



Australian Energy Market Commission

FINAL RULE DETERMINATION

National Electricity Amendment (Using estimated reads for customer transfers) Rule 2017

National Energy Retail Amendment (Using estimated reads for customer transfers) Rule 2017

Rule Proponent
COAG Energy Council

2 February 2017

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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Summary

Customer participation through switching (or threatening to switch) retailers is one of the key aspects of a competitive retail energy market. Competition is also enhanced by having a customer transfer process that is fast and efficient. Recognising the importance of the customer transfer process, the Australian Energy Market Commission (Commission) conducted the Review of Electricity Customer Switching (Review) in 2014.¹

The Review revealed that generally, customer transfers occurred in an efficient manner. However, for some customers the transfer process took longer than 30 calendar days – the period that the Review considered to be a reasonable timeframe. The longer transfer time was due largely to the practice of waiting to transfer until the next meter read date (which could be up to three months away), and to difficulties in accessing meters.

The Review concluded that the use of estimated reads could reduce transfer times when compared to the existing option of transferring on the next scheduled read, for a customer who is transferring to a new retailer while remaining in the same premises (in-situ transfer).

The Review therefore recommended that the Council of Australian Governments (COAG) Energy Council submit a rule change request to allow the use of estimated meter reads for in-situ transfers. This request was submitted to the Commission in November 2015.

The Commission's views on the importance of an efficient customer transfer process and the benefits of improving transfer times remain unchanged from the Review. An efficient transfer process that supports customer choice and promotes confidence in the integrity of the market processes is a critical component of a competitive retail energy market.

However, a number of important changes have occurred in the market since the Review was prepared. Changes such as a reduction in transfer times, improvements in the retail market, and the Commission's 2015 rule change to expand competition in metering are contributing to the goal of improving the efficiency of the transfer process. When the likely cost to consumers for an estimated read and the complexity in implementation are taken into account, the Commission now considers the introduction of an additional transfer option using estimated reads is not likely to be in the long term interest of consumers and will not contribute to the achievement of the national electricity objective. For these reasons, the Commission decided not to make a draft rule on the use of estimated reads for in-situ transfers.

The Commission received a number of submissions to the draft determination, with almost all stakeholders supporting the Commission's decision not make a rule. The

¹ The Review was a recommendation of the Commission's Power of Choice reform program.

Commission has decided to maintain its position in the draft determination and not make a final rule.

Factors considered by the Commission for this final determination

The Commission undertook extensive research and consultation on the issues identified in the Review and the rule change request, and on the proposed solution, and found that key factors have changed and new information has emerged in the three year period since the research for the Review was undertaken.

The key changes and new information that influenced the Commission's decision are:

- **Significant improvement in transfer times.** Transfer times have significantly improved, even when Victoria (with its widespread use of advanced meters) is excluded. The average transfer time has reduced by one week (a 20 per cent improvement), a clear majority of transfers now take place in less than the recommended period of 30 days, and the proportion of transfers taking lengthy periods has decreased.
- **Roll out of advanced meters.** In November 2015, the Commission made a final rule on the competition in metering rule change.² This rule requires all new and replacement meters for small customers to be advanced meters and sets out a framework for retailers to offer advanced meters to other consumers. Several retailers have already begun offering advanced meters to consumers on an opt-out basis ahead of the commencement of the new rules, with a significant number of advanced meters having been installed since the new rules were made. The Commission considers the roll out of advanced meters under the new competition in metering rules will have a strong impact on reducing transfer times as well as being the most effective solution in addressing chronic access issues.³ The proposed rule on estimated reads would only apply to customers with type 5 and 6 meters and therefore would have only been relevant as an interim measure until advanced meters are rolled out.
- **Estimated reads likely to have costs similar to special read costs.** Some distributors indicated during the consultation process that they would seek to charge a fee, similar to the cost of a special read, for estimates prepared outside of the usual meter reading cycle. One distributor has already received approval from the Australian Energy Regulator for such a fee. In light of this, the Commission considers that customers are likely to choose the certainty of a special read rather than an estimate if they are offered at a similar price.
- **Complexity in implementation.** After spending considerable time researching the best methods to implement the proposed rules, the Commission has concluded that implementation would be unavoidably complex. In order for

² Expanding Competition in Metering and Related Services, reference ERC0169, under the Rule Changes: Completed tab in www.aemc.gov.au.

³ Following the completion of the roll out of advanced meters in Victoria, the average time for an in-situ transfer of a small customer in Victoria fell to 11.9 calendar days in 2015.

customers to make an informed decision, retailers would need to provide more information at the time of transfer, adding complexity to the transfer process and potentially creating confusion for consumers, particularly if there was an additional charge for switching using an estimated read. Retailers, distributors and AEMO would also be required to incur costs and issues could occur in relation to the first bill after a transfer on an estimate (particularly for customers with interval meters). On balance, the rule change could lead to customer confusion and complaints, which could reduce customer confidence in the transfer process.

Related rule change

The Commission also received a related rule change request, also submitted by the COAG Energy Council in response to recommendations made in the Review, to improve the process for addressing erroneous customer transfers.⁴ The Commission has decided to make a more preferable final rule in relation to that rule change request, as it considers improvements to the current process for resolving transfers without consent would lead to a better outcome for consumers.

Taken as a package, the final decisions on the two customer transfer related rule changes, together with recent and continuing improvements in transfer times as a result of the competition in metering rule change, will achieve the Commission's intentions to improve the efficiency of the transfer process, support customer choice and promote confidence in the retail market.

⁴ Reference ERC0195 under the Rule Changes: Open tab in www.aemc.gov.au.

Contents

1	Rule change request and rule making process	1
1.1	Introduction	1
1.2	The rule change request: summary of issues and proposed solution.....	1
1.3	The rule making process	2
2	Final rule determination	3
2.1	Rule making tests	3
2.2	Assessment framework	4
2.3	Summary of reasons	7
2.4	Consistency with Commission's strategic priorities	10
3	Issues and solutions proposed in the rule change request	11
3.1	Issue the rule change seeks to address.....	11
3.2	Solution proposed in the rule change request.....	12
3.3	Current rules and procedures relating to estimates.....	14
4	Impact on transfer times and consumer confidence	16
4.1	Comments in rule change request	16
4.2	Stakeholder comments	16
4.3	Commission's research findings	24
4.4	Analysis	28
4.5	Conclusion	30
5	Regulatory and administrative burden	32
5.1	Comments in rule change request	32
5.2	Stakeholder comments	33
5.3	Implementation issues.....	38
5.4	Analysis	41
5.5	Conclusion	43
	Abbreviations and defined terms	44
A	Summary of issues raised in first round submissions	46

B	Summary of issues raised in second round submissions.....	56
C	Legal requirements under the Electricity Law and the Retail Law	58
	C.1 Final rule determination.....	58
	C.2 Power to make the rule	58
	C.3 Commission's considerations	58

1 Rule change request and rule making process

1.1 Introduction

On 26 November 2015, the Council of Australian Governments (COAG) Energy Council submitted two rule change requests to the Australian Energy Market Commission (Commission): the transfer accuracy rule change request and the estimated reads rule change request. These rule changes aimed to improve the process by which customers transfer to new retailers, based on recommendations from the Commission's Review of Electricity Customer Switching, published in April 2014 (Review). This final determination relates to the estimated reads rule change request.

A final determination in relation to the transfer accuracy rule change request was published on the same date as this final determination, and is available on the Commission website under the reference ERC0195. In the transfer accuracy final determination, the Commission determined to make a more preferable final rule to improve the process for resolving transfers that occurred without the customer's consent.

1.2 The rule change request: summary of issues and proposed solution

The estimated reads rule change request proposed to allow small customers with manually read meters to transfer to new retailers on the basis of estimated meter reads. The estimated read option would only be available where the customer is changing retailers while remaining in the same premises (in-situ transfers), not when moving house. The customer's explicit informed consent would be required for the use of estimates in these circumstances. In addition, the customer's previous meter read must have been an actual meter read.

The estimated reads rule change request noted (based on the Review) that some electricity customers experience transfer times over 30 calendar days, with a small number of transfer times extending beyond 60 calendar days. This was found to be due to the usual practice of waiting to transfer on the next actual meter read (which may be up to three months away), and to problems obtaining access to manually-read meters.⁵

The rule change request noted that slow transfers can affect a customer's level of confidence in the transfer process, and as a result the customer may become disenchanted and participate less in the retail market. Overall confidence in the transfer process and in retail markets more broadly could be reduced in consequence.⁶

The aim of the proposed changes was to decrease the time it takes to transfer to a new retailer, as the customer would not have to wait to transfer on the next actual meter

⁵ Estimated reads rule change request p9.

⁶ Estimated reads rule change request p10.

read. The rule change request stated that the aim is to improve the ability of customers to switch retailers, allowing for increased engagement in retail energy markets and enhancing retail competition.⁷

1.3 The rule making process

On 28 April 2016, the Commission published a notice advising of its commencement of the rule making process and the first round of consultation in respect of the rule change request.⁸ A consultation paper prepared by the Commission identifying specific issues and questions for consultation was also published with the notice. Submissions closed on 9 June 2016.

The Commission received 19 submissions on the rule change request as part of the first round of consultation. They are available on the Commission website.⁹ A summary of the issues raised in submissions but not otherwise addressed in this final rule determination is contained in Appendix A, together with the Commission's response to each issue.

On 24 June 2016, the Commission held a stakeholder workshop to discuss the rule change request and key issues raised in submissions. The agenda and presentations from the workshop are available on the Commission website.

On 28 July 2016 the Commission published a notice advising that the time for making the draft determination had been extended by 10 weeks to 27 October 2016. This extension was required to allow time for further consultation with stakeholders, as the rule change request raised complex issues. The draft determination was published on that date.

The second round of consultation closed on 22 December 2016. The Commission received 17 submissions on the draft determination, and these submissions have been posted on the Commission website. The Commission considered all issues raised by stakeholders in submissions. Key issues raised in submissions are discussed and responded to throughout this final rule determination. A summary of the issues raised in submissions but not otherwise addressed in this final rule determination is contained in Appendix A, together with the Commission's response to each issue.

The rule making process concludes with the publication of this final determination.

⁷ Estimated reads rule change request p14.

⁸ The notice of commencement was published under section 95 of the National Electricity Law (Electricity Law) and section 251 of the National Energy Retail Law (Retail Law).

⁹ www.aemc.gov.au

2 Final rule determination

The Commission's final rule determination is not to make the proposed rules regarding the use of estimates for in-situ customer transfers.

This chapter outlines:

- the Commission's rule making tests for changes to the Electricity Rules and the Retail Rules;
- the Commission's assessment framework for considering the rule change request; and
- the Commission's consideration of the proposed rule against the national electricity objective (Electricity Objective) and the national energy retail objective (Retail Objective).

Further information on the legal requirements for making this final rule determination is set out in Appendix C.

2.1 Rule making tests

2.1.1 Electricity Objective and Retail Objective

Under the Electricity Law, the Commission may only make a change to the Electricity Rules if it is satisfied that the new rule will, or is likely to, contribute to the achievement of the Electricity Objective. Under the Retail Law, the Commission may only make a change to the Retail Rules if it is satisfied that the new rule will, or is likely to, contribute to the achievement of the Retail Objective and meets the consumer protection test. This is the decision making framework that the Commission must apply.

The Electricity Objective is:¹⁰

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

¹⁰ As set out in Electricity Law section 7.

The Retail Objective is:¹¹

“to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.”

In addition, under the Retail Law the Commission must, where relevant,¹²

“satisfy itself that the Rule is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers.”

This is referred to as the consumer protection test.

The Commission is also required to have regard to any relevant Ministerial Council on Energy (MCE) statements of policy principles,¹³ but there are currently no relevant MCE statements.

2.1.2 Additional rule making test - Northern Territory

From 1 July 2016, the Electricity Rules, as amended from time to time, apply in the Northern Territory, subject to derogations set out in regulations made under the NT legislation adopting the Electricity Law.¹⁴ Under those regulations, only certain parts of the Electricity Rules have been adopted in the NT.¹⁵ As the proposed rules relate to the Retail Rules, and to parts of the Electricity Rules that do not currently apply in the Northern Territory, the Commission has not assessed the proposed rules against additional elements required by Northern Territory legislation.¹⁶

2.2 Assessment framework

The Commission used the following criteria to assess whether allowing estimated meter reads to be used for the purpose of in-situ customer transfers between retailers promotes the Electricity Objective and the Retail Objective:

- Will this change promote competition in the retail electricity market?

¹¹ As set out in Retail Law section 13.

¹² Retail Law section 236(2)(b).

¹³ Electricity Law section 33 and Retail Law section 236(2)(c). The MCE is now known as the COAG Energy Council.

¹⁴ National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations.

¹⁵ For the version of the Electricity Rules that applies in the Northern Territory, refer to: [http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/National-Electricity-Rules-\(Northern-Territory\)](http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/National-Electricity-Rules-(Northern-Territory)).

¹⁶ National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

- Will this change promote transparency and certainty of supporting legal frameworks?
- Will this change have a disproportionate regulatory and administrative burden?
- If the other criteria are met, is this change compatible with consumer protections?

The following sections provide further explanation of these criteria.

2.2.1 Promoting competition

The Commission considered whether allowing in-situ transfers to be based on an estimated read in certain circumstances, with customer consent, will promote customer confidence in the transfer process and support customers in exercising choice, by reducing the time it takes to transfer to a new retailer. Consumer participation in the market - particularly by changing (or threatening to change) retailers - is a fundamental driver of competition.

Where competition is effective, retailers will have strong incentives to provide products and services that consumers value and set prices that reflect costs. They will also seek out ways to provide products at the best possible price and invest and innovate to meet changing consumer preferences. Retailers that do not effectively compete in this way risk losing profits and being forced to exit the market. Given the importance of competition in driving efficient outcomes in markets, and hence in promoting the long-term interests of consumers under the Electricity Objective and the Retail Objective, a key consideration of the Commission in assessing this rule change request is the degree to which the proposed rule is likely to promote competition between retailers.

