

7<sup>th</sup> November 2019

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

Submission via AEMC website portal

Dear Mr Pierce,

**Consultation on: Reducing customers' switching times (retail) – including proposed changes to the National Electricity Rules and the National Energy Retail Rules**

Simply Energy welcomes the opportunity to provide feedback as a part of the consultation on the proposed changes to the National Electricity Rules (NER), National Energy Retail Rules (NERR) and Australian Energy Market Operator (AEMO) Procedures regarding customer transfers.

Simply Energy is a leading second-tier energy retailer with over 720,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. Being a consumer-centric organisation, Simply Energy strongly supports the objectives and majority of the proposed provisions.

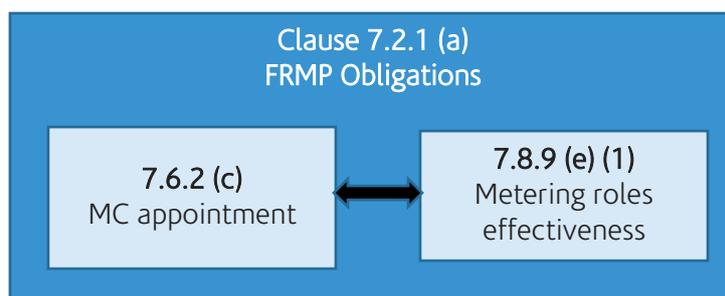
Nevertheless, while acknowledging that the current proposal provides reduced customer switching times, Simply Energy has identified a critical concern with the proposed amendment of NER clause 7.8.9(e)(1) that has material impact on its systems and processes.

In exploring the requirements of the proposed changes and their end-to-end impact (NER, NERR and AEMO Procedures collectively), Simply Energy's submission considers options:

- Minimising market and participant impact by retaining NER Cl 7.8.9(e)(1);
- Aligning with a consumer-centric approach; and
- Enhancing alignment with key objectives and technical considerations.

*Minimising market and participant impact by retaining NER Cl 7.8.9(e)(1)*

Simply Energy has reviewed the draft determination and performed an impact assessment based on three interlinked clauses: 7.2.1(a) that gives effect to 7.6.2 (c) and 7.8.9 (e)(1):



Grouped together, these clauses support a highly market efficient process and a forward vision for the market. Clause 7.8.9 (e)(1) enables an incoming retailer to make an MC appointment for the same time it requests for the change of its FRMP role, and AEMO’s market system completes it at the same time (in accordance with clause 7.6.2(c)). They create a baseline model for retail systems that are highly automated in order to meet the high-volume demand of the NER (as indicated in the draft report, almost 230,000 customer transfers are raised each month across the NEM).

Moreover, for the competitive MC role to be fully efficient and effective in the market, these rules provide flexibility to the retailers to choose and contractually negotiate on various services which is why the alignment of roles is necessary, particularly in situations where a retailer and a MC has (or has no) legal contract.

Simply Energy considers that Option 1 (see the table below) requires clause 7.6.2c1 and 7.8.9(e)(1) to be deleted, with significant negative impacts as set out in the table. Simply Energy considers that Option 2 is preferable, as it achieves the same key objective but without the negative impacts of deleting these two clauses.

Option	Description	NER change	AEMO procedures	Retail impact	Customer benefits
#1	Limit the scope of customer switching so that only the retailer role is changed in the transfer process	- cl 7.8.9(e)(1) to be deleted  <b>AND</b>  - cl 7.6.2(c) to be deleted	To be updated in both cases	System and process changes:  - Reversal of MC determination logic (costly system change)  - New process to be implemented for MC role changes (no automation, manual process).	Identical in both cases
#2	Remove the ability for MCs to object during transfer.	No change		No change	

Simply Energy believes that the Commission’s draft rule determination to delete clause 7.8.9(e)(1) of the NER to facilitate AEMO’s customer transfer is not warranted as it:

- highly influences the next round of AEMO’s procedural consultation;
- targets the minority/exceptional causes, i.e. 0.1% of customer transfers;
- poses risk of unnecessary cost developments on retail systems to reverse the logic that was implemented for multiple appointments;
- prolongs the process for MC appointments; and
- to some extent, restricts other alternative solution/s that exists in the conceptual design.

