

# IMPROVING THE ACCURACY OF CUSTOMER TRANSFERS INITIAL CONSULTATION: AEMO SUBMISSION



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## 1. INTRODUCTION

AEMO welcomes the opportunity to provide a submission on the AEMC's initial consultation paper on improving the accuracy of customer transfers. AEMO recognises the importance of a timely and efficient customer switching process to support customer choice and improve the customer experience.

Within this context, this submission focuses on how best to address the issues identified within the rule change proposal. AEMO encourages the AEMC to consider an alternate option that would better reduce the errors in the transfer process and improve the timeliness of the transfer process.

## 2. IMPROVING THE ACCURACY OF TRANSFERS

This section provides AEMO's overall view on the following questions in regards to the most effective to improve the accuracy of transfers and improve the customer experience.

### 2.1 Effectiveness of an address standard

Consultation Paper: Question 2 - Effectiveness of address standard

- a) Once implemented, how effective would an address standard, such as the ones outlined above, be in reducing the causes of delays and errors in the transfer process?
- b) Are there specific additional features or information items (such as the outgoing retailer's billing address for the customer) that should be included in order to improve the effectiveness of the address standard?

Consultation Paper: Question 3 - Efficient implementation of address standard

- a) What method of implementation of an address standard would best balance the costs of implementation with the benefits (to both customers and retailers) of a reduction in transfer delays and errors?
- b) Would it be efficient to couple an incremental approach (such as applying the address standard to new connections) with specific requirements applying to retailers in relation to customer transfers, for example requiring the incoming retailer to validate the address of its new customer and record the results in a new field in MSATS?

AEMO considers that whilst an address standard is in principle worthy of consideration, unless applied retrospectively to current data sets, it would have little or no benefit to matters and issues relating to customer transfers in the foreseeable future. AEMO acknowledges that the costs of applying an address standard retrospectively are likely to be high and are unlikely to be off-set by commensurate benefits to, or efficiencies in, the customer switching process. As recognised by the consultation paper, previous attempts to put in place data standards by AEMO and industry have raised issues around cost vs value.

Any incremental approach to implementation of an address standard, other than its application in the case of a new or amended connection undertaken by the distributor, is likely to drive costs into participant's processes with no discernible benefit in the short to medium-term.

Therefore, unless a significant reduction in cost of introducing an address standard retrospectively can be identified, AEMO questions the benefits that will be derived from

implementing an address standard prospectively with respect to the customer switching processes.

## 2.2 Alternate approach

Consultation Paper: Question 7 - Ways to improve the resolution of erroneous transfers

- d) Are there effective alternatives to including new specific requirements on retailers regarding this issue? For example, could the problem be addressed by doing one or both of the following:
- Altering the incentives applying to one or both retailers to act quickly once an erroneous transfer is identified?
  - Providing more information to customers about their rights under section 41 of the NERL?

In order to meet the objective of the rule change proposal, AEMO recommends that the AEMC consider an alternate approach. The introduction of a model that changes responsibility for the successful completion of the transfer process from the winning retailer to the losing retailer, who has the established arrangements with the customer wishing to transfer, has the potential to resolve errors in transfer and improve the customer experience in the transfer process in general.

It is reasonable to consider that the customer's current retailer has all of the information necessary to support its contract with the customer. An obligation on the current retailer to pass over customer information, including site and billing address information, network tariff arrangements, and potentially even a final meter reading, would ensure that the winning retailer has the information needed to complete the transfer and set up arrangements for their new customer correctly.

With both the losing and winning retailers being directly involved in the transfer process, the losing retailer being the primary party responsible for completing a successful transfer to the winning retailer within a restricted timeframe, the risk of a transfer error occurring is likely to be significantly reduced.

The current transfer process which allows for the current retailer to place an objection to a transfer request made by the winning retailer, where a failure to clear the objection within 20 days results in the transfer request being cancelled, would be replaced by the losing retailer assessing and resolving any issues with the winning retailer during the transfer 'window' in the handover process itself.

As highlighted in the AEMC's international customer switching arrangements paper<sup>1</sup>, this type of approach is used elsewhere in the world, such as New Zealand. When a customer agrees to move to the new retailer, the new retailer passes a switching file to the old retailer requesting the handover. The losing retailer has a number of days (between five and ten) to lose the customer and complete the request. As the losing retailer has the customer's information this would significantly simplify the transfer process. AEMO understands that the average customer transfer times in New Zealand are less than three days.

This change is an elegant solution for permanently resolving many issues around customer transfers, for example, simplifying the customer transfer process and removing the need for the objections framework. AEMO considers that an alternate approach such as discussed

<sup>1</sup> <http://www.aemc.gov.au/getattachment/e52915c8-8a1a-450b-bb75-09268cacc563/Issues-Paper.aspx>

here, would meet the policy objectives of the rule change proposal, whereas the creation of a 'prospective only' address standard would not.

### 3. TIMING

Consultation Paper: Question 4 - Appropriate commencement dates for address standard obligations

- a) How long would it take AEMO to consult on, develop and publish an address standard after the rule change is made?

AEMO considers that a period of at least nine months is provided from the publication of the final rule to allow sufficient time for the consultation, development and publication of an address standard. AEMO requests that the AEMC consider the current changes to market arrangements occurring in the retail market space between now and December 2017 regarding the implementation of rule changes resulting from the Power of Choice and related reviews, when considering timing for the development, consultation and implementation of measures to improve the accuracy of customer transfers.

### 4. GAS MARKETS

Consultation Paper: Question 5 - Extension of address standard to gas market address data

- a) Are transfer errors and delays due to address mismatches a material issue in gas markets? Would an address standard be likely to reduce these issues in gas markets?
- b) Should the same address standard be implemented in both the electricity and gas markets?
- c) How, if at all, should the implementation of an address standard in the gas markets differ from the way it is implemented in the electricity market, given the lack of a centralised MSATS-type system in the gas markets?

Consultation Paper: Question 9 - Applying the new procedure to erroneous transfers of gas customers

- a) Is the resolution of erroneous transfers a material issue in the gas markets?
- b) Should any new procedure on the resolution of erroneous transfers be implemented for both electricity and gas customers?
- c) How, if at all, should the erroneous transfer resolution procedure for gas customers differ from the procedure for electricity customers?

Having a consistent approach would be an ideal long term goal, however there are a number of differences in the multiple gas markets that make this a more difficult task to achieve.

By their design in some of the gas markets AEMO does not have a full list of the DPIs for small customers. The benefits of applying an address standard in a market where there is not full information would be significantly reduced.

Given the various differences in the gas markets, the alternative mechanism discussed briefly above is something that could be explored regarding its application for gas customer transfers. Having this mechanism across electricity and gas would provide better consistency for retailers that are dual fuel and consistency in the customer experience.