

5 August 2019

Ms Lisa Shrimpton
Australian Energy Market Commission
By email: submissions@aemc.gov.au

Dear Ms Shrimpton,

Submission to Reducing Customers Switching Times Consultation Paper – REF RRC0031

Aurora Energy welcomes the opportunity to provide comment on the *Reducing Customers Switching Times Consultation Paper* (Consultation Paper) issued by the Australian Energy Market Commission (AEMC) on 4 July 2019.

Aurora Energy is supportive of initiatives to bring efficiency to the customer transfer process. Since the commencement of the Power of Choice rule changes and the roll out of advanced meters, it has been clear that a review of existing transfer rules is necessary. However, there is a need to balance efficiency opportunities against retaining integrity in the transfer process to ensure both customer and retailer interests are protected.

The Consultation Paper raises a number of proposals intended to enhance the customer transfer process. In response, Aurora Energy notes the following key points:

- The reasons underpinning a customer's decision to transfer can be varied. Limiting the ability for retailers to conduct 'save' activities restricts the capacity to redress instances where customers have not been fully informed over the detail of their potential transfer.
- Amending the customer transfer rules and procedures to reflect the introduction of advanced meters will help facilitate a more timely transfer of customers between retailers.
- Basing final bills for customer transfers on estimated or self-reads opens up a currently stable and rigorous market process to inefficiencies and inaccuracies.
- Preventing retailers from recovery of undercharged amounts materially increases the commercial impacts arising from customer loss.

Expanded commentary is provided in the attachment to this letter. If you have any questions regarding the issues outlined above please contact Aurora Energy's Lead Regulatory Advisor, Giles Whitehouse, at giles.whitehouse@auroraenergy.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read "Kane Ingham".

Kane Ingham
General Manager Commercial Services

EXPANDED COMMENTARY ON REDUCING CUSTOMERS SWITCHING TIMES CONSULTATION PAPER

The reasons for customer transfers are varied and limiting retailer 'save' activities restricts the capacity to resolve instances where customers have not been fully informed over their potential transfer.

Aurora Energy supports customer choice and the ability for customers to change retailers in the most efficient manner possible. However it contends that there is consumer protection value in retaining triggers for customer save activities.

Customers may seek to transfer retailers for a number of reasons, ranging from price, service or other incentives offered by a prospective retailer. However, the information provided to a customer by a prospective retailer is not always easily understood. Despite the presence of useful third party services, such as the Australian Energy Regulator's Energy Made Easy, incumbent retailers have a role in ensuring all relevant information regarding a potential transfer is available to a customer.

Aurora Energy's experience with competitive market transfers has yielded multiple examples where customers have either misunderstood the transfer process or not been in a position to consider all the elements of their prospective retail offer. Market change notifications provide a final point at which clarity can be provided to customers over the differences between incumbent and prospective retailers. Aurora Energy regards this activity as an important consumer protection that ensures transfers only occur in instances where there is sufficient customer awareness of the prospective retail offer.

Amending the customer transfer process to reflect the introduction of advanced meters.

As highlighted in the Australian Energy Market Operator's (AEMO) initial rule change proposal, basing the customer transfer process on a quarterly meter read provides certainty and minimises the number of processes involved in a customer transfer. The use of remote reads from customers with advanced (Type 4) meters provides commensurate certainty and process efficiency, while also affecting a transfer in a more timely manner. For these customers, there is no need to wait for up to 90 days for a transfer to proceed.

Basing final bills for customer transfers on estimated or self-reads opens up a currently stable and rigorous market process to inefficiencies and inaccuracies.

Under the rule change proposal, the estimation protocols set down in national rules would be required to affect a final bill. However, retailers such as Aurora Energy rely on the market to provide quarterly estimated or substituted reads where an actual read is not available. Any move away from market provided estimated reads, would require a material change to Aurora Energy's information systems.

Further, protocols for estimating customer bills are subject to errors based on differences between expected and actual usage. This creates potential disadvantages for both customers and retailers who may never have full reconciliation between what is billed to customers and what was actually used, particularly in cases where self-reads or estimations are grossly incorrect.

It is unclear to Aurora Energy how an estimated read will be corrected. It is Aurora Energy's understanding that once a retailer ceases to be the Financially Responsible Market Participant (FRMP) at a premise, it is no longer entitled to receive the meter reading data from the appointed Metering Data Provider. This leaves open the question of when and how a retailer will be able to identify

whether a customer has been undercharged or overcharged from the use of an estimated read as the basis for a final bill. Without an actual read being provided to the market, retailers will incur a misalignment of settlement data compared to what is billed to a customer. This will also be reflected in the network billing reconciliation.

Preventing retailers from recovery of undercharged amounts materially increases the commercial impacts arising from customer loss.

The proposal not to allow retailers to re-bill a customer if undercharging has occurred, unfairly penalises retailers in cases where customer usage goes well beyond the estimation parameters. This is particularly concerning as retailers may lose both the customer and the unrecovered revenue.

The use of estimated or self-reads combined with the restriction on undercharging recovery presents a prudential risk for losing retailers. This risk is likely to be managed across a retailer's remaining customer base, further inflating the impacts of loss of customers and serving as a disadvantage to retained customers. These impacts are likely to affect smaller retailers to a greater degree and in heightened instances have the potential to lead to retailer failure and potential 'retailer of last resort' events.

Implementation

Aurora Energy notes there is significant level of change required to market rules and procedures to realise the rule change proposal. Consultation workshops are planned to be held with industry participants regarding the detailed proposals. With such a high-level of change it is prudent to ensure that any amendments to national rules are workable across the market procedures, systems and roles in order to safeguard customers and market participants from unintended consequences and costs. These matters should be resolved prior to finalisation of a Draft Determination.

With regards to the implementation of the rule change proposals, Aurora Energy notes the introduction of the full suite of changes described by AEMO would require an extended lead time to adopt. The extent of impacts on all market participant systems should also be factored into any decision to proceed with any element of the rule change proposal.

Summary

The ACCC Retail Price Inquiry (ACCC Inquiry), a key driver for this rule change, proposes recommendations to facilitate greater efficiency, cost reflectivity and simplicity across retailer practices. Through the use of estimated reading as the basis for final bills, the proposal suggests an environment where no party is obliged to reconcile undercharging or overcharging amounts. This approach creates inefficiencies that Aurora Energy believes run contrary to the broader goals of the ACCC Inquiry.

Consequently, Aurora Energy does not support the proposals to allow customer transfers on the basis of an estimated read. All subsequent proposals to amend the relevant rules to realise this approach are also not supported.

Aurora Energy recommends that the rule change proposal only proceeds in relation to customers with an advanced meter. This will retain both certainty and efficiency in the transfer process. With the rate of advanced meter installations growing rapidly across National Electricity Market jurisdictions, this will naturally increase the efficiency of the customer transfer process.