

18 December 2013

Victoria Mollard
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms Mollard

RE: REVIEW OF ELECTRICITY CUSTOMER SWITCHING

ERM Power welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Issues Paper *Review of Electricity Customer Switching* (your reference: EPR0038). As a second tier retailer we are particularly keen to understand switching times and how they may be reduced.

About ERM Power Limited

ERM Power Limited is an energy company listed on the ASX that operates electricity sales, generation, and gas exploration and production businesses across Australia. Our energy sales business, ERM Power Retail, is licensed to sell electricity in all Australian states, the Australian Capital Territory and the Northern Territory, and has grown organically to become the fourth largest seller of electricity in the National Electricity Market by load.

ERM Power Retail (branded as ERM Business Energy) specialises in providing electricity to business and government customers. We have accrued over 13 per cent of the large Commercial and Industrial (C&I) customer market, and this year we started to offer electricity to the Small to Medium Enterprise (SME) segment of the market.

A Utility Market Intelligence survey by independent research company NTF Group found ERM Power Retail has provided the greatest business customer satisfaction for two years in a row, with the 2012 result setting a new record for the survey with a customer satisfaction rate of 93 per cent.

The need for this review

It is commendable that the Commission has tackled the question of switching timeframes in such a comprehensive manner. At over 100 pages, the paper addresses the current regulatory framework in significant detail.

However, it is our view that the Issues Paper's approach to the issue of consumer switching timeframes was perhaps unwarranted. As noted by the Commission, the reason why consumer switching takes as long as it does in various jurisdictions is because switching happens on meter readings, and meter readings occur as per the local distributor's timeframe, which is usually quarterly. Customers have the ability to pay more for a special read outside the usual cycle but generally choose not to.



To our knowledge, there have been no complaints raised by industry or consumer advocates about the switching timeframes. Therefore, the premise for the extensive approach taken is not clear.

What needs to happen to reduce time to switch retailer

We believe the 'solution' to long switching times is simple to identify: we need to roll out interval meters with remote communications (smart meters), as this will provide both the actual data and the remote read that can provide for a customer to switch immediately after they have had the opportunity to cool off. Smart meters have been addressed across many policy debates, including the Commission's own Power of Choice review. Clearly there are multiple benefits from smart meters and faster switching is one of them.

The Commission itself has addressed advanced metering infrastructure and the faster time to switch in Victoria and for larger customers with interval meters. We support this direction.

To be clear, we do not have concerns with the current times to switch for basic or interval meters; at least nothing new that we believe is worth addressing in an already packed policy reform environment. We would prefer customers with basic meters took less time to switch but this is a metering issue and part of an existing reform agenda we do not want to see diluted by other perceived problems.

We would like governments to be given clear advice and the impetus from advisors such as the Commission to do what is necessary to provide for a market led smart meter roll out. The benefits will flow from there, in the form of better data, faster switching times, cheaper network charges from reduced visits to customer premises, better consumer services and the range of demand response measures already discussed at length through Power of Choice.

If you have any queries about this submission please feel free to call me on the number below.

Yours sincerely,

[signed]

Dr Fiona Simon
General Manager, Regulatory Affairs
03 9214 9318 - fsimon@ermpower.com.au