

Australian Energy Market Commission

ISSUES PAPER

Review of Electricity Customer Switching

3 December 2013

REVIEW

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About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

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Executive Summary

In the National Electricity Market (NEM), electricity retail customers have the option to choose from a range of providers and service offers.¹ For example, in New South Wales (NSW), urban customers can choose up to 50 different offers from 12 retailers.

Customers in the NEM can choose to be supplied under either:

- a standard electricity contract; or
- a competitive market offer.

This option of allowing customers to choose their retailer is termed "full retail contestability" (FRC). Allowing customers choice in regard to their energy supplier was introduced into the NEM progressively from the mid-1990s, with the process reaching all small customers in Victoria and New South Wales in 2002, South Australia in 2003, Queensland in 2007, and is expected to be completed in Tasmania in 2014.

Where customers choose to exercise their choice and change their current retailer, this is referred to as "switching".

In this review, our focus is on the customer transfer process that occurs after the customer has decided on a retailer. That is, the systems-driven process which is used to give effect to customer "switching" between retailers. Having a timely and accurate customer transfer process is important for all those customers that would potentially like to switch.

The purpose of our advice

The Standing Council on Energy and Resources (SCER) has requested the AEMC review the existing electricity customer switching arrangements in the NEM to better support customer choice, and to make customer switching between retailers more efficient.

In our previous Power of choice final report,² the AEMC identified that the maximum allowable prospective timeframe for transferring customers between retailers in the NEM was 65 business days. This maximum daily limit for customer transfers lagged significantly behind other countries, with the timeframe elsewhere typically ranging between 10 and 20 business days.

¹ Although, we note that Tasmania does not currently have full retail contestability, where customers can choose retailers, all small customers currently face regulated retail prices. Tasmania has announced that it will introduce full retail contestability from 1 January 2014.

² AEMC, *Power of choice review - giving consumers options in the way they use electricity*, Final report, 30 November 2012.

Purpose of this paper

This Issues Paper sets out our proposed assessment framework, which will assess alternative options for improving the efficiency of the current customer transfer process, and to guide the development of our final recommendations.

This paper also sets out the current customer transfer process, and key issues identified by the Commission.

The Commission invites stakeholder comment on our proposed assessment framework and the key issues we have identified. In particular, we are interested in stakeholder comment on the materiality of the key issues we have identified in relation to the customer transfer process, including obstacles to potentially faster and more efficient switching timeframes for customers. We are also interested in stakeholder comment on the current enforcement and compliance provisions that relate to the customer transfer process. Such feedback will assist the Commission in determining whether or not there is material cause for concern with the current customer transfer process.

Information provided by key stakeholders is also important to understanding the materiality of issues, determining the extent to which transfer arrangements can be improved, and whether improvements to the transfer arrangements would require significant changes to business operations, the National Electricity Rules (NER), National Energy Retail Rules (NERR) or Australian Energy Market Operator (AEMO) procedures.

Customer transfer process

The process for transferring customers between retailers in the NEM is determined by a range of regulatory instruments, including the NER, NERR, various AEMO procedures, and relevant jurisdictional electricity codes. Together, these comprise the regulatory framework for the customer transfer process.

The "switching" process comprises the following five steps. Specifically:

- Step 1: a customer makes the decision to switch, and begins the transfer process by choosing a new ("winning") retailer;
- Step 2: the winning retailer gains information and consent from the customer in order to commence the transfer process;³
- Step 3: the customer transfer process commences, with the winning retailer using the largely automated Market Settlement and Transfer Solution (MSATS) business system, operated by AEMO, to request meter reading data for the customer in order to give effect to the transfer;

³ A customer cooling-off period will apply for customers who enter into an electricity supply agreement.

- Step 4: once relevant data has been uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO; and
- Step 5: the winning retailer becomes the financially responsible market participant for the customer, supplying them with electricity, and the customer transfer process completes.

The customer switching process refers to a wide range of activities that result in a customer having a different supplier of electricity (i.e. all five steps detailed above). Consistent with the scope for this review, we focus on the customer transfer process that commences at Step 3, as outlined above.

The process of exercising customer choice, including knowledge about how to choose an energy retailer, has been the subject of previous AEMC retail competition reviews.

Analysis of current customer transfer process

The Commission has noted the recent significant increase in the number of customer complaints to energy ombudsmen relating to transfer-related processes. For example, there has been an 85 per cent increase in transfer-related complaints in NSW over the past year.⁴

The Commission observes that actual customer transfers generally occur within 30 calendar days of being initiated. However, for some customers, transfers take longer than 60 calendar days to complete. We welcome stakeholder comment and views on whether the current customer transfer process is efficient in relation to both timeliness and accuracy.

Next steps

Submissions on this Issues Paper are requested by no later than **5pm, Tuesday 24 December 2013**. Stakeholders are encouraged to include any relevant information and comments in their submissions.

The Commission welcomes the views of stakeholders in relation to any of the matters discussed in this document. To guide stakeholders' responses, we have set out a number of specific questions in each chapter.

In commenting on the causes or materiality of each issue, respondents are requested to present relevant evidence or describe pertinent experiences with the current customer transfer process, highlighting how these demonstrate that the process is, or may not be, consistent with the achievement of the National Electricity Objective (NEO).

Following our consideration of written submissions and issues raised by stakeholders, the AEMC will consider the materiality of any identified problems with the customer

⁴ Energy and Water Ombudsman NSW, *Annual Report 2012-13*, 2013, p. 7.

transfer process. Where the Commission considers that there are material problems with the current process, the AEMC would publish an Options Paper in mid-January 2014. This Options Paper would set out several potential policy options, the focus of which will be on improving the efficiency of the customer transfer process. This paper would be available on our website for stakeholder comment.

As required by our terms of reference for this review, a Final Report setting out our final recommendations will be provided to SCER by 31 March 2014, and published on the AEMC's website by 30 April 2014.

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1 Introduction

The AEMC has been requested by the SCER to review existing electricity customer switching arrangements to better support customer choice, and to make customer switching between retailers more efficient.⁵ This paper sets out the scope of this review, our proposed approach to an assessment of issues identified, as well as a number of other issues for stakeholder comment.

1.1 Background to this review

1.1.1 Power of choice review

Over the course of 2011-12, the Commission developed a substantial reform package for the NEM through its Power of choice (POC) review. The objective of the package was to provide households, businesses and industry with more opportunities to make informed choices about the way they use electricity and manage expenditure. The final report, containing final recommendations, for the review was submitted to SCER in November 2012.⁶

One of these recommendations was that SCER should direct the AEMC to review the existing arrangements for electricity customers choosing to switch retailers. The AEMC considered that the purpose of the review should be to investigate whether the current arrangements for customer switching supported the efficient and timely transfer of electricity customers between retailers.

In the POC final report, the AEMC identified that the maximum allowable prospective timeframe for transferring customers between retailers in the NEM was 65 business days.⁷ This maximum daily limit for customer transfers lagged behind other countries, with the maximum timeframe elsewhere typically ranging between 10 and 20 business days.

For example, in New Zealand, the maximum time for transferring customers between retailers is 10 business days. New Zealand has achieved significant improvements in transfer times over recent years. This is mostly due to the introduction of new rules in 2010, which reduced the transfer timeframe to a maximum of 10 business days, and

⁵ SCER, *Terms of Reference: Australian Energy Market Commission (AEMC) Review of Electricity Customer Switching*, 31 May 2013; and SCER, *Request for an Extension of Time Regarding the SCER Directed Review of Electricity Customer Switching*, August 2013. Hereafter, these are collectively referred to as "Terms of Reference".

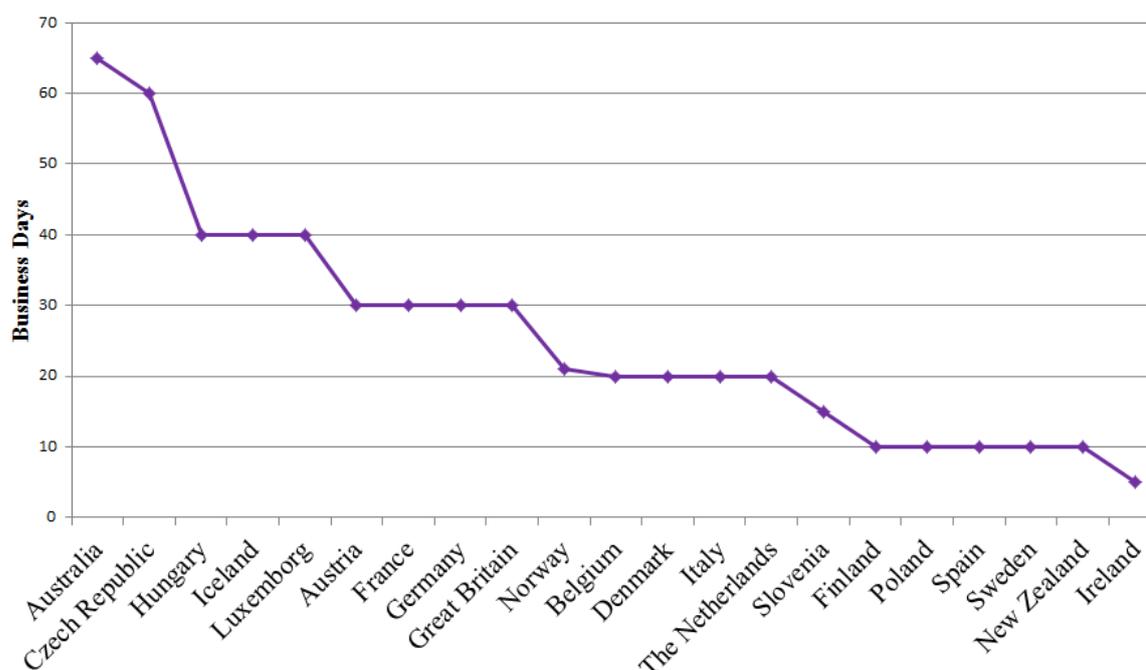
⁶ AEMC, *Power of choice review - giving consumers options in the way they use electricity*, Final report, 30 November 2012.

⁷ AEMC, *Power of choice review - giving consumers options in the way they use electricity*, Final report, 30 November 2012, p. 37.

required at least 50 per cent of "standard"⁸ switches to be completed within five business days.⁹

Figure 1.1 compares the maximum allowed switching times across a variety of countries, as set out in the POC final report.

Figure 1.1 International comparison of maximum allowed switching times



Source: Electricity Authority New Zealand, *Review of timeframes for customer switching*, Final Report, 3 October 2011.

The data in this graph is largely sourced from a Council of European Energy Regulators (CEER) document that summarised national practices in retail market design, with a focus on billing and switching.¹⁰ The data in the report was gathered from a CEER survey of its members, with questions answered by 22 European countries, including those identified above.

The relevant question which provided the data illustrated above was "Within what time period do you have to execute a switch?" While the Commission considers that this implies that the figures displayed are "maximums", it may be possible that some of these are "averages".

Further, the Commission considers that actual, average switching times are more relevant than "maximum" switching times. We understand that average switching

⁸ Where the incumbent retailer has had responsibility for the installation control point (i.e. meter) for more than two calendar months.

⁹ The New Zealand arrangements for customer switching are discussed in more detail in section B.2.

¹⁰ The Electricity Authority New Zealand added the maximum allowed switching time for Australia. See: Council of European Energy Regulators, *Summary of national practices in retail market design, with a focus on billing and switching (as of 1 July 2011)*, C11-RMF-35-03.

times in the NEM are more likely to be around 20-30 business days - significantly less than the 65 business day maximum timeframe for a prospective switch date. It may be the case that average switching times in these international markets may also be different to the maximum switching times stipulated in legislation. However, limited information is available on international actual average switching times.

1.1.2 International comparisons

Since the time of CEER's survey in 2011, CEER has undertaken a status review of customer and retail market provisions from the 3rd Energy Package.^{11,12} This review was based on the results of the earlier survey, as discussed above.

The 3rd Energy Package contains a provision requiring operators to effect a switch of energy supplier within three weeks (21 calendar days). Accordingly to the results gathered by CEER in 2012 most of the respondent countries (23 out of 26) have legal provisions in place, which determine a maximum time period for a switch of supplier.

CEER commented that "results showed that the time periods stipulated for switching suppliers varies between two weeks and more than five weeks. Despite this divergence, the majority of responding regulatory authorities (16 out of 26) theoretically meet the three week maximum period foreseen by the 3rd Package".¹³

However, CEER noted that there were a number of differences between these countries. For example, in Belgium, depending on the switching channel, the switching process may range from three to more than five weeks (for online and remote selling, consumer protection law imposes a "reconsideration period"). In Austria, the three week starting period starts when the supplier informs the distributor about the customer's wish to switch. This means that from a customer's point of view in Austria, the switch takes longer than three weeks since the supplier may need some time to initiate the switch (due to internal, administrative reasons) or problems may occur with the identification of the customer before the supplier is able to initiate the switch.

This suggests that it is not straightforward to conclude that Australia has one of the largest maximum switching times - since the comparisons made above may not have been made on a consistent basis.

11 The 3rd Energy Package is a legislative package for an internal gas and electricity market in the European Union. Its purpose is to further open up the gas and electricity markets in the European Union. The package was proposed by the European Commission in September 2007, and adopted by the European Parliament and the Council of the European Union in July 2009. It entered into force on 3 September 2009.

12 CEER, *CEER Status Review of Customer and Retail Market Provisions from the 3rd Package as of 1 January 2012*, Ref: C12-CEM-55-04, 7 November 2012.

13 CEER, *CEER Status Review of Customer and Retail Market Provisions from the 3rd Package as of 1 January 2012*, Ref: C12-CEM-55-04, 7 November 2012, p. 17.

CEER also noted the main reasons given by countries as to why switches may take a long period of time. These are due to:

- technical reasons (e.g. wrong meter data, meter adjustments);
- legal reasons (e.g. because the supplier did not provide the distribution system operator with sufficient information concerning the switch, or the termination of contracts, or due to insufficient legal provisions); and
- administrative reasons (e.g. in a few countries switching is only possible on the first day of each month).

Measures to reduce these long delays were foreseen in only some CEER member countries, for example in 2012:

- a number of energy regulators anticipated a revision of current legislation, which would include appropriate measures to reduce delays (e.g. Luxembourg and Slovakia); and
- other countries currently charge fines in the case of delays (e.g. Denmark, Poland and Sweden).

The Commission has also undertaken its own review into switching arrangements in a selection of countries (Sweden, New Zealand and Great Britain). These arrangements are discussed in more detail in Appendix A. The Commission welcomes stakeholder comment on whether there are any aspects of these international arrangements for the customer transfer process that would be useful to adopt and/or consider in the Australian context.

1.2 Purpose of this review

The ability for customers to exercise choice and easily switch between retailers in competitive retail markets may be influenced by the market and regulatory arrangements for processing customer transfers. This includes the timeframes for the customer transfer process.

The Commission notes that customer switching rates and engagement with retail energy markets in Australia is high compared to both other countries and other industries, though the rate of doing so varies between jurisdictions. For example, more than a quarter of Victorian customers switch supplier every year. In NSW, switching rates have increased in recent years, where more than a fifth of customers now switch supplier annually.¹⁴ This data suggests that the existing maximum transfer timeframe may not be a material barrier to effective customer switching.

The AEMC considers that more engaged and active customers provide for a more competitive market. Switching is an indicator of active customers, but switching rates

¹⁴ See www.vaaset.com for further information.

cannot indicate whether customers are making informed decisions and switching to plans that are likely to suit them. Only when switching rates are combined with other indicators can it provide a more complete picture of the competitive state of the market.

That said, making further improvements to the current customer transfer process in the NEM may be beneficial. Where customers are able to engage in an easy and timely process, they are likely to be more willing to switch retailers in order to select the retail product that most closely reflects their needs and perception of good value. This, in turn, promotes competition in retail energy markets.

Further, creating an easy and timely process for customer transfers may also benefit retailers. For example, an efficient and automated transfer process is likely to reduce the administrative costs of retailers by reducing the time that it takes for retailers to complete transfers successfully through fewer instances of rectifying failed or objected to transfer requests. This may, in turn, lead to lower retail prices for customers over the longer term.

1.3 Terms of reference and scope

1.3.1 Terms of reference for this review

The AEMC received a terms of reference from SCER in May 2013 to review electricity customer switching arrangements to improve the ease and time for how customers switch retailers. The review will help determine if the current customer switching process between retailers is efficient, and whether more specific maximum switching timeframe rules should be introduced to the NEM.

As set out in our terms of reference, in this review the AEMC will give consideration to the following:¹⁵

- **Current market arrangements** - the AEMC will consider what impact the current rules and processes, including jurisdictional arrangements, around time limits have on the decision or ability of customers to switch retailers and the efficiency and accuracy of the switching process. The AEMC will consider whether improvements to the current rules and processes could be made to promote maximum efficiency for the customer switching process.
- **Barriers and improvements** - the AEMC will consider current barriers to customer switching and what improvements could make customer switching easier.

The AEMC will also give consideration to other factors and processes associated with customer switching, such as what impact technologies such as smart meters could have on improving the accuracy of switch readings.

¹⁵ Terms of Reference, May 2013, p. 2. Available at:
<http://www.aemc.gov.au/market-reviews/open/review-of-electricity-customer-switching.html>.

The terms of reference require that a draft report must be provided to a sub working group of the SCER (i.e. the Energy Market Reform Working Group) by no later than 29 November 2013.

Given the substantial effect that the outcomes of review may have on key stakeholders in the electricity retail markets (e.g. retailers, distributors, AEMO, customers), the Commission has decided to publish an Issues Paper to seek initial views on the causes and materiality of issues in the current customer transfer process.

Following the consideration of written submissions and issues raised by stakeholders, the AEMC will consider whether there are material problems with the current customer transfer process. If so, the AEMC will publish an Options Paper in mid-January 2014, which will set out potential policy options the focus of which will be on improving the efficiency of the customer transfer process.

A Final Report, setting out our final recommendations will be provided to SCER by 31 March 2014, and published on the AEMC's website by 30 April 2014.

1.3.2 Scope

Our scope has been framed by our terms of reference, as discussed above.

The terms of reference do not specifically refer to small or large electricity customers. Consistent with the scope for this review, the AEMC has conducted a preliminary investigation into how current transfer arrangements apply to both small (residential and small businesses) and large (business) customers. Indeed, the transfer of large customers between retailers serves as a useful means to compare the efficiency of the two different arrangements.

In this review, we have therefore focussed on the transfer process of in-situ small customers. That is, those residential and small business customers that switch retailer from their existing retailer, while remaining at their current address. Most large customer's energy consumption is metered daily and so transfers are generally completed in a faster timeframe since actual meter readings are readily available.

There are a number of potentially related issues that the AEMC considers are out of scope for this advice. Specifically, we consider the following matters to be out of scope, and therefore, are not considered in this review:

- the broader customer transfer process - consistent with the terms of reference, the AEMC will not investigate the broader customer transfer process, such as how it relates to new connections or move-in/move-out scenarios (i.e. this review only focusses on in-situ transfers);
- the broader aspects of metering - there are a large number of rules and regulations relating to metering installations and processes under the National Electricity Rules (e.g. that a meter should be read every three months). Since these refer to wider aspects of metering, we consider these to be out of scope; and

- customer protection measures - there are a number of customer protection measures that exist under the National Energy Retail Law and National Energy Retail Rules (and to the extent contracts are unsolicited under the Australian Consumer Law) and relate to customer transfers (e.g. contract cooling-off periods). These matters are considered out of scope since the Commission considers that these matters raise policy considerations that are best addressed by the relevant governments.

While these issues are considered to be out of scope they are parameters that need to be taken into account in considering the efficiency of the current customer transfer arrangements.

1.4 Other processes relevant to the Commission's considerations

There is a range of work that the AEMC has recently undertaken, or is currently undertaking that may have implications for this review. The most relevant of these are summarised below.

1.4.1 Review of competition in the retail electricity and natural gas markets in NSW

The AEMC was asked by the SCER to undertake a review and provide advice on the state of competition in the NSW electricity and natural gas retail markets for small customers. If competition was found to be effective, the Commission was required to provide advice on the appropriate path towards removing price regulation.

A Final Report and Supplementary Report, including recommendations, were recently published.¹⁶ As set out in the Final Report, the AEMC found that competition in the electricity retail market for small customers in NSW is effective, and so price regulation should be removed.

In the review, the AEMC considered the extent to which customers were active in the market. To inform this consideration, the AEMC engaged Roy Morgan to conduct qualitative and quantitative research including several customer focus groups and a consumer survey.¹⁷ The research sought consumer views on their experience of participating in energy markets.¹⁸

In the Supplementary Report, which provided recommendations for increasing consumer engagement in the NSW energy market, the AEMC found that while there is strong concern about rising energy bills and high levels of interest in energy issues,

¹⁶ AEMC, *Review of competition in the retail electricity and natural gas markets in New South Wales*, Final Report, 3 October 2013.

¹⁷ Roy Morgan Research, *Retail competition in the NSW electricity and natural gas markets: focus groups with residential and small business consumers*, 28 February 2013.

¹⁸ The findings from this research are discussed further in section 5.2.

most customers responded by reducing their consumption rather than switching suppliers or changing plans.¹⁹

These reports prepared for the review provide useful background to the overall practice of switching electricity retailers.

1.4.2 Power of choice review - increasing competition in metering

The AEMC's Power of choice review developed a number of recommendations relating to the promotion of customer choice.

As well as the recommendation to conduct this review, the Commission also recommended changes to the existing metering framework to facilitate deployment of advanced metering technology on a competitive basis.

The AEMC found that the existing arrangements were potentially hindering the penetration of advanced metering technology, and therefore the uptake of efficient demand side participation options by customers. Specifically, market participants investing in advanced metering technology deployments may currently face risks associated with:

- cost-recovery for the meters; or
- insufficient technology platforms to utilise the meter's full capabilities for the purpose of developing innovative products.

The Final Report recommended that SCER should prepare rule change proposals for consideration by the AEMC addressing the expansion of competition in metering and related services to all customers. This would be consistent with a business-led, optional approach to adoption of more advanced metering in jurisdictions where a widespread roll-out is not underway. This would include:

- new arrangements in the NER for the competitive provision of metering and data services for residential and small business customers; and
- a platform for open access, interoperability and common communication standards. The platform should be established to support competition in demand side participation energy management services that can occur with smart meters.

In December 2012, Council of Australian Governments (COAG) and the SCER agreed to this recommendation. A rule change request consistent with SCER's direction was submitted to the AEMC on 23 October 2013.²⁰

¹⁹ AEMC, *Supplementary Report: increasing consumer engagement*, 31 October 2013.

²⁰ SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

As part of this review is to consider what impact technologies such as smart meters could have on improving the accuracy of transfer readings, the recommendations to improve competition in metering will provide important context.

The Commission considers that the potential introduction of a framework to increase competition in metering in the future, should not preclude any enhancements that could be made to improve the efficiency of the current customer transfer process.

1.4.3 Victorian jurisdictional derogation, advanced metering infrastructure

The Victorian Government has requested a rule change to extend, for up to three years, the effect of an existing jurisdictional derogation in Victoria.²¹ The Commission has made a draft rule determination to make the proposed rule with some minor amendments.

The Commission is due to make a final rule determination before the end of this year. If the Commission makes a final rule that is consistent with its draft rule determination, then:

- distribution businesses would continue to be exclusively responsible for providing metering services to Victorian small electricity customers - meaning that retailers are prevented from providing these services;
- distribution businesses would continue to control related services that are facilitated by advanced meters, such as remote de-energisation and direct load control; and
- the new derogation would continue until a national framework is established for competition in metering (see above) and related services for residential and small business customers, and regulatory arrangements are made to provide for the orderly transfer of Victorian metering arrangements to this framework. If these requirements are not met by 31 December 2016, the derogation would expire.

As part of this review is to consider what impact advanced metering infrastructure technologies could have on the switching process, this rule change proposal provides useful background and context to these considerations.

1.4.4 Other processes

Other current rule change proposals, including the proposal relating to governance of retail market procedures,²² and current reviews including the framework for open

²¹ A jurisdictional derogation modifies the application of the rules in a participating jurisdiction.

²² See:
<http://www.aemc.gov.au/Electricity/Rule-changes/Open/governance-of-retail-market-procedures.html>.

access and communication standards,²³ may also be relevant to the Commission's considerations as part of this review.

1.5 Stakeholder consultation

Under this review, SCER has requested the AEMC to consult with jurisdictions and key stakeholders (which include energy retailers and consumer groups) during the preparation of its reports.

Consistent with our terms of reference, we have met with a number of key stakeholders, (including retailers, distributors, energy ombudsmen and consumer groups), to discuss the customer transfer process prior to the preparation of this Issues Paper. We appreciate the information that has been provided to us through this process.

Information provided by key stakeholders is important to understand the materiality of issues, determining the extent to which transfer arrangements can be improved, and whether improvements to the transfer arrangements would require significant changes to business operations the National Electricity Rules (NER), National Energy Retail Rules, or AEMO procedures.

This Issues Paper sets out the scope of this review and the Commission's approach to an assessment of the issues identified, along with a series of issues for stakeholder comment.

Responses to this paper will further inform and enhance the AEMC's understanding of these issues. Stakeholders are therefore invited to make submissions on the matters raised in this paper, and any other matters they consider relevant to this advice.

Key milestones for this review are outlined below. As required by our terms of reference, the AEMC's Final Report must be provided to SCER by no later than 31 March 2014.

Table 1.1 Advice process

Document	Purpose	Date
Issues Paper	To present the assessment framework and key issues identified by the Commission and set out the process for the review.	29 November 2013
Options Paper (if required)	To address issues raised in submissions to the Issues Paper and identify potential policy recommendations.	mid-January 2014

²³ See:
<http://www.aemc.gov.au/market-reviews/open/framework-for-open-access-and-communication-standards.html>.

Document	Purpose	Date
Final Report	To set out the Commission's policy conclusions and recommendations.	Provide to SCER by 31 March 2014 Publish on AEMC website by 30 April 2014

1.5.1 Lodging submissions

Written submissions from interested stakeholders in response to this issues paper must be lodged with the AEMC **by no later than 5pm, Tuesday 24 December 2013.**

Submissions should refer to AEMC project number "EPR0038" and be sent electronically through the AEMC's online lodgement facility at www.aemc.gov.au.

All submissions received during the course of this advice will be published on the AEMC's website, subject to any claims for confidentiality.

In order for this advice to be completed by no later than 31 March 2014, the AEMC must adhere to strict deadlines. While the AEMC will have full regard to all submissions lodged within the specified time period, late submissions may not be afforded the same level of consideration. To allow the AEMC to fully consider all submissions, we request that stakeholders lodge their submissions by no later than the due date.

