

28 January 2016

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

Lodged via www.aemc.gov.au

Dear Mr Pierce,

Reference RRC0006: Meter Read and Billing Frequency – Consultation Paper

Simply Energy welcomes the opportunity to respond to the Meter Read and Billing Frequency – Consultation Paper (the Paper).

Simply Energy is a leading tier 2 energy retailer servicing Victoria, South Australia, New South Wales and Queensland.

The Paper provides the Australian Energy Market Commission's (AEMC) summary of the rule change proposed by Ergon Energy Queensland (Ergon) and the AEMC's questions to stakeholders in relation to it.

Simply Energy's processes are focused on providing customers with regular, accurate bills. Simply Energy's customers expect to receive regular bills and some customers contact the call centre to confirm when their next bill will be sent out.

Simply Energy's systems include estimation procedures so that a customer bill can be sent on the scheduled date for a customer with an accumulation meter, even when a meter read has not been provided by the Metering Data Provider (MDP).

As well as the customer service benefits of providing regular scheduled bills, Simply Energy also has financial incentives to regularly bill customers, including cash flow considerations and concerns about bill shock impacts if invoice periods are extended.

Also, Simply Energy agrees with Ergon's conclusions that estimates cause difficulties for consumers and retailers. The aim with an estimate is for it to be as accurate as possible. This can be a problem for Simply Energy if the customer's first or second bill needs to be estimated due to the lack of an actual read. This is because Simply Energy has very little information on which to base its estimate.

A potential solution to this problem would be for MDPs to provide an estimate for an accumulation meter on the scheduled read date if they are unable to provide an actual read. This

should provide a more accurate estimate especially in cases where retailers have limited information.

Simply Energy considers that this is likely to be more efficient than the requirement that is discussed in the Paper of requiring MDPs to ensure they read meters more frequently.

Additionally, Simply Energy understands that the objective is to improve outcomes relating to accumulation meters. Where interval meters are installed, there is a requirement to replace estimated data (referred to by metrology procedures as 'substitutes') with actual read data once it becomes available. In these cases improvements in the quality of estimates will not address the problems faced by retailers and consumers due to the need to replace bills based on substitutes with bills based on actual read data.

Ergon's proposal to allow retailers some extra days to bill customers provides useful flexibility to retailers who have an approach that seeks to minimise the number of estimated bills. This may be particularly useful if it reduces the number of bills based on interval meter substitution data, and Simply Energy supports it on this basis.

Responses to questions raised in the Paper

In this section Simply Energy responds to questions (shown below in italics) raised in the paper by the AEMC.

1. Nature of the issue identified

1.1. What proportion of customers are likely to be affected by the issues identified by Ergon?

Simply Energy does not have a widespread problem with estimated billing due to delayed actual meter reads.

1.2. Is the availability of meter reads an issue for retailers other than Ergon?

Ergon's customer base is concentrated in regional Queensland, whereas Simply Energy's customers are in south-east Queensland and other National Electricity Market (NEM) states. As such, Simply Energy does not have experience of the impacts on a retailer of the challenges faced by an MDP attempting to efficiently read meters in distant rural and remote locations.

Nevertheless, Simply Energy has faced problems due to meter reading data quality from some regulated MDPs.

1.3. To what extent will other developments, including the roll out of more advanced meters, address the issue identified by Ergon?

The roll out of remotely-read meters should increase the number of meters that are read on schedule. However, it will not reduce it to zero due to communications problems beyond the MDPs control and similar issues.

2. Potential solutions to the issue identified

2.1. How should the AEMC consult with consumers and consumer groups on their preferences with respect to the trade-offs between the frequency of bills, the accuracy of bills and the costs of billing?

A number of consumer advocates represent a small section of consumers only, and the AEMC needs to ensure that it considers impacts on all potentially affected consumers. Ombudsman and regulators collect complaints data and the AEMC could use this to understand how consumers view the issues of bill accuracy and frequency.

3. Ergon's proposed solution

3.1. Do bills based on actual consumption enhance consumer experience and allow consumers to make more informed usage compared to estimated bills?

Bills based on actual consumption provide a better customer experience and basis for informed usage than estimated bills. However, the additional benefit of actual consumption over a well-founded estimate does not appear significant for those Simply Energy customers who have an accumulation meter.

