

23 December 2013

Slavko Jovanoski
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Jovanoski,

Re: EPR0038: Issues Paper: Review of Electricity Customer Switching

Lumo Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (Commission) Issues Paper on the Review of Electricity Customer Switching (the Issues Paper).

Lumo Energy is 100% owned by Infratil Limited, a company listed on the New Zealand and Australian Stock Exchanges. Lumo Energy currently retails electricity in Queensland, New South Wales, Victoria and South Australia, and is one of the largest second tier energy retailers.

Criteria for assessment

Lumo Energy supports the Commission's proposed criteria for assessing the efficiency of customer switching and agrees that switching is the most powerful tool customers have in the retail market.¹

Lumo Energy agrees with the Commission's criteria for assessing efficiency, in particular focusing on the productive efficiency and the implications for the misalignment of incentives of ensuring that a meter read is available to affect a transfer.

Lumo Energy strongly supports a predictable, efficient, simple and transparent process that enables customer switching and reduces regulatory and administrative burden.

It is noted that the Commission have outlined five steps in the transfer process;

- Step 1: Customer makes decision to switch;
- Step 2: Retailer gains information from customer;
- Step 3: MSATS customer transfer process commences;

¹ AEMC 2013, Review of Electricity Customer Switching, Issues Paper, 3 December 2013, pg. 13.



Step 4: Billing and market settlement occurs; and
Step 5: Customer transfer completes, and winning retailer becomes FRMP.²

Lumo Energy is concerned that the Commission mainly focused its review on Steps 3 to 5, as there are many issues that occur in Step 2 where customers' premises are unable to be located in MSATS. In order for customers to participate in the retail market, the ability for a retailer to locate the correct site for the transfer is extremely important. This is predicated on the site being entered and maintained in MSATS by Distributors.

Lumo Energy considers that the accuracy of data in MSATS is of upmost importance as it can lead to cross meter situations, incorrect and in error transfers and consequentially incorrect billing and poor customer experiences. This directly impacts on the competitiveness of the market and adds costs to retailers in order to attempt to correct the data.

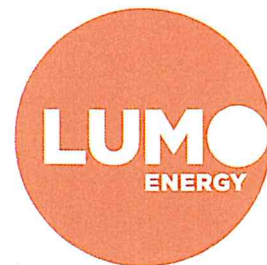
Whilst Lumo Energy would support the Commission reviewing MSATS, any recommended changes that are proposed must provide net value to industry. Realising the value to industry and consequently consumers is achieved through a cost-benefit analysis being completed by retail participants, in conjunction with AEMO.

MSATS customer transfer and objection processes

MSATS requiring an actual read for transfer promotes an accurate customer transfer process. Retailers purchase electricity in the wholesale market to supply its customers, wearing the associated risks and exposures for each customer. Upon completion of a customer transfer, the responsibility for purchasing in the wholesale market and network billing also transfers from one retailer to another. As such, it is Lumo Energy's firm view that an actual read, as prescribed in the current processes, enables the accurate customer transfer. This is considered to promote an efficient and transparent process that does not add further complexity and costs to the customer transfer process.

Lumo Energy supports the Commission recommending a review of the objection process, to ensure that it is meeting its intended objective. However, any further reviews or recommendations for transfer-related changes nominated by the Commission must include a cost benefit analysis completed by industry participants in conjunction with AEMO, to ensure that the recommendation will produce a net-benefit to the industry, the consumer and meets the National Electricity Objective.

² Ibid, pg 30-31.



Transfer timeliness, access issues and the introduction of smart metering

Lumo Energy notes that the switching timelines are quicker with the availability of interval meter data. As noted in the Commission's Issues Paper, this is facilitated through either a type 1 – 4 remotely read interval meter or a smart meter (as implemented in Victoria). Through the other Power of Choice initiatives and upcoming rule changes, Lumo Energy expects that the introduction of meter contestability and a market-lead smart meter rollout, there will be a focus on the customer experience and timeliness of transfers.

The Commission also highlights that the switching timeframe is impacted due to access issues and the inability for the responsible person to obtain an actual read to facilitate the transfer. Lumo Energy has experienced a significant decline in the switching timeframe in Victoria and increased satisfaction with the switching process with the introduction of smart metering. Additionally, where customers have an operating smart meter access issues and the inability to obtain an actual read have ceased to exist. Lumo Energy looks forward to this trend continuing into other jurisdictions as the other Power of Choice initiatives are implemented to allow for a better customer experience through technology changes.

Transfer Related Complaints

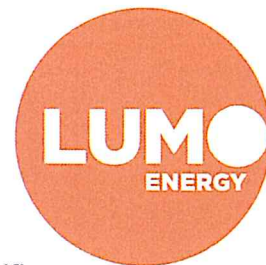
The Commission has cited an increase in transfer related complaints raised with the jurisdictional ombudsman³ and has requested views on the rising trend of customer complaints. Lumo Energy notes that in the period covering 2012/2013, there are between 0.42% and 1.36% of transfer-related complaints as an overall percentage of transfers that occurred. It is acknowledged that a complaint raised with the jurisdictional ombudsman is the result of an unfortunate outcome and experience.

Lumo Energy notes that customer disputes categorised in the Commission's Issues Paper may have root causes that are identified above. For example, MSATS data issues, as identified above, are likely causes of accounts being transferred without consent or in error. In summary, it is problematic for the Commission to categorise all transfer-related ombudsman complaints as a systematic issue with customer transfers.

Regulatory arrangements: NECF and jurisdictional approaches

Lumo Energy strongly supports a national, harmonised approach to transfers that is free from unnecessary jurisdictional derogations. The Victorian government reviewed the requirement for jurisdictional specific derogations required in 2011, prior to the planned introduction of the NECF in Victoria. The review highlighted the MCE's policy principle that NECF will preclude all

³ AEMC 2013, pg 49



objections for debt and would allow the unnecessary jurisdictional specific derogation to fall away upon implementation of the NECF.⁴

Lumo Energy expects that once the NECF is implemented in all NEM jurisdictions the transfer processes will be streamlined to ensure that unnecessary jurisdictional derogations will fall away to achieve a national, harmonised approach to transfers. This will result in a customer switching process that does not have any additional and unnecessary regulatory and administrative burden.

Please do not hesitate to contact Stefanie Macri on 03 9976 5604 or myself on 03 9976 5401 to discuss this submission further.

Yours sincerely

A handwritten signature in blue ink, appearing to be "Aneta", with a long horizontal flourish extending to the right.

Aneta Graham

General Manager, Regulatory Affairs & Corporate Relations
Lumo Energy Australia Pty Ltd

⁴ See: Section 3.3 (Proposed regulatory approach – transferring customers)
<http://www.energyandresources.vic.gov.au/energy/about/legislation-and-regulation/national-energy-customer-framework/victoria-specific-regulatory-requirements-under-the-national-energy-customer-framework>