

9 June 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 ERC0196: Using estimated reads for customer transfers

Simply Energy welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) rule request and its Consultation Paper (the Paper) proposed by the COAG Energy Council. Simply Energy is a leading tier 2 energy retailer servicing residential and small business customers across Victoria, South Australia, New South Wales, Queensland and the ACT.

Simply Energy supports the requested rule change of allowing for estimated reads for customer transfers. However we only support the change if there is concrete evidence that the benefits of this rule change outweigh the costs, particularly any borne on the consumer. Simply Energy believes this issue would be removed once interval remotely read meters are installed across all jurisdictions beyond Victoria and the faster the national rollout occurs the more beneficial for all customers and stakeholders. In the meantime, special reads are a preferable basis for customer transfers.

Simply Energy's primary concern is that while transferring customers on estimated reads may reduce customer complaints about transfers, there would be an increase instead in billing related complaints. Billing complaints are more complex from a customer's perspective and are consequently harder to resolve.

Please find below our response to the questions raised in the Paper.

Reasons why estimated reads are not currently used on transfers

1a) – It is our experience that a customer would not be explicitly aware of being able to transfer based on an estimated read. Retailers generally apply the process of transferring customers on actual reads and have communicated this to the customer accordingly.

1b) – Simply Energy have maintained the position of using actual reads to transfer customers because the actual read does provide a strong level confidence that the customer will be billed correctly based upon the confirmed meter data. An actual read removes the need for a follow up bill based on an undercharge / overcharge consequence.

The reluctance to use an estimated read stems from multiple bills being applied to a customer once they have transferred in the market. Customer confusion and frustration is usually avoided by using an actual read over an estimated read and it makes for a cleaner transfer from one retailer to another, albeit delayed.

Reluctance to use estimated reads by retailers can also refer to the significant administrative burdens that would be incurred in having to follow up a customer on either paying an overcharge or advising of and recouping an undercharge, regardless of the amount.

The proposed new rule change only shifts administrative burden from this space to the proposed dispute resolution service to be administered by AEMO. Whilst the rule change removes the overcharge and undercharge process, retailers will instead need to be further resourced in dealing with the complaints related to transfers on estimated reads.

The reluctance for an incoming retailer would be that the first bill they issue is on an actual read and it may be significantly inflated compared to the agreed estimated based bill relevant to the retailer transfer prior. This will then inevitably raise a dispute between a customer and incoming new retailer, creating low consumer confidence in the transfer and a billing dispute on actual data. This cannot possibly be an intended outcome.

Proposed restrictions on transferring on an estimate

2a) – The consumer’s consent is crucial to ensuring the rule works. What is also crucial is providing a rule that consumers can easily understand and agree to. The restrictions that have been proposed including the removal of the undercharge / overcharge process and the customer’s consent are reasonable, if it is decided that transfer on estimate as proposed is to occur.

2b) - What needs to be also considered however are further restrictions for when the incoming retailer issues their first bill on an actual read. If a customer does receive an actual read on their first bill and it is significantly different to the estimated read used for the transfer, the customer as part of their consent to use the estimate must also acknowledge the potential fluctuations that could occur with their new retailer.

2c) and 2d) – The proposed rule change restrictions do not impede consumer protections. The consumer would be willingly consenting to using an estimated read and the retailer cannot act upon a transfer using an estimated read otherwise. These restrictions and costs to retailers are appropriately disclosed on page 18 of the Paper.

Matters relevant to consent to transfer on an estimate

3a) and 3b) – The NERR should specify the same relevant matters to be disclosed to a customer for a transfer on an estimate as they are currently required for billing on estimate read within the NERR. The matters though could include for the customer the 4 restrictions that the proposed rule change intends to introduce before the consent is provided, giving full disclosure to the customer as part of their decision.

Record of customer’s consent to transfer on an estimate

4a) and 4b) – The new retailer must provide the previous retailer a copy of the customer’s consent in accordance with sections 39 and 40 of the NERL and the additional information

advised for the purpose of ensuring that the final bill can be categorised as an estimate correctly and the appropriate process is followed. Simply Energy as a retailer will need to be assured that any customer who transfers away from our business based upon an estimate read is notified and vice versa when we accept a customer on an estimate read.

The established B2B procedures as referenced in the Paper are the most appropriate method of such confirmations as a customer transfer regardless if it is based on an actual or estimate read is a transaction that is covered under these current procedures. Simply Energy encourages the subsequent changes required to reflect transfers on estimated reads.

Consequences of using an estimate without consent

5) - Simply Energy believes that if the customer consents to a transfer but not on an estimate then the current process should remain. A retailer cannot be expected to transfer a customer without either an estimate or an actual read and then final bill the customer when an actual becomes available. Firstly, the customer is no longer with the outgoing retailer so the ability to final bill a customer post a transfer going through the market is not feasible and secondly it would not be a scenario that could be administered correctly without significant costs and resources to trace such transactions.

If a customer wishes to transfer to another retailer, they can only do so through an actual read or on an estimate read as per the Paper including the 4 restrictions. The customer consent must be clear that only upon accepting an estimate read for a transfer can they transfer without an actual.

Use of estimates for settlement

Simply Energy is concerned that the use of estimates for customer transfers increases the risks to retailers of adverse financial outcomes. This is because the incoming retailer would be financially responsible for any estimate inaccuracies made by the outgoing retailer.

Additionally, we are concerned that transferring customers on estimates as proposed would increase the costs from billing complaints. Billing complaints are more complex from a customer's perspective and are consequently harder to resolve

Dispute resolution process for disputes relating to the use of estimates on transfer

Simply Energy believes that the existing dispute procedures under 8.2 of the NER are generally sufficient, however will require amendments to reflect the new rule of transferring a customer on an estimate read. Disputing the review through the MSATS process would be appropriate because AEMO can then apply an objective estimated read that both a retailer and a Meter Data Provider (MDP) would adhere to.

We endorse a threshold that needs to apply to such disputes in order to remove those with a frivolous amount attached. Simply Energy however needs to see more evidence that the threshold should be at 200kWh. This threshold may be appropriate for some retailers but not other retailers within the industry given their size, resources and differing financial systems.

If a retailer wishes to use a special meter read at its own cost as opposed to going down the path of dispute resolution under MSATS then it should be free to do so as it would encourage the main

purpose of the rule change; to expedite the time it takes for a customer to transfer including all transactions completed. Special meter reads performed outside dispute resolution should be discretionary to the objecting retailer.

If you have any questions concerning this submission, please contact Alan Love on 03 8807 5113.

Yours sincerely

James Barton
General Manager Regulation