Generally, there is no need to change metering roles during retail transfer, but there are some instances where the current MC role is assigned to another retailer’s entity. In such cases, Simply Energy requests for a change of MC as soon as a change in FRMP role occurs, due to the commercial sensitivity in NECF jurisdictions (as below).

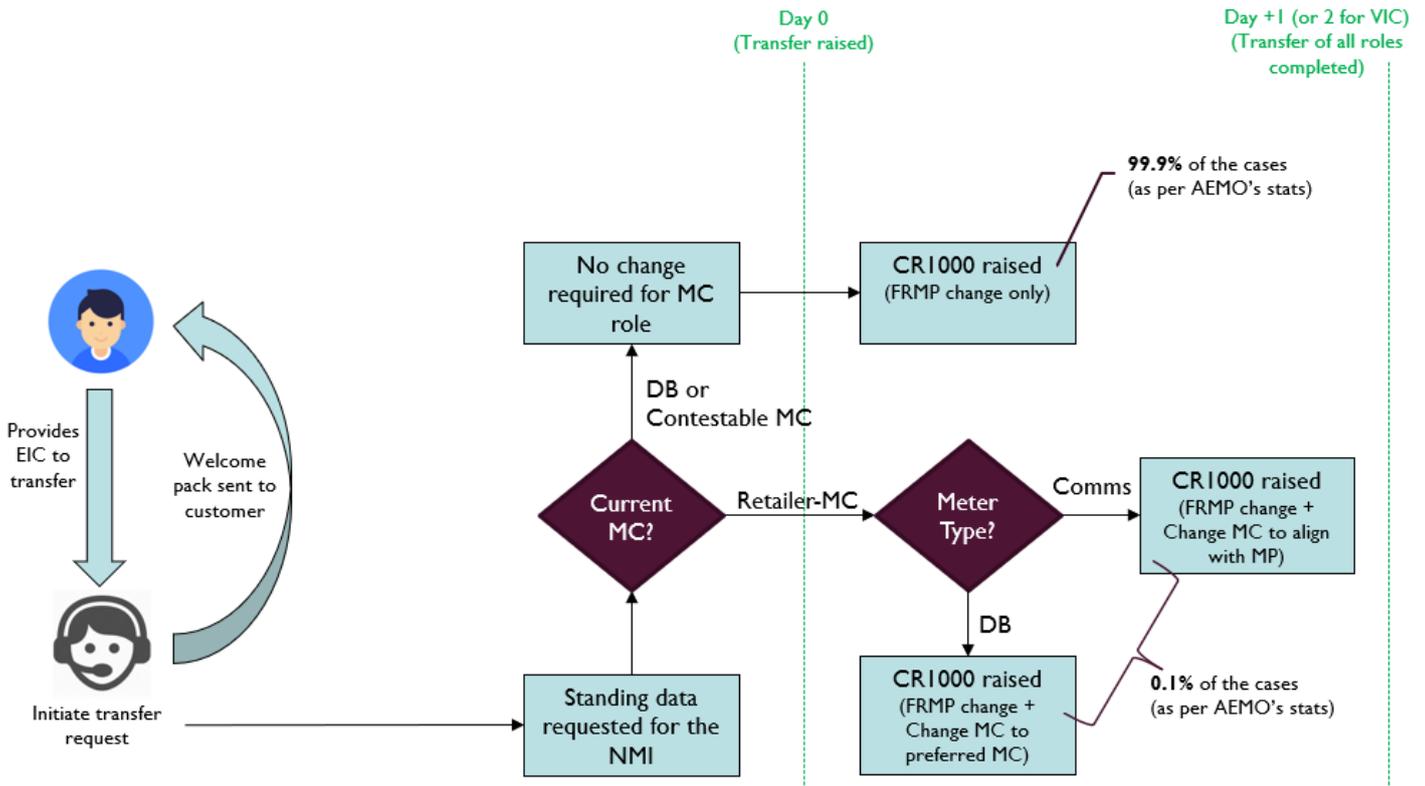


Figure 1

As per NER cl 7.2.1, the retailer’s obligation is to nominate an MC, as opposed to an MDP (Metering Data Provider) or MP (Metering Provider). As such, in the context of role appointments, these three metering roles should not be referred together as in the AEMO proposal that says, “metering roles may be proposed to change via a separate change request in the procedures and following completion of the customer transfer”.

AEMO’s high level design states that “parallel role changes that can only be achieved in theory and not in practice” however this is only true for MDP and MP role changes, whereas MC role appointments can occur in conjunction with the FRMP role assignment.

As such, Simply Energy considers that the FRMP and MC roles sits in one category and can transfer at the same time because these are nominated by winning retailer, whereas the MDP and MP sits in a separate category and nominated by MC as its obligation. Simply Energy acknowledges that MDP and MP roles are not changed in parallel with retail transfers, and as such, can be decoupled from the clause 7.8.9(e)(1) however MC role appointment should be considered in conjunction with FRMP role change, which is what clause 7.8.9(e)(1) does.

**Inversely**, the impacts of removing this clause would mean:

- Going backwards (where no multi-tasking will be allowed in the Rules)
- Not supporting support efficient market processes.
- Decommissioning of current systems/logic and replace with a traditional logic + manual processes, illustrated below.

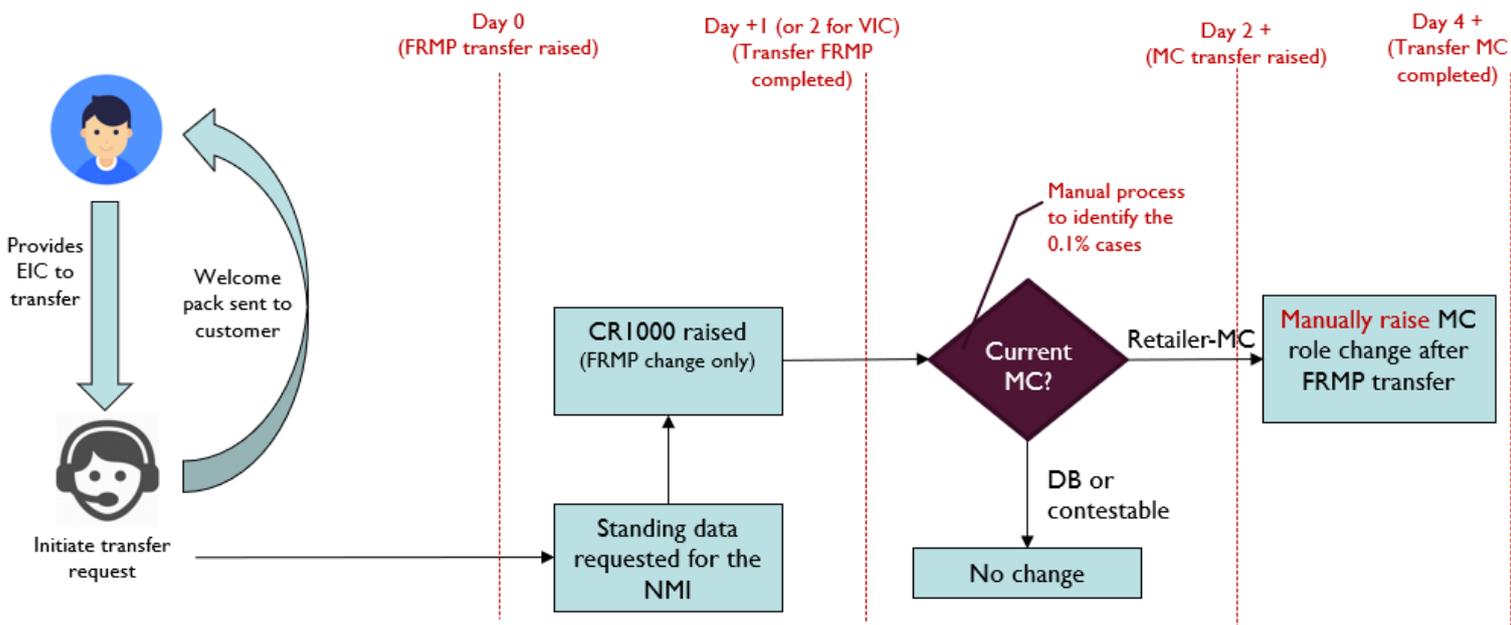


Figure 2

The key take away from this section is that the removal of the clause 7.8.9(e)(1) is targeted for an exceptionally small number of cases, which makes it an unjustifiable amendment of the rule. If MCs objecting to the retail transfer is a valid concern, as per the numbers provided in the draft determination, it only accounts for 0.1% of the cases (2018 statistics) and to add further, AEMO has **not provided** any statistics on **2019 statistics** and more importantly the number of **objected transfers** by MCs which are extremely rare (if at all). In case of Simply Energy, this only occurred a handful of times in 2018 and since we changed our processes for Feb 2019 NER changes, this has not occurred even once.

Hence to avoid the unnecessary changes, Simply Energy agrees with the second option proposed by AEMO in its High-Level Design document (section 4.2.2) to remove the ability for service providers to object as MSATS procedures allow retrospective correction of role changes, for which the cl 7.8.9 (e)(1) must exist. However, Simply Energy is also proposing a third option to AEMO with a hybrid approach which would also require clause 7.8.9(e)(1) to stay.

Just to provide some high-level context, this option will utilise similar functionality as AEMO’s e-hub and separate the FRMP and MC role assignments within MSATS. By adding a new validation, MSATS should be able to update the FRMP role and thus completes the retail transfer while the MC can still object its role assignment. This will be a hybrid approach to options 1 and 2 and this option will limit the scope of change to an already-impacted MSATS system and works in line with the objective of the proposed change.

