



## Review of Electricity Customer Switching – AEMC Final Report

AEMC makes recommendations that give customers the choice to switch electricity retailers faster and more accurately

**Today the Australian Energy Market Commission (AEMC) released the final report from its review of electricity customer switching arrangements in the National Electricity Market (NEM). We found that, generally, most customers are able to switch retailers efficiently. However, some customers experience lengthy or inaccurate transfers. Knowledge of bad experiences may spread, and so may undermine confidence in the retail market over time.**

### Background to the advice

The Standing Council on Energy and Resources (SCER) tasked the AEMC to review current customer switching arrangements in the NEM, to improve timeliness and accuracy.

This final report makes recommendations to the SCER on ways to improve the timing and accuracy of customer transfers. Our recommendations to SCER have been informed by submissions to this review from retailers, distributors, energy ombudsmen, consumer groups, and the national market operator and regulator.

### Recommendations

A critical component of a competitive retail energy market is a customer transfer process that is timely, accurate, supports customer choice, and promotes enduring confidence in the integrity of market processes.

Our review has found that NEM customer transfers generally occur in an efficient manner. However, some customers experience delayed and/or inaccurate transfers:

- Nearly three-quarters of small customer transfers were completed in less than 30 calendar days in our sample data. However, around 10 per cent of small customers experienced transfer completion times in excess of 60 calendar days.
- Erroneous transfer rates (the proportion of customers wrongly transferred) have not improved from three per cent of all transfers over the past decade.

Prolonged and inaccurate transfers comprise a relatively small proportion of total transfers. However, the impact felt by customers that experience such transfers can be substantial. One customer's bad experience, through negative word of mouth and media reporting, can disenchant a broader customer population over time. This has the potential to reduce overall customer confidence in, and engagement with, retail energy markets.

Our Final Report recommends changes to the customer transfer process in the two key areas of timing and accuracy, as discussed below.

### Timing of the customer transfer process

Currently, the time taken to transfer is largely determined by the practice of transferring customers only after an actual meter read for their electricity consumption has been recorded. If this meter read is delayed, then so is the transfer.

The Commission recommends that customer transfers be permitted to occur on the basis of an *estimated* meter read, in situations where a consenting customer is not changing address and their meter is currently manually read. This would provide consenting customers the option to move to their new retailer (and retail market offer) sooner than is currently possible.

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### Timing of the customer transfer process (continued)

Importantly, any difference between a customer's actual and estimated energy consumption at a point in time would only have a minor impact on the customer. This recommendation gives customers a choice to transfer on an estimated meter read where the benefits to them of a faster transfer, outweigh the costs of waiting for an actual meter read to occur.

### Accuracy of the customer transfer process

Erroneous or inaccurate transfers are caused by administrative errors, and poor quality data used, in the customer transfer process.

The Commission recommends the following to promote accuracy in, and of, the customer transfer process:

- The development of standards (including an address standard) to be applied by market participants, for data that is used in the customer transfer process.
- To keep the transfer process in step with evolving customer needs, a periodic review of the effectiveness of the application of the customer transfer process, and the systems used to give it effect, by the Australian Energy Market Operator.
- Greater transparency and public reporting for customers on the timing and accuracy of customer transfers, by the Australian Energy Regulator.
- Providing erroneously transferred customers with a clear "right" to have their situation rectified in a timely manner, by strengthening the obligations on retailers to resolve such situations.

Accurate transfers facilitate positive customer experiences, meaning that customers are more likely to continue to engage with the retail energy market in the long term. This is consistent with the promotion of greater customer choice in retail market engagements.

### Implementation of our recommendations

To give effect to our recommendations, changes to the National Electricity Rules and National Energy Retail Rules are required, which would also need to be reflected in the supporting market procedures for customer transfers.

The Commission has recommended that SCER propose rule changes to the AEMC to give effect to the recommendations contained in our Final Report. Our Final Report also sets out an implementation plan, with actions to implement the recommendations.

### Continuing reform agenda – empowering customers

This review is part of a broader package of work the Commission is undertaking, which is designed to help households, businesses and industry have more opportunities to make informed choices about the way they use electricity, and manage expenditure, including:

- The annual Retail Competition Review is considering the state of competition in the small customer electricity and natural gas markets and the possible future development of competition.
- The Distribution Network Pricing Arrangements rule change request is considering how the principles used to set prices for distributors should be adjusted, to encourage distributors to set and structure network prices that differ at different times of day. This would encourage customers to change consumption in accordance with these price signals.
- The upcoming Competition in Metering and Related Services rule change request will consider the expansion of competition into the provision of metering and related services, providing customers with more choice about how these services occur.

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