1.6 Structure of this report

The remainder of this report is structured as follows:

- chapter 2 sets out the assessment framework that will be used to guide assessment of any potential policy options identified under this review;
- chapter 3 summarises the current regulatory frameworks for customer transfers;
- chapter 4 outlines the current customer transfer process;
- chapter 5 analyses both qualitative and quantitative information on the functioning of the current customer transfer process in the National Electricity Market (NEM);
- chapter 6 sets out the role of advanced metering infrastructure in regard to the customer transfer process;
- Appendix A provides further details on current customer transfer times in the NEM; and
- Appendix B summarises international arrangements for customer switching.

2 Assessment framework

Summary of this chapter

Our proposed assessment framework will guide our assessment of any proposed policy options resulting from this review. This assessment framework will be applied in any forthcoming Options Paper, which will set out potential policy options.

As in every AEMC review, the overarching objective which would guide our approach to this review will be the National Electricity Objective (NEO).

In order to make this assessment, we propose to use the following criteria, specifically:

- transparency of arrangements;
- clarity and simplicity;
- whether efficient incentives are promoted under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- whether the regulatory and administrative burden is minimised.

We propose to use these criteria or principles to assess the materiality of the issue and alternative options for improving the efficiency of the current customer transfer process, and to guide the development of our final recommendations. The efficiency of the customer transfer process comprises both timeliness and accuracy. The Commission seeks stakeholder feedback on both of these aspects of the customer transfer process.

2.1 Introduction

This chapter sets out the AEMC's proposed assessment framework for this review. It first discusses the overarching objective that will guide this review - the National Electricity Objective (NEO) (section 2.2). It then discusses the range of criteria that we propose to use in testing whether arrangements promote the NEO (section 2.3).

2.2 National Electricity Objective

The NEO states that:

“The objective of this Law is 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.”

The NEO refers to the three fundamental limbs of efficiency:

- allocative (efficient use of);²⁴
- productive (efficient operation);²⁵ and
- dynamic efficiency (efficient investment).²⁶

All three forms of efficiency will need to be considered by the AEMC in its assessment of the customer transfer arrangements.

Typically, competitive markets provide the best means of driving allocative, productive and dynamic efficiencies. Switching is the most powerful tool customers have available for exerting their influence on the competitive process. The AEMC considers the rules and process for customer transfers should therefore maximise the opportunity, incentive and ability for customers to switch retailers. This is the overriding objective of the assessment framework.

The efficiency of the customer transfer process can be considered in relation to two broad aspects, specifically the:

- timing of the customer transfer process (i.e. that the transfer process occurs within a timely manner, allowing customers to switch to their new retailer faster and so gain the benefits of their new retail offer); and
- accuracy of the customer transfer process (i.e. that the transfer process allows the *correct* customer to be switched to their new retailer of choice without error, with this process being based on accurate data and information).

The Commission seeks stakeholder comments on the efficiency of the customer transfer process in relation to both of these aspects.

²⁴ Allocative efficiency is achieved when resources used to produce a given set of goods and services are allocated to their highest value uses. This requires that goods and services are provided, and that consumption decisions are made, on the basis of prices that reflect as closely as possible the opportunity (or marginal) cost of supplying those goods and services.

²⁵ Productive efficiency is achieved when only the minimum resource inputs are used to produce a given set of goods and services. Achieving productive efficiency is important because it avoids wasting resources which could have been used for producing something else.

²⁶ Dynamic efficiency is concerned with ensuring allocative and productive efficiencies are sustained over time. This requires markets and supporting regulatory arrangements to provide incentives for firms to innovate and invest at efficient levels over time.

2.3 Criteria

We propose to use the following criteria or principles for assessing the efficiency of the transfer process:

- transparency of arrangements;
- clarity and simplicity;
- whether efficient incentives are promoted under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- whether the regulatory and administrative burden is minimised.

These criteria will form the basis for how we arrive at our conclusions on whether the current transfer process needs reform and, in turn, will influence any proposed policy options that we identify.

How each of the principles relate to the promotion of the NEO in the context of the customer transfer process is briefly discussed below.

2.3.1 Transparency of arrangements

It is important that the obligations on participants in the transfer process are clear and enforceable and that all necessary information is provided to businesses that are party to a transfer so that the switching process can proceed as effectively as possible for the customer.

There are a number of different parties, as well as the customer, that are involved in the switching process, including:

- the "winning" and "losing" retailers (i.e. the retailer the customer moves to, and moves from, respectively);
- the metering data provider (typically the distributor); and
- Australian Energy Market Operator (AEMO), who manages the central database and user interface for facilitating and communicating the transfer between retail and distribution businesses.

These parties play different roles in the transfer process and have different obligations under the rules for providing and managing information.²⁷

Transparency promotes accountability and confidence in the retail market and, subsequently encourages retail businesses and other participants who operate in the

²⁷ These obligations are discussed in further detail in chapters 3 and 4.

market to commit future funds for investment and improving the quality of service provision. This supports allocative and dynamic efficiency.

2.3.2 Clarity and simplicity

The switching process should be clear and easily understood by all parties, as well as being simple for customers to navigate.

For example, if in order to effect a transfer, a customer has to contact AEMO, the metering data provider and both their existing and winning retailers, the customer may find this all too hard and (understandably) resolve to stay on their existing retail contract with their current retailer. This would be a poor outcome.

A simple process for switching would ideally require that the customer need contact only one party - the winning retailer - who would be responsible for initiating the switch.

From the perspective of the winning retailer, the process of securing a new customer should be straightforward and unencumbered. For example, with respect to acquiring the necessary information to effect the switch and the retailer's interactions with other relevant parties. If not, this could act as a barrier to new entry into the retail market by other retailers.

The easier the process for switching is for all involved, the greater the discipline switching can impart on the competitive process. This, in turn, supports all forms of efficiency.

Further, clear and simple processes are likely to result in fewer switching errors (and so will address one of the causes of longer than necessary customer switching times).

2.3.3 Efficient incentives are promoted under the arrangements

A critical part of having an efficient switching process is that participants in the process have appropriate incentives or effective obligations to:

- provide relevant information and undertake their specified functions in a timely fashion (e.g. obtain meter readings); and
- require that data and information used in the switching process is accurate and consistent (e.g. information on National Metering Identifier (NMI) standing data²⁸ in the relevant AEMO database is consistent with customer addresses held by retailers).

Where parties do not have sufficiently strong incentives to undertake their functions in a timely manner, or for data to be accurate and consistent, this can lead to switching

²⁸ A NMI is an identifying code that uniquely defines a "metering installation" for the purpose of NEM settlements.

errors (or erroneous customer transfers). For example, the wrong customer is transferred because the address provided by a particular customer is inconsistent with the NMI standing data for that address in the relevant AEMO database.

Switching errors can delay the switching process, thereby affecting retail competition and undermining the quality of the customer experience with regard to the switch. Poor customer experiences may cause customers to lose confidence in the retail market and create risks of regulatory intervention. This will have the effect of undermining dynamic efficiency.

2.3.4 Efficient allocation of risks and costs

Efficient incentives usually arise where risks and costs are appropriately allocated. As a general rule, they should be allocated to those who are best placed to manage them, since this allows costs to be minimised and risks to be managed in the most effective way possible.

An example in the context of this review is the provision of metering data. An accurate and timely meter reading is integral to an efficient transfer and the quality of the transfer in relation to that customer. For the majority of meters in the NEM, distributors (as the metering data provider) are responsible for undertaking the meter reading and providing this data to the retailer. However, it is retailers who have the customer relationship and are, therefore, held accountable by customers for any poor service experience with respect to a switch caused by inaccurate or delayed meter readings.

There may consequently be a misalignment of incentives because those who bear the costs of any poor metering service provision (i.e. the retailer) may not be the ones who impose the costs (i.e. the distributor).

A lack of control over the meter reading process may create risks for retailers. Risks need to be managed, which means they incur costs to those parties who are subject to them.

An important question in this review is, therefore, whether those who bear any costs or risks under the existing switching process are in the best position to manage them. This allows the costs of managing risks to be minimised, which supports productive efficiency.

Dynamic efficiency is also supported because if the environment in which businesses operate becomes riskier, this is likely to reduce incentives for them to invest and innovate over time.

2.3.5 Predictability

Processes and arrangements that promote predictability (or minimises uncertainty) are important for the achievement of dynamic efficiency.

This principle is, in part, a function of successfully meeting the principles listed above. Clear and transparent rules enhance predictability. Each participant should understand what their own and others' obligations are under the rules and how they should interact with other parties to effect a customer switch. Participants should, and also expect others, to act consistently with their obligations under the rules.

Further, the rules should not be overly burdensome, complex or duplicative. For example, a different switching process in each NEM jurisdiction would not promote predictability. This is critical for engendering confidence in, and the credibility of, markets and supporting regulatory frameworks. Such confidence underpins future investment and innovation in the quality of services provided. Where changes lead to unanticipated outcomes, are misunderstood or overly complex, this can undermine dynamic efficiency.

We are also mindful of the importance of having a predictable process for changing market arrangements. Recommendations for change should be proportionate and stakeholders should have sufficient warning of, when and how, changes will be implemented.

2.3.6 Minimising the regulatory and administrative burden

The customer transfer process, or changes to the customer transfer process, should not impose undue regulatory or administrative costs for parties associated with a transfer.

Productive efficiency applies equally to regulatory and administrative arrangements as much as it does to the firms that operate under those processes. Where arrangements are complex to administer, difficult to understand, or impose unnecessary risks, they are less likely to achieve their intended ends, or will do so at higher cost.

We will also keep this consideration in mind in respect of any potential changes we may propose to the arrangements. Retailers have existing information technology and business processes that are structured to meet existing obligations. New arrangements and obligations could require existing systems and processes to be modified. Any costs this imposes should be proportionate to the benefits likely to be derived from those changes.

Question 1 Criteria for the review

Are the proposed criteria for assessing the efficiency of the switching process appropriate in guiding the development of the AEMC's recommendations under this review?

3 Regulatory framework

Summary of chapter

The process for transferring customers between retailers in the NEM is determined by a range of regulatory instruments, including the National Electricity Rules (NER), National Energy Retail Rules (NERR), various AEMO procedures, and jurisdictional electricity codes. Together these comprise the regulatory framework for the customer transfer process.

In general:

- the NER includes high-level obligations on AEMO to produce various procedures that relate to various aspects of the customer transfer process;
- the NERR provides limited guidance on the customer transfer process;
- AEMO procedures, most notably the Market Settlement and Transfer Solutions (MSATS) Procedures, set out the most detail on the customer transfer process; and
- for those jurisdictions that have not yet adopted the National Energy Customer Framework (NECF), jurisdictional electricity codes provide some guidance on the customer transfer process.

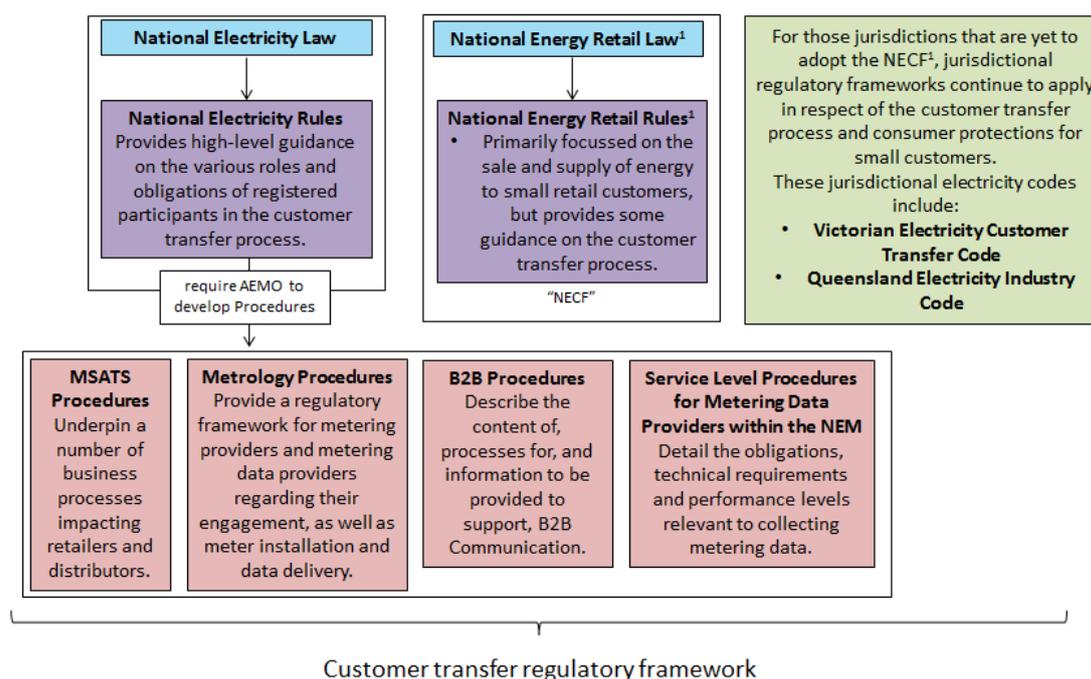
This regulatory framework is described in further detail in this chapter.

3.1 Introduction

The AEMC considers it is important to describe the regulatory framework to clearly allocate the different roles, tasks, obligations and other activities that must be completed in the customer transfer process.

A number of regulatory instruments, including the National Electricity Rules (NER), National Energy Retail Rules (NERR), AEMO procedures, and jurisdictional electricity codes comprise the regulatory framework for the customer transfer process. These are summarised in Figure 3.1 below.

Figure 3.1 Summary of regulatory arrangements



¹Currently, only NSW, ACT, Tasmania and South Australia have adopted the NECF Framework.

These regulatory arrangements form part of broader market operations that underpin the efficient operation of the NEM, including arrangements relating to: the efficient functioning of the wholesale market; network connection and planning; economic regulation; and metering.

Of interest to this review, the regulatory arrangements also deal specifically with the customer transfer process. This chapter outlines these various regulatory instruments as they relate to the customer transfer process. Specifically:

- section 3.3 discusses the relevant aspects of the NER;
- section 3.4 discusses the relevant aspects of the NERR;
- section 3.5 discusses the relevant AEMO procedures; and
- section 3.6 discusses the relevant jurisdictional electricity codes.

Before we discuss these regulatory instruments, there are a number of common terms referred to in this report, and so it is useful to define some terms. These are summarised below in section 3.2. Further, there are also a number of different parties that are involved in the customer transfer process. The roles of these parties are also described in more detail below.

3.2 Common terminology and parties in the customer transfer process

Table 3.1 sets out common terminology used throughout this report.

Table 3.1 Common metering infrastructure terms

Term	Description
National Metering Identifier (NMI)	A NMI is an identifying code that uniquely defines a "metering installation" for the purpose of NEM settlements.
Metering installation	<p>The metering installation is the assembly of components required to measure, process and make available for collection the energy data for a connection point, including:</p> <ul style="list-style-type: none"> • measurement element(s) (meters); • current and voltage instrument transformers (if required); • recording and display equipment; and • communications interface (if required).
Metering installation type	<p>The type of metering installation and its accuracy requirements for a metering installation are determined in accordance with the NER and depend on the size of the load. Meter types are categorised as:</p> <ul style="list-style-type: none"> • greater than 1,000 GWh – type 1; • between 1,000 GWh and 100 GWh – type 2; • between 100 GWh and 750 MWh – type 3; and • between 750 MWh and zero – types 4, 5, 6 and 7. <p>These types are described in more detail below.</p>
Type 1 to 4 meters	These meters record energy use every half-hour and send those readings to a central database on, generally, a daily basis. These are usually known as "remotely read, interval meters". These are typically installed in large businesses.
Smart meter	Smart meters record consumption on a near real time interval basis (that is, half hourly consumption). Smart meters also have communication technology that allow data to be retrieved remotely, provides other smart services (e.g. network support such as faults/problems on network or load management) and can link to devices in the home to allow instant access for the customer to their electricity use profile. Jurisdictions in the NEM are currently in different stages of deployment for smart meters.
Type 5 meter	These meters record energy on a half-hourly basis, but are read in-situ by meter readers on a routine basis, typically quarterly. These are usually known as "manually read, interval meters", and are typically installed in small (household and small business) customer premises.

Term	Description
Type 6 meter	These meters simply record energy consumed from one read to the next, and are read in-situ by meter readers on a routine basis, typically quarterly. These are usually known as "accumulation meters", and are typically installed in small (household and small business) customer premises.
Type 7 meter	These meters refer to unmetered sites, where no meter is installed, and are typically used where the load is miniscule and unmetered (e.g. street lights).

Aside from the customer, the parties that are involved in the customer transfer process include: metering providers, metering data providers, Local Network Service Providers (LNSPs), retailers and the market operator (i.e. AEMO). Table 3.2 summarises the main parties involved in the customer transfer process, and their roles as they relate to the customer transfer process.

Table 3.2 Market participants involved in the customer transfer process under the NER

Party	Role in customer transfer process
Financially responsible market participant (FRMP)	The FRMP is responsible for market load at a particular connection point. Generally, the FRMP is the retailer that is responsible for the supply of electricity to a customer, including for the billing and wholesale market arrangements.
Local Retailer (LR)	This is the retailer that has responsibility for the supply of electricity to franchise customers ²⁹ in a local area. For example, the local retailer must offer regulated retail contracts in a supply area to small customers that do not wish to enter into a market retail contract, where it is the FRMP for the relevant connection point.
Metering Data Provider (MDP)	Metering data providers must be accredited and registered by AEMO. They are responsible for carrying out metering data services that includes the collection, processing, storage and delivery of meter data. Other responsibilities also include the management of relevant NMI Standing Data.
Metering Provider (MP)	Metering providers must be accredited and registered by AEMO. They are responsible for the installation and maintenance of metering installations, including providing and maintaining the security controls of metering installations.
Responsible Person (RP)	The responsible person is the entity that is formally responsible for a range of metering and metering data activities. This includes the provision, installation and maintenance of a metering installation, as well as collection, processing and delivery of meter data. Which entity can be the responsible person depends on the metering installation type. For a remotely read interval meter (type 1 to 4) the FRMP, usually the retailer, can choose to be the responsible person. Alternatively, the FRMP can request the LNSP to be the responsible person or engage a third party.

²⁹ Franchise customers refers to those small electricity customers who have the option to move to a market (i.e. unregulated) offer, but remain on a regulated retail price.

Party	Role in customer transfer process
	For manually read interval meters (type 5), accumulation meters (type 6) and metering installations without a meter (type 7), the responsible person must be the LNSP.
Local Network Service Provider (LNSP)	This is the distributor that has responsibility for the supply of electricity to franchise customers in a local area (typically a geographical area that has been allocated to it by jurisdictional electricity legislation).
AEMO	AEMO is responsible for developing a number of procedures that relate to the customer transfer process. AEMO is also responsible for undertaking settlement of the wholesale market, and registering participants.

3.3 National Electricity Rules

Chapter 7 of the NER sets out provisions relating to: metering installations; metering data; inspection, testing and audit requirements; security of, and rights of access to, metering data; competencies and standards of performance; metering data services database; and metering register requirements.

This chapter also provides high-level guidance on the various roles and obligations of registered participants that may be involved in the customer transfer process. This includes, for example, metering providers, metering data providers, and LNSPs. The NER does not describe the roles and obligations of each of these parties to a great level of detail. Rather, it delegates this responsibility to AEMO to determine these through its procedures.

The NER does establish requirements surrounding the preparation, development and content of these procedures. The relevant NER requirements are detailed in the sections below. The main procedures relevant for current purposes are:

- MSATS Procedures, which detail the arrangements for billing, settlement and customer transfers in the NEM;³⁰
- Metrology Procedures, which deal with the treatment of metering data and information;³¹ and
- Service Level Procedures, which detail the obligations, technical requirements and performance levels associated with the processes of meter reading, data collection, data processing, adjustment, aggregation and delivery of metering data.³²

³⁰ NER clause 7.2.8.

³¹ NER clause 7.14.1.

³² NER clause 7.14.1A.

These procedures are discussed in further detail in section 3.5 below.³³

The NER also requires compliance by the relevant market participant with these procedures.³⁴ Failure to comply with these procedures is a breach of the NER.

In the case of MSATS, AEMO has a discretion to send a notice to a Registered Participant only, setting out the nature of the breach.³⁵ If the breach has not been rectified within five days of receipt of AEMO's notice, AEMO is required to advise the relevant state regulator responsible for enforcing any local metering requirements and the AER.³⁶

Failure to comply with MSATS Procedures by any of the Registered Participants, metering providers and metering data providers, is a breach of a civil penalty provision.³⁷ This is currently classified as a civil penalty provision under the National Electricity (South Australia) Regulations.³⁸ Breach of a civil penalty provision allows the AER to issue an infringement notice to the relevant entity, which will outline the infringement penalty for the breach (currently \$20,000 for a body corporate).³⁹

Alternatively, the AER could commence proceedings in a court of law and seek an order from the court declaring that the relevant person is in breach of the Rules and ask the court to declare that the relevant person do any of the following:

- pay a civil penalty, determined by the court in accordance with the NEL, NER, or the Regulations;
- cease the breaching activity or conduct;
- take such action or adopt practices to remedy the breach or prevent it from occurring again; or
- implement a specified program for compliance with the NEL, NER or the Regulations.⁴⁰

In the case of Metrology Procedures or the Service Level Procedures, a similar AEMO compliance process (to that described above) is contained in the NER in relation to metering providers and metering data providers, and so is relevant to the issue of compliance with these procedures.⁴¹ Under that compliance process, AEMO has

³³ The Business to Business (B2B) Procedures, which relate to the inter-business processes associated with metering and the retail electricity market. See: NER clause 7.2A.3.

³⁴ NER clauses 7.2.1(b), 7.2.8(d), 7.4.2(bb), 7.4.2A(e).

³⁵ NER clause 7.2.8(e).

³⁶ NER clause 7.2.8(f).

³⁷ NER clause 7.2.8(d).

³⁸ See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.

³⁹ See Part 6, Division 5 of the NEL.

⁴⁰ See Part 6, Division 2 of the NEL.

⁴¹ NER clause 7.4.3.

principles against which to evaluate the breach and the ability to send a notice setting out the nature of the breach, a failure to comply with which will lead to a review of the relevant metering provider or metering data provider and possible deregistration.

Again, as with the case of MSATS Procedures, it is open to the AER to seek to pursue any Registered Participants, metering providers or metering data providers in a court of law for a breach of the Metrology Procedures or the Service Level Procedures, breach of either being a breach of the NER.

Compliance with requirements of relevant procedures is also a matter for market participants responsible for metering installations. For example, if the accuracy of a metering installation does not comply with the requirements of the Rules, the responsible person must undertake the actions in accordance with clause 7.6.2 and clause 7.9.5 of the NER.

3.4 National Energy Retail Rules

The NERR primarily focusses on the sale and supply of energy to primarily small retail customers. This includes guidance on the terms and conditions of retail contracts, information provision and marketing, customer hardship policies and connections. The NERR also provides guidance on the inter-relationships between distributors and retailers in coordinating the supply of electricity and gas to small customers.

Currently, the NERR only applies in the participating jurisdictions of NSW, the ACT, Tasmania and South Australia. As Queensland and Victoria are yet to adopt the NERR, their existing retail electricity codes continue to apply.⁴² In some instances this has implications for the customer transfer process, as discussed in chapter 4.

The NERR provides some guidance on the customer transfer process. Specifically, Rule 57 of the NERR outlines that small customers are to be transferred in accordance with the relevant retail market procedures.⁴³

Otherwise, the NERR provides limited guidance on the customer transfer process. It does include some requirements, such as:

- a retailer must not submit a request for transferring a customer unless the retailer has obtained explicit informed consent;⁴⁴

⁴² In December 2012, SCER and COAG reiterated their commitment to have all jurisdictions in the NEM commence the National Energy Customer Framework (NECF) as soon as practicable and no later than 1 January 2014, subject to the resolution of issues specific to those jurisdictions yet to implement. Since that time, the Queensland Government has announced that it will implement the NECF in early to mid-2014.

⁴³ As noted in the previous section, the most relevant procedures include: MSATS Procedures; Metrology Procedures; and Service Level Procedures.

⁴⁴ Rule 57 of the NERR. This rule also permits the retailer to begin processing the customer transfer process prior to the completion of the cooling off period, provided that the process can be reversed if the customer changes their mind regarding the new contract prior to the cooling off period expiring.

- the winning retailer must notify the customer that the transfer process is complete, the winning retailer is now the Financially Responsible Market Participant (FRMP) for that customer, and the date when they commenced selling electricity to the customer;⁴⁵ and
- the retailer must also notify the customer if the transfer did not commence as expected, along with several related aspects.⁴⁶

The NERR also contains provisions relating to billing that have relevance to the customer transfer process.⁴⁷

3.5 AEMO procedures

3.5.1 Market Settlement and Transfer Solution (MSATS) Procedures

The MSATS Procedures are a key feature of the NEM. They underpin a number of business processes impacting retailers and distributors, including wholesale market settlement, billing and the customer transfer process. In addition to this, the MSATS infrastructure provides a repository for the collection, processing, storage and delivery of meter data that is used for settlement and billing.

The NER requires that:⁴⁸

- AEMO develop the MSATS Procedures in consultation with registered participants, and in accordance with the rules consultation procedures;⁴⁹
- AEMO amend the MSATS Procedures from time to time;⁵⁰
- the MSATS Procedures can outline the roles and responsibilities of metering providers and metering data providers;⁵¹
- all registered participants, metering providers and metering data providers comply with the MSATS Procedures;⁵²

45 Rule 58 of the NERR.

46 Rule 59 of the NERR.

47 This includes Rule 20, which sets out what a bill might be based on, and while generally requiring bills to be based on metering data, it does allow "any other method agreed by the retailers and the small customer" to also be the basis of a bill; and Rule 21, which allows for a bill to be based on an estimation of consumption. Both Rules are relevant to the final bill that would be issued as part of the customer transfer process.

48 NER clause 7.2.8.

49 NER clause 7.2.8(a).

50 NER clause 7.2.8(b).

51 NER clause 7.2.8(c).

52 NER clause 7.2.8(d).

- AEMO have a discretion to send a notice to registered participants that have breached the MSATS Procedures, outlining the nature of the breach; and
- AEMO notify the Australian Energy Regulator (AER) if a registered participant remains in breach of the MSATS Procedures for more than five business days after they receive notification from AEMO.

The interaction of various market participants in relation to customer billing and transfers is captured through the Consumer Administration and Transfer Solution (CATS) Procedures, which forms part of MSATS. The CATS Procedures serve a specific purpose by detailing the roles and obligations of various parties in relation to a connection point (i.e. a small customer's metering installation), as well as containing the principles that govern customer transfers, the registration of metering installations, and the management of standing data.

The main purpose of the CATS Procedures is to:

- define the attributes of a connection point for the purpose of transferring customers. This may include the registration of the NMI for that connection point (i.e. the meter installation); and
- facilitate market settlement and efficient industry processes for transferring NMIs between retailers, as well as the provision and maintenance of standing data, rules and codes. This also includes processes for NMI discovery.

The processes and guidelines outlined in the CATS Procedures contribute to defining the customer transfer process between retailers.