*Aligning with a consumer-centric approach*

Simply Energy considers that the rule amendment will not benefit 99.9% (as per the statistics provided by AEMO in the high-level design), of the retail transfers and as such, it will not drive any customer benefit. It rather adds to the economic cost by making changes that will not only generate a negative return on investment but will also make the remaining 0.1% of the cases more difficult to resolve due to the complexity with Retailer-MC relationships.

From a consumer detriment perspective, since with the two-step process that might be implemented, the appointed MC might need to be churned in order to address customer’s metering issue/complaint/fault and hence delays the whole process in the value-chain.

To expand it further, if a customer informs the retailer of any metering fault/issue or wishes to upgrade their meter as a part of solar upgrade, unless the retailer appoints its preferred MC, it will be unable to address customer's request promptly. E.g. a customer is currently with Retailer "SE" and MC "A" however in order to rectify or assist with the customer's issues, the retailer has to churn the MC to its preferred MC who can undertake the work. This will prolong the end-to-end rectification process (as also described in figure 2 with the red dotted timelines) and impacts the customer negatively.

In line with the customer-centric rule amendment, retaining the clause will:

- minimise the impact of change;
- better align with the objective of faster transfer;
- will supports efficiency in market processes, and
- align closely with National Energy Retail Objective, NERO (to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy).

