

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

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Reducing Customer Switching Timeframes – RRC0031

The Australian Energy Council (the '**AEC**') welcomes the opportunity to make a submission to the Australian Energy Market Commission (the '**AEMC**') on the Reducing Customer Switching Timeframes Draft Determination (the '**Draft Determination**').

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

The AEC supports reducing the timeframes required to switch, and the benefits this outcome would deliver the competitive retail market. We note this rule change is a technical one, and the Draft Determination itself purports to enable the outcome, which is intended to be delivered through a change to the Australian Energy Market Operator's (AEMO) MSATS Procedures (the 'Procedures').

This submission will focus on the Draft Determination to delete clause 7.8.9(e)(1) of the National Electricity Rules.

Clause 7.8.9(e)(1)

Clause 7.8.9(e)(1) was implemented less than two years ago as part of the Power of Choice reforms. Given its relative infancy, the AEC considers a high bar would need to be determined to suggest it is no longer required.

The AEC does not consider this clause to be redundant. Whilst the AEC agrees with the position of AEMO in the rule change request that "it is unreasonable for the erroneous appointment of a new Metering Coordinator by a prospective retailer to warrant the delay or cancellation of a retailer transfer", we consider the approach taken in the Draft Determination would result in retailer costs for no commensurate consumer benefits – there are more efficient ways in which to deliver the intended outcome.

In the rule change proposal, AEMO noted two alternative approaches to avoid delays caused by MC objections.¹ Option 1 would require a rule change, and limits the scope of the switch in the procedures so that only the retailer role is changed as part of the transfer. The MC would be appointed on a subsequent day. Option 2 would prohibit the ability for MC's to object to a transfer occurring in the Procedures, and as such, would not require a rule change. Both options would allow the objective of next day transfers to be achieved.

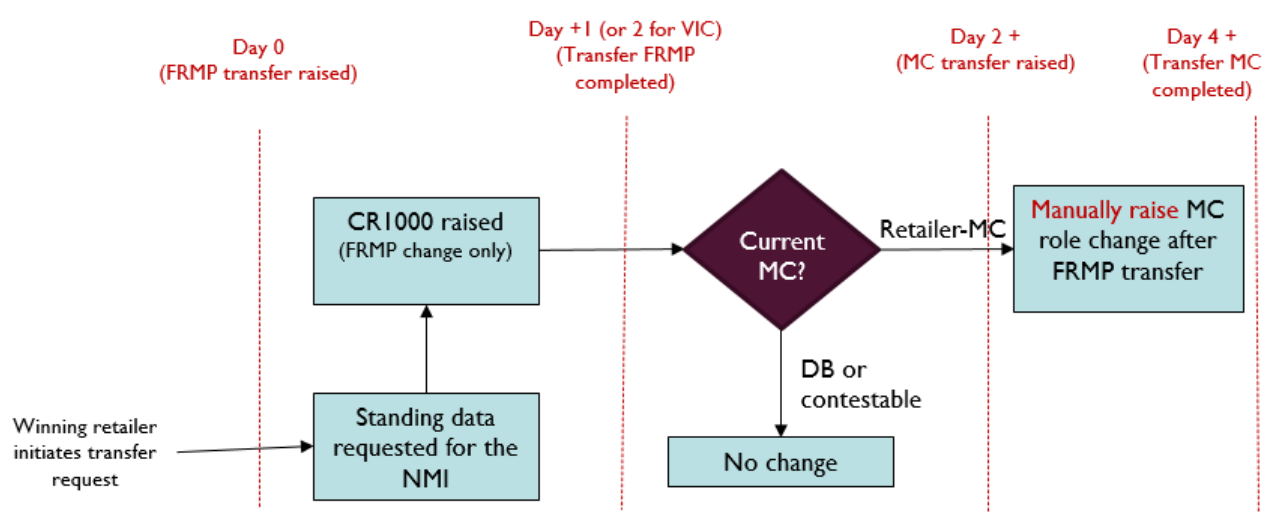
¹ <https://www.aemc.gov.au/sites/default/files/2019-07/RRC0031%20Rule%20change%20request.pdf> at Pg 21 of High Level Design (HLD)

The AEC strongly supports option 2, and will be encouraging AEMO to take this approach when they consult on the Procedure changes. Whilst either option remains available if the rule is deleted, we do not consider it meets the NEO for the AEMC to enable a change in the Procedures that would increase costs to consumers.

In practice, the AEC understands MC objections are rare. Competitive and Distributor MC's rarely object, if ever. The only objections that do occur are those where the existing MC is owned by the incumbent retailer. These retail MCs do not have contracts with other retailers, and as such, when a transfer is requested for one of these sites, and the prospective retailer does not propose a new MC for the site, the retailer MC objects.

Given this practice, retailers have built their existing systems with the presence of clause 7.8.9(e)(1). If the transfer only included the FRMP transfer, an additional step would need to be built into the process post transfer to subsequently change the MC in the event a retailer MC has responsibility. This cost is unnecessary.

The below diagram highlights the practical issues with removing this clause, including the additional step required.



Given the clear additional costs option 1 in the HLD will require, the AEC encourages the AEMC to retain clause 7.8.9(e)(1) until a more fulsome review of the Power of Choice rules is undertaken.

Implementation

Despite this proposed rule change being technical in nature, effectively enabling changes to the AEMO procedures, the AEC considers there may be further consequential impacts to the retail rules arising from this change.

For example, Rules 58 and 59 require retailers to notify customers when transfers are completed, delayed, or will not proceed. Retailers currently have processes in their systems to comply with these requirements, however the implementation of a next day transfer process is fundamentally different from the existing future read transfer process. This change will require retailers to assess the final AEMO procedures, not due to be completed until February 2020, to determine how the new process will impact compliance with these clauses. For example, if a customer commits to providing a self-read and doesn't, or a special read is not completed, will the transfers be delayed or cancelled? These will require new logic in retailer systems.

Given these practical implications, the AEC encourages the AEMC to delay implementation of the new rules until at least July 2020, to allow time for the AEMO to publish final Procedures, and retailers to implement them.

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

Yours sincerely,

A handwritten signature in black ink, appearing to be the name 'Ben Barnes' in a cursive style.

Ben Barnes
Director, Retail Policy