

14 February 2014

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

Dear Mr Pierce,

RE: AEMC Options Paper – Review of Electricity Customer Switching (Reference EPR00038)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) welcome the opportunity to provide comments in response to the AEMC's Options Paper on its review of electricity customer switching.

It is our understanding that whilst the AEMC acknowledges that customer switching arrangements are generally efficient and that transfer delays are not a material problem, the AEMC has formed the view that changes could be made to improve customers' experience with the switching process.

The NSW DNSPs note that the AEMC has appeared to have formed this view based on feedback provided by the Energy and Water Ombudsman of NSW (EWON) and the Energy and Water Ombudsman of Victoria (EWOV), which demonstrated that the impacts to customers who experience problems with the switching process can be significant.

Consequently, while we consider that problems associated with the switching process are largely immaterial (1.05% of all customer transfers)¹, we agree with the AEMC that improvements to the switching process could be made to reduce both the severity and occurrence of customer related problems with the switching process.

While the NSW DNSPs support the intent of the AEMC's options, we consider that many of the options proposed by the AEMC will not be cost effective, as they do not represent a proportionate or targeted response to the underlying causes of customer related issues with the switching process.

The NSW DNSPs stand by our view, that effective improvements to customer switching arrangements can be achieved by investigating material sources of customer switching complaints, such as contract issues (e.g. variation and fees); transfers without consent; and transfer errors, as opposed to focusing on the timeliness of the transfer process². It remains our firm view that investigating the root cause of customer complaints will enable the development of targeted and proportionate solutions for addressing customer problems.

Consequently, a key focus of the NSW DNSPs submission is to provide further analysis on the problems identified by EWON and EWOV, and to assess whether the AEMC's options target the root cause of these problems. In addition, our submission seeks to demonstrate that there are a number of alternative solutions, which are likely to improve customers' experience with the switching process.

Our submission makes a number of alternative suggestions aimed at improving:

- the governance of customer switching arrangements;
- customer knowledge and education on the switching process; and
- retailer processes.

We consider the solutions suggested in our submission provide a more effective and proportionate response for addressing customer switching problems than many of the options considered in the Options Paper. We have reached this view based on our analysis on the issues raised by EWON and EWOV, the fact that our suggestions are aimed at addressing the root cause of customer complaints

¹ <http://www.aemo.com.au/Electricity/Data/Metering/Retail-Transfer-Statistical-Data>; See also NSW DNSPs response to the AEMC's Issues Paper, 19 December 2013.

² In NSW, delays to the transfer process account for a very minor proportion of total transfer related complaints (approximately 10%), whereas contract related issues represented 31% of complaints and transfers made without customer consent amounted to 21% of complaints. Refer to the Energy and Water Ombudsman NSW *Annual Report 2012-13*, 2013, p 22.

and that they are aimed at making incremental rather than wholesale changes to existing processes and arrangements.

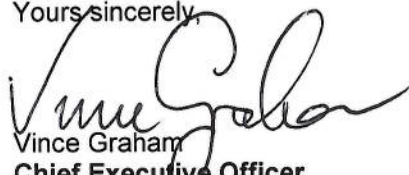
Overall, the NSW DNSPs do not consider that the options contained in the Options Paper will deliver the benefits and outcomes anticipated by the AEMC. Our submission seeks to highlight that the majority of the options contained in the Options Paper are likely to impose costs to market participants which are unlikely to be outweighed by the associated benefits.

Further, our submission seeks to demonstrate that some of the options considered in the Options Paper, such as the options aimed at imposing obligations on DNSPs (A3 and B4), are not appropriately targeted at addressing the root cause of customer problems. Consequently, we consider that these options are unlikely to be effective and will impose unnecessary (and potentially duplicative) obligations on DNSPs without any corresponding benefits to customers.

Whilst we understand that feedback is sought on the merits, costs and benefits of each of the options considered in its Options Paper, we consider that it is unlikely that stakeholders will be able to provide detailed analysis on these issues within the three week consultation timeframe. Consequently, we suggest that any changed recommendations made by this review should only be progressed subject to the outcome of a detailed cost benefit analysis. The NSW DNSPs consider that this will ensure that the review does not result in suboptimal outcomes for market participants and customers.

If you have any further queries or would like to arrange a meeting please contact Mr Mike Martinson, Group Manager Regulation at Networks NSW on (02) 9230 3120 or michael.martinson@endeavourenergy.com.au or alternatively Ms Felicity Walton, Regulatory Policy Analyst at Ausgrid on (02) 9269 4404 or FWalton@ausgrid.com.au.

Yours sincerely,



Vince Graham
Chief Executive Officer
Ausgrid, Endeavour and Essential Energy

1. Introduction

The NSW DNSPs agree with the AEMC that accessible, administratively simple and timely switching arrangements are likely to be beneficial, as they are likely to facilitate customer choice by empowering customers to actively switch retailers to obtain product offerings that best meet their needs and perceptions of value.

Whilst we note that measures aimed at facilitating greater levels of customer choice are desirable, it is important that they are assessed against the associated costs of implementing such measures. If the cost impact to market participants is substantial and only achieves incremental benefits, the NSW DNSPs contend that such changes should not be made.

