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Australian Energy Markets Commission
PO Box A2449
Sydney South NSW1235

Estimated Reads

Thank you for the opportunity to provide a submission in response to the draft rule ERC0241 Estimated Reads.

Momentum Energy is a 100% Australian-owned and operated energy retailer. We pride ourselves on competitive pricing, innovation and outstanding customer service. We retail electricity in Victoria, New South Wales, South Australia, Queensland, the ACT, and on the Bass Strait Islands. We offer competitive rates to both residential and business customers along with a range of innovative energy products and services. We also retail natural gas to Victorian customers.

Momentum Energy is owned by Hydro Tasmania, Australia's largest producer of renewable energy.

Introduction

Momentum is committed to transparency and customer driven practices. Our customer base is primarily in Victoria and therefore largely immune from issues associated with estimated reads due to the ubiquity of advanced metering technology (remotely read smart meters). We do however have considerable experience operating in an environment where estimated reads are prevalent as earlier in the business's genesis we promoted monthly billing to customers both as a means to assist them to manage their energy costs, and because of the cashflow benefit that more frequent billing provided an embryonic retailer.

Comments

While we do not dismiss the serious effect that a grossly inaccurate estimate may have on individual consumers, we do not see that the issue is sufficiently widespread to warrant a rule change of this nature. Nor do we accept that wholesale changes to retailer systems and practices should be required where the issues which do arise are due to failings at any number of points in the supply chain, including with the customer themselves. While the National Energy Retail Rules place the onus on a retailer to use best endeavours to ensure that an actual read occurs at least once a year, this is often outside their direct control. Despite frequent contact with customers to ensure that they provide access to read their meter, retailers are unable ensure that distributors and customers are able to negotiate a mutually acceptable outcome or that the meter reader actually arrives as scheduled. It is necessary at this point to clarify that retailers derive no benefits from issuing incorrect estimates as any estimated bills will ultimately be reconciled against actual usage when a meter is read.

We understand that the rule change considers an estimated read to be either a retailer generated estimate or instances where a Meter Data Provider (MDP) provides substituted data in lieu of an actual meter read and the retailer bills on the basis of that data. Conflating these two scenarios is the issues which causes Momentum the most concern as the broader implications of the substituted data scenario are not considered.

Retailer Estimates

Generally speaking, retailers only estimate meter reads in circumstances where the customer's billing cycle does not align with the MDP's meter read cycle. Traditionally retailers would bill customers on a quarterly basis which aligned with the meter read cycle however, more recently retailers have moved towards more frequent billing both to assist customers to manage their energy costs and to facilitate cashflow into the business to enable them to grow.

Overlaying monthly retail bills on quarterly meter reads is not without its challenges. Ideally, estimated monthly bills would be equal to approximately one third of a quarterly bill however, due to seasonal factors or changes to customer consumption this is not always the case. In these scenarios, inaccurate estimated bills will be reconciled against an actual read on a quarterly basis, so except in extreme changes in consumption from one quarter to the next, any differences from the actual billed value should be relatively minor but can understandably cause angst for some customers.

Estimated bills which do not reasonably approximate actual usage are a huge source of customer complaints for those retailers who issue them. Due to the cost involved in resolving these complaints and the risk of losing customers as a result of bad experiences retailers are heavily incentivised to ensure that estimated bills are as accurate as possible. Imposing a civil penalty on retailers where bills are grossly inaccurate will not improve the accuracy of estimated bills because retailers are not realistically able to do more on this front.

In 2017, a number of prominent retailers committed to the Prime Minister that they would offer monthly billing as the default option to assist customers to better manage their finances. In light of this, we consider it unreasonable to issue civil penalties on these same retailers because an unintended outcome has arisen, namely an increase in the number of estimated bills. While the widespread rollout of advanced metering infrastructure will eventually obviate the issue of estimated bills in most circumstances, the only immediate solution to the issue of incorrect retailer estimates is to require networks to read meters on a monthly basis to allow retailers to bill monthly on actual reads. We submit that the attendant cost would render this option uneconomic.

In the absence of a requirement to have meters read more often, retailers attempt to ensure that estimated bills are in line with customer consumption however, they are constrained by a lack of information. Bills are often incorrect where the customer has just opened an account with the retailer as the retailer will not have a sufficient usage history to allow them to make an accurate estimate. Even in well established customer/retailer relationships a number of extremely common factors could lead to significant changes in consumption which will lead to estimated bills being grossly inaccurate when compared with actual usage. For example:

- changes in appliances (from less to more efficient or vice versa);
- change to household makeup (eg arrival of a new baby);
- changes to personal circumstances (eg, an occupant changes employment arrangements and is therefore consuming energy at home at different times);
- the fact that the occupants have gone on holiday during a billing period; or
- unseasonal weather which leads to unexpected use of heating or cooling equipment

We do not consider it appropriate that a civil penalty be issued under circumstances such as these and if they were imposed we consider it likely that retailers would shy away from offering monthly billing, despite previous commitments, due to the significant compliance risk.

