



23 December 2013

Australian Energy Market Commission  
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Thank you for the opportunity to comment on the Australian Energy Market Commission's *Issues Paper on the Review of Electricity Customer Switching*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

### **Increase in the number of transfer-related complaints to EWON**

As noted in the Issues Paper, transfer-related complaints to EWON rose 85% from 2011/2012 to 2012/2013. While some complaints relate to the MSATS transfer process, such as transfers in error and transfer delays, there were also significant increases in complaints from customers about:

- transfers without consent
- contract terms, such as the termination fee not fully disclosed or the customer disputed the application of the termination fee
- price variations after switching.

In particular, EWON receives complaints about problems that occur in the process of transferring a customer from one retailer to another, for example:

- sometimes customers are transferred in error
- customers complain that contract terms in the old contract inhibit transfer (e.g. termination fees for early cancellation) or in the new contract that a customer either was not aware of or did not fully understand (e.g. cooling-off rights)
- transfers do not occur as they are supposed to, either because the current retailer has objected to the transfer or the new retailer ends up rejecting the contract because the contracted tariffs do not suit the customer's metering configuration
- the transfer process can cause considerable delays in the issuing of bills to customers
- issues with customer addresses, where the address is different for the purposes of local government, Australia Post, and MSATS.



- sometimes the problems can be very complex, particularly where the customer or even retailers are unsure which retailer currently 'owns' the site.

Over the last 12 months EWON has seen an increase in transfer related complaints as retail competition has increased in NSW. Transfer complaints relate to the switching process and highlight a range of issues related to the marketing of contracts, disclosure of terms and conditions, and also consumer understanding of contract terms and conditions. Also, new retailers established operations in NSW and some existing retailers expanded their customer base and increased their marketing via telephone, internet and other sales channels such as energy brokers.

There appear to be various drivers causing the increase in transfer complaints. Some providers are not effectively responding to customer enquiries concerning transfer and marketing issues, which can cause complaints to come to EWON. In other instances it appears that there are not robust systems in place to process contract cancellations and other transfer related transactions between providers.

### **MSATS transfer process**

In EWON's experience, complaints about the timeliness and accuracy of transfers can be triggered when:

- the winning retailer has delayed in entering a change request on MSATS
- the transfer of the site to the winning retailer fails
- technical or administrative errors are involved in the transfer process, such as incorrect addresses or NMIs being transferred or retailers entering incorrect information into MSATS.

EWON notes from the Issues Paper that NEM data in NSW shows that there is a relatively even spread of small customer switching completions across the three transfer timeframe categories – less than 30 calendar days, between 30 and 60 calendar days and more than 60 calendar days. Some of the cases included in this submission demonstrate that, for some customers, switching times can exceed the maximum allowable timeframe of 65 business days.

EWON considers that transfer delays can create customer dissatisfaction with the retail market and some customers feel they are financially disadvantaged, particularly where there are savings to be made from moving to a cheaper deal. We therefore agree with the AEMC's suggestion that there is scope for improvement in switching times in NSW.



## Change requests on MSATS

In EWON's experience, some customers have experienced transfer delays of some months because the winning retailer delayed in entering a change request. EWON notes that under *MSATS Procedures: CATS Procedure Principles and Obligations*, the winning retailer must enter a change request for the customer's NMI no later than two days after the cooling off period expires.

### Customer complaint example

The customer advised that she signed up with another retailer in September 2013. She received a welcome pack in early October 2013. In late November 2013 her previous retailer contacted her to offer a better deal and she decided to switch back to them. She contacted the new retailer to cancel the transfer but was told that she would need to wait until the next scheduled meter read. Whilst facilitating an outcome for the customer, EWON noted that although the customer accepted the contract in September 2013, MSATS showed that the winning retailer had lodged a change request in mid-November 2013. This meant that the site would not be transferred until February 2014.

While there are market procedures governing the customer transfer process, EWON considers that it is currently unclear which bodies are responsible for the compliance and enforcement of these procedures. We suggest that a regulatory framework that articulates clearer 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.

### Transfer delays caused by transfer failures

During 2012/2013 there was an increase in the number of customers contacting EWON to complain that their transfer request had failed. In these cases the customer signed up with a new retailer but after many months the site was still not transferred. Some customers were not informed that the transfer to the new retailer had failed. Customers complained that this caused confusion and led to unexpected bills, delayed bills, Dear Customer accounts and possible disconnection.