2.2.2 Transparency and certainty of legal frameworks

The legal framework relating to transferring to a new retailer should be clear and understandable for all participants. Such transparency is integral to consumer confidence and engagement in the market.¹⁷

Although in-situ transfers to a new retailer on the basis of an estimated read are not prohibited under the current rules, the current requirement for a retailer to correct for any overcharging that arises from the estimation, in the bill following the next actual meter read,¹⁸ would create an awkward billing situation where the retailer has changed. The proposed rule aims to avoid this situation, but the Commission considered whether the proposed rule would introduce any new complexities and difficulties for retailers and customers to navigate. It is important for all parties that it

¹⁷ As discussed above, consumer participation in the market promotes retail competition and hence efficiency, which is the principal consideration in the Electricity Objective and the Retail Objective when determining what is in the long-term interests of consumers.

¹⁸ Retail Rule 21(4).

is clear how a new rule on estimated reads would operate in the circumstances of a change of retailers.

The Commission also considered how to ensure consumers will have sufficient relevant information to inform the decision as to whether to transfer on the basis of an estimated read (rather than waiting for the next actual read or requesting a special read).

2.2.3 Regulatory and administrative burden

Would the implementation or operation of the proposed rules result in a disproportionate regulatory or administrative burden on market participants, compared to the benefits of the proposed rules? Any new provisions should be simple and practicable from a consumer's perspective. From the perspective of businesses, the new rules should be simple and should be the minimum necessary to achieve their intended objectives. If regulation is excessive or complex, it increases costs for businesses, which are likely to be passed through to consumers in the form of higher prices.

2.2.4 Compatibility with consumer protections

In simple terms, the consumer protection test can be interpreted as: Can the proposed rule be made without causing problems for, or conflicting with, the development and application of consumer protections for small customers?

The "application" of consumer protections relates to consumer protections as they currently exist and as they are presently applied, both within and outside the energy rules. More specifically, would the proposed changes allowing the use of estimated reads impede currently applicable consumer protections, such as those relating to the accuracy of customer bills, or are they consistent with such protections?

Considering the "development" of consumer protections requires a forward-looking assessment. Is the proposed rule likely to be compatible with the future legislative development of consumer protections, and with consumer protections that may be developed through other regulatory avenues, such as judicial decisions?

If the proposed changes to the Retail Rules meet the first part of the Retail Objective (as set out in section 2.1.1 above), after being assessed in accordance with the three criteria above, the next step is to consider whether the proposed new rules are compatible with the development and application of:

- relevant consumer protections within the Retail Law and Retail Rules;
- consumer protections under the general law, including the Australian Consumer Law;
- consumer protections under retail energy laws and regulations of jurisdictions participating in the National Energy Customer Framework (NECF); and

- relevant consumer protections under energy laws and regulations of Victoria.¹⁹

2.3 Summary of reasons

Having considered the rule change request against the assessment criteria set out in section 2.2, the Commission has decided not to make a final rule on estimated reads. The Commission is not satisfied that the proposed rules will, or are likely to, contribute to the achievement of the Electricity Objective and the Retail Objective for the reasons set out below.

2.3.1 Promoting competition

In 2014, the Review recommended that the rules clarify that estimated reads can be used on transfer as it was considered that the use of estimates would facilitate quicker customer transfers, and that this would increase consumer confidence and competition. The Commission's views on the importance of an efficient customer transfer process and the benefits of improving transfer times remain unchanged from the Review.

However, after undertaking extensive further research and consultation with stakeholders in the course of investigating this rule change request, the Commission considers that:

- transfer times have already improved considerably since the Review;
- transfer times will improve further with the roll out of advanced meters under the Commission's competition in metering rule change; and
- it is unlikely that the proposed rules will further reduce transfer times and increase consumer confidence in the transfer process.²⁰

A summary of the reasons for this conclusion is set out below and more details can be found in chapters 4 and 5.

- **Transfer times are already improving and will continue to improve:** Data from AEMO shows that small customer transfer times have already reduced significantly between 2013 (when the research for the Review was conducted) and 2015 (when the rule change request was submitted). Average times for in-situ transfers across the NEM have decreased by approximately one week in this period, and this improvement holds even when Victoria (with its remotely-read meters) is excluded. The proportion of transfers that took less than

¹⁹ The Commission is not required to take into account the consumer protections specific to non-NECF jurisdictions (that is, Victoria), as the proposed changes to the Retail Rules would only apply in those jurisdictions that have implemented the NECF. However, Victorian consumer protections may have some relevance insofar as they indicate potential directions for the development of consumer protections in NECF jurisdictions.

²⁰ The Commission has also considered potential changes to the proposed rules to improve their efficacy, but concluded that such changes are likely to introduce their own problems. See section 5.3.

30 days to complete has significantly increased, and the proportions that took longer periods have significantly decreased, between 2013 and 2015.²¹ Retailers commented that this may be due in part to system and process upgrades. It is clear from this evidence that transfer times are already following a downward trend without an additional mechanism for faster transfers. This trend is expected to accelerate over the next decade as more advanced meters are installed.

- **Unlikely to significantly reduce transfer times:** The impact of the proposed rules on overall transfer times is likely to be low, due to low uptake as a result of the following factors:
 - Customers who wish to transfer quickly are likely to prefer the simpler existing option of a transfer on a special read.²² Data shows that transfers on special reads are quick, and comments from consumer groups and others indicate that customers would have greater confidence in a special read than an estimate. While a fee is charged for a special read, some distributors noted that they would seek to charge a similar amount for an estimate prepared for a transfer. Given these factors, it seems likely that customer uptake of the option for an estimated read would be low.
 - There is a limited pool of customers who meet the criteria for an estimated read under the proposed rule: in-situ transfer, manually read meter, previous read an actual read. For example, most customers in Victoria would not be eligible as they have remotely-read meters. Most customers with chronic meter access problems would be ineligible as their previous meter read is likely to have been an estimate. The rollout of advanced meters will continually reduce the pool of eligible customers.²³
- **Unlikely to improve customer confidence:** If the proposed rule does not improve transfer times compared to the status quo, there will be no improvement to customer confidence in the market as a result. Furthermore, if customers experience issues with the use of estimated reads for in-situ transfers then complaints are likely to increase, and confidence in the market may decrease rather than increase
- **Confidence in transfer process is high and has increased:** Findings from independent research²⁴ indicate that consumer confidence in the transfer process is high and has increased in recent years. In 2016, 78 per cent of residential consumers who were surveyed across the NEM reported being satisfied with the

²¹ Data is set out in section 4.3.1.

²² A special meter read is a meter reading undertaken outside of the normal meter reading cycle on request by a retailer.

²³ These issues are discussed in more detail in Chapter 4.

²⁴ Newgate Research conducted research into consumer confidence in the transfer process for the Commission's Retail Competition Reviews. Newgate Research, Consumer Research for Nationwide Review of Competition in Retail Energy Markets, June 2014 and June 2016. Reports are available on the Commission website, www.aemc.gov.au, under Market Reviews & Advice.

switching process (with Victorian satisfaction levels slightly lower than average at 74 per cent, despite the quicker transfer times resulting from remotely-read meters). The level of satisfaction with the transfer process increased in every relevant jurisdiction between 2014 and 2016, other than in Victoria. Slow transfer times are rarely raised as an issue by consumers.

2.3.2 Transparency and certainty of legal frameworks

Taking into account comments from stakeholders, the Commission considers that the proposed rule would not increase - and could in fact reduce - the transparency and certainty of the legal frameworks relating to the customer transfer process.

The proposed rule would remove the requirement for the outgoing retailer to correct the estimated bill, which is a current source of uncertainty regarding the use of estimated reads on transfer.²⁵ However, the proposed rule would be quite complex in implementation and operation (as discussed below). While the rule could be designed so that customers transferring on an estimate do not pay for more energy than they consume between the last actual meter read before transfer and the first actual meter read after transfer, it would be difficult to make the operation of this provision clear to customers.²⁶

The proposed restrictions on eligibility for transferring using an estimated read and the likelihood that distributors will charge for estimated reads also pose challenges for the transparency of the framework and would make the transfer process more complex for consumers. The transfer process will need to include additional steps to check if a consumer is eligible to switch using an estimated read, disclose any additional charges to the consumer and obtain the consumer's explicit informed consent. In order to give fully informed consent, the consumer is likely to need to understand the various options that are available. A retailer would need to convey, for example: "We can switch you at no cost but you will have to wait X days. Alternatively, you can switch in Y days using an estimated read but it will cost an extra \$A or you can switch in Z days using a special read but it will cost \$B".

The operation of the estimated reads option would be less transparent and certain to customers, and to retailers, than the existing alternative: a special meter read.

2.3.3 Regulatory and administrative burden

The Commission consulted extensively on ways in which the proposed rule on estimated reads could be implemented effectively and with the least disruption. The Commission concluded that certain difficulties could not be avoided, and that a number of changes would be needed to implement the proposed rule.

²⁵ Estimated reads rule change request p18.

²⁶ See section 5.3.4 regarding the provision of information to customers.

Most submissions from retailers and distributors, as well as AEMO, advised that changing procedures, systems and processes to implement the proposed rule would be difficult and would impose some costs. For example, the new retailer would need to know whether the customer's previous meter read was an actual read before offering the estimated read option. Currently this information is not provided in the initial stage of NMI discovery, and distributors do not even provide this information to AEMO for a large proportion of customers - those with Tier 1 retailers²⁷ who have manually read accumulation meters - so changes to MSATS and to distributor obligations would be required.

As another example, retailers would need to change their billing systems, or prepare bills manually, to correctly prepare the first bill for a customer with a manually read interval meter after a transfer on an estimate. If the estimate was higher than the next meter read (a situation likely to be rare, but possible), the first bill would need to be a credit, and this would present further difficulties for retailer billing systems.

In addition to upfront costs of system changes, some retailers considered there would be some ongoing costs, and some distributors indicated they would charge for each estimate - a cost which would likely be passed on to customers (as with the cost of special reads).

Further to this, advances in technologies such as remotely-read meters will mean that this proposed rule change would have diminishing relevance in the longer term.

Given these factors, the Commission considers that the costs and burdens associated with the proposed rule are likely to outweigh the benefits of any reduction in transfer times the rule would provide.

Having made this finding, it is not necessary for the Commission to consider whether the proposed rules are consistent with consumer protections.²⁸

2.4 Consistency with Commission's strategic priorities

This rule change request relates to the Commission's strategic priority relating to consumers, which has a focus on consumer protection, engagement and participation.²⁹ The rule change was intended to facilitate competition in the market by improving consumer confidence and participation in the transfer process. However, given the issues outlined above, the Commission does not consider that the proposed rules would further the consumer priority, as the use of estimated reads is unlikely to improve consumer confidence.

²⁷ Local retailers, who were initially required to offer to supply electricity in the relevant customer's area.

²⁸ However, certain consumer protection issues are addressed section 5.3.4, specifically the provision of information on estimated reads to consumers.

²⁹ Commission, Strategic Priorities for Energy Market Development, Final Priorities, 26 November 2015, pp15-17.

3 Issues and solutions proposed in the rule change request

This chapter sets out:

- the issue the rule change seeks to address;
- the changes to the Retail Rules and the Electricity Rules proposed in the rule change request to address the issue; and
- as background, current rules and procedures relating to the use of estimated meter reads.

3.1 Issue the rule change seeks to address

In the rule change request the COAG Energy Council sought to provide customers an option for a quicker transfer between retailers. The rule change request notes the Review's conclusions that 30 calendar days is a reasonable timeframe for customer transfers to complete.³⁰ Although a majority of transfers in the NEM are completed within 30 days, the rule change request cites findings presented in the Review that a substantial proportion of customer transfers took 30 or more calendar days to be completed, with 10 per cent taking over 60 days.³¹

The rule change request puts forward several factors that tend to lengthen transfer times for customers with manually read meters:³²

- waiting to transfer based on the next scheduled meter read, which could be months away given the standard quarterly meter reading cycle;
- a reluctance by the customer or retailer to pay for a special meter read instead of waiting for the next scheduled meter read; and
- meter access issues at the property (this is a common issue).

The rule change request stated that long customer transfer times can impose costs on the customer, the retailer and the broader market.³³ Affected customers have reduced confidence in the transfer process and in the retail market generally. This can lead to reduced participation in the retail market by other customers (through customers' word of mouth and media reporting of negative experiences with the transfer process).

Retailers would incur increased administrative costs in responding to queries and complaints from customers regarding transfer delays (including complaints to

³⁰ Estimated reads rule change request p8. It notes that this timeframe is consistent with transfer times in other countries similar to Australia.

³¹ Estimated reads rule change request pp8-9.

³² Estimated reads rule change request pp9-10.

³³ Estimated reads rule change request p10, citing the Review.

ombudsmen), and to 'no access' objections raised in the MSATS transfer process when a meter read cannot be completed due to access issues. The retailer is required to contact both the customer and the metering data provider to coordinate a new time when access to the meter can be provided. The retailer is also required to notify the customer if a transfer has not occurred on the expected date.³⁴ Increased administrative costs to secure new customers could undermine retail competition and the entry of new retailers into the market.

3.2 Solution proposed in the rule change request

The COAG Energy Council seeks to resolve the issues discussed above by proposing new provisions clarifying when and how estimated reads can be used for customer transfers. This would involve changes to the Retail Rules and the Electricity Rules. The proposed changes are described in the following two sections.

3.2.1 Proposed changes to Retail Rules

The current regulatory framework does not prohibit small customer transfers taking place based on estimated reads. However, there is confusion as to whether transfers on estimates are allowed and how estimates would work in the context of a transfer.³⁵

The rule change request suggests an amendment to rule 21 of the Retail Rules ("Estimation as a basis for bills"), and the inclusion of a new rule headed "Final bill for transferring small customer may be based on estimation," to make explicit that a small customer can transfer on the basis of an estimated read.

However, the proposed rule limits the circumstances in which this can take place. A transfer on an estimate could occur where all of the following conditions are met:³⁶

- the transfer is in-situ (does not involve a move of address);
- the customer provides explicit informed consent to the transfer being based on an estimated read;
- the meter at the customer's property is a manually read meter;³⁷ and
- the immediately prior meter reading was an actual meter reading.

³⁴ Retail Rule 59.

³⁵ Estimated reads rule change request p11, citing the Review. Confusion may occur in part because, although estimates are currently permitted, Retail Rule 21(4) provides for corrections on the next meter read (with adjustments in the bill for overcharging or undercharging) and it is not clear how this would take place if the customer has transferred to a new retailer. The proposed rule change seeks to address this.

³⁶ Estimated reads rule change request p3, p19.