MDP Estimates

Grossly inaccurate bills more frequently occur during extended periods where the customer has not made access to the meter available. Under the National Electricity Rules, substituted meter data is provided by the MDP and retailers are required to use this as the basis of retail bills. As rightly pointed out, retailers currently have an obligation to use best endeavours to obtain an actual read at least once a year however an onus on both the customer and the MDP is also required as the retailer is unable to obtain actual data without their involvement, and this is often where challenges arise.

If an MDP has not been able to obtain access to a customer's meter to take a read, is it obvious that the same issues leading to variations in the customer's usage will occur, but potentially over a longer period, leading to even greater divergence between substitute and actual reads. We support the current requirement for retailers to contact the customer to arrange access but consider that the obligations on customers should also be clearly defined to the extent that they are ultimately the party who can ensure that the MDP has safe access.

Often when Momentum is able to contact a customer to arrange access to a meter they are unwilling to make access available during the MDP's appointment window, or we receive feedback that either of the two parties has not attended the scheduled appointment as arranged. The move to remotely read metering will eventually solve this problem, but in the interim, imposing additional requirements on retailers will not address the issue.

Under the draft rule change, if a customer disputes a bill which has been based on substituted data, the retailer must still re-issue that bill. This approach only considers the interaction between customer and retailer and ignores broader impacts. If retailer is requested to reissue a bill, they will be able to do so however, this would create risks for the retailer as they would be billed by the network based on the substituted data and would settle in the wholesale market based on the same. To avoid this, the retailer would need to verify the customer's read with the network. This would create delays in issuing the revised bill leaving the customer in a state of uncertainty. This process would also be required to ensure that subsequent substituted reads provided do not result in the same issue.

Unintended consequences

Momentum considers two serious unintended consequences are likely to arise as a result of this rule change.

Increased disconnections

Under most retailer terms and conditions, (including the AER's model Standard Offer Terms and Conditions), the retailer has the right to end the contract if the consumer does not make access to the meter available. Notwithstanding the obligation on retailers to use best endeavours to get at least one actual read per year, many customers do not make access available and could be disconnected under these provisions. While we understand this practice to be reasonably uncommon, the rule change as drafted may provide sufficient incentive for retailers to act upon their rights and end customer supply contracts leading to an increase in disconnections.

We consider that this would be a deeply regrettable outcome of a rule which is on face value designed to improve customer outcomes.

Hardship

While bills based on incorrect estimates may be seen as an inconvenience to some and represent a short term cashflow issue, it should be noted that a customer's actual consumption over a period will be reconciled when a bill based on an actual issue is received. Except in circumstances of an egregious over-estimate, if an incorrect estimate causes consumers financial distress, it is likely that the customer could be deemed to be in hardship and would be better served engaging in dialogue with their retailer. Providing consumers with the unfettered right to have estimated bills reissued will cause many consumers to use this a tactic to delay confronting their financial issues and seeking the necessary assistance.

Momentum considers that there is the potential for this rule change to exacerbate hardship issues as some customers will have the incentive to 'game' the system by providing false reads (photos taken at earlier dates) in order to provide them to their retailer in a bid to have their bill adjusted. This approach will provide temporary relief but ultimately end up causing issues when the customer receives a bill based on an actual read which reconciles their usage against previous estimates. We do not consider that this practice is likely to be widespread however we are confident that at least some consumers will use the rule change in this manner. Given that the proponents have provided no indication of the extent of the current issues with estimated bills, there is serious risk of trading one set of problems for another at considerable cost to industry and consumers.

Suggested Amendments

Given the issues associated outlined above, Momentum considers that some limitations must be put around the rule change. In order to address the issues of retailer risk and increase disconnections for customers who fail to provide meter access, estimates must be defined as those estimates generated by the retailer for the purpose of providing the customer with a bill outside their usual meter read cycle. This approach would eliminate the need for upstream verification of customer self reads by the network and ensure that revised bills can be issued in a timely manner.

We also consider that an appropriate threshold for be implemented to limit frivolous requests for bills to be reissued. We suggests that a customer should only be able to request a reissue where the variance between the estimated read and the customer's read is 25%. It should be noted that these instances are likely to result in a differential between the bills of less than 25% as the fixed costs would not be impacted.

We do not dismiss the issue of grossly inaccurate bills based on substituted reads as we have considerable experience in dealing with this problem however we do not see that the rule change as drafted will address this issue. Retailers are currently required to address complaints of this nature through existing customer complaint mechanisms (including the Ombudsman). Momentum suggests increasing the onus on both MDPs and customers to actively participate through this process is the most effective way of addressing innacurate estimates until remotely read interval meters are prevalent in the NEM.

If you wish to discuss this submission in further detail, please contact Joe Kremzer on (03) 8651 3565 or email joe.kremzer@momentum.com.au