This is particularly relevant in the context of this review, given the overwhelming evidence that indicates that the timeframes for customer switching, and more generally the customer switching process, are effective and efficient³. For example, we note that transfer related complaints represent a small proportion of the total customer transfers (1.05%) that are completed in the National Electricity Market (NEM)⁴. Making wide spread changes to business processes and operations to reduce the already low percentage of customer transfer related complaints will come at a cost, which will be borne by all customers, most of which (98.95%) do not experience any issue with the customer switching process.

Further, any change to obligations or processes needs to be targeted at addressing demonstrated issues with the customer switching processes. It is our general observation that a number of the options considered in the Options Paper do not address the issues identified by stakeholders in their submissions to the AEMC's Issues Paper. Subsequently, a key aim of our submission is to highlight issues that the AEMC should be focusing on if it is seeking to address customer problems and improve customer confidence in customer switching arrangements.

Whilst our submission seeks to provide the AEMC with feedback on the options contained in the Options Paper, a key focus of our submission is to provide further analysis on the underlying causes of customer problems, and to highlight alternative solutions for reducing the severity of customer impacts and improving customers' experience with the switching process.

The NSW DNSPs submission is structured around the following key areas:

- 1) **Analysis of issues raised by stakeholder submissions** – this section of our submission is focused on examining key issues raised by the NSW and Victorian Energy and Water Ombudsmen, and attempts to identify the root cause underlying customer problems; and
- 2) **Assessment of AEMC options** – this section of our submission is broken into three subsections which examine the merits of the options aimed at:
 - a. improving the timing of customer transfers – our submission is particularly focused on highlighting concerns with Option A3, which is aimed at introducing an incentive scheme on regulated meter data providers;
 - b. the accuracy of data used in the customer transfer process – our discussion on options aimed at addressing this issue are largely focused on Option B3; and
 - c. the effectiveness of the objections framework – our discussion in this section is focused on providing comments in relation to Option C.

2. Issues with current switching arrangements

As demonstrated in the NSW DNSPs response to the AEMC's Issues Paper, customer switching arrangements in Australia are effective and comparable to other countries. We note that this position is consistent with a number of other market participants who have noted that the customer transfer process has generally worked quite well⁵. This view has also been acknowledged by the AEMC⁶.

³ Refer to NSW DNSPs response to the AEMC Issues Paper, 19 December 2013. The NSW DNSPs also note that the majority of retailer submissions also noted that there is a lack of evidence to suggest that there is a market failure with customer switching arrangements.

⁴ <http://www.aemo.com.au/Electricity/Data/Metering/Retail-Transfer-Statistical-Data>; See also NSW DNSPs response to the AEMC's Issues Paper, 19 December 2013.

⁵ NSW DSP submission and Retailer submissions.

⁶ AEMC 2014, Review of Electricity Customer Switching, Options Paper, 23 January 2014, Sydney, pp i and 1.

In our response to the Issues Paper the NSW DNSPs highlighted that the AEMC's view that customer switching timeframes were inefficient was unsupported, and further that delays in the customer switching process were not a material issue⁷.

However, despite the evidence put forth by market participants demonstrating the efficiency of customer switching arrangements, the AEMC has formed the view that improvements can still be made to address the impact felt by customers that do experience problems with the switching process.

Whilst the NSW DNSPs agree that improvements could be made to address customer problems, we stand by our view that more effective improvements to customer switching arrangements could be achieved by investigating more material sources of customer switching complaints, such as contract issues (e.g. variation and fees) and transfers without consent as opposed to focusing solely on the timeliness of the transfer process⁸. It remains our firm view that investigating the root cause of customer complaints will enable the development of targeted and proportionate solutions for addressing customer problems with the switching process.

Consequently, our discussion in this section is focused on identifying the underlying cause of issues relating to:

- contract terms;
- transfers without consent;
- transfer errors; and
- transfer delays.

We have chosen to focus our discussion on these issues, as they have been identified by the Energy and Water Ombudsman of NSW (EWON) and Energy and Water Ombudsman of Victoria (EWOV) as primary sources of customer transfer complaints. As part of our analysis of these issues, we have also provided comments on whether the AEMC's options represent appropriately targeted and proportionate solutions for addressing the underlying causes of transfer related issues.

2.1 Contract terms

Despite contract issues representing the greatest portion of customer transfer complaints in NSW (approximately 31%), we note that the AEMC has not attempted to address this issue in its Options Paper. As previously noted by the NSW DNSPs, effective improvements to customer switching arrangements can be achieved by addressing the root cause of issues which have been identified by EWON and EWOV as material⁹.

Analysis by EWON indicates that key contract issues experienced by customers are in relation to contract terms in their old contract which inhibits the customer's ability to switch retailers (e.g. termination fees for early cancellation) or in the circumstances of a new contract, customers do not fully understand their cooling off rights¹⁰.

The NSW DNSPs suggest that perhaps better customer education by retailers on the switching process and customers' contractual obligations and cooling off rights could help to address this problem. The NSW DNSPs consider that adopting this approach is likely to impose minimal costs to retailers and could result in a reduction in the number of contract transfer related complaints, as it would enable customers to make more informed decisions about whether or not to switch retailers.

