

23 December 2013

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Sir/Madam,

**RE: Review of Electricity Customer Switching Issues Paper**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) *Review of Electricity Customer Switching Issues Paper* (the Issues Paper).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

**Rationale for review**

The ERAA notes that the purpose of this review is to determine if the current in-situ electricity switching process is efficient, and whether more specific maximum switching time frame rules should be introduced in the NEM.<sup>1</sup> As a general principle, the ERAA supports reform where it is of proven benefit. However, the Issues Paper does not identify a specific market failure that needs to be addressed, and the ERAA does not believe more specific maximum time frame rules would be to the benefit of customers. Should changes be made to (shorten) maximum time frame rules, the costs of doing so will most likely outweigh the benefits experienced by consumers. The ERAA considers that the customer switching process can and will be improved, with the increased use of smart meters providing most efficient method of addressing these issues.

The next stage within this consultation process is the release of an Options Paper in mid-January 2014, should the AEMC consider that there are material problems with the current switching process. As the decision on whether an Options Paper is required will be partially based on the contents of written submissions, the ERAA is concerned that this timeframe will not allow for the proper consideration of stakeholder input. To address this issue, the ERAA recommends amending the release date of a potential Options Paper by at least a month to ensure that all material concerns are adequately addressed and considered. Should the AEMC consider that any material customer switching issues be addressed through changes that will benefit consumers, these changes should be referred to the Australian Energy Market Operator (AEMO) so that a full cost-benefit analysis can be undertaken. This approach will ensure that stakeholders are able to work with AEMO to determine the true impact of any cost changes. Amending the timeframe in this way will mean that the Final Report will not be provided to SCER by 31 March 2014. The ERAA believes that any desire to avoid such a delay should not take precedence over a genuine consultation process.

<sup>1</sup> SCER (2013), *Terms of reference – Australian Energy Market Commission Review (AEMC) of Electricity Customer Switching*, 31 May 2013.



## Transfer-related customer complaints

The Issues Paper for the Review of Electricity Customer Switching cites an increase in transfer-related customer complaints, seeking feedback on the reasons for this rise. The ERAA notes that the following figures are quoted:

- 12% increase in transfer-related complaints in Queensland from 2011/12 to 2012/13
- 40% increase in transfer-related complaints in South Australia from 2011/12 to 2012/13
- 85% increase in transfer-related complaints in NSW from 2011/12 to 2012/13
- 72% increase in transfer-related complaints in Victoria from 2011/12 to 2012/13.<sup>2</sup>

These figures do not take into account the rise in the number of transfers that occurred during this period. Once this is taken into consideration, the increases are much smaller (albeit still an increase).

Table 1: Transfer complaints<sup>3</sup>

	Transfers Completed (11/12)	Complaints (11/12)	Complaints as % of transfers (11/12)	Transfers Completed (12/13)	Complaints (12/13)	Complaints as % of transfers (12/13)
Queensland	268, 554	878	0.33%	232, 304	980	0.42%
South Australia	183, 501	1,362	0.74%	183, 490	1,899	1.03%
NSW	569, 319	4,903	0.86%	667,160	9,099	1.36%
Victoria	682, 363	4,819	0.71%	762,118	7,373	0.97%

To present this information in another way:

- in NSW 99.14% and 98.64% of transfers occurred without any problems in 2011/12 and 2012/13
- in Queensland 99.67% and 99.58% of transfers occurred without any problems in 2011/12 and 2012/13
- in South Australia 99.26% and 98.97% of transfers occurred without any problems in 2011/12 and 2012/13
- in Victoria 99.29% and 99.03% of transfers occurred without any problems in 2011/12 and 2012/13

On a national level, transfers occurring without any complaints dropped slightly from 99.30% (0.70% complaints relative to all transfers) to 98.95% (1.05% complaints relative to all transfers). The ERAA does not consider these numbers to be material and any proposed changes in the transfer process will only be considered an interim measure (when a market-led smart meter rollout will affect the switching experience). We also consider that the costs of any interim measure would likely outweigh any potential benefits that would be experienced by consumers, and therefore should not be implemented.

It is with this overarching principle that the ERAA makes comments on some of the issues raised in the Issues Paper. The ERAA refers the AEMC to submissions made by its members on more detailed responses to operational matters contained within the transfer process.

## Electricity customer switching – issues

### Property access issues

As noted in the Issues Paper, the time taken to transfer customers can be extended where difficulties arise in accessing the customer's property.<sup>4</sup> The Issues Paper also notes that

<sup>2</sup> AEMC (2013), *Review of Electricity Customer Switching Issues Paper*, p.49

<sup>3</sup> <http://www.aemo.com.au/Electricity/Data/Metering/Retail-Transfer-Statistical-Data>

<sup>4</sup> AEMC (2013), *Review of Electricity Customer Switching Issues Paper*, p.26

access issues have been the main reason for transfer failure in the NEM since October 2010.<sup>5</sup> There are a range of options available to retailers to address challenges relating to access, discussed in further detail below.