Noting that customer outcome is unaltered with removal or retention of the clause 7.8.9(e)(1), the cost to adopt new processes is unjustifiable. From a consumer lens, Simply Energy suggests that retaining the clause will be more favourable as it will allow the below proposal to work effectively and efficiently:

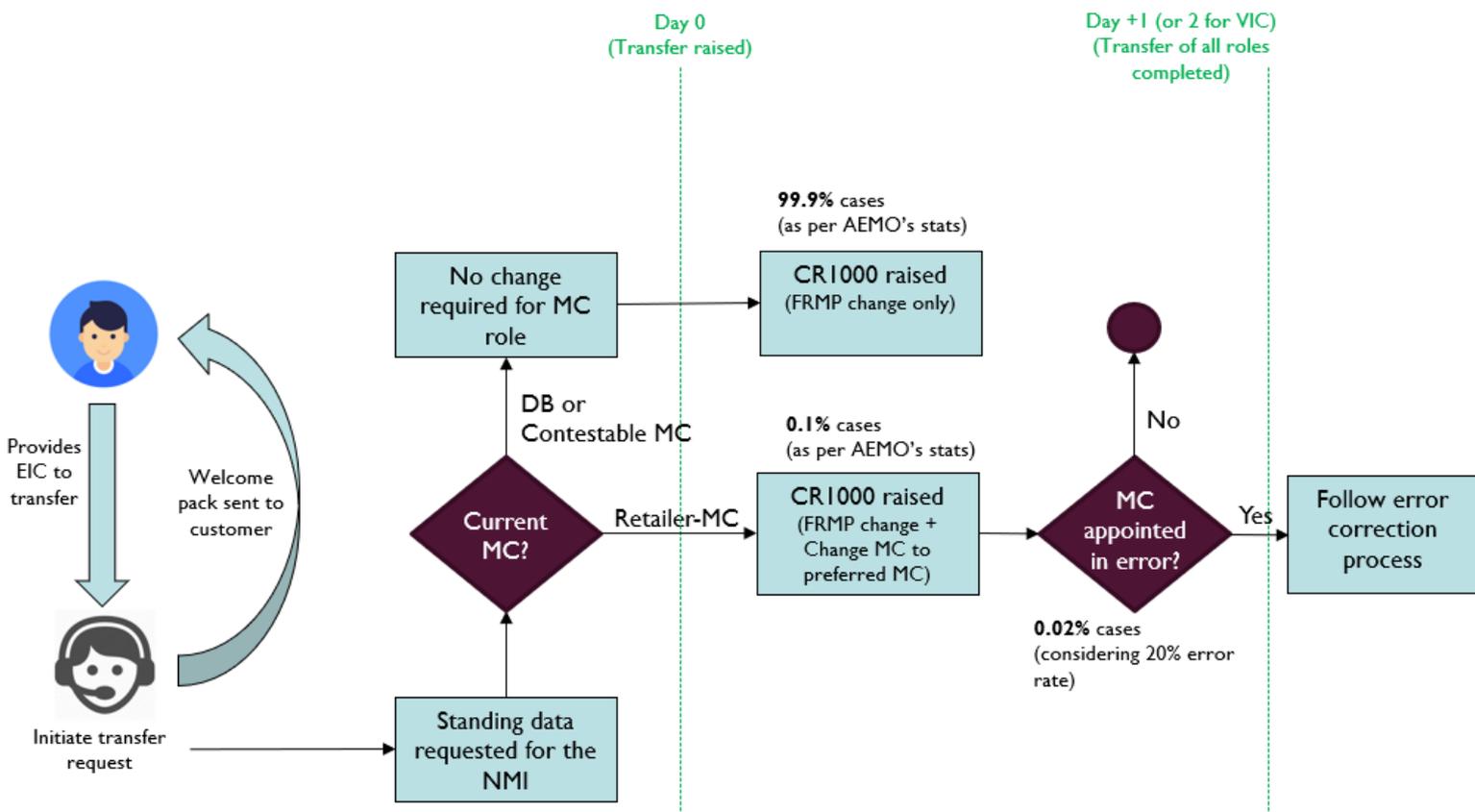


Figure 3

### *Enhancing alignment with key objectives and other considerations*

Adapting best practices from global markets is important (in this case, aligning with the New Zealand market to limit retail transfers for FRMP role only), however unless carefully examined with the NEM constraints, these changes could lead to a complete overhaul of a fully-functional model.