Importantly, the CATS Procedures contains the 65 business day maximum prospective timeframe for a customer transfer. This relates to the clause that specifies that a prospective transfer date can only be specified for a period of up to 65 business days in the future. However, as detailed further in chapter 4, the customer transfer process can extend beyond this 65 business day period where difficulties arise in the transfer process (e.g. property access issues). Importantly, at the start of the transfer process a retailer cannot nominate a prospective transfer date that exceeds 65 business days.

3.5.2 Metrology Procedures

The Metrology Procedures developed by AEMO provide a regulatory framework for metering providers and metering data providers (including their engagement).

The NER requires that:⁵³

- AEMO must establish, maintain and publish the Metrology Procedures in accordance with the rule requirements;
- the Metrology Procedures must include (amongst other things):

⁵³ NER clause 7.14.1.

- information on the devices and processes that are to be used;
- requirements for the provision, installation and maintenance of metering installations;
- obligations of responsible persons, FRMPs, LNSPs, metering providers, and metering data providers;
- details on the parameters that determine the circumstances when metering data must be developed to AEMO, the timeframe obligations for delivering metering data, and performance standards for metering data; and
- procedures for the: validation and substitution of metering data, and the estimation of metering data.

The NER also provides guidance on the treatment of jurisdictional variations in relation to metrology procedures, especially as it relates to the type of metering installation (types 5, 6, and 7).⁵⁴ The NER also requires that jurisdictional metrology material can only be provided to AEMO for inclusion in the metrology procedure by the Ministers of the Ministerial Council on Energy (MCE) (now SCER).

The metrology procedures are divided into two separate procedures:

- Part A⁵⁵ sets out the roles and obligations of each party in relation to the provision, installation, routine testing and maintenance of a metering installation, including the measurement of electrical energy. Part A also provides guidance on the provision of metering data services to facilitate the efficient operation of the market, and for load profiling purposes; and
- Part B⁵⁶ outlines the methods to be used by metering data providers concerning validation, substitution and estimating of meter data. It also outlines the process of collating and determining metering data into trading intervals for accumulation (type 6) meters and meters without metering installations (type 7).

3.5.3 Service Level Procedures

The Service Level Procedures detail the obligations, technical requirements and performances associated with the processes of meter reading, data collection, data processing, adjustment, aggregation and delivery of metering data.

⁵⁴ See NER clause 7.14.2 for further detail.

⁵⁵ AEMO, *Metrology Procedure: Part A National Electricity Market*, 31 October 2011.

⁵⁶ AEMO, *Metrology Procedure: Part B: Metering Data Validation, Substitution and Estimation Procedure for Metering Types 1-7*, 31 October 2011.

The NER requires that:⁵⁷

- AEMO must establish, maintain and publish the Service Level Procedures applying to metering providers and metering data providers, in accordance with the rule requirements;
- the Service Level Procedures must include:
 - the requirements for the provision, installation and maintenance of metering installations by metering providers;
 - the system requirements and processes for the collection, processing and delivery of metering data by metering data providers;
 - the performance levels associated with the collection, processing and delivery of metering data;
 - the data formats that must be used for the delivery of metering data; and
 - the requirements for the management of relevant NMI Standing Data;
- the Service Level Procedures must include accreditation requirements for both metering providers, and metering data providers.

AEMO has developed Service Level Procedures for both metering data providers, and metering providers within the NEM.

3.6 Jurisdictional electricity codes

In NEM jurisdictions where the NECF has not yet been adopted (i.e. Victoria and Queensland), jurisdictional regulatory frameworks continue to apply in respect of the customer transfer process and consumer protections for small customers.

The jurisdictional electricity codes are designed to work in conjunction with the NER and AEMO's MSATS Procedures. These jurisdictional electricity codes are detailed below.

The extent to which these jurisdictional policies differ from the MSATS Procedures, and potentially impact on the business processes of retailers that operate on a national basis, are considered in greater detail in chapter 4.

3.6.1 Victorian Electricity Customer Transfer Code

The Victorian Electricity Customer Transfer Code (Victorian Code) is the key regulatory framework that impacts on the customer transfer process in Victoria. The purpose of this regulation is to facilitate and regulate aspects of the process by which customers can choose to change retailer.

⁵⁷ NER clause 7.14.1A.

The Victorian Code states that the customer transfer process should happen in accordance with the AEMO CATS Procedures. However, there are minor differences between the NECF framework, and the Victorian Code. Most notably, the Victorian Code states that the customer transfer process may be completed within 20 business days (as opposed to 65 business days) for small customers.

3.6.2 Queensland Electricity Industry Code

The Queensland Electricity Industry Code (Queensland Code) is the key regulatory framework that impacts on the customer transfer process in Queensland. This Code is similar in scope to the NERR in that it provides guidance on the roles, responsibilities and obligations of distributors and retailers in the coordinated supply of electricity to small customers. The Queensland Code also sets out principles for electricity metering that are not covered by the NER.⁵⁸

The Queensland Code sets out that any proposed customer transfers must be done in accordance with the MSATS procedures developed by AEMO. However, similar to the Victorian Code, there are minor differences between the NECF framework and the Queensland Code.

Question 2 Regulatory frameworks for the customer transfer process

- (a) Are there any other regulatory instruments that the AEMC should consider as being part of the regulatory framework that applies for small customer transfers in the NEM?**
- (b) Do the regulatory frameworks governing the customer transfer process allow for efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is or is not the case?**
- (c) Are there any specific factors, specified in jurisdictional codes, that the AEMC should consider as allowing for efficient outcomes in accordance with our assessment framework?**
- (d) Are appropriate incentives currently placed on parties under the regulatory framework for the customer transfer process to allow for efficient outcomes in accordance with our assessment framework?**
- (e) Do the current compliance and enforcement provisions governing the customer transfer process allow for efficient outcomes in accordance with our assessment framework (e.g. in relation to the timeliness and accuracy of the customer transfer process)?**

⁵⁸ The Queensland Objection Code Guidelines 2013, which the AEMC understands are still in force, may also be relevant.

4 Customer transfer process

Summary of this chapter

At a high level, the customer switching process in the NEM consists of five steps:

- the customer begins the process to switch retailers by choosing a new retailer ("winning" retailer);
- the winning retailer gains information and consent from the customer in order to commence the transfer process;
- the winning retailer uses a largely automated IT system, operated by AEMO, to request a meter read, with this automated system then notifying all relevant parties, and so giving effect to the transfer;
- once the relevant data has been uploaded into this system, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO; and
- the winning retailer becomes financially responsible for that customer, and so the customer transfer process completes.

This chapter maps out the customer transfer process for the NEM in more detail.

4.1 Introduction

The Commission considers that it is important to map out the customer transfer process since it provides context to explaining and identifying any potential barriers or complications in the current customer transfer process. For example, potential limitations may arise given that the process for transferring customers between retailers forms part of a much larger, and more complicated set of market arrangements relating to metering, the provision of metering data, and wholesale market settlements.

We begin the mapping process at the point at which an electricity small customer initiates the process to switch retailers, through to the completion of the customer transfer process whereby the winning retailer becomes the FRMP.

At a high level, this comprises five steps, specifically:

- Step 1: Customer makes decision to switch;
- Step 2: Retailer gains information from customer;
- Step 3: MSATS customer transfer process commences;
- Step 4: Billing and market settlement occurs; and

- Step 5: Customer transfer completes, and winning retailer becomes FRMP.

There are two key stages to customer switching. The first stage reflects a customer responding to retail market offers and leads to the customer choosing a new retailer. The second stage reflects the process of transfer between the losing and winning retailers. It begins with the signing of a contract and ends with the customer receiving their first bill from the new retailer.

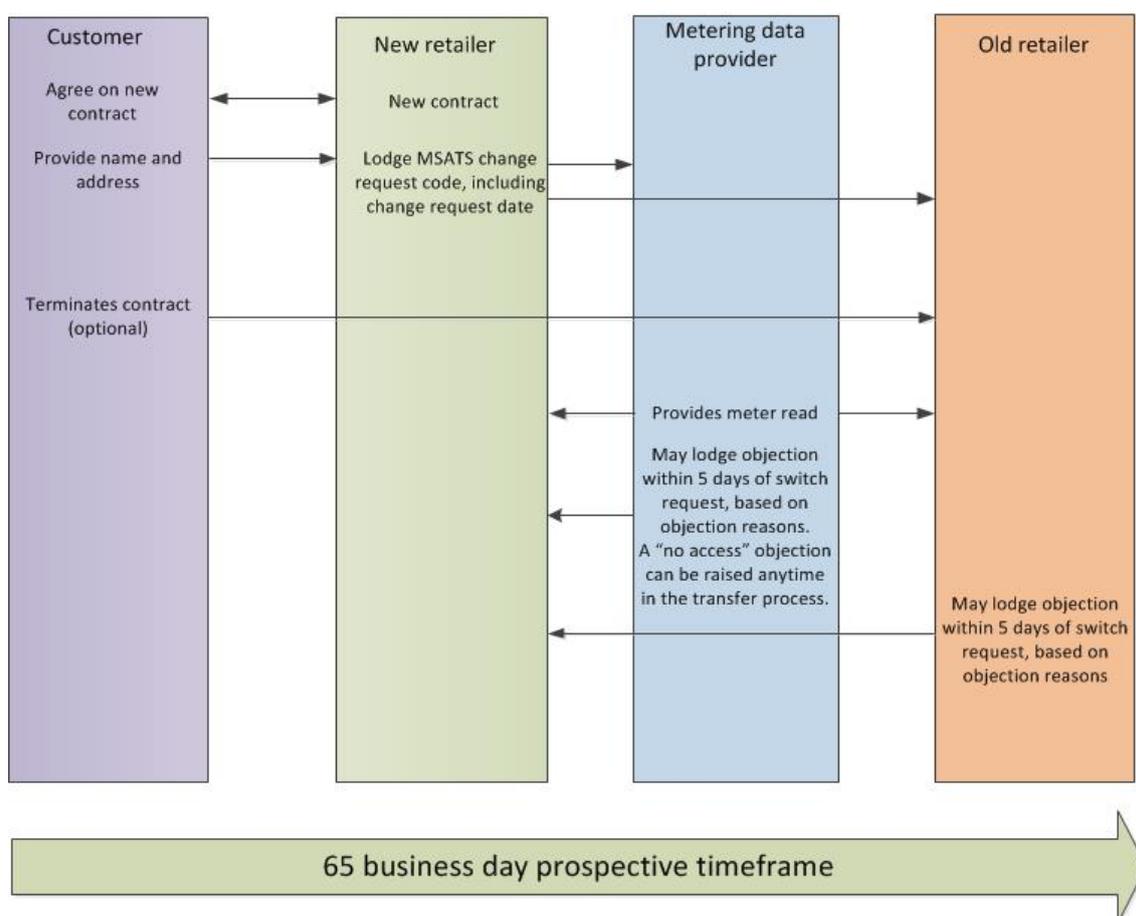
For the purpose of this review, reference to the customer switching process refers to the commencement of the customer transfer process at Step 3, as outlined above (i.e. the second stage). This process generally commences after the expiration of the cooling-off period and the customer transfer request is raised in MSATS by the winning retailer.

The customer transfer process is typically initiated and completed through AEMO's MSATS system. In detailing the process, we have also had regard to what happens when there is an exception to the (largely automated) customer transfer process (e.g. when an objection is raised by an eligible party to the customer transfer request).

The MSATS process can be used for a variety of types of customer transfers, including re-energisations and disconnections. However, as noted in chapter 1, this review focuses on those small customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address (i.e. in-situ transfers). Accordingly, this chapter focuses on describing the process for these small customers.

Figure 4.1 summarises the switching process in Australia, and relationships between relevant parties.

Figure 4.1 Switching process in Australia



4.2 Step 1: Customer makes decision to switch

Customer switching typically results from a generally competitive market process in which a customer changes their electricity supplier. In jurisdictions where the NECF has been implemented, the NERL and NERR primarily contain the minimum requirements that must be met by retailers and distributors in their interaction with customers seeking to switch their electricity supplier.⁵⁹

Customers may seek to change electricity supplier for a variety of reasons, including seeking out a better deal or product, or for obtaining better customer service.

Customers can begin the process for switching retailers in a number of different ways:

- Comparing energy products on regulator's price comparator websites, such as the AER's Energy Made Easy website.⁶⁰ After a customer makes a decision regarding an energy product, they are responsible for contacting the relevant retailer to enter into a new electricity retail contract.

⁵⁹ The Australian Consumer Law may also be relevant to some transfers under certain circumstances.

⁶⁰ See www.energymadeeasy.gov.au.

- Comparing energy products on a third-party commercial price comparator website, where the customer selects the energy product through the website. The third party that owns/operates the website is then responsible for contacting the relevant retailer to inform them of the customer's selection. The responsibility is then on the relevant retailer to follow up with the customer. We understand that the retailer will typically follow up in one to two business days.
- Contacting the energy retailer directly to change to a specific energy product. The retailer switching process can begin immediately from this point, subject to the customer providing explicit informed consent to the retailer.
- Signing up to an energy product through large-scale consumer campaigns activities, such as "One Big Switch".⁶¹

4.3 Step 2: Customer switches retailer

The "winning" retailer begins the customer transfer process according to the sequence of events listed below:

- The retailer confirms the address and NMI of the customer. This requires the retailer to match the address given by the customer with the NMI of the customer's meter, with each of these pieces of information contained in separate databases. We understand that in some cases, this process can be expedited where the customer has access to their NMI, such as on a recent electricity bill. Where the customer's information is wrong, or there are difficulties obtaining this information, the likelihood of delays in the transfer process is increased (e.g. where the address that the customer uses is not the address that is in the MSATS system).
- The customer provides explicit informed consent to the transfer and enters into the new contract with the retailer.⁶² The retailer subsequently issues a new contract for the customer, which they typically receive in writing within a week of providing verbal explicit informed consent.
- A cooling-off period of 10 business days commences once the customer receives all information relevant to a contract.⁶³ During the cooling-off period, the customer is able to renegotiate on their decision to enter into the new contract without attracting any penalties or break fees.⁶⁴

⁶¹ One Big Switch is a consumer campaign to cut the cost of electricity through the power of group switching. This was first launched in June 2012, with over 250,000 Australian households joining the campaign. See: www.onebigswitch.com.au.

⁶² Sections 38(a) and (b) of the NERL.

⁶³ See Rule 47 of the NERR.

⁶⁴ As noted in chapter 1, existing customer protection measures (including the length of the cooling-off period) are out of scope for this review.

After the cooling-off period has expired, the winning retailer initiates the customer transfer process in MSATS.

A retailer may initiate the customer transfer process in MSATS prior to the cooling-off period by selecting an effective transfer date that falls within the permitted date range after the cooling-off period expires.⁶⁵ However, the Commission understands, in general, that most retailers prefer to commence the MSATS transfer process after the cooling-off period has expired. This avoids potentially complicated reversal processes for the retailer where the customer cools off, which can add to a retailer's business costs.

In Victoria, the Victorian Code states that retailers can only raise a customer transfer request to change retailers at the expiration of the cooling-off period.⁶⁶ In Queensland, the proposed transfer may be initiated prior to the expiry of any applicable cooling-off period, but the transfer must not be completed until the cooling-off period has expired.⁶⁷

4.4 Step 3: MSATS customer transfer process

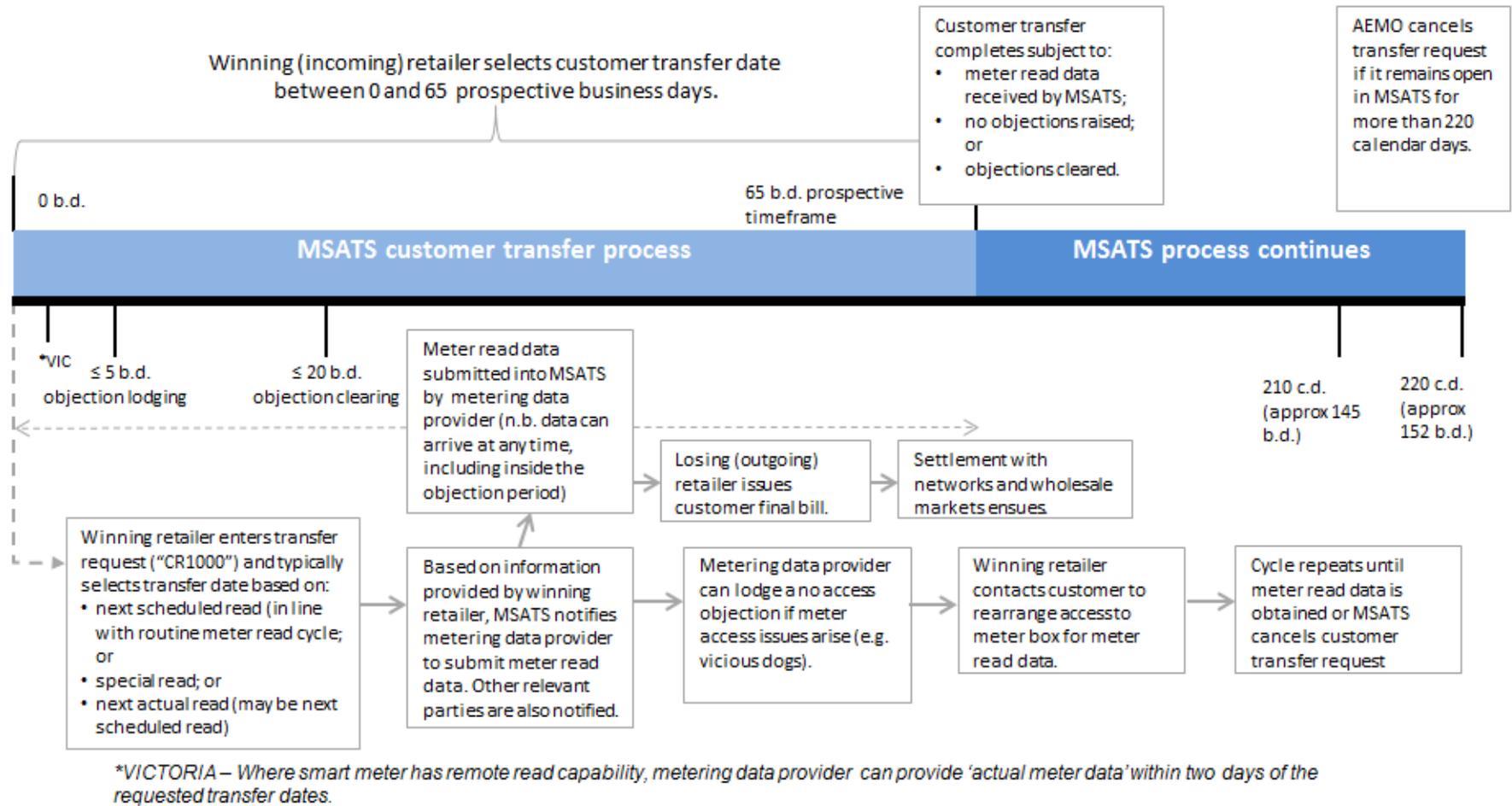
Figure 4.2 outlines the highly automated customer transfer process in MSATS.

⁶⁵ Rule 57 of the NERR also permits the retailer to begin processing the customer transfer process prior to the completion of the cooling-off period, provided that the process can be reversed if the customer changes their mind regarding the new contract prior to the cooling-off period expiring.

⁶⁶ Clause 4.1 of the Victorian Electricity Customer Transfer Code, April 2011.

⁶⁷ Clause 6.5.1 of the Queensland Electricity Industry Code, February 2013.

Figure 4.2 Detailed schematic of customer transfer process



4.4.1 Entering of change request code

The customer transfer request starts in MSATS when the winning retailer enters the corresponding “change request” for that customer’s NMI, which must occur no later than two days after the expiry of the cooling-off period.^{68,69}

At the time of raising the change request, the MSATS system notifies all relevant parties to the customer transfer.

Also at the time of raising the request, the winning retailer is required to select the meter read type on which the customer will be transferred.⁷⁰ This also forms the basis for selecting the date that the customer transfer becomes effective. We understand that the transfer date for a small customer generally coincides with the metering data provider's schedule for taking an actual meter read of that customer's metering installation.⁷¹ This means the prospective change date will be highly dependent on the metering data provider's meter read cycle for that customer.

The AEMC understands that retailers typically select one of three meter read types:

- **Next scheduled read date.** This code sends a notification to the relevant metering data provider that the proposed prospective change date for the customer transfer is the next scheduled read date (usually monthly or quarterly) to be undertaken by the current metering data provider (i.e. no other meter read is required).⁷² The AEMC understands that Part A of the Metrology Procedures⁷³ state that metering data providers should use reasonable endeavours to collect metering data once every three months. This (three months) corresponds to the maximum 65 business day prospective transfer date for a customer's transfer to a new retailer to become effective. This read type is typically used for accumulation and remotely read interval meters.
- **Special read date.** This code sends a notification to the relevant metering data provider that the proposed change date for the customer transfer is one that does

⁶⁸ MSATS Procedures: CATS Procedure Principles and Obligations, clause 2.3(b).

⁶⁹ In the case of a common customer transfer between retailers, the relevant change request code is CR1000. This code refers to those customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address, and is the focus of this review.

⁷⁰ Clause 2.3(l) of the MSATS Procedures: CATS Procedure Principles and Obligations states that the new FRMP, after obtaining the customer's consent, can request information for metering data from the metering data provider or responsible person.

⁷¹ We understand that the metering data provider's schedule is provided to retailers in a separate document.

⁷² MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

⁷³ See clause 3.4 of Metrology Procedures, in the general sense. See also clauses 3.4.6-3.4.7; clause 6.4.1(a) of the Service Level Procedures.

not align with the scheduled read cycle for the metering data provider.⁷⁴ Here, the metering data provider is required to arrange for a special meter read.⁷⁵ This code only applies to type 5 (manually read, interval) and type 6 (accumulation) meters. The Commission understands that retailers typically use special meter reads:

- if the customer's next scheduled meter read has only recently occurred, and so given that the next scheduled read is up to three months away, the retailer will absorb the cost of the special read in order to win the customer sooner and become their FRMP; and
 - if a small customer requests a special read, then the retailer will utilise a special read. Typically, the retailer will use their discretion as to whether or not they absorb the special read cost; but explicit informed consent would be obtained from the customer if the customer was asked to pay.
- **Next read date.** This code sends a notification to the relevant metering data provider that the proposed change date for the customer transfer is to be the date that the meter is next read.⁷⁶ For example, "next read date" may be selected where it is likely that the metering data provider may be required to undertake work at the premises at a date in the near future, which is before the next scheduled read date. The next actual read may occur earlier than the next scheduled read.

There are also a number of other meter read types, that are not described above. The Commission understands that these additional read types are not commonly used. These include:

- **Estimated read.** No actual meter read is required. The metering data provider estimates a read in accordance with the Metrology Procedures, and jurisdictional requirements;⁷⁷ and
- **Consumer read.** This may be otherwise known as a customer self-read. The customer itself undertakes a meter read, and provides the pertinent information to the relevant parties (e.g customer could take a smart phone picture of their meter and provide this to the appropriate party).⁷⁸

The Commission is seeking further information on the use of the various read types in the customer transfer process. For example: the number of each type of reads that are requested by retailers; how many of the reads are completed in accordance with the

⁷⁴ It is also expected that a B2B service order is also sent when using read type "Special Read" in a transfer.

⁷⁵ MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

⁷⁶ MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

⁷⁷ See: MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

⁷⁸ This only applies to accumulation meters and is only available if approved by jurisdictional policy. See: MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

expected date of the read; the reasons for requesting those types of reads; and how the timeliness of reads could be improved. The Commission will be contacting retailers regarding this further information shortly.

The date selected on the basis of the meter read type forms the “prospective transfer” date. This is validated by MSATS and becomes the "actual change date".⁷⁹

At present, the maximum allowable time for a prospective transfer date is 65 business days from when the transfer request is first raised by the winning retailer.⁸⁰ Conversely, the winning retailer cannot select a prospective transfer date that is before the date the change request is first raised.⁸¹ However, the customer transfer process can potentially extend for longer than 65 business days, as detailed below.

MSATS requires that for prospective changes that do not require a manual meter read, such as for smart meters with remote read capability, the metering data provider confirms the actual change date within two days of the requested transfer date.⁸²

This means that the customer’s metering data can be provided to the retailer within approximately two business days of the initial change request code. Therefore, the minimum transfer timeframe for customers with smart meters is between 13-15 days, including the expiry of the 10 day cooling-off period.⁸³ This estimation generally aligns with anecdotal information that we have received from retailers operating with smart meters, as well as consumer groups.

The selection of the date in MSATS triggers an action to request the metering data provider to obtain the actual read.⁸⁴ The metering data provider system automatically picks up the metering data when it becomes available, and sends this to MSATS.

Outside this largely automated MSATS process, metering data providers and retailers typically follow "exception procedures" to monitoring and rectifying failed/late processes relating to transfers (i.e. meter read not obtained, meter read overdue, failed meter read, etc).

Question 3 MSATS customer transfer process

(a) Does the current MSATS customer transfer process promote timely and accurate customer transfers in accordance with our assessment framework?

⁷⁹ MSATS Procedures: CATS Procedure Principles and Obligations, section 4.13, Table 4n.

⁸⁰ MSATS Procedures: CATS Procedure Principles and Obligations, clause 3.10.2 and 6.9(b).

⁸¹ MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

⁸² MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(c).

⁸³ See section 6.6 “MDP Obligations” of the MSATS Procedures.

⁸⁴ See section 6.6 "MDP Obligations" of the MSATS Procedures: CATS Procedure Principles and Obligations.

- (b) What potential enhancements could be made to the customer transfer process, both in terms of timeliness and accuracy, that could facilitate a more effective customer transfer process?
- (c) Are there any different ways of structuring charges for the provision of metering data, in order to incentivise metering data providers to supply more timely and accurate meter reads, for the purpose of facilitating an effective customer transfer process?

Application in Victoria

The Victorian Code specifies that the proposed transfer date for a small customer may be up to 20 business days,⁸⁵ and that it should happen in accordance with the AEMO MSATS: CATS Procedure Principles and Obligations.⁸⁶

The Victorian Code imposes the following requirements in relation to objections and transfers periods:⁸⁷

- a proposed transfer date of a relevant customer (the Victorian equivalent of a small customer) can only be up to 20 business days after the transfer request;⁸⁸
- a proposed transfer date for all other customers (other than relevant customers) can be up to 65 business days after the transfer request is made;⁸⁹
- a retailer may object to transfer of a customer (both small and large) on the grounds of a certified debt if the debt meets the requirements in clause 5.1 of the Victorian Electricity Customer Transfer Code;
- an objection must be notified to the customer within five business days of the objection being made;⁹⁰ and
- the objecting retailer and the new retailer must use reasonable endeavours until the end of the 20th business day (resolution period) after the objection was made to resolve the objection (involving the customer where necessary).⁹¹

⁸⁵ Clause 4.2(a) of the Victorian Electricity Customer Transfer Code.

