



19 December 2016

Ms Lily Mitchell
Senior Adviser
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms Mitchell

RE: ERC Draft Determination – Using estimated reads for customer transfers (Reference ERC: 0196)

ERM Business Energy welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Determination on using estimated reads for customer transfers. Participant fees in AEMO's electricity full retail contestability market.

About ERM Business Energy

ERM Power Retail Pty Ltd, which trades as ERM Business Energy, is a subsidiary of ERM Power Limited, an Australian energy company operating electricity sales, generation and energy solutions businesses. Since launching in 2007, ERM Business Energy has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹, with operations in every state and the Australian Capital Territory. ERM Business Energy has increasing success in the small business market. www.ermpower.com.au

As ERM Business Energy does not retail to small gas customers our submission focusses on the implications for electricity customers.

General comments

ERM Business Energy strongly supports the AEMC's decision not to make a rule to better enable customer transfers using estimated reads. We agree with the Commission's findings that although using estimate reads could reduce transfer times, the risks and costs outweigh the potential benefits.

We agree with the Commission that an efficient transfer process should enhance competition and customer choice and improve confidence in the competitive market. Unfortunately, the rule change request failed to acknowledge that one of the key underlying issues behind the use of estimated reads is not that they are one-off events but are often in fact a result of chronic access issues. Making the rule change would have done little to remedy this driver of long transfer times.

The Commission has also found that the length of time taken to transfer customers has shown strong improvement, noting in the Draft Determination that:

¹ Based on ERM Power analysis of latest published financial information.

“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.”

It is likely that the competitive drivers in an efficient and effective retail energy market are leading to improvements in both the timing and accuracy of transfers and confidence in the market.

Allowing for the rule change to be implemented could have had the perverse outcome of undermining confidence in the retail market due to additional risks, complexity and costs from using estimated reads to transfer.

Finally, as noted by the AEMC in the Draft Determination, the implementation of the 2015 rule change to expand competition in metering services will help to resolve the chronic access issues that can lead to lengthy transfer times. The metering competition rule change requires all new and replacement meters for small customers to be advanced meters and sets out a framework for retailers to offer advanced meters to other consumers. This will likely prove to be a far less risky, complex and costly way to reduce customer transfer times.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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