



EnergyAustralia

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Australian Energy Market Commission
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By email: submissions@aemc.gov.au

Dear Sir/Madam

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Re: Issues Paper– Review of Electricity Customer Switching

1. Introduction

EnergyAustralia (EA) appreciates the opportunity to provide a submission on the Review of Electricity Customer Switching Issues paper.

We are one of Australia's largest energy companies, providing electricity and gas to over 2.7 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 5,600MW of generation in the National Electricity Market.

EA is pleased that the Australian Energy Market Commission (AEMC) has decided to consult on this issue via an Issues Paper before moving to Draft Recommendations or an options paper that was originally contemplated. While the timeline for this Issues Paper is very tight we hope that responses to this review are fully considered before any recommendations or options are released. The AEMC has also requested additional data from EA related to customer switching and this is not due from participants until 17 January 2014. We are unsure how this data will influence the AEMC's initial analysis of this issue.

2. Overview

The current customer switching process was largely developed with industry and consumer consultation prior to full retail competition in 2000 and has successfully managed customer switching rates in excess of what was originally estimated. We note and support that the scope of this review is limited to "insitu" (same customer but change of retailer) customer transfers. While EA supports and agrees with reviews of processes that could improve customer experiences in the market the AEMC needs to be mindful of any subsequent consequences related to changes that may counteract the original benefits sought. Changes to current processes related to customer switching could incur significant system costs across the industry and EA would like to be satisfied that any rule changes are fully supported by a cost benefit analysis and prior proof of market failure.

3. Staged Approach

As mentioned in the paper the maximum switching time in Australia is primarily reflective of the meter reading cycle and the obligation to achieve an actual read to finalise a transfer. The rollout of smart meters into Victoria has already seen a fall in the average switching time in this jurisdiction and the progressive roll out of smart meters in other jurisdictions will undoubtedly achieve similar results over time. Therefore EA believes that the AEMC should structure its review in a 3 stage basis rather than by benchmarking maximum switching times internationally where market conditions do not exactly replicate those in Australia:

1. Stage 1 - the current situation analysis;
2. Stage 2 incremental improvements considering the long term strategy where smart meters will prevail in the market; and
3. Stage 3 a market where smart meters predominately exist for all small customers

In support of progressing Stage 2 above EA believes the following should be undertaken before any AEMC recommendations are released:

- An investigation into the barriers (significant cost) for expanded use of special meter reads for "insitu" transfers;
- Review barriers to market driven roll outs of smart meters covering issues such as unbundling of metering costs and meter exit fees;
- Further investigation into transfers on estimates for basic meters with greater understanding of the implications to the estimated read disputes process, wholesale market settlement, network billing and related industry system costs;
- Create suitable incentives or penalties for the parties responsible for achieving actual transfer meter reads;
- Use of electronic communication (email or SMS) to reduce site "no access" read failures;
- Investigation into the reduction of the transfer objection period from the current 5 business days: and
- Review of and a reduction of the contract cooling off period (Possible amendment to Australia Consumer Law) for utility customer transfers.

4. Specific Responses Related to Issues Raised in the Consultation Paper

In this submission EA will not respond to every question raised as they appear of a similar nature or are addressed via other sections of this response.

Question 7 Billing and market settlement

Do the current arrangements for billing and market settlement allow for efficient outcomes in accordance with our assessment framework?

Generally the current arrangements for billing and settlements are efficient apart from a provision under the National Energy Customer Framework (NECF) whereby under a transfer error or inability to validate consent within 10 business days the current retailer is required to retrospectively transfer the customer back to the previous retailer for up to 12 months. The current market procedures only allows for retrospective transfers up to 130 business days

which aligns to the wholesale settlements process. A retrospective transfer in excess of 130 business days will result in retailers having to negotiate and manage off market settlements which are often problematic and inefficient.

Question 9 Customer transfer process for large customers

Are there any aspects of the customer transfer process for large customers that could be applied for the purpose of effecting timely and efficient small customer transfers?

As mentioned in the issues paper large customers are serviced via remote interval metering and readily transfer on any day causing the process to be very efficient. This is one aspect of the large market that should be applied to the mass market. It should also be noted that large customers are not exposed to the protection of the 10 day cooling off period mandated by law for small customers. This also increases the perception of a more efficient transfer process for large customers.