⁸⁶ Clause 4.1(a) of the Victorian Electricity Customer Transfer Code. The CATS Procedures relates to the Consumer Administration and Transfer Solution (CATS) Procedures, which form part of MSATS.

⁸⁷ It also states that a retrospective transfer cannot be more than 130 business days before the date is nominated to AEMO or the date that the retailer becomes the financially responsible market participant for the premises. See: clause 4.3(c) of the Victorian Electricity Customer Transfer Code.

⁸⁸ Clause 4.2(a) of the Victorian Electricity Customer Transfer Code.

⁸⁹ Clause 4.2(d) of the Victorian Electricity Customer Transfer Code.

⁹⁰ Clause 5.4 of the Victorian Electricity Customer Transfer Code.

⁹¹ Clause 5.5 of the Victorian Electricity Customer Transfer Code.

The Victorian Code specifies that remotely read metering data from smart meters should be considered as an "actual read" or "scheduled read".^{92,93} We understand from Victorian retailers that selecting next read date allows receipt of smart meter data within two business days of the requested transfer date.⁹⁴

As noted in MSATS, the next scheduled read date will only be required for the metering installations where a manual meter reading is necessary.⁹⁵ To the extent that smart meters in Victoria continue to be classified as remotely read interval (type 5) meters, with remote reading capabilities⁹⁶, then there is no need to select the next scheduled read date as the basis of the customer transfer request.

However, we understand that if a customer has requested a specific transfer date, then the retailer is likely to request a "special read" and raise a separate service order with the metering data provider in order to allow the transfer to occur on the requested date.⁹⁷ If a customer has not requested a specific transfer date, then the retailer is likely to request reads as set out above.

Application in Queensland

The Queensland Code specifies that proposed customer transfers must be done in accordance with any MSATS Procedures developed by AEMO, as they relate to the NER.⁹⁸

The Queensland Code states that a transfer must not be completed, until the applicable cooling-off period has expired.⁹⁹

Question 4 Jurisdictional customer transfer processes

Does the current jurisdictional customer transfer processes promote timely and accurate customer transfers in accordance with our assessment framework?

⁹² Clause 4.1A of the Victorian Electricity Customer Transfer Code.

⁹³ We note that the Victorian Electricity Customer Transfer Code allows customer self-reads for the purpose of billing (i.e. not transferring between retailers) where the customer has an arrangement to do so with a distributor or responsible person.

⁹⁴ This was discussed above. See: MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(c).

⁹⁵ MSATS Procedures: CATS Procedure Principles and Obligations, clause 4.13(i).

⁹⁶ NER clause 9.9B.

⁹⁷ There may also special reads in Victoria for those smart meters that do not have remote read capabilities at this stage.

⁹⁸ Clauses 6.2.2 and 6.5.1 of the Queensland Electricity Industry Code.

⁹⁹ Clause 6.5.1(b) of the Queensland Electricity Industry Code.

4.4.2 Raising an objection to the customer transfer process

Once the winning retailer enters the change request code into the MSATS system, various parties are notified of the customer transfer by the MSATS system - including of any roles or obligations that they may have in regard to the NMI transfer.¹⁰⁰

The initial period of the customer transfer process in MSATS also provides a fixed time period for eligible parties to object to the customer transfer process from completing.¹⁰¹

Several parties can object to the customer transfer process. These parties have until five business days after the change request code is first raised in MSATS to object.¹⁰²

The parties that can object, and the grounds upon which they can object, are outlined in sections 4.7 and 6.10 of the MSATS Procedures: CATS Procedure Principles and Obligations (for changing retailers for small and large NMIs). Table 4.1 summarises what objections can be raised and by whom these objections can be raised by.¹⁰³ Objections are largely raised in relation to technical issues.

Table 4.1 Raising an objection to the customer transfer process

Objection code	Reason	Who can object?
BADMETER	The metering equipment for the connection point is not correct (i.e. correct metering for change to proceed not installed yet). For example, the retailer has entered a code suggesting that the meter is a type 4 meter. However, the metering data provider considers the meter to be a type 5 (i.e. the actual metering type does not match the information provided).	Metering Data Provider Responsible Party LNSP
BADPARTY	The nominated metering data provider or metering provider is incorrect. This is for use by the new responsible party on retail transfer type transactions where the FRMP has nominated the wrong metering data provider or metering provider.	Responsible Party
DATEBAD	This objection code is used where the date of change nominated for a change of retailer does not align with a proposed or actual meter read. This code is usually only used for type 5 or 6 metering installations. This could be used as a result of a previous read type code, where the proposed change date (being the retrospective previous read) does not align with the actual read date held by the metering provider or metering data provider.	Metering Data Provider

¹⁰⁰ MSATS Procedures: CATS Procedure Principles and Obligations, clauses 6.4-6.8.

¹⁰¹ MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

¹⁰² MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

¹⁰³ Other objection codes can be raised for other transfer types, however, this table summarises the objection codes that allowed for in-situ transfers.

Objection code	Reason	Who can object?
DECLINED	The identified party declines to perform the service. This is for use by the nominated new party to indicate that they decline to act in the role they have been nominated for.	Metering Data Provider Responsible Party
NOTAPRD	The party is not approved to operate in the LNSP area.	LNSP
NOACC	No meter read can be obtained due to an issue of no access. This code can only be raised against manually read meters. Objections for "NOACC" are not subject to objection logging or clearing periods. A valid actual change date being entered against a change request with an objection of NOACC will withdraw any NOACC objections.	Metering Data Provider
DEBT	There is an aged debt that meets a jurisdictional limit. In Queensland this objection can be raised for large and small customers. In Victoria this objection can only be raised in relation to small customers.	Current FRMP (i.e. "losing" retailer)
CONTRACT	This code is used where a customer transfer is sought prior to the termination or end date of term contract for supply of electricity. This code only applies to large customers in Queensland.	Current FRMP (i.e. "losing" retailer)

If an objection to the customer transfer process is raised, then the party that raised the objection and the winning retailer have up to 20 business days from when the change request code was first raised to resolve the objection and for the transfer to continue.¹⁰⁴

Typically, the objecting party and the winning retailer's approach to resolving the objection is to resolve the matter through bilateral communications outside of the MSATS system. The AEMC understands that the process may be as simple as e-mail communication between the affected parties.

If the objection matter cannot be resolved by the affected parties within the 20 business day timeframe, the winning retailer may cancel the transfer request.¹⁰⁵

Alternatively, if the objection is not resolved within the timeframe, and the winning retailer has not cancelled the transfer request, the MSATS system will automatically

¹⁰⁴ MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.9(b).

¹⁰⁵ Clause 2.3(i) of the MSATS Procedures states that the winning retailer must ensure that any pending retail transfers are withdrawn within 210 calendar days of the lodgement of the change request. However, the Commission understands that retailers do not typically follow this practice given that MSATS automatically cancels the transfer request at 220 calendar days.

cancel the transfer request.¹⁰⁶ The only exception to the automatic cancellation process is where the objection is raised on the grounds of meter access issues.¹⁰⁷

The AEMC understands that a meter read can be submitted into MSATS by the metering data provider at any time from when the change request code was first raised, including inside the objection period. This metering data can be used for the purpose of transferring the customer, subject to any objection matters being resolved.

In Victoria, a customer must be notified of an objection to a transfer within five days of it being made.¹⁰⁸ While there is no time limit on resolving the objection, the small customer transfer date is still expected to be within 20 business days. An objection to a customer transfer using objection code "DEBT" must not be made by an existing retailer unless the debt is certified debt.¹⁰⁹

The AEMC also understands that, in Queensland, additional measures are in place for objections to the customer transfer process. Similar to the practice in Victoria, retailers may object to a customer transfer process on the basis of objection code "DEBT" for an aged debt.¹¹⁰

Question 5 Objections to the MSATS process

- (a) Does the current objections framework allow for efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is, or is not, the case?**
- (b) Are there any particular aspects of the objections framework that could be further refined in order to improve the efficiency of the objections MSATS process? (e.g. particular objections codes that are redundant?)**
- (c) What underlying factors create these objections? How could these be resolved under the current customer transfer framework?**

4.4.3 Continuation of MSATS processes beyond 65 business days

In some circumstances, the customer transfer process can extend beyond the initial (or prospective) 65 business days from when the change request code was first raised in MSATS. This situation may arise where the metering data provider fails to provide an

¹⁰⁶ MSATS Procedures: CATS Procedure Principles and Obligations, clause 3.3(j).

¹⁰⁷ See note (2) to clause 4.7(c) of MSATS Procedures: CATS Procedure Principles and Obligations.

¹⁰⁸ Clause 5.4 of the Victorian Electricity Customer Transfer Code.

¹⁰⁹ Certified debt means an aggregate sum of \$200 or more and does not include structured repayments and is net of any refundable advance held by the retailer. (Victorian Electricity Customer Transfer Code, clause 6).

¹¹⁰ The Queensland Objection Code Guidelines 2003, which the AEMC understands are still in force, define an aged debt as an amount owing by a customer in respect of a NMI and for which the amount has been outstanding for at least 40 business days in respect of the sale or supply of electricity or connection services. An objection can only be made on this basis if the debt is greater than \$4,000.

actual meter read according to the agreed “actual change date” it had initially confirmed when the change request code was first raised.

A metering data provider may fail to provide metering data relating to an actual meter read for a variety of reasons. The AEMC understands that the most frequent reason is due to workplace, health and safety issues (e.g. meter access issues, vicious dogs present).

When this situation arises, the metering data provider must advise the winning retailer that it has failed to read the meter.¹¹¹ This then notifies the winning retailer to contact the customer to rearrange or confirm access to the meter. In a similar fashion to when the change request code is first raised, the winning retailer is then required to select a proposed transfer date based on the meter read type, for which the metering data provider must confirm.¹¹²

This process continues in MSATS until either the metering data provider submits actual meter read data into MSATS, or MSATS cancels the change request code.

The MSATS Procedures require that any pending retail transfers are withdrawn within 210 calendar days of raising the change request code.¹¹³ Conversely, where the retailer fails to cancel any pending retail transfer requests within 210 calendar days of raising the change request code, then AEMO, through its administration of MSATS, will cancel or withdraw any dormant retail transfers that remain incomplete within seven months.¹¹⁴

Question 6 Continuation of MSATS processes

Does the current continuation of the MSATS process beyond 65 business days allow for efficient outcomes in accordance with our assessment framework?

4.5 Step 4: Billing and market settlement

Once the meter data relating to the customer’s NMI is uploaded into MSATS, a series of billing and settlement processes are initiated amongst the various registered participants and AEMO.

First, the losing retailer is required to reconcile the meter data it has received in relation to the customer’s NMI with information provided by AEMO. Once this meter data is validated and reconciled, the losing retailer generates a customer bill.¹¹⁵

¹¹¹ MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.6(h).

¹¹² MSATS Procedures: CATS Procedure Principles and Obligations, clause 6.4(i).

¹¹³ Clause 2.3(i).

¹¹⁴ Clause 2.11(i).

¹¹⁵ MSATS Procedures: CATS Procedure Principles and Obligations, clause 2.3(o)-(p).

The losing retailer also issues a network bill for payment to the LNSP, which is facilitated via the business to business systems. This can either happen through a direct payment or a clearing house arrangement.

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?

4.6 Step 5: Customer transfer process completes and winning retailer becomes financially responsible market participant

The winning retailer becomes responsible for electricity supply to the customer's premises once the transfer process is completed in MSATS (as opposed to the expiration of the cooling-off period).¹¹⁶ The transfer process includes a final bill being issued by the losing retailer to the customer, as detailed above.

Following the completion of the transfer, the winning retailer then becomes the FRMP for the customer, and so is responsible for the supply of electricity to the customer's premises. The winning retailer now has responsibility for billing the customer for their consumption from this point in time.

Rule 58 of the NERR requires that, once the transfer process is complete, and the winning retailer becomes the FRMP, the winning retailer must notify the customer that the transfer has occurred. This should include the date at which they commenced selling electricity to the customer.

Further, Rule 59 of the NERR requires that, where the customer transfer did not commence as expected, a retailer is required to notify the customer: that the transfer did not occur; the reason for the delay; and the new expected date for completing the transfer.

The Queensland Code also states that if the customer transfer does not occur on the date previously advised by the winning retailer, and it is not expected to occur within one month of that expected date, then the retailer must advise the customer that the transfer did not occur, the reasons for the delay, and the new expected date of completion.¹¹⁷

Question 8 Customer experiences with the customer transfer process

What are typical customer experiences where the customer transfer process has broken down?

¹¹⁶ MSATS Procedures, clause 2.3(p).

¹¹⁷ Queensland Electricity Industry Code, clause 6.7.

4.7 Customer transfer process for large customers

The process for transferring large customers in the NEM also occurs through MSATS. However, because of the underlying advanced metering infrastructure (or smart meters) supporting large customer electricity consumption (meter types 1 to 4), the customer transfer process is typically more straightforward.

The presence of smart meters for large customers means that the customer transfer process is timely and subject to fewer delays that may arise through meter access issues that are typically faced by mass market customers, since meters are remotely read.

Further, the retailer business processes supporting large customers and the transfer process allows for greater flexibility than a mass market transfer as large customers are generally account managed.

The AEMC understands that given the flexibility in processes and underlying contractual arrangements, large customers are likely to transfer in line with financial year or calendar year activities. For retailers that must eventually be settled in the wholesale market, the preference is to transfer large customers at the end of a month to coincide with these settlement processes. Indeed, this is borne out in the data that we have received from AEMO - discussed in the following chapter.

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?

5 Actual customer switching times in the National Electricity Market

Summary of this chapter

The key area of this review is the overall timeframe of the customer transfer process, and whether there are concerns with the length of the process, which may raise the potential for changes to better meet the NEO.

There has been a significant increase in the number of recent complaints to energy ombudsmen relating to the customer transfer process more generally.

As noted in chapter 4, NEM retailers can propose a prospective transfer date that is no longer than 65 business days (20 business days in Victoria). While this is commonly referred to as the "maximum" transfer time allowed, the actual customer transfer process can extend beyond this 65 business day limit, for example, until actual metering data becomes available.

The Commission considers that actual transfer times are more relevant and, as demonstrated in this chapter, less than 65 business days for many customers. As shown in this chapter, customers in the NEM experience transfer times that are completed within 30 calendar days (i.e. around 21 business days). That said, a large number of customers experience transfer completion times in excess of 30 calendar days (indeed, some extend beyond 60 calendar days).

We invite stakeholder views on the speed and efficiency of the overall customer transfer timeframe, including their general experience (both positive and negative) with the customer transfer process.

5.1 Introduction

This chapter reviews evidence on the efficiency of the current customer transfer process in the NEM. This includes considering customer experiences with the transfer process, as illustrated in recent consumer surveys and customer complaints to jurisdictional ombudsmen (section 5.2).

Importantly, in terms of reviewing actual switching times, the AEMC has obtained transfer completion data from AEMO, which stems from its MSATS database. This data sets out electricity customer switching times between energy retailers in the NEM for recent years. In particular, the focus in this section is on small customer switching times (section 5.3). That is, those residential and small business customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address (i.e. an "in-situ" customer transfer). However, for comparison purposes, large customer switching times in the NEM are also observed (section 5.4). Appendix A provides further detail on electricity customer switching times in the NEM.

A significant aspect of the customer transfer process is the ability of eligible parties to "object" to the customer transfer process in the MSATS system. We have also obtained data from AEMO on the rate of, and common reasons for, objections (section 5.5).

5.2 Customer experiences with the customer transfer process

5.2.1 Roy Morgan customer surveys

As part of the AEMC's recent review of competition in the retail electricity and natural gas markets in NSW, the Commission considered the extent to which customers were active in the market. To inform this consideration, the AEMC engaged Roy Morgan to conduct qualitative and quantitative research including several customer focus groups and a consumer survey.¹¹⁸

This had several findings relating to customer experience of switching in NSW. For example, 11 per cent of residential electricity customers identified "concern with the switching process" as a reason why residents did not switch energy retailers. However, this was the seventh most popular reason given - behind such reasons as:¹¹⁹

- "happy with current energy company" (36 per cent);
- "could not be bothered/too much effort" (25 per cent);
- "inadequate potential savings" (17 per cent); and
- "information too complex/too much to sort through or figure out/too technical" (16 per cent).

The survey also tested the "ease of switching". The results showed that 81 per cent of residential electricity customer respondents found the switching process "easy", with 10 per cent finding the process "difficult".¹²⁰

The survey also tested the time taken to switch, versus the expectation of the switching process:¹²¹

- 19 per cent of respondents said the switching process took more time than expected;
- 20 per cent of respondents said the switching process took less time than expected; and

¹¹⁸ Roy Morgan Research, Retail competition in the NSW electricity and natural gas markets: focus groups with residential and small business consumers, 28 February 2013.

¹¹⁹ Roy Morgan Research, Retail competition in the NSW electricity and natural gas markets: focus groups with residential and small business consumers, 28 February 2013, p. 22.

¹²⁰ Roy Morgan Research, Retail competition in the NSW electricity and natural gas markets: focus groups with residential and small business consumers, 28 February 2013, p. 25.

¹²¹ Roy Morgan Research, Retail competition in the NSW electricity and natural gas markets: focus groups with residential and small business consumers, 28 February 2013, p. 26.

- 54 per cent of respondents said the switching process took as long as expected.

It is worth noting that the survey did not define the "switching process", and so therefore, respondents would have formed their own impression of the switching process in answering the questions.

5.2.2 Jurisdictional energy ombudsmen

Jurisdictional energy ombudsmen typically report on a range of indicators relating to customer complaints. This data also provides some insights into the efficiency of the current transfer process.

Recent data from jurisdictional ombudsmen typically demonstrate similar trends relating to transfer complaints, specifically:

- transfer-related customer complaints comprise the following proportion of complaints that ombudsmen receive, specifically:
 - 6 per cent (1,362) of all complaints in South Australia stem from transfer-related issues;¹²²
 - 9 per cent (980) of all complaints in Queensland stem from transfer-related issues;¹²³
 - 19 per cent (9,099) of all complaints in NSW stem from transfer-related issues;¹²⁴ and
 - 14 per cent of all complaints in Victoria stem from transfer-related issues;¹²⁵
- the number of transfer-related customer complaints, from 2011/12 to 2012/13 have increased:
 - 12 per cent increase in transfer-related complaints in Queensland;¹²⁶
 - 40 per cent increase in transfer-related complaints in South Australia;¹²⁷
 - 85 per cent increase in transfer-related complaints in NSW;¹²⁸ and
 - 72 per cent increase in transfer-related complaints in Victoria.¹²⁹

¹²² Energy and Water Ombudsman South Australia, *Annual Report 2012-13*, 2013, p. 32.

¹²³ Energy and Water Ombudsman Queensland, *Annual Report 2012-13*, 2013, p. 12.

¹²⁴ Energy and Water Ombudsman NSW, *Annual Report 2012-13*, 2013, p. 7.

¹²⁵ Energy and Water Ombudsman Victoria, *Quarterly Case Trends*, see: <http://www.ewov.com.au/publications-and-media/res-online-no2.4,-2013/trends>.

¹²⁶ Energy and Water Ombudsman Queensland, *Annual Report 2012-13*, 2013, p. 12.

¹²⁷ Energy and Water Ombudsman South Australia, *Annual Report 2012-13*, 2013, p. 32.

¹²⁸ Energy and Water Ombudsman NSW, *Annual Report 2012-13*, 2013, p. 7.

It is important to clarify that the "transfer-related" category comprises a number of different reasons for complaints. In NSW, this category includes customer disputes relating to:¹³⁰

- contract issues when they transferred retailers (2,859 complaints);
- their account being transferred without their consent (1,894);
- site ownership issues (1,263);
- their account being transferred in error (1,071);
- the cooling-off cancellation request not being actioned (1,015);
- delays in the transfer process (972);
- billing problems (890); and
- transfer requests being rejected (213).

Therefore, while transfer-related customer complaints do not comprise a majority of issues that ombudsmen deal with, there has been a substantial increase in the number of these complaints over the past year.

The Energy and Water Ombudsman for NSW (EWON) has asserted that transfer-related complaints rose as retailers increased marketing activities, and more households took action to switch retailers. Further, they noted that in a number of cases where people had their accounts transferred in error - which occurs as a result of a mistake in the transfer process, such as the wrong meter number being recorded - the customers did not realise that the transfer had occurred until their electricity or gas was disconnected for non-payment of an account they did not know existed.

In Victoria, the Energy and Water Ombudsman Victoria (EWOV) has noted that billing-related issues are driving growth in transfer cases. In particular, a large number of complaints were being driven by one particular retailer. EWOV considered that system improvements in the retailer's transfer processes would help to reduce the number of these customer complaints.

Summary

The Commission notes the significant increase in customer transfer complaints that has occurred in the past years. This suggests that there are a number of customers who are adversely affected by the customer transfer process. We welcome stakeholder views on their experiences with, and reasons for, the rising trend in customer complaints relating to customer transfers.

¹²⁹ Energy and Water Ombudsman Victoria, *Marketing and Transfer Report: October 2013*, October 2013, available at: <http://www.ewov.com.au/reports/marketing-and-transfer-report-october-2013>.

¹³⁰ Energy and Water Ombudsman NSW, *Annual Report 2012-13*, 2013, p. 22.

Question 10 Customer experiences with the customer switching process

- (a) Do small customer experiences with the customer transfer process demonstrate efficient outcomes in accordance with our assessment framework? What evidence, if any, is there to demonstrate that this is, or is not, the case?
- (b) What is the reason for the rising trend in evidenced customer complaints submitted to jurisdictional ombudsmen relating to customer transfers? Does this specifically relate to the MSATS transfer process?
- (c) Are the current compliance and enforcement arrangements associated with the customer transfer process sufficient to respond to the various customer transfer issues that are being raised with jurisdictional ombudsmen?
- (d) To what extent have the current compliance and enforcement arrangements applying to the customer transfer process been utilised to date?

5.3 Customer switching times

The AEMC has obtained electricity customer switching data from the AEMO for monthly periods between January 2010 to July 2013. AEMO has sourced the sample data from its MSATS – the business system which facilitates the transfer of a National Metering Identifier (NMI, or customer) from one FRMP (or retailer) to another. Sample data has been obtained for each NEM jurisdiction in relation to the MSATS transaction that is used to effect an in-situ customer transfer between retailers.

This data sets out the customer transfer timeframe from the time that the MSATS process is commenced, to when the transfer is completed in MSATS (i.e. the completion of Steps 3 to 5, as set out in chapter 4). The data for customer transfers in the NEM are has been categorised as occurring:

- within 30 calendar days;
- between 30 and 60 calendar days; and
- greater than 60 calendar days.

A timeframe of 30 calendar days for a customer transfer generally allows for a reasonable period of time for any potential objections to be raised, and resolved, and for a complete meter read to occur.

Overall, the sample data indicates that a large proportion of small customers have switched to their retailer of choice in less than 30 calendar days in recent years. However, for a substantial number of other small customers, the switch time can be

more than twice this, due at least in part to the quarterly (accumulation) meter read cycle, which may delay a switch until an actual meter read has been obtained for the customer.

Section 5.3.1 below presents customer switching experiences of small customers, in terms of the time taken to switch retailers, in the NEM for recent years. Section 5.3.2 present customer switching timeframes for small customers in Victoria, which given the high predominance of smart meters, provides useful insights into the impact of advanced metering infrastructure on the customer transfer process.

Appendix A sets out customer switching experiences in terms of the time taken to switch retailers, for the remaining jurisdictions in the NEM.

5.3.1 Small customer switching times in the National Electricity Market

MSATS data for the National Electricity Market (NEM) indicates that from January 2010 to July 2013 51.9 per cent (or approximately 1.8 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to 26.5 per cent (0.9 million) and 22.4 per cent (0.8 million) small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data – that is, to highlight the residual number of small customers that potentially could have transferred in a faster timeframe had they not had to wait to transfer on the basis of their (for example) next scheduled meter read – 45.3 per cent (1.4 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 29.6 per cent (0.9 million) and 25.1 per cent (0.8 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures 5.1 – 5.4 below. The data indicates that, since January 2012, an increasing proportion of small customer transfers between retailers have completed in less than 30 calendar days. Or alternatively, the proportion of small customer transfers taking at least 30 calendar days to complete has been trending downward. The downward trend has been more apparent in small customer transfers completing in greater than 60 calendar days.