2.2 Transfers made without consent

Whilst customer transfers made without consent amounts to approximately 21% of all transfer related complaints in NSW, there appears to be very little information available to determine the underlying cause of this problem¹¹. Given that this issue represents a sizable portion of total customer complaints relating to the transfer process, the NSW DNSPs suggest that there would be merit in the AEMC liaising with EWON and EWOV to obtain further details on the circumstances surrounding these complaints. Obtaining further information would allow the AEMC to undertake appropriate

⁷ NSW DNSPS response to the AEMC's Issues Paper, 19 December 2013, pp 1-5.

⁸ In NSW, delays to the transfer process account for a very minor proportion of total transfer related complaints (approximately 10%), whereas contract related issues represented 31% of complaints and transfers made without customer consent amounted to 21% of complaints. Refer to the Energy and Water Ombudsman NSW *Annual Report 2012-13*, 2013, p 22.

⁹ Issues are determined to be material when they represent a higher portion of the total number of customer transfer related complaints.

¹⁰ Energy and Water Ombudsman NSW submission to the AEMC's Issue Paper, 23 December 2013, p 1.

¹¹ Refer to the Energy and Water Ombudsman NSW *Annual Report 2012-13*, 2013, p 22. See also, Energy and Water Ombudsman NSW submission to the AEMC's Issue Paper, 23 December 2013.

analysis to identify the underlying cause of this issue and would enable the AEMC to develop targeted and proportionate solutions for addressing this issue.

2.3 Transfer errors

In NSW, transfer related errors represent a much smaller portion of total customer complaints (approximately 12%) compared to transfers made without consent (approximately 21%) and contract issues (approximately 31%)¹².

As noted by EWON and EWOV, a customer's account can be transferred away in error when¹³:

- there is a mistake in the retailer's administration of the transfer process;
- an incorrect NMI or address is recorded or provided;
- there is a problem with the MSATS listing – e.g. the NMI or meter number in MSATS does not match the details at the address because it has not been updated in MSATS or was assigned the wrong number; and
- issues arise with retailer and distributor business to business communication.

The examples provided by EWON and EWOV on customer complaints relating to transfer errors indicates that the impact to customers tends to be exacerbated by the lack of clarity between retailers regarding their roles and responsibilities in resolving transfer errors. Consequently, we consider that Option B4 is an appropriately targeted and proportionate response for reducing the severity of customer impacts arising from transfer errors.

Whilst a lack of clarity in roles and responsibilities appears to be causing undue delays in the resolution of customer transfer errors, the lack of communication that arises from this also seems to be a contributing factor to customers' frustrations when this issue occurs. Consequently, improvements could be achieved by improving communications between market participants (e.g. retailer to retailer and retailer to meter data providers) and customers.

In addition to Option B4, the NSW consider that there is a need for retailers to maintain effective and efficient internal systems and improve their communications with customers. We note that early communication with customers once a transfer issue has been identified and maintaining such communication until the transfer error is resolved, would likely assist in reducing customer frustration. The NSW DNSPs also note that adopting this measure should be relatively inexpensive, thus representing a proportionate and targeted response to the issue.

In terms of addressing transfer errors that arise as a result of administrative errors, the NSW DNSPs consider that improving retailer staff training on MSATS may help to reduce both the occurrence and severity of impacts from this issue. We note that enhanced staff training on the use of MSATS codes, retailer obligations in the customer transfer process and B2B procedures should reduce the number of administrative errors that result in erroneous transfers. Further, it should also enable transfer errors to be resolved expediently.

The NSW DNSPs do not envisage that this measure would impose a significant cost to retailers. Consequently, we consider that this represents a cost effective and targeted means for reducing the number of administrative errors that result in customer transfer errors.

2.4 Transfer delays

Whilst delays in customer transfer represent a minor portion of total customer transfer complaints in NSW (approximately 10%)¹⁴ they can have significant impacts on customers. The NSW DNSPs note that transfers in customer delays can occur for a number of reasons. Key reasons include¹⁵:

- delays in entering the change request in MSATS;
- the transfer of the site to the winning retailer fails;
- a transfer error or objection which requires identifying the transfer impediment, then re-submitting the transfer request;
- the need for transfers to be affected on actual meter reads; and
- customer site access issues.

¹² Refer to the Energy and Water Ombudsman NSW *Annual Report 2012-13*, 2013, p 22.

¹³ Energy and Water Ombudsman NSW submission to the AEMC's Issue Paper, 23 December 2013, p 4. See also Energy and Water Ombudsman Victoria submission to the AEMC's Issues Paper, 23 December 2013, p 5.

¹⁴ Energy and Water Ombudsman NSW *Annual Report 2012-13*, 2013, p 22.

¹⁵ Energy and Water Ombudsman NSW submission to the AEMC's Issue Paper, 23 December 2013, p 2-4. See also Energy and Water Ombudsman Victoria submission to the AEMC's Issues Paper, 23 December 2013.

In general, the NSW DNSPs consider that many of the proposed options aimed at addressing transfer delays are likely to impose substantial costs to market participants. This is because many of the options aimed at addressing this issue require wide spread changes to market participant obligations and processes. As noted earlier, customer transfer complaints are very low (1.05%) when viewed in light of the total number of customer transfers in the NEM. Consequently, we do not consider that many of the options proposed in the Options Paper represent a proportionate response to the issue.

Whilst we note that options A and B are aimed at addressing this issue, they do not address all of the underlying causes that give rise to transfer delays. Rather, they seem primarily aimed at reducing the timeframes for completing customer transfers and improving the accuracy of data and do not appear to address the issue of retailer delays in entering change requests in MSATS or retailer transfer failure. The NSW DNSPs consider that the latter form the underlying basis of the customer complaint examples provided by EWON on customer experiences with transfer delays¹⁶.

