



7 November 2019

Mr James Hyatt
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

email: aemc@aemc.gov.au

Dear Mr Hyatt,

Reducing Customers' Switching Times – Draft Rule Determination (RRC0031/ERC0276)

Origin Energy (Origin) appreciates the opportunity to respond to the Australian Energy Market Commission's (the AEMC) Draft Rule Determination relating to changes that could be made to the retail transfer process to reduce the time it takes for a customer to switch retailers.

The Australian Energy Market Operator (AEMO) submitted the rule change request to the AEMC in the form of a high-level process design largely focused on removing elements of the rules which AEMO believed prevented a faster transfer process or existing rules that required greater clarification.

We do not support the draft rule as currently drafted as the rule will impact on the efficient operation of the market. Specially, we do not believe the rule change meets the assessment principles of improving transparency nor reduce the regulatory and administrative burden of the transfer process. Rather, the proposed rule change will result in significant modifications which will be costly and inefficient for industry and ultimately costly for customers.

For this reason, it is imperative that the AEMC ensure that any changes to the rules are supported by a clear quantitative assessment that shows that the market and consumer benefits clearly outweigh the industry costs.

The AEMC's draft rule¹ is seeking amendments to the National Electricity Rules (NER) and National Energy Retail Rules (NERR) to support operational changes to the Market Transfer and Settlement (MSATS) and Customer Administration and Transfer Solution (CATS) procedures to support Australian Energy Market Operator (AEMO) amendments to systems and processes for customer transfers processes.

Specifically, the AEMC proposes to remove clause 7.8.9(e)(1) of the NER. As a result, the ability for an existing MC to object to an MC appointment as part of the transfer process will be removed which will have a significant operational impact for businesses like Origin. This is because nominated parties will not always have a contractual arrangement with a prospective retailer. Allowing an MC to object prior to the allocation of roles is necessary to allow parties to appropriately manage their contractual and operational risks. We believe that it is inappropriate to expect a commercial entity to deliver services to a third party when it has no contractual protections for the delivery of those services.

Furthermore, we do not consider that the rule change takes into consideration the level of automation that is present in systems for the allocation of the MC role. Systems have a complex set of automated logic that sits behind the set of MSATS rules that identifies the various transfer scenario based on the

¹ Deletes clause 7.8.9(e)(1) of the NER regarding metering coordinator appointments, amends clause 7.8.9(e) of the NER to move the provisions regarding installation of replacement metering installation from MSATS Procedures to the Meter Churn Procedures and amends clause 4.2(a)(iv) of the model terms and conditions.

meter type, customer type and market rules. The removal of clause 7.8.9(e)(1) of the NER will result in the decommissioning of the current logic and returning to the manual processing of roles after a transfer is complete. This will be costly and the removal of clause 7.8.9(e)(1) of the NER does not support efficient market processes.

It should be noted that AEMO's review of customer switching data for 2018 found the majority of customer switches sought only to change the retailer, with less than 0.1% proposing to also change the MC within the retailer transfer². This highlights the issue is of a small significance, but the ramifications of removing the clause from the NER are costly from both a system and process point of view for all market participants. It is Origin's view that the ability for an existing MC to decline an MC nomination should remain.

Further comments on the above issue and Origin's specific response to the three proposed components of the rule change are set out below.

Deletion of clause 7.8.9(e)(1) of the NER

Clause 7.8.9 (e)(1) of the NER states:

"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;"

As discussed above, AEMO proposed in the high-level design to amend the existing customer transfer procedures so that only the retailer role can be nominated to change and the ability for the incoming retailer to nominate a MC, MP and MDP would be removed. It is proposed that these nominations could not occur until a customer transfer is complete. AEMO and the AEMC have a view that the existing nomination in MSATS of a MC as part of the customer transfer process delays a customer transfer request from occurring³.

We do not support the removal of clause 7.8.9(e)(1) of the NER for the following reasons:

- retailers have contractual agreements with parties to perform the MC roles. It is important that a party is allowed to decline taking responsibility for a site when there is no contractual arrangement in place with the incoming FRMP. The inclusion of the clause was an important addition in the 1 December 2017 MSATS Procedures for market efficiencies with the Power of Choice reforms;
- the absence of an agreement between the MC and the FRMP increases the risk of the MC being non-compliant and equally increases the risk of HSE related incidents. These risks are mitigated through contractual obligations between parties ensuring operations are carried out in adherence with HSE policies and regulatory requirements;
- liability and indemnity risks if the MC appointment is not corrected in a timely manner. If there is a fault with the meter and there has been loss to the customer, who is responsible for the loss and the meter. If the MC does not have a contract with the incoming FRMP, then there is no enforceable contract to assign the liability. This is a risk that could be avoided by ensuring the roles are correctly assigned prior to the transfer;
- if an objection is raised, this is only relevant to smart metered customers. This is because the DNSP is the MC for accumulation meter sites until a smart meter is installed. Given the objection is only relevant to smart metered customers, the prospective retailer has the ability to resolve the issue as soon as practicable and the customer can transfer the next day. AEMO estimates that the MC objections associated with a customer transfer are less than 0.1 per cent; and

² AEMO, Customer Switching in the NEM, Issues Paper, October 2019, p10

³ AEMC, Reducing Customers' Switching Times Rule Change, Draft Determination, 26 September 2019, p10-11.