Figure 5.1 Small customer switches in the National Electricity Market - number of completed switches, for all meter read types

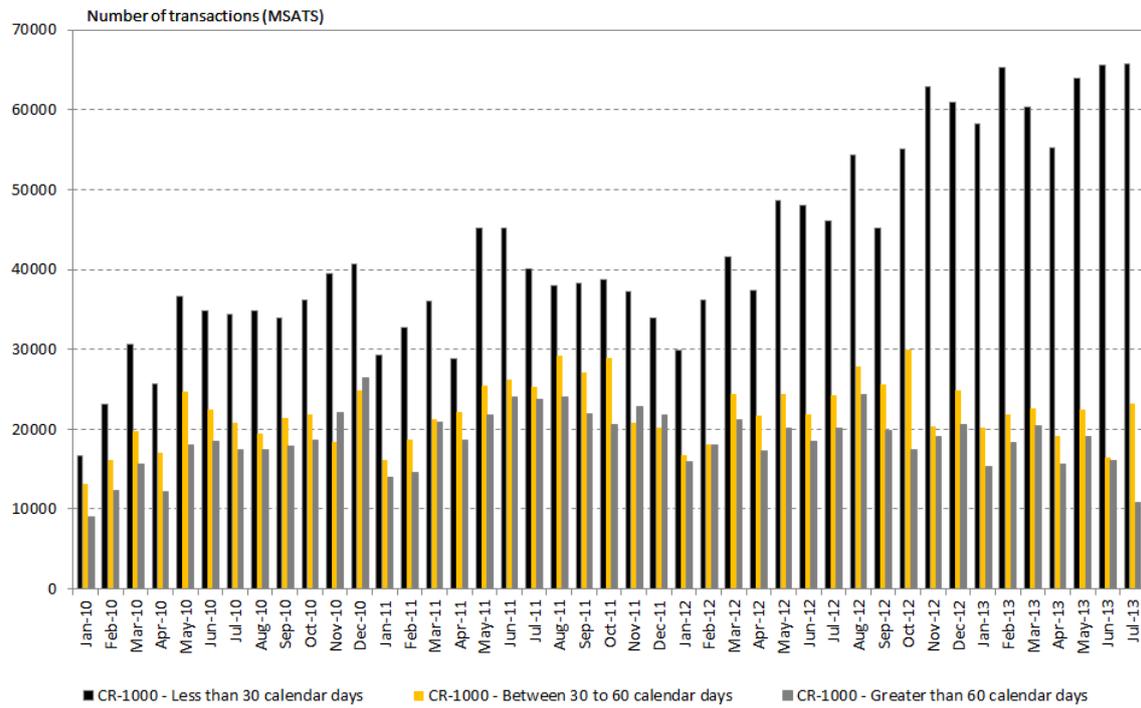


Figure 5.2 Small customer switches in the National Electricity Market - percentage of completed switches, for all meter read types

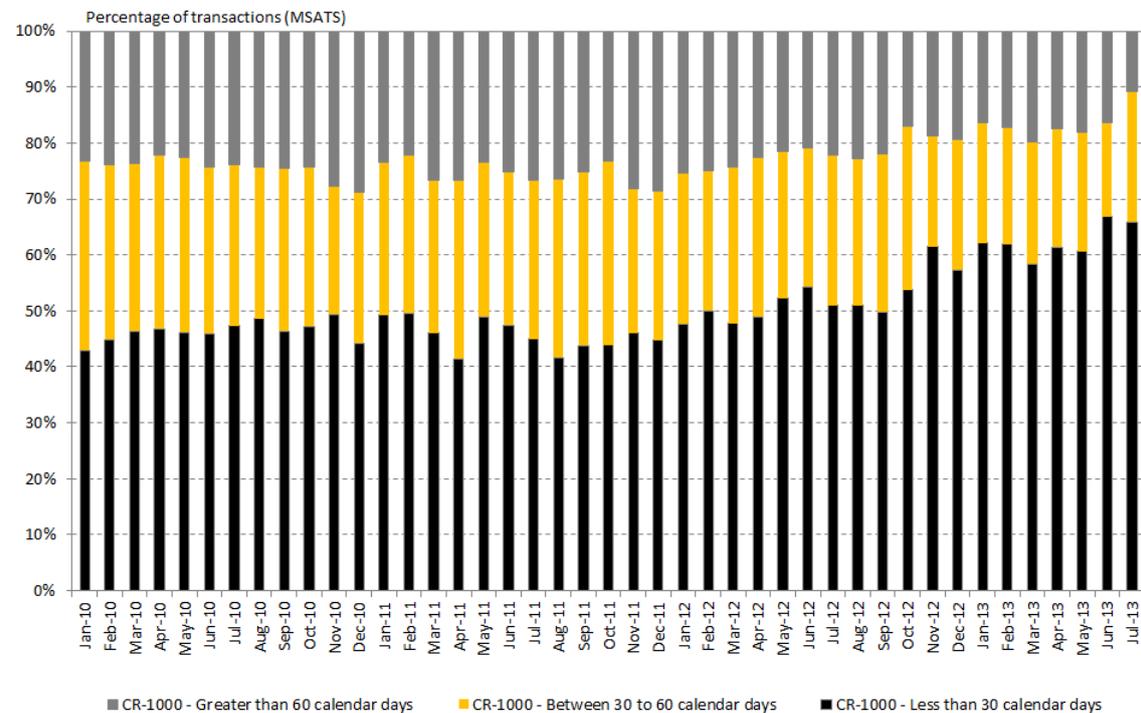


Figure 5.3 Small customer switches in the National Electricity Market - number of completions, for all meter read types excluding special reads

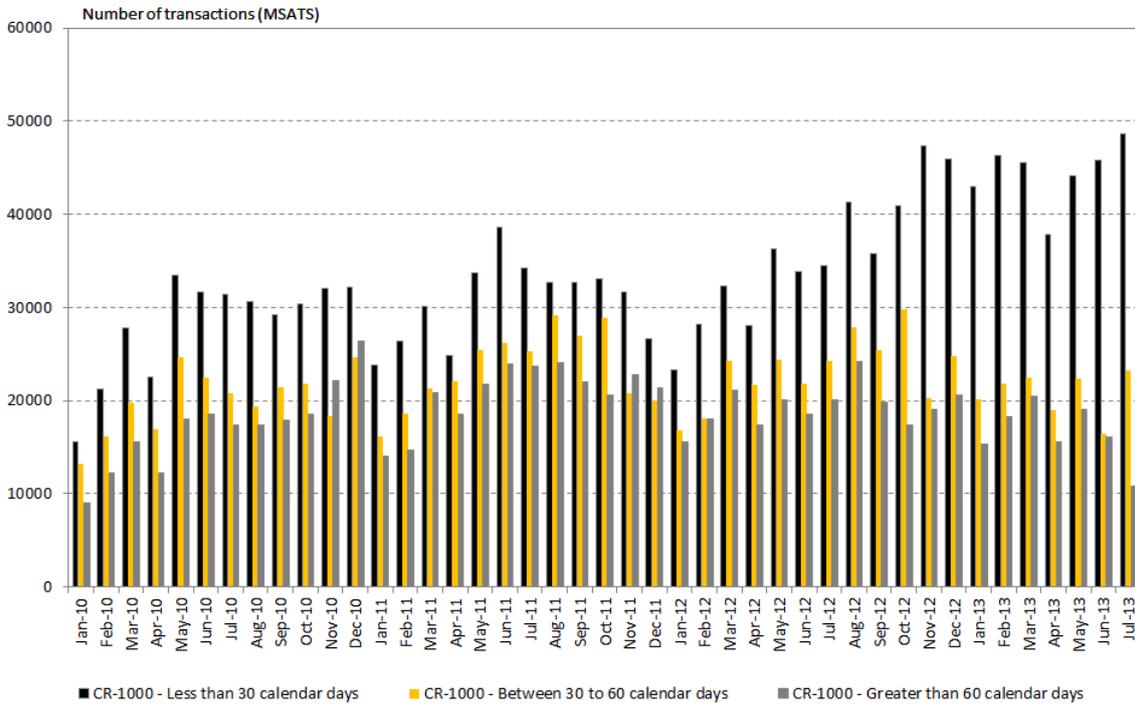
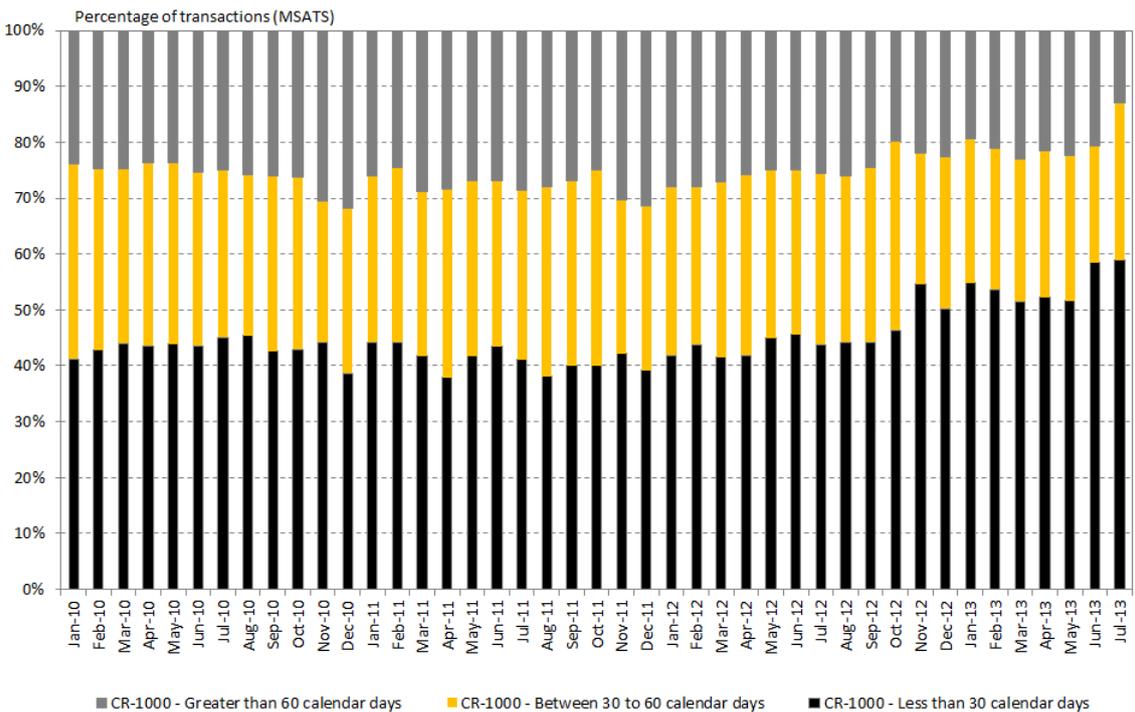


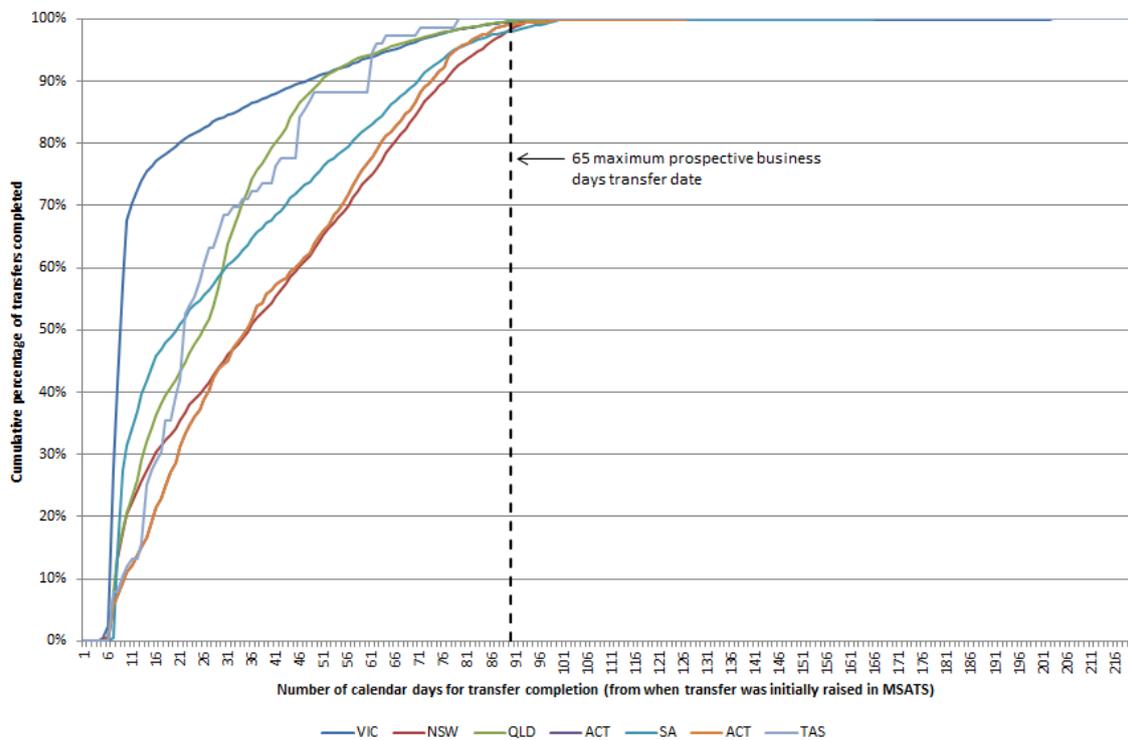
Figure 5.4 Small customer switches in the National Electricity Market - percentage of completions, for all meter read types excluding special reads



The Commission also obtained MSATS data that provides daily customer transfer times. This is summarised in Figure 5.5, which sets out the cumulative totals of customer transfers that are completed, based on the number of calendar days required for the transfer to complete. This data is based on the period January 2013 to July 2013.

This demonstrates that nearly three-quarters of customer transfers in the NEM are being completed in less than 20 calendar days (~14 business days). Further, nearly all (99.5 per cent) customers have their transfers completed within the 65 prospective business day limit (91 calendar days). It is also worth noting that in Victoria, a substantial number of customer transfers are being completed faster (86 per cent within 20 calendar days).

Figure 5.5 Cumulative percentage of customer transfer completions in a certain number of calendar days



5.3.2 Small customer switching times in Victoria

The Commission considers that the Victorian customer transfer setting provides interesting context for evaluating customer transfer times. In Victoria, customer transfers for small customers may be completed within a 20 business day timeframe, as set out in the Victorian Customer Transfer Code.

Further, the rollout of smart meters to all Victorian households potentially allows faster transfer times since data is readily available and observable. These two features have an effect on small customer switching times in Victoria, and serve as a useful contrast to the rest of the jurisdictions within the NEM.

MSATS data for Victoria indicates that 63.7 per cent (or 0.9 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 21 per cent (0.3 million) and 15.3 per cent (0.2 million) small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, 58.3 per cent (0.7 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 24.1 per cent (0.3 million) and 17.6 per cent (0.2 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures 5.5 – 5.8 below. The charts show that a vast majority of Victorian small customer transfers complete in less than 30 calendar days, with an increasing number of completions since late-2011. The results indicate that, over the sample period under review, small customer switching times are faster in Victoria compared to transfer times in other NEM jurisdictions.

Figure 5.6 Small customer switches in Victoria - number of completed switches, for all meter read types

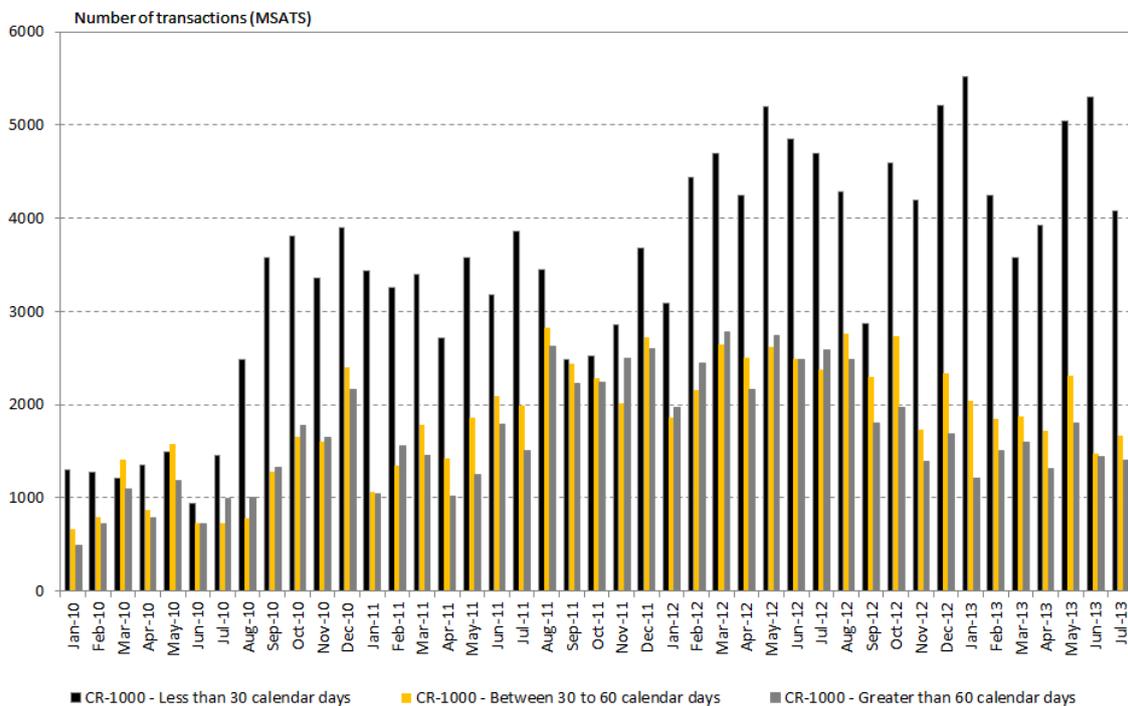


Figure 5.7 Small customer switches in Victoria - percentage of completed switches, for all meter read types

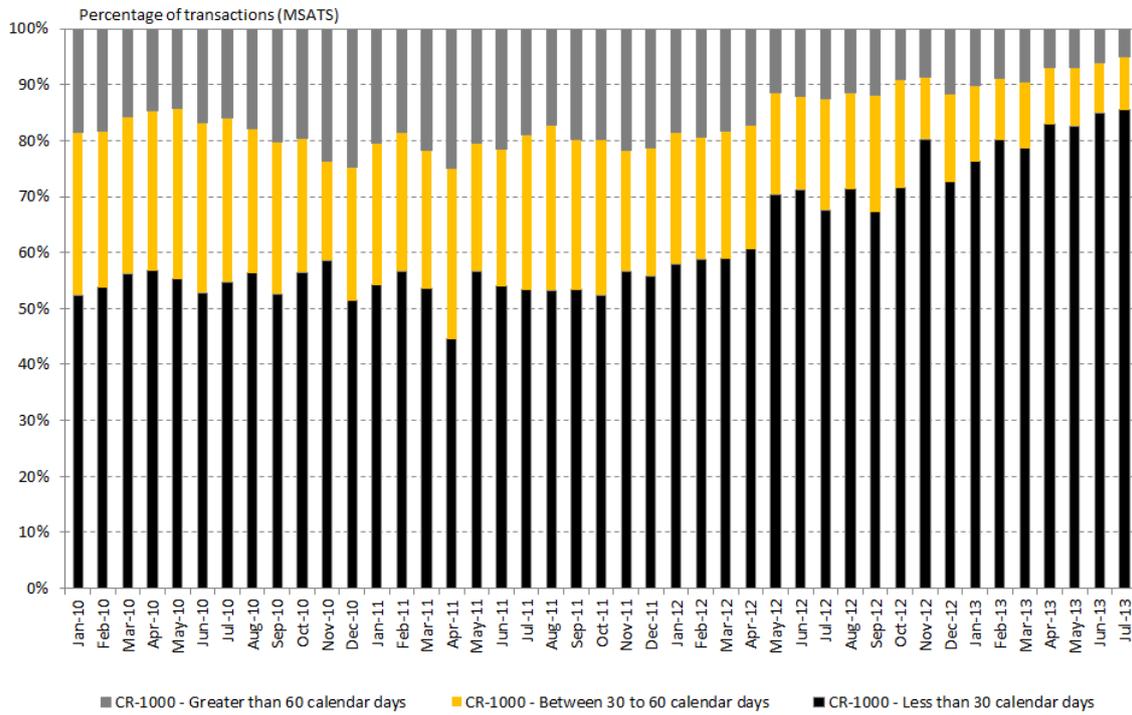


Figure 5.8 Small customer switches in Victoria - number of completed switches, for all meter read types excluding special reads

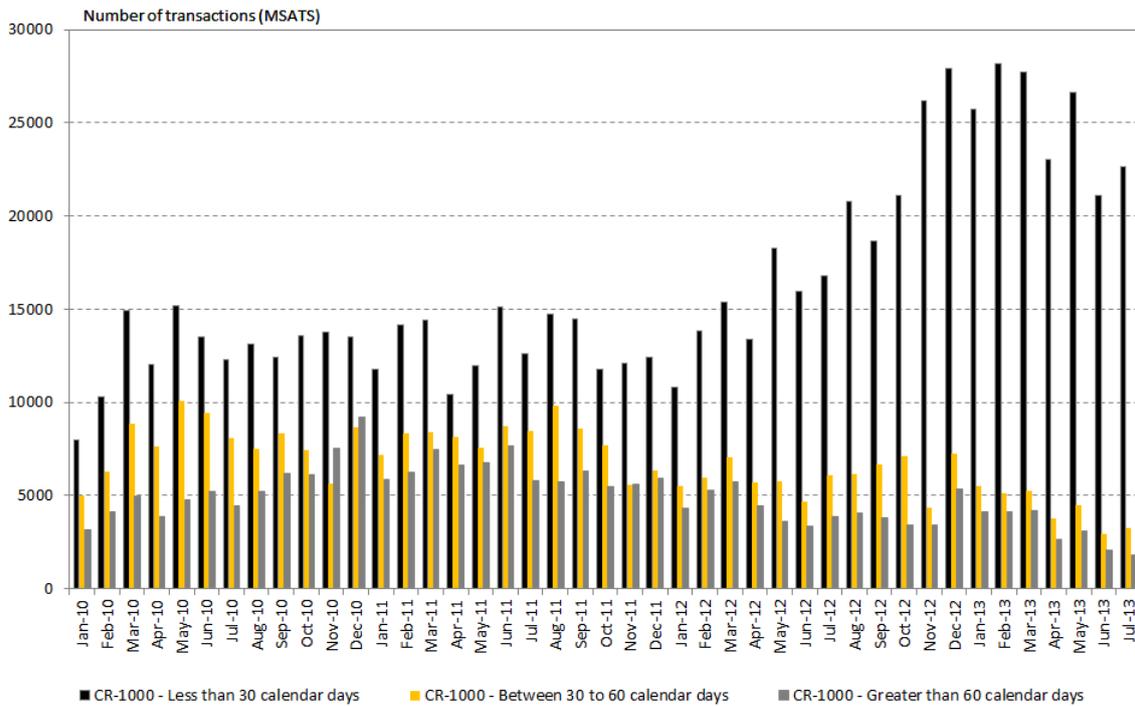
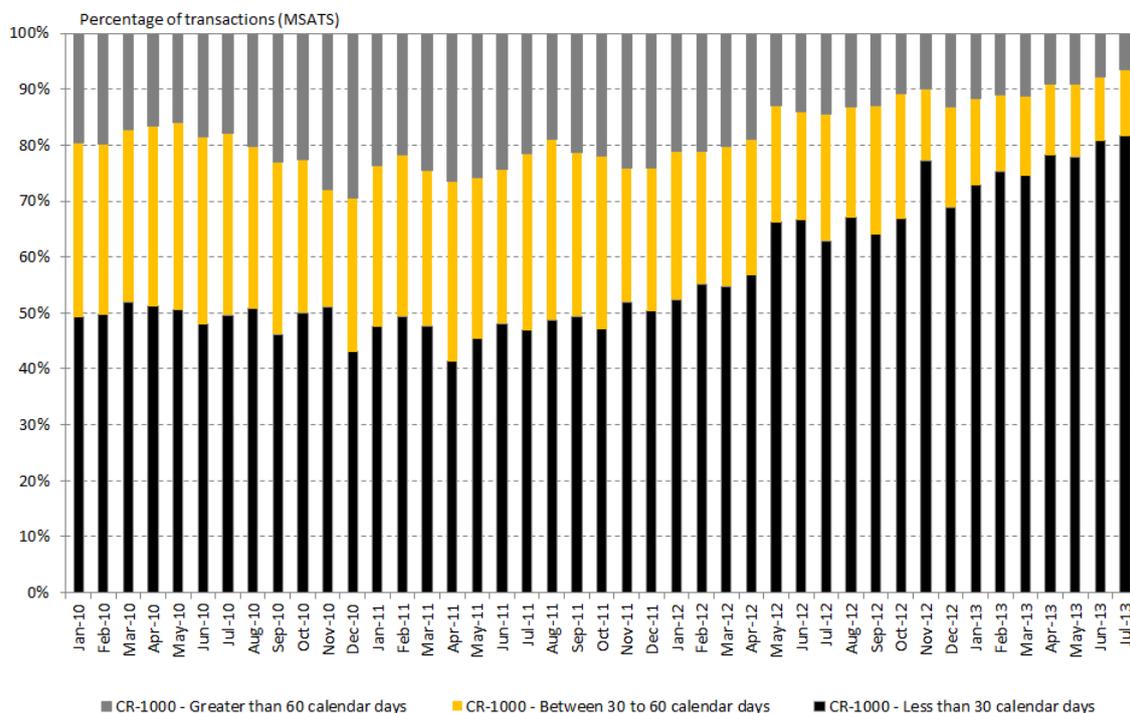


Figure 5.9 Small customer switches in Victoria - percentage of completed switches, for all meter read types excluding special reads



Question 11 Small customer transfer timeframes

- (a) Is up to 30 calendar days for the completion of a small customer transfer considered to be a reasonably acceptable timeframe in which to complete a switch?
- (b) For customers that experience switch times in excess of 30 calendar days, what are the main reasons for (and obstacles to faster) switching times?
- (c) Does the AEMO MSATS data on small customer transfer timeframes suggest that the existing customer transfer process allow for efficient outcomes in accordance with our assessment framework?

5.4 Large customer switching times

The AEMC has also looked at the switching times for large customers in the NEM, including a breakdown by jurisdiction. Although the focus of this review is small customers, the switching times for large customers (who are generally daily (interval) metered) serves as a useful basis for comparison. In particular, compared to the results for small customer switching times in Victoria where smart meters have been rolled out. The results for the NEM are shown in Figure 5.10 below.

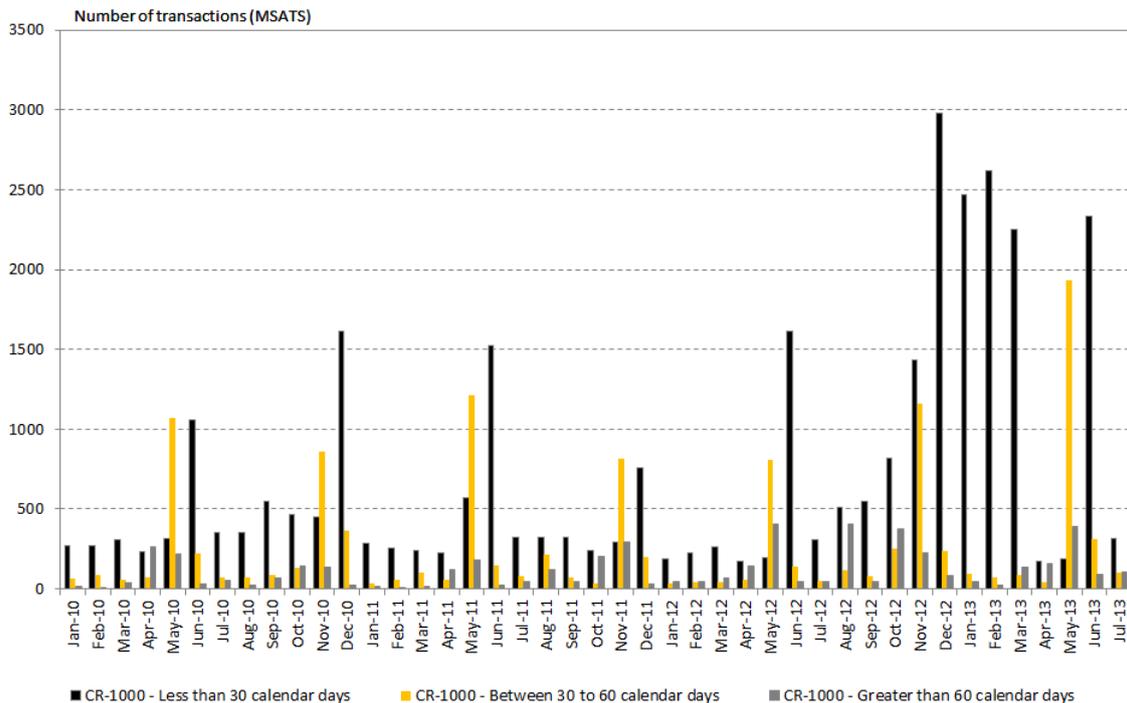
Switching times for large customers, on the other hand, generally tend to occur within 30 calendar days. This outcome generally reflects daily (or interval) metering of large

customers' electricity consumption, thereby facilitating the attainment of readily available actual metering data for use in, and completion of, the switching process.