Although the NSW DNSPs do not consider many of the options for addressing transfer delays are cost effective or represent a proportionate response to transfer delays, we do believe that effective improvements can be made by making minor (rather than wholesale) refinements to existing processes and arrangements. For instance, we note that clarifying the responsible bodies for ensuring and enforcing compliance with existing market procedures governing customer transfers may lead to improved compliance with these obligations. This view is consistent with EWON, who suggested that *"a regulatory framework that articulates clear guidance on compliance and enforcement measures will provide an incentive for retailers to engage in the transfer process efficiently, and generally assist in improving customer experiences of transfers"*¹⁷.

Another possible option would be for retailers to better educate customers about the switching process by communicating and explaining any issues/delays with the customer's changes request. We note that there may be benefit in the retailer publishing an information pack on its website outlining the customer switching process, common causes for delay, and who to contact in the event of an issue. The NSW DNSPs consider that such measures may help to streamline the resolution of delays and improve customer's experiences with delays.

The NSW DNSPs also note that improving retailer processes for handling complications that may arise during the customer switching process could significantly reduce the adverse impacts experienced by customers and may expedite the resolution of such delays. In our experience key issues that tend to occur due to a lack of clear retailer processes for transferring customers are that requests from retailers are not appropriately aligned with retailer service orders to action the requests. For example:

- CATS Transfer raised with Read Type Code of "SP" - Special Read, but a supporting Service Order is never raised (or is Rejected by the DNSP Browser); and
- CR10XX CATS transactions being cancelled where two Retailers are attempting to win the same site.

Addressing this lack of alignment by improving retailer processes is likely to reduce the severity of transfer related delays. This, coupled with improved communication with customers during the customer switching process, is likely to be inexpensive yet effective way for mitigating adverse customer impacts from transfer delays. As noted by EWON, adopting such an approach may reduce complaints to retailer call centres and also the number of complaints which are referred to EWON for resolution¹⁸.

In relation to customer site access issues, it is important to highlight that DNSPs have limited ability to resolve problems with customer site access to complete meters readings. This is because DNSPs do not generally interact with customers in relation to the transfer processes, rather, it is the retailer who has the primary responsibility for interfacing with customers to arrange access and to send through a service order to the DNSP with the proposed date and time (am/pm) to undertake the read. Therefore, we do not consider that introducing an incentive framework on DNSPs for the provision of special meter reads will improve customer access issues, as it does not address the underlying cause of this issue.

¹⁶ Energy and Water Ombudsman NSW submission to the AEMC's Issue Paper, 23 December 2013, pp 3-4.

¹⁷ Ibid, p 3.

¹⁸ Energy and Water Ombudsman Victoria, submission to the AEMC's Issues Paper, 23 December 2013, p 8.

Rather we consider the cost effective way of addressing this issue is for retailers to better educate customers on the need to provide meter readers with clear and safe access to the meter. We consider that this is a more proportionate response to the issue given that access issues are beyond a DNSPs ability to control. Further, failure to complete meter reads within required timeframes represents a very minor issue (2% for routine reads and 6-7% for special meter reads) when viewed in light of the total number of completed meter reads¹⁹.

The NSW DNSPs address customer site access issues more in depth in section 3.1.3.

3. Assessment of AEMC options

This section outlines our analysis on the options contained in the AEMC's Options Paper and outlines the NSW DNSPs' views on the following:

- Section 3.1 – Options A1 to A4, which are aimed at improving the timeliness of the customer transfer process;
- Section 3.2 – Options B1-B4, which are aimed at improving the accuracy of data; and
- Section 3.3 – Option C, which is aimed at improving the effectiveness of the objections framework.

A summary of our views is provided in the following table and is discussed in more detail below.

Ref	Option Description	Position	High Level Reasons
A1	Reduce the maximum prospective timeframe for customer transfer requests	Not supported	The NSW DNSPs do not consider this to be an effective option as it does not address the underlying issues for delays in customer transfers
A2	Allow transfers to occur based on estimated meter reads	Not supported	Whilst this option has some merit there would need to be a number of limitations placed on this to work in practice. Further we note the need for further analysis to determine whether the technical complexities and risks associated with this option outweigh the associated benefits.
A3	Introduce incentive arrangements on regulated meter data providers in relation to special meter reads	Not supported	The NSW DNSPs consider that there has been no demonstrated issue or market failure with the provision of special meter reads to warrant the introduction of an incentive framework. Consequently, this response is heavy handed and does not address the underlying issue of access, which is the primary cause for why meter reads are not completed within required timeframes.
A4	Monitoring by AEMO on the timing of the customer transfer process	Support in principle	The NSW DNSPs support this option in principle, subject to AEMO undertaking a cost benefit analysis and reporting being done on a comparative and normalised basis. It is our understanding that the B2B construct does not provide AEMO with visibility at the transaction level. Consequently, we are concerned that adopting this option may involve significant re-engineering of B2B systems, the costs of which may outweigh the benefits provided by this option.
B1	Cleanse the MSATS data in order to achieve higher accuracy levels	Partially support	The NSW DNSPs do not support the development of an energy specific standard for address data. Rather we recommend that the AEMC direct AEMO to investigate the merits of industry developed addressed data such as CPAS.
B2	Increased monitoring and reporting by AEMO and the AER regarding the accuracy of the customer transfer process	Support in principle	The NSW DNSPs support this option in principle, subject to the outcome of a cost benefit analysis. Further, if this option is to be developed reporting must be done on a comparative and normalised basis.

¹⁹ Statistics are based on Ausgrid figures for completed meter reads.

Ref	Option Description	Position	High Level Reasons
B3	Obligation to display NMI number on the meter	Not supported	The NSW DNSPs do not support this option. We did not consider that this option was likely to be effective due to access issues, the likely adhesiveness of labels and the potential for labels to fade. We also noted a number of safety concerns that could arise from this option.
B4	NERR obligations on retailers to co-ordinate erroneous transfers in a timely manner	Supported	The NSW DNSPs strongly supported this measure and noted that it was a targeted measure for improving both the occurrence of this issue and the severity of the impacts to customers.
C	Improve the functioning of the objections framework	Supported	The NSW DNSPs consider that there is merit in further investigating this option.
C	Incremental improvements	Support in principle	We noted the SMS may have the potential to improve access issues, though this will need to be weighed against the associated cost of implementing this option.

3.1 Options aimed at improving the timing of the customer transfer process

Overall the NSW DNSPs do not consider that the options proposed by the AEMC to improve the timeliness of the customer switching process are likely to be effective. Further, we do not consider that some of the proposed measures appropriately target the root cause of delays in the transfer process, nor do they represent a proportionate response given that in general, customer switching arrangements are efficient and effective in 98.95% of all transfers.

We have provided further reasons to support this position below.

Option A1: Reduce the maximum prospective timeframe for customer transfer requests

The NSW DNSPs do not support this option as we do not consider that it will result in effective improvements to the timeliness of the customer switching process. In our view this option does not address the root cause of transfer delays and may exacerbate the existing issue of the winning retailer delaying entering the change request in MSATS²⁰.

As current switching timeframes do not pose a barrier to customer switching, the NSW DNSPs consider a more effective and proportionate response is for retailers to better educate customers on the switching process and different options available to customers to facilitate a faster transfer (i.e. special meter reads). The NSW DNSPs consider that this is a more targeted response at improving this issue and promotes efficient outcomes and customer choice.

We suggest a cost effective means of implementing this change would be to require retailers to publish information on their websites regarding the customer switching process. Information on the customer switching process that should be contained on retailers' websites include:

- overview of the customer switching process;
- early termination fees and cooling-off rights;
- general timeframes for completion;
- options to expedite the switching process;
- meter reader access requirements;
- possible sources of delay and a high level explanation of why they occur; and
- who to contact in the event of a delay (including providing Energy and Water Ombudsman details).

Option A2: Allow transfers to occur based on estimated meter reads

The NSW DNSPs can appreciate the appeal of this option, if it is limited to circumstances where customers next scheduled read is greater than 30 calendar days in the future, or if there are existing access issues, previous actual read data exists and the customer explicitly consents to the transfer on the estimate and the associated risks that may arise if there are variances between the estimate and final actual read.

Whilst we note the appeal of this option, we caution against its adoption until a proper cost benefit analysis has been undertaken. As noted in our previous submission, transfers on estimated reads with accumulation meters results in undesirable outcomes both operationally and from a customer impact

²⁰ Refer to comments made in section 2.4.

perspective²¹. Given the potentially high uptake of transfer reads, we note the potential for this option to result in an increase in customer complaints and rework for market participants.

The AEMC will need to carefully consider whether the benefits of this option outweigh the associated costs to market participants and potential adverse impacts to customers.

In order for estimated transfers to potentially work with accumulation meters, the losing and winning retailer would need to agree on the estimate. However, we note that customers may be reluctant to have their bills settled on estimates as opposed to their actual consumption; furthermore, this approach may lead to an increase in disputes, which will delay rather than streamline the customer transfer process.

In assessing the merits of this option, it is important that the AEMC is aware that transferring on estimates can generate results that can be categorised into three groups: 1) under estimation; 2) over estimation; and 3) an estimate that would closely resemble an actual read if taken.

A key factor that determines which category an estimate is likely to fall into is determined is whether there has been a change in the customer's behaviour within the period between the last actual read and the estimate. The NSW DNSPs note that there are a number of factors that may cause a significant variation in the customer's consumption from the previous period.

For example:

- increase in load due to sickness, new born, overseas visitors, etc.;
- addition of new appliances, e.g. heater, air conditioner and pool pumps;
- change of use of the property;
- holidays and extended absences; and
- sudden changes in temperatures and extreme weather conditions - e.g. unusually hot summers, heat waves or cold snaps.

The calculation of estimates is highly regulated by the metrology procedures. As an example, the base method of calculation is to use the measured consumption from the same period of the prior year. Where it is apparent there are obvious reasons for not using the base method, such as where there is a new property or notification of alteration of load, DNSPs will use the proceeding period instead. Where no data is available for the same period in the previous year or the proceeding period²², the estimate will be based on the daily average load and estimated from the initial application for connection.

