



Using estimated reads for customer transfers

Stakeholder submissions invited on draft rule determination

The AEMC invites submissions on its draft determination on using estimated reads for customer transfers. It has determined not to make a draft rule. Submissions are due by 22 December 2016.

Background

Customer participation through switching retailers is one of the key aspects of a competitive retail energy market. Competition is also enhanced by having a customer transfer process that is fast and efficient. Recognising the importance of the customer transfer process, the Commission conducted the Review of Electricity Customer Switching (Review) in 2014.

The Review revealed that customer transfers generally occurred in an efficient manner. However, for some customers the transfer process took longer than 30 calendar days – the period that the Review considered to be a reasonable timeframe. The longer transfer time was due largely to the practice of waiting to transfer until the next meter read date (which could be up to three months away), and to difficulties in accessing meters.

The Review concluded that the use of estimated reads could reduce transfer times when compared to the existing option of transferring on the next scheduled read, for a customer who is transferring to a new retailer while remaining in the same premises (in-situ transfer).

The Review therefore recommended that the Council of Australian Governments (COAG) Energy Council submit a rule change request to allow the use of estimated meter reads for in-situ transfers. This request was submitted to the Commission in November 2015.

The Commission's determination on estimated reads

The Commission's views on the importance of an efficient customer transfer process and the benefits of improving transfer times remain unchanged from the Review. An efficient transfer process that supports customer choice and promotes confidence in the integrity of market processes is a critical component of a competitive retail energy market.

However, a number of important changes have occurred since the Review was prepared. Changes such as a reduction in transfer times, improvements in the retail market, and the Commission's 2015 rule change to expand competition in metering are contributing to the goal of improving the efficiency of the transfer process.

When the likely cost to consumers for an estimated read and the complexity in implementation are taken into account, the Commission now considers the introduction of an additional transfer option using estimated reads is not likely to be in the long term interest of consumers and will not contribute to the achievement of the national electricity objective. The Commission has therefore decided not to make a draft rule.

Factors considered by the Commission for this draft determination

The Commission undertook extensive research and consultation on the issues identified in the Review and the rule change request, and on the proposed solution, and found that key factors have changed and new information has emerged in the three year period since the research for the Review was undertaken.

Efficient customer transfers are critical to retail market competition. The rollout of advanced meters, among other factors, will lead to continued improvements in the efficiency of customer transfers.

The key changes and new information that influenced the Commission's decision are:

- **Significant improvement in transfer times.** Transfer times have significantly improved, even when Victoria (with its widespread use of advanced meters) is excluded. The average transfer time has reduced by one week (a 20 per cent improvement), a clear majority of transfers now take place in less than the recommended period of 30 days, and the proportion of transfers taking lengthy periods has decreased.
- **Roll out of advanced meters.** In November 2015, the Commission made a final rule on competition in metering. From 1 December 2017, this rule will require all new and replacement meters for small customers to be advanced meters. The rule also sets out a framework for retailers to offer advanced meters to other customers. Several retailers are already offering customers advanced meters, with a significant number of advanced meters having been installed since the new rules were made. The Commission considers this roll out of advanced meters will have a strong impact on reducing transfer times as well as being the most effective solution in addressing chronic access issues. The proposed rule on estimated reads would only apply to customers with type 5 and 6 meters and would have only been an interim measure until advanced meters are rolled out.
- **Estimated reads likely to have costs similar to special read costs.** Some distributors indicated during the consultation process that they would seek to charge a fee, similar to the cost of a special read, for estimates prepared outside the usual meter reading cycle. One distributor has already received approval from the Australian Energy Regulator for such a fee. The Commission considers that customers are likely to choose the certainty of a special read rather than an estimated read, if the two options are offered at similar prices.
- **Complexity in implementation.** The Commission has concluded that implementation would be unavoidably complex. For customers to make an informed decision on the use of an estimate, retailers would need to provide more information at the time of transfer, adding complexity to the transfer process, particularly if there was an additional charge for the estimated read. Retailers, distributors and AEMO would incur costs for system changes, and issues could arise with the first bill after a transfer on an estimate, particularly for customers with interval meters. The rule change could lead to customer confusion and complaints, which could reduce customer confidence in the transfer process.

Ongoing monitoring of customer transfer times

The Commission will continue to monitor customer transfer statistics to check that transfer times continue to reduce over time and reach a level that is consistent with customers' expectations. The Commission will consider recommending further actions if it observes that customer transfer times cease to improve.

Consultation on draft determination

The draft rule determination is available on the Commission's website. Stakeholders are invited to make written submissions by 22 December 2016.

The consultation period, usually six weeks, has been extended to eight weeks as this draft determination and the related draft determination and draft rule on improving the accuracy of customer transfers are open for submissions at the same time.

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