As quoted by Dr Deming, the father of statistical process control that helped Japan improve product reliability post second world war, "*if anyone adjusts a stable process for a result that is undesirable, or for a result that is extra good, the output that follows will be worse than if he had left the process alone.*" The worsening output then leads to further remedial changes, leading progressively to a complete overhaul of a process that had been operating successfully before.

### Technical considerations:

Removing the clause 7.8.9(e)(1)) has profound impacts and is likely to result in inefficiencies in the operating rhythm of market processes. In addition, it may cause implementation delays due to the increased scope of change.

Also, Simply Energy disagrees with AEMO's view, referred to in the draft determination, that clause 7.8.9(e)(1) provides a level of technical detail that is unsuitable for the NER and likely to lead to inefficient processes and confusion. Simply Energy considers that clause 7.8.9(e)(1) is currently in use and is not responsible for inefficiency and confusion and is one of a number of related clauses (as discussed above) that should not be treated in isolation.

### Legal complications:

Removal of clause 7.8.9(e)(1) risks forcing a solution on participants that will be anti-competitive and reduce the choice of operating models. If this clause is deleted, all retailers will in practice be required to have contractual agreements with all MCs including those retailers who have accredited MC businesses. During the Power of Choice consultation and subsequently, retailers have expressed serious concerns about contracting with a competitor who is providing MC services.

### Objective of the rule change:

Simply Energy considers that the removal of clause 7.8.9(e)(1) is being inappropriately considered for reasons beyond the original scope of customer transfers. In particular:

- Simply energy does not consider this as an overly prescriptive clause and it should not be deemed for removal as a 'clean-up' exercise;
- This clause has been built sophisticatedly by industry and supports flexibility to cater for various scenarios;
- The principle of making a clause redundant is based on 'no impact to any participant': Simply Energy considers that it and other participants have provided the AEMC with sufficient evidence that removal of this clause would have material negative impacts on them;
- NER amendments should be to deliver the key objective of the rule change, being 'customer transfers within 1 or 2 days', not a holistic 'tidy-up'.
- If required, clean-up of NER clauses should be separate activity and commenced as part of the AEMC's review of Power of Choice towards the end of 2020.

### *Proposed next steps*

Simply Energy strongly believes that MC objections to transfers are rare and generally avoidable. Specifically, the majority of competitive MCs do not raise objections because transfers are often growth opportunities for them. In another scenario, some retailers have accredited MC businesses and only act as MC for sites where they are FRMP. It is exceptionally rare (less than 0.1%) that a retailer makes an error and appoints another retailer's MC business. In these cases the MC will object to its appointment, and AEMO's error correction process is followed. There would be no overall net benefit from deleting NER clause 7.8.9 (e)(1) in order to deal with these exceptionally rare cases.

As a result, Simply Energy recommends that the AEMC exercises its power under sections 91A of the NEL and 244 of NERL to make a rule that is more preferable albeit different to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO and NERO. In this case the more preferable rule would not include deleting NER clause 7.8.9 (e)(1) or cl 7.6.2c1.

In closing, Simply Energy would welcome the opportunity to engage with the AEMC, as well as other key stakeholders such as AEMO and Energy Consumers Australia, to further explore any aspects of the current process that can be improved.

Simply Energy looks forward to engaging with you on these matters. If you have any questions or would like to engage in discussions with Simply Energy, please contact Aakash Sembey, Industry Regulations Manager, on (03) 8807 1132 or [Aakash.Sembey@simplyenergy.com.au](mailto:Aakash.Sembey@simplyenergy.com.au).