Consequently, as the events which we have noted above are not infrequent in nature, the estimate that DNSPs provide may not align to the actual read in many instances. Historically, it has been our experience that this issue occurs in excess of 20% of all estimate reads.²³

For the under estimation scenario, consideration must be given to the impact to the customer. A prime motivator for a customer to change retailers is the anticipation of a cheaper bill. Based on the solution outlined in the box below, if the estimate results in an under estimation scenario the customer's first bill will be significantly higher than anticipated as the catch up for the under estimation is allocated to the incoming retailer. The outcome of this and those that arise from over estimation could potentially be:

- significant bill shocks to customers;
- dissatisfaction/reduced customer confidence in the electricity market;
- increased negative perceptions of the industry; and
- an increase the number of complaints to EWON.

Whilst we note that the Options Paper considers the scenario of under estimation, it does not provide an example of over estimation which has differing ramifications. Subsequently, we have sought to highlight some of the complications that may arise under this scenario.

²¹ NSW DNSPS response to the AEMC's Issues Paper, 19 December 2013, p 7.

²² For example a new property or recent alteration.

²³ Figures are based on Ausgrid's experience with the Jackgreen RoLR event.

Over Estimation Example

Consider the scenario where the customer has been absent from the property for a significant part of the period from the last actual read. DNSPs would not be aware of the change in customer consumption as we do not directly interface with customers from a practical perspective other than to resolve outages. Consequently, we would base our calculation of the estimate in accordance with the metrology procedures and use the same period in the prior year. We note that this would result in a significant over reading, which would not be apparent or corrected until an actual meter read is completed.

To demonstrate the complexity that arises in correcting over estimations, we provide the following example. If the estimated read provides a consumption of 150KWh, the actual returns only 50KWh (assuming that the estimate fell exactly in the middle of the two actual reads). Under this scenario the outgoing retailer (losing retailer) has paid 125KWh too much in settlements and network use of system (NUoS) charges plus has over charged the customer by 125KWh.

Settlements would need to pass a credit of 125KWh to the outgoing retailer and the DNSP would need to refund network use of system (NUoS) charges based on 125KWh to the outgoing retailer. The outgoing retailer would need to provide a credit to the customer and the incoming retailer (winning retailer) would need to adjust their first read downwards.

Option A3: Introduce incentive arrangements on regulated meter data providers in relation to special meter reads

The NSW DNSPs do not support this option for the following reasons:

- the solution will impose unnecessary regulatory burden on DNSPs to address an issue with the timeliness of meter reads by DNSPs that has not been demonstrated to exist; and
- we do not consider that it will improve the timeliness of customer switching as it does not address the underlying issue of access which is the primary reason why meter reads are not completed within required timeframes and can result in delays in the switching process.

We note that the AEMC has appeared to form the view that DNSPs lack appropriate incentives to undertake accurate and timely reads. The NSW DNSPs do not consider that there has been any evidence to support this view, nor has there been any evidence to demonstrate that there is issue with the timeliness of meter reads (routine or special meter reads). It is our firm view that regulation should only be imposed to address a demonstrated market failure. As there is no evidence of a market failure with the provision of special meter reads, we do not consider that there is a basis for imposing an incentive framework upon DNSPs for special meter reads.

Further, as noted previously in our submission to the AEMC's Issue Paper, DNSPs have a strong incentive to provide timely and accurate meter reads as NUoS charges account for 95% of a DNSP's revenue. In addition, DNSPs have a number of obligations which require it to undertake meter reads in a timely manner. Most notably, DNSPs have:

- a general obligation to ensure that meter data is collected from type 5-6 metering installations within two business days of the scheduled meter read date²⁴;
- a general obligation to carry out special meter reads within 3 business days of the request or such other time period specified by the relevant transfer rules or jurisdictional regulatory instruments²⁵; and
- in relation to customer transfer requests, DNSPs are required to undertake the next scheduled read or special read within 3 business days before or two business days after the special read date or published next scheduled read date. Meter data providers must notify the financially responsible person (FRMP) within 2 days if there is a failure to obtain a read and wait for instructions from the FRMP.²⁶

Compliance with these obligations is enforced through regular auditing by AEMO. Non-compliance with timeframes for customer transfers is also subject to civil penalty provisions.

Consequently, the NSW DNSPs do not consider that there is a demonstrated need for further regulation. Further, enforceable obligations already exist to ensure the provision of timely and accurate meter reads.

²⁴ Refer to AEMO Service Level Procedure, clause 7.2.1(b).

²⁵ Refer to AEMO, Metrology Procedure: Part A National Electricity Market, clause 3.4.12.

²⁶ Refer to AEMO, MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6 (h).

The NSW DNSPs note that the introduction of the proposed incentive framework would in effect penalise DNSPs where access to the meter could not be obtained. We find this concerning given that access issues are the primary reason for failure to complete meter reads and is an issue beyond the DNSP's control²⁷.

It is also worth noting that the Australian Energy Regulator (AER) is attempting to align each jurisdiction operating in the NEM with a common set of regulatory pricing arrangements where practicable. Currently, the NSW DNSPs are preparing their 2014-19 regulatory submissions, and under the AER's Framework and Approach, certain monopoly and miscellaneous services will be reclassified from standard control services to alternate control services. As alternative control services are separately regulated the costs to provide certain services, such as special meter reads, will now become more cost reflective.

