

20 December 2013

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by upload to the AEMC website.

Reference EPR0038: Review of Electricity Customer Switching – Issues Paper

Thank you for the opportunity to respond to the Review of Electricity Customer Switching Issues Paper (the Paper).

Simply Energy is a leading energy retailer servicing Victoria, South Australia, New South Wales and Queensland.

The Paper states that the review is focused on customer switching for in-situ small customers, and seeks stakeholder views on whether the current customer transfer process is efficient in relation to timeliness and accuracy. The Australian Energy Market Commission (AEMC) is also seeking views on whether there are any aspects of the international arrangements that should be considered for adoption in Australia.

Improvements to current processes

Simply Energy does not consider that a single solution has been identified that will reduce transfer errors and the time taken for customers to switch retailers.

Instead, we consider that a range of incremental improvements to current processes will give benefits to customers and industry participants.

The biggest benefits will be obtained from the following changes:

- Cooling-off periods. Reduce cooling-off periods and allow transfers in Victoria to begin before the end of the cooling-off period.
- Remotely-read interval meter / smart meter (RRIM/SM) transfers. Customers with RRIMs/SMs should be transferred as soon as metering data is available after the end of the cooling-off period.

Other improvements that will provide benefits include the following:

- Reverse the change that allowed the current retailer to object to retrospective transfers (CR1010) as this has led to a substantial increase in email traffic to clear the objections, for no apparent benefits to consumers or market participants.
- Improve distribution business service levels.
- Review the data requirements for change requests, to determine how much information is actually needed and what can be removed. For example, if the change request type is retrospective, why are we required to also select a "retrospective date" transfer read type?
- Review change request code types and determine if the number can be reduced.

Cooling-off periods

The Paper states that the AEMC does not consider the length of the cooling-off period to be within the review's scope. However, the cooling-off period accounts for approximately 1/3 of the 65 days that a transfer

can take, and we consider that it needs to be included in the scope in order to maximise the positive impacts of the review.

Customers require a cooling off period, but the current 10 business days from when the customer receives the contract information is too long, especially considering the impact of the purchase decision being made. For example, the cooling off period for buying a residential property in Victoria is only 3 business days even though the significance of that purchase is much greater.

Additionally, a prudent retailer will allow extra days for delivery of the contract information, to ensure compliance. Therefore a requirement to provide a cooling-off period of 3 to 5 business days from receipt of contract information is sufficient. In practice a prudent retailer will allow additional time, so the customer will effectively get a cooling-off period of 7 to 8 business days following this change.

Start of the transfer process

Victoria is the only state that does not allow the transfer process to begin before the end of the cooling-off period. It would reduce customer transfer time if the Victorian requirements are brought in line with other states.

There is little risk that this change will lead to increased levels of reverse transfers. The procedure to reverse transfers is complex and we time the start of the transfer so that cooling-off periods and objection periods end at the same time, so that the need to reverse transfers is minimised.

Retrospective customer transfers

The National Energy Customer Framework (NECF) currently includes provisions that prevent retrospective customer transfers more than 130 days before the date of the request. This requirement is interacting with the requirement to treat customer transfers where explicit informed consent cannot be proved as having never happened, to create unexpected and unusual outcomes. In particular, the requirements could be expected to impose a cost on the retailer that has failed to prove the explicit informed consent, but instead the bulk of the cost falls on the retailer who originally had the customer (the retailer that thought it had lost the customer, but now finds out it didn't).

These provisions should be reviewed to reduce the complex customer and retailer issues that arise. We consider that the provisions should accept that a de facto transfer took place, and allow a retrospective transfer to the original retailer back to 130 days.

Distribution business service levels

Until Simply Energy as a retailer obtains control of metering services and can perform our own meter readings, re-energisations and de-energisations, we are dependent on how distribution businesses deliver on their service obligations.

There are a number of aspects of distribution business service performance that we consider require review and improvement:

- Currently distribution businesses require 20 business days to supply a meter read for a transfer. They do not take this long to supply meter reads for billing purposes and the reasons for the 20 business day requirement should be reviewed, and reduced if possible.
- Address the data quality issues with the way addresses are created by distribution businesses in MSATS (in MSATS free-form cells). Transfers can be delayed if we cannot identify the site due to

address differences and we have to ask the customer to look for their NMI. Additionally, the address recorded for a particular site can be different for gas and electricity.