### **Transfers on estimate**

Retailers do not commonly use estimated reads when performing customer transfers. Estimated reads are not suitable for use with customer transfers as the transfer meter read establishes the final and starting positions for the losing and winning retailer and the customer's bill from each retailer. The ERAA consider that utilising an estimate read will result in customers being over or under-charged. For example, there may be uncertainty surrounding which retailer will resolve this issue, and how any adjustments to network charges will be refunded. This approach adds extra complexity for little benefit, with the cost of resolving any potential issues quite costly. Should this option be given further consideration, a detailed analysis will need to be commissioned to understand the potential ramifications of using estimated reads whilst performing customer transfers.

### **Special reads**

Retailers currently have the opportunity to use 'special' meter readings if they wish, and it is important that these options remain available. However, special reads are not commonly used in the NEM as the costs of undertaking a special read will either have to be absorbed by the retailer undertaking the transfer, or passed on to the consumer. Should the option of making special reads more common in the market be explored further, then the AEMC will need to ensure that regulatory oversight is provided from the AER (Australian Energy Regulator) in ensuring that any fees imposed by distributors on consumers (via retailers) are cost reflective.

### **Self-reads**

AEMO and distributors do not accept self-reads as actual reads for the purpose of settlements or network billing. This is because self-reads are better suited to billing periods in between opening and final reads where the retailer's relationship with the customer is already defined. Self-reads are not suitable for settlements as there is no mechanism for an incoming retailer to validate whether the customer self-read is accurate as it does not have access to the previous read information. Self-reads should not be considered as a potential solution to improve transfer processes as they will likely increase the level and number of inaccurate reads and may result in an increase in billing disputes, adding further complexity with multiple retailers involved. Resolving issues that arise from the use of self-reads can be lengthy and expensive.

### **MSATS and NMI discovery**

The accuracy of data in Market Settlement and Transfer Solutions (MSATS) can present a barrier to competition, and increases costs to retailers. Should the AEMC decide to explore this option to improve the transfer process; the ERAA recommends that a separate review of MSATS to address systemic issues would provide greater benefit.

Some of the issues that members have raised with the ERAA include:

- retailers face difficulties in ensuring customers are billed for the correct metering where the Supply Address, both Structured and Unstructured, within MSATS, is limited or conflicts with the address as known by the customer
- meters and meter numbers are not always identifiable or accessible to customers, which leads to a reliance on the retailer matching the address provided by the customer to the Supply Address listed in MSATS
- to make a correction to the Supply Address in MSATS, the LNSP require the FRMP to supply a local government Rates Notice. In the case of a rental property this can

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<sup>5</sup> Ibid, p.61

be difficult to procure as it requires the cooperation of the property owner or their agent

- for greenfield sites issues arise where meters are assigned a NMI only to be re-addressed by builders or local councils, resulting in cross-metering
- whilst MSATS includes the facility for NMI Discovery via meter number there are some limitations to this. The meter number search has to be exact: a partial entry does not produce a result. Since identifying the relevant meter number from the meter can be difficult to begin with, this limited search functionality restricts Retailer's ability to confirm the correct metering for their customer.

The accuracy of data in MSATS can present a barrier to competition, and increases costs to retailers. It is important because it leads to a number of impacts including:

- failure to reenergise a customer's site because a Retailer cannot confirm the NMI/meter number
- failure to transfer a customer
- delays to transfer
- multiple contacts from retailer to confirm site metering
- incorrect Billing
- incorrect Tariff application
- incomplete Service Orders.

The scope of work to correct current data is substantial and when this matter has previously been raised it was set aside due to the costs involved in identifying and correcting supply address data in MSATS.

### Smart metering

The ERAA considers that smart meters provide the most cost effective solution to many of these concerns, and the ERAA strongly supports the market-driven approach to metering deployment outlined in the AEMC's Power of Choice Review.

The ERAA notes that this review will look at the impact of technologies such as smart meters on the accuracy of transfer readings. Given the ability of smart meters to address a range of issues relating to the customer transfer process, the ERAA recommends that this narrow scope is broadened. Outlined in *Table 2* below, is a summary of issues relating to customer transfers, and these issues may be improved through the introduction of smart metering.

*Table 2: Smart metering and customer transfers*

Issue	Impact of smart metering
Accuracy of meter data	Smart metering will improve the quality of data, reducing errors and related issues.
Property access issues	As physical access to the meter is no longer required, access issues will be addressed.
Time between meter reads	Customers will no longer have to wait for quarterly manual reads of their interval meters. Metering data will be available onto retailers on a weekly basis, reducing the timeframes for customer transfers.

As demonstrated by *Table 2*, smart metering will reduce the timeframes for customer transfers, as well as decrease related issues and complaints. Importantly, this will be done in a cost-effective manner as part of a market-driven smart meter rollout. As most customers in the NEM do not currently have smart meters installed, there may be a temptation to implement interim measures to address concerns relating to the customer transfer process. The ERAA does not believe that these issues are material, nor do we agree that the benefits

of changes to the customer switching process would exceed the cost, especially considering that these issues will be addressed through smart metering.

Should the AEMC believe that interim measures are worth exploring prior to the rollout of smart meters; any options should be sent to AEMO to undertake a full cost-benefit analysis with industry.

To reiterate the ERAA's view, we do not consider that any options should be referred to AEMO, as it is unlikely that any options will be in the long-term interests of consumers.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', written in a cursive style.

Cameron O'Reilly  
CEO  
Energy Retailers Association of Australia