Introducing separate fees for the successful and unsuccessful meter reads is unlikely to be helpful as it does not address the issue of access. The labour costs associated with attending the site represent the greatest portion of costs to provide special meter reads, and actually obtaining a read and processing it is a small incremental cost to the overall task. For example, if a DNSP's special read charge was hypothetically \$15 and the DNSP was able to complete the read, then it would charge the retailer \$15²⁸. If the DNSP did not get the read then the chargeable fee would need to be close to \$15 in any case as the DNSP still needed to schedule the read and attend the site, which is the majority of the cost for providing this service.

As noted above, the NSW DNSPs do not consider that this option is appropriately targeted at addressing the underlying issue with meter read delays. We consider that a more effective way of addressing this issue is for customers to be better educated on access requirements. The main problems experienced by DNSPs regarding access include:

- dogs (customers may consider that their dog is friendly; however, this might not always be the case or the dog may become territorial, particularly when the owner is not home);
- private locks on meter boxes or gates;
- security systems (customers may be reluctant to let the meter reader in when they press the buzzer);
- meters may be located inside premises such as restaurants that may only be open during evenings and inside domestic houses with enclosed verandas.

The NSW DNSPs consider that our suggestions contained in section 2.4 aimed at improving access are well targeted and represent a proportionate response for addressing access issues. Consequently, we would strongly urge the AEMC to give further consideration to the merits of our suggestions.

Option A4: Monitoring by AEMO and AER of the timing of the customer transfer process

The NSW DNSPs in principle support public reporting on the customer transfer process and agree with the AEMC that this would contribute to the reputation incentive to improve performance in this area. However, it is our understanding of the construct of the B2B system that AEMO is not privy to transaction information. Therefore we disagree with the AEMC's view that minimal changes would be required to accommodate this change.

The NSW DNSPs suggest the AEMC consult further with AEMO on the feasibility of this option. We are concerned that implementing this option may require significant re-engineering of B2B systems to enable AEMO to monitor participants' compliance with transfer timeframes. As this option is likely to entail substantial system changes, the NSW DNSPs consider that a full cost benefit analysis is required.

If a cost benefit analysis reveals that the benefits from this option are likely to outweigh the associated costs, other issues the AEMC should consider include:

- the reporting intent- reporting should be aimed at identifying market participants' contributions to the timeliness of the transfer process. It is also important that results are scaled appropriately. For example, if a customer transfer requires the completion of a special read, which takes 4 days to complete and the transfer between retailers takes 40 days to complete,

²⁷ Ausgrid completes 97.5% of all routine reads within the required timeframes, with 2% of Ausgrid's no read rate attributable to access issues.

²⁸ Note, the numbers used in this example are for illustrative purposes. Special meter reads in NSW are currently set at \$48.80 and are determined by the AER as part of our regulatory determination.

the reporting must be capable of identifying this material difference if it is to be effective. Further, it will allow for problem areas to be identified and appropriately targeted.

- the need to normalise results - when reporting larger volumes of transactions, it is important to normalise any results as a percentage all transactions or the total number of NMI's in a portfolio. This approach allows for more meaningful comparative performance reporting as reporting results are less likely to be impacted by the size of the participant's portfolio, and instead focus on their comparative performance. This approach contrasts with AEMO's current approach for reporting meter providers' (MPBs') performance. Under AEMO's current approach, error thresholds for satisfactory performance are set at absolute levels of errors rather than percentage levels. This results in misleading outcomes whereby MPB' with small portfolios appear to performing better than MPBs' with large portfolios even though the latter may have, on a percentage basis, a much smaller error rate.
- the use of anonymous proxy names – currently reporting is presented using anonymous proxy names for each participant so that benchmarking can be carried out between participants without revealing the identity of the performance between participants. The NSW DNSPs consider that this practice should continue.

3.2 Options to address the accuracy of the customer transfer process

The NSW DNSPs generally support the intent of these options and consider some of the options, particularly option B4, will help to reduce both the occurrence and severity of impacts arising from errors occurring during the transfer process.

The NSW DNSPs do not support option B3. Our discussion in this section is focused on highlighting issues regarding the effectiveness of this option and potential safety concerns.

Option B1: Cleanse the MSATS data in order to achieve higher accuracy levels

Whilst in principle we support this measure, we note that address data issues are not solely an energy industry issue. Many other bodies have similar issues, with one example being emergency services. Consequently, the NSW DNSPs suggest that there may be value in adopting existing industry standards rather than developing an energy specific standard for addresses.

Currently there are two main standards for address data, the Postal Address File (PAF) and Geo-coded National Address File (GNAF). Whilst there are limitations surrounding the currency of the data within these files, particularly when it comes to new sub divisions, industry is seeking to address this issue within NSW by developing a new system Comprehensive Property Address System (CPAS).

The NSW DNSPs actively work towards ensuring that we have the most accurate data available to us. Whilst this is primarily driven by the desire to achieve better maintenance and fault resolution outcomes, we acknowledge retailers are also key users of this data.

The NSW DNSPs consider that there is merit in further investigating the feasibility of this option, noting that this option should not be adopted until such work has been completed to assess if there may be costly changes required that do not address the underlying issue.

We note that without practical examples and some form of quantification of the size of the issue it will be difficult for the AEMC to make a cost benefit assessment on this issue. Consequently, we suggest that the AEMC direct AEMO to undertake further investigation on the feasibility of this option in order to avoid unnecessary cost increases to participants and customers.