Problems occur for customers when they do not understand or agree that the estimate reasonably reflects their usage. As a result, a potential solution is improving the accuracy of estimates for accumulation meters. This is a particular challenge for Simply Energy with respect to a new customer for whom we have limited, if any, consumption data.

With respect to customers with interval meters, there is a requirement to replace estimated data with actual read data once it is available. In these cases improved estimate accuracy will not address the key problem, which is customer confusion due to changes to the data underlying their bills.

3.2. Would delays to the frequency of retail bills cause significant issues for small customers? If so, would a maximum timeframe limit on billing frequency, eg, four months, sufficiently manage those issues?

Significant delays would cause issues for some customers, including an increased risk of bill shock and a delay in obtaining usage information to drive behaviour change. However, minor delays of a few days over the 3-month period are unlikely to cause significant issues for most consumers.

3.3. Should the frequency of bills be considered a consumer protection?

The National Energy Consumer Framework (NECF) is already highly prescriptive in terms of the retail regulation it imposes on authorised energy sellers in addition to the Australian Consumer Law (ACL). Simply Energy does not consider that increasing prescriptiveness even further is in the interests of consumers.

4. Frequency of meter reading

4.1. Would more frequent meter reading by the Metering Data Provider provide an efficient solution to the issue identified by Ergon in its rule change request?

In the context Simply Energy understands 'more frequent' meter reading to mean reading a higher percentage of meters in line with the 3-month (92 day) schedule. Simply Energy does not expect that addressing the contingencies that lead to some meters being read outside the 3-month schedule will be efficient. However, Simply Energy does not have information about MDP's costs and as a result cannot provide a definitive response.

4.2. Would more frequent meter reading impose additional costs on the Metering Data Provider? If so, how much are costs likely to increase?

Simply Energy does not have information about MDP's costs and as a result cannot usefully respond to this question.

4.3. Where there is a choice between bills based on actual consumption issued at less frequency or issued at the same frequency but at greater cost, what better serves the consumer's long term interest and is compatible with consumer protections?

Simply Energy's experience with its customers indicates that regular recurrent bills better support the long term interests of consumers than less frequent bills, justifying some small additional cost.

5. Billing on the basis of estimates

5.1. Where there is a choice between estimated bills issued on a regular recurrent basis or less frequent bills based on actual consumption, what better serves the consumer's long term interest and is compatible with consumer protections?

Simply Energy's experience with its customers indicates that regular recurrent bills based on reasonable estimates better support the long term interests of consumers than less frequent bills based on actual consumption.

5.2. Are there any barriers to retailers accepting a customer's reading of its meter as a basis for an estimate?

Simply Energy's aim when providing estimated bills is to provide the customer with an accurate bill that reflects the customer's usage as closely as possible. A concern with using customer reads for billing purposes is that estimates may be inaccurate due to errors made by customers in reading their meters.

5.3. How much are Metering Data Providers costs likely to increase if Metering Data Providers were required to generate estimates of small customers' consumption? Would the increase in the Metering Data Providers' costs be offset by a reduction in retailers' costs?

MDPs already have software to enable them to provide compliant metering data when they are unable to read a meter. The incremental cost of supplying this information to retailers when accumulation meters have not been read on schedule should not be significant. Simply Energy is unlikely to see significant cost reductions because its current estimates are system generated at little incremental cost. The biggest gains from this change would be increased customer satisfaction for the relatively small number of customers who receive estimated bills for accumulation meters and question them.

6. *Gas*

6.1. *Do the issues identified by Ergon in its rule change request apply to standing offers for the supply of gas?*

The impacts of estimated reads for standing offer gas customers are not a significant issue for Simply Energy.

6.2. *Should the same solution developed for standing offers for the supply of electricity be applied to standing offers for the supply of gas?*

The best solution for gas should be sought, which may not be the same as for electricity as the trade-off required may differ. However, a decision with respect to gas should take into account potential efficiencies from common processes for both electricity and gas.

If you have any questions concerning this submission, please contact James Barton on 03 8807 1171.

Yours sincerely

David Murphy
General Manager Commercial