- once a customer is transferred, there are complexities in terms of time, systems and processes to seek the prospective retailer to amend MSATS to correctly reflect the metering responsibilities for the premises. The incentives to correct the MC are significantly reduced.

Further, retailer systems are currently automated with complex logic to support the current rule. When a customer calls a retailer to initiate a transfer request, our systems automatically provide a market response for the transfer based on NMI standing data information, MC or meter type. This level of automation allows us to respond to various scenarios based on the type of customer or information obtained.

Requiring all retailers to accept an MC role which does not align with their current process, will result in significant system changes. Firstly, we will need to amend the logic behind our systems to allow us to accept all MC assignments. Secondly, we will need to manually raise MC role change requests after the transfer has occurred to correct the role allocation in MSATS. Only the prospective retailer is able to correct this role assignment, which they have no incentive to amend in a timely manner.

We believe that a practicable solution to address the concerns raised by AEMO would be to allow the incoming FRMP to raise a CR1000 following a transfer request to change both the FRMP and, where necessary the MC; but not MD and MDP. This would enable the customer transfer to proceed while also reducing the operational risks of an incorrectly appointed MC. In the event of an MC being incorrectly appointed, then this could follow error correction processes.

Removal of Clause 7.8.9(e)(2) of the NER

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. It is proposed that this clause be removed from the National Electricity Rules and moved to AEMO's meter churn procedures.

As stated in our previous submission, we have a concern that the removal of this clause to the meter churn procedure could lead to increased complaints and transfer issues for both customers and the market. MSATS operates in near real time, whereas AEMO's processes can be subject to delays and backlogs.

Amendment to Clause 4.2(a)(iv) NERR

In AEMO's high level design, AEMO is proposing to align NERR provisions and MSATS procedures such that a customer transfer request can be made within the cooling off period⁴. If a customer exercises its cooling off rights, the transfer can be reversed such that the customer returns to the losing retailer. This functionality is not available in the existing MSATS procedures⁵ as transfers can only be entered after the cooling off period has expired.

The AEMC has proposed an amendment to Clause 4.2(a)(iv) of the NERR to clarify that a standard contract ends when:

1. the customer enters a standing or market contract with a a new retailer; or
2. the customer changes from a retailer's standing offer to the same retailer's market offer.

The amendments do not take into account that the customer could now transfer to a new retailer or product during the cooling off period and transfer back to the previous retailer if they cancel during the cooling off period.

⁴“AEMO proposes to: Remove the current restrictions from the MSATS Procedures, providing retailers with a choice to complete customer switches within or following the completion of the cooling-off period “. AEMO, Customer Switching in the NEM, Issues Paper, October 2019, p21

⁵ AEMC, Reducing Customers' Switching Times Rule Change, Draft Determination, 26 September 2019, p22

We believe further consideration needs to be given to the contract terms to include a provision that the current contract does not end until: (1) the end of the cooling off period; and (2) customer has transferred to a new retailer or contract type. This will allow for customer contracts to continue in the circumstances that a customer transfers and then cancels a contract within the cooling off period.

Origin has raised concerns with the 'end' terminology of the standard contract terms with the AEMC in previous consultations. We believe that the contract terms should refer to the standard retail contract ending when the customer transfers to or commences taking supply from, the different retailer. Generally, market retail contracts start as soon as a customer signs up. Where they do so with a new retailer, this will almost always be before they transfer to that retailer. Therefore, if their existing standard retail contract ends when their market contract with their new retailer starts, this will likely be before they have transferred to their new retailer. This situation is not ideal as their contract with their existing retailer has ended before their supply has. Origin requests that the AEMC give further consideration to this issue.

Closing

We support initiatives to reduce customer switching times, however, we consider that the proposed rule change introduces unnecessary risk and costs for the parties involved and hinders the efficient operation of the energy market. There are practical reasons why the NER includes conditions around parties being able to decline a role nomination and we believe that clause should continue.

Should you have any questions or wish to discuss this submission further, please contact Caroline Brumby on (07) 3867 0863.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', written over a faint rectangular stamp.

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