

Australian Energy Market Commission
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Lodged online: www.aemc.gov.au

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RRC0038 – Maintaining life support customer registration when switching

The Australian Energy Council welcomes the opportunity to make a submission to the Australian Energy Market Commission's ('AEMC') Draft Decision on the proposed *Maintaining life support registration when switching* Rule Change (the 'Draft Decision').

The Australian Energy Council ('AEC') is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

While the AEC favours the more preferable rule proposed in the Draft Decision over the original rule change request, we remain concerned that a rule change is being advanced without sufficient evidence to justify the customer benefits. Limited evidence has been provided by the rule change proponent, EWON, about the costs life support customers face when switching and how many customers are affected by the perceived barriers. The submissions the AEMC received to its Consultation Paper instead show life support customers switch at around the same rate as customers without life support, indicating the perceived issue may not be material. It is the AEC's view that, in line with the intent of the NERO, greater weight should be placed on establishing the benefits (relative to costs) before a rule change is made.

Notwithstanding the above, if a rule change is to proceed, the AEC considers that the lighter touch approach proposed in the Draft Decision will better mitigate the risk that the costs of implementing the new process significantly outweigh any benefits. However, the AEC believes some amendments to the Draft Decision are necessary to ensure costs are minimised to the extent possible, and to ensure the new rules operate as intended. As part of this, the AEC opposes the proposed commencement date of 4 March 2021. Requiring retailers to implement a rule within days of a final decision, particularly given the Draft Decision requires changes to letters and other customer processes that impact life support registration, is both implausible and undesirable.

Limiting requirements to circumstances where MCF form is available

The National Energy Retail Rules do not currently have a specific requirement on retailers to retain medical confirmation forms ('MCF'). While rule 126 requires retailers to retain a record of customer communications included in rules 124A and 125, neither of these rules require retailers to retain the customers actual MCF for any set period. The AEC understands that different retailers currently retain this form for varying lengths of time.

The Draft Decision does not change the obligations on retailers to retain MCFs while the customer remains active. The new rule 124(1)(b)(viii) enables a customer to reuse an MCF provided it is dated within four years, but does not place a similar obligation on retailers to retain the form for that period. The AEC recommends the AEMC clarify the obligations on retailers, confirming that the form must only be returned to the customer if it is currently held by the retailer. A customer would still be able to utilise a legible form that was dated

within the previous four years, but the retailer would only be obliged to return to the customer a form that was currently retained.

Mitigating risks of operator error

While the AEC considers the proposed rule mitigates retailer costs, there is a risk that placing a requirement on retailers to use forms provided by another retailer, in a form developed by the other retailer, may result in operator error.

Practically, the AEC understands that contact centre and data entry operators are required to manually input information from life support paperwork into retailer systems. Given the critical nature of life support and its surrounding protections, retailers take steps to ensure these manual processes are as error proof as possible. There is some concern amongst retailers that this rule may increase risk of error, as different forms will be required to be inputted by these operators, potentially with varying pieces of information.

The AEC does not propose material changes to the proposed rule to further mitigate this risk, however notes that it will require retailers to take steps internally to strengthen their processes and procedures to ensure customers are adequately protected. In the months following the implementation date, retailers will better understand the different forms that will be used and will further develop their systems, but the proposed rule does create a risk that until this is well understood, inaccurate registration appears more likely than it is today.

Implementation

Given the above highlighted concerns, the AEC does not consider that a 4 March 2021 implementation date is achievable.

Even a relatively simple rule change requires retailers, who manage many thousands of customer interactions every day, to develop systematic and auditable processes to ensure that obligations are undertaken as intended. At a high level, this rule will require retailers to:

- Amend customer communications to ensure that new customers are aware of the ability to utilise historical MCFs
- Identify and train all frontline staff that have responsibilities regarding life support to ensure all customer interactions are in line with the objectives of the reform
- Update scripting and system prompts to ensure customer awareness
- Develop processes and procedures to implement new rules and mitigate risks of error, particularly with regard to operator error
- Redesign nationally harmonised processes to deliver the new rule in NECF states only
- Develop quality assurance mechanisms to ensure compliance with new rules

The AEC considers a more reasonable implementation timeframe would allow at least three to four months to undertake these steps. Four months from the final decision would mean a start date of 1 July 2021. The AEC prefers an implementation date of 1 August 2021 so as to avoid the congested 1 July period. As the AEMC is aware, customer price changes across the NEM tend to occur on 1 July, including changes to the Default Market Offer and the reference price. Many of the resources used to implement these changes will be utilised to redesign letters and communications necessitated by this proposed rule.

The AEC considers this timeframe is appropriate given the lack of clarity as to the quantum of the problem this rule change is seeking to avoid. Rushing to implement a rule that amends critical life support processes without a clear understanding of its need seems unnecessary.

General comments on the proposed rules compatibility with the NERO

While the regulatory impact of this rule change appears small, the AEC has some concerns with how the AEMC has undertaken its assessment as to whether the proposed rule complies with the National Energy Retail Objective ('NERO').

The Draft Decision notes that the more preferable rule contributes to the NERO because it reduces barriers to obtaining life support registration, and by inference, will encourage switching amongst this cohort of customers. The AEC agrees that if there currently are barriers, then the draft rule may go some way to reducing them, but as it stands, no evidence has been presented by either the proponent or any respondents to the Consultation Paper as to the materiality of this issue. Rather, the only evidence provided in submissions was that switching data shows that customers with life support switch just as frequently as customers without life support.

While the Draft Decision does accept the scope of the issue remains unknown, it appears the AEMC has determined the change contributes to the NERO on the basis that the costs of implementing its more preferable rule are likely low. In essence, because the costs are low *if* there are benefits, they will likely outweigh them.

The AEC considers this to be a concerning precedent. It seems a rule change is being progressed absent any real evidence that customers have been impacted by the current processes, on the basis that there *could* be impacts. While the more preferable rule clearly results in lower costs than the proponent's proposed rule, as noted above, there are steps retailers will need to take to implement the reform, of which the costs will not be immaterial.

Given the Draft Decision suggests a more holistic review of the life support rules might be required in the coming years, and proposes a suggestion of an omnibus rule change to resolve issues identified by stakeholders, it would seem an optimal response to delay implementing this rule until after a broader review was undertaken, so as to reduce costs. At the very least, elements of the rule might be able to be deferred under a transitional arrangement to avoid any system impacts (such as those in Draft Rule 124(4)(b)(viii)) in the shorter term, while still enabling customers to utilise a previously submitted MCF as proposed.

For any questions about our submission please contact me by email at ben.barnes@energycouncil.com.au or on (03) 9205 3115.

Yours sincerely,



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