



EXECUTIVE OFFICE

Our ref: 64737
Contact officer: Lyn Camilleri
Contact phone: (03) 9290 1973

23 Marcus Clarke Street
Canberra ACT 2601
GPO Box 3131
Canberra ACT 2601
tel: (02) 6243 1111
www.accc.gov.au

 6 November 2019

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

By email: John.Pierce@aemc.gov.au

~~Dear Mr Pierce~~ 

Draft determination on reducing customers' switching times rule change

Thank you for the opportunity to make a submission to the Australian Energy Market Commission's (the AEMC) draft determination and draft rule on *reducing customers' switching times* (retail) rule change request. We welcome the AEMC's support for a much quicker switching process and removing requirements for a losing retailer to receive advanced notice.

The draft determination is in line with recommendations 8 and 9 in the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry (REPI) Final Report that aim to improve the process for customers to transfer to a new electricity retailer. The current transfer process can take up to 90 days and the advanced notification requirement provides the existing retailer with the opportunity to conduct aggressive 'save' or 'win-back' activity. During the REPI concerns were raised by many retailers about this type of activity that discourages customers from switching away from their current retailer. This activity leads to an increase in overall customer acquisition and retention costs which are passed on to customers.

In a well-functioning market, it is likely that save and win-back activity would be a pro-competitive feature, but in REPI we found that competitive dynamics in the NEM's retail markets has given rise to strategic retention activity that increases costs and provides little benefit to consumers. We recommended the advance loss notification requirement be removed and the losing retailer be notified on the actual date of transfer. Removing advance notification will encourage retailers to proactively engage with and seek to retain their existing customers. This will provide incentives for a retailer to keep its customers on competitive deals, and not only offer those deals when a customer seeks to switch.

The roll-out of advanced meters will provide a long-term solution to an efficient customer transfer process; however, some customers currently can wait up to 90 days to switch retailers due to the need for a special meter read. We support the changes that AEMO is

undertaking, in parallel with the AEMC's process, to meet the intent of our REPI recommendations. We understand that these changes aim to facilitate a two-day customer transfer process after the end of the cooling off period, irrespective of metering type, enabling customers to move to more competitive offers more quickly.

We noted in our August report that there appears to have been a significant change in the retail environment since the introduction of the reference price provisions in the Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019. Notably, the prevalence of large headline discounts has decreased significantly. We will continue to monitor the impacts of these reforms on the retail market structure as part of our electricity markets inquiry. In making its final determination, we encourage the AEMC to consider potential impacts on competitive dynamics in this changing environment.

We support an improved, streamlined and quicker customer transfer process that will allow customers to realise the benefits of switching in a timely way. Changes to the loss notification process, so that the losing retailer is notified on the actual date of transfer, are likely to increase competitive pressure in the retail market and encourage retailers to proactively ensure their existing customers are on the best deal.

If you have any questions in relation to this submission, please contact Lyn Camilleri, General Manager Electricity Markets Branch, on (03) 9290 1973.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Sims', written in a cursive style.

Rod Sims
Chair