³⁷ This would cover type 5 (interval) and type 6 (accumulation) meters.

Under the proposed rule, if the final read for an outgoing retailer is an estimated read, the outgoing retailer would not be required to repay any overcharged amount or receive any undercharged amount from the customer.³⁸ But the customer would pay only for the amount of energy they actually consume between the last actual meter read before transfer and the first actual meter read after transfer. An overestimate of energy use at the time of transfer would be reflected in a lower first bill from the new retailer (and vice versa for underestimates).³⁹

The proposed changes would affect the process of customer transfer. If the customer consents to a bill being issued based on estimated data, the customer's original retailer must issue a final bill based on estimated data relying on evidence of customer consent provided by the new retailer to whom the customer is transferring. For final and ongoing billing, both of these retailers must use the same estimated meter reading, to be determined using methodology set out in AEMO's metrology procedure and CATS Procedure.⁴⁰

There are also proposed changes to the model terms and conditions for standard retail contracts, to provide that a final bill can be based on an estimate and the customer will not be repaid any overcharged amount by the outgoing retailer or be required to repay to the outgoing retailer any underpaid amount when the new retailer obtains the next actual read for the premises.⁴¹

3.2.2 Proposed changes to Electricity Rules

The rule change request also proposes changes to the Electricity Rules in relation to the use of estimated reads for customer transfers.

AEMO would be required to amend the Metrology Procedures to ensure they support the use of estimated reads for customer transfers. These changes would cover:⁴²

- establishing a new procedure for the estimation of metering data for the purposes of a final bill for a transferring customer; and
- establishing a dispute resolution process for disputes between a retailer and a metering data provider arising from the use of an estimate for a final bill.

³⁸ The estimated reads rule change request proposes (p18) that Retail Rule 21(4) will not apply where a final bill is based on an estimated read.

³⁹ This could be done through changes to the Metrology Procedures that set out how the incoming retailer's first bill to the new customer (based on an actual read) would be calculated, for type 5 (interval) and type 6 (accumulation) meters, taking into account the new actual read, the estimated figure used on transfer, and the previous actual read. Implementing this is likely to require changes to retailers' billing systems.

⁴⁰ Estimated reads rule change request p3, p19.

⁴¹ Estimated reads rule change request p20.

⁴² Estimated reads rule change request p22.

AEMO would also be required to consider, develop and publish any consequential amendments to the CATS Procedure necessary as a result of all the other changes described in this section.⁴³

3.3 Current rules and procedures relating to estimates

3.3.1 Current rules relating to the use of estimates

Rule 21 in the Retail Rules provides for the use of estimated reads for the purposes of small customers' bills. Bills may be based on estimates if:⁴⁴

- the customer consents; or
- the retailer is not able to reasonably or reliably base the bill on an actual meter reading; or
- metering data is not provided to the retailer by the responsible person.

An estimate may be based on:⁴⁵

- the customer's own read;
- the customer's historical metering data; or
- the average use of energy by a comparable customer over the corresponding period, if no historical metering data is available for the customer.

The retailer is also required to inform the customer that the bill is based on an estimate.⁴⁶ A retailer who issues a bill based on an estimate and subsequently issues a bill based on actual meter data must:⁴⁷

- include an adjustment on the later bill to take account of any overcharging that has occurred; and
- generally, if requested by the customer, offer the customer time to pay any undercharged amount in agreed instalments.

3.3.2 Current procedures relating to the use of estimates

AEMO has an important role in establishing estimation methodologies and procedures for their use, as AEMO is responsible for the Metrology Procedures.⁴⁸ The Electricity

⁴³ Estimated reads rule change request p23.

⁴⁴ Retail Rule 21(1).

⁴⁵ Retail Rule 21(2).

⁴⁶ Retail Rule 21(3).

⁴⁷ Retail Rule 21(4).

⁴⁸ Electricity Rule 7.14.1.

Rules stipulate that the Metrology Procedures must include procedures on the validation and substitution of metering data and the estimation of metering data.⁴⁹ The types of estimation methodologies relevant to this rule change request - those applying to manually read interval (type 5) and accumulation (type 6) meters - are detailed in clauses 3 and 4 of Part B of the Metrology Procedures.⁵⁰

⁴⁹ Electricity Rules 7.14.1(c)(6)(i) and (ii).

⁵⁰ The full name is "Metrology Procedure: Part B: Metering data validation, substitution and estimation procedure for metering types 1-7," 15 May 2015. It is available on the AEMO website, www.aemo.com.au.

4 Impact on transfer times and consumer confidence

This chapter addresses issues relating to the effectiveness of the proposed rules in reducing transfer times and improving consumer confidence in the transfer process and the market as a whole. It covers:

- comments on these issues in the rule change request;
- comments by stakeholders on these issues;
- research findings in relation to transfer times, customer complaints to ombudsmen about transfer delays, and customer confidence in the transfer process; and
- analysis and conclusions regarding the likely effectiveness of the proposed rules.

4.1 Comments in rule change request

The rule change request made the following comments in relation to the impact of the proposed rules on transfer times and consumer confidence:⁵¹

- Customers would have the option of moving to their new retail offer much sooner than having to wait to transfer on their next scheduled meter read or pay for a special read. This would, therefore, reduce transaction costs for those customers who opt to switch on estimated reads, since transfers would occur more quickly and potentially more cheaply.
- This option provides an alternative means of obtaining a meter read, which circumvents the problems of meter access that have been widely cited as being one of the main constraints on giving effect to faster transfers.
- The availability of quicker transfers to a new retailer may make transfers more attractive to consumers, which may lead to an increase in competition, which is in the long term interests of consumers.

4.2 Stakeholder comments

Stakeholder comments relating to the impact of estimated reads on transfer times and consumer confidence are set out below, organised by stakeholder type (consumer groups and ombudsmen, retailers, distributors) and by issue. Most of the comments are drawn from submissions to the consultation paper and the draft determination (available on the Commission website under project code ERC0196), but some comments are drawn from informal bilateral consultations undertaken by the Commission throughout the rule change assessment process.

⁵¹ Estimated reads rule change request p16.

4.2.1 Consumer groups and ombudsmen

The Energy and Water Ombudsman of South Australia (EWOSA) initially considered that the proposed rules would reduce the average time it takes to transfer customers between retailers and result in more transfers occurring within the preferred timeframe of 30 days.⁵² However, in its submission on the draft determination EWOSA agreed that the decision not to make a draft rule was appropriate, for the reasons set out in the draft determination. EWOSA also noted that the number of complaints it receives regarding transfer delays has been falling.⁵³

EWOSA and the Energy and Water Ombudsman of NSW (EWON) considered that the proposed rules would reduce complaints regarding transfer delays.⁵⁴

EWOSA noted that the need for estimated meter reads should fall as advanced meters are adopted by a greater proportion of small customers.⁵⁵

The Public Interest Advocacy Centre (PIAC) supported the use of estimated reads in facilitating a more timely customer transfer process. It considered that the proposed rules address the issue of lengthy delays in in-situ transfers while providing adequate consumer protections regarding consent and accurate billing.⁵⁶ However, after hearing that distributors may charge for estimated reads,⁵⁷ PIAC noted that this cost, combined with customer distrust of estimates generally, may reduce customer uptake of estimated reads on transfer.⁵⁸

The Consumer Utilities Advocacy Centre (CUAC) was circumspect, stating that for some customers, an estimated read may be an effective process to speed up transfer, but that relying on an estimated read may result in poor outcomes for consumers in particular circumstances. CUAC noted the potential for bill shock, and noted that this problem can have the same effect as a delayed transfer - reduced consumer confidence, trust and engagement in retail energy markets. CUAC considered that obtaining a reading close to transfer provides a preferable outcome for consumers by ensuring that settlement is as accurate as possible.⁵⁹

52 EWOSA submission to consultation paper p2.

53 EWOSA submission to draft determination p1. Further data on complaints to ombudsmen is set out in section 4.3.2 below.

54 EWON submission to consultation paper, p1. EWOSA submission to consultation paper, p2.

55 EWOSA submission to consultation paper, p2.

56 PIAC submission to consultation paper, p3.

57 See section 4.2.3 on fees for estimated reads.

58 PIAC meeting with Commission, 22 August 2016.

59 CUAC submission to consultation paper, p1, p2.

Submissions by consumer groups and ombudsmen, as well as retailers, in relation to the Meter Read and Billing Frequency rule change indicated that customers generally dislike estimated reads and that estimated reads often lead to billing disputes.⁶⁰

4.2.2 Retailers

Almost all retailers that made submissions on the consultation paper opposed the proposed rules, and all retailer submissions on the draft determination supported the Commission's decision not to make a draft rule. Most retailers did not consider the proposed rules would be effective in reducing transfer times and increasing customer confidence, compared to actions that are currently taking place and will continue in the future (for example the existing option of a special read and the introduction of advanced meters). They did not consider that the proposed rules would address chronic access issues, and suggested that uptake of a new estimated read option may be low. Comments on these issues are set out below.

Comments in support

While some retailers made general statements that improved transfer times would be beneficial,⁶¹ only Origin supported the proposed rules specifically, in its initial submission. Origin considered that in the interim period before advanced meters are widely deployed, the proposed rule change would improve customers' experience of the market and support competitive outcomes.⁶² However, in its submission on the draft determination Origin supported the decision not to make a rule, for the reasons set out in the draft determination.⁶³

Existing options: special read and previous read

- Red/Lumo: The special read process remains an easy and relatively cost-effective means of ensuring a timely retail transfer should the customer or retailer determine an early switch is in their best interests.⁶⁴ Some retailers are likely to offer special reads to customers free of charge in a competitive market.⁶⁵
- Simply Energy: Before remotely-read meters are rolled out, special reads are a preferable basis for customer transfers.⁶⁶

⁶⁰ These submissions are available on the Commission website, www.aemc.gov.au, under reference RRC0006. These views are discussed in section 3.5 ("Consumer views on the use of estimates") of the draft rule determination for this rule change, published on 31 March 2016.

⁶¹ For example, ERM Business Energy submission to consultation paper, p1; EnergyAustralia letter to Commission 26 August 2016, attachment p3.

⁶² Origin Energy submission to consultation paper, p1.

⁶³ Origin Energy submission to draft determination, p1.

⁶⁴ Red/Lumo submission to consultation paper, p4.

⁶⁵ Red/Lumo submission to draft determination, p1.

⁶⁶ Simply Energy submission to consultation paper, p1.

- ERM: Often special meter reads are a feasible option to an anticipated transfer delay and will be considered by the customer in a trade-off between the special read cost and the benefits of moving quickly to a new retailer with potentially cheaper rates. However, they may be inconvenient to some customers as the appointment windows are up to four hours. Reducing this window would make special reads more attractive, and could be a solution without requiring estimation.⁶⁷
- AGL: Retailers have been using special reads to speed up the transfer process. AGL has used special reads for a number of years across the NEM. Some retailers bear the cost of special reads.⁶⁸
- Pacific Hydro Retail: Customers and retailers have the option, under existing transfer rules, to request a special meter read to avoid any transfer delays. This allows the cost of an accelerated transfer to be allocated to the party most likely to receive the benefit and avoids further costs to all consumers from implementing the proposed rules.⁶⁹
- AGL and EnergyAustralia also noted that if a transfer is requested soon after an actual meter read, the retailers can agree to use that meter read for transfer purposes.⁷⁰

Introduction of remotely-read meters

- Red/Lumo: Delayed transfers cease to be an issue when remotely read meters are in place. With the implementation of the Competition in Metering rule change⁷¹ the market will provide a solution to mitigate any concerns with transfer times in the short to medium term. Implementing this complex rule when there is a clear and foreseeable limit for its usefulness does not meet the Electricity Objective or the Retail Objective.⁷²
- EnergyAustralia: While reducing transfer times would be valuable for customers, any benefits of this rule change will be short-lived and will accrue to a diminishing number of customers, due to the increasing base of remotely-read meters.⁷³
- Simply Energy and ERM: This issue will be removed once remotely-read meters are installed across all jurisdictions.⁷⁴

⁶⁷ ERM Business Energy submission to consultation paper, p2.

⁶⁸ AGL submission to consultation paper, p2.

⁶⁹ Pacific Hydro letter to Commission 15 July 2016, p2.

⁷⁰ AGL and EnergyAustralia, discussions with Commission staff, June and July 2016.

⁷¹ See section 4.3.4 below.

⁷² Red/Lumo submission to consultation paper, p1.

⁷³ EnergyAustralia submission to consultation paper, p1, p3.

⁷⁴ Simply Energy submission to consultation paper, p1. ERM Business Energy submission to consultation paper, p2.

- Origin: The long-term solution lies in the deployment of advanced meters.⁷⁵
- AGL: Remotely-read meters have been a key driver of lower complaints regarding transfer delays in Victoria. The Competition in Metering rule change will exponentially increase the penetration of remotely-read meters, and therefore the improvements in transfer speed and decline in complaints for transfer delays observed in Victoria will be mirrored across the NEM.⁷⁶

Access issues

Red/Lumo stated that the proposed rules would not resolve issues relating to access to the meter (one of the drivers of transfer delays). The vast majority of access issues are not once-off, so if access is an issue for a customer the previous meter read is likely to have been an estimate and so the customer would be ineligible to transfer on an estimate.⁷⁷ (The proposed rules would restrict transfers on estimates to scenarios in which the immediately prior meter read was an actual read.) ERM and AGL made similar comments.⁷⁸

Extent of impact

- ERM: Only a proportion of transfer delays will be resolved through this proposal.⁷⁹
- EnergyAustralia: The population of eligible customers will be further limited to those who understand the process and are prepared to transfer on an estimate. There is no certainty as to how many eligible customers are likely to elect to transfer on an estimate.⁸⁰ Faster transfers are not a top priority for customers, given the relatively low level of complaints to ombudsmen regarding transfer delays.⁸¹
- Red/Lumo: The proposed rules may reduce the time required to transfer retailers for some small customers. However, the vast majority of customers will not see a significant enough benefit from the proposed rules to encourage a vastly different perception amongst consumers of the ease of transferring retailers.⁸²
- Powershop foresees no increase in consumer confidence, as using an estimated read to transfer more quickly could immediately undermine any renewed

75 Origin Energy submission to consultation paper, p1.

76 AGL submission to consultation paper, p2, p3.

77 Red/Lumo submission to consultation paper, p3.

78 ERM Business Energy submission to consultation paper, p2. AGL submission to consultation paper, p4.

79 ERM Business Energy submission to consultation paper, p5.

80 EnergyAustralia submission to consultation paper, p2, p3.

81 EnergyAustralia letter to Commission 26 August 2016, attachment p3.

82 Red/Lumo submission to consultation paper, p1, p4.

confidence due to lack of accuracy and customers' existing dislike of using an estimated read for billing.⁸³

Other issues

- Some retailers indicated that take-up of a new estimated read option could be low as retailers may not offer this option to customers (unless the rule required them to do so), due to concerns about potential complaints.⁸⁴
- AGL: It is likely that ongoing competition, innovation in new services, improvements in retailers' IT and metering capabilities and better reporting of meter reading performance is driving, and can further drive, significant improvements in the speed of transfers at lower cost than the proposed rules.⁸⁵

4.2.3 Distributors as metering data providers

In the first round of consultation most distributor submissions opposed the proposed rules, and in the second round of consultation all distributor submissions supported the decision not to make a draft rule, for many of the same reasons as retailers. In addition, some distributors noted that they would seek to impose a charge for an estimated read (similar to the charges for special reads), and that customers would be likely to choose a special read in preference to an estimated read given the similar costs.