The cases below illustrate that lengthy delays can occur in processing a transfer after the customer has agreed to switch and before the final meter read is taken. These complaints indicate that MSATS procedures for transferring a customer's account appear to fail where retailers do not have a clear understanding of these procedures.

### Customer complaint examples

The customer said that he established an account with his preferred retailer in November 2012. In December 2012 the customer was advised the transfer had been completed. In February 2013 he received a letter from another retailer advising that he should establish



an account with them. He contacted his preferred retailer and was advised that the other retailer was supplying electricity at his address but they would forward his account to the preferred retailer who would bill the customer. He reconfirmed this in early March 2013, however shortly after he was advised that he would need to connect with the other retailer to pay for the electricity he had consumed. He called his preferred retailer again and was advised that they had made a mistake and he should establish an account with the other retailer and then request a transfer to his preferred retailer.

In May 2012 the customer agreed to buy solar panels and electricity from one retailer. The solar panels were installed but her electricity account did not transfer to the incoming retailer until February 2013. During this time she continued to receive bills from her previous retailer. The incoming retailer advised the customer that she would need to pay the bills issued by the previous retailer and they would calculate what she would have been charged under their contract and refund the difference to her. The incoming retailer later advised that they would not be refunding the difference (based on the solar credits generated). The customer feels she has been financially disadvantaged by the transfer delay.

The customer said she transferred to a new retailer through a broker in January 2013. She was advised that she would receive confirmation of the transfer within 10 days. When she did not receive confirmation she signed up with another retailer as she thought that the transfer had not gone through. In the middle of May 2013 she received a welcome pack from the retailer she had originally signed up with through the broker, and the account transferred to them in early August 2013.

The customer said he transferred his home and office accounts to another retailer. The retailer transferred the account for his office but not for his home. He has now received a bill for his home account from his previous retailer. He has spoken with his preferred retailer and they advised that they have made an error in not transferring his account. EWON confirmed with the customer that MSATS showed the billing rights were still with his previous retailer and there was no pending transfer.

### Transfers in error

A customer's account can be transferred away in error when there is a mistake in the retailer's administration of the transfer process or when an incorrect NMI or address is recorded or provided. The accounts of customers who requested the transfer are not transferred away because another site has been transferred instead. They continue to be billed by the retailer they wish to transfer away from and the need to contact their preferred retailer to rectify the error is an unwanted complication for many customers.



These errors also impact on the customer who has had no prior contact with the incoming retailer. They can receive unexpected bills and face possible disconnection for non-payment of those bills, which they may ignore because the bills are not addressed to them.

EWON notes that when a customer's account is taken in error, it is the responsibility of the retailer who initiated the transfer to rectify the error. In some cases customers were advised to approach their original retailer to resolve their complaint. Customers have also reported delays in retrospective transfers to their preferred retailer.

### Customer complaint examples

The customer began receiving electricity bills from a retailer to the supply address but in another person's name. He contacted this retailer and was advised that the account was a 'corrupt file' and they would transfer the account back to his original retailer. The customer then started to receive bills from this retailer for a period prior to when the retro transfer took effect. He did not want to pay this retailer anything as he feels that the account was taken in the wrong way. After EWON contacted the retailer they reversed the bills and the customer was retro transferred back to his original retailer.

The customer was contacted by her retailer who advised that her account had been closed and a transfer was in process to another retailer. The customer said she did not request a transfer. The customer contacted the other retailer who advised that they would return her account to her original retailer. That was 2 months ago and the transfer was not reversed. With EWON's assistance the customer was retro transferred back to her original retailer. The other retailer confirmed they had a different account name and the transfer was an error.

The customer started receiving *Dear Customer* letters from another retailer. She assumed they were for her neighbour and was giving the bills to him. She then realised that they were for her address and rang the retailer and they said they would send the account back to her original retailer. However she was not given an explanation of how the account was transferred. She was disconnected shortly after this. The retailer said they would reconnect the same day but it did not occur. The next morning she called them and was advised that she was disconnected because there was 'no name on the account' and that they would send it back to her original retailer. She has not paid a bill since last year and is worried about the financial implications of receiving a large bill. She did not give permission for the supply to be transferred to another retailer and she also lost some food when she was disconnected. When EWON investigated, the transfer had still not been requested. After contact from EWON the retailer agreed to return the account and waived the billing. The retailer also agreed to follow up with the customer about a compensation payment for food spoilage.