If AEMO is directed to undertake this analysis, the NSW DNSPs would be happy to present our methodology for maintaining the accuracy of our address data and providing further information on CPAS.

Option B2: Increased monitoring, and reporting by AEMO and AER of the accuracy on the customer transfer process

The NSW DNSPs note that the feasibility and effectiveness of this option will depend on whether other options discussed in the Options Paper are adopted. However, if adopted, the NSW DNSPs consider that the AEMC should have regard to reporting issues raised in 3.1.4.

Option B3: Obligation to display NMI number on the meter

The NSW DNSPs do not support this option and consider that this option is unlikely to resolve complications arising in the customer transfer process from incorrect NMI numbers being quoted. Key reasons for why we do not support this option include:

- The robustness of external adhesive labels is questionable; therefore, there is a likelihood that NMI labels may fall off²⁹. Whilst a label could be screwed onto the meter panel, we note that this would significantly increase the cost and would not address the legibility of the label if it meter was positioned in direct sunlight³⁰;
- In principle, the NMI belongs to the Connection Point, thus with any meter replacement work, the labelling can be lost. Further, there are circumstances where multiple meters serve a single NMI and multiple NMIs are co-located at a single meter board. Under such circumstances it is likely that the customer will be unable to identify the correct NMI;
- There is a significant percentage (~20%) of customers residing in medium and high density housing (apartments, town houses) where groups of meters are typically housed in common switch rooms protected by keyed access. In these circumstances, customers would not be able to conveniently or safely access their meter to provide retailers with the NMI number;
- Potential future changes that may arise from the proposed introduction of multiple trading relationships that may introduce multiple NMIs at one connection point forcing DNSPs to relabel connection points each time a new trading relationship is created; and
- General safety concerns - dusty panel/meters would need to be cleaned prior to attaching the sticker. As many asbestos boards are still installed, an asbestos procedure would need to be adopted for cleaning, which would dramatically increase the cost to attaching a label. Further, asking a customer to go to their meter board also exposes the customer to a safety risk and the associated issues of potential liability arising from the retailer requesting the customer to access their meter board.

Whilst we understand that this option is aimed at providing customers with more options for providing their NMI number to retailers to facilitate their switch, it is evident from the above that the costs and risks associated with this option far outweigh any benefit.

We note one reason provided by the AEMC for displaying NMI numbers on the meter is to address the issue of customers not being able to access electronic copies of their bill due to forgotten passwords. A more targeted response to this issue is ensuring that retailers have adequate password retrieval processes in place which enables customers to reset or retrieve their passwords.

Another option for addressing this issue (which we note is already being considered by the AEMC) is to improve standing data quality so that customer information is correct and accurate. Further, where smart metering is installed with an In Home Display (IHD), it is theoretically possible for a retailer to send a message to the IHD to confirm to the customer that the correct Meter / NMI has been identified.

Option B4: NERR obligation on retailers to co-ordinate to resolve erroneous transfers in a timely manner

The NSW DNSPs strongly support this option and consider that this will assist in reducing the severity of impacts experienced by customers and would also reduce the length of delays. We consider that this is a targeted response as it addresses the root cause of this issue that has been highlighted by cases provided by EWON and EWOV.

Refer to section 2.3 for further details on why the NSW DNSPs support this option and other complimentary measures that could be implemented to address the occurrence and severity of transfer errors.

²⁹ Sticker on old meters or panels will be difficult to attach as there is dust and debris in the switch board and would likely fall off after installation. In addition switch board do get hot and some are located in direct sunlight, which could affect the adhesiveness and legibility of the sticker.

³⁰ The NSW DNSPs do not support labels being screwed on as this would increase the costs with complying with this obligation. This cost could be significant when viewed in light of the fact that the NSW DNSPs have over 3 million meters in their network area that potentially would need to be retrospectively fitted with labels.

3.3 Option C - incremental improvements that could be made to the customer transfer process

The NSW DNSPs support these options in principle. Our discussion on this issue is primarily focussed on incremental improvements that could be independently progressed by meter data providers. Specifically, this section is aimed at exploring the potential for incremental improvements to the customer switching process from:

- Improving meter data appointments; and
- Increased use of telecommunications.

Better Appointments

The NSW DNSPs have always provided either whole day, am or pm appointments. We do not offer appointment at a more granular level e.g. a particular hour due to potential margin of error. This is particularly relevant in Ausgrid's area with Sydney traffic issues. Further, being more prescriptive with timeframes can lead to more issues due to higher customer expectations. If meter readers are marginally outside the specified timeframe, this may give rise to additional customer complaints. In addition, if the meter reader happens to arrive early the customer may not be at the premise to provide access to the meter, consequently resulting in a failure to obtain a read.

It is important to note that in 97% of all cases the NSW DNSPs have access to the property and therefore do not require the customer to be on site. For the remaining 3% we attempt to address access issues by emphasising the need for the customer to provide unfettered access to electricity meters in accordance with the relevant Deemed Standard Connection Contract³¹, enforced under the National Electricity Retail Rules.

Increased use of telecommunications

As noted above, around 3% of all reads are estimated. While we note the potential for solutions such as SMS to alleviate access issues, we believe the industry as a whole would benefit from programs to address access more generally.

³¹ See Ausgrid's Deemed Standard Connection Contract, see clause 9, Access to premises.