While many large customer transfers occur at the end of the month this is more to support contractual situations and financial reporting for the particular businesses involved. The volume of large customers is very small and is readily managed by retail businesses. However this would create significant system, mail house, call centre and collection issues if effective transfer dates were restricted to specific days of the month for the mass market.

Question 13 Objections to the customer transfer process

Does this AEMO MSATS data on objections to the customer transfer process suggest that the existing customer transfer process allows for efficient outcomes in accordance with our assessment framework?

It is noted from the issues paper that approximately 6-7 per cent of all customer transfers have objections raised. While this may seem inefficient, in many cases it delivers a checking mechanism for the market ensuring that the correct roles are allocated during the process, thus avoiding possible transfer errors that can be problematic to resolve downstream when identified. A review of the 5 business day period for objections could be considered in order to reduce the overall transfer period however a reduced objection period may result in industry participants implementing increased system automation for objections due to the tighter timeframe not allowing for proper consideration of the reason for raising the objection. This could be counterproductive as it could result in increased objections and a less efficient transfer process. Objections would become the norm rather than the exception which was never intended. However, EA would support further work on this aspect of the transfer process in the context of this review.

Question 14 Evidence on the customer transfer process

Are there any other aspects of the customer transfer process that could be improved to allow for more efficient outcomes in accordance with our assessment framework (e.g. issues with erroneous transfers)? What evidence, if any, is there to demonstrate that these aspects are, or are not, a problem?

As mentioned above a 3 month manual meter reading cycle and the ability to achieve an actual read with basic meters are the key aspects of the current transfer process which are most likely to impact the customer switching experience.

Smart meters resolve both of these issues and while the AEMC quotes increases in ombudsman recorded switching complaints it fails to quote these complaints aligned to the increases in customer transfers quoted by AEMO that has also occurred for the same period. For instance the worst result recorded was in NSW in 2011/12 where 99.14% of all customer transfers occurred without any complaints and in 2012/13 this fell to 98.64%. While no complaints would be preferable this hardly reflects a systemic market failure.

Smart Meters

The unbundling of metering charges in all jurisdictions would support a more rapid rollout of smart meters together with more transparency on the removal of or expected meter exit fees.

Special Reads

EA also believes that a greater use of special reads would be an excellent Stage 2 initiative however in many cases the cost of a special read is prohibitive. EA urges the AEMC to investigate why special reads cost up to \$48.40 GST incl. in some electricity networks whereas a special read in gas can be as low as \$6.60 GST incl. The exorbitant cost of special reads is a significant barrier to requesting them more regularly when a scheduled read is not readily available.

Transfers on Estimates

The concept of transferring customers on estimated reads as occurs in New Zealand also appears to have some merit as a Stage 2 initiative subject to the following:

- Confirmation that network billing would also be based on the transfer estimate;
- Confirmation that the wholesale market would allocate wholesale electricity based on the transfer estimate;
- That the use of a transfer estimate would be predicated on the existence of an immediately previous actual read for the relevant site. This would limit risk where estimates have existed on previous reads;
- More understanding on the estimate dispute process and the consumption range used to trigger a dispute;
- A thorough understanding of the industry cost to implement a new transfer transaction that would support "insitu" transfers on estimates; and
- A positive cost benefit analysis that would support this initiative.

Electronic Messaging

The use of email or SMS messaging to pre condition residents where a special read is required would be worth investigating in order to reduce "no access" issues. This could be undertaken by the party responsible for achieving the read.

5. Summary

A review of the switching process which has been largely unchanged for 13 years is appropriate and EA understands how some may negatively interpret Australia's position on the International Comparison of Maximum Allowed Switching Times chart¹. However the context

¹ Figure 1.1 AEMC Review of Electricity Customer Switching

of the market and where it is heading must also be considered before leaping to the conclusion that the current switching process is inefficient.

EA believes that minor changes to the existing switching process, subject to more analysis, could be beneficial as the market transitions to smart metering in all jurisdictions.

We look forward to working with the AEMC and industry to ensure that any changes are appropriate and do not impose significant costs disproportionate to their perceived benefits.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager