



22 December 2016

Ed Chan

Director

Australian Energy Market Commission

PO Box A2449

Sydney South NSW 1235

Dear Mr Chan,

AGL Energy Limited (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMO's) Draft Rule Determinations on improving the accuracy of customer transfers (ERC0195) and using estimated reads for customer transfers (ERC0196).

AGL is Australia's largest integrated energy companies, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to 3.7 million customers across gas, electricity, solar PV and batteries in the National Energy Market. AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

AGL has consistently supported Rule Change proposals that aim to improve the timing and accuracy of the customer transfer process. Transfers are the one of the cornerstones of an effective competitive market. The prompt correction of transfers that occur in error or without proper consent, without significant cost and delay to the effected customer, are important outcomes in building consumer confidence and trust in the energy retail sector.

As such, AGL supports the AEMC Draft Decisions, mainly:

- Draft Rule on improving resolution of transfers without consent;
- No Rule on introducing an address standard; and
- No Rule on the use of estimated reads on customer in-situ transfers.

The remainder of the submission provides more detailed comments on the Draft Decisions.

Improving the accuracy of customer transfers

AGL generally supports the proposed preferred Rule that extends the application of the Rule from erroneous transfers to all transfers without consent. This aligns with AGL's previous submission to the AEMC Discussion Paper that from a customer perspective it does not matter whether the error has occurred due to incorrect information entered into the system, the customer has provided incorrect information or the retailer has not appropriately captured EIC.

Specifically, AGL supports clause 57A, which clearly identifies the roles, responsibilities and timelines for correcting transfers without consent. We support the AEMC notion that this will improve the management and consistency of correcting transfers without consent and therefore improve consumer confidence and experience of the energy sector's transfer and complaints processes.

AGL notes, however that the proposed Rule does not cater for any contract variations of the original contract which occur during the period the customer is incorrectly switched. If the customer had remained with the original retailer then they would have been subject to those changes during that period. In this proposal, the customer is returned to the old retailer ostensibly on the original contract, which would include those variations.

AGL would suggest that a new Rule be inserted that outlines that the customer is 'deemed' to have been notified of any price and contract variations by the original retailer post the transfer period and prior to the re-transfer and that the original retailer must provide price change and contract variation information to the customer on request by the customer.

AGL supports the change to Rule 116, when retailer must not arrange de-energisation, for those customers that have queried the transfer and the transfer is being investigated to determine whether Explicit Informed Consent (EIC) has been provided.

However, AGL does not support the proposal to Rule 116, where retailers will be required to carry out an EIC verification for any customer acquired in the last 12 months and for which the retailer wants to disconnect for non-payment, no access or no provision of contact details. The AEMC Draft Determination states the intention of this Rule change is:

"...to avoid transfers without consent resulting in de-energisation, which ombudsmen noted occurs in some cases currently. This will enhance consumer protections and help increase customer confidence in the transfer process and the retail market generally."¹

AGL believes the proposed change to Rule 116 will not provide any additional protection for most consumers transferred without consent. Rather, the Rule will impose costs on retailers for having to introduce two new steps in the credit management process, being:

1. Has the customer acquired in the past 12 months;
2. If yes, verify EIC before proceeding to disconnection.

It is also likely to result in unintended and negative consequences for customers based on customers continuing to consume and accruing debt by delaying disconnection.

The following table outlines four customer transfer scenarios that AGL has identified and considers whether the proposed Rule 116 will afford any additional protection compared to the current obligations.

The table shows the proposed Rule to verify EIC before disconnection only affords additional protection to one of the four groups. In the other three scenarios, the proposed EIC verification will impose additional costs (systems, accrued debt by customer by delaying the disconnection) and it would not resolve the transfer in error or is not required as EIC has been correctly captured. For the group that EIC may afford protection, the table highlights that there are a number of contact points between affected customers and retailers that is likely to pick up and address error prior to the disconnection occurring.

As such, AGL believes the proposed Rule 116 imposes unnecessary costs with very limited additional protection. Under the existing NERR Rule 116, a retailer cannot disconnect where there is an open and unresolved complaint. A notification of incorrect transfer would fall into this category and therefore the customer already has the relevant protections.

¹ Page 23 of AEMC Draft Decision.