- Reduce the incidence of the “no access” reason for a read not being made, which delays a transfer. We have examples of consumers who have received “no access” letters from distribution businesses, despite there being clear access. Additionally, there have been occasions when we have received an estimate, as an actual read could not be taken due to “no access”, which is subsequently replaced by an actual read. It is not clear to us how access issues could have been resolved so promptly, leading us to question the initial “no access” reason.

Changes we cannot see working

There are some changes that we cannot see working in the NEM, although they may appear to work overseas.

For example, if customers are transferred from one retailer to another on the basis of an estimate, rather than an actual read as is currently done, then problems may occur if a subsequent actual read shows that the estimate was very wrong. In such a case a customer may be presented with a very large bill that goes unpaid, for energy that was in fact supplied by the previous retailer. Alternatively, the incoming retailer may be required to provide the customer with a credit for energy billed by the previous retailer. Procedures to address these problems would be complex and potentially costly to implement, outweighing the likely benefits of reduced switching times.

Objections for debt

- Current processes only permit retailers to object under certain circumstances to a customer with debt transferring to another retailer.
 - Due to media attention on the energy industry it is not practical for us to use court processes to recover debts from small customers, and so the prospect of disconnection is the final ‘wake up call’ that we can use to encourage customers to pay when other communication has failed.
 - Some customers transfer to another retailer to ensure continuation of their supply without paying their debts to the previous retailer.
 - We need more flexibility with respect to customer transfer objections so that we can ensure that a small number of customers do not avoid paying for their energy consumption and network charges, which leads to higher charges for the customers who do pay.

We wish to respond to two of the questions posed in the Paper:

Question 4: Jurisdictional customer transfer processes

Clause 5.1 of the Victorian Electricity Customer Transfer Code allows a retailer to object to a customer transfer on the grounds of debt, if the debt meets the following conditions:

- \$200 or more (net of any refundable advance held by the retailer and excluding any debt on which agreed payment terms have been adhered to for at least three months).
- Is not in dispute.
- Has been outstanding for at least 40 Victorian business days.
- Is in respect of the supply and sale of electricity or connection services.
- Remains despite the customer having been offered, in writing, restructured payment terms for its repayment (of the sort contemplated by the Electricity Retail Code).

These terms are too restrictive and do not reflect the significant recent increases in energy charges, which have led to growth in the number of customers who face chronic payment difficulties. In these cases customers may adhere to a payment plan for three months, but in this time their debt is only reduced by a small amount. Preventing us from objecting to the customer transferring to another retailer under these circumstances leaves us with an uncollectable debt, the cost of which is borne by other customers.

We consider that retailers should be able to object to customer transfers in any NEM jurisdiction, where a customer's debt exceeds \$200 and has been outstanding for at least 40 business days.

Question 5: Objections to the MSATS process

Simply Energy considers that the 'Debt' objection needs to be made consistent across jurisdictions and give sufficient flexibility that customers do not transfer to another retailer to avoid paying for their consumption and network charges.

'Datebad' objection. This is used by distribution businesses to object to a transfer because there is no meter reading data available for the nominated transfer date. This is despite us nominating a transfer date based on the distribution business's meter read schedule. This delays transfers as we then have to re-submit the transfer for a date when data will be available. Distribution businesses should maintain accurate meter reading schedules to prevent this occurring.

'Badmeter' objection. When a customer's consumption increases to exceed the small customer limit, a meter upgrade is required by the rules. Despite being aware of this, distribution businesses object to the meter upgrade change request as a matter of course. Furthermore, although we explain to the distribution business that a request for a new meter has been sent to a third party metering provider, the objection is not withdrawn and the change request is cancelled automatically. We then have to submit a new change request.

In summary, there are issues with aspects of the objections procedures that need to be reviewed, to ensure that inappropriate objections are not unnecessarily extending transfer times.

If you have any questions concerning this submission, please contact James Barton, Regulatory Policy Manager on (03) 8807 1171.

Yours sincerely

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