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23 May 2019

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By online submission

Dear Mr Pierce

Rule Change Request – Customer transfers

The Australian Energy Market Operator (AEMO) requests that the Australian Energy Market Commission (AEMC) consider making a rule change under section 91 of the National Electricity Law.

Specifically, AEMO requests that the AEMC amend the National Electricity Rules (NER) and National Energy Retail Rules (NERR) to support proposed changes to AEMO's Retail Market Procedures to improve the customer transfer process in the National Electricity Market.

Should the AEMC decide to make a Rule based on AEMO's proposal, customers will be able to transfer between retailers within two business days.

For further information, please do not hesitate to contact myself or Lee Brown, Specialist Market Design and Development on (03) 9609 8528.

Yours sincerely

Peter Geers

Chief Strategy and Markets Officer

Attachments:

Rule Change Proposal: Customer Transfers in the NEM

Appendix A: Retail Transfer Process in the NEM – High Level Design

ELECTRICITY RULE CHANGE PROPOSAL

CUSTOMER TRANSFERS IN THE NEM

May 2019

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NEW SOUTH WALES QUEENSLAND SOUTH AUSTRALIA VICTORIA AUSTRALIAN CAPITAL TERRITORY TASMANIA WESTERN AUSTRALIA

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1. SUMMARY

On 3rd December 2018, the AEMC in conjunction with AEMO provided joint advice to the COAG Energy Council Standing Committee of Officials regarding the implementation options for recommendations 8 and 9 of the ACCC Retail Electricity Pricing final report[1].

The AEMC and AEMO advice proposed a number of actions to improve the existing transfer process. These proposed actions were broader than the recommendations proposed by the ACCC. The proposed actions included the provision by AEMO of a High-Level Design (HLD), and associated rule changes, for a customer transfer process that streamlines existing procedures and improves customer expectations and competition in the retail market.

The HLD would

- Mandate that customer transfers must be completed within two days;
- Have regard to the appropriate timeframe for notifications and meter read options as recommended by the ACCC; and
- Be guided by a number of key principles including that:
    - there is a simple, easy and timely customer transfer process for consumers
    - the supporting procedures are streamlined, transparent and provide certainty for participants
    - the obligations are clear, enforceable and can be reported on, and
    - the changes have regard to the implementation and ongoing costs.

The associated rule changes will take account of customer protection issues, including billing and contract information. It should also consider enforcement arrangements, including reporting of breaches by the Australian Energy Regulator (AER).

This proposal and the associated HLD, provided as Appendix A, have been drafted to propose modifications to AEMO Procedures, the National Electricity Rules (NER) and the National Energy Retail Rules (NERR) in accordance with the advice.

AEMO Procedures

The NER requires AEMO to develop and publish procedures which govern the transfer of financial responsibility for energy flows at a connection point, under clause 7.16.2, known as the Market Settlement and Transfer Solution Procedures (MSATS Procedures). The Customer Administration and Transfer Solution (CATS) Procedures are part of the MSATS Procedures, and amongst other things deal with the transfer of customers between retailers.

As a result, changes to the design of the customer transfer process from a technical and operational perspective are largely within AEMO's remit to amend, in accordance with the NER consultation requirements. Appendix A provides detail on proposed changes to AEMO Procedures, which provides context to the proposed changes to the NER and NERR.

National Electricity Rules

The NER places some technical restrictions on provisions that the MSATS Procedures must include; these are considered in this proposal in the context of improving the customer transfer process.

[1] https://www.aemc.gov.au/market-reviews-advice/aemc-and-aemo-joint-coag-energy-council-advice-customer-transfers

The NER also establishes enforcement and reporting arrangements. AEMO proposes changes to the AER reporting requirements, to provide visibility of compliance with the timeframes for reporting. AEMO considers that the current enforcement arrangements are sufficient and is not proposing that these be changed.

National Energy Retail Rules

The NERR provide detailed content of the consumer protection measures that govern the relationships between consumers and retailers and consumers and LNSPs. AEMO recognises the need for consideration of consumer protection requirements resulting from any change to the method and processes by which a customer can change retailer. Accordingly, amendments to the NERR are included in this proposal.

Implementation

AEMO looks forward to working collaboratively with the AEMC such that consultation on changes to AEMO Procedures can work in parallel with the AEMC's rule change process. This collaboration should ensure that changes to rules and procedures can be delivered consistently and promptly.

2. RELEVANT BACKGROUND

2.1 ACCC recommendations

In July 2018, the ACCC released its final report on an inquiry into retail pricing in the electricity market[2]. The report highlighted a range of issues with the retail market and made two recommendations regarding changes to the retailer transfer process:

> Recommendation 8 - AEMO should amend its rules and procedures so that losing retailers are only given a loss notification on the actual date of transfer of financial responsibility for the customer to the new retailer. This will limit the opportunity for 'losing' retailers to conduct save activity before a customer transfer has taken place;
>
> Recommendation 9 - The AEMC should make changes to speed up the customer transfer process, for example by enabling customers to use self-reads of their electricity meters. This will ensure that customers move to new offers quickly and will limit the time available for 'losing' retailers to conduct 'save' activity.

On 19 October 2018, COAG Energy Council Senior Committee of Officials requested the Australian Energy Market Commission (AEMC) in conjunction with the Australian Energy Market Operator (AEMO) to provide coordinated advice on improving the customer transfer process in the National Electricity Market (NEM), including addressing the ACCC recommendations 8 and 9. The advice was provided to the COAG Energy Council on 3 December 2018[3].

In summary, the advice highlighted a range of issues with the existing transfer process and procedures and set out proposed reform actions to address ACCC recommendations 8 and 9 and improve the existing customer transfer process. The advice also provided details of the informal stakeholder consultation undertaken by the AEMC and AEMO in developing the advice.

The AEMC and AEMO agreed that changes should be made to the customer transfer process and the changes must extend beyond just simply changing the timing of notifications in AEMO's Market Settlement and Transfer Solution (MSATS) procedures and systems. This is because a range of issues with the customer transfer process were identified that may create, or contribute to, opportunities for losing retailers to delay a customer transfer to conduct a save activity. The AEMC and AEMO also agreed that the existing customer transfer process is outdated and needs review if customer expectations and competition in the retail market are to be improved.

AEMO has considered a number of related rule changes, reviews and changes to AEMO procedures that interact with or have been taken into account in the rule changes and high-level design proposed in this report, including:

- AEMC Review of customer switching - 2013
- Estimated meter reads – self reads rule change 2018
- Using estimated meter reads for customer transfers rule change 2017
- Metering installation timeframes rule change 2018
- Changes to AEMO systems and procedures to enable the implementation of Five-Minute Settlement and Global Settlement, and other ongoing AEMO system development activity.
- Development of the Consumer Data Right (CDR) and its application in the NEM

[2] ACCC – Restoring electricity affordability and Australia's competitive advantage (Retail Electricity Pricing Inquiry – Final Report June 2018)
[3] https://www.aemc.gov.au/market-reviews-advice/aemc-and-aemo-joint-coag-energy-council-advice-customer-transfers

2.2 Current framework

Full retail competition in the NEM commenced in 2002 in Victoria and New South Wales and was then progressively rolled out to each NEM region.

At commencement of competition it was both reasonable and practical to base retailer switching processes around embedded market activities and processes, such as establishing the meter reader's quarterly visit to collect metering data as the trigger for the retailer switch to occur. This meant that in some circumstances the customer must wait over 90 days for a switch to proceed, but the process provided certainty and minimised the number of new processes required to facilitate transfers.

The customer transfer process in the NEM has changed little since the original design. It has been amended over time because of changes to Rules and market procedures but has not been subjected to a holistic review. Across the NEM, advances in technology, communications and metrology are facilitating improved outcomes for market participants. The benefits of these advances have yet to be incorporated into retail customer choice, via transfer processes.

2.3 Evolving retail markets

In contrast, other competitive markets have transformed their approach to customer engagement and ease of access to competitive offers and services. For example, the telecommunications and internet provider sectors continually evolve, setting customer expectations in these areas. Operators in these markets have been active in increasing transparency of competitive market offerings to expedite the transfer process and reduced the complexity of transferring from one provider to another, whilst continuing to innovate in the adoption of modern technologies and methods of engaging consumers. Importantly, the regulatory frameworks for these markets have, where necessary, evolved to enable these developments whilst protecting the broader interests of customers.

The existing NEM customer transfer process is based on an outdated market construct. The current process was designed at the time when retailer churn was first conceived, and the requirement for a physical meter reading visit underpinned meter data management and retailer billing.

At the time of writing, there are a number of initiatives considering enhancements and extensions to customer services and choice in the NEM. These include demand response aggregation, electric vehicle adoption and virtual power plants, and have been facilitated by electricity market reforms like installation of advanced metering and five-minute settlement. Customer confidence in the ability to transfer between supplier arrangements in a fast and reliable way will be critical to the successful adoption of these initiatives. AEMO considers that any market with increasing choice in services and options available for customers to engage with the energy markets in new ways can only flourish when underpinned with market processes that are able to keep pace with this evolution.

2.4 Impact of metering arrangements on customer's experience

Once explicit informed consent has been given by the customer to their chosen retailer, the transfer process can commence. In practice the process is usually commenced only after the end of the 10-day cooling-off period[4].

[4] Retailers must allow customers to withdraw from their new contract within 10 business days of the customer receiving the required information about that contract: NERR rule 47. Similar provisions exist in Victoria: Essential Services Commission - Electricity Customer Transfer Code section 3 (page 3).

AEMO has no verifiable statistics to enable a calculation of the average timeframe between a customer requesting a retailer transfer in the NEM and the process being successfully completed. AEMO can only verify the time taken between initiation of a customer transfer in MSATS and the successful completion of the process.

An estimation of transfer times can be made based on related data available to AEMO and an understanding of the processes which underpin customer transfers.

2.4.1 Manually read metering installations

The data collection cycle on which the transfer reading is currently based for manually read meters is quarterly, meaning that an attempt is made to obtain a meter reading approximately every 91 calendar days. Metering readings collected through this cycle are known as Next Scheduled Readings (NSRDs). AEMO's reports indicate that approximately 92% of manual meter readings are collected by meter readers on the standard quarterly cycles.

Therefore, approximately 92% of customers with a manually read metering installation are likely to be able to transfer retailer sometime between 1 and 91 days after the 10-day cooling-off period. It is reasonable to consider that many customers seek to change retailers shortly after receiving an electricity bill, which will have been generated shortly after the most recent scheduled quarterly reading cycle. As a result, AEMO considers it likely that the typical timeframe for this customer group to transfer is in the 50-70 calendar day range (post 10-day cooling-off period).

The remaining 8% of customers, whose meters are not read via the first quarterly cycle, will have to wait a further 89 to 91 calendar days until the next quarterly reading cycle, in hope that the meter can be read on that occasion.

The other method currently used by to retailers and customers to reduce transfer timeframes for manually read metering installations is for the retailer to request a special read. Costs for providing special reads have increased substantially in many NEM regions over recent years. For example, the direct cost to a consumer in the Endeavour energy network was around $10 in 2013 and around $40 in 2018. The number of special reads used to support a customer transferring from one retailer to another has remained relatively constant for the last 5 years, averaging approximately 100,000 per annum (approximately 5-8% of all transfers per annum).

2.4.2 Remotely read metering installations

Metering installations with remote meter reading facilities typically provide meter readings daily. As a result, these metering installations are technically capable of facilitating a customer transfer as and when required by the customer.

Information from MSATS shows that under current market practice, transfers take on average 14 days from initiation in MSATS to completion where remote meter reading capability is in place. No reliable information exists to confirm whether this timeframe includes any part of the cooling-off period.

2.4.3 Notifications and participant behaviour

AEMO procedures require that change requests regarding retailer transfers are raised in market systems within two days of the end of the cooling-off period. This provides all parties with forward notice of the pending change.

This notice allows parties with a right to object to the transfer to raise that objection (currently the only valid objection by a losing retailer is for a customer with a certified debt in Victoria only). If the customer changes their mind and selects an alternative new retailer in the period between initiating a retailer transfer and the quarterly metering reading taking place, all parties can be informed of the customer's decision and can arrange or cancel activities as required.

However, this notice can also be a trigger for the current retailer to commence customer 'save' activity as highlighted in the ACCC report.

Average timeframes from the initiation of a customer transfer to completion in AEMO systems for customers with manually read metering installations has reduced rapidly over recent years, now standing at approximately 10 days. No corresponding change to process or regulation has occurred to facilitate such a change. AEMO understands that it has become common practice for prospective retailers to hold back the initiation of a transfer request until a date close to the scheduled meter reading. Whilst this is in breach of the MSATS procedures[5] it limits the prospective retailer's exposure to 'saves' by the current retailer.

A natural consequence of this practice is that:

- The timeframe for retail transfers to complete following the end of the cooling-off period is not identifiable in market systems, preventing AEMO and other bodies from monitoring customer transfer completion timeframes.
- The current retailer, or another participant at the connection point, may raise an objection once the change request has been made that cannot be resolved until after the next scheduled meter reading, further delaying the transfer for the retailer; and
- If the customer selects an alternative new retailer in the period between scheduled readings, there could be two or more retailers waiting to raise their transfer requests, unaware of each other's intentions or the customer's ultimate preference.

2.4.4 Failure rate and error correction

Current transfer processes place the greatest burden of work on the party which has the least information or relationship with the metering installation – the prospective retailer. As a result, the transfer process is prone to error and failure.

AEMO data shows that there is a high incidence of customer transfer change request cancellations. For example, in 2017 around 300,000 or 35 per cent of customer transfers were cancelled across the NEM jurisdictions where consumers can switch retailers. Currently, there is a lack of transparency on exactly what is driving these cancellations.

Acknowledging the capacity for error in the transfer process, MSATS accommodates 9 types of error correction change requests to deal with common errors affecting a typical retailer transfer under current processes. In the full year 2017[6], over 34,000 error corrections were processed.

2.4.5 Move-in transfers

Move-in customer transfers (i.e. where the customer is moving into new premises and seeking to have their chosen retailer in place on the date they move in) accounted for almost half of all customer transfers in 2017.

AEMO understands that most, if not all, move-in customer transfers are enabled by the retailer requesting a re-energisation service from the distributor. Outside of Victoria, where in the majority of cases the re-energisation can be performed remotely, this service involves the distributor sending a technician to the premises to ensure that it is connected to the network and has a supply of electricity. A meter reading is taken as a matter of course during the visit and this is used to facilitate the change of retailer. The cost for performing this service varies significantly across the NEM, with distributors charging service fees ranging

[5] AEMO, MSATS Procedures: CATS Procedure Principles and Obligations, section 2.2(b), p. 14.

[6] 2017 data was used in preference to 2018 - Error corrections can be applied retrospectively up to 130 business days, therefore at the time of writing this paper error corrections for the full year of 2018 were not available.

between $12 and $140 for non-complex manual re-energisation[7]. In some areas, the costs for performing this service have risen sharply in recent years.

In many cases, the supply will not need to be reconnected, however the requirement for a meter reading to be obtained to facilitate the transfer and a lack of confidence that the connection status indicator in market systems is up to date and accurate, leads retailers to rely on it as the default move-in process. AEMO understands that this cost is passed through to customers by their retailer in most circumstances.

[7] Distribution network service provider fees are published on their websites – prices shown are representative of the prices ex-GST at the time of writing. Additional charges typically apply for more complex work, or where re-energisation is required outside normal working hours.

3. STATEMENT OF ISSUE

3.1 Current Rules

The NER requires AEMO to develop and publish procedures which govern the transfer of financial responsibility for energy flows at a connection point, under clause 7.16.2, known as the Market Settlement and Transfer Solution Procedures (MSATS Procedures).

AEMO has reviewed existing customer transfer processes in the NEM and investigated customer transfer processes in similar markets overseas. In accordance with the joint AEMC and AEMO advice to COAG on 3 December 2018, AEMO has drafted an HLD which details the changes proposed to AEMO procedures required to reform the customer transfer process in the NEM and this is provided as Appendix A.

AEMO considers that amendments are required to the NER and NERR to support the delivery of changes to AEMO procedures proposed in the HLD.