MSATS data for the NEM indicates that 5.0 per cent (or approximately 31,000) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 24.6 per cent (12,000) and 10.4 per cent (5,000) large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

Overall, while a significant number of large customers in the NEM switched retailer in less than 30 days, there appears to be some cyclicality in the data (indicated by large upward spikes), with a large number of switches completing around the end/start of financial and calendar years. This is consistent with anecdotal information the AEMC obtained from some retailers who suggested that large customers tended to transfer around the end of major financial reporting periods because this tended to coincide with the expiry date of their existing energy supply contracts.

Figure 5.10 Large customer switches in the National Electricity Market - number of completed switches, for all meter read types



Question 12 Large customer transfer timeframe

- (a) Does this AEMO MSATS data on large customer transfer timeframes suggest that the existing customer transfer process allows for efficient outcomes in accordance with our assessment framework?
- (b) In terms of possible improvements, what lessons from the large customer transfer experience could be applied to the small customer transfer experiences?

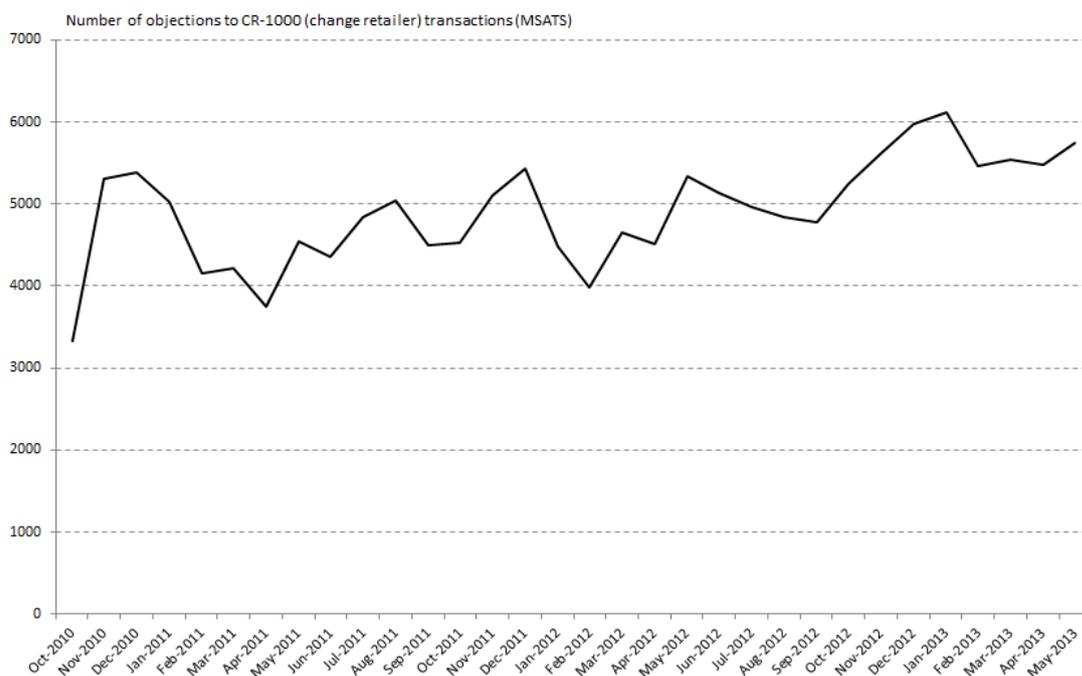
5.5 Analysis of objection reasons and timeframes

The AEMC has obtained MSATS data on objections raised, and by whom, from AEMO for monthly periods between October 2010 to May 2013. Section 5.5.1 below summarises this data for the NEM.

5.5.1 Number of objections in the NEM

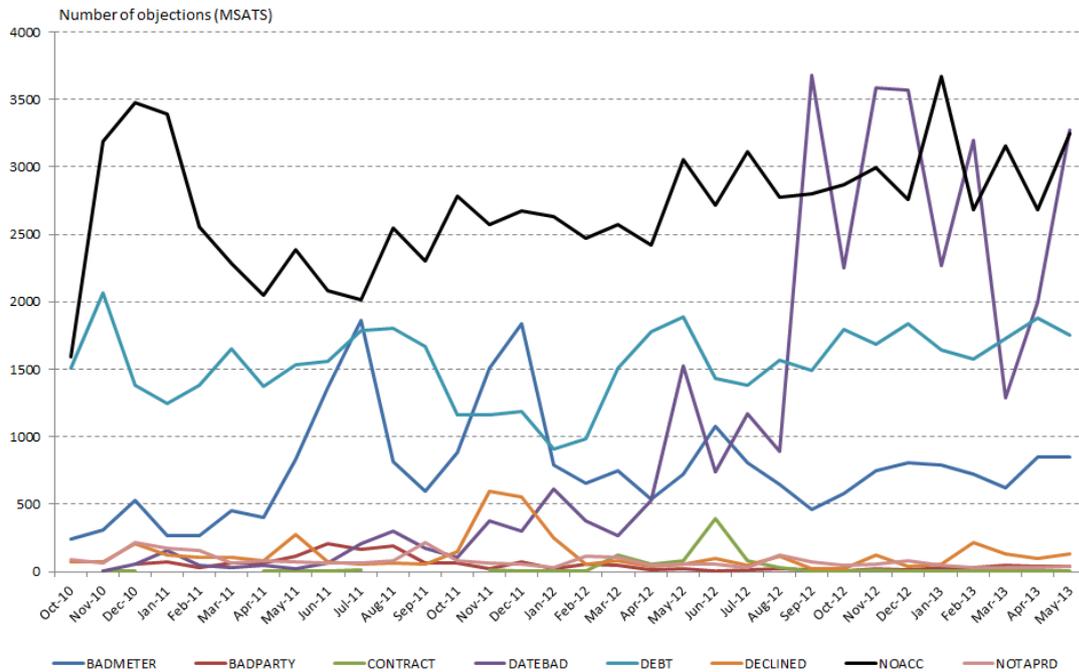
MSATS data for the NEM indicates that the number of objections, to in-situ customer transfers between retailers, has been generally increasing over time, which may be driven by the increased number of transfers occurring within the NEM. Indeed, the ratio of objections to transfers has remained relatively constant across this period - approximately 6-7 per cent of all customer transfers have had objections raised. Further, this proportion is relatively consistent across the different jurisdictions.

Figure 5.11 Objections in the National Electricity Market - number of objections, for change retailer transfers



The data also indicates that the most common form of objections raised are related to MSATS "objection codes" that affect the effective operation of the customer transfer process (e.g. where no meter read can be obtained due to property access issues).¹³¹

Figure 5.12 Objections in the National Electricity Market - reason for objection, for change retailer transfers

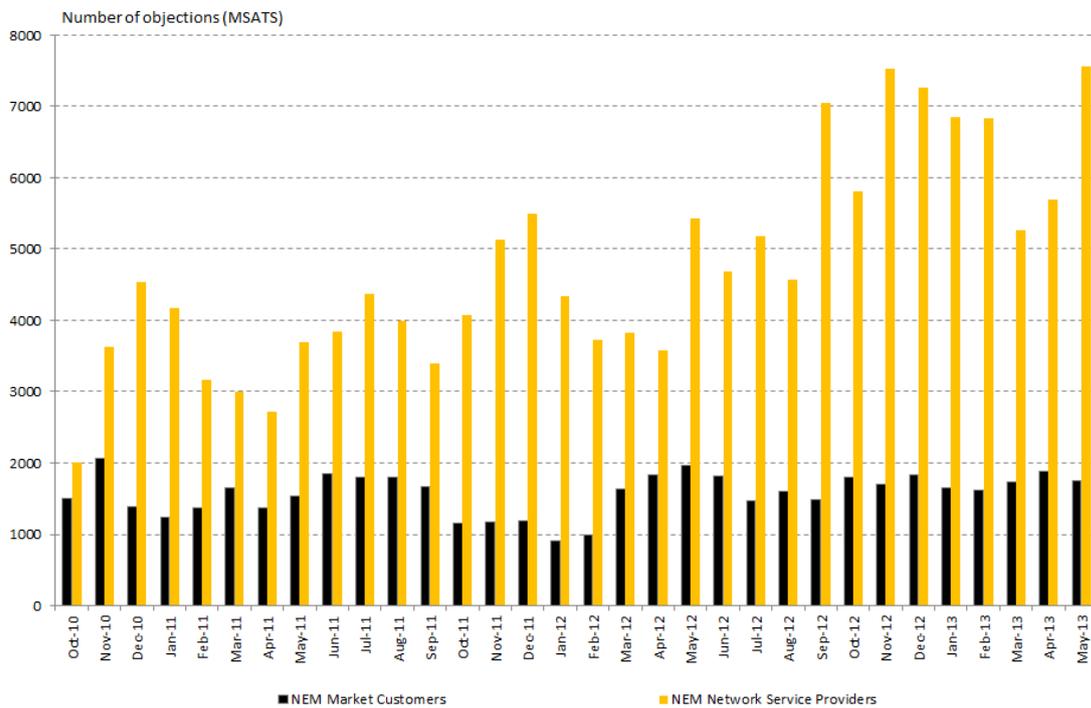


We have also analysed what parties are raising objections to all types of MSATS transactions (i.e. not restricted to "change retailer" transfers) - market customers (e.g. retailers) or network service providers (e.g. distributors, LNSPs). This shows that in the period we have data for, network service providers are three times more likely to raise an objection than market customers.

We welcome stakeholder comment on the use of the objections framework relating to small customer transfers.

¹³¹ The relevant objection codes were summarised in section 4.4.2.

Figure 5.13 Objections raised by participant, market customers versus network service providers, for change retailer transfers



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 allow for efficient outcomes in accordance with our assessment framework?

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?

6 The role of advanced metering infrastructure

Summary of chapter

The competitive provision of advanced metering infrastructure (or "smart meters") is expected to be a key development in Australian energy markets within the next five to ten years. This framework will encourage investment in smart meters, and associated services to promote customer choice.

The introduction of advanced metering infrastructure will provide a number of benefits for the customer transfer process, including:

- timeframes for customer transfers are likely to be reduced, since metering data from remotely read smart meters will be available to retailers on a weekly basis;
- some erroneous data and any data integrity issues may be improved, since better quality data is likely to be obtained under a framework for the competitive provision of metering services; and
- objections to the customer transfer process are likely to be reduced, since common reasons for objections relate to physical access issues, which will be alleviated through remotely read interval meters.

Stakeholders are invited to make comment on these potential outcomes for the customer transfer process.

This chapter explores the implications of advanced metering infrastructure, and its interactions with the customer transfer process.

6.1 Introduction

The terms of reference require the AEMC to give special consideration to the role of technologies, including smart meters, in lowering the barriers to customers switching retailers, and generally improving the customer transfer process.

The competitive provision of smart meters will be a key development in the energy market within the next five to ten years. This will impact on the way customers engage with the energy market in a number of ways, including:

- simpler and faster process for switching retailers; and
- greater levels of information and improved awareness of their electricity consumption, assisting customers to better manage their consumption and selection of energy products that are customised to their lifestyles and needs.

There are a number of key pieces of work currently being undertaken in energy market reform in relation to smart meters:

- Advice on open access and common communication standards - the AEMC has been requested to provide advice on open access and common communication standards to support contestability in demand side participation end user services facilitated by smart meters.
- Victorian derogation on advanced metering infrastructure - the AEMC has recently made a draft rule determination extending for up to three years the effect of an existing jurisdictional derogation in Victoria, which makes distribution businesses exclusively responsible for providing advanced metering infrastructure to Victorian small electricity customers for the duration of the derogation.
- SCER rule change request for increased competition in metering and related services - the AEMC has recently received a rule change request from SCER that seeks to establish the arrangements for increased competition in metering and related services in the NEM.
- SCER national framework for the use of smart meters - SCER is currently developing a national framework for the use of smart meters. This framework will include:
 - provision and installation of smart meters;
 - a minimum functional specification for smart meters; and
 - consumer protections for smart meters and services facilitated by smart meters.

This chapter sets out how the deployment of advanced metering infrastructure, such as smart meters, could potentially impact on the customer transfer process, and seeks stakeholder views on these issues.

6.2 What is advanced metering infrastructure?

Advanced metering infrastructure refers to both interval meters and smart meters.

An interval meter means a meter that records energy data on a time interval basis. In the NEM, such interval meters can be manually read (i.e. type 5 meter).

A smart meter is an even more advanced technology, and integrates the interval meter component with communication software (i.e. types 1-4 meters). Smart meters are capable of two-way communications and can allow real time data and instructions to flow to and from the market participants to the customers site. Smart meters can have additional functionality that can allow for a range of actions to manage electricity demand and the grid. Such additional functions can include remote connection and disconnection and direct load control.

There are a number of general benefits from smart meters in terms of engagement between customers, retailers and the energy market in general:

- retailers may be able to bill (for example) on a monthly basis using actual consumption data and not estimates;
- the potential for customers to experience "bill shock" caused as a result of bills based on estimates, since customers will observe their actual consumption, which may avoid billing disputes and escalation of issues to jurisdictional ombudsmen;
- customers may develop a better awareness of their energy consumption and its impact on their electricity bill; and
- retailers can develop, and provide, innovative products for customer, including more flexible pricing, where different prices are set for different times of the day. This can provide efficient price signals to customers about the costs associated with their use of the network at peak times.

6.3 Current deployment of advanced metering infrastructure in the NEM

Jurisdictions in the NEM are currently in different stages of deployment of advanced metering infrastructures. There have been considerable deployments of interval meters in NSW, Queensland and the ACT, but relatively low numbers in other areas.

Smart meters have only been rolled out on a large scale in Victoria as part of a mandated deployment. Victoria currently expects to complete its roll out of smart meters to almost every home and small business by the end of 2013.

The current stages of deployment of advanced metering infrastructure in the NEM is summarised in Table 10.1.

Table 6.1 Current deployment of advanced metering infrastructure in the NEM

Jurisdiction	Number of meters deployed (including distributed generation)	Interval data used for settlement	Future deployment
ACT			
Interval meters	43,000 (end of 2011)	2,000 large customers	new and replacement
Smart meters	none	n/a	no new deployments
NSW			
Interval meters	736,716	most Ausgrid and Endeavour Energy interval customers	new and replacement
Smart meters	27,140	yes (Ausgrid) no (Endeavour)	no new deployments foreseen
Queensland			
Interval meters	457,112	most customers billed on accumulation reads	new and replacement
Smart meters	4,780	only for the RBT trial and Townsville Queensland Solar City project	no new deployments foreseen
South Australia			
Interval meters	1,000	only for small to medium enterprise customers	policy not decided yet
Smart meters	7,099	only for small to medium enterprise customers	plans for future projects/trials still under review
Victoria			
Interval meters	76,056	unknown	replaced by smart meters
Smart meters	1,467,720	yes	the mandate requires having all smart meters deployed by the end of 2013

Source: KEMA Australia Pty Limited, Report for the Department of Resources Energy and Tourism, National Smart Meter Infrastructure Report, 4 February 2013.

6.4 SCER competition in metering rule change

As part of the comprehensive Power of choice recommendations, the AEMC recommended a framework for introducing competition into metering and data services.¹³² In December 2012 COAG and the SCER agreed to this recommendation. A rule change request consistent with SCER's direction was submitted to the AEMC on 23 October 2013.¹³³

This model introduces new contractual arrangements whereby metering services, including installation, are competitively sourced.

The recommended framework creates a new category of market participant called the "metering coordinator" who would be responsible for the day-to-day operations (i.e. provision, installation and maintenance of a metering installation) and coordination and engagement of the metering provider and metering data provider.

The metering coordinator:

- would be financially liable for metering installations that are found not to comply with the NER (e.g. data accuracy);
- could be the metering provider, and metering data provider, or could engage separate entities to play these roles. The existing roles of the metering provider, and metering data provider would remain unchanged;
- would be responsible for paying the accredited metering provider and metering data provider; and
- would be able to assign its responsibility to another metering coordinator so long as there are no changes to the customer's underlying contract.

The rules would specify the requirements of standard contract terms and conditions for metering coordination services, with all metering services fees under the metering coordinator role being commercial arrangements.

The retailer (FRMP) would be required to arrange for a workable meter at a customer's premise, including managing and contracting with a metering coordinator to perform metering services on the customer's behalf if a suitable meter does not already exist, or unless the customer has chosen to directly engage a metering coordinator. Customers would have the option to contract with any accredited metering coordinator. In such circumstances, the retailer would be required to respect that contract arrangement.

¹³² AEMC, *Power of choice review - giving consumers options in the way they use electricity*, Final Report, 30 November 2012, p. 97.

¹³³ SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

Where customers changed retailers, they would not be required to change meters, noting that customers could choose to upgrade meters if they so wished. The winning retailer would also need to respect the existing contract arrangements.

This framework would require open access to meters in order to allow entitled parties to access energy data in meters, irrespective of what process the meter was installed (commercial or mandated). It would also require a common metering language, and communication software standards to support this.¹³⁴

This competitive framework will therefore provide stronger incentives for the metering coordinator, metering data providers, and metering provider to provide timely services and accurate information through the imposition of commercial obligations on such parties.

6.5 Benefits of advanced metering infrastructure for the customer transfer process

The Commission considers that there are a number of potential benefits for the customer transfer process from the introduction of advanced metering infrastructure, including:

- likely reduction of timeframes for transferring customers between retailers - since metering data will be remotely read and recorded on a weekly basis, customers could potentially be transferred in very short timeframes, and at a low cost to retailers;
- some reduction of erroneous transfers and data integrity issues - since better quality data is likely to be obtained through the competitive provision of metering services. This is because retailers and competitive metering providers' contractual arrangements (as outlined below) would likely provide for parameters around timeliness and accuracy, since these would impact retailers;
- likely reduction of objections, with two of the most common types of objections raised being:
 - where the date of a change nominated for a change of retailer does not align with a proposed or actual meter read - under advanced metering infrastructure, data on a customer's consumption will be provided on a weekly basis to the metering data provider; and
 - where no meter read can be obtained due to issues of no access - under advanced metering infrastructure, the customer's consumption will be provided remotely and so the physical access to the meter will no longer be required.

¹³⁴ The AEMC's current review into a framework for open access and communication standards is considering this.

Abbreviations

AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
CATS	Consumer Administration and Transfer Solution
COAG	Council of Australian Governments
EWOV	Energy and Water Ombudsman Victoria
FRMP	Financially Responsible Market Participant
LNSPs	Local Network Service Providers
MCE	Ministerial Council on Energy
MSATS	Market Settlement and Transfer Solutions
NECF	National Energy Customer Framework
NEL	National Electricity Law
NER	National Electricity Rules
NERR	National Energy Retail Rules
NMI	National Metering Identifier
SCER	Standing Council on Energy and Resources

A Customer switching timeframes in the NEM

This Appendix presents further AEMO MSATS data on customer transfer timeframes in the NEM, by jurisdiction (with the exception of Victoria, which was summarised in section 5.3.2).

A.1 Small customer switching times in New South Wales

MSATS data for New South Wales (NSW) indicates that 37.9 per cent (or 0.5 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to 32.2 per cent (0.5 million) and 29.8 per cent (0.4 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, 33.9 per cent (0.5 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 34.3 per cent (0.5 million) and 31.8 per cent (0.4 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures A.1 – A.4 below. The charts show a relatively even and stable spread of small customer switching completions across the three transfer timeframe categories – particularly when switches completed on the basis of special meter reads are excluded from the data. Given the significant number of small customers that continue to remain on their existing energy retail tariff for periods in excess of one month after their decision to switch retailer is initiated in the market system by the winning retailer, this may suggest there is scope for some improvement in switching times in NSW.

Figure A.1 Small customer switches in New South Wales - number of completed switches, for all meter read types

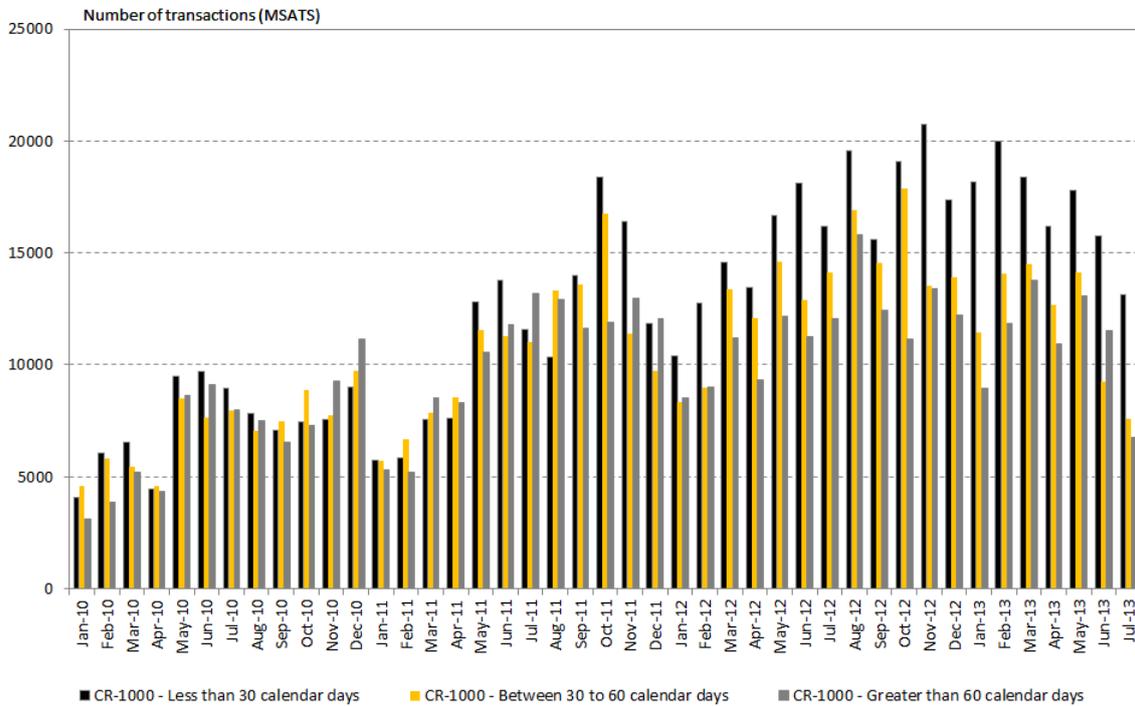


Figure A.2 Small customer switches in New South Wales - percentage of completed switches, for all meter read types

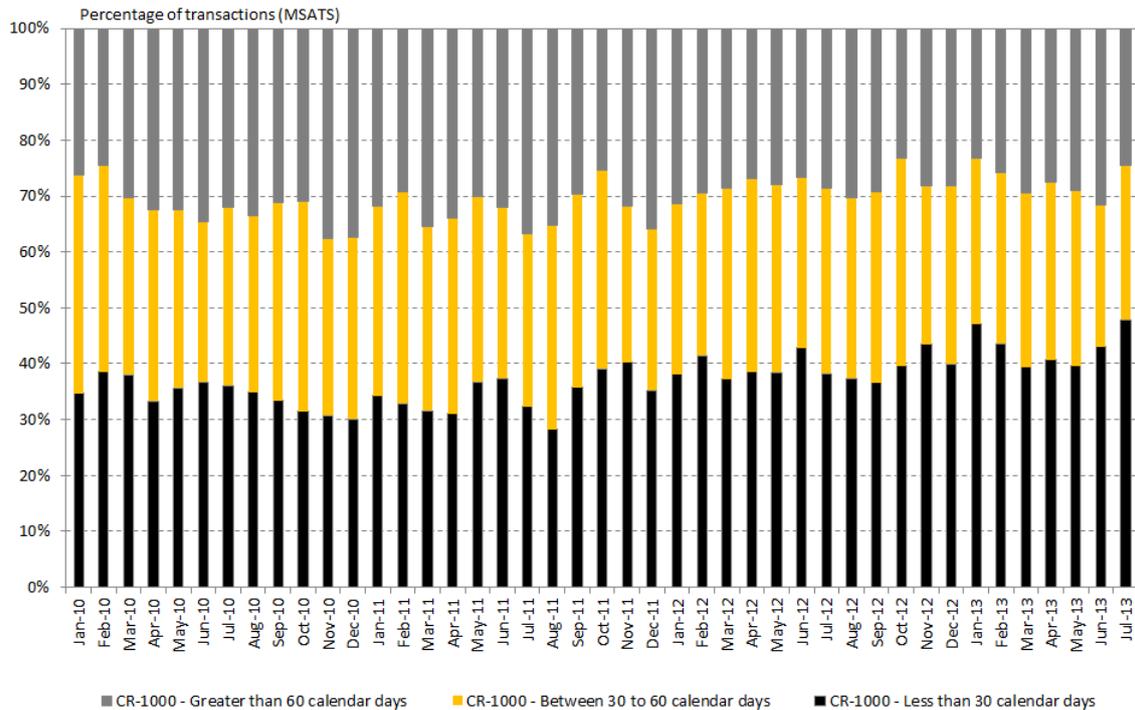


Figure A.3 Small customer switches in New South Wales - number of completed switches, for all meter read types excluding special reads

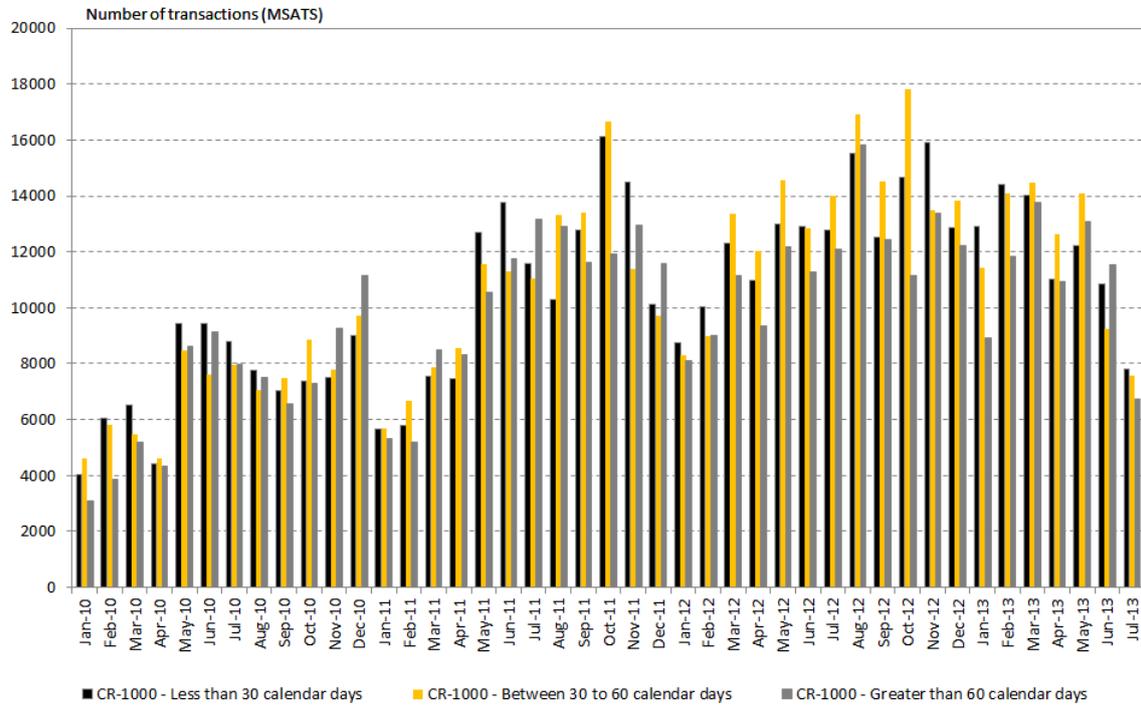
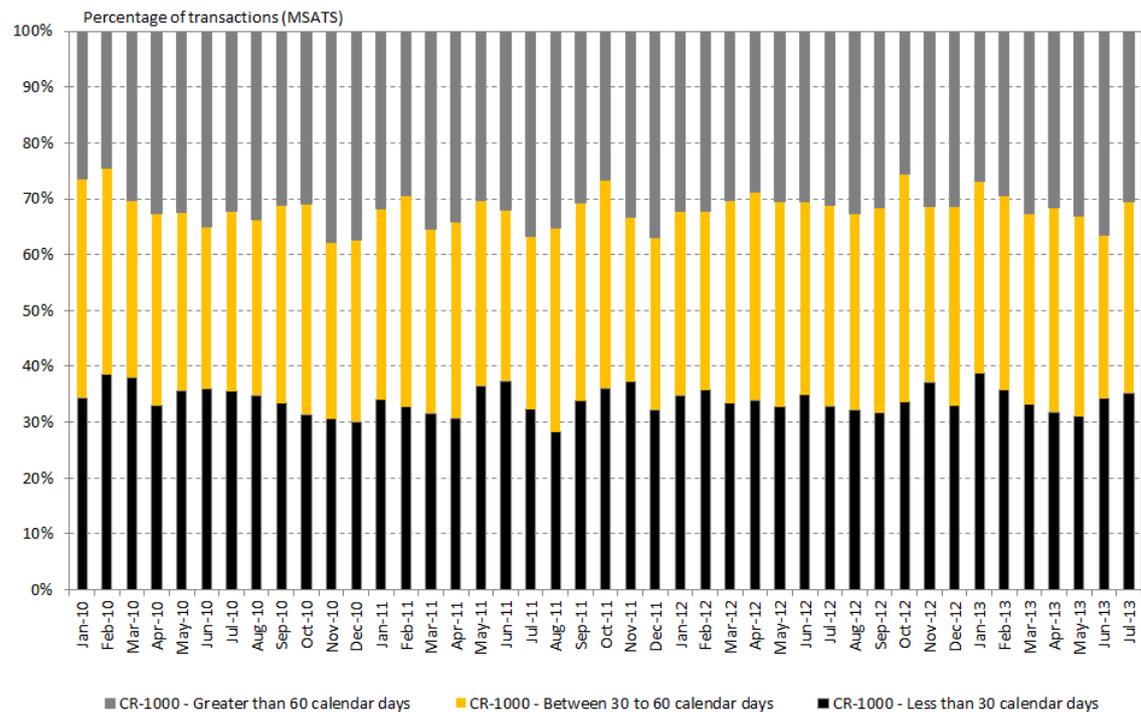


Figure A.4 Small customer switches in New South Wales - percentage of completed switches, for all meter read types excluding special reads



A.2 Small customer switching times in Queensland

MSATS data for Queensland indicates that 55.2 per cent (0.3 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 25.1 per cent (0.1 million) and 19.7 per cent (0.1 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, 47.6 per cent (0.2 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 29.4 per cent (0.1 million) and 23.0 per cent (0.1 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures A.5 – A.8 below. The outcome for small customer switches in Queensland is similar to that for NSW (and South Australia in the next section). That is, aside from some large upward spikes in the data around mid-2013, there appears to be a relatively even and stable spread of small customer switching completions across the three transfer timeframe categories – particularly when switches completed on the basis of special meter reads are excluded from the data.¹³⁵ Overall, while fewer small customers are affected in Queensland compared to NSW, the speed of the small customer switching process lags behind that in Victoria.

¹³⁵ Although we note that the "bands" of data make this difficult to see - for example, the average timeframe may be 10 days for Victoria, but 29 for NSW.

Figure A.5 Small customer switches in Queensland - number of completed switches, for all meter read types

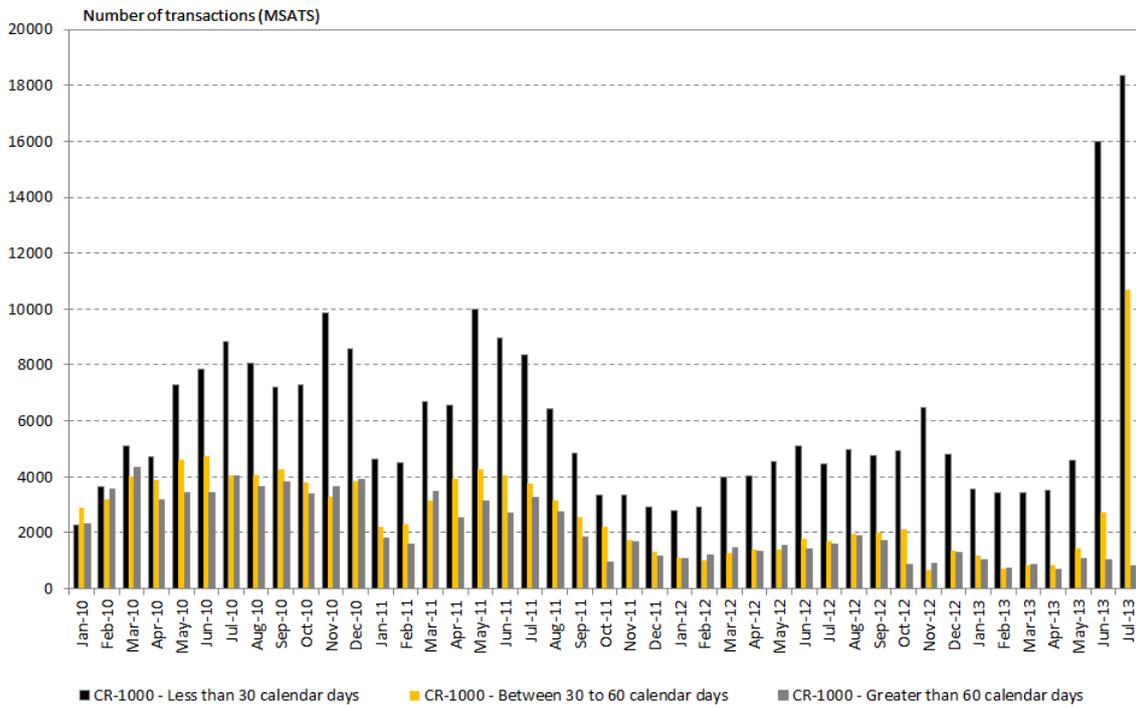


Figure A.6 Small customer switches in Queensland - percentage of completed switches, for all meter read types

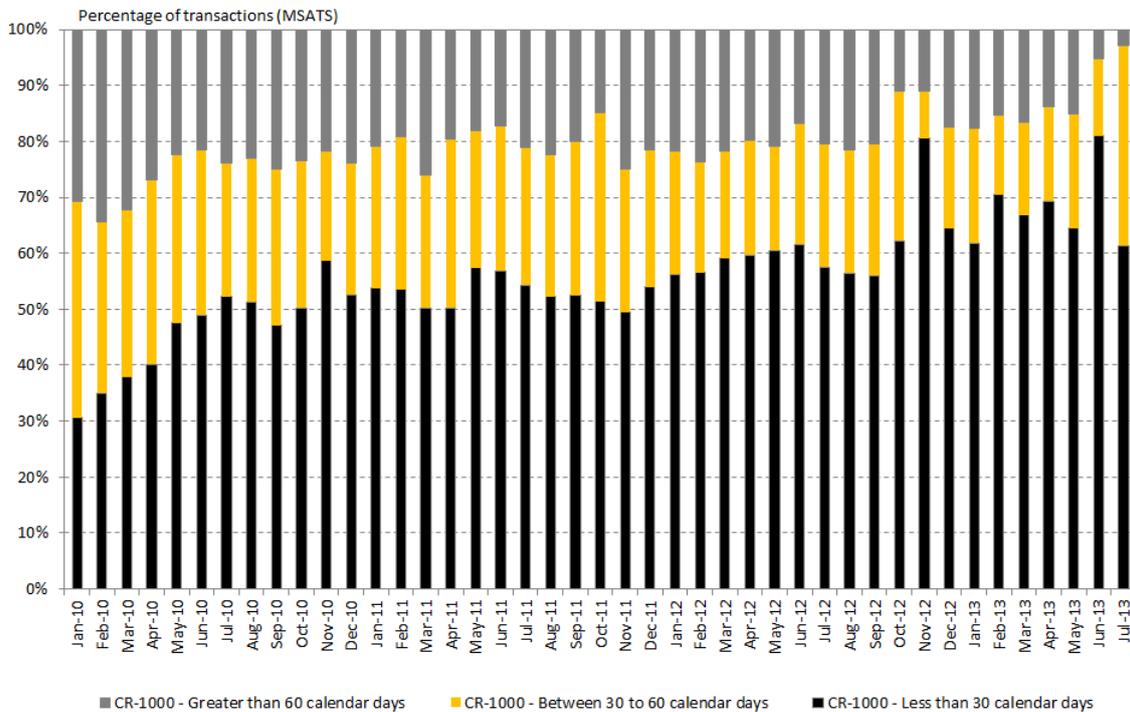


Figure A.7 Small customer switches in Queensland - number of completed switches, for all meter read types excluding special reads

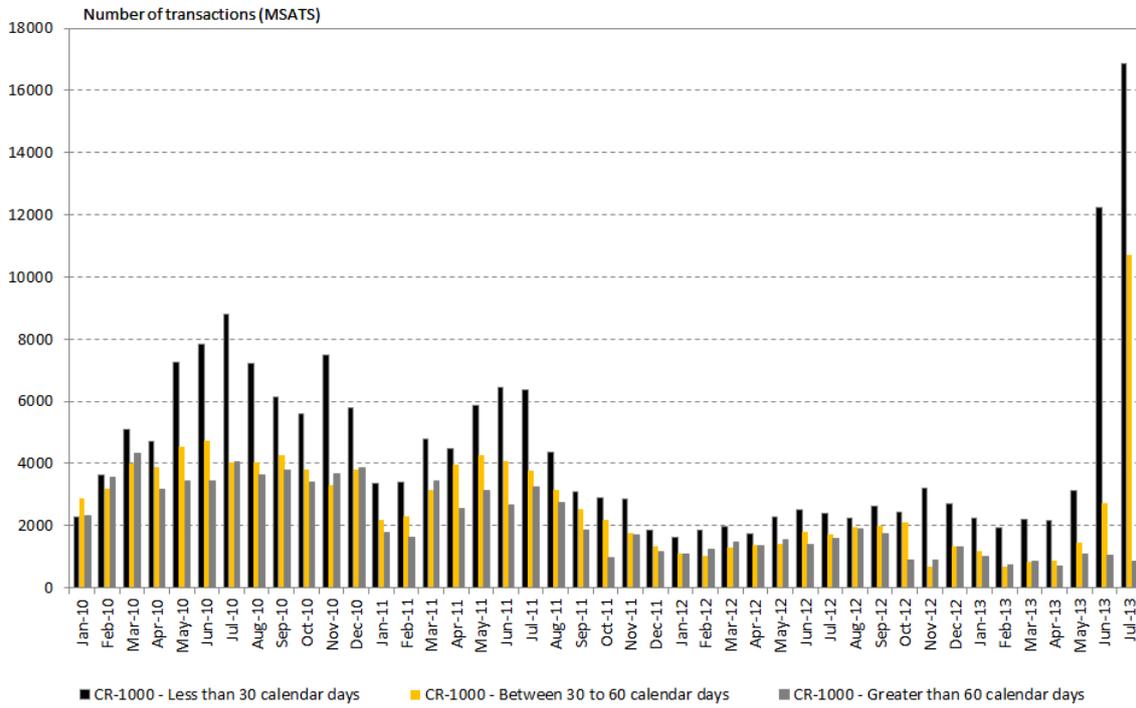
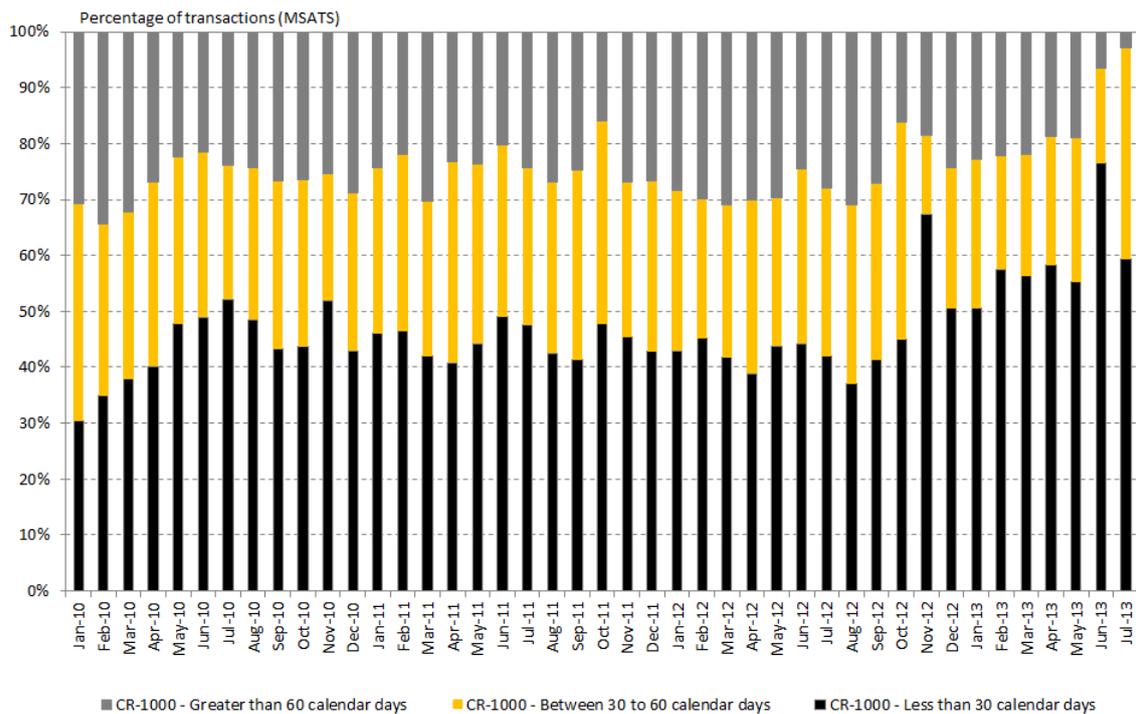


Figure A.8 Small customer switches in Queensland - percentage of completed switches, for all meter read types excluding special reads



A.3 Small customer switching times in South Australia

MSATS data for South Australia indicates that 45.3 per cent (0.1 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 26.5 per cent (0.08 million) and 24.1 per cent (0.07 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, 39.5 per cent (0.1 million) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 31.5 per cent (0.08 million) and 28.7 per cent (0.07 million) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures A.9 – A.12 below. The outcome for small customer switches in South Australia is similar to that for NSW and Queensland. That is, there appears to be a relatively even and stable spread of small customer switching completions across the three transfer timeframe categories – particularly from late-2011 and when switches completed on the basis of special meter reads are excluded from the data. As per NSW and Queensland, the speed of the small customer switching process in South Australia lags behind that in Victoria.

Figure A.9 Small customer switches in South Australia - number of completed switches, for all meter read types

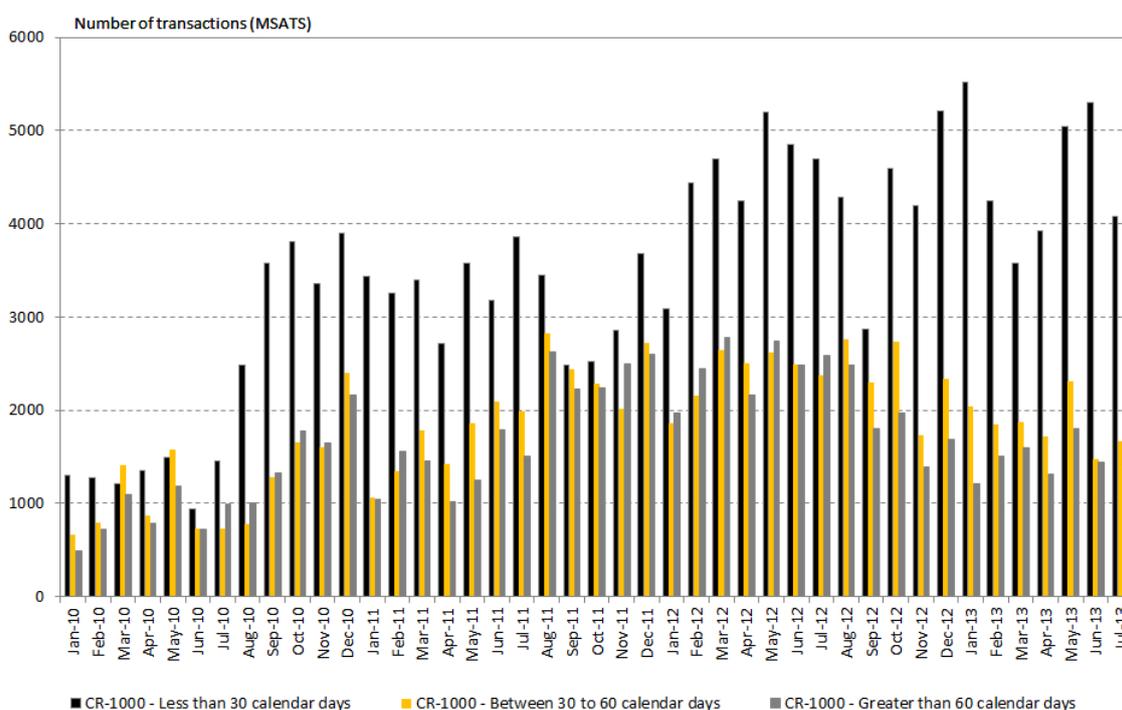


Figure A.10 Small customer switches in South Australia - percentage of completed switches, for all meter read types

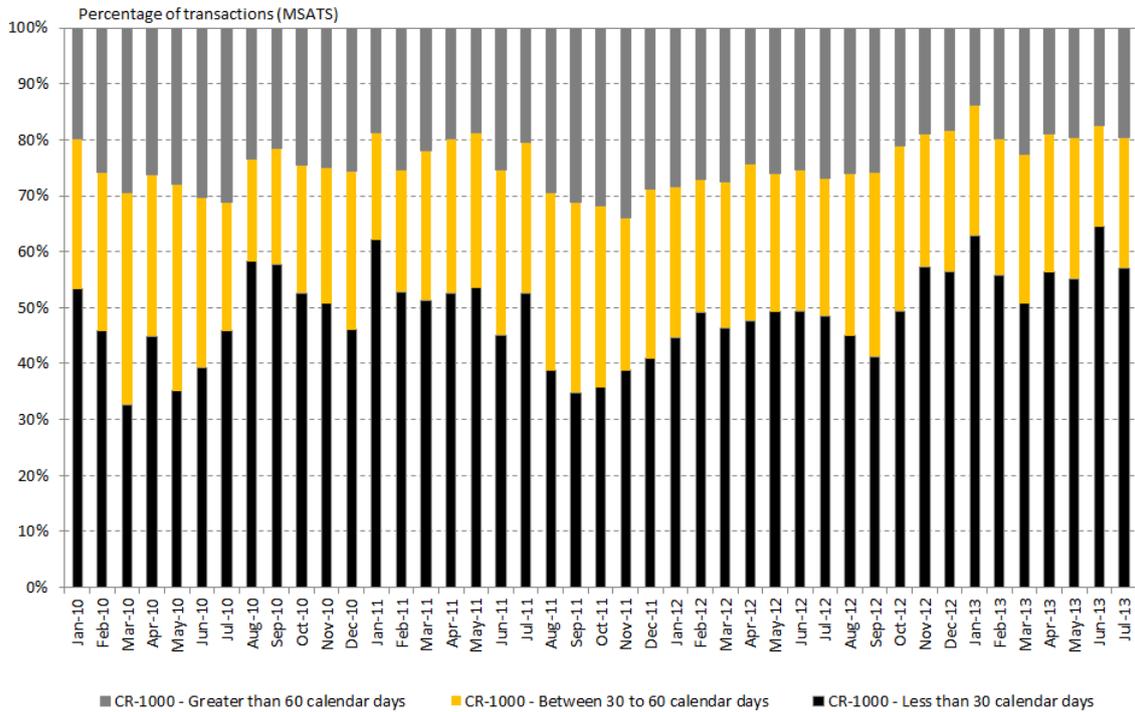


Figure A.11 Small customer switches in South Australia - number of completed switches, for all meter read types excluding special reads

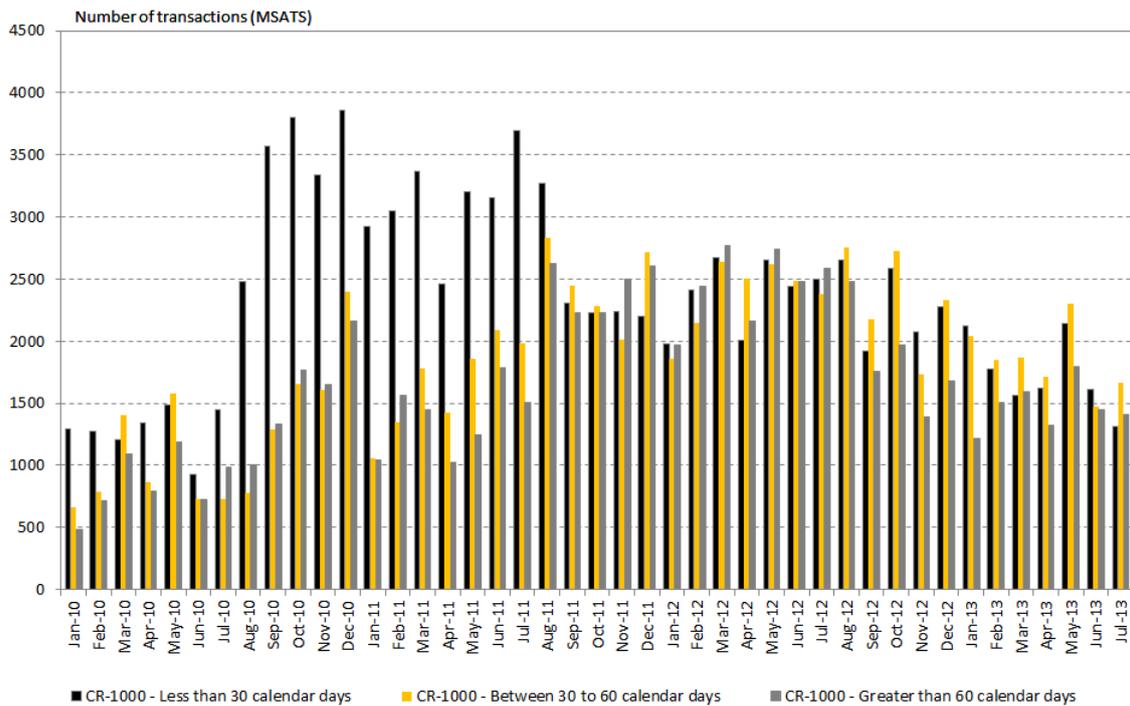
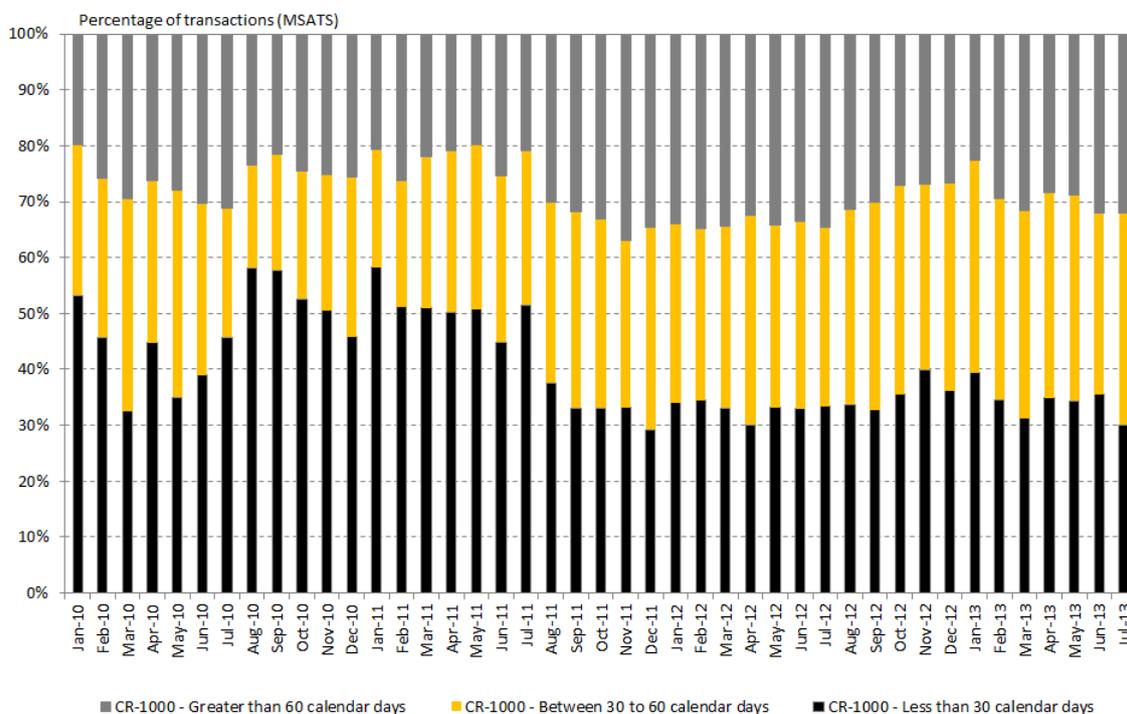


Figure A.12 Small customer switches in South Australia - percentage of completed switches, for all meter read types excluding special reads



A.4 Small customer switching times in the Australian Capital Territory

MSATS data for the Australian Capital Territory (ACT) indicates that 45.3 per cent (approximately 1,300) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 34.9 per cent (approximately 1,000) and 19.8 per cent (approximately 560) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, 44.1 per cent (approximately 1,200) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days. This compares to a total of 33.7 per cent (approximately 1,000) and 20.4 per cent (approximately 560) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively.