Existing options

Ergon Energy stated that current processes for special reads on transfer, funded by customers or retailers, allow early transfer at a minimal cost.⁸⁶ Energex agreed, noting that a special read (for which it currently charges \$8.40) is a low-cost option for expediting transfer, and is also more reliable than an estimated read, reducing the potential for a poor transfer experience.⁸⁷ Endeavour Energy stated that another option that is currently available is to transfer using the previous actual meter read, if it was obtained within a reasonable amount of time (e.g. 15 days) prior to the date the transfer was requested.⁸⁸

Introduction of remotely-read meters

United Energy noted that it will only be a matter of years before all customers nationally have an advanced meter and this rule change becomes superfluous.⁸⁹ Ausgrid anticipates that by 2024 a 'significant number' of customers in its supply area

⁸³ Powershop letter to Commission 26 August 2016, p2.

⁸⁴ Discussions between retailers and Commission staff, June-August 2016.

⁸⁵ AGL submission to consultation paper, pp4-5.

⁸⁶ Ergon Energy submission to consultation paper, p1.

⁸⁷ Energex submission to consultation paper, p1.

⁸⁸ Email from Endeavour Energy to Commission staff 26 August 2016.

⁸⁹ United Energy submission to consultation paper, p2.

will have an advanced meter.⁹⁰ Energex and ENA expressed similar views, stating that it is not in the long-term interests of consumers to undertake costly system changes to facilitate what will effectively be an interim measure.⁹¹

Access issues

Energex noted that the proposed rules, allowing estimated reads on transfer only when the previous read was an actual read, will not assist in situations where there are ongoing access issues.⁹²

Fee for estimated read

Some distributors stated that they would envisage charging a fee for each estimate on transfer, to account for the additional administrative cost of providing the service, and that this fee would be similar to the charge for a special read. Energex included an estimated read fee in its annual pricing proposal for 2016-2017, and this fee was approved by the Australian Energy Regulator (AER) on 3 June 2016. The approved charge for the 2016-2017 period is \$7.88 plus GST (slightly higher than Energex's special read charge).⁹³ When presented with a choice between an estimate and a special read, with similar costs, Energex considered that most customers (and retailers) would elect to expedite a transfer based on a special read rather than on an estimate.⁹⁴ ENA made a similar statement.⁹⁵

4.2.4 AEMO

AEMO's submission in response to the draft determination supported the use of estimated reads on transfer. Key comments in this submission and the Commission's responses are set out below.

Transfer times

AEMO's submission acknowledged that allowing transfers on estimates would be unlikely to reduce the timing of customer transfers in the short term. Nevertheless, AEMO supported the proposed rules, arguing that transfer times in comparable markets (New Zealand electricity market and the mobile phone market) are currently much quicker than energy transfers in the NEM, and these other markets have moved the goal posts in terms of customer expectations on transfer times. Allowing retailers to

⁹⁰ Ausgrid submission to draft determination, p1.

⁹¹ Energex submission to consultation paper, p2. Energy Networks Association submission to consultation paper, p2.

⁹² Energex submission to consultation paper p2.

⁹³ See the AER-approved Energex Annual Pricing Proposal, 1 July 2016 to 30 June 2017, page 89, available at:

<https://www.aer.gov.au/system/files/AER%20approved%20-%20Energex%202016-17%20Annual%20Pricing%20Proposal%20-%203%20June%202016.pdf>.

⁹⁴ Energex submission to consultation paper, p2.

⁹⁵ Energy Networks Association submission to consultation paper, p2. Submissions to the draft determination from EWOSA and Origin indicated agreement with this as well.

transfer on an estimated meter read would avoid a meter reader visit, which by its nature adds a delay into the transfer process.⁹⁶

The Commission notes that there are differences between those markets and the electricity and gas retail markets in Australia. For example, the electricity customer transfer rules and system in New Zealand differ substantially from those in the NEM. The New Zealand rules have strict requirements on the losing retailer to arrange a transfer date no more than 10 business days after being notified of the transfer request, and the transfer may be made on an estimate without seeking customer consent (unlike the proposed rule).⁹⁷ Furthermore there is already a high penetration of advanced meters in New Zealand, enabling quicker reads without the use of estimates.

The Commission considers that the proposed rule on estimated reads, if made, would not ensure that average transfer times were similar to transfer times in New Zealand or for mobile phone transfers. Nor would it improve the minimum transfer time, as transfers on special reads or remote reads are very rapid. The rollout of advanced meters, rather than estimated reads, will have the most impact as the remote read capability has parallels to the technology used in mobile phone transfers.

Introduction of remotely-read meters

AEMO agreed that the introduction of advanced meters with remote read capabilities will assist in lowering transfer times for customers with those meters, and for those customers, a rule on estimated reads would be moot. Over time, advanced metering deployment will reduce the number of customers who would benefit from such a rule. However, AEMO noted that for some customers, advanced metering may not be proactively deployed by retailers for many years, and deployment may favour certain regions or customer types. Therefore AEMO does not consider that advanced metering deployment resolves the need to consider the use of estimates for customer transfers.⁹⁸

The Commission notes that other stakeholders have reported that advanced meters are already being deployed rapidly.⁹⁹ While deployment may not be uniform, a customer without an advanced meter who wishes to transfer quickly can request a special read. Data shows transfers on special reads are completed very quickly.¹⁰⁰

Fee for estimated read

AEMO considered that existing processes could be leveraged to facilitate the provision of estimated reads, such as the "Provide Meter Data" and "Verify Meter Data" service requests. No unit fees are charged for these services. Metering data providers already provide estimates when providing actual or substituted readings for manually read

⁹⁶ AEMO submission to draft determination, pp2-3.

⁹⁷ New Zealand Electricity Industry Participation Code 2010, Schedule 11.3, clauses 4-5 and associated definitions.

⁹⁸ AEMO submission to draft determination, p3.

⁹⁹ See section 4.2.3.

¹⁰⁰ See section 4.4.2.

metering installations. For these reasons AEMO considered that it was hard to justify a transactional fee for providing an estimated read, and in particular that any fee would be equivalent to the cost of sending a meter reader to take a special read.¹⁰¹

The Commission understands that the "Provide Meter Data" and "Verify Meter Data" processes are partly or fully automated and use pre-existing data rather than requiring new data to be created, and are therefore different from the process of preparing an estimated read for a non-scheduled date. As a non-scheduled estimated read would require some degree of manual handling to process the request for the selected site for the selected date, the AER has classed this activity as an alternative control service, for which a unit fee can be charged.¹⁰²

4.3 Commission's research findings

4.3.1 Improvements in transfer times since 2013

AEMO data on in-situ transfer times for small electricity customers shows a clear improvement in transfer times across the NEM (excluding Victoria) between 2013, when the research for the Review was conducted, and 2015, as set out in the table below.¹⁰³ Average transfer times have fallen by approximately 20 per cent, or seven days, and the proportion of transfers taking long periods to complete has also dropped. Notably, a far greater proportion of transfers - a clear majority - are now completed in less than 30 days, the period which was considered reasonable in the Review.¹⁰⁴

Table 4.1 Transfer times in the NEM (excluding Victoria)¹⁰⁵

Statistic	2013	2015
Average transfer time in calendar days	37.36	30.06
Per cent completed in less than 30 days	46.1%	62.5%
Per cent completed in 30 to 60 days	31.5%	19.8%
Per cent completed in 60 to 69 days	8.3%	6.2%
Per cent completed in 70 to 79 days	8.0%	6.3%
Per cent completed in 80 days or greater	6.6%	5.6%

¹⁰¹ AEMO submission to draft determination, p4.

¹⁰² See notes to section 4.4.2.

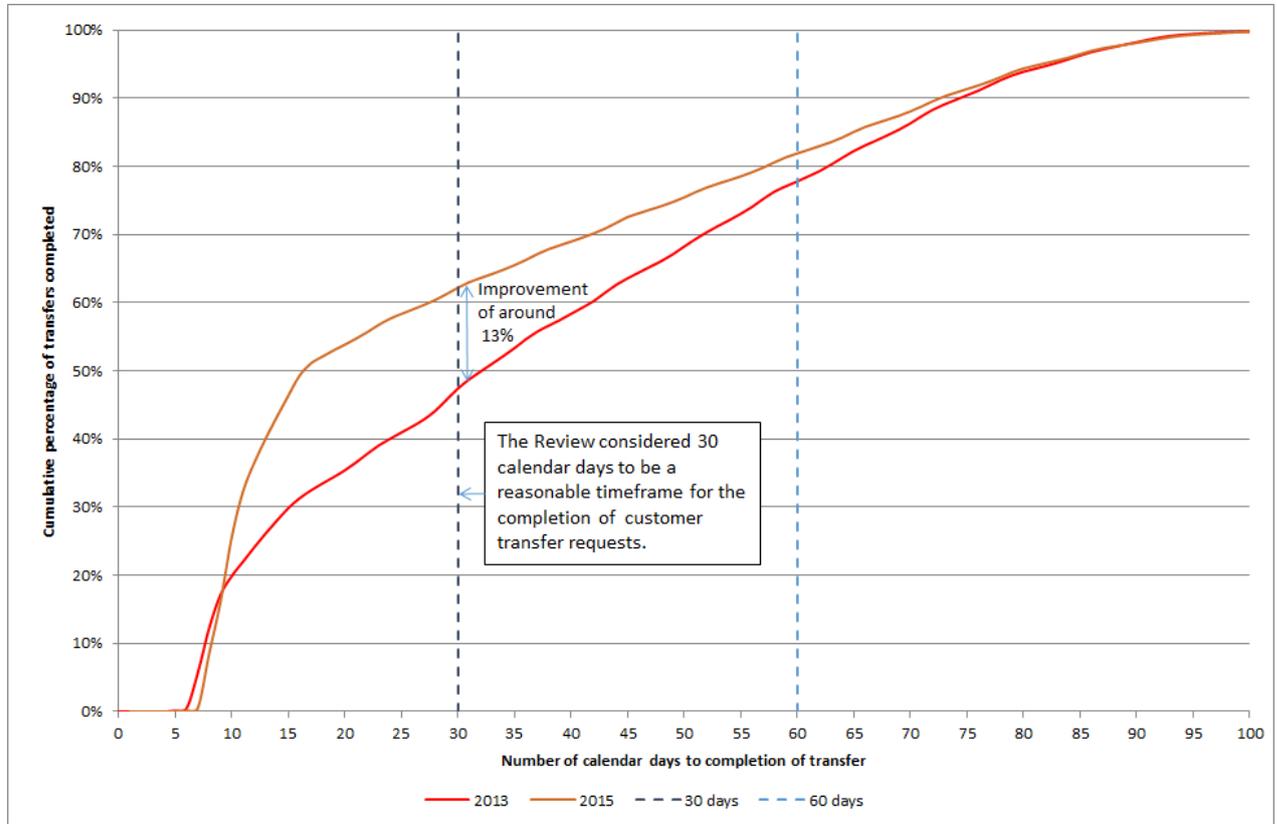
¹⁰³ Victoria has been excluded from the data as this rule change (even if adopted in Victoria) would apply to very few customers in that state, given that only customers with manually-read meters would be eligible.

¹⁰⁴ Review p18.

¹⁰⁵ This data is calculated using calendar days.

The increasing speed of transfers across the NEM between 2013 and 2015, even when Victoria is excluded, is also represented graphically in the following figure.

Figure 4.1 Cumulative distribution of small customer transfer times in the NEM (excluding Victoria)



4.3.2 Customer complaints to ombudsmen on transfer delays and estimated bills

Energy and water ombudsmen report data on consumer complaints regarding energy issues, including in relation to transfer delays and estimated bills. In NSW, South Australia, Queensland and Victoria, the number of complaints regarding transfer delays has decreased significantly in recent years. Complaints regarding estimated reads have declined somewhat in South Australia and Queensland (but to a smaller extent than the decrease in complaints on transfer delays), while complaints in NSW increased significantly. In Victoria, there has been a significant reduction in complaints regarding estimates which is consistent with the installation of advanced meters that reduce the need for estimated reads. The figures are shown in the following table.

