

Australian Energy Market Commission
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Sydney South NSW 1235



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**RE: Review of Electricity Customer Switching – Options Paper
23rd January 2014**

AEMC Ref: EPR0038

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Dear Commissioners,

Thank you for the opportunity to follow on from our submission to the Issues Paper and provide comment on the Options Paper of your Review of Electricity Customer Switching.

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services and particularly the cost of basic necessities like electricity because they impact greatly and disproportionately on vulnerable and disadvantaged people.

The SACOSS perspective on the issues subject to the Review is that, once all consumer protection provisions are complied with, the switching process itself should be executed as quickly and accurately as possible. SACOSS acknowledges the important role of effective competition between retailers in delivering efficient prices to consumers. The South Australian context is one of a highly concentrated market with 99% of small electricity customers contracted to six vertically integrated 'gen-tailers'¹. Effective retail competition therefore has a very direct relationship to upstream competition as well.

In our submission to the Issues Paper, we noted the significantly shorter timeframes achieved in Victoria than in other jurisdictions (e.g. Issues Paper Figure 5.5, p. 55). SACOSS considers the Victorian market to be the most competitive in Australia, not just in terms of switching or 'churn' rates but in terms of active retailers, new entrants and much lower levels of market concentration. SACOSS was interested in the opinion of the Commission as to whether the shorter switching times are more 'cause' or 'effect' of this degree of competition. The Commission responded that²:

The relationship between the level of competition and the degree of switching may be hard to disentangle as faster switching times foster greater customer engagement and awareness, making customers more likely to switch retailer in future, which promotes retail competition.

SACOSS accepts that slow switching times do impact on customer engagement and therefore, given some of the other barriers to competition in SA, considers this subject to be

¹ In order of retail market share: AGL Energy, Origin Energy, EnergyAustralia, Simply Energy (the retail arm of generator GDF Suez), Lumo (the retail arm of generator Infratil) and Alinta.

² AEMC 2014, Options Paper summary of submissions to the Issues Paper, p. 105.

an important aspect of market development and encourages the Commission to pursue opportunities for improvement.

The Options Paper outlines three key issues/areas for action:

- The timing of customer transfers being largely determined by actual meter reads
- The accuracy of data, particularly address data
- The objections framework

The Commission has outlined a series of options that could be deployed in each of these three areas and acknowledges that a comprehensive response, incorporating multiple actions will likely be needed to deliver material improvements. SACOSS offers the following comments on these options from the perspective of our constituents.

- SACOSS largely agrees that '[s]witching is the most powerful tool customers have available for exerting their influence on the competitive process' and supports the assessment framework's overriding objective of maximising '... the opportunity, incentive and ability for customers to switch retailers'³.
- SACOSS is increasingly of the view that the time has come for **monthly billing** to be the norm and for this to be based on actual meter reads whenever possible. SACOSS does not believe that a widespread roll-out of Advanced Metering Infrastructure (AMI or 'smart meters') is a necessary pre-cursor to this occurring. This would address issues raised in Section 4.1.2 of the Options Paper (*Use of actual meter reads*) as well as significantly reducing the extent of *bill shock* and the accrual of debt by vulnerable and disadvantaged households. This would also allow for many of the other options by the Commission to be efficiently progressed.
- More broadly, SACOSS encourages the pursuit of effective options in advance of the introduction of AMI.
- SACOSS supports prioritising the introduction of AMI to those dwellings where meter access is restricted.
- SACOSS does not support any reduction in the cooling-off period (Options Paper, 4.1.5, p. 24).

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,



Ross Womersley
Executive Director

³ AEMC 2014, Options Paper, p. 11.