The advocate advised that the customer is an 82 year old resident of a retirement village. The customer received a final bill for 11 cents covering one day of usage. The customer called her retailer to query why her account was closed. They advised that a person had called them requesting the account be closed. They then opened the account in another person's name and cited the Privacy Act for not providing further information to her. She asked the management at the retirement village if they had contacted the retailer to close her account. They advised that they did not interfere with residents' utility accounts. She is distressed that she has not been able to resolve this matter with the retailer after calling them 3 times. Her advocate also called the retailer twice. The retailer confirmed with EWON that it appeared someone had requested a transfer and provided the incorrect address.

### Other administrative errors

We also note that the incoming retailer is responsible for cross-checking the customer's address and NMI. Under *MSATS Procedures: CATS Procedure Principles and Obligations*, the incoming retailer is required to confirm that the NMI is a valid NMI for the address prior to initiating a change request. We note that this places an important obligation on the retailer in ensuring that the correct customer is transferred. However, the cross-checking may not reveal errors in situations where the customer has given an incorrect address, or a marketer or customer service representative in the call centre has recorded the address incorrectly. This is because it is the NMI for the incorrect address that is being verified in MSATS.

From our investigations experience we note the difficulty in ensuring an accurate customer transfer where the address maintained in MSATS does not correspond to the customer's understanding of their address. This can occur where a local council has reassigned street numbers but fails to provide this information to the relevant network distributor. As a result MSATS is not updated and customers may pay for consumption recorded at another site.

A variation of this problem occurs where MSATS lists the site address as a lot number as it was previously known (perhaps under old property documents), rather than a numbered street address which the customer provides to the retailer when requesting a transfer. The incorrect site may be transferred if retailers are unable to locate the customer's address on MSATS because it is listed differently. It might also happen when a property is subdivided and the address changes from a single site (eg number 20) to several houses on the same site (eg 20A, 20B, 20C, 20D).

EWON has also received complaints relating to administrative errors made by retailers when following MSATS procedures. Customers have complained of incorrect information



or codes being raised with MSATS which led to the losing retailer rejecting the change request, or confusion as to what the correct procedure is. Some customers have expressed dissatisfaction at having to contact both losing and winning retailers to resolve the matter. Customers have also complained that business to business systems appear to be incompatible and that there appears to be a lack of staff training around MSATS.

### Customer complaint example

The customer purchased a property in October 2013 and arranged for a special meter read to be completed in late October 2013 with his preferred retailer so that an account could be set up. He then received a 'Dear Customer' letter from another retailer. He contacted this retailer and was advised that they had rejected the change request from his preferred retailer because they had entered a meter read date that was different from the date of the next scheduled meter read. The retailer did not accept the requested special meter read date and the customer was unable to resolve this despite contacting the retailer numerous times.

## Objections

EWON notes that under *MSATS Procedures: CATS Procedure Principles and Obligations*, relevant parties have five business days to object to a change request after it is first raised in MSATS. We also note that the objecting party and the winning retailer have up to 20 business days from when the change request was first raised to resolve the objection.

In EWON's experience, customers have complained of prolonged delays in resolving objections and cancellations by both winning and losing retailers, and also by distributors. The cases below demonstrate some apparent confusion and some inconsistent understanding across market participants of objections, the reasons they have been raised and what can be done to resolve them.

EWON notes that although the objecting party and winning retailer typically resolve objections through bilateral communication outside of the MSATS system, it is possible for a misunderstanding or breakdown in communication to occur between both parties. We have received reports of winning retailers objecting to their own change requests and being unable to amend the objection. We have also received reports of winning retailers using the incorrect code when entering a request or raising a special meter read to facilitate a transfer.

Although the winning retailer may cancel transfer requests if the matter cannot be resolved within 20 business days, some customers prefer to complete the transfer because they consider that the contract offered by the incoming retailer is more beneficial than the one they currently have. EWON suggests that there is a need for adequate staff training on



the MSATS transfer process, particularly around transfer codes and objections, so that customers who wish to transfer can benefit from the new offer.

### Customer complaint examples

The customer advised EWON that he switched to the standard retailer in his area. The retailer told him that they have tried winning the billing rights for his address twice as it had been rejected when they first raised a change request in September 2013. A second change request was raised on 2 November 2013. He then received a disconnection notice for a *Dear Occupant* account from his previous retailer. When EWON investigated his complaint, the previous retailer advised that the objections to the change request had in fact been raised by the standard retailer. The previous retailer agreed to release the site to the standard retailer from the date of the first change request.

The customer advised that he switched to a new retailer in July 2013 after they offered him a 23% discount on his electricity bills. In early July 2013 he requested a special meter read as he considered he could save money if the transfer occurred earlier. The new retailer and the distributor confirmed with him that the transfer would be completed on a special meter read. The new retailer later advised that three change requests had been cancelled by the distributor. Since July 2013 he has had numerous contacts with the new retailer and the distributor and was unable to resolve the problem. He considers he has been financially disadvantaged by the situation but the new retailer told him that they were not at fault. The distributor later advised him that the new retailer had raised the wrong service order and notes indicated that the new retailer had cancelled the change requests because they submitted incorrect service orders. The distributor later located a special meter read completed in early July 2013. He considers that customer service representatives of the retailer and distributor do not understand the transfer system and are inadequately trained.

The customer transferred to a new retailer through a broker in June 2013. She was expecting the transfer to complete at the next meter read, however she has continued to receive bills from her previous retailer. When she contacted her previous retailer, she was advised that they had objected to the change request because she still owed them money.

### Timeframe of 30 calendar days for completion of transfer

EWON notes the AEMC's view that a transfer timeframe of 30 calendar days 'generally allows for a reasonable period of time for any potential objections to be raised, and resolved, and for a complete meter read to occur'<sup>1</sup>.

<sup>1</sup> AEMC 2013, Review of Electricity Customer Switching, Issues Paper, 3 December 2013, Sydney, p51.



EWON notes that in the current transfers framework customers who switch retailers are transferred at the next meter read date, which means that the transfer may take up to three months to complete. Customers may elect to transfer early on a special meter read, in which case they must pay a network fee of \$48.40.

EWON notes that, for the purposes of generating a final bill, there are four possible meter read options if a timeframe for completion of transfer is to be completed within 30 calendar days:

- Actual read, currently conducted on a quarterly basis
- Estimated read
- Self read
- Special meter read, at a cost of \$48.40 borne by the customer.

EWON considers that although transferring on an actual read would potentially result in a longer transfer timeframe, customers can be sure that the final bill reflects their actual consumption. We note that transfer timeframes would be improved with the use of smart meters.

Customers currently have the option of transferring on a special meter read to reduce the transfer timeframe. EWON notes that many customers prefer to wait until the next scheduled meter read as an extra meter read fee can be a significant burden, particularly if the customer is experiencing financial hardship. We therefore suggest that customers be given the choice to transfer at the next scheduled meter read date if a 30-day transfer timeframe is to be implemented with special meter reads as the default final meter read.

An alternative would be to transfer a customer on an estimated read, which may allow a shorter transfer timeframe. However EWON considers that this would involve further billing calculations and adjustments by both winning and losing retailers once an actual meter read is completed. There may be potential problems if miscommunication occurs or their billing systems are incompatible. There would also need to be clear and specific guidelines on adjusting customers' accounts where there has been an overcharge or undercharge on the final bill.

Another alternative would be to allow customers to transfer on a self read. EWON understands that this would typically involve a customer taking and sending a date-stamped photograph of the meter to the losing retailer. While this would provide a physical read captured at a particular point in time, current industry practice is to treat self reads as estimated because it has not been verified by a meter data provider. We also note that some customers may not have easy access to their meter or are otherwise unable to take a photograph.



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While the AEMC considers that a 30-day transfer timeframe is a reasonable period of time to raise and resolve objections and complete the meter read, EWON considers that this timeframe may perhaps be too optimistic if issues around prolonged transfer delays and confusion relating to transfer procedures are not addressed. We note that the scope of the AEMC's review is largely limited to one part of the transfer process (from change request to meter reading) and we consider the entire transfer process (from when a customer signs up with a retailer to when the winning retailer becomes the financially responsible for the customer) may need to be considered as part of any reform to improve customer engagement with the electricity market.

If you would like to discuss this matter further, please contact Emma Keene, General Manager Policy and Community Engagement, on 8218 5250.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre".

Clare Petre  
Energy & Water Ombudsman NSW