Table 4.2 Ombudsmen data on complaints regarding transfer delays and estimated bills¹⁰⁶

State	Type of complaint	No. in 2013-14	No. in 2015-16	Change between years
NSW ¹⁰⁷	Transfer delays	1,010	410	59% decrease
	Estimated bills	1,757	2,820	60% increase
SA ¹⁰⁸	Transfer delays	450	209	54% decrease
	Estimated bills	295	219	26% decrease
QLD ¹⁰⁹	Transfer delays	43	6	86% decrease
	Estimated bills	56	41	27% decrease
VIC ¹¹⁰	Transfer delays	1,320	388	71% decrease
	Estimated bills	2,080	476	77% decrease

Note that the total number of complaints to ombudsmen (for all reasons) has fallen since 2013-2014 across the NEM, driven in part by better resolution of complaints at the retailer level.¹¹¹

4.3.3 Customer confidence in transfer process

Research undertaken by independent consultants for the Commission's Retail Competition Reviews indicates that customer satisfaction with the transfer process is high, and has improved between 2014 and 2016 in all states for which data is available, other than Victoria. The following table sets out the percentage of survey respondents, in the residential electricity category, who were satisfied with the process of switching retailers.¹¹²

-
- ¹⁰⁶ Figures for NSW and South Australia cover electricity, gas and water. Figures for Victoria and Queensland are for electricity only.
- ¹⁰⁷ Information available on EWON website, www.ewon.com.au.
- ¹⁰⁸ Information from annual reports, available on EWOSA website, www.ewosa.com.au.
- ¹⁰⁹ Information from annual reports, available on EWOQ website, www.ewoq.com.au.
- ¹¹⁰ Information from annual reports, available on EWOV website, www.ewov.com.au.
- ¹¹¹ See the discussion of complaints to energy ombudsmen in section 8.3 (pp86-88) of the Commission's 2016 Retail Competition Review, available on the Commission website, www.aemc.gov.au. EWOV provides similar comments in its submission on the consultation paper, p4.
- ¹¹² Newgate Research, *Consumer Research for Nationwide Review of Competition in Retail Energy Markets*, June 2014 and June 2016. Reports available on Commission website, www.aemc.gov.au, under references RPR0002 and RPR0004. Note that the questions were slightly different in 2014 and 2016. The 2014 results include respondents who indicated that, last time they switched electricity company or plan, they were somewhat satisfied or very satisfied with the overall switching process. The 2016 results include respondents who had switched and somewhat agreed or strongly

Table 4.3 Percentage of residential customers satisfied with electricity retailer transfer process

Jurisdiction	2014 (%)	2016 (%)
NEM	n/a	78
SE QLD	74	81
NSW	77	81
ACT	n/a	70
VIC	75	74
SA	73	77

Another notable finding is that, for those customers who were happy with their decision to switch electricity company or plan, an increasing proportion stated that one of the main reasons they were happy with this decision is because the switching process was smooth or easy.¹¹³ The following table sets out the percentage of survey respondents, in the residential electricity category, who gave this response in 2015 and in 2016 (an equivalent question was not asked in 2014).¹¹⁴

Table 4.4 Percentage of residential customers happy with switching due to ease of process

Jurisdiction	2015 (%)	2016 (%)
SE QLD	4	23
NSW	8	15
ACT	11	16
VIC	8	16
SA	7	20

agreed with the statement "I was satisfied with the process involved in switching." An equivalent question was not asked in 2015.

¹¹³ Note that this was an open-ended question; respondents did not choose from a pre-selected list of reasons. Other reasons given included cheaper prices, discounts, better customer service with the new retailer, etc.

¹¹⁴ Newgate Research, *Consumer Research for 2016 Nationwide Review of Competition in Retail Energy Markets*, June 2016. Report available on Commission website, www.aemc.gov.au, under reference RPR0004.

4.3.4 Rollout of advanced meters

On 26 November 2015 the Commission published the Expanding Competition in Metering and Related Services final rule. This rule will facilitate a market-led approach to the deployment of advanced meters.

All new and replacement meters installed for small customers after 1 December 2017, the date the rule change takes full effect, must be remotely-read advanced meters. On average, the rate of meter replacement for faults and maintenance issues stands at approximately five per cent per year, which indicates the minimum rate for the deployment of advanced meters under the new metering rules.¹¹⁵

The new rules also establish a framework for retailers to offer advanced meters to other consumers on an opt-out basis, and a retailer-led rollout of advanced meters to a large proportion of customers is expected in addition to the minimum requirements for new and replacement meters. Several retailers have already commenced installing advanced meters in advance of the commencement of the new rules, with a significant number of advanced meters having been installed during 2016. While no detailed figures on the speed of advanced meter deployment are available, comments from retailers and distributors indicate a reasonably rapid deployment, particularly after 1 December 2017.

By removing the need to physically access the meter to read it, advanced meters with remote read capabilities allow for faster transfers as the meter can be read virtually on demand. This removes the need to wait to transfer on the next scheduled meter read date and avoids any access issues. AEMO data indicates that transfer times in Victoria have improved dramatically in recent years as the mandated rollout of advanced meters took place.¹¹⁶

4.4 Analysis

4.4.1 Recent improvements

It is clear from the research undertaken for this rule change request that key circumstances have changed in the period since research was undertaken for the Review:

¹¹⁵ Expanding Competition in Metering and Related Services, reference ERC0169, under the Rule Changes: Completed tab in www.aemc.gov.au.

¹¹⁶ The average time for an in-situ transfer of a small customer in Victoria was 17.9 calendar days in 2013, when the rollout had already started, and was 11.9 calendar days in 2015, when the rollout was nearly complete.

- Transfer times have significantly improved. A clear majority of transfers now take place in less than the Review's recommended period of 30 days, and the proportion of transfers taking lengthy periods has decreased.¹¹⁷
- The Competition in Metering rule change has been made. It will lead to significant numbers of advanced meters being installed. Transfer times will continue to improve as more advanced meters are installed.¹¹⁸
- Consumer satisfaction with the transfer process has increased, and is at a high level overall,¹¹⁹ and consumer complaints to ombudsmen regarding transfer delays have decreased significantly.¹²⁰

4.4.2 Existing options

As the rule change request acknowledged, special reads constitute an existing method by which customers may transfer to new retailers without having to wait for the next scheduled meter read.¹²¹ The rule change request considered that estimated reads would have advantages over special reads because physical access to the meter is not required for estimated reads, and a fee is charged for special reads.¹²²

However, it is likely that neither of these factors would make a material difference in practice.

- As the proposed rules only allow an estimate to be used on transfer if the previous read was an actual read, access would remain an issue and customers with chronic access problems would be unlikely to be eligible to transfer on an estimate.¹²³ In any case, transfers on a special read are generally very rapid and do not appear to suffer from delays caused by access issues.¹²⁴
- Distributors may charge a fee for an estimated read on transfer (outside the usual meter reading cycle) that is similar to the fee for special reads.¹²⁵ If choosing

117 See section 4.3.1.

118 See section 4.3.4 and comments on introduction of remotely-read meters: retailers, section 4.2.2; distributors, section 4.2.3.

119 See section 4.3.3. This data does not support AEMO's contention that customers are expecting faster energy transfer times because other markets have fast transfer times (see section 4.2.4).

120 See section 4.3.2.

121 Data from AEMO indicates that transfers on special reads are completed very rapidly: more than 90 per cent are completed within 15 calendar days. See Figure 2.1 in the consultation paper.

122 Estimated reads rule change request p9.

123 The Commission considered whether removing the requirement for the previous read to be an actual read would be appropriate, but determined that this requirement should be retained. See section 5.3.2.

124 As shown in the consultation paper (Figure 2.1, p8), almost all transfers on a special read were completed within 15 days.

125 See comments by retailers on existing options and access issues, section 4.2.2, and comments by distributors on existing options, access issues and fee for estimated read, section 4.2.3. The AER, the market institution that regulates the prices that may be charged or the revenues that may be earned

between these options at a similar price, several consumer groups, retailers and distributors agreed that customers are likely to prefer the straightforward certainty of a special read to the less-well-understood and less-trusted option of an estimate.¹²⁶

There is a second existing method by which customers may transfer to new retailers without having to wait for the next scheduled meter read: use the previous meter read (if it was obtained relatively recently). There is no fee for this option but the previous retailer's agreement is required.¹²⁷

4.4.3 Low impact

The take-up of a new option to transfer on an estimated read is likely to be low for the following reasons:

- The pool of customers who are eligible to transfer on an estimated read is limited (for example, most customers with chronic access issues and most customers in Victoria will be ineligible), and will continue to shrink over time as more remotely-read meters are installed.¹²⁸
- Even if the customer is eligible and aware of the option to transfer on an estimate, a customer may choose not to do so because the customer does not like estimated bills, because the customer could have a quick and accurate special read for a similar price, or because the customer is not interested in paying a fee to transfer more quickly.¹²⁹

If the take-up of the estimated read option is low, the impact of this rule change on transfer times, and hence on consumer confidence and retail competition, is also likely to be low.

4.5 Conclusion

Bearing in mind the recent improvements in transfer times, the forthcoming further improvements in transfer times due to greater penetration of advanced meters, and the

by distributors for distribution services, has determined (in approving Energex's Annual Pricing Proposal for 2016-2017) that a non-scheduled estimated meter read is an alternative control service, for which a unit fee can be charged. The AER approved a fee of \$7.88 plus GST for this service by Energex. AER staff noted that this fee was approved on the basis of the administrative/processing time required to respond to a request for an estimated read (teleconference with AER representative, 22 December 2016).

¹²⁶ See comments in sections 4.2.1-4.2.3.

¹²⁷ See comments on existing options: retailers, section 4.2.2; distributors, section 4.2.3.

¹²⁸ See section 4.3.4 and comments on introduction of remotely-read meters: retailers, section 4.2.2; distributors, section 4.2.3.

¹²⁹ See comments on extent of impact by PIAC, section 4.2.1, and by retailers, section 4.2.2. See comments on fee for estimated read by distributors, section 4.2.3. See also comments regarding customers' dislike of estimated reads, and preference for accurate bills, submitted in response to the consultation paper on the Meter Read and Billing Frequency rule change request, RRC0006.

existing options for faster transfers, the Commission does not consider that the proposed rules on estimated reads would significantly improve transfer times compared to the status quo. The impact of the proposed rules is also likely to be limited by low uptake due to customer suspicion of estimated reads,¹³⁰ and to the reducing pool of eligible customers. As a result, allowing estimated reads on transfer is unlikely to benefit consumers by increasing retail competition.

¹³⁰ See comments discussed above and comments submitted in relation to the meter read and billing frequency rule change request, RRC0006.

5 Regulatory and administrative burden

This chapter addresses issues relating to the transparency of the proposed rules and the regulatory and administrative burden of implementing them. It includes:

- comments on these issues in the rule change request;
- comments by stakeholders on these issues;
- a discussion of implementation issues; and
- analysis and conclusions regarding the burdens associated with implementing the proposed rules, weighed against the likely effectiveness of the proposed rules (as discussed in chapter 4).

5.1 Comments in rule change request

The rule change request made the following comments in relation to the impact of the proposed rules on transparency and on administrative burdens:¹³¹

- The transparency and understanding of the current arrangements would be increased for all participants, allowing them to manage transfers as effectively as possible. This may improve customer engagement and confidence in the retail market, thereby supporting competition.
- There would be reduced transaction costs for retailers, since they would be able to become the financially responsible market participant for the new customer sooner, and so benefit from customer revenues sooner.

The rule change request also acknowledged that the proposed rules would lead to some costs, including costs relating to the following actions:¹³²

- Changing participants' back-office business and process systems to accommodate changes to the customer transfer process, particularly for retailers, but also for metering data providers, who would need to adapt their systems to reflect the new estimation methodology.
- Training of retailers' staff in order for them to be aware that they must obtain the explicit informed consent of the customer prior to permitting a transfer to occur in MSATS on the basis of an estimated meter read.
- Changes to AEMO's procedures to accommodate the restrictions on the use of estimated reads on transfer - for example, ensuring that an estimated read is only performed if the previous meter read was an actual read.

¹³¹ Estimated reads rule change request p16.

¹³² Estimated reads rule change request pp15-16.

- Resolving disputes that may arise from disagreements over estimated read values.
- Changes to retailer hedging strategies to reflect a potential increase in risk to retailers.

5.2 Stakeholder comments

Stakeholder comments relating to the transparency of the proposed rules and the regulatory and administrative burden they would impose are set out below, organised by stakeholder type (consumer groups and ombudsmen, retailers, distributors, AEMO) and by issue. Many of the comments are drawn from submissions to the consultation paper (available on the Commission website), but some comments are drawn from informal bilateral consultations undertaken by the Commission in preparation for this final determination.

5.2.1 Consumer groups and ombudsmen

PIAC anticipated that the proposed restrictions on transferring on an estimate (including obtaining consent and ensuring that the previous read was an actual read) would assist in minimising consumer complaints that may arise out of estimated final bills. Although these restrictions may lead to increased retailer costs associated with system changes and compliance, these are likely to be offset by reductions in the cost of consumer complaints.¹³³ However, after further discussion regarding the information a customer would need to obtain and consider when deciding whether to pay an amount similar to a special read charge for a transfer on an estimate,¹³⁴ PIAC noted the potential for customer confusion, and stated that the clarity of retailer information on transferring on an estimate would be a concern for PIAC.¹³⁵

PIAC stated that it is important that regulatory changes do not introduce complexity and confusion for consumers, and that the transfer process should be kept as simple as possible.¹³⁶ CUAC urged the Commission to consider how the process can be made more accurate, transparent and easy for customers who may have limited literacy and/or a limited understanding of the energy market.¹³⁷

The Energy and Water Ombudsman of Victoria (EWOV) discussed complaints arising from estimated bills under the current rules. EWOV noted that it can take time and resources to rebuild the customer's relationship with the retailer and trust their account

¹³³ PIAC submission to consultation paper, p4.

¹³⁴ See section 4.2.3 on fees for estimated reads.

¹³⁵ PIAC meeting with Commission staff, 22 August 2016.

¹³⁶ PIAC submission to consultation paper, p9.

¹³⁷ CUAC submission to consultation paper, p2.

has been correctly billed, if there was a low estimated read and the subsequent bill was high.¹³⁸

EWOSA was concerned that, as the proposed rules would result in changes in practices by retailers and metering data providers, there may be teething problems which have negative consequences for customers.¹³⁹

5.2.2 Retailers

Most retailer submissions considered that the burdens of implementing the proposed rules would outweigh the benefits. Retailers were concerned about the extent of system changes that would be required, the difficulty of addressing various specific issues (such as determining whether the previous read was an actual read), and the potential for customer complaints to increase rather than decrease. Comments on these issues are set out below.

System changes

- EnergyAustralia: A number of system changes would be required, leading to costs for all industry participants (not only those that will benefit from reduced transfer times). Changes would be required in relation to: enabling the discovery of the previous meter read type; enabling systems to prepare final bills based on estimates; processes to explain estimated reads to customers; and processes to obtain and record a customer's explicit informed consent to a transfer on an estimate. Costs appear to be substantial.¹⁴⁰
- AGL identified a list of system changes that would be required, not only for retailers but also for AEMO and for metering data providers.¹⁴¹
- ERM: There may be significant costs to retailers and others with technical system changes, including to enable the transparency of the previous meter read type.¹⁴²
- Origin Energy: Existing metrology procedures would support the proposed rule change, and no substantial changes to retailer or distributor systems would be required for transfers on estimates for type 6 (accumulation) meters.¹⁴³
- Retailers' estimates of the cost of system changes necessary to implement the proposed rules ranged from \$145,000 to \$1,100,000 per retailer, with larger retailers tending to estimate higher costs.¹⁴⁴

138 EWOSA submission to consultation paper, p4.

139 EWOSA submission to consultation paper, p2.

140 EnergyAustralia submission to consultation paper, pp2-3.

141 AGL report to Commission titled Technical issues and implementation requirements for AEMC proposed rules relating to customer transfers, 28 August 2016, p12.

142 ERM Business Energy submission to consultation paper, p3, p5.

143 Origin Energy submission to consultation paper, p1, p4.

Determining whether previous read was actual read

ERM noted that the previous meter read type is not currently transparent to an incoming retailer, but the retailer needs to know it before offering an estimated read to a customer under the proposed rule.¹⁴⁵ AGL, EnergyAustralia, Red/Lumo, Pacific Hydro and Powershop also mentioned the difficulties associated with ensuring that the previous meter read was an actual read.¹⁴⁶

Billing customers with type 5 (interval) meters

Origin Energy stated that customers with type 5 meters should be excluded from transferring on an estimate, as additional issues and risks arise if a final read is estimated for these types of meters.¹⁴⁷ AGL and Red/Lumo also mentioned the difficulties associated with preparing bills based on estimates for customers with type 5 meters.¹⁴⁸

However, EnergyAustralia noted that if customers with type 5 meters were excluded from the proposed rules, EnergyAustralia would incur costs in modifying its systems to ensure these customers were not offered the option to transfer on an estimate.¹⁴⁹

Estimate may be higher than next actual read

- Red/Lumo: If a customer transfers on an estimate that is higher than the actual reading taken at the next read date, this would potentially result in confusion amongst customers and participants alike.¹⁵⁰
- AGL: If the next actual read is lower than the estimated read used to transfer the customer, participants' systems will generate an exception, which retailers would need to manage through a manual process (resulting in administrative costs).¹⁵¹

Customer complaints and confusion

- Simply Energy: While transferring customers on estimated reads may reduce customer complaints about transfers, there would be an increase in billing related complaints, which are more complex and harder to resolve.¹⁵²

144 These cost estimates were provided to the Commission in August 2016, on the understanding that individual retailers' estimates would not be publicly identified. The Commission has not assessed the likely accuracy of these estimates.

145 ERM Business Energy submission to consultation paper, p3.

146 Red/Lumo submission to consultation paper, p2. Pacific Hydro letter to Commission 22 August 2016, p3. AGL, multiple communications to Commission, August 2016. EnergyAustralia letter to Commission, attachment p4. Powershop letter to Commission 26 August 2016, p3.

147 Origin Energy submission to consultation paper, p1, p4. See further section 5.3.3.

148 Red/Lumo submission to consultation paper, p3. AGL, multiple communications to Commission, August 2016.

149 EnergyAustralia teleconference with Commission staff, 10 June 2016.

150 Red/Lumo submission to consultation paper, p2.

151 AGL submission to consultation paper, p4.

- EnergyAustralia: Billing disputes may increase with this rule change.¹⁵³ Increasing volumes of estimated bills may drive increases in customer complaints, at cost to industry and of detriment to the customer perception of the retail market.¹⁵⁴
- ERM: If estimation occurs at subsequent billing under the incoming retailer, the customer may still be subject to the risk of bill shock when the meter is eventually read. The proposed rules may not reduce complaints, but simply move customers' delayed transfer complaints to high estimated bill complaints.¹⁵⁵
- AGL: The use of transfer on estimate is fraught with error and can cause multiple problems for market participants and customers. The extension of this process would lead to a substantially higher number of customer complaints, which would be complex as they would involve a customer, two retailers and potentially a network.¹⁵⁶
- Powershop: In an industry that is struggling for transparency and trust, using estimates will further compound consumers' distrust and perception of lack of transparency in the industry.¹⁵⁷
- Pacific Hydro Retail: A transfer based on an estimate will deliver a greater negative experience to customers than the delayed (in a minor number of cases) transfer that it is intended to improve.¹⁵⁸

5.2.3 Distributors as metering data providers

Distributors (in their role as metering data providers for type 5 and type 6 meters) raised some of the same implementation issues as the retailers. There was a considerable range in the estimated costs of system changes to implement the proposed rules.

AusNet Services noted, and ENA agreed, that the proposed rules would have significant cost implications associated with changes to systems and processes.¹⁵⁹ Distributors' estimates of the cost of system changes necessary to implement the

152 Simply Energy submission to consultation paper, p1.

153 EnergyAustralia submission to consultation paper, p2.

154 EnergyAustralia letter to Commission 26 August 2016, p1.

155 ERM Business Energy submission to consultation paper, p4.

156 AGL letter to Commission 29 August 2016, Appendix A p7.

157 Powershop email to Commission staff 6 July 2016.

158 Pacific Hydro letter to Commission 22 August 2016, p3.

159 AusNet Services submission to consultation paper, p2. Energy Networks Association submission to consultation paper, p2.

proposed rules varied widely, from minimal costs to \$10,000,000.¹⁶⁰ The Commission has not assessed the likely accuracy of these cost estimates.

AusNet Services and United Energy considered that it would be difficult to correctly bill customers with type 5 (interval) meters, and so type 5 meters - and Victoria as a whole - should be excluded from the rule.¹⁶¹ Energex noted the difficulties associated with a "negative read" if the estimate used for transfer is higher than the next actual meter read, as existing systems are not designed to allow for negative reads.¹⁶² Endeavour Energy also noted this issue.¹⁶³

Energex stated that allowing estimated reads will add an additional level of complexity and confusion to the current process and may lead to disputes and increased complaints to ombudsmen, which will result in additional administrative costs for metering data providers and retailers.¹⁶⁴ ENA made similar statements.¹⁶⁵

Distributors' second round submissions all supported the Commission's decision not to make a draft rule on estimated reads, for the reasons set out in the draft determination.¹⁶⁶

5.2.4 AEMO

AEMO noted that changes to MSATS, and to distributors' obligations to provide information to AEMO, would be required in order for the type of previous meter read (i.e. actual or estimate) to be visible to the new retailer.¹⁶⁷

However, AEMO considered that, as an alternative to making these changes, the new retailer could seek the customer's consent to transfer on an estimate if the customer is eligible, explaining to the customer that, if the retailer later identifies that the customer's previous read was an actual read, the transfer will occur on an estimate, and if it was not an actual read, the transfer will occur on the next scheduled meter read date. AEMO also suggested that the new retailer could seek additional information from the customer to help determine whether the previous read was likely to have been an actual read - for example, the retailer could ask whether the meter is behind a locked gate or whether the customer has a dog.¹⁶⁸

160 These cost estimates were provided to the Commission in August 2016, on the understanding that individual distributors' estimates would not be publicly identified.

161 AusNet Services submission to consultation paper, p3. United Energy submission to consultation paper, p1.

162 Energex letter to Commission 8 July 2016, p1.

163 Endeavour Energy email to Commission staff 26 August 2016.

164 Energex submission to consultation paper, p1.

165 Energy Networks Association submission to consultation paper, p2.

166 Submissions to the draft determination from ENA, Energex, Ergon, Endeavour, Ausgrid, Jemena and United Energy.

167 AEMO correspondence with Commission staff on several occasions, June-August 2016.

168 AEMO submission to draft determination, p5.

The Commission notes that asking general questions about meter access issues will not provide an accurate answer to the key issue: the status of the customer's previous read. Such questions run the risk of confusing or irritating the customer (particularly if they were told to expect a quick transfer on the basis that they were probably eligible to transfer on an estimate, and it was later established that their previous read was an estimate). Research shows that customers are satisfied if transfers occur within the expected timeframe. If customers are not sure what timeframe to expect, satisfaction and confidence in the market may decrease.

5.3 Implementation issues

The Commission considered several ways in which the proposed rule on estimated reads could be implemented effectively in a way that maximises the benefits for consumers and minimises the costs and disruption. The Commission consulted with stakeholders on the options for doing so, and investigated stakeholder comments on implementation issues.¹⁶⁹ The Commission concluded that certain difficulties could not be avoided, and that a number of system and process changes would be needed to implement the proposed rule.

5.3.1 Whether estimates should be used for wholesale market settlement

Initially, the Commission considered whether the estimate could be used not only for customer billing but also for wholesale market settlement and other wholesale costs (as contemplated in the Review), so there would be no 'unders' or 'overs' for retailers in the wholesale market compared to the retail market.¹⁷⁰ However, AEMO as well as most retailers and distributors strongly opposed this approach, as it would mean that the normal correction processes used for wholesale market settlement would need to be bypassed. More accurate data that was gathered on the next actual meter read (particularly for type 5 meters that store interval data for a period of time) would need to be prevented from being used if a customer transferred on an estimate, and AEMO and others considered that this would require extensive system changes and raise the risk of wider data inaccuracy issues.

The Commission then considered whether the estimate could be used for customer billing, but wholesale settlement processes would continue as usual, picking up more accurate meter data when it became available after the next meter read and using it for corrections. This would reduce the need for costly system changes and leave distributors relatively unaffected. Retailers would however have the risk of 'unders' or 'overs' as between the wholesale market (which would use accurate meter data when available) and the retail market (where the outgoing retailer would bill on the estimate and not issue a corrected bill later). Some retailers considered that this risk would be

¹⁶⁹ See comments by retailers, section 5.2.2, distributors, section 5.2.3, and AEMO, section 5.2.4. The extension of time for publication of the draft determination was necessitated, in part, by the need to thoroughly discuss and consider the implementation difficulties of the proposed rules.

¹⁷⁰ Review p41.

manageable whereas others were more concerned. The Commission considered that this would be the preferable approach if a rule was to be made.

5.3.2 Determining whether the previous read was an actual read

The proposed rule would allow transfers on an estimate only if the previous read was an actual meter read. Thus the new retailer would need to know the status of the customer's previous meter read before offering the estimated read option. However, this information is not provided in the initial stage of NMI discovery, customers may not know it themselves, and distributors currently do not provide this information to AEMO for a large proportion of customers - those with Tier 1 retailers¹⁷¹ who have manually read accumulation meters. Therefore changes to MSATS, to distributors' information provision obligations, and to distributors' systems would be required. The Commission considered various alternative options to avoid the need for these changes, as explained below, but considered that the alternatives would result in undesirable outcomes for consumers.

One alternative would be that the new retailer could be required to contact the customer's current retailer to ask for the status of the previous read, and the current retailer could be required to provide this information on request. However, this would not be satisfactory because it may take some days to obtain this information, after which the new retailer would need to contact the customer again, state whether the customer is eligible to transfer on an estimate, and seek consent for the estimate, before submitting the transfer request. This would tend to delay transfer and would also give the current retailer an additional opportunity to market to the customer and attempt to retain them.

AEMO proposed that the new retailer could gain the customer's consent to transfer on an estimate conditional on the retailer determining, at a later stage, that the customer's previous read was an actual read, and that the retailer could ask the customer questions to determine the likelihood of the previous read having been an actual read. See section 5.2.4. However, Red/Lumo's submission,¹⁷² as well as our informal consultation with market participants, indicated a low likelihood of acceptance of this approach. The Commission does not consider that this approach would tend to improve customer confidence in the market.

The Commission considered whether the requirement for the previous read to be an actual read could be removed from the proposed rule. This would reduce the costs incurred by distributors and by AEMO, but could increase the potential for customer complaints arising from "bill shock" following several sequential estimates, complicated by a change of retailers. Consumer groups supported the previous read requirement being retained in the proposed rule.

171 Local retailers, who were initially required to offer to supply electricity in the relevant customer's area.

172 Red/Lumo submission to draft determination, p1.

5.3.3 Billing customers correctly

Retailers would need to change their billing systems, request additional information from metering data providers, and/or prepare bills manually, in order to correctly prepare the first bill for a customer with a type 5 (interval) meter after a transfer on an estimate.¹⁷³ Rather than using the actual interval data from the date of transfer in the normal manner, these bills would need to be prepared on an accumulation basis, looking at the difference between the estimate and the next meter read. This is because using the interval data from the date of transfer would not correct for a high or low estimate. It would not ensure that, as required in the rule change request, the customer would only be billed for the energy they actually consumed between two actual meter reads (the last actual meter read before the transfer, and the first actual meter read after the transfer).¹⁷⁴

The Commission considered whether customers with type 5 meters could be excluded from the proposed rule, in order to avoid these billing issues. However, the exclusion would result in other drawbacks, such as the cost of modifying retailer systems to ensure these customers were not offered the estimated reads option, and a reduction in the pool of customers who could benefit from the rule change.

If the estimate was higher than the next meter read (a situation likely to be rare, but possible for customers with type 5 or 6 meters), the first bill would need to be a credit, and several retailers noted that this would present further difficulties for their billing systems. Other difficulties could arise if the first meter read after the transfer on an estimate is another estimate.

5.3.4 Providing information to customers on estimated reads

The Commission considers that if a rule was to be made, the choice should lie with consumers rather than retailers, i.e. consumers should be able to make an informed decision whether they wish to take up the option of switching using an estimated read.

If the proposed rule was implemented, the transfer process would therefore need to include additional steps: the new retailer would need to check if a consumer is eligible to transfer using an estimated read (and as discussed above this poses its own challenges), offer eligible consumers the option, disclose any additional charges to the consumer, and obtain and record the consumer's explicit informed consent.

To fulfil these requirements, particularly the requirement to obtain informed consent, the Commission considers that additional obligations would need to be added to the proposed rule so that retailers would need to provide information to customers including:

- the circumstances in which estimates could be used on transfer;

¹⁷³ See comments on the difficulty of billing customers with type 5 meters: retailers, section 5.2.2; distributors, section 5.2.3.

¹⁷⁴ Transfer accuracy rule change request p17.

- the cost of an estimate, if the retailer proposes to charge the customer for the read;¹⁷⁵
- the cost of a special read, as an alternative to an estimate;
- the time it would be likely to take to transfer on an estimate, compared to a special read and to waiting for the next scheduled meter read;
- information to allow the customer to determine whether it is worth paying for the estimated read in order to move to the new retailer's offer earlier; and
- how the first bill from the new retailer would correct for any under- or over-estimate in the final bill by the outgoing retailer, given that the outgoing retailer would not be providing a corrected bill (as they are currently required to do).¹⁷⁶

This is a substantial amount of information for the retailer to provide, and for the customer to consider, particularly as the customer would have just received detailed information regarding the new retailer's offer. In this context AEMO's suggestion that the retailer should ask the customer additional questions to assess the likelihood that the previous read was an actual read, such as whether there is a locked gate or a dog at the premises (see section 5.2.4), does not seem practicable.

This information would need to be provided on retailer websites, on comparison websites and in phone calls with customers.

5.4 Analysis

In considering whether the proposed rules meet the Electricity and Retail Objectives, the Commission has considered the extent to which the proposed rules are likely to increase the transparency and certainty of the legal framework, and whether the implementation or operation of the proposed rules would impose a disproportionate regulatory or administrative burden on market participants, compared to the benefits of the proposed rules.¹⁷⁷

¹⁷⁵ As with special reads currently, retailers could charge the customer the cost charged by the metering data provider, charge the customer a different amount and absorb the difference, or absorb the full cost charged by the metering data provider.

¹⁷⁶ EWON, EWOSA and PIAC emphasised the importance of providing this information. EWON noted that the customer should also be informed that they can dispute the charges, including by accessing the relevant ombudsman scheme. EWON submission to consultation paper, p1. PIAC added that the customer should be told how the estimate is prepared. PIAC submission to consultation paper, p5. EWOSA submission to consultation paper p2.

¹⁷⁷ These criteria are explained in chapter 2.

5.4.1 Impact on transparency and certainty

After detailed consideration of the issues, the Commission does not consider that the proposed rules are likely to increase the transparency and certainty of the legal framework relating to customer transfers and billing.

The proposed rules would remove the requirement for the outgoing retailer to correct the estimated bill,¹⁷⁸ which is a current source of uncertainty regarding the use of estimated reads on transfer. However, as discussed in section 5.3, it became apparent that this rule change would be quite complex in implementation and operation.

While the rule could be designed so that customers transferring on an estimate do not pay for more energy than they consume between the last actual meter read before transfer and the first actual meter read after transfer, it would be difficult to make the operation of this provision clear to customers. It would also be difficult for customers to determine whether it would be worth paying for an estimate to transfer more quickly, compared to transferring on the next scheduled meter read. The operation of the estimated reads option is likely to be less clear and certain to customers, and to retailers, than the existing alternatives for fast transfer (a special meter read or the previous meter read).¹⁷⁹

Some ombudsmen considered that the proposed rules would reduce complaints regarding transfer delays,¹⁸⁰ but several retailers and distributors considered that any decrease in such complaints would be offset by an increase in complex billing disputes arising from the use of estimates on transfer.¹⁸¹

5.4.2 Implementation costs and difficulties

The Commission considers that the introduction of estimates on transfer under the proposed rules would be likely to lead to the following classes of costs for retailers, metering data providers and AEMO:

- **Retailers:** Initial costs for system changes, particularly changes to billing systems; ongoing costs to manually issue "negative" bills and to resolve customer complaints regarding estimated bills;¹⁸² and initial and ongoing costs to check whether a consumer is eligible to transfer using an estimated read and to obtain and record the consumer's explicit informed consent to switching using an estimated read. If distributors (in their role as metering data providers for type 5 and 6 meters) charge a fee for performing an estimated read, retailers will incur additional initial costs related to disclosing that fee to consumers

178 Estimated reads rule change request p18.

179 Consumer groups PIAC and CUAC raised this as a concern: section 5.2.1.

180 See section 4.2.1.

181 See comments on customer complaints and confusion: retailers, section 5.2.2; distributors, section 5.2.3.

182 See retailer comments on system changes and customer complaints, section 5.2.2. See also EWOV comments on complaints on estimated bills in section 5.2.1.

- **Metering data providers:** Initial costs of system changes if a new estimation methodology is developed;¹⁸³ ongoing costs of providing information on meter read type to AEMO;¹⁸⁴ and ongoing administrative costs to prepare the estimated reads, which are likely to be passed on to the customers requesting them.¹⁸⁵
- **AEMO:** Initial costs to change the information displayed in MSATS to include the previous meter read type.¹⁸⁶

These costs need to be balanced against the expected limited benefits of the proposed rules compared to the status quo.¹⁸⁷

The Commission has considered various changes to the proposed rules to minimise implementation costs and difficulties as discussed above, but these changes may introduce their own problems.

5.5 Conclusion

The Commission considers that, on balance, the proposed rules would not improve transparency and certainty, and the costs of implementing the proposed rules would be likely to outweigh the benefits. All retailers and metering data providers would be likely to incur some costs, both upfront and ongoing, and AEMO would also incur upfront costs. Amendments to the proposed rules to reduce some of these costs would result in other material impacts for consumers. These conclusions have been supported by almost all stakeholder submissions on the draft determination.

183 The proposed rules would require AEMO to develop amendments to the procedure for estimating meter data for the purposes of preparing a final bill for a transferring customer: Estimated reads rule change request p22. Retailers indicated that an improved methodology would be helpful.

184 AEMO has confirmed that distributors are not currently required to provide this information to AEMO for customers with Tier 1 retailers who have manually-read accumulation meters.

185 See distributor comments on fee for estimated reads, section 4.2.3.

186 The Commission does not consider that the alternative to making such changes, as proposed by AEMO in section 5.2.4, would be practicable.

187 See chapter 4.

Abbreviations and defined terms

AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CATS Procedure	MSATS Procedures: CATS Procedure Principles and Obligations, AEMO
COAG	Council of Australian Governments
Commission	Australian Energy Market Commission
consultation paper	Consultation paper on the estimated reads rule change request, published on the Commission website on 28 April 2016
CUAC	Consumer Utilities Advocacy Centre
draft determination	Draft determination on the estimated reads rule change request, published on the Commission website on 27 October 2016
Electricity Law	National Electricity Law
Electricity Objective	National electricity objective
Electricity Rules	National Electricity Rules
ENA	Energy Networks Association
estimated reads rule change request	Rule change request titled "Improving the timing of the electricity customer transfer process" submitted by COAG Energy Council to the Commission in November 2015
EWON	Energy and Water Ombudsman of NSW
EWOQ	Energy and Water Ombudsman of Queensland
EWOSA	Energy and Water Ombudsman of South Australia
EWOV	Energy and Water Ombudsman of Victoria
MCE	Ministerial Council on Energy
MSATS	Market Settlement and Transfer Solution
NECF	National Energy Customer Framework
NEM	National electricity market
NMI	National Metering Identifier (for electricity meters)
PIAC	Public Interest Advocacy Centre
Retail Law	National Energy Retail Law
Retail Objective	National energy retail objective
Retail Rules	National Energy Retail Rules
Review	Review of Electricity Customer Switching, published by the Commission in April 2014

transfer accuracy rule
change request

Rule change request titled "Improving the accuracy of the customer transfer process" submitted by COAG Energy Council to the Commission in November 2015

A Summary of issues raised in first round submissions

Where relevant, stakeholder comments raised in first round submissions to the consultation paper have been addressed throughout the final rule determination. The table below summarises issues raised by stakeholders that were not explicitly addressed in the final rule determination, and the Commission's response to those comments.

Issue	Stakeholder(s)	Commission response
<i>Consumer groups and ombudsmen</i>		
The proposed restrictions on the use of estimates (in-situ transfer, explicit informed consent, previous read an actual read) provide customers with appropriate protection.	EWON p1	The Commission agrees that these protections would be required if the proposed rule was to be implemented. As it is an implementation matter it is no longer relevant as the Commission has determined to not make a final rule.
The customer's explicit informed consent for a transfer on an estimated read should be gained and recorded separately from the consent given when accepting the terms and conditions of the new contract, to increase the chances that the customer understands the transfer process.	EWON p2, PIAC p4-5	The Commission agrees that obtaining explicit informed consent specifically for the estimated read would be an important component if the proposed rule was to be implemented. As it is an implementation matter it is no longer relevant as the Commission has determined to not make a final rule.
EWON often receives complaints regarding estimates prepared using the current estimation procedures, and agrees that AEMO should be required to develop new estimation procedures.	EWON p2	The Commission agrees that it would be useful for AEMO to consider an appropriate estimation methodology for transfers on estimates, if the proposed rule was to be implemented. As it is an implementation matter it is no longer relevant as the Commission has determined to not make a final rule.
Support for customer self-reads.	CUAC p2, PIAC p8, EWOSA p2	The Commission supports the use of customer self-reads (which are currently classified as estimated reads), but notes that some distributors have been reluctant to accept them due to the costs of system changes required to support customer reads. Other issues such as ensuring accuracy and proper process would need to be addressed.

Issue	Stakeholder(s)	Commission response
Victoria should be an example of best practice given the introduction of advanced meters. However, transfer complaints there increased nearly 20% between 2014 and 2015.	CUAC p2	The Commission receives this statistic with interest, but notes that transfer complaints may arise for reasons other than transfer times (which have reduced in Victoria, no doubt due to the introduction of advanced meters).
Delayed transfers can result in consumer detriment if there are savings to be gained from switching to a cheaper offer.	PIAC p3	The Commission agrees, but notes that there are existing mechanisms to transfer quickly.
If retailers are reluctant to request an estimated read, it is unlikely that consumers are told about or given this option. Given the asymmetry in knowledge between retailers and consumers, PIAC is concerned about customers' more general capacity to press for options not expressly offered by retailers.	PIAC p3	The Commission understands this concern. The information disclosure that would be required if the proposed rule was to be implemented is discussed in section 5.3.4.
If a customer consents to a transfer but not to the use of an estimated read, and is transferred on an estimate, the transfer should not be void. The new retailer should remedy the situation, eg by arranging for the transfer to occur on the next scheduled meter read date.	PIAC p7, EWOSA p2	The Commission acknowledge this comment as a suggestion for implementation. As it is an implementation matter it is no longer relevant as the Commission has determined to not make a final rule.
Gas customers are also billed on a quarterly meter read cycle and experience similar lengthy transfer times of up to several months. Smart meters for residential gas customers are still some way off. We recommend that the proposed rule be extended to gas customers.	PIAC p10	The Commission agrees that gas transfer times can be lengthy (except in South Australia, where AEMO data suggests gas transfer times are slightly quicker than electricity transfer times). However, the Commission has decided not to make a rule on estimated reads for electricity transfers, and some of the same concerns would apply in relation to estimated reads for gas transfers.
Requiring a special meter read when transferring would cut transfer times, and customers would benefit from knowing their actual consumption. However, special reads come at a cost, which would usually be passed on to customers and may result in a disincentive to transfer.	EWOSA p1	The Commission agrees that requiring special reads to be used on transfer would cut transfer times but would result in customers incurring costs. It remains an option for customers to request a special read on transfer if the cost is outweighed by the benefit to them of moving to the new retailer's offer more quickly.

Issue	Stakeholder(s)	Commission response
With greater familiarity with smart meters (for both customers and industry), it appears that estimated bills cases have fallen [in Victoria] over recent years, while still remaining a steady concern for customers.	EWOV p3	The Commission appreciates this information, which tends to support the finding that greater penetration of advanced meters will reduce the need for estimated reads.
Estimation complaints can arise with advanced meters, in relation to the use of substituted data when actual usage data is not available for some technical reason. Substituted data is not remedied by future actual reads (unlike with a basic meter).	EWOV p4	The Commission appreciates this information, and understands that the rollout of advanced meters will not eliminate all complaints regarding estimated bills.
Cases concerning estimated start or end meter reads, or transfers on an estimated read, are very rare.	EWOV p5	This is likely to be due to the fact that retailers are currently not transferring customers on estimated reads, according to AEMO data.
Retailers		
As the retail market matures and consumers play a more active role with their energy purchasing decisions, retailers are incentivised to improve their services, including improving the timeliness of transfers.	AGL p2	The Commission agrees that retailers do respond to incentives and that transfer times have improved.
The transfer process can be further improved if regulated Meter Data Providers (MDPs) are held to account with respect to their meter read service levels, including timeliness, agreed to with the AER in their price determinations.	AGL p3	The Commission notes this comment. The Commission understands this to be primarily a monitoring and enforcement issue for the AER to consider. For the purpose of this rule change request, meter read service levels for regulated MDPs is out of scope.
Exploring the use of customer self reads will overcome barriers to timely transfers such as access.	AGL p4	The Commission agrees that customer self reads would overcome some access issues. However, it does create other issues such as ensuring accuracy and proper process, and does place a burden on the customer. Some distributors have been reluctant to accept customer reads due to the costs of system changes required to support them.
Work will need to be done to develop a methodology to calculate an estimated read that will not be higher than the	AGL p4	The Commission agrees that this would be a potential implementation issue associated with introducing estimated reads for customer

Issue	Stakeholder(s)	Commission response
next actual read.		transfers. Handling exceptions where the estimated read used for transfer is higher than the actual read that follows the transfer, imposes costs on retailers. As the Commission has determined to not make a final rule on estimated reads for transfer, however, this issue is no longer relevant.
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.	Simply Energy p2	The Commission recognises that there are barriers to estimated reads being used on transfer currently, in particular the requirement for the outgoing retailer to send a "correction" bill after the "final" estimated bill.
It is crucial to provide a rule that consumers can easily understand and agree to.	Simply Energy p2	The Commission agrees with this. Given the use of estimates for final billing is a complex matter, part of the reasoning used by the Commission in determining to not make a final rule has been the inherent complexity in communicating the relevant matters to the customer. This is covered in section 5.4.1 of this final determination.
The Retail Rules 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 Retail Rules. The matters 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.	Simply Energy p2	The Commission acknowledge this comment as a suggestion for implementation. As it is an implementation matter it is no longer relevant to the rule change as the Commission has determined to not make a final rule.
Retailers need to be aware of customers who are transferring away or to them of their transfer being based on an estimated read.	Simply Energy pp2-3	The Commission agrees that this information would be necessary for the outgoing retailer to have in order to know whether the customers' final bill is to be estimated or otherwise. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
The use of estimates for customer transfers increases retailer	Simply Energy p3,	The Commission acknowledges that this may be the case for some

Issue	Stakeholder(s)	Commission response
risk of adverse financial outcomes in settlement.	ERM Business Energy pp3-4	<p>transfers, but that in other transfers a retailer may benefit. In conducting consultation on appropriate implementation of an estimated read to be used for transfer the Commission considered that, on balance, retailers would not be materially affected by the use of estimated reads for transfer.</p> <p>However, given the Commission has determined not to make a final rule, and that this comment concerns the implications of implementation of this rule, the comment is no longer relevant.</p>
There should be no detriment to the customer or incoming or outgoing retailer when there is a transfer on an estimated read.	ERM Business Energy pp1-2	The Commission agrees that customers should not be worse off under an estimated read used for transfer purposes. As per the above response, the Commission did not consider that retailers, while facing some risks associated with estimated reads used for transfer, would be materially worse off.
Special meter reads are not a solution for customers not prepared to provide distributor access (as the MDP) for the special read when required.	ERM Business Energy p2	The Commission agrees with this comment. As several submissions to the consultation paper noted, the best means to overcome access issues is to continue the market-led rollout of remotely read meters.
Customers need to be aware of the repercussions of estimates and acknowledge it provides a basis for a final bill and settlement with the outgoing retailer.	ERM Business Energy p2	The Commission agrees that customers should be aware of the implications of using estimated reads for transfer. The complexity of communicating how estimates work for final billing purposes is part of the reason why the Commission has determined to not make a final rule, as outlined in section 5.4.1.
Existing procedures for explicit informed consent for transfer should be used for consent to the use of an estimate for transfer.	ERM Business Energy p2	The Commission notes this comment as relevant to implementation of the proposed rule. As this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
Any defective or missing explicit informed consent should result in a special meter read undertaken at the incoming retailer's cost.	ERM Business Energy p3	The Commission notes this comment as relevant to implementation of the proposed rule. As this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.

