Rules) and in doing so increase transparency and certainty within the customer transfer process.

The final rule makes amendments to the Rules that allow AEMO to achieve the vision set

out in the AEMC and AEMO joint advice to COAG EC in December 2018. This vision was that customer could switch their energy retailers in two days, regardless of their meter type.

It does this by removing outdated requirements in the customer transfer process and amending the standard contract terms and conditions to allow all types of customer transfers. The final rule determination itself also provides clarity on some issues where industry has expressed doubt regarding the interpretation of the Rules, such as the use of estimate meter reads for final bills.

The Commission has also analysed consumer protections for customer transfers as part of this rule change process. This was because the new transfer process may result in a greater use of estimate meter reads being used for customer transfers. At this stage we consider the current Rules contain sufficient consumer protections and no further amendments are required. The Commission will be working collaboratively with industry, market bodies and jurisdictional ombudsmen schemes to monitor any issues that arise from the greater use of estimate meter readings for customer retail transfers.

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