These results are shown in Figures 5.17 – A.20 below. Full retail contestability has been implemented and in operation in the ACT since 1 July 2003. While the total number of transactions under review is relatively low compared to other NEM states, the switching timeframe results tend to mirror those of NSW, Queensland and South Australia – that is, a relatively even and stable spread of small customer switching completions across the three transfer timeframe categories. Like these states, the speed of the small customer switching process in the ACT lags behind that in Victoria.

Figure A.13 Small customer switches in the Australian Capital Territory - number of completed switches, for all meter read types

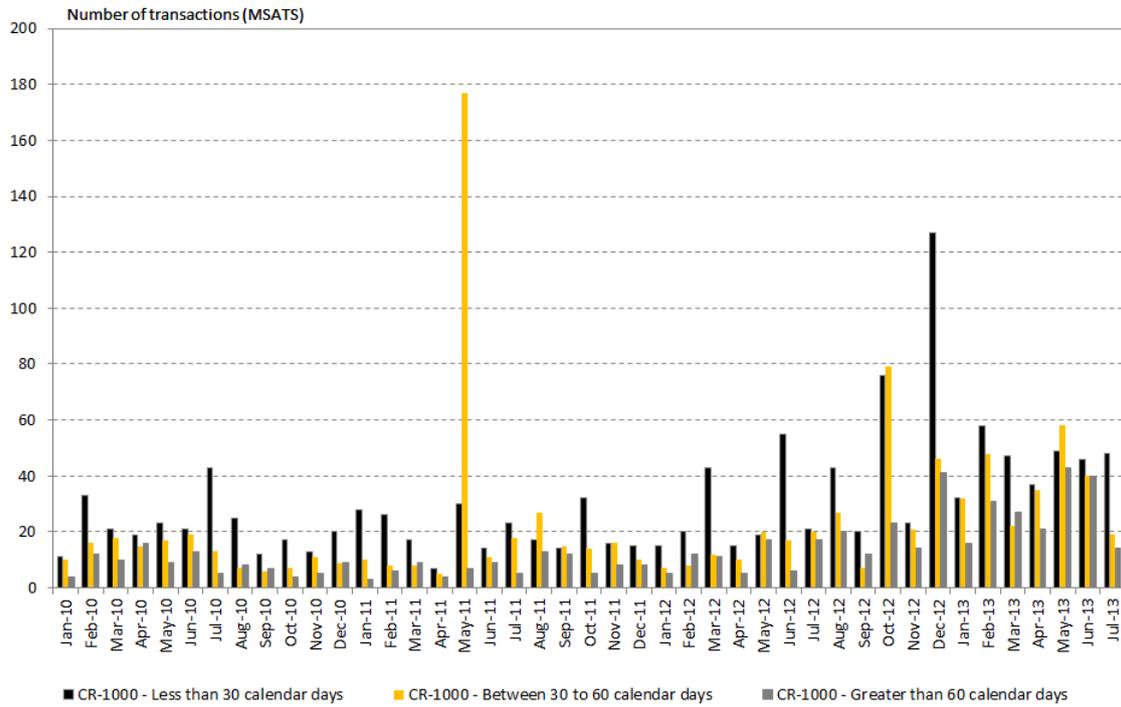


Figure A.14 Small customer switches in the Australian Capital Territory - percentage of completed switches, for all meter read types

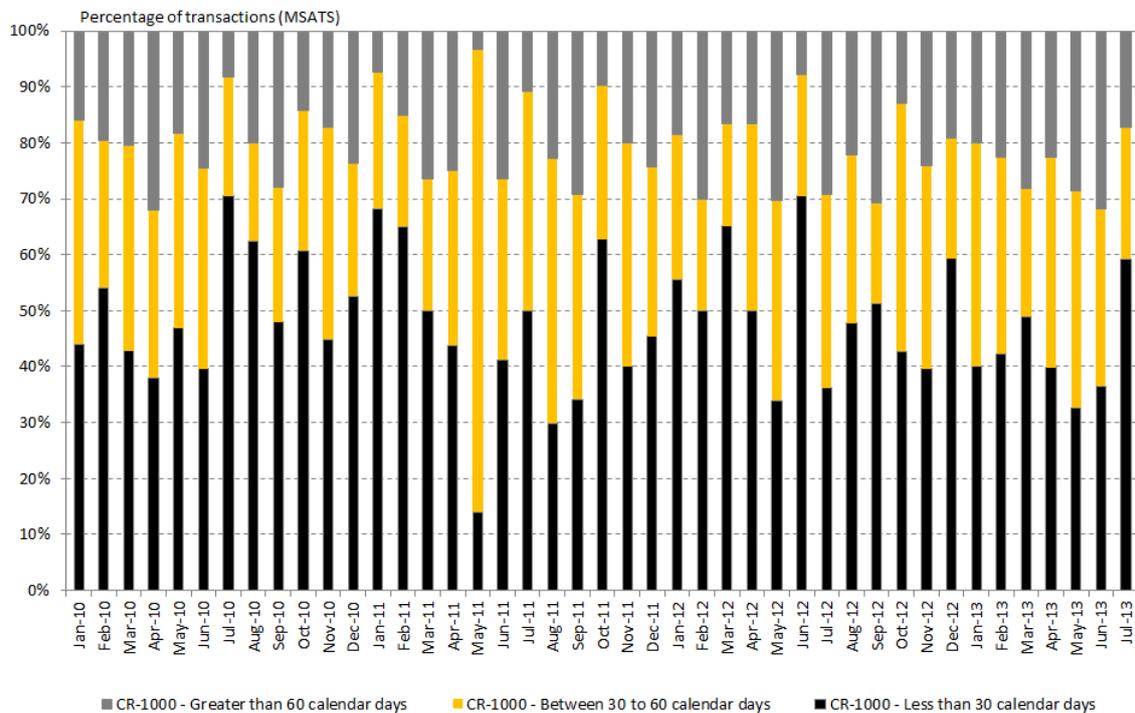


Figure A.15 Small customer switches in the Australian Capital Territory - number of completed switches, for all meter read types excluding special reads

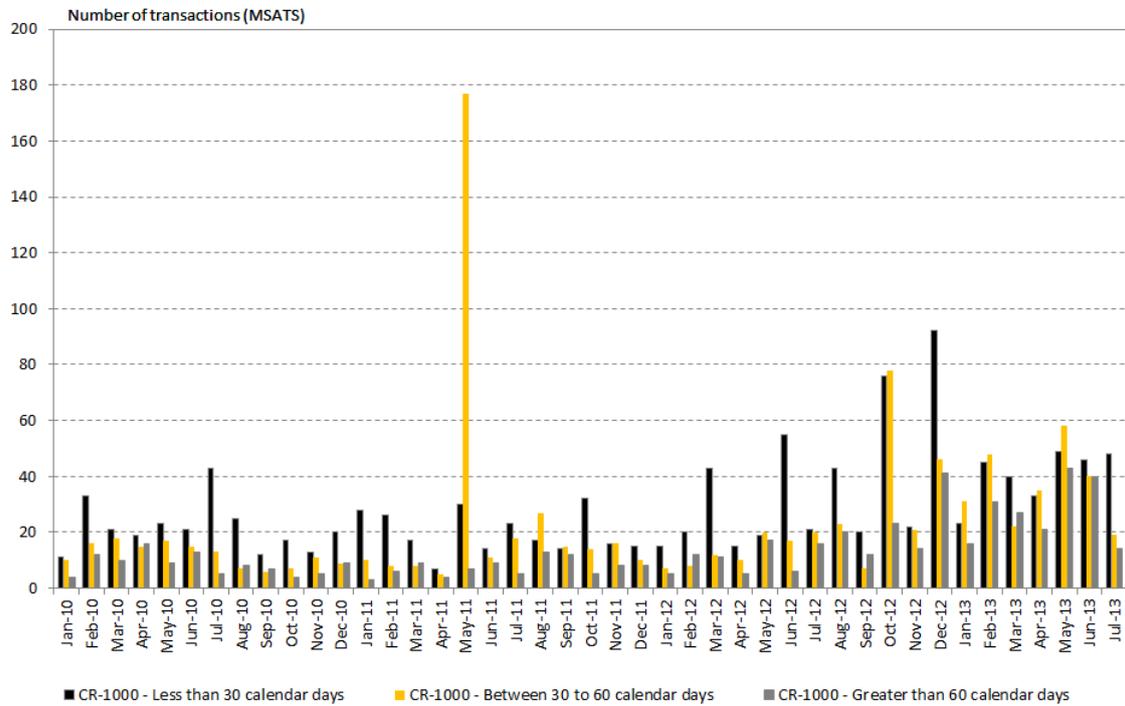
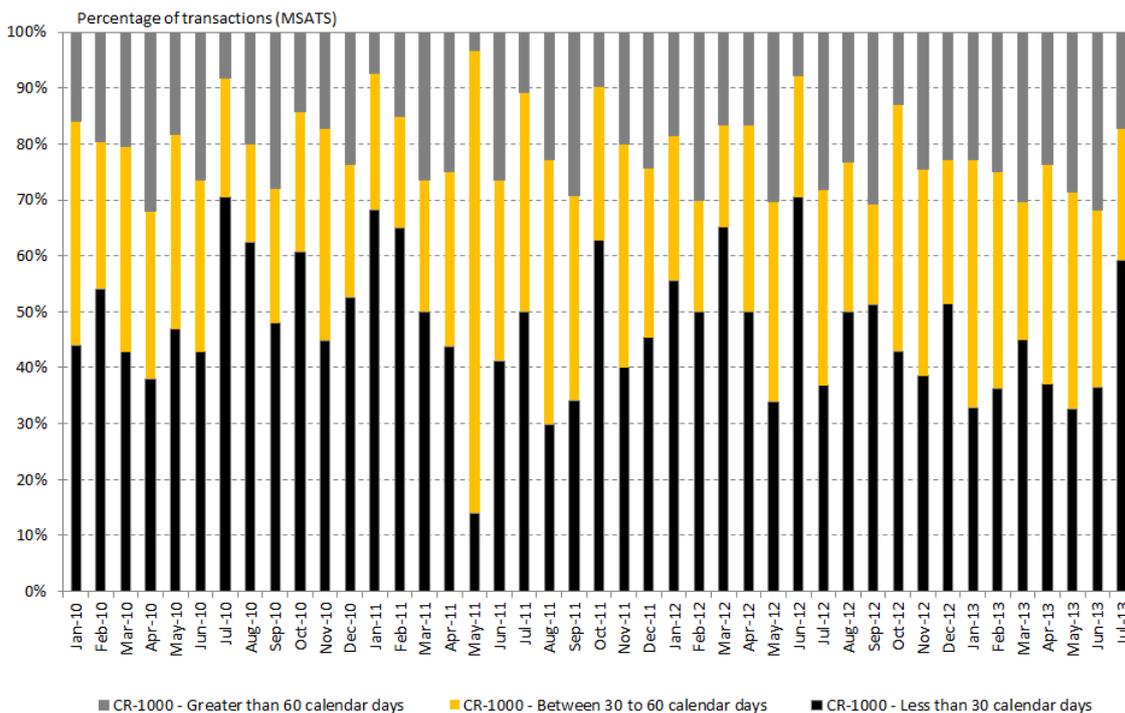


Figure A.16 Small customer switches in the Australian Capital Territory - percentage of completed switches, for all meter read types excluding special reads



A.5 Small customer switching times in Tasmania

Full retail contestability in electricity is yet to be introduced in Tasmania, although it is expected to be completed in 2014. Currently, retail competition extends to small customers (i.e. "larger" small businesses) consuming at least 50 megawatt hours of electricity per annum (a typical Australian household may consume around 7-10 megawatt hours of electricity per year). Therefore, the results for small customer switching in Tasmania must be seen in this light, as they do not reflect the speed at which residential households and "smaller" small businesses switch retailer, but the switching speed of other larger small (business) customers.

MSATS data for Tasmania indicates that 43.3 per cent (81) of all in-situ small customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 33.7 per cent (63) and 23.0 per cent (43) of small customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

When small customer transfers completed on the basis of a special meter read are excluded from this data, there is no change in the data. That is, transfers on the basis of special meter reads do not feature in the data over the sample period.

These results are shown in Figures A.13 to A.16 below. While the total number of transactions under review is relatively low compared to other NEM states, many small customer switches are completed in less than 30 calendar days. The likely presence of daily (interval) meters for these small customers (e.g. larger small businesses) may contribute to this result.

Figure A.17 Small customer switches in Tasmania - number of completed switches, for all meter read types

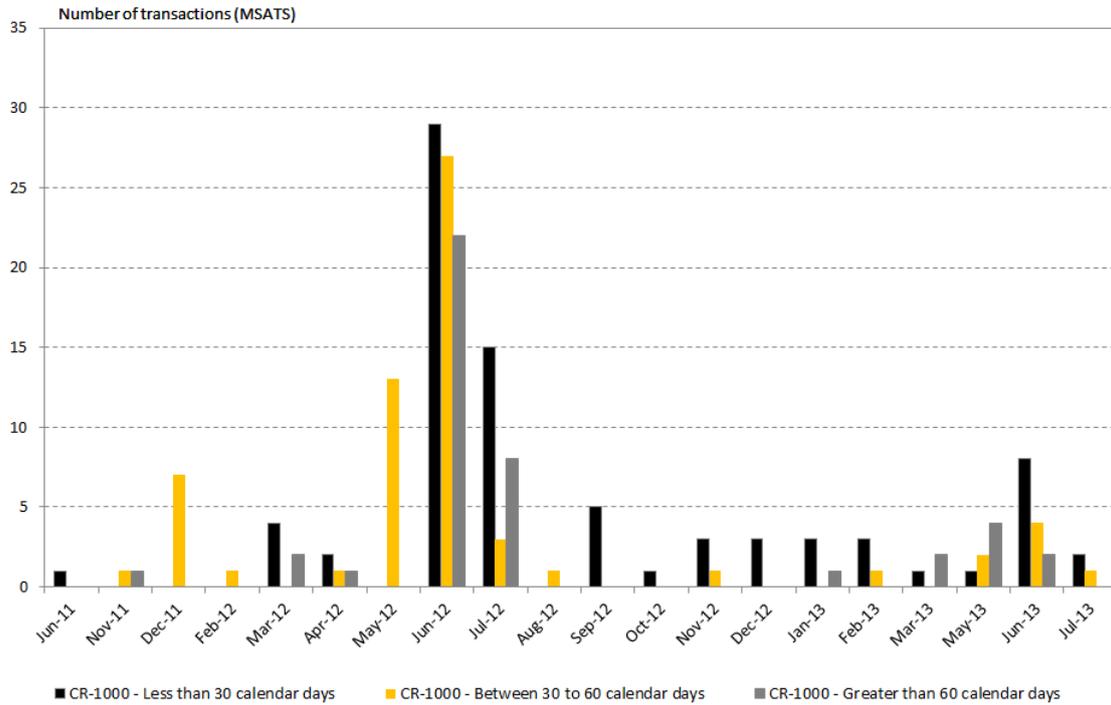


Figure A.18 Small customer switches in Tasmania - percentage of completed switches, for all meter read types

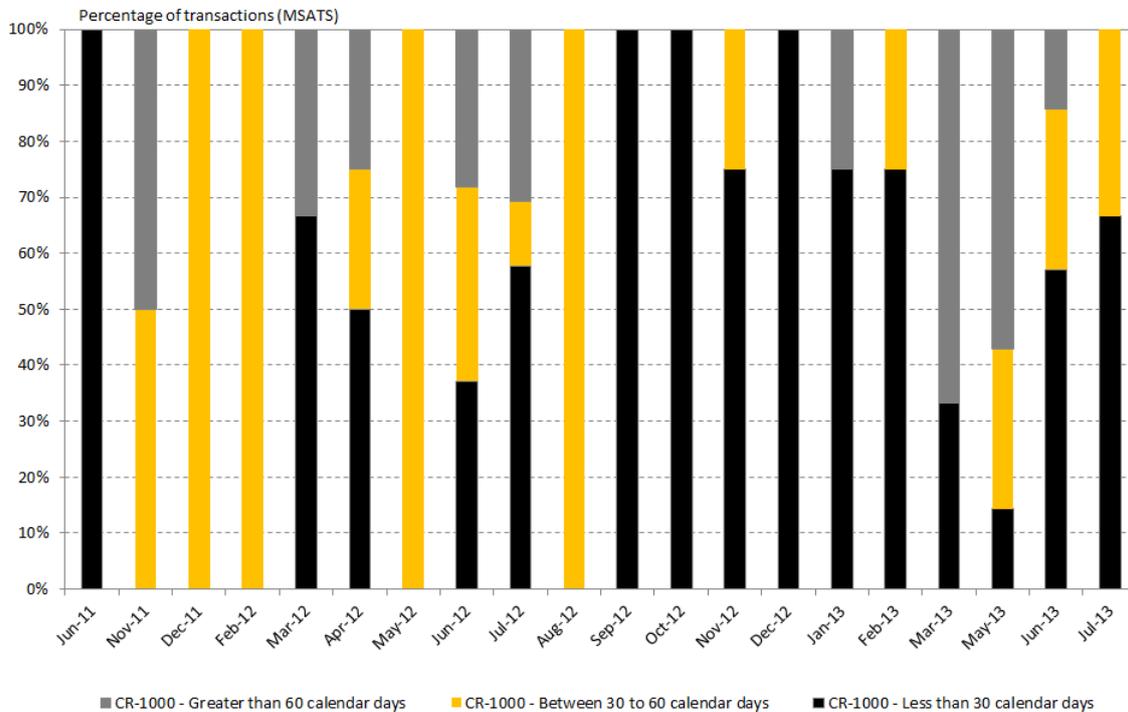


Figure A.19 Small customer switches in Tasmania - number of completed switches, for all meter read types excluding special reads

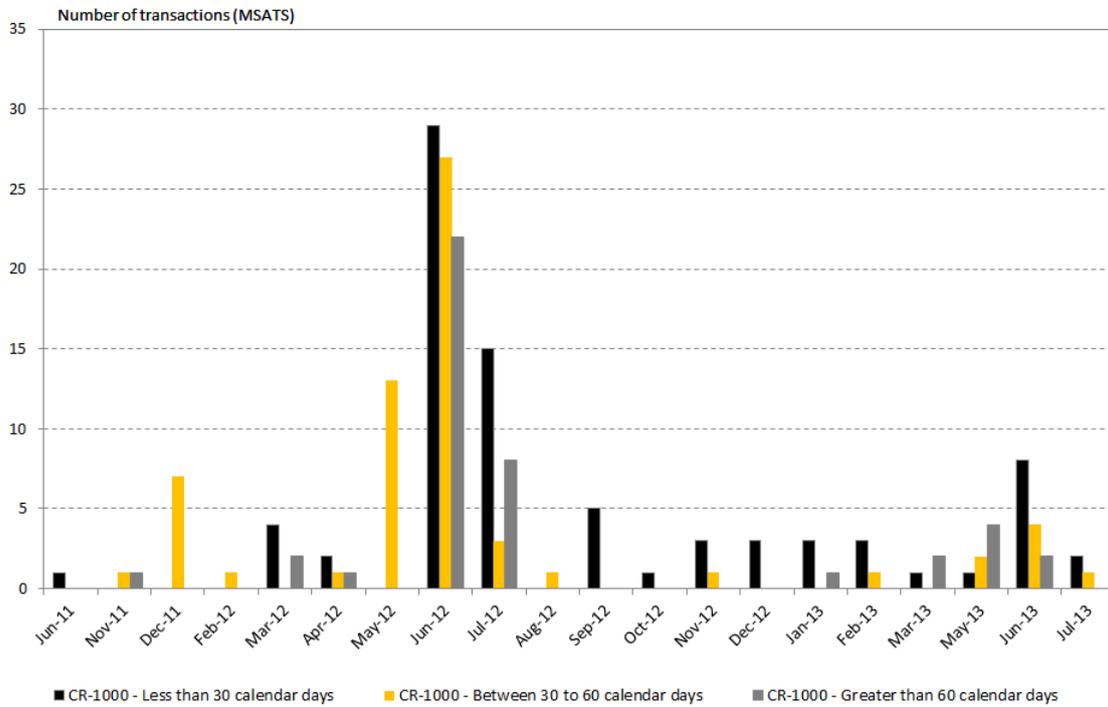
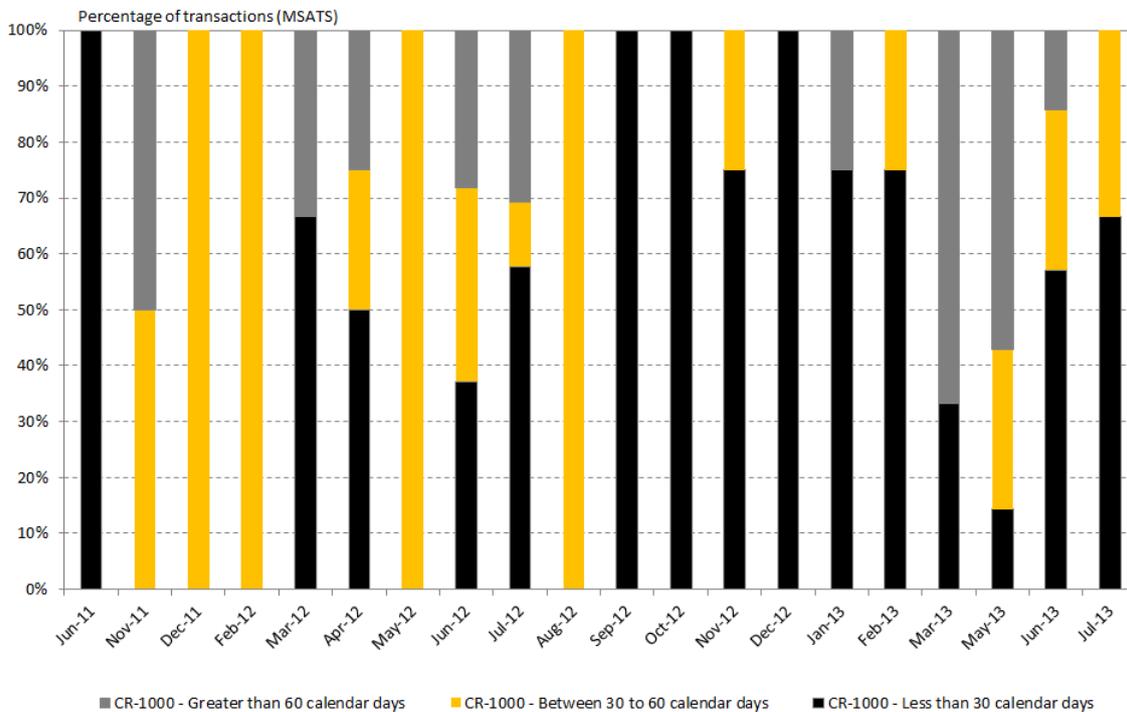


Figure A.20 Small customer switches in Tasmania - percentage of completed switches, for all meter read types excluding special reads



A.6 Large customer switching times in the NEM

A.6.1 Large customer switching times in New South Wales

For NSW, 69.4 per cent (approximately 17,000) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 21.5 per cent (approximately 5,300) and 9.1 per cent (approximately 2,000) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

For Victoria, 57.2 per cent (approximately 5,500) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 28.0 per cent (approximately 2,700) and 14.9 per cent (approximately 1,500) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

For Queensland, 65.3 per cent (approximately 6,300) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 26.2 per cent (approximately 2,500) and 8.6 per cent (approximately 800) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

For South Australia, 58.7 per cent (approximately 1,600) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 27.8 per cent (approximately 750) and 13.5 per cent (approximately 360) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

For Tasmania, 44.9 per cent (approximately 190) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 42.1 per cent (approximately 180) and 12.9 per cent (56) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

For the ACT, 50.6 per cent (410) of all in-situ large customer transfers between retailers were completed in less than 30 calendar days of initiation, across all types of metering installations. This compares to a total of 41.4 per cent (335) and 8.0 per cent (65) of large customers whose transfer was completed in 30-60 calendar days and in greater than 60 calendar days, respectively, over the sample period.

Figure A.21 Large customer switches in New South Wales - number of completed switches, for all meter read types

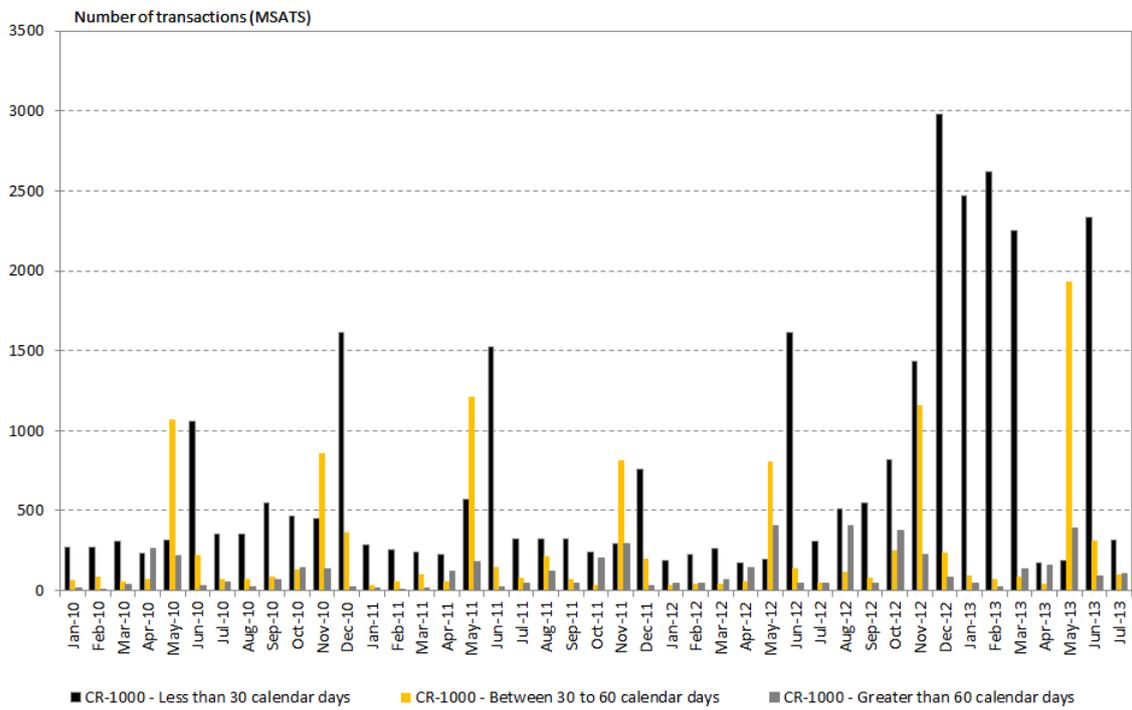


Figure A.22 Large customer switches in Victoria - number of completed switches, for all meter read types