Issue	Stakeholder(s)	Commission response
Estimated usage must apply across wholesale settlement, Network Use of System charges and green certificate liability calculations.	ERM Business Energy p3	As this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
While minimal over a single customer, the risk is incremental over a large number of customers taking up the option to transfer with an estimate. This uncertainty may limit the willingness of retailers to offer the option to customers.	ERM Business Energy p4	The Commission acknowledges this comment. Other retailers made similar comments about their willingness to offer estimated reads to customers. While this supports the Commission's analysis on the limitation of the effectiveness of estimated reads for customer transfers, this is no longer a relevant issue as the Commission has determined not to make a final rule.
A change to the Metrology Procedures would be required to allow for subsequent actual reads being less than the estimated read used for transfer.	ERM Business Energy p4	The Commission acknowledges that changes to the Procedures would be required if estimated reads for customer transfers were to be implemented. However, this is no longer relevant as the Commission has determined not to make a final rule.
Any recovery for inaccurate estimations will be at the customer's new rates with the incoming retailer. Some customers will be disadvantaged by recouping at a lower rate and some will be advantaged by being overestimated if their new rates are higher.	ERM Business Energy p4	The Commission acknowledges the comment identifies a genuine financial risk for customers with respect to estimated reads being used for customer transfers. The complexity of using estimated reads for customer transfer as a financial/billing arrangement, together with its lack of transparency from a consumer point of view, has formed part of the Commission's reasons for not making a final rule.
Customers on feed-in tariffs would face particular issues if transferring on an estimate.	ERM Business Energy p4, Origin Energy p2	The Commission agrees there are complications for feed-in-tariff customers in terms of their provision of generation to the grid, and how this may interact with their net usage and billing over the period between two actual reads, with an estimated read in between. These complexities, and others, support the Commission's determination to not make a final rule.
Customer self reads may be cumbersome and unreliable compared to estimation calculations.	ERM Business Energy p4	The Commission accepts this comment, but notes that consumer advocates support customer reads as being more reliable than other forms of estimation. The priority to be given to customer reads

Issue	Stakeholder(s)	Commission response
		compared to other forms of estimation is an implementation matter, and as such is no longer relevant given the Commission's determination not to make a final rule.
There is some merit in using customer self reads as evidence to resolve disputes	ERM Business Energy p4	The Commission acknowledges this comment. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
There should be minimum thresholds for access to dispute mechanisms by participants, particularly for the outgoing retailer.	ERM Business Energy p4	The Commission notes this comment. Given a dispute resolution process is costly it would be prudent to impose a materiality threshold for disputes on estimated reads used for transfers as suggested in the consultation paper. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
The requirement for an adjustment to a customer's bill to account for a subsequent actual must be based on the same minimum thresholds.	ERM Business Energy p4	The Commission acknowledges this comment. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
Estimation quality can be problematic, particularly in the irregularity inherent in some business customer load patterns.	ERM Business Energy p4	The Commission notes this comment (although improved estimation methodologies may assist). This comment supports the determination to not make a final rule as inaccurate estimates may increase the potential for customer complaints.
The incidence of transfer related complaints are proportionally small compared to other complaint categories.	ERM Business Energy p4	The Commission agrees that complaints regarding transfer delays do not form a high proportion of total complaints. The likely limited effectiveness of the proposed rule in improving consumer confidence, relative to the potential costs and impact on confidence of estimated billing complaints, has formed part of the reasons the Commission determined to not make a final rule.
Customers on more complex tariff structures such as demand or time of use tariffs (or tariffs that don't take into account customers' meter reads) would make it more difficult to	Red Energy and Lumo Energy p2	The Commission understands that using estimates on transfer would be problematic for customers on these types of tariffs. The Commission

Issue	Stakeholder(s)	Commission response
reconcile a single estimate reading with who was the Financially Responsible Market Participant at the relevant time.		considers it supports the determination to not make a final rule.
The explicit informed consent being gained by the incoming retailer while the outgoing retailer relies on this consent to issue a final bill based on an estimated read result in an imbalance being the party responsible for ensuring compliance and the party responsible for gaining and recording the information required to allow compliance to be achieved.	Red Energy and Lumo Energy p3	The Commission does not consider that this would be an issue in practice. However, it is no longer relevant as the Commission has determined not to make a final rule.
The incoming retailer does not need to provide the outgoing retailer a record of consent to the estimated read being used for transfer.	Origin Energy p3	The Commission agrees, but as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
It is unlikely that in aggregate any retailer will experience settlement volumes resulting in under or overpayment of spot market outcomes. Market, renewable energy certificates and ancillary services will also likely net out to zero.	Origin Energy p4	The Commission agrees with this comment, and it did not consider this issue as a reason not to make a final rule.
Estimation methodologies in the Metrology Procedures are sufficient for type 6 meters.	Origin Energy p4	The Commission acknowledges this comment. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
A lower threshold for disputing an estimated read from an MDP should apply.	Origin Energy p5	The Commission acknowledges this comment. However, as this is an implementation matter, it is no longer relevant as the Commission has determined not to make a final rule.
<i>Distributors</i>		
Exclude Victoria from the proposed rule, as most customers there have smart meters, and it would be expensive to change systems to allow estimates just for the small and diminishing number of customers with manually-read meters.	AusNet Services p3, United Energy p1	The Commission understands this concern but notes that it would be difficult to exclude Victoria from the proposed new provisions in the Electricity Rules. For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has

Issue	Stakeholder(s)	Commission response
		decided not to make a rule.
Do not allow estimates on transfer if the date of the estimate is very close to the previous or next meter read, to reduce the chances of the estimate being higher than the next meter read.	AusNet Services p4	The Commission acknowledges this is a potential issue. For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has decided not to make a rule.
Do not allow estimates on transfer for customers on solar feed-in tariffs.	AusNet Services p4	The Commission acknowledges this is a potential issue. For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has decided not to make a rule.
Avoid the use of estimates on transfer when the meter is being replaced.	ENA p2	The Commission acknowledges this is a potential issue. For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has decided not to make a rule.
It would be difficult to objectively determine whether the customer is remaining at the same premises.	AusNet Services p4	For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has decided not to make a rule.
Explicit informed consent is a fundamental requirement for the framework of transferring on estimates.	AusNet Services p4	The Commission agrees.
High level estimates indicate that less than 100 of our customers would benefit each year from the proposed rule.	Ergon Energy p1	For various reasons, including the difficulty and expense of implementing the proposed rule, the Commission has decided not to make a rule.
The proposed rule does not strike an appropriate balance between the costs of the change and the benefits to be realised by those who would bear the costs of that change.	Ergon Energy p1, Energex p2	The Commission agrees.
Others: AEMO, Metropolis		
Without appropriate safeguards a dispute resolution process for estimated reads could become a default method used to	AEMO p3	The Commission agrees.

Issue	Stakeholder(s)	Commission response
frustrate the application of estimated readings for transfers. The benefit of being able to dispute an estimated reading is questionable, provided the estimate was determined in accordance with the rules.		
The significant delay between consumers identifying a service they want, and when that service begins – usually due to transfer delays – is a challenge when selling advanced meters.	Metropolis p1	The Commission agrees that shorter transfer times would be beneficial, but does not consider that the proposed rule would efficiently achieve this goal, as discussed in chapters 4 and 5.
Even where the customer transfer is fast (such as with a special read), it's not possible to provide a guarantee to the customer of the timeframe. This uncertainty is a significant barrier to selling advanced metering services.	Metropolis p2	The Commission understands this issue, but it is not clear that the timing of a transfer on an estimate (under the proposed rule) would be more certain than the timing of a transfer on a special read.

B Summary of issues raised in second round submissions

This appendix sets out the issues raised in the second round of consultation on this rule change request and the Commission's response to each issue, to the extent the issue has not been discussed in the body of the final determination.

Issue	Stakeholder(s)	Commission response
<i>Retailers</i>		
Customers without a smart meter will not be disadvantaged as special reads can be used for quicker transfers.	Red Energy and Lumo Energy p1; EnergyAustralia p1	The Commission agrees that special reads are a useful option to facilitate quicker transfers. Data presented in the Consultation Paper indicated that transfers on special reads are at least as fast as transfers in Victoria using smart meters.
It is important in making new rules to regulate for an outcome that addresses a market failure or externality and does not inhibit innovative practices. The decision not to make a rule on estimated reads recognises that retailers are already implementing solutions to improve transfer speed and remain incentivised through consumer preference for faster transfers to continue.	AGL p5	The Commission agrees with this statement, noting that every rule change request must be tested against the relevant objectives (here, the Electricity Objective and Retail Objective).
<i>Individual consumer</i>		
The 10-day cooling off period is not working as intended. A different protocol is needed when consumers initiate the transfer request. Customers should be able to have the transfer process initiated with the start of the cooling-off period, particularly if their next meter read falls within the cooling off period. Furthermore, if the transfer process is initiated within the cooling-off period then the losing retailer can respond with better offers during that time.	Electricity Consumer p1	<p>The Commission acknowledges these comments, but notes that they fall outside the scope of the rule change request.</p> <p>The Commission understands that if a customer's meter is read during the cooling off period, retailers would be likely to use that meter read as the transfer meter read rather than waiting another three months for the next scheduled meter read.</p> <p>Although retailers' general practice is to wait until the end of the cooling</p>

Issue	Stakeholder(s)	Commission response
		off period to transfer a customer, Retail Rule 57(2) permits a customer transfer to go ahead prior to the end of the cooling off period (provided that the transfer can be reversed if the customer elects to withdraw from the contract).
One alternative solution to slow transfers would be for retailers to accept customer photographs of electricity meters instead of estimated reads. Users who want a speedy transfer could sign a statutory declaration saying that the photograph was taken on the stated day.	Electricity Consumer p1	The Commission acknowledges this suggestion and notes that customer reads (which are currently classified as estimated reads) are permitted under the current rules. However, the Commission notes that some distributors have been reluctant to accept them due to the costs of system changes required to accept, verify and process customer reads. Other issues such as ensuring accuracy and proper process would also need to be addressed.
AEMO		
The 30-day transfer time benchmark implied in the rule change proposal was for all customer transfers to be completed within this period. While transfer times have improved they are still significantly shy of that target.	AEMO p2	The Commission notes that the proposed rule, if made, would not ensure that all transfers are completed within 30 days, and indeed is unlikely to noticeably improve average transfer times (see section 4.4). For these reasons, together with the implementation costs and difficulties discussed in section 5.4, it does not pass the cost-benefit assessment.
Costs for special reads, while generally low currently, may rise over time with the introduction of advanced metering.	AEMO p4	The Commission agrees that this is possible, but notes that special meter read costs may rise or fall over time for various different reasons, eg increased competition between meter reading contractors may result in lower prices.

C Legal requirements under the Electricity Law and the Retail Law

This appendix sets out the relevant legal requirements under the Electricity Law and the Retail Law for the Commission to make this final rule determination.

C.1 Final rule determination

In accordance with section 102 of the Electricity Law and section 259 of the Retail Law the Commission has made this final rule determination in relation to the estimated reads rule proposed by the COAG Energy Council.

The Commission has determined it should not make a final rule. The Commission's reasons for making this final rule determination are summarised in section 2.3 and provided in detail in chapters 4 and 5.

C.2 Power to make the rule

The Commission is satisfied that the subject matter of the rule change request falls within the subject matter about which the Commission may make rules. It falls within section 34 of the Electricity Law as it relates to the activities of persons participating in the national electricity market or involved in the operation of the national electricity system, and relates to facilitating and supporting the provision of services to retail customers.¹⁸⁸

Furthermore, it falls within section 237 of the Retail Law, as it relates to the provision of energy services to customers, and to the activities of persons involved in the sale and supply of energy to customers.¹⁸⁹

C.3 Commission's considerations

In assessing the rule change request, the Commission considered:

- the Commission's powers under the Electricity Law and the Retail Law to make the rule;
- the rule change request;
- the fact that there is no relevant Ministerial Council of Energy (MCE) Statement of Policy Principles;¹⁹⁰

¹⁸⁸ Electricity Law sections 34(1)(a)(iii) and (aa).

¹⁸⁹ Retail Law section 237(1)(a).

¹⁹⁰ Under section 33 of the Electricity Law and section 236 of the Retail Law, the Commission must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the Commission's governing legislation and is a legally enduring body comprising

- submissions received during first and second round consultation and in informal consultation; and
- the Commission's analysis as to the ways in which the proposed rule will or is likely to contribute to the Electricity Objective and the Retail Objective.

the Federal, State and Territory Ministers responsible for Energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated Council is now called the COAG Energy Council.