3.2 Issues with the current Rule

3.2.1 National Electricity Rules – clause 7.8.9(e)(1)

Clause 7.8.9(e)(1) of the NER requires that the MSATS procedures include provisions that enable a prospective retailer to nominate a new Metering Coordinator (MC), Metering Provider (MP) or Metering Data Provider (MDP) and enable those appointments to be recorded as effective at the same time as the completion of the customer transfer or, where requested by the prospective retailer, after this date.

AEMO considers that this clause is problematic for the following reasons:

- Role nomination and appointment in MSATS is supported by an objection process, enabling those parties being appointed to suspend the completion of a role change request. If MC, MP or MDP roles are nominated as part of the transfer process, the opportunity arises for the parties nominated to object and delay or prevent the customer transfer from completing. For example, an MC may not have agreed to be appointed to a particular connection point, or an MDP may not be suitably accredited to perform the role to which they are appointed. The objection suspends the proposed change until such time as the objection is cleared or the change request is cancelled.
- The current clause, whilst accommodated in the MSATS procedures, can only be achieved in theory and is otherwise impractical. This is principally due to need for the MDP to provide the reading to facilitate the customer transfer and for metering data to be provided by a suitably qualified and accredited MDP[8] following their appointment (e.g. an MDP who does not have MDP accreditation for type 5 or type 6 metering, cannot provide valid metering data for a type 5 or type 6 metering installation).
- The clause is unreasonably restrictive on the design of the MSATS procedures. It provides a level of technical detail and requirement that is unsuitable for the NER and is likely to lead to inefficient processes and confusion, as evidenced above, regardless of future process design in the MSATS Procedures for customer transfers.
- The customer transfer design is likely to continue to evolve, as discussed further in Appendix A, and the NER should provide AEMO with flexibility for the design of MSATS procedures, which are themselves subject to rule consultation requirements.

[8] National Electricity Rules: Schedule 7.3

AEMO intends to propose that the MSATS procedures are amended to remove the ability for the MC, MP and MDP to delay or prevent a customer transfer from occurring. These market arrangements and options to remove the risk of a delay resulting from an objection are discussed further in section 4 and in Appendix A.

AEMO understands that the original intent of clause 7.8.9(e)(1) was to facilitate a process which would enable a faster change of metering equipment subsequent to the appointment of a new retailer, in particular for customers who are seeking to obtain a new product or service upon transferring to a new retailer. AEMO considers that the changes proposed to the customer transfer process in this proposal and as detailed further in Appendix A will improve market participants' ability to perform metering changes following the completion of the customer transfer process. This is discussed further in section 5.3.2 of Appendix A.

3.2.2 National Electricity Rules – clause 7.8.9(e)(2)

Clause 7.8.9(e)(2) of the NER requires that the MSATS procedures include provisions that enable the installation of metering equipment as soon as practicable after a customer transfer to a new retailer.

AEMO considers that the requirement is not consistent with the intent of the MSATS procedures, which are principally concerned with the recording of, and financial responsibility for, energy flows at a connection point and the assignment of market participant roles.

To the extent that the intent of clause 7.8.9(e)(2) is still relevant and necessary, AEMO proposes that it should instead be considered within the meter churn procedures. The meter churn procedures, established under clause 7.8.9(f) of the NER, consider matters relating to an alteration or replacement of a metering installation.

3.2.3 National Electricity Retail Rules

In the case of small customers, the national energy customer framework provides additional energy-specific protections which are relevant to a customer transfer. The small customer's contract with the retailer (whether a market retail contract or a standard retail contract) will also have relevant provisions.

The NERR contains provisions relating to customer transfers including:

- Retailer obligations in relation to customer transfer (clause 57 - 59); and
- Termination of market retail contracts (clause 49) and standard retail contracts (clause 70);
- Clause 4.2 of the model terms and conditions for a standard retail contract.

The HLD involves reliance of different forms of meter reads than have traditionally been used to facilitate a customer transfer. This includes:

- Substitute (or estimated) meter reads;
- Last billable reading

The HLD also considers how customer self-reading may be used to support billing related to customer transfers. AEMO has considered the potential risks to customers regarding the use of these methods to facilitate a transfer, in particular regarding the use of substitute meter readings (refer Appendix A, section 4.1.2.) The NERR contains provisions relating to:

- use of estimates as the basis for bills (clause 21); and

- overcharging and undercharging of customers that may result from use of estimates (clause 30 - 31).

AEMO proposes minor amendments to these provisions to provide appropriate customer protections in circumstances where an estimate is used as the basis of a final bill (refer section 5 below).

AEMO notes that the NERR applies to gas as well as electricity, and the protections in the NERR should be applied to both energy types unless there is a clear basis for differentiation. While this rule change is proposed to address customer transfers in the NEM, in AEMO's view, the rule change could apply equally to gas and electricity. The protections which are proposed to the NERR will only apply where an estimate may be used as the basis of a final bill and to trigger the customer transfer. Currently, there are different treatments of readings required for transfers of gas customers, depending on the relevant gas Retail Market Procedures. AEMO does not consider that the proposed changes will negatively impact the operation of these procedures, or gas customers.

AEMO notes that the changes to the MSATS procedures which are proposed in the HLD would affect the small number of customers in Victoria who are not connected via a VIC AMI metering installation, as well as the NECF jurisdictions. AEMO is separately discussing these changes with the Essential Services Commission Victoria.

4. HOW THE PROPOSAL WILL ADDRESS THE ISSUES

4.1 How the proposal will address the issues

This proposal seeks to remove barriers limiting the development of the customer transfer process in the MSATS procedures and to consider the appropriate consumer protections, to mitigate the risks created upon moving to a simpler, faster and more robust customer transfer process. A description of the proposed customer transfer model is provided in section 5 of the HLD in Appendix A.

4.2 AEMO Procedure changes

Section 5 of the HLD provides a detailed overview of the changes delivered to the customer transfer process as a result of adopting this proposal.

In summary, the key features of the proposed design that are critical to this proposal are as follows:

- Objections and notifications – AEMO procedures are proposed to be amended in order that customer transfer change requests be limited to a change of retailer only. This will prevent the transfer process from being unnecessarily delayed or cancelled due to role appointment objections. This will also remove the need for any market participant to be notified of a pending transfer prior to completion[9].
- Meter reading methodology – Customer transfer processes are proposed to be amended such that they are not reliant on a meter reading having been taken prior (other than where a special meter reading is specifically requested). AEMO procedures will provide options which facilitate the delivery of a meter read immediately following the completion of the transfer in AEMO systems, including the use of remote, substituted and recently taken meter readings.

  Special meter readings will continue to be supported, whilst the use of the Next Scheduled Read Date (NSRD) will be removed from transfer processes.
- Customer self-readings - Customer self-readings are not proposed to be used to support market processes for customer transfers, however AEMO have recommended that the AEMC consider extending the current provisions for use of customer self-readings for final bills in the NERR.

Adoption and delivery of this proposal will be most substantially affected by changes to AEMO procedures, and in particular the MSATS CATS Procedures. Consequential changes are likely to the following AEMO Procedures:

- Metrology Procedures
- Service Level Procedures

It is also likely that the Information Exchange Committee would be required to consider changes to the B2B Procedures.

4.3 Stakeholder engagement

AEMO has discussed the customer transfer processes with a range of stakeholders individually and has convened a workshop with industry experts with experience in customer transfers and MSATS,

[9] Other than in Victoria where provisions will be made for the losing retailer to receive notification of the pending transfer as required by the Essential Service Commission – ELECTRICITY CUSTOMER TRANSFER CODE (13 October 2014); section 5.1 (page 6).

representing most NEM regions and covering retail, distribution and metering data provision. The workshop was focused on solutions for customers with manually read metering installations.

Stakeholders have been supportive of the improvements that can be delivered regarding customer outcomes and removal of complexity inherent within the existing processes. Market participants are concerned that any changes to systems, rules, procedures and data flows consider the current implementation work in progress, including the 5 minute and global settlement implementation projects.

The feedback from stakeholders has been used by AEMO in forming this proposal, and upon designing the proposed process flows, presented in section 5 of the HLD, Appendix A. Prior to formal consultation, stakeholders have been broadly supportive of the AEMO proposal, considering it a simple and least impactful method of resolving current issues with the customer transfer process, and delivering a superior outcome to customers.

5. HOW THE PROPOSED RULE CONTRIBUTES TO THE NEO AND NERO

Before the AEMC can make a change to the NER it must apply the rule making test set out in the NEL, which requires it to assess whether the proposed rule will or is likely to contribute to the National Electricity Objective (NEO). Section 7 of the NEL states the NEO is:

> *… to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –*
> *(a) price, quality, reliability and security of supply of electricity; and*
> *(b) the reliability, safety and security of the national electricity system.*

Similarly, the National Energy Retail Law (NERL) requires that for the AEMC to make a change to the NERR, it must assess whether the proposed rule will or is likely to contribute to the National Energy Retail Objective (NERO). The NERL states that the NERO is:

> *… to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.*

The Commission must also, where relevant, satisfy itself that the rule is "compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers" (the "consumer protections test"). 24 Section 236(2)(b) of the NERL.

Where the consumer protections test is relevant in the making of a rule, the Commission must be satisfied that both the NERO test and the consumer protections test have been met.

The proposed amendments to the NER and the NERR are required to allow for changes to the AEMO procedures regarding the customer transfer process arrangements, which should contribute to the achievement of the NEO and NERO by improving:

- Access to retail competition:
  - Enabling customers to move to a preferential retail offer as early as the day after agreeing terms with a retailer, and conversely, not being prevented from moving away from an uncompetitive retail offer;
  - Process benefits all customers in the NEM, enabling transfers to be completed within 2 business days regardless of location or current technical barriers; and
  - Enabling customers to access new products and services faster, in particular where those services are reliant on the installation of new technology, such as an advanced metering installation.
- Removal of barriers to retail competition - limiting the ability for the current retailer to undertake 'save' activity.
- Reduced failure rate – minimise the risk of transfers being unduly delayed or failing to complete.
- Move-in costs and inefficiencies – the proposed amendments provide a platform for issues regarding customer move-in costs and process to be considered in the future.

These benefits are discussed in more detail below.

5.1 Access to retail competition

Customers will be able to access the benefits of retail competition within two days of selecting a new retailer and service. The proposal will ensure that small customers are not disadvantaged or deterred from

accessing retail competition due to location or technical matters outside their direct control (e.g. method of reading their meter, or type of service provider appointed by their current retailer).

Should the selected retailer or retail product require installation of new technology such as advanced metering, the certainty provided by the maximum timeframe for the transfer to complete will allow the new retailer to arrange for those services to be provided in advance. The speed of the transfer process will enable those services to be delivered to the customer far faster than is currently the case.

5.2 Removal of barriers to transfer completion

The removal of notification to the current retailer of a pending customer transfer limits 'save' activity (where the current retailer uses the notification to contact the switching customer to encourage them to cancel the pending change of retailer). This will reduce overall customer acquisition and retention cost and wasted acquisition costs[10].

5.3 Process efficiencies

Risk of transfer failure due to 'no access' being obtained to the metering installation is largely removed and will only apply to cases where a special reading is specifically requested by the customer or prospective retailer (e.g. where a reconnection of supply is required in tandem with a customer transfer).

The risk of a change request objection delaying or preventing the transfer from completing is substantially reduced, being limited to the certified debt objection requirement which applies in Victoria only. This means that for customers outside Victoria, a prospective retailer can guarantee a change of retailer on a specified or agreed date which could be the next business day, or in limited circumstances on a date in the recent past.

The benefits resulting from the removal of these barriers accrue principally to the customer in terms of their ability to obtain their choice of retailer without delay and without complication. Once a transfer is agreed, the customer and prospective retailer have certainty that the transfer will complete. Inconveniences suffered by customers regarding transfer delay or uncertainty will be removed

This certainty can be reflected in processes and systems used by retailers, their agents, and comparator switching providers when engaging with customers.

Delay, cancellation and rework incurred by the retailers involved in the customer transfer will also be reduced.

5.4 Move-in costs and inefficiencies

Current practice for issuing re-energisation service orders ensures that a move-in customer has a supply of electricity and that a meter reading is taken to enable the change of retailer role when they move into new premises. However, it comes at a high cost to the customer. Trends show that costs of service provision for re-energisation and reading are likely to continue to rise into the future for manually-read meters. This proposal provides an opportunity to revisit this process and to establish a framework which removes unnecessary work and reduces costs to customers.

[10] As considered in the ACCC Retail Electricity Pricing final report – July 2018 (section 6.4.4)

6. EXPECTED BENEFITS AND COSTS OF THE PROPOSED RULE

The direct beneficiary of the proposed changes is the retail customer. The proposed changes will enable customers to access a new retail offer, product or service within two business days regardless of location or metering type. Retailers and switching service providers such as comparison web-sites will be able to leverage the certainty provided to them regarding the timing for completion of the transfer in their system ad process design, enhancing competition in the retail market.

Reporting from the New Zealand Electricity Authority shows a market increase in the number of customer transfers following improvements in their customer transfer processes which in 2008 and then again in 2011 resulted in a reduction in the time taken for the transfer to complete. It is reasonable to consider that the proposed changes could have a similar effect for the NEM; simpler and more timely access to retail products and services may increase the number of customer transfers. New Zealand customer transfer rates are presented in Figure 1 below, and time taken for customer transfers to complete in the New Zealand market are presented in Figure 2:

Figure 1 – New Zealand market number and rate of customer transfers over time

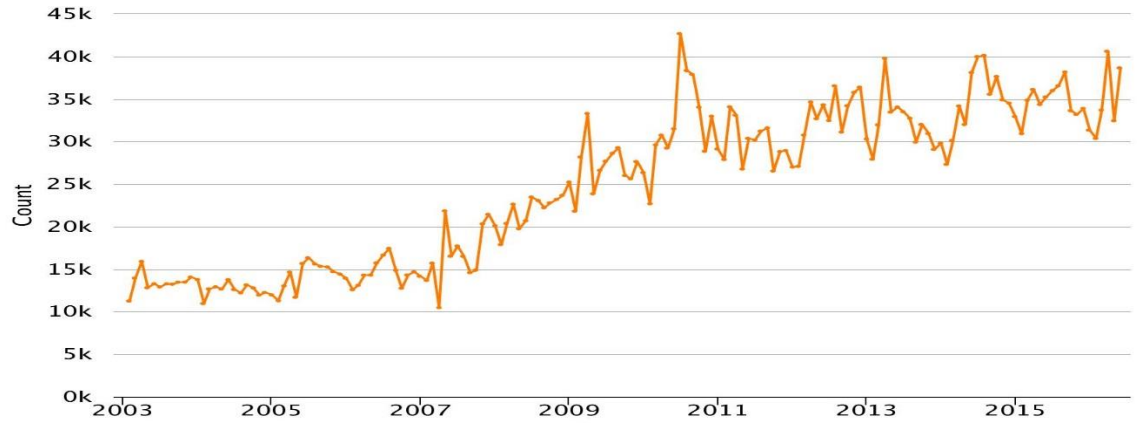
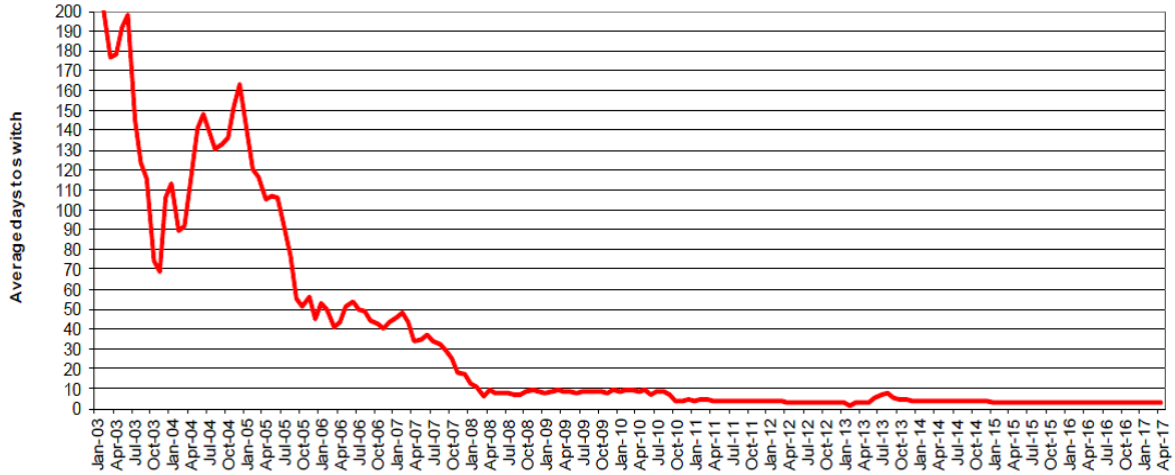


Figure 2 – New Zealand market time taken to transfer customers over time



The HLD document provided as Appendix A, provides an overview of the changes that would be required by affected parties to implement this proposal in section 5. In summary, the material costs identified by AEMO to implement this proposal in line with the design presented in Appendix A, would reside with:

- AEMO making configuration changes to MSATS,
- MDPs using the notification of a customer transfer to generate and provide a meter reading and
- retailers adapting their processes in order for them to maximise the benefits of the new process.

