



14 February 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam,

Re: EPR0038: Issues Paper: Review of Electricity Customer Switching

Thank you for the opportunity to comment on the Options Paper on the Review of Electricity Customer Switching (the Options Paper) developed by the Australian Energy Market Commission (the Commission).

Lumo Energy is 100% owned by Infratil Limited, a company listed on the New Zealand and Australian Stock Exchanges. Lumo Energy currently retails electricity in Queensland, New South Wales, Victoria and South Australia, and is one of the largest second tier energy retailers.

Assessment of the Options

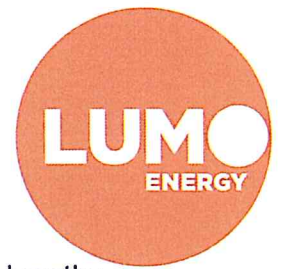
The Commission has requested submissions regarding the merit, costs and benefits with each option proposed in the Options Paper. Lumo Energy notes that whilst it is able to comment on the merit of the options proposed, without the detail regarding the implementation methods, it is unable to provide neither costs nor benefits.

Lumo Energy strongly supports a consistent, efficient, simple and transparent process that enables customer switching and reduces regulatory and administrative burden.

Options to assess the timing of customer transfers

Transferring on estimated reads

Lumo Energy strongly opposes the introduction of the option to transfer customers on estimated reads, as described by the Commission in Option A2. The Commission, in section 4.1 does not address the reason for the use of actual reads. This is the point of change in financial responsibility from one retailer to another in the wholesale and retail markets. Retailers purchase electricity in the wholesale market to supply its customers, wearing the associated risks and exposures for each customer. Upon completion of a customer transfer, the responsibility for purchasing in the wholesale market and network billing also transfers from one retailer to another. The most qualified and appropriate participant to undertake the actual read is the meter data provider. The actual read provides a clear line of responsibility changing, providing the customer with the accuracy it requires.



It is clear that in Victoria, there are few customers who are subject to a lengthy transfer time on the basis of the advanced meter rollout. The Commission has clearly articulated that it is considering “improvements [that] could be made to the customer transfer process prior to any market-led roll-out of smart meters”.¹ The introduction of estimated reads will not be an improvement.

Lumo Energy believes that the introduction of customers transferring on estimated or self-reads, will add complexity and confusion to the customer in the transfer process. It is also expected to add transaction costs with increased system changes, customer service training, system changes, and potentially ombudsman complaints.

Changing the obligation from 65 business days to 21 business days

Lumo Energy supports the reduction in the maximum allowable transfer timing, upon the introduction of the market-lead roll-out of smart metering. The Commission accurately outlines that this change is likely to introduce costs into the customer transfer process, through the request of a special read prior to the introduction of smart metering.

Lumo Energy believes that this recommendation does not meet the assessment framework as this is not always an efficient allocation of costs. Where customers request, or businesses choose to offer a special read to enable the transfer more expeditiously, this should be at the discretion of the customer and retailer.

As such, Lumo Energy would support the Commission recommending that the scope of the metering contestability rule change to ensure that the introduction of smart meters. The obligation can mandate that upon provision of a fully functional smart meter being installed at the premises, retailers must enable a customer transfer within 21 business days will meet the assessment framework proposed by the Commission.

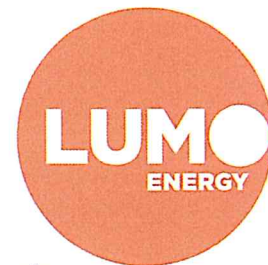
Options to assess the accuracy of customer transfers

Cleansing MSATS

Lumo Energy supports the Commission's option of cleansing the data in MSATS. Noting that AEMO and its industry working groups are already looking at standardising the address attributes (for example, street type), this could be recommended as phase two of that program of work. It is noted that the cleansing of historical data must also include validations for data entry that will future-proof data outcomes.

Whilst the accuracy of data in MSATS is of upmost importance, Lumo Energy is concerned that a burdensome obligation may increase the regulatory and administration burdens on participants. Therefore, Lumo Energy support the Commission reviewing MSATS, any recommended changes that are

¹ AEMC 2014, Review of Electricity Customer Switching, Options Paper, 23 January 2013, Sydney, p. 6.



proposed must provide net value to industry. Realising the value to industry and consequently consumers is achieved through a cost-benefit analysis being completed by retail participants, in conjunction with AEMO.

Obligation on Retailers to resolve erroneous transfers in a timely manner

In a competitive market, retailers are focused on providing the best outcomes for customers as such obligation to resolve transfer issues is superfluous.

There are existing obligations that exist on retailers to ensure that customers are correctly transferred in the market and that explicit informed consent is obtained to enable the transfer. As noted above, it is in the best interests of both the customers and retailers involved to ensure that any erroneous transfers are dealt with promptly. Prolonging the process to resolve an erroneous transfer can result in reputational damage for retailers and costly ombudsman charges.

Lumo Energy firmly believes that an increased focus on data accuracy in MSATS will reduce the amount of erroneous transfers. Consequently additional obligations on retailers to resolve issues in a timely manner are not required.

Options to assess the effectiveness of the objections framework

Conducting a review of objections

Lumo Energy supports a review of the objections framework to ensure that the raising of objections is for appropriate circumstances and promotes efficiency in the transfer process. The Commission recommends that the review of objections should be undertaken by AEMO in consultation with an industry working group.

Whilst Lumo Energy supports this option, jurisdictions must clearly identify their objection requirements and ensure that any jurisdictional codes will be updated concurrently in line with the outcomes of the review. A coordinated effort with jurisdictions, AEMO and industry, will ensure the successfulness of the objection review.

Please do not hesitate to contact Stefanie Macri on 03 9976 5604 to discuss this submission further.

Yours sincerely

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A handwritten signature in blue ink, appearing to read "Aneta Graham", with a long horizontal flourish extending to the right.

Aneta Graham

General Manager, Regulatory Affairs & Corporate Relations
Lumo Energy Australia Pty Ltd