Scenario of transfers and whether proposed extension of Rule 116 provides protection to customer

Scenario – for all new customers (transferred in the last 12 months)	Does extending Rule 116 assist	Impact
Base case: Customer provides EIC and address is correct in retailer system	No – injects two new processes into credit management process: <ol style="list-style-type: none"> 1. Has customer transferred to retailer in the past 12 months; 2. If yes, has customer provided EIC? 	This is the most likely scenario and likely to apply to over 99% of transfers. The extension of the Rule provides no additional consumer protections but imposes additional costs.
Unknown (default) customer: Customer moves out – new customer moves in but does not sign up with FRMP / FRO or another retailer, so no transfer is registered in market transfer system – customer placed on default contract.	No – cannot check for EIC as these customers do not make contact to consent to a standard or market contract.	This is the 2 nd highest likely scenario to occur and makes up the majority of the remaining one per cent of transfers. The extension of the Rule provides no additional consumer protections but imposes additional costs.
Customer provides EIC but provides wrong address to the retailer to the one they occupy	No – EIC verification will pass but wrong address will be disconnected.	The extension of the Rule provides no additional consumer protections for the consumer disconnected but imposes additional costs.

Scenario – for all new customers (transferred in the last 12 months)	Does extending Rule 116 assist	Impact
Customer provides EIC but retailer recorded incorrect address	Yes – the EIC should pick up different address.	<p>However, there are a likely to be a number of opportunities for customers to identify the error and contact the original or new retailer.</p> <p><i>Customer requesting transfer</i></p> <p>Customers that request transfer are likely to receive credit management notification through various communication channels (eg, mail, email, text). This could alert the customer whom requested the transfer of a potential error and make contact with either retailer as they may receive some notifications but not all.</p> <p><i>Customer disconnected without requesting transfer</i></p> <p>For the customer that did not request the transfer but whose premises may be disconnected for non-payment, even though they may not open or disregard the correspondence as they do not recognise the retailer, they are likely to receive a number of notifications (eg, Bill, Reminder Notice, Disconnection Warning) by mail and possibly one notification by registered mail.</p> <p>Further, a retailer’s customer retention process may identify a transfer without consent. Some retailers have developed processes whereby they contact customers who have requested a transfer out. As part of this process, retailers are likely to confirm with the customer whether they have consented to transfer to another retailer.</p>

Address standards

AGL supports the AEMC not making a Rule to establish an address standard. AGL supports the AEMC conclusion that an address standard is not likely to materially reduce customer transfer delays and errors.

While the principle of the proposal has merit, AGL concurs with the AEMC, and is consistent with the advice AGL provided during the review process, that the proposed Rule would be costly and complex to implement and the costs of implementation would outweigh consumer benefits derived from implementing an address standard.

Finally, AGL believes market drivers of a competitive market and negative brand reputation from poor customer experience have and will continue to drive improvements in retailer data bases to ensure more timely and accurate transfer processes.

Using estimated reads for customer transfers

AGL supports the AEMC's decision not to make a draft rule on allowing estimated reads for in-situ customer transfers. AGL supports the AEMC's findings that a number of important changes have occurred since the Review was prepared and have improved the speed of transfers.

When the likely cost to consumers for an estimated read, potential billing dissonance by customers and the complexity in implementation are taken into account, the introduction of an additional transfer option using estimated reads is not likely to be in the long term interest of all consumers.

Apart from the factors identified by the AEMC in the Draft Decision that have improved the transfer speed, AGL contends that competitive market solutions, driven by customers demanding a better experience, are also starting to be rolled out. With the roll out of digital meters in non-Victorian National Electricity Market (NEM) jurisdictions, such solutions will flourish with the support of more advanced metering capability.

Further, a benefit of a customer led digital meter strategy is that consumers can make informed decisions on whether they would like to switch to a digital meter to gain access to the benefits of the digital metering, which could include a faster transfer, or maintain the current metering and services. This is no different to the current decision by consumers to choose solar panels and digital meters to obtain the services of distributed services.

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. In this case, the decision not to make a Rule recognises that retailers are already implementing solutions to improve transfer speed and remain incentivised through consumer preference for faster transfers to continue, especially with the advent of competitive metering services.

If you have any questions in relation to this submission, please contact Con Hristodoulidis, Manager Regulatory Strategy on (03) 8633 6646 or christodoulidis@agl.com.au

Yours sincerely,



Beth Griggs

Head of Energy Markets Regulation