AEMO considers that there are savings for retailers as a result of the lack of rework and cancellations, in particular regarding marketing and sales activity. Critically, the proposed changes enable customers to access new retailer arrangements in less than 2 business days. Where the change of retailer is linked to the provision of new technology such as advanced metering, customers will consequently be able to access this much faster than is currently the case.

This proposal and attached HLD seeks primarily to modernise a transfer process that is no longer fit for purpose. At a practical and technical level, the proposal utilises existing systems and interfaces and leverages current capabilities and processes. This allows the scale of change, in particular to industry participants' systems, to be minimised. In a number of areas, the proposal provides an opportunity to streamline cumbersome and outdated processes. This approach also enables the benefits of the changes to be realised in the shortest possible timeframe.

The design and operation of retailer transfers should be capable of continual improvement, keeping pace with the environment in which it operates and more generally, customers' expectations. Critically, this proposal removes the barriers for the ongoing development of the transfer process.

Within a five-year horizon, five-minute settlement and global settlement arrangements will have been implemented and market standing data, including registers of distributed resources will have been enhanced. The development of the Customer Data Right (CDR) in the energy market; a concept principally concerned with enabling customers to make more informed choices in the services and suppliers they access, is also expected to be in operation.

AEMO considers that to facilitate the changing market dynamics in the NEM, specifically the development of new services and technology, models of connecting to the network, tariff reform and more broadly, increasing competition and customer choice, a contemporary role transfer process is required. AEMO considers that this proposal is a stepping stone to ongoing enhancement of customer transfers, the design of which can be determined as the market evolves. This proposal provides the opportunity to realign customer transfers with the current market and customer expectations, and to set the foundation for future enhancement.

7. PROPOSED RULE

7.1 Description of the proposed Rule

7.1.1 National Electricity Rules – clause 7.8.9(e)(1)

AEMO proposes that Clause 7.8.9(e)(1) of the NER be removed in its entirety as it is unreasonably and unnecessarily restrictive on the current and future design of the customer transfer process in the MSATS procedures.

AEMO intends to remove the ability for the MC, MP and MDP to delay or prevent a customer transfer from occurring. Specifically, AEMO propose to amend customer transfer change requests in MSATS so that only the retailer role can be nominated to change as of the transfer date; the MC, MDP or MP roles may be proposed to change following the completion of the customer transfer, via a separate change request. Such a change would be consistent with overseas markets that have advanced customer transfer processes.

AEMO considers that the proposed changes to the customer transfer process render the clause obsolete, regardless of the restrictions highlighted above. With retailer appointments able to be facilitated within 2 business days and rights and responsibilities regarding appointment of the MC, MP and MDP roles already made clear in the NER and AEMO procedures, the clause provides no benefit or value.

7.1.2 National Electricity Rules – clause 7.8.9(e)(2)

To the extent that the intent of clause 7.8.9(e)(2) is still relevant and necessary, AEMO proposes that it should be considered within the meter churn procedures, and not the MSATS procedures as it is currently drafted. The meter churn procedures, established under clause 7.8.9(f) of the NER, consider matters relating to an alteration or replacement of a metering installation.

7.1.3 National Energy Retail Rules – clause 21

NERR clause 21 relates to use of estimation as a basis for bills. To facilitate the HLD, this clause should be amended to accommodate the use of estimates as the basis for a transfer of a customer, where this is consistent with the Retail Market Procedures. Clause 21(1) should be amended to accommodate use of an estimation on a final bill where the Retail Market Procedures allow use of estimation.

7.1.4 National Energy Retail Rules – clause 21(4), clause 30 and 31

The NERR contains provisions relating to under- and over-charging of customers, including on the basis of an estimate. As explained in the HLD, it is proposed that an estimate used for a final bill is only adjusted if it is latterly demonstrated that the estimate was materially inaccurate.

Specifically, AEMO propose that the final bill from the old retailer is required to be adjusted when the material inaccuracy has resulted in a materially higher final bill to the customer. AEMO proposes that the losing retailer would not be entitled to re-bill a customer following a transfer if it is subsequently identified by the losing retailer that the customer was under-charged.

NERR clauses 21(4), 30 and 31 should be amended to expressly provide for this treatment of an estimate in a final bill that is used as the basis of a customer transfer in accordance with the Retail Market Procedures.

7.1.5 National Energy Retail Rules – clause 21(3A)

Where a small customer has been provided with a bill based on an estimate, the NERR contains provisions which enable the customer to request an adjusted bill based on the customer's reading of the relevant meter (a customer read estimate),

NERR clause 21(3A) should be amended to expressly extend the ability for a small customer to provide a customer read estimate in relation to a final bill which has been based on an estimate.

7.1.6 National Energy Retail Rules – Model terms and conditions of standard retail contracts

Clause 4.2(b) of the model terms and conditions of standard retail contracts could be interpreted to prevent a customer transfer except with a final meter reading in the circumstances set out in clauses 4.2(b)(i) and (ii)(A), that is, when the retailer can advise the customer of the end date of the contract. This clause assists retailers in circumstances where the MDP is unable to access the meter to obtain a final meter reading. Clause 4.2(a)(i) (relating to when the contract will end if the customer gives the retailer a notice stating the customer wishes to end the contract) and clause 4.2(a)(ii)(A) (relating to when the contract will end if the customer is no longer a small customer) are 'subject to' 4.2(b), so that in those limited circumstances the contract does not end if the MDP is unable to access the meter to obtain a final meter reading. (Clause 4.2 does not require a final meter reading in the most common circumstance for customer transfers, where the customer starts to buy energy under a different contract – clause 4.2(a)(iv).)

If, as proposed in the HLD, actual meter reads from locally-read meters will no longer form the basis of a small customer transfer in many circumstances, clause 4.2(b) should be clarified to ensure that "where relevant" refers to "where required under the relevant Retail Market Procedures".

7.1.7 National Energy Retail Rules – terms of market retail contracts

It may be that currently, as with standard retail contracts, some market retail contracts which are currently in the market include express provisions relating to use of actual meter reads as the basis of a final bill and/or to facilitate customer transfer. To address this risk, an additional provision could be included in the NERR to prohibit the inclusion of such clauses.

7.2 Timing

Due to the interdependence between the design of AEMO procedures and the proposed changes to the NER and NERR discussed in this proposal, AEMO intends to work collaboratively with the AEMC in order that the development of the rules and procedures, consultation with interested parties and the implementation and effective dates of any changes to rule and procedures can be aligned to the extent that it is necessary and practical to do so.

7.3 Current rules

For reference, the current rules referred to in this proposal are provided below.

National Electricity Rules version 119

7.8.9 Meter churn

(e) The *Market Settlement and Transfer Solution Procedures* must include provisions that enable:

(1) an *Incoming Retailer* to nominate a *Metering Coordinator*, *Metering Provider* or *Metering Data Provider* to be appointed at a *connection point* in respect of which it is the *Incoming Retailer*, and for those appointments to be recorded as being effective on or, where requested by an *Incoming Retailer*, after the day that the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*; and

(2) the installation of a new or replacement *metering installation* at a *connection point* as soon as practicable after the transfer of a *market load* at that *connection point* has been effected by *AEMO*.

(f) *AEMO* must establish, maintain and *publish* procedures for the *Metering Coordinator*, *Metering Provider*, *Metering Data Provider* and *financially responsible Market Participant* to consider in managing the *meter* churn resulting from an alteration or replacement of a *metering installation* under paragraph (a) (the '*meter churn procedures*').

National Energy Retail Rules version 17

21 Estimation as basis for bills (SRC and MRC)

(1) A retailer may only base a small customer's bill on an estimation of the customer's consumption of energy where:

(a) the customer consents to the use of estimation by the retailer; or

(b) the retailer is not able to reasonably or reliably base the bill on an actual *meter* reading; or

(c) *metering data* is not provided to the retailer by the *responsible person* or *metering coordinator* (as applicable).

(2) Where estimations are permitted to be used as the basis for a small customer's bill, the estimations must be based on:

(a) the customer's reading of the relevant *meter* (which may be a customer read estimate, as defined in subrule (3A)); or

(b) historical *metering data* for the customer reasonably available to the retailer; or

(c) the average usage of energy by a comparable customer over the corresponding period, if there is no historical *metering data* for the customer.

(3) The retailer must inform the small customer, on the bill, that the bill is based on an estimation, and (if applicable) that the estimation is based on the customer's reading of the relevant *meter* under subrule (2)(a).

(3A) If:

(a) a small customer receives a bill based on an estimate, other than a customer's reading of the relevant *meter*; and

(b) where the bill under paragraph (a) is for the supply of electricity, the consumption of electricity at the customer's premises is not recorded by an interval *meter*, being a *meter* that records consumption derived from interval *metering data*,

the small customer may request an adjusted bill based on the customer's reading of the relevant *meter* (a **customer read estimate**) by providing the retailer with the customer read estimate before the due date for payment of the bill under paragraph (a).

(3B) On each occasion when the conditions in subrules (3A)(a) and, as applicable, (b) are met, the retailer must inform the small customer in writing:

(a) that the customer may request an adjusted bill in accordance with subrule (3A); and

(b) of any changes to the customer's payment obligations if the customer makes such a request; and

(c) how the customer can obtain the information under subrule (3C).

(3C) A retailer must make available to small customers at no charge and in clear, simple and concise language for the purposes of subrule (3A):

(a) guidance on how to read the customer's *meter*; and

(b) the types of information the customer is required to provide when lodging the customer read estimate; and

(c) instructions on the methods by which the customer can lodge the customer read estimate.

(3D) Where:

(a) a small customer requests an adjustment to a bill based on an estimate in the circumstances set out in subrule (3A) by providing the retailer with a customer read estimate; and

(b) the retailer receives the customer read estimate before the due date for payment of the bill; and

(c) the customer read estimate is provided in accordance with the guidance and requirements provided by the retailer under subrule (3C),

the retailer must, promptly and at no extra charge, provide the small customer with an adjusted bill based on the customer read estimate.

(3E) If:

(a) the customer read estimate was received on or after the due date for payment of the bill; or

(b) the customer read estimate is not provided in accordance with the guidance and requirements provided by the retailer under subrule (3C),

the retailer may reject the customer read estimate and, if it does so, must promptly notify the small customer in writing of the specific reasons for its decision.

Note:

For example, specific reasons that a retailer might provide for rejecting a customer read estimate for the purposes of subrule (3E)(b) include:

- the number value of the customer read estimate provided for cumulative energy consumed is smaller than a previous actual read of the *meter*; or
- where the customer read estimate is provided in the form of a photograph of the *meter*, that the *meter* display is not clearly visible or the photograph does not show the correct *meter* installed at the small customer's premises.

(3F) The retailer must set out a process under its standard complaints and dispute resolution procedures for a small customer to attempt to rectify a customer read estimate that is not accepted under subrule (3E)(b).

(3G) If the retailer does not accept the customer read estimate under subrule (3E), the retailer must inform the small customer in the same notice required to be provided under that subrule, that the customer may:

(a) lodge a dispute with the energy ombudsman where the customer is not satisfied with the retailer's decision after the customer has followed the process under subrule (3F); and

(b) separately, request the retailer to review the bill under rule 29.

(3H) If under subrule (3B)(b) a retailer has advised a small customer of changes to the customer's payment obligations, and those changes include a new date for payment of the customer's bill, any benefits provided under the retailer's contract with the customer for payments made by the due date must be applied with respect to the new date for payment.

(4) Without affecting rule 20 (2), if the retailer has issued the small customer with a bill based on an estimation and the retailer subsequently issues the customer with a bill that is based on an actual *meter* reading or on *metering data*:

(a) the retailer must include an adjustment on the later bill to take account of any overcharging of the customer that has occurred; and

(b) unless the actual *meter* reading or *metering data* could not be obtained as a result of an act or omission by the customer, the retailer must, if requested to do so by the customer, offer the customer time to pay any undercharged amount by agreed instalments, over a period being no longer than:

(i) the period during which an actual *meter* reading or *metering data* was not obtained, where that period is less than 12 months; or

(ii) in any other case, 12 months.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(5) Where an attempt to read the small customer's *meter* is unsuccessful due to an act or omission of the customer, and the customer subsequently requests a retailer to replace an estimated bill with a bill based on an actual *meter* reading, the retailer must comply with that request but may pass through to that small customer any costs it incurs in doing so.

(6) **Application of this rule to standard retail contracts**

This rule applies in relation to standard retail contracts.

(7) **Application of this rule to market retail contracts**

This rule applies in relation to market retail contracts (other than prepayment *meter* market retail contracts), but only to the extent (if any) a contract provides for estimation as the basis for the small customer's bill.

30 Undercharging (SRC and MRC)

(1) Subject to subrule (2), where a retailer has undercharged a small customer, it may recover from the customer the amount undercharged.

(2) Where a retailer proposes to recover an amount undercharged the retailer must:

(a) unless the amount was undercharged as a result of the small customer's fault or unlawful act or omission, limit the amount to be recovered to the amount undercharged in the 9 months before the date the customer is notified of the undercharging; and

(b) not charge the customer interest on that amount; and

(c) state the amount to be recovered as a separate item in a special bill or in the next bill, together with an explanation of that amount; and

(d) offer the customer time to pay that amount by agreed instalments, over a period nominated by the customer being no longer than:

(i) the period during which the undercharging occurred, if the undercharging occurred over a period of less than 12 months; or

(ii) 12 months, in any other case.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(3) To avoid doubt, a reference in this rule to undercharging by a retailer includes a reference to a failure by the retailer to issue a bill.

(4) **Application of this rule to standard retail contracts**

This rule applies in relation to standard retail contracts.

(5) **Application of this rule to market retail contracts**

This rule applies in relation to market retail contracts (other than prepayment *meter* market retail contracts).

31 Overcharging (SRC and MRC)

(1) Where a small customer has been overcharged by an amount equal to or above the overcharge threshold, the retailer must inform the customer accordingly within 10 business days after the retailer becomes aware of the overcharging.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(2) If the amount overcharged is equal to or above the overcharge threshold, the retailer must:

(a) repay that amount as reasonably directed by the small customer; or

(b) if there is no such reasonable direction, credit that amount to the next bill; or

(c) if there is no such reasonable direction and the small customer has ceased to obtain customer retail services from the retailer, use its best endeavours to refund that amount within 10 business days.

Note:

Money not claimed is to be dealt with by the retailer in accordance with the relevant unclaimed money legislation.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(3) If the amount overcharged is less than the overcharge threshold, the retailer must:

(a) credit that amount to the next bill; or

(b) if the small customer has ceased to obtain customer retail services from the retailer, use its best endeavours to refund that amount within 10 business days.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(4) No interest is payable on an amount overcharged.

(5) If the small customer was overcharged as a result of the customer's unlawful act or omission, the retailer is only required to repay, credit or refund the customer the amount the customer was overcharged in the 12 months before the error was discovered.

(6) The overcharge threshold is $50 or such other amount as the AER determines under subrule (7).

(7) The AER may from time to time determine a new overcharge threshold in accordance with the retail consultation procedure.

(8) The AER must publish the current overcharge threshold on its website.

(9) **Application of this rule to standard retail contracts**

This rule applies in relation to standard retail contracts.

(10) **Application of this rule to market retail contracts**

This rule applies in relation to market retail contracts (other than prepayment *meter* market retail contracts).

C. Model Terms and Conditions of Standard Retail Contract

***

WHAT IS THE TERM OF THIS CONTRACT?

4.1 When does this contract start?

If your premises are connected to our distribution system, this contract starts on the date when you start to take supply of energy at those premises.

4.2 When does this contract end?

(a) This contract ends:

(i) if your retailer notifies us that the supply of energy to the premises is to be disconnected (a 'termination notice')—subject to paragraph (b), on the date we disconnect the premises, (even if you have vacated the premises earlier); or

(ii) if you start receiving supply of energy for the premises under a different customer connection contract—on the date that contract starts; or

(iii) if a different customer starts receiving supply of energy for the premises—on the date the connection contract of that customer starts;

(iv) if we both agree to a date to end the contract – on the date that is agreed; or

(v) 10 business days after we disconnect the premises under the Rules, if you have not within that period asked your retailer to reconnect the premises and met the requirements in the Rules for reconnection.

(b) If your retailer gives us a termination notice but you do not give safe and unhindered access to your premises to conduct a final *meter* reading (where relevant), this contract will not end under paragraph (a)(i) until a final *meter* reading is carried out.

(c) Rights and obligations accrued before the end of this contract continue despite the end of this contract.

AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

• APPENDIX A

RETAILER TRANSFER PROCESS IN THE NEM: HIGH LEVEL DESIGN

HIGH LEVEL DESIGN IN RESPONSE TO ACCC RETAIL PRICING INQUIRY RECOMMENDATIONS – JULY 2018

May 2019

IMPORTANT NOTICE

Purpose

AEMO has prepared this document to provide information about the potential design of AEMO processes and systems to support the redesign of the retailer transfer process in the NEM, as at the date of publication.

Disclaimer

This document or the information in it may be subsequently updated or amended. This document does not constitute legal or business advice and should not be relied on as a substitute for obtaining detailed advice about the National Electricity Law, the National Electricity Rules, or any other applicable laws, procedures or policies. AEMO has made every effort to ensure the quality of the information in this document but cannot guarantee its accuracy or completeness.

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- are not liable (whether by reason of negligence or otherwise) for any statements or representations in this document, or any omissions from it, or for any use or reliance on the information in it.

CONTENTS

1. INTRODUCTION

1.1 Purpose

The purpose of this report is to provide a high level operational design (HLD) for a contemporary retailer transfer process that enables customers to transfer within two days, irrespective of metering type. This HLD follows the joint advice on 3 December 2018 from AEMO and the AEMC to the COAG Energy Council Standing Committee of Officials regarding the implementation options for recommendations 8 and 9 of the ACCC Retail Electricity Pricing final report.

As the operator of the MSATS system and procedures, AEMO has an in-depth knowledge of the current processes used to support retail contestability, metering data collection and energy settlement. In this context, AEMO has considered how best to achieve the advice to COAG and outcomes anticipated from the ACCC recommendations and presents proposals in this report for the adoption of a customer transfer process which:

- provides transparency and certainty regarding the processes and timeframe to complete the transfer process from the point of sale, for customers, market participants, energy comparator sites and other interested parties;
- removes, or restricts the opportunity for save activity[1] to be undertaken, meeting the objective of Recommendation 8 in the ACCC report;
- provides a framework for speeding up the customer transfer process, consistent with ACCC Recommendation 9; and
- utilises and leverages existing systems, processes and obligations, to minimise the scale of change required by market participants and providers.

1.2 Document Structure

This report is structured as follows:

- Section 1 introduces the HLD and outlines the purpose of the work undertaken by AEMO and the structure of the document.
- Section 2 provides a brief overview of the rules framework which supports retailer transfers and the metering data collection and change request processes which underpin the current transfer mechanisms.
- Section 3 details the operation and development of retailer transfers in electricity markets overseas.
- Section 4 presents foundational elements of the transfer process in the NEM (reading methodology and objection framework) and considers their use in a contemporary transfer process.
- Section 5 provides a summary of the HLD, the proposed changes required to implement a contemporary design for retailer transfers in the NEM.
- Section 6 deals with implementation, including impact on market participants and technology.

[1] Save activity refers to action by a customer's current (losing) retailer that results in withdrawal of the customer transfer request before the customer switching process is complete, which can inhibit effective customer choice.

2. CONTEXT OF THIS DESIGN

2.1 Framework for retailer transfers

The National Energy Retail Rules (NERR), the Essential Services Commission's Energy Retail Code (ERC) and the Electricity Customer Transfer Code (ECTC) (in Victoria) provide the energy-specific consumer protection measures that govern the relationships between consumers and retailers, including in relation to customer transfers.

The provision of a facility to enable the transfer of participant roles in the NEM is a core function of AEMO, established in Chapter 7 of the National Electricity Rules (NER). AEMO's MSATS Customer Administration and Transfer Solution (CATS) procedures and system establish a register of participant roles against each connection point in the NEM. The parties assigned to these roles can be changed based on a process of transfer or change requests and hierarchies (rights and obligations assigned to each market participant). These changes can be made prospectively and retrospectively (subject to the NERR, ERC and ECTC, respectively) and are principally designed to facilitate full retail competition in the NEM.

AEMO's Service Level Procedures and Metrology Procedures, established in Chapter 7 of the NER, support the collection, processing, estimation, validation and delivery of metering data, and the creation of connection point standing data. These procedures support market functions including retailer transfers.

2.2 Customer transfer process – current process

To commence a customer transfer process in AEMO systems, the prospective retailer must first have complied with obligations in relation to their agreement with the customer, the relevant cooling-off period, and they must have obtained sufficient information from the customer to commence the transfer process.

The customer's connection point will be identified by the prospective retailer in AEMO's Market Settlement and Transfer Solution (MSATS) system. Once identified, the prospective retailer commences the transfer process by raising a Change Request (CR) in MSATS.

The CR may be raised prospectively (for a date in the future), or retrospectively (for a date within the last 10 business days where the prospective retailer knows a meter reading has been taken). The transfer will be identified as either a:

- transfer for an in-situ customer, seeking to move from their current retailer to a new retailer, or
- customer moving into a new property with a plan for the retail agreement to commence on the move-in date.

Once the CR is raised, all affected market participants are notified. As well as receiving the notification the Metering Data Provider (MDP) receives a request for data which triggers the requirement to provide a meter reading to facilitate the change of retailer (the method and timing of this meter reading are largely dependent on the type of metering installation at the customer's connection point and discussed further in section 2.3). The notification also allows affected parties to determine whether they have reasonable cause to object to the progression of the proposed transfer. For example, the customer's current retailer may object if they do not agree with a proposal for the previous reading to be used to transfer the customer retrospectively, or in Victoria the current retailer may object to a proposed transfer if the customer has a certified debt[2].

[2] Essential Service Commission – ELECTRICITY CUSTOMER TRANSFER CODE (13 October 2014), section 5.1 (page 6)

As the customer transfer is identified as either a move-in transfer (i.e. a new customer at the connection point) or a transfer for an in-situ customer, different objection rules can be applied. For example, a customer moving in to a property does not have a relationship with the current retailer, therefore the current retailer does not have the ability to object to a proposed customer transfer due to a certified debt.

2.3 Meter reading process – foundation for customer transfers

2.3.1 Meter Reading

Metering data, provided by Metering Data Providers (MDPs), provides the record of energy generation, transportation, distribution and consumption for each connection point in the NEM. In the context of customer transfers, metering data provides both the final reading for the losing retailer's final bill and the 'start' read for the new retailer, and it enables the distributor to determine the network fees payable by each retailer. The date that the reading is provided is used in AEMO's MSATS system as the demarcation point between the two retailers' responsibility for energy settlement at the connection point.

A basic understanding of MDP operations, data collection, substitution and estimation for various meter types is required when considering the customer transfer process.

There are four metering installation types for large customer connection points in the NEM, known as types 1, 2, 3 and 4. All four types of metering installation have remotely read interval metering. Energy data is recorded in half hourly intervals and collected and delivered to market participants daily.

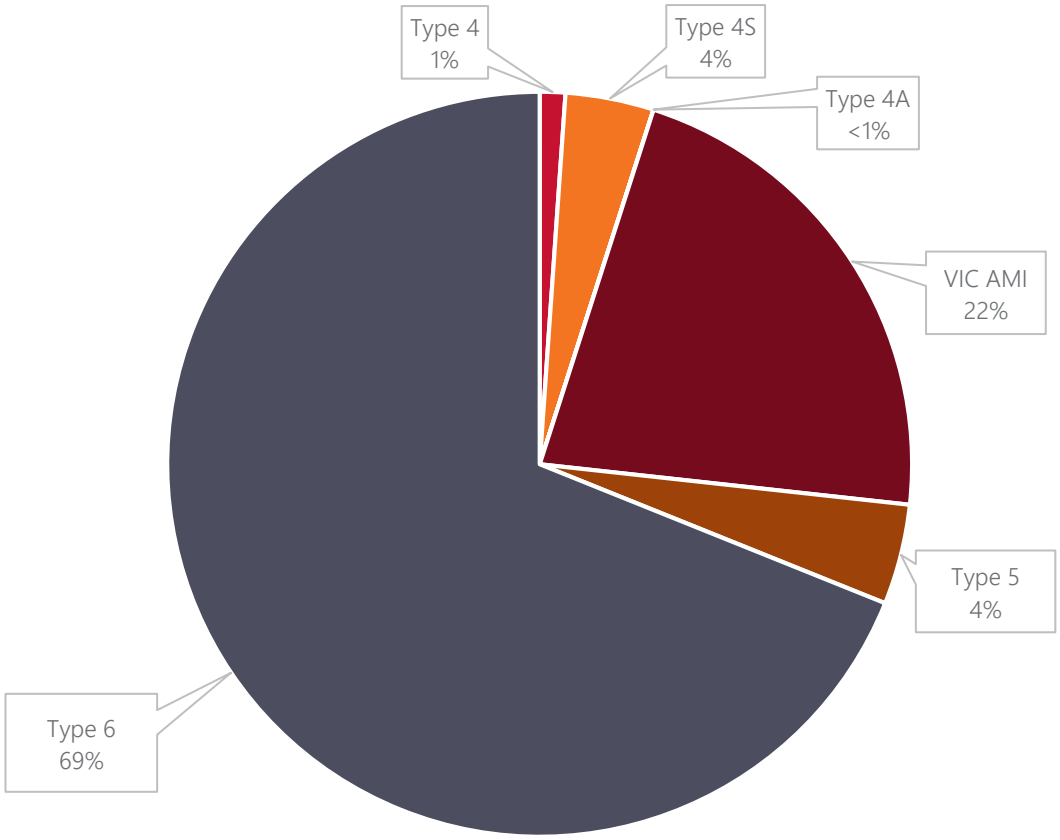
There are six metering types that are installed at small customer connection points in the NEM:

- Type 4 and type 4S – Remotely read smart metering installation. Records and delivers energy data in half hourly intervals, typically[3] collected and delivered to market participants daily.
- VIC AMI – Remotely read smart metering installation (in Victoria only). Records and delivers energy data in half hourly intervals, typically collected and delivered to market participants by 6.00am each day for the previous day's metering data.
- Type 4A and type 5 – Manually read interval metering installations. Records and stores energy data in half hourly intervals, typically read once a quarter and delivered to market participants shortly thereafter.
- Type 6 – Manually read accumulation metering installations. Records accumulated energy consumption on a visible register(s), typically read once a quarter and delivered to market participants shortly thereafter.

The percentage of small customers in the NEM with each metering installation type as at 30 November 2018 is represented in Figure 1 below:

[3] Data collection timing determined through agreements between the current retailer and the MDP at the connection point.

Figure 1 – Meter type distribution for small customers in the NEM (at 30/11/18)



For manually read metering installations (type 4A, 5 and 6), MDPs provide the relevant market participants with an estimation of energy consumption between the current scheduled reading date and the next scheduled reading date (normally a 91-day period into the future). This 'forward' estimation enables market participants to plan-ahead. This is not required for remotely read metering installations due to the frequency of data collection.

If an MDP is unable to collect data from any of these manually read metering installations, the MDP must provide a substitute meter reading(s) instead to all relevant market participants and AEMO. This substitute reading(s) is treated as a valid meter reading until and unless it is replaced with a reading of higher quality. For manually read metering installations, the previously provided 'forward' estimation will become the substituted metering reading(s). This substitution process enables the market to continue to function, recognising that there will be circumstances where data will not be able to be collected as planned in all cases.

The NER, NERR, ERC, and ECTC provide for various types of meter readings to be used to support customer billing and for retailer transfers. These reading types include readings:

- taken and provided by the customer;
- based on an estimate of the energy recorded at the meter;
- obtained via telecommunications networks, where the meter has facilities for remote meter reading; and
- taken by a meter reader obtaining access to the customer's metering installation.

The only reading type currently used to transfer customers who have manually read accumulation metering (type 6) is the last of the four listed above - requiring a meter reader to obtain access to the metering installation, sight the meter and record the meter reading. If an attempt to read a meter in this way fails, the proposed transfer does not complete.[4]

2.3.2 Settlement – meter reading and change dates

A reading of each billable register on the customer's metering installation and a date upon which that reading applies are required to facilitate a retailer transfer. The reading and the date enable the losing retailer to produce a final bill, the new retailer to have a start-reading and commencement date to enable customer billing in the future, and the distributor to calculate and produce a network bill to both the losing and new retailer.

AEMO only requires the date of the role change to calculate NEM settlement amounts. The settlement process for the various groups of metering installations is simplified as follows:

- Type 4A, type 5 – these metering installations record interval energy and the data is collected and validated over the course of the 30-week settlement window. The best available data will be used at each stage of the settlement process (preliminary, final, revision 1 and revision 2) to allocate the interval metering data to the retailer assigned to each connection point for each day in the settlement week. As a result, AEMO does not need to know the meter reading(s) that have been used to support a transfer from one retailer to another, as the most accurate data collected over the entire settlement window will take precedence.
- Type 6 – settlement for type 6 metering installations is based on a Net System Load Profile (NSLP). The NSLP calculates the volume of energy per half-hour trading interval that each retailer is responsible for, for each connection point, for each day in the settlement week. The best available data is used over the course of the 30-week settlement window to improve the NSLP.
- Type 1, 2, 3, 4, 4S and VIC AMI – like type 4A and 5, these metering installations are settled using the best available data over the settlement window. However, due to the more frequent collection and delivery of data, accurate metering data is available very early in the settlement process.

2.3.3 Determining the quantity of energy consumed using metering data

Whilst there is a level of complexity across the various metering installation types for small customers in the NEM, there is little need for most customers to be aware of their metering installation type. The metering type installed will affect the manner and frequency that metering data is collected as well as the range of services that a customer may be offered by their current or prospective retailers. A customer with a remotely read meter is also more likely to be on monthly billing, compared with quarterly billing for manually read meters. However, the customer is not necessarily aware of this distinction (as it results from the default billing method adopted by the retailer), and the format of customer billing is generally consistent regardless of metering type.

Most small customers are billed based on the number of kilowatt-hours (kWh) of energy measured via their metering installation from one billing date to the next. The energy may be billed against a single register, or multiple registers depending on the metering configuration. Where a customer has a type 6 metering installation, the billed quantity of kWh will be calculated from a simple equation:

Current register reading (kWh) – Previous billed register reading (kWh) = Quantity of billable energy (kWh)

Example: (Current read of 56820, and previous read of 56100) 56820 - 56100 = 720 kWh billable energy

[4] Note that the use of an estimate reading is only explicitly prohibited in Victoria (Victorian Electricity Customer Transfer Code – section 4.3 (page 5) October 2014).

The other five metering installation types, for small customers, record energy based on half-hourly measurement. For the quantity of energy to be calculated from the previous bill to the next, each half-hourly interval measurement from the start to the end of the billing period must be aggregated; for example (simplified):

1 Month billing cycle – 30 days @ 48 half-hourly intervals per day = 1440 intervals in the billing month

If exactly 0.5 kWh is used every half hour, every day: 1440 intervals x 0.5 kWh = 720 kWh billable energy

If a customer has more than one register, then the energy is calculated for each register. This may be done by having multiple meters, multiple registers within one meter, or by assigning half-hourly interval data to specified periods of the day or directional flows.

In each case, the determination of billable energy is based on the methods described above. Customers with energy generation systems (such as a rooftop photo-voltaic (PV) installation) have their 'sent-out' generation measured by the metering installation using the same principles described above for each metering installation type.

Customers with type 6 metering installations will be able to assess the veracity of the register readings used to determine the quantity of billable energy if their metering installation is readily accessible, as all type 6 meter(s) have a visible display which shows the kWh register(s).

Small customers with any other metering installation type are in most cases unable to verify the quantity of billable energy from their metering installation. The NER does not require meters at these installation types to display the range of registers that may be presented on a bill. The NER only requires a total accumulation register to be visible to the customer and this is unlikely to correlate to a customer's bill.

There are some small customers in the NEM with billing arrangements that are not based on a single fixed rate per kWh, but instead have different price bands applying to different times of use. These billing arrangements can apply to any interval meter (i.e., any meter except a type 6 meter). Even more complex, there are some offers which allow customers to buy energy at, or aligned with, wholesale pricing. Billing arrangements for these customers are more complex as each half hour interval will have a different value of per kWh. AEMO understands the installation of remotely read type 4S metering is a pre-requisite for this type of billing arrangement.

2.3.4 MSATS change request

Once explicit informed consent has been given by the customer to their chosen retailer, the transfer process can commence. In practice the process is usually commenced only after the end of the 10-day cooling-off period[5]. The prospective retailer raises a change request in MSATS, proposing the date of transfer for the NMI in question and the change of role from the incumbent to the prospective retailer as described in section 2.2.

In a simplified form, the change request can only complete providing that:

- The prospective retailer has completed all the change request information correctly;
- The customer does not change their mind and cancel the transfer;
- The current retailer has not raised an objection to the appointment of the proposed retailer; and
- A meter reading is provided by the MDP for the proposed transfer (noting that the date of the meter reading is the date that the transfer occurs, as the MDP uses the reading date to complete the transfer change request in MSATS).

[5] Retailers must allow customers to withdraw from their new contract within 10 business days of the customer receiving the required information about that contract: NERR rule 47. Similar provisions exist in Victoria: Essential Services Commission - Electricity Customer Transfer Code section 3 (page 3).

There are currently 19 different types of change requests supporting customer transfers in the MSATS procedures and systems, including 9 specific error correction requests. The customer transfer change requests are known as CR1000 series and are numbered 10XX.

Over the full calendar year of 2017, 97.5% of customer transfers were processed using three of the 19 codes:

- CR 1000 (change retailer – prospective) = 48.5%
- CR 1030 (change retailer – move-in prospective) = 35.7%
- CR 1040 (change retailer – move-in retrospective) = 13.3%

Change Requests for error corrections, CRs 1024 and 1025, accounted for 2% of the remainder across the year.

The CR 1000 series initiates the role change and includes the description of the reading type required to facilitate the transfer (e.g. Estimated Read, Special Read, etc.), but the transfer of roles is not completed in MSATS until the MDP issues a CR 1500 in response. The CR 1500 confirms the date of the role change, it does not include any meter readings or reading file. It simply provides confirmation that a meter reading exists for the day in question, and as the customer transfer relies on the meter reading, that is the date of transfer. The MDP then sends a data file to both the losing and new retailers.

2.3.5 Transfer Timeframes

As previously stated, customers with manually read meters are currently transferred based on a meter reading, most commonly taken by a meter reader after the transfer request (which is typically only submitted after the cooling off period has ended), once access has been obtained to the customer's metering installation. If there are no delays or objections to the transfer request, and the meter reader takes the reading on their quarterly schedule, customers can wait up to 90 days for their transfer to complete and the benefits of retail competition to accrue to them. If the reading is not, or cannot be taken on that quarterly cycle, the customer may have to wait a further 90 days, with this process repeating until a reading is obtained or the transfer is cancelled.

Some customers may request a specific date that they wish to transfer on and this can be achieved by requesting an off-cycle reading (known as a Special Read) from the MDP. This request will be processed, a meter reader will visit the relevant property to obtain the meter reading, and the customer may be charged for the service accordingly. Special Reads are commonly used by retailers for customers who move into a property and wish to have a retailer agreement commence on the day of move-in.

The process is faster for customers whose metering installation has a working remotely read meter, such as a Victorian AMI, or a modern advanced metering installation (i.e., type 4S). When metering data can be obtained remotely, metering data is typically available within a calendar day of the request to transfer having been raised.

3. SUPPLIER TRANSFERS IN OTHER MARKETS

3.1 Comparable markets

Other markets in Australia which have similarities to the competitive retailer market in the NEM, have developed and implemented requirements, either through voluntary codes or regulation, that have moved the goal-posts in terms of customer expectation for transfer of supply and contract.

The mobile phone market is a prime example of this; the Mobile Number Portability industry code requires that:

- 90% of mobile phone number ports must be completed within 3 hours; and
- 99% of mobile phone number ports must be completed within 2 business days.

These requirements have driven automation and common agreement on process across the sector, to the extent that the actual time taken to port numbers is typically much shorter than these minimum requirements, with the majority of numbers ported within minutes rather than hours or days.

Whilst the mobile phone market is not wholly analogous to the switching of electricity retailers in the NEM in terms of complexity or the nature of customer interaction, overseas energy retail markets do need to address very similar relationships. AEMO explored arrangements in three overseas markets that have active retailer competition and either have established or are establishing fast and effective transfer processes - New Zealand, Great Britain and France.

3.1.1 New Zealand Electricity Market

Changes were made to the New Zealand electricity market rules by the New Zealand Electricity Authority in 2007, and strengthened further in 2012, specifically designed to both speed up the timeframes of retailer switching, improve the accuracy of the switching process and eliminate 'saves' by the incumbent retailer.

From a speed to transfer perspective, the current retailer transfer requirements in the New Zealand Code[6] specify that:

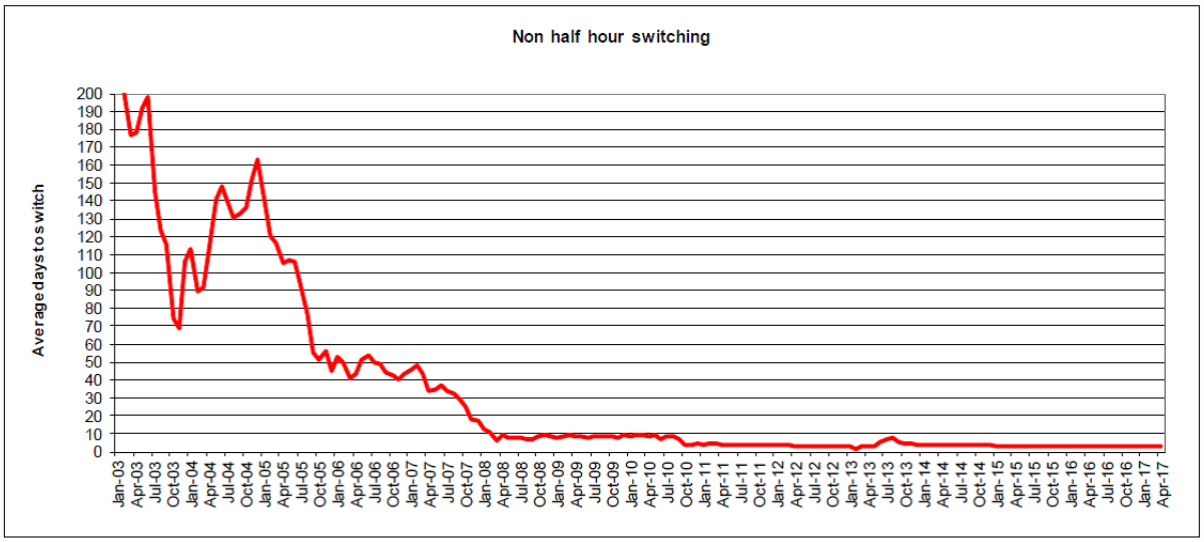
- 100% of customer transfers occur within a 10-business day period; and
- In any 12-month period, at least 50% occur within a timeframe of 5 business days.

The transfer notice is raised by the prospective retailer on completion of the cooling-off period, so the Code timeframes specified above do not consider the period between the customer obtaining the terms of the new supplier agreement and the end of the cooling-off period (11 days).

Similar to number portability in the mobile phone sector, these minimum standards with an associated penalty regime for non-compliance, have driven automation such that the average time taken for an electricity customer to switch retailers is between 1 and 2 days, immediately following the end of the cooling-off period. This is presented in Figure 2 below.

[6] The Electricity Authority, The Code: Schedule 11.3(4) – Event Dates, p. 42

Figure 2 – New Zealand market retailer switching statistics



The responsibility for processing and completing the request from the prospective retailer falls on the current retailer. As the current retailer has the live relationship with the customer and the metering service providers at the metering installation, they are responsible for confirming, or generating the meter reading(s) to support the transfer and for confirming the date of transfer.

Physical meter reading visits are typically made every other month to support retailer and network billing. As retailers bill customers monthly, it is commonplace for each alternate monthly bill to be based on an estimated reading, generated by the retailer issuing the bill to the customer, unless a remotely read metering installation is in place.

Whilst the New Zealand market is now largely supported by remotely read metering systems (79.58% as at 31st October 2018), the reduction in transfer times occurred before this rollout and applies currently to customers with and without advanced metering. This is due to the common use of estimated readings and customer own readings in the transfer process where the metering installations are manually read and a remotely collected meter reading is not available.

The Code prevents the losing retailer from using the notification of a retail transfer for marketing purposes, therefore the losing retailer cannot reactively contact the customer to prevent the transfer from progressing[7]. This has been effective in achieving the intended outcome of preventing 'saves', however the Electricity Authority in New Zealand has observed an increase in 'win-back' activity on the part of the losing retailer.

Specific provisions are made in the Code which require the losing retailer to provide a retrospective credit to the customer if, upon obtaining the next physical meter reading, it is found that the reading used to facilitate the transfer was materially high (>200 kwh).

The Electricity Authority is further developing its approach to customer transfers across the New Zealand market. The present program of work includes conducting a review of transfer processes considering how the market may evolve in the coming years. This is particularly with a view to new categories of participants entering the markets, with varying levels of operational capability, and with the intent of providing large customers with even greater choice and flexibility. The large customer sector is already able to switch

[7] The Electricity Authority, The Code: Part 11.15AB – Switch Saving Protection, p. 9

retrospectively within the calendar month in which they contacted the prospective retailer and, if both the current and proposed retailer agree, retrospectively for the previous quarter.

3.1.2 Electricity Market in Great Britain

The energy market regulator in Great Britain, Ofgem, has recently published the outcome of its review into retailer transfers[8]. The review finds the current timeframes for retailer transfers, which are typically between 15-17 days for customers with manually read metering, are unreasonably lengthy and complex and are a barrier to customer engagement in the retail market.

The new design simplifies and streamlines processes in order that a next-day transfer can occur.

Common to both the current and new transfer process and design is the use of customer own readings and estimated readings as the meter reading for the transfer. Customer own readings and estimates are used for retailer transfers where the customer is moving in and out of a property, and more commonly, where an in-situ customer is simply changing from one retailer to another.

Retailers are required to physically read and inspect metering installations at least every two years, although some retailers may visit more frequently. Bills, and any readings used for transfers between these physical meter readings, are issued using estimates based mainly on past consumption, where a customer-own reading is not provided. Like the New Zealand market, whilst an advanced metering rollout is underway across Great Britain, the next-day transfer will apply to all customers regardless of metering type or functionality.

To enable true next-day transfers, the cooling-off period will run alongside the transfer process, rather than the transfer being held back until such time that the cooling-off period has elapsed. The customer's rights to cool-off are not diminished under this process. The design includes obligations on parties to the transfer in the case that the customer:

- Chooses to cancel the transfer and remain with their current retailer; or
- Chooses a product or service from a retailer other than the current or proposed retailer.

In addition, if the customer chooses to cool-off but does not want to return to their original retailer and has yet to choose an alternate product or supplier, they are held under a standing offer agreement with the new retailer for 30 days. Over this period, they may transfer to a new retailer without incurring any penalty.

To support this new service, Ofgem has created a new market role – Central Switching Service. This service will manage standing data associated with the connection point, hold a register of roles associated with the connection point and manage the metering data to support the transfer between retailers.

The model has a feature which essentially acts as a cooling-down period. There is a 5-day processing delay which restricts the customer from performing transfers between one retailer and another every day. This ensures that the administration of the transfer process is not unreasonably burdensome and that a full record of the customer's retail agreements can be reasonably tracked.

The speed of the new transfer service will effectively prevent 'saves' by the losing retailer.

There are no specific provisions for correction of an over-estimated reading having been used in the transfer between one retailer and another, although customers do have the ability to dispute bills from their retailer. As all metering installations display meter readings in alignment with the customer's bill, customers are encouraged to record their own meter readings, enabling customer validation of bills.

[8] https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/switching-programme

3.1.3 Electricity Market in France

The French retail market is already supported by a next-day transfer process.

Like the new design for the market in Great Britain, the transfer is enabled using customer own readings or estimated readings generated by the distribution network service provider and occurs alongside the cooling-off period.

The French distribution network service provider is a single entity who performs the role of MDP and holds and maintains all the data required to perform a role which facilitates retailer transfers in a fashion akin to the Central Switching Service concept being implemented in Great Britain.

It is likely that the lack of complexity in the French market when compared to the NEM and the markets in New Zealand and Great Britain (e.g. the number of DNSPs, MDPs and metering installation types) has led to the relatively early adoption of a centralised, next-day transfer process. The French market is less active in terms of the percentage of customers switching between retailers when compared to New Zealand, Great Britain and the NEM, although the activity is increasing year on year.

3.2 Common characteristics

The transfer processes considered for comparison in this paper are all designed, or are in the process of being further enhanced, to enact the decision by the customer to transfer supplier in the shortest possible timeframe, whilst protecting the customer's right to reverse, or make an alternate decision in the cooling-off period specific to each jurisdiction.

In all cases, the maximum timeframe by which the transfer must be completed is stipulated in market rules or codes. The responsibility to ensure the transfer of supplier completes within the required timeframes, following notification of the customer's decision to transfer by the prospective supplier, is placed on the party who is best placed to perform that task without double-handling or multiple points of potential failure (e.g. the distribution network service provider in France, the losing retailer in New Zealand and the Central Switching Service in Great Britain).

In the overseas electricity markets discussed in section 3.1, traditional barriers to fast transfers such as a reliance on a quarterly meter reading visit have been removed, alternative solutions have been established and have proven to work effectively.

4. TRANSFER PROCESS FOUNDATIONS

The primary objective of the design considered in this report is to enact the decision by the customer to transfer supplier in the shortest possible timeframe, in a consistent and reliable fashion, utilising existing processes and systems where practicable. The HLD seeks in the short term to ensure that customers have the ability to transfer retailers within a two-business-day timeframe, irrespective of metering type.

This section focuses on the foundations of the transfer process, and considers:

- The types of meter readings and metering data, and the potential for their use in a contemporary customer transfer process; and
- Industry role change objection processes, their effect on customer transfer change requests and changes required.

4.1 Meter readings and metering data

4.1.1 Next scheduled reading

The continued use of a Next Scheduled Reading Date (NSRD) as the basis for customer transfer is incompatible with a fast and reliable transfer process as has been demonstrated within this report when reviewing the current operating model for retailer transfers in the NEM. Cyclical meter reading processes are not used in markets with advanced transfer processes, regardless of the regularity of those cycles (e.g. monthly, bimonthly, quarterly or 6 monthly).

AEMO considers that the removal of the NSRD from the process is critical to enhancing customers' ability to access retail products and services. Access to a special reading service should be maintained to support a specific request from a customer for a physical meter reading to be obtained, as discussed in section 4.1.6. AEMO understands that special reading requests are not commonplace in the overseas markets discussed in section 3.

4.1.2 Substitute reading

The most commonly used method of obtaining a meter reading for use in retailer transfers in the overseas markets considered by AEMO is a substitute meter reading. Substitute meter readings are commonly used in the NEM today where an attempt to read a metering installation has been unsuccessful. Substitute meter readings are used to support energy settlement, network billing and customer billing by the retailer.

The customer will be informed that a substitute meter reading has been used to create their bill as the meter reading will be marked as 'estimated' on the bill itself. Substitutions can be generated by retailers for customer billing; for example, if the customer is being billed monthly by their retailer for a meter that is read manually once a quarter, at least two of the three bills each quarter will be based on a substituted reading produced by the retailer.

The benefits of utilising substitute readings for retailer transfers include:

- Availability and cost – as substitute readings are determined based on a set of rules, referencing historic and forecasted data and used consistently by all market participants, they could be produced by an MDP, or potentially the current retailer, in a short timeframe following a request and can be automated (as is common in overseas markets);
- Applicability – Can be used for all metering installation types, including those that are manually read (i.e. type 4A, 5 and 6) as an accumulation reading could either be obtained using current substitution methods or derived from forward estimate metering data. The use of substitute

readings may be equally applicable for use in gas markets[9] (i.e. for small customers with manually read metering);

- Existing standards - Substitution rules are well established, are transparent and can be improved over time. As a result, substitute metering data can be based on the most accurate information available and will be complete (e.g. if two registers are needed, two registers will be provided). The high rates of manual data collection attainment in the NEM provides a solid data source for the great majority of customers;
- Existing principles - Retail billing occurs today using substitutions where necessary (either created by MDP or the retailer themselves). Provisions are already in place in the NERR regarding customer protections in the case that a retailer over or underbills based on a substitute reading that is latterly proved to be incorrect.
- Settlement processes unaffected – no changes required to facilitate energy settlement, providing AEMO continues to receive a notification of the transfer change date.

There are three issues that must be considered when adopting the use of substitute readings for transfers:

- Material over-estimation of a customer's energy consumption, negatively affecting the customer – Perhaps the greatest concern regarding the use of substitute readings for transfers is that the customer will be charged for energy that they have not used and will have limited recourse to challenge the bill (as they no longer have an agreement with the old retailer), or that the new retailer will be responsible for crediting the customer for the over-estimation, despite the fact that the new retailer did not receive the payment for the bill sent by the old retailer.

  Material over-estimation is only likely to apply to a manually read metering installation. The identification of a material over-estimation could only occur by either the customer querying the billed energy on receipt of the bill itself, or a subsequent manual reading being lower than the substitute meter reading. AEMO considers that the existing bill dispute processes, which are already established for customers to query the accuracy of bills be they final or ongoing, may be further strengthened by:

  – An extension to the arrangements for the provision of customer self-readings to be accepted following the customer's receipt of an estimated bill, to include final bills based on a substitute meter reading, subject to reading validation (as required by the current self-reading requirements in the NERR).
  – Mandatory requirements for the substitute meter reading used for the transfer to be recalculated where it is later shown to be materially inaccurate (as has been established in support of retailer transfers in New Zealand),
  – Mandatory requirement for the losing retailer to provide a credit to the customer where a materially inaccurate substitute meter reading is recalculated as described above

- Material under-estimation of a customer's energy consumption, exposing the old retailer to wholesale energy charges that are not able to be recovered from the customer – Material under-estimation is only likely to apply to a manually read metering installation. As a result, the identification of the material under-estimation could only occur if identified by the customer querying the billed energy on receipt of the bill itself, or for a type 4A or 5 metering installation, when the actual interval data is subsequently obtained during the six-month settlement window.

[9] Noting that this HLD does not consider or promote changes to gas market procedures

It is common practice for retailers to use special reads to transfer customers on move-in, most often as a component of a service request to re-energise the supply of electricity. Until and unless this practice is changed, the risk is avoided.

Assuming current move-in reading practice is changed, the risks of an under-estimate being material to any one retailer are limited, due to the high attainment rates for manual data collection which support the calculation of the substitute reading, and the relatively small amount of energy that individual small customers[10] consume within a retailer's customer portfolio. There are a relatively small number of customers with type 4A and 5 metering installations in the NEM[11], and type 5 metering installations are reducing in number due to the installation of remotely read metering installations.

For type 4A and 5 metering installations, the old retailer is exposed to the wholesale costs and has limited ability to reissue a final bill with an increased amount. AEMO recommends that customer protections for customers with type 4A and type 5 metering installations should be established to specifically limit the ability for retailers to rebill a customer who has transferred on a substituted meter reading.

As outlined in 2.3.2 of this report, the metering data used to support the transfer is not required for the operation of market settlement, therefore an inaccurate substitution will not affect market settlement and the application of wholesale charges to each retailer.

- Material under-estimation of a customer's energy consumption, inadvertently exposing a 'move-in' customer to energy usage charges they are not responsible for – Material under-estimation is only likely to apply to a manually read metering installation. As a result, the identification of the material under-estimation could only occur if identified by the customer taking meter readings upon taking occupancy, or for a type 4A or 5 metering installation, when the actual interval data is subsequently obtained during the six-month settlement window.

  It is common practice for retailers to use special reads to transfer customers on move-in, most often as a component of a service request to re-energise the supply of electricity. Until and unless this practice is changed, the risk is avoided.

  Where the metering installation is type 4A or 5, there is no risk to the customer, as their energy consumption will be calculated from the interval metering data recorded from the day they moved in, once the meter has been read.

  Assuming current move-in reading practice (where special readings are routinely taken alongside a re-energisation of supply) is changed, any residual risk for customers with type 6 metering is further mitigated for customers that take their own meter reading when moving in to a property, as they are both able to provide this proactively to their retailer or retain it to check their first energy bill.

  These measures are more comprehensive than the risk mitigation steps in other markets discussed in this HLD, where use of substituted reading and customer self-reading are commonplace.

  As outlined in 2.3.2 of this report, the metering data used to support the transfer is not required for the operation of market settlement, therefore an inaccurate substitution will not affect market settlement and the application of wholesale charges to each retailer.

[10] Only a small customer can have a type 4A or 5 metering installation.
[11] Approximately 4% of small customers in the NEM at 30/11/18

AEMO note that Retailers must use their best endeavours to obtain a physical meter reading for a manually read metering installation at least once every 12 months[12][13]. AEMO consider that the regularity and timing of previous manual readings should not be a barrier to the use of a substitution in the customer transfer process. MDPs are able to provide a substitute reading even if there has been an extended period since the last physical meter reading. The risks and mitigations discussed above apply equally to a customer whose metering installation was physically read a month ago, and a customer who has not had a physical meter reading for 11 months or more.

AEMO considers that it would be inefficient and inappropriate to build complexities into the customer transfer process to attempt to exclude or take special measures for the very small number of customers with manually read metering installations who have not had a recent meter reading. It is also reasonable to consider that customers transferring retailers are incentivised to obtain as accurate a bill as possible.

4.1.3 Customer self-reading

Customer self-reading is commonplace in the overseas markets studied by AEMO in this report and is particularly common in Great Britain where customers are moving into and out of a property, regardless of whether the retailer is changing at the same time.

Where the meter can be read by the customer, a customer self-reading provides the opportunity to capture an accurate reading from the metering installation at no direct cost and without requiring a meter reader visit. A valid customer self-reading is likely to provide the customer, the losing retailer and the prospective retailer with an increased confidence in the accuracy of the reading when compared to a substitute meter reading.

Processes for enabling the provision of customer-self readings have recently been established in the NERR, including a requirement that retailers provide instructions to customer on how to take readings from their metering installation. Some retailers in the NEM have had online facilities for customers to provide self-reads for some time.

The technology for customer self-readings to be provided online, or provided within an uploaded photograph, is already available.

There are two issues that must be considered when adopting the use of customer self-reading for transfers:

- Validation and accuracy of the customer self-read – For a customer self-reading to be usable, it needs to be complete and be assessed for accuracy. Therefore, for these reads to be used in the transfer process, the design would require a holder of historic metering data to be a validator (i.e. currently limited to the MDP and the losing retailer).

  Not all metering installations can be read physically (e.g. type 4S and type 5), some metering installations may be more confusing to read than others, with multiple registers and electronic displays, and some meter registers are harder than others to read correctly (e.g. older meters with clock-dial register displays). Retailers are required to have addressed these issues following the recent rule change on use of customer self reads, however the rule only allows for customers with type 6 metering to provide customer self-reads[14].

  Customer self-readings could not be treated in market systems in the same manner as a reading collected and then provided by an MDP (i.e. identified as a validated meter reading provided by an accredited MDP), to allow for amendment if a reading of higher quality is subsequently obtained.

[12] National Electricity Retail Rules rule 20(2).
[13] Victoria – Essential Services Commission Energy Retail Code (Version 12): Division 4 20(2), (page 24)
[14] https://www.aemc.gov.au/rule-changes/estimated-meter-reads

Should it be identified at a later stage that the customer self-reading was materially incorrect, it may be treated in the same way as a materially incorrect substitute reading (section 4.1.2).

- Health and safety of the customer – metering installations are located in numerous positions within, or external to a property, some more accessible than others. The electrical installation to which the metering installation is connected will also be in a range of conditions. As a result, it is reasonable to consider that retailers and other interested parties would have concerns regarding any requirement to instruct customers to access their metering location. Accordingly, AEMO does not recommend that retailers be required to instruct customers to obtain self-readings, or that customers be obliged to provide a self-reading.

4.1.4 Last billable reading

The use of a previously acquired meter reading to facilitate a customer transfer retrospectively occurs in the NEM today in limited circumstances. In the main it is used for the correction of errors in the transfer process (e.g. reinstating the old retailer due to an incorrect retailer transfer, as a result of the customer not agreeing to the transfer or the retailer transferring the wrong customer). Retrospective changes require the agreement of both the prospective and current retailer to complete.

Once a retrospective transfer has completed, the settlement process will identify the date of the change in retailer at the connection point and assign energy accordingly upon the next settlement revision.

This retrospective transfer process will be maintained in AEMO systems and procedures to enable error correction in the transfer process.

AEMO has considered the possibility of utilising the meter reading most recently used to bill a customer, to facilitate a customer transfer retrospectively on the date that the reading was produced; this would be an extension to the current retrospective arrangements. The use of such a meter reading to facilitate a retailer transfer may have several advantages:

- For the customer:
  - That the new retailer arrangements commence from the date of their last bill, meaning that they will not have to deal with bills from the old and new retailer over the same period and outside of the usual billing cycle.
  - Confidence in the accuracy of the reading as the customer has already had the opportunity to dispute and otherwise validate their bill.
- For the losing retailer:
  - There is no need to issue a final bill, save for notifying the customer of the cessation of their services.
  - Exposure to the wholesale market is limited to the date of the last bill to the customer.
  - The risk of rebilling the customer, for additional charges or to issue a credit (as described in section 4.1.2) is reduced.
- For the prospective retailer:
  - The ability to establish an arrangement with the customer from the date of the last bill.
  - Confidence in the accuracy of the reading as the customer has already had the opportunity to dispute and otherwise validate their bill.
- For both losing and prospective retailer:
  - As the reading used for the last bill has already been established, there is no need to generate a new reading.

There are contractual and other issues that must be considered when considering the adoption of a last billable reading for transfers other than retrospective error corrections:

- Losing retailer exposure regarding contract position – a retailer could become exposed to unreasonable risk if a substantial number of customers transferred away from them retrospectively in any settlement period. However, if both the current and prospective retailer were respectively required to request and agree to a retrospective transfer, or if the timeframe by which a retrospective transfer could automatically be applied was limited, this risk can be mitigated.
- Provision of the last billable reading to market participants – Depending on the party who generated the previous billable reading, it may not have been shared with other relevant market participants (i.e. AEMO and the DNSP). Where the last billable reading was produced by an MDP, the DNSP and AEMO will have received the reading. Where the metering installation is a type 4A or type 5, the interval data will be provided in due course and will be used by both AEMO and the DNSP as needed, regardless of the nature of the reading used to facilitate the retailer transfer. However, if the last billable reading was a substitute reading produced by the retailer themselves for a type 6 metering installation (e.g. to provide monthly billing where the customer's metering installation is manually read on a quarterly cycle), the reading will not have been received by AEMO or the DNSP. A mechanism would be required in AEMO procedures to enable the provision of the reading to the interested parties in this case.
- Customer credit / payment plans – if a customer has set up a payment plan, or predictable monthly payment schedule with their retailer, they may have been billed, and paid for energy based on those arrangements, outside of a quarterly reading cycle. For example, a customer who has established a monthly payment arrangement may not be billed based on a quantity of energy per month, rather the agreed amount is billed per month, and their account is adjusted at intervals based on meter readings obtained. The customer is credited back for overpayment or invoiced for underpayment. In these circumstances, a customer transfer on the last billable read would in most cases require the losing retailer to provide the customer with a credit, unless a time limit was placed on the automatic application of a previous read to avoid this risk.

4.1.5 Remotely read meter reading

Remotely read metering installations typically enable the provision of meter readings daily. Where the metering installation can be read remotely, data is already available to support a fast and reliable retailer transfer.

In the unlikely event that a remotely read metering installation does not or cannot provide meter readings to support a retailer transfer (e.g. because of a sustained communications networks failure), an alternative reading type could be used.

For example, in Victoria MDPs providing services under the VIC AMI framework are required to provide daily metering data to relevant market participants. If a VIC AMI MDP is not able to obtain all of the relevant metering data, they must provide substituted meter readings to ensure that a complete set of metering data is provided. As a result, the reading provided by the MDP could be used to support a retailer transfer, including rare occasions where data has been provided as substitute readings.

4.1.6 Special meter reads

Special reads require a physical visit to the metering installation by a meter reader. Costs for the provision of Special Reads at type 5 and 6 metering installations have increased substantially in recent years. It is reasonable to expect that costs will increase further over time, due to increases in labour and fuel costs and

the reducing number and density of type 5 and 6 metering installations as they are replaced with remotely read metering.

Special reads for type 4A metering installations are more problematic still. There are no published costs for type 4A special reads as they are operated by independent MDPs, however it is reasonable to consider that costs will be at least as expensive as those charged by DNSPs, due to any one MDP's type 4A portfolio being spread over a broader geographical area and being relatively few in number[15].

Any process which requires a physical visit to a metering installation, regardless of location (urban, rural or remote), will take longer than reading methods which do not require a physical visit. As access to the metering installation is required to enable a reading to be taken, a percentage of requests will end in failure. Where the special read does fail, under current processes the customer transfer will not complete. Further time and cost will be required for any subsequent attempts at transferring retailer.

Customer transfers that also require a physical re-energisation of the electricity connection (e.g. where a property was vacant, and the electricity supply was physically de-energised by the DNSP in lieu of a new customer taking over the supply agreement), have hitherto relied on the DNSP's re-energisation service providing the transfer reading. As the property has been without an electricity supply, it is reasonable to consider that the final reading taken at the point of de-energisation, may also be used to facilitate the retailer transfer in lieu of the reconnection of supply and that a Special Read will only be required if specifically requested by the customer or prospective retailer.

Therefore, AEMO considers that special reads should only be used to facilitate customer transfer where explicitly requested by the customer (having been informed of any service fees payable on completion of the Special Read service), or by the prospective retailer who is willing to bear the costs, delays and risks of transferring via a special read. This includes where the special read is a component of a broader service, such as a re-energisation of supply.

AEMO notes that it is common practice for retailers to use special reads to transfer customers on move-in, most often as a component of a service request to re-energise the supply of electricity.

4.2 Objection to the retailer transfer

4.2.1 Objections to the retailer transfer – Certified Debt

Reasons to object to retailer transfers have reduced over time, in particular because of the adoption of the National Electricity Consumer Framework (NECF) in all NEM regions other than Victoria.

In Victoria, provisions exist that enable the current retailer to object in cases where a certified debt exists[16]. As long as this remains a jurisdictional requirement, AEMO procedures and systems must maintain the ability for retailers to object to transfers in accordance with Victorian requirements.

4.2.2 Objections to the customer transfer – Metering Coordinator appointment

In all NEM regions, where a retailer initiates a customer transfer which includes the appointment of a new service provider, the request may be objected to by that provider on the basis that they decline the appointment.

[15] Less than 0.1% of small customer metering installations (at 30/11/18). Type 4A metering installations may only be installed as prescribed in National Electricity Rules section 7.8.4.

[16] Essential Service Commission – ELECTRICITY CUSTOMER TRANSFER CODE (13 October 2014), section 5.1 (page 6)

In practice, the only role that can currently be proposed to change alongside a retailer in a transfer request is the Metering Coordinator. If a proposed Metering Coordinator objects to their appointment for whatever reason (e.g. as they do not wish to provide services to that retailer, or to the location of the connection point in question) the completion of the retailer transfer is suspended.

AEMO does not consider it reasonable for the erroneous appointment of a new Metering Coordinator by a prospective retailer to warrant the delay or cancellation of a retailer transfer.

To remove this risk of delay or cancellation to the transfer process, two options must be explored:

- Limit the scope of the retailer transfer change requests in MSATS, so that only the retailer role is changed in the transfer process – this would not limit the prospective retailer's ability to nominate a new Metering Coordinator once the customer transfer had been completed. Recent submissions to the AEMC by competitive Metering Coordinators on the AEMC's metering installation timeframes draft rule indicate that neither would it limit the new retailer's ability to arrange the provision of new services in anticipation of the transfer occurring[17]. Limiting the transfer process to a change of retailer only would require an associated change to the NER, which currently require the MSATS system to facilitate multiple role changes as part of a customer transfer[18].
- Remove the ability for service providers to object – as MSATS procedures enable retrospective correction of role changes, removing this objection right would not appear unreasonable providing it could be corrected should an error occur. In this way, any objection could be raised immediately after the transfer and associated role changes have occurred, with the retailer responsible for correction. Rules for retrospective correction of these roles would need to be provided in MSATS procedures. No changes to the NER would be required to facilitate this option.

[17] E.g. Vector Limited's submission to the AEMC draft rule determination on Metering Installation timeframes – 25 October 2018 (point 22, page 5)
[18] National Electricity Rules clause 7.8.9(e)(1).

5. NEW CUSTOMER TRANSFER PROCESS DESIGN

The proposed new design for customer transfers seeks to meet the purpose of this HLD stated in section 1.1 and is focused on the requirements to facilitate customer transfers as determined through AEMO procedures, systems and guidelines.

In summary, the key features of the proposed design are as follows:

- Cooling off periods – AEMO procedures and systems to provide a simple mechanism to support a new retailer reversing a customer transfer in the case that a customer cools off during the cooling off period.
- Provision of the meter reading – The requirement to deliver meter readings to support market functions relating to a customer transfer are to be retained by MDPs (noting that process to deliver data are proposed to be altered). AEMO have recommended that the AEMC consider extending the current provisions for use of customer self-readings for final bills in the NERR, however customer self-readings are not proposed to be used to support processes for customer transfers in MSATS.
- Customer transfer process – The process design is proposed to include:
  - Removal of the NSRD as an option to facilitate customer transfers
  - Customer transfer change requests to be limited to a change of the retailer only
  - Customer transfer processes amended such that they are not reliant on a meter reading having been taken prior (other than where a special meter reading is specifically requested)
  - Processes specified for the delivery of data by MDPs to relevant parties subsequent to the receipt of a customer transfer completion when based on a remote or substituted meter reading
  - Processes specified for the use of previous meter readings, including visibility of the last reading to retailers and the delivery of metering data to relevant parties
  - Processes for the nomination of MC, MDP and MP roles following the change of retailer (where required by the new retailer)
  - Continued use of special meter readings in support of customer transfers
  - Reassessment of provisions for error correction and management of concurrent transfer change requests
- Timeframes and obligations – Obligations for ensuring data is delivered to support the customer transfer process are proposed to be the responsibility of the MC for the connection point. AEMO will consider establishing reporting to reflect compliance with the new process, for information available to AEMO in market systems.

Each feature of the design is presented in more detail below:

5.1 Cooling-off periods

The HLD does not propose any change to mandated cooling-off periods; however, any transfer design must provide for the customer's right to cool-off from a proposed transfer. Mechanisms to enable the cancellation of a retailer transfer, or to retrospectively transfer back to the previous retailer already exist and must at least be maintained.

AEMO considers that the existing cooling-off provisions provide sufficient flexibility for retailers to determine whether to initiate a transfer concurrently with, or after the cooling-off period[19]. AEMO proposes to remove reference to the cooling-off period in MSATS procedures in order that the procedures do not unreasonably restrict a prospective retailer from undertaking a customer transfer within the cooling-off period. AEMO procedures must be amended if barriers exist which may prevent a retailer from reversing a customer transfer within the cooling off period.

5.2 Provision of the meter reading

There are two parties who could provide the meter readings required for customer transfers, the MDP and the retailer. AEMO are likely to have sufficient information to perform this role in the future, however AEMO's current access to energy data is limited and could not provide readings to support customer transfers in the short to medium term. Both the current retailer and current MDP have information required to utilise, generate and validate meter readings for use in customer transfers, however current capability and remit in managing metering data is very different.

The option of requiring the losing retailer to provide readings in support of customer transfers has been considered, however AEMO consider that the MDP should remain the party responsible for the bulk of data management in support of customer transfers, for reasons including:

- MDPs must operate independently from retailers and must comply with the standards for collecting, processing, estimating and validating metering data in accordance with the NER and AEMO procedures.
- MDP operations are regularly audited by AEMO[20] and management of data is traceable and auditable.
- Requirements for the generation and provision of readings (including substitute readings) by MDPs to all relevant market participants are already established in AEMO procedures.
- The only party capable of providing a special reading service (incl. as part of a turn-on re-energisation service for type 5 and 6 metering installations) is the MDP.

MDPs do not have current capability, or a need, to validate a customer self-reading, whereas this validation is a requirement that retailers must comply with today for customers with type 6 metering installations. Currently the NERR requires that retailers must accept and validate customer self-reads, should a customer self-read be provided in response to an estimated bill, where the metering installation is type 6. The current requirements could not, and do not, require changes to settlement or to the calculation of distribution network charges to the retailer.

Similarly, customer self-reads are not been proposed to be included in AEMO procedures to support the customer transfer process. However, AEMO considers that there is value in clarifying that customer rights regarding the provision of a customer self-read include final bills. AEMO is proposing that the NERR is reviewed by the AEMC accordingly.

As is the case with the current provisions in the NERR, neither the NERR or AEMO procedures prevent retailers from accepting and using customer self-readings, for customer move-outs, move-ins or billing in general, when a physical or remote meter reading is not otherwise obtained.

[19] Refer National Energy Retail Rules clause 57(2).
[20] Nominally every 6 months or as amended in accordance with the AEMO Service Level Procedures

5.3 Customer transfer process

5.3.1 Using the NSRD

As discussed in section 4.1.1, use of the NSRD is not compatible with a fast, reliable and consistent customer transfer process. As a result AEMO procedures and systems that facilitate retailer transfers should not include an option to transfer on a NSRD under any new design.

If a scheduled reading has resulted in a reading being obtained in the recent past, this may be suitable to support the transfer process as discussed in section 5.3.3.

5.3.2 Using remote and substitute meter readings

As both a remote reading and a substitute reading can be provided for any day, confirmation that a reading has been obtained is irrelevant. In this case, the concept of a CR 1500 is no longer required. As a result, and subject to the objection process in MSATS, remote meter readings and substituted meter readings could facilitate an immediate transfer in MSATS[21], with metering data being delivered subsequently to all relevant parties on the date specified in the change request raised by the prospective retailer. Similarly, if a last billable reading is to be used, and that date of that reading is clearly visible to a prospective retailer, no CR 1500 is required; the transfer can complete in the knowledge that a reading exists for the date of transfer.

Any prospective Change Request requiring confirmation of the date of reading by the MDP would still require a CR 1500 confirmation and closure. This would be limited to transfers based on a Special Reading.

AEMO proposes that the retailer transfer change requests are limited such that the only role change that can be made is to the role of retailer (known in market systems as the financially responsible market participant (FRMP)). This removes the current risk of a delay to the transfer as a result of an objection from an MC, MP or MDP.

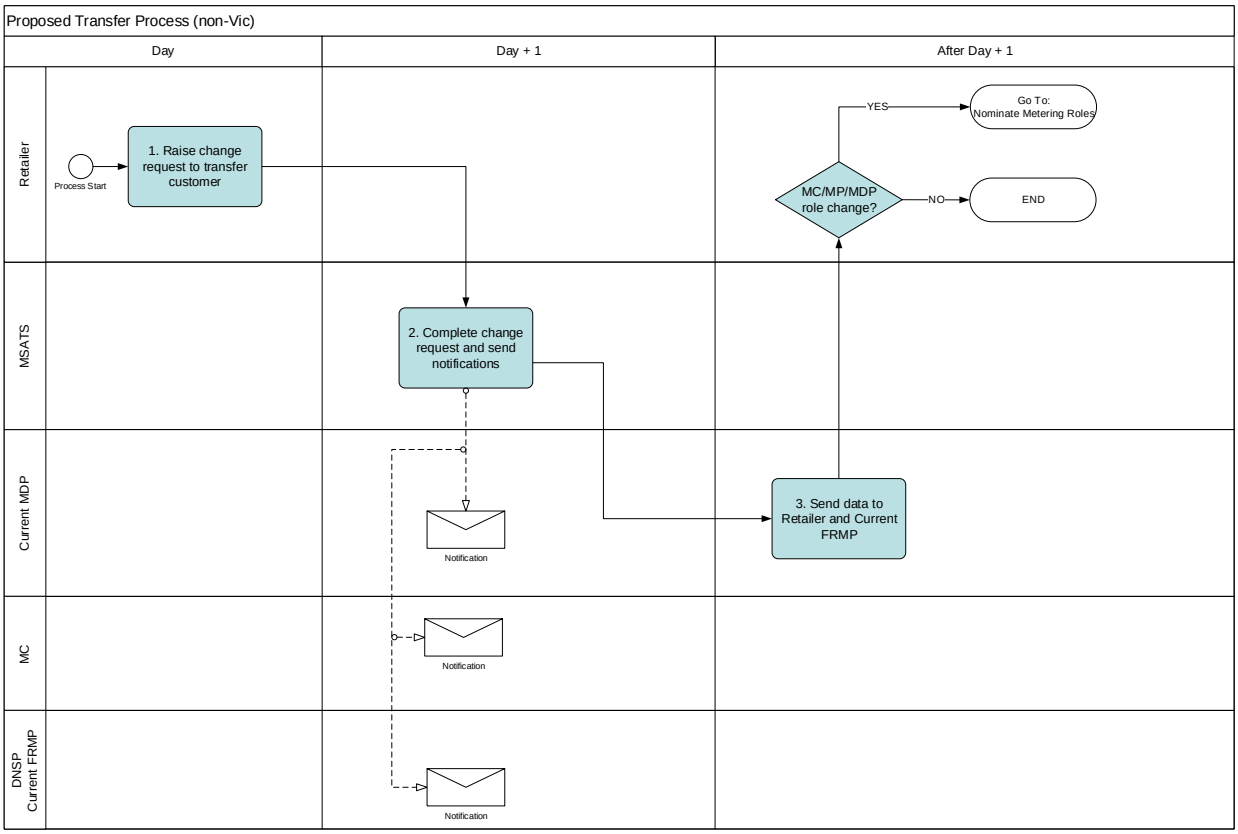
Prospective retailers will know with certainty when the transfer will complete. As a result, they will have the ability to nominate a new MC, MDP or MP immediately following the customer transfer completion, ensuring that the timeframe to enable customers to access any new services provided by smart meters, or other metering related product or tariff is significantly reduced.

For example, following the agreement with the customer to commence the transfer process, the prospective retailer could notify their selected MC that services are required immediately following the customer transfer completion, and provide the MC with a specific date upon which the MC will be nominated in market systems. The MC could then prepare to provide those services at the earliest possible opportunity

[21] Noting that current systems are designed to update roles in overnight batch runs – so any role change made would be made effective in MSATS by the morning of the next calendar day.

The process flow for the new standard prospective customer transfers, including potential nomination of provider roles are presented in figure 3 below.

Figure 3 – Proposed customer transfer process in the NEM (other than Victoria)



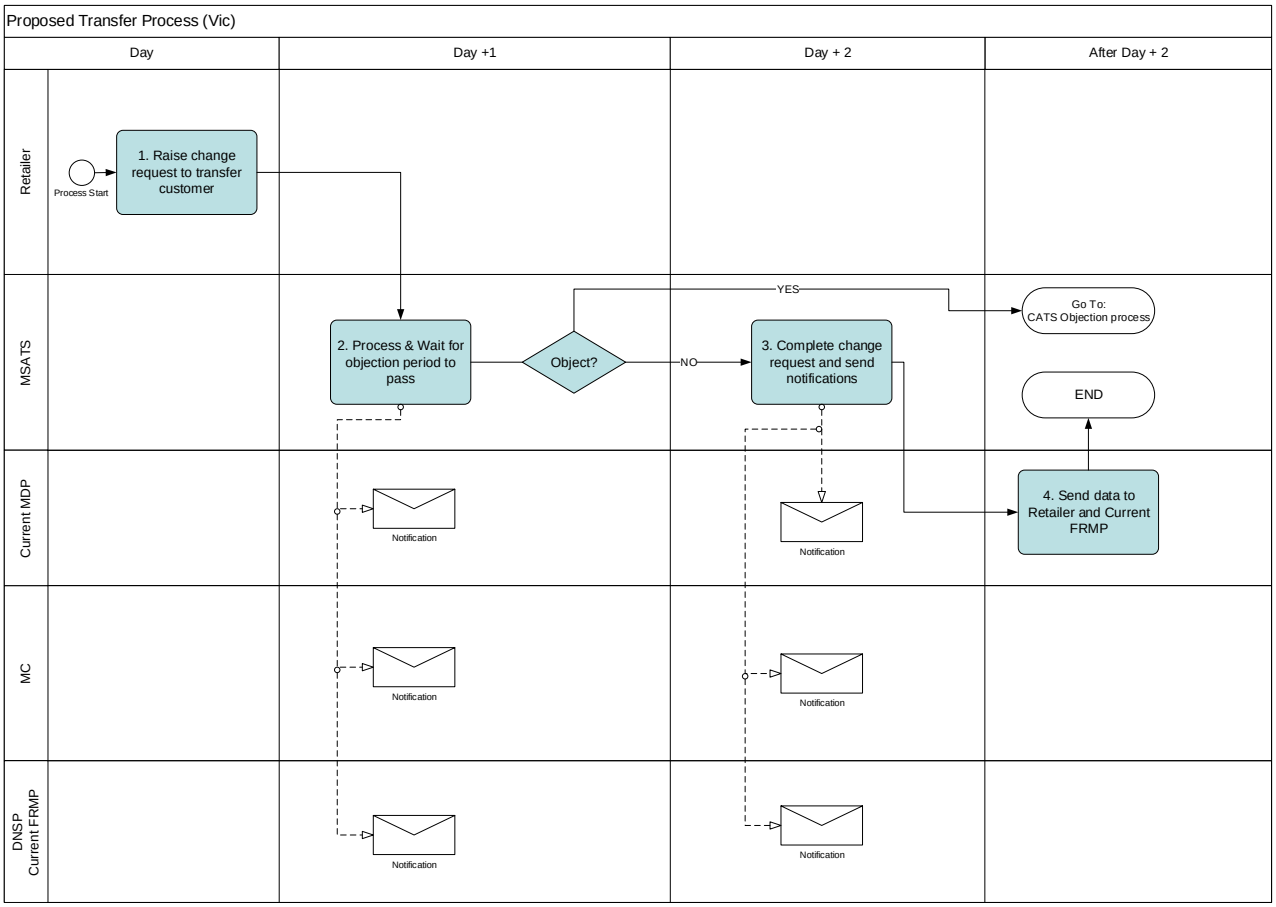
AEMO notes that the ECTC prohibits the use of substitute readings to support customer transfers in Victoria[22], however this restriction is for the most part, inconsequential, due to the proliferation of remotely read VIC AMI metering installations. According to AEMO records, the number of connection points that are active (are currently connected to the distribution network and have a supply of electricity) and have manually read metering installations constitute approximately 1.1% of small customer connection points in Victoria. AEMO considers that the last reading or special reading options may be used to facilitate customer transfers for these connection points, and that in many circumstances a customer's decision to transfer retailers may provide an opportunity for the relevant Victorian DNSP to install a VIC AMI remotely read metering installation.

[22] Victorian Electricity Customer Transfer Code – section 4.3 (page 5) October 2014.

MSATS will continue to provide the opportunity for the current retailer to object in Victoria on the basis of a certified debt. As a result of the regulated provision of metering services for small customers in Victoria, there is no requirement to consider objections for appointment of MC, MDP and MP roles.

The process flows for the new standard customer transfer in Victoria, including current retailer objection right for certified debt, are presented in figure 4 below.

Figure 4 – Proposed customer transfer process, as it applies in Victoria only[23]



For both the NEM and Victorian transfer models, upon receiving the notification that the transfer has completed in MSATS, the MDP will be required to provide meter readings for the transfer day, and in the case of a type 4A, 5 or 6 metering installation, forward estimates to the new retailer.

5.3.3 Use of recent meter readings in customer transfers

As highlighted in section 4.1.4, AEMO considers that there is value is utilising previous readings where it is possible and practical to do so. Feedback received by AEMO from interested parties indicates that there is support for such a process being adopted to support customer transfers in the NEM.

AEMO proposes that to mitigate the risks of using previous readings, as highlighted in section 4.1.4, the process enables only recent readings to be used and that this mechanism is only available where no remotely read metering installation is in place. AEMO considers that readings provided in the 15 calendar days prior to the proposed customer transfer, may be used without requiring an agreement from the current retailer. This would ensure that any retrospective customer transfers using this mechanism are

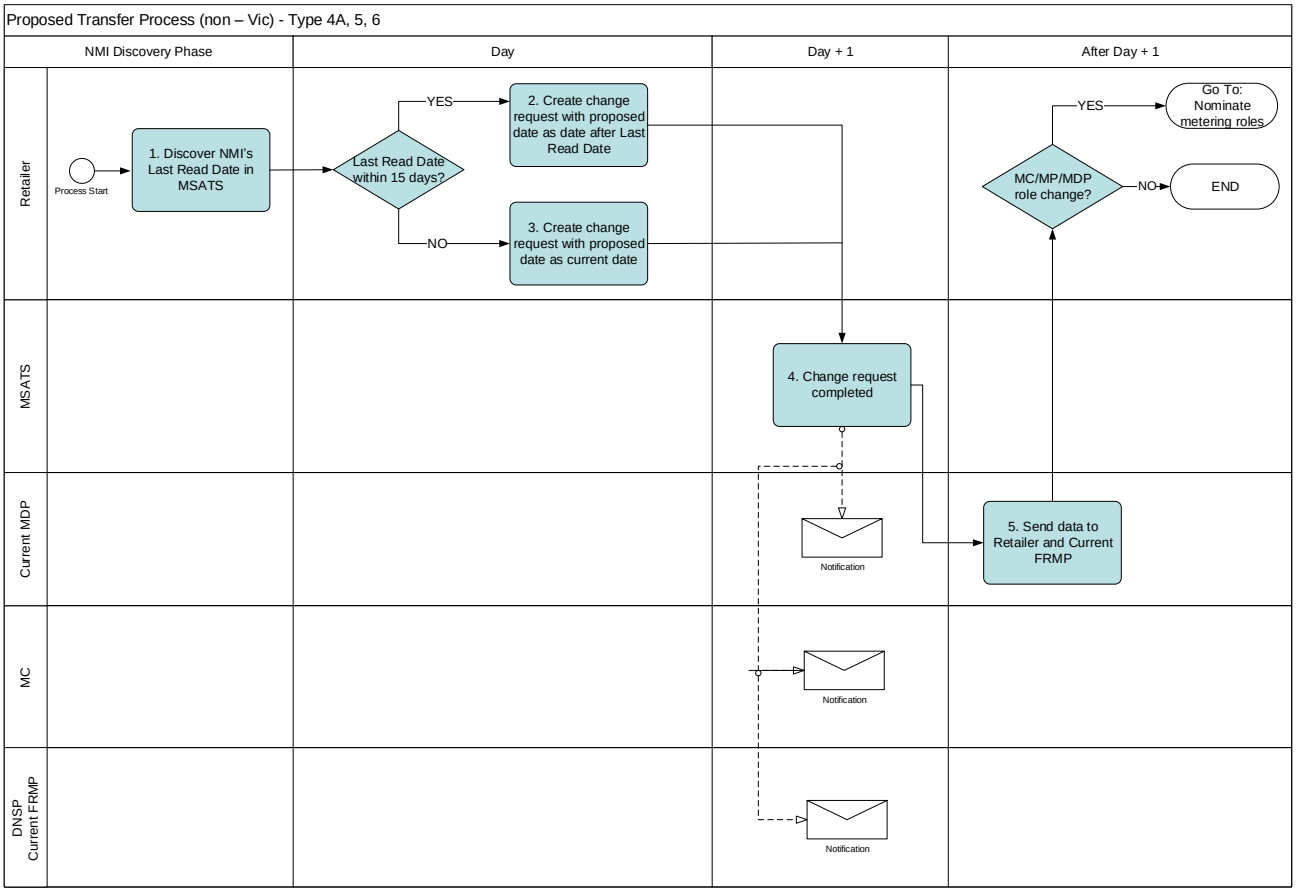
[23] Note that the process flow in figure 4 assumes that the timeframe provided to the current retailer to object on the basis of a certified debt remains at 1 day. If this were reduced through procedure consultation to zero days, a customer transfer that was not objected to could complete in MSATS on Day +1.

completed before the first wholesale settlement of energy is calculated and payments are made by retailers in the settlement process. It is possible that AEMO's assessment is too conservative and that a reading taken further in the past, within the last 60 calendar days for example, may be deemed suitable when tested in consultation with interested parties. AEMO procedures will need to consider the circumstances where such a process may be used for move-in customer transfers, to ensure that move-in customers are not made responsible for energy consumed by the previous customer.

A prospective retailer should have sufficient visibility to determine the optimal method of completing the customer transfer in the initial discussion with the customer. This is crucial in determining whether the retailer can transfer based on a previous reading, a remotely collected meter reading or a substituted meter reading. The date of the last actual reading will be made available to prospective retailers in NMI discovery, in order that the prospective retailer can determine whether the customer transfer can occur on the date of the last reading. AEMO will work with interested parties to determine whether there is any other existing standing data that needs to be elevated to NMI discovery to support the amendments proposed to the customer transfer process in this design.

The process flow including the additional capability for the prospective retailer to use the last reading for type 4A, 5 and 6 metering installations to effect a customer transfer is presented in figure 5 below.

Figure 5 – Proposed customer transfer process for type 4A, 5 and 6 metering installations, with potential use of last reading



5.3.4 Using special readings

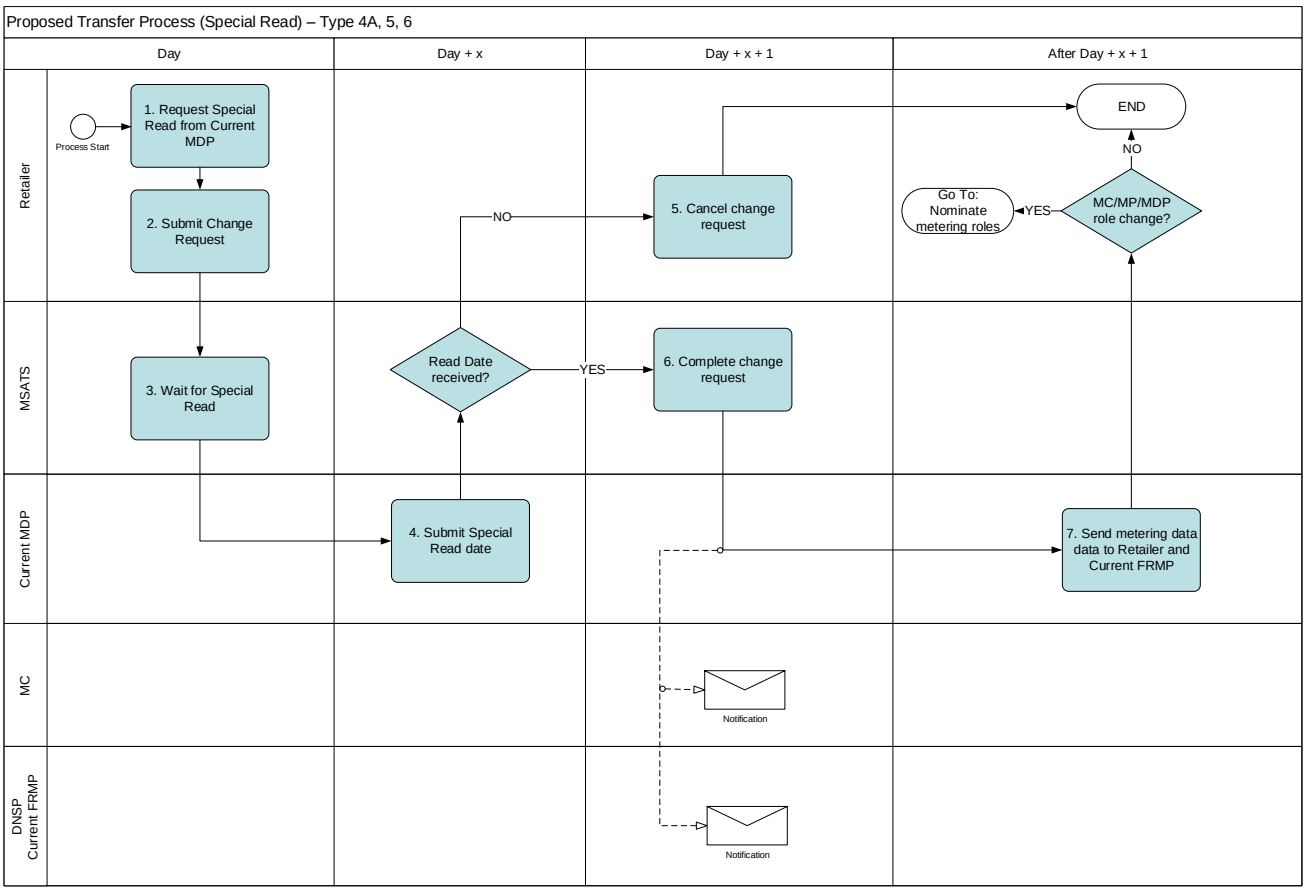
Processes for the use of a special reading will largely remain the same as they are today, whether the special reading is obtained as part of a re-energisation service order, or as a standalone read request. Where a special reading is requested, the completion of the transfer will remain subject to the collection of meter readings and therefore it remains appropriate for the MDP to confirm the date of the customer transfer by way of issuing a CR1500 in MSATS.

Consistent with the ACCC recommendations, notifications of a pending transfer based on a special reading will not be provided to the current retailer, save for Victoria where the current retailer may object to a transfer as a result of a certified debt.

The MSATS procedures will need to be amended to prevent the use of the processes and change requests created for special readings from being used to facilitate continued use of the NSRD (see 5.3.1).

The process flow for the prospective retailer to use a special reading for type 4A, 5 and 6 metering installations to effect a customer transfer is presented in figure 6 below.

Figure 6 – Proposed customer transfer process where a special reading is used to facilitate the transfer



5.3.5 Concurrent transfers and error corrections

Current MSATS procedure requirements for the management of concurrent transfers will be reviewed to ensure they are consistent with the revised customer transfer processes. Similarly, all error correction change requests in MSATS will be reviewed for relevance and to ensure that they operate consistently with the processes proposed in this HLD. This includes the error correction process and change request for customers who cool-off, as discussed in section 5.1.

5.4 Timeframes and obligations

5.4.1 Obligation to ensure transfer completion

Where a special read has been requested to facilitate the transfer, existing market arrangements can remain largely unchanged. The arrangement to obtain the reading to facilitate the transfer is exclusively between the prospective retailer and the MDP at the connection point. As the MDP will in all cases be the only party who can obtain, process and deliver the special read, it is logical that the MDP should be the party who enables the completion of the transfer process in MSATS on provision of that reading. If the reading is not obtained, the process will not complete as previously described in this report. AEMO is satisfied that no new obligations are required on the MDP, or the MC, to ensure transfer completion in this case.

AEMO considers that for all other types of customer transfer, the critical element of the process that will be relied upon by all parties is the delivery of data within a reasonable timeframe following notification of customer transfer completion in MSATS. AEMO considers that the MC should ensure that a reading is provided to the relevant parties within 2 business days from the point of notification (i.e. the customer transfer change request moving to a status of complete). This timeframe is consistent with current requirements for the delivery of metering data post collection and for the delivery of the CR1500 for retailer transfers. Accordingly, maximum timeframes for the delivery of data are proposed to be prescribed in the MSATS procedures, supported by companion changes to the Service Level Procedures (Metering Data Provider Services).

AEMO considers that the proposed metering data delivery timeframes for customer transfers in the MSATS procedures are within the scope of those procedures under the NER, and that compliance is enforceable (including under civil penalty provisions).

5.4.2 Timeframes and reporting

Large customers command market power which is far greater than that of a small customer in the NEM. Large customers are also required to be provided with remotely read interval metering installations in all cases. As a result, AEMO considers that large customers can negotiate and access retailer transfer arrangements without the need for maximum transfer completion timeframes to be stipulated in AEMO procedures or other instruments.

This HLD does not propose to impose maximum timeframes on the completion of customer transfers for small customers either, rather it removes all existing barriers that currently delay the transfer process, providing retailers and their customers with an ability to transfer with certainty within a 2 business day timeframe. The choice to commence the process concurrent with, or subsequent to, the respective cooling-off period is left in the hands of the prospective retailer to determine in liaison with their customer. The removal of the ability to rely on the NSRD will ensure that all retailers move away from the status quo and adopt the new processes.

Support is maintained for current processes that commonly support customer transfers upon move-in (e.g. special reading obtained upon the completion of a re-energisation change request),

To ensure transparency and consistency of transfer operation for small customer metering installations, AEMO will need to provide reporting on the time taken between raising the customer transfer change request and its completion in MSATS, and the types of meter reading used to support small customer transfers per NEM region.

Reporting on time taken from the point of first customer contact to the date of transfer will not be available in AEMO systems. This information is only known to the winning retailer. AEMO recommends that the AER consider including new reporting requirements in the Retail Performance Reporting Procedures and Guidelines, to require retailers to provide this information so that the AER can report on it in future years.

6. IMPLEMENTATION

6.1 AEMO Procedure changes

The changes to AEMO's MSATS procedures proposed in section 5 of this report require consultation with interested parties in accordance with the NER. The proposed design may require consultation on changes to other AEMO retail market procedures including:

- Metrology Procedures
- Service Level Procedures

AEMO has not identified any need to amend the B2B Procedures, however it is possible that the Information Exchange Committee may consider that changes to the B2B Procedures are required or desirable, during or subsequent to AEMO's Procedure consultation.

6.2 Impacts and timeframes

An overview of the changes required for implementation of this HLD, for AEMO, market participants and service providers, are highlighted in Table 1.

Table 1: Implementation Impacts

Impacted Party	Implementation Impact
AEMO	• The proposed design does not require material changes or additions to AEMO's technology systems and platform which support retailer transfers. The existing framework for the operation of Change Requests in MSATS continues to be used, however configuration of AEMO systems will be required to facilitate the changes proposed (e.g. adjustment, deletion and repurposing of existing CRs, objection rules, providing previous read date in NMI Discovery, etc.). • Amend procedures through consultation with interested parties in accordance with the NER consultation framework.
Retailers	• Amend processes to comply with options and timing for the raising of a retailer transfer change request in MSATS.
MDPs	• Amend, where necessary, process and systems to trigger the provision of meter readings following completion of customer transfer change requests in MSATS.
DNSPs	• No material changes identified
MCs and MPs	• No material changes identified

GLOSSARY

This document uses many terms that have meanings defined in the National Electricity Rules (NER). The NER meanings are adopted unless otherwise specified.

Term	Definition
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
B2B	Business-to-business
CATS Procedures	Customer Administration and Transfer Solution. See also MSATS Procedures
Change Request	A transaction submitted by an authorised party into MSATS whenever it wants to create, or update data held within MSATS. Change Requests have numbers and are often referred to as CR (number)
DNSP	Distribution Network Service Provider
FRC	Full retail competition
HLD	High Level Design
Metering Coordinator	A person who is registered by AEMO as a Metering Coordinator under Chapter 2 of the National Electricity Rules
Metrology Procedures	The following procedures collectively: Metrology Procedure: Part A National Electricity Market, and Metrology Procedure: Part B Metering Data Validation, Substitution and Estimation Procedure
MSATS	Market Settlement and Transfer Solution
MSATS Procedures	The following procedures, collectively: CATS Procedures, WIGS Procedures, MDM Procedures, NMI Standing Data Schedule, NMI Procedure and Part A of the NEM RoLR Processes.
NER	National Electricity Rules
NERR	National Energy Retail Rules
NEM	National Electricity Market
Objection	A type of transaction raised in relation to a Change Request whereby a participant to that Change Request may object to the completion of a Change Request on grounds that are permitted in the MSATS Procedures.
Service Level Procedures	The procedures established by AEMO in accordance with clause 7.16.6 of the NER
Special read	A meter reading taken on a date requested by a retailer, and not a scheduled meter reading
VIC AMI metering installation	A metering installation installed and maintained as part of the Advanced Metering Infrastructure mandate in Victoria