Yours sincerely

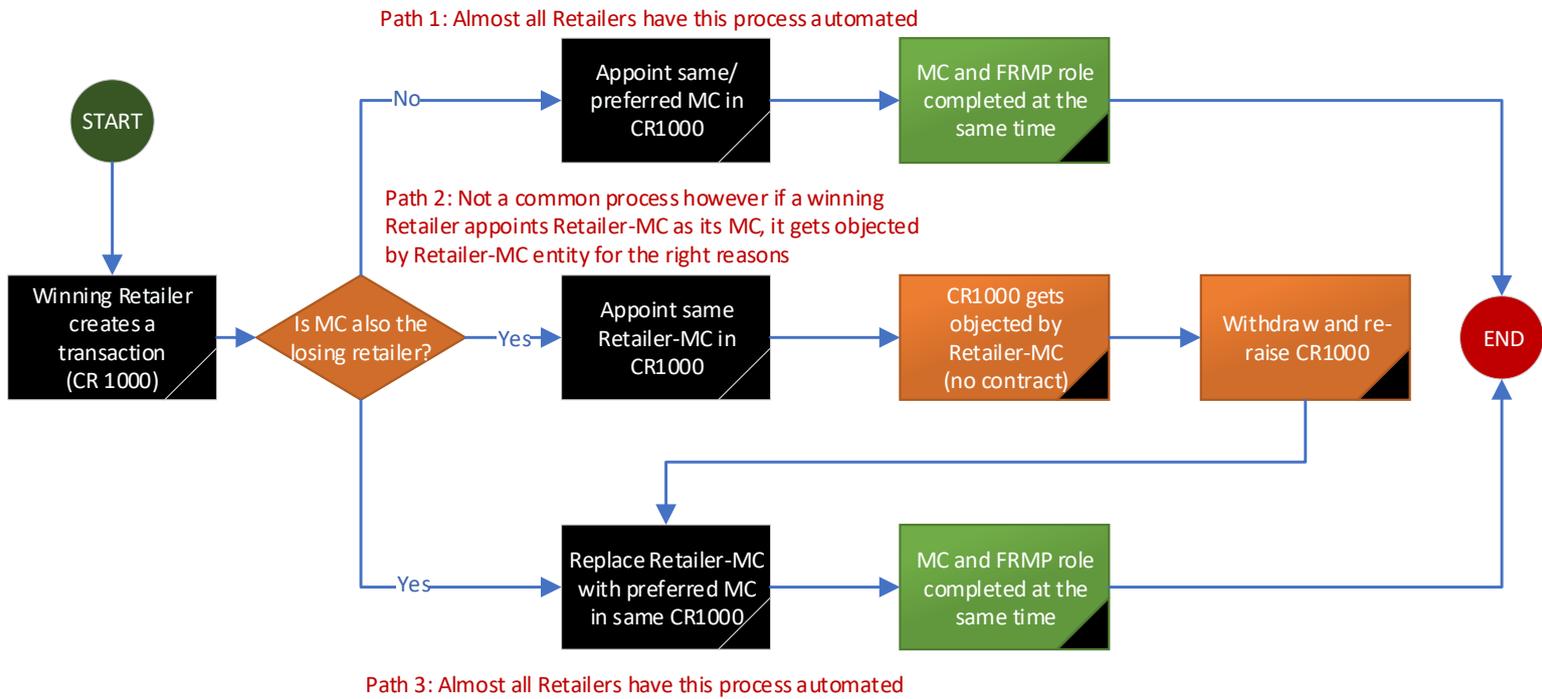


James Barton  
General Manager, Regulation

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Appendices (next page)

**Appendix A: Customers' transfer process – current**



**Appendix B: What does removing 7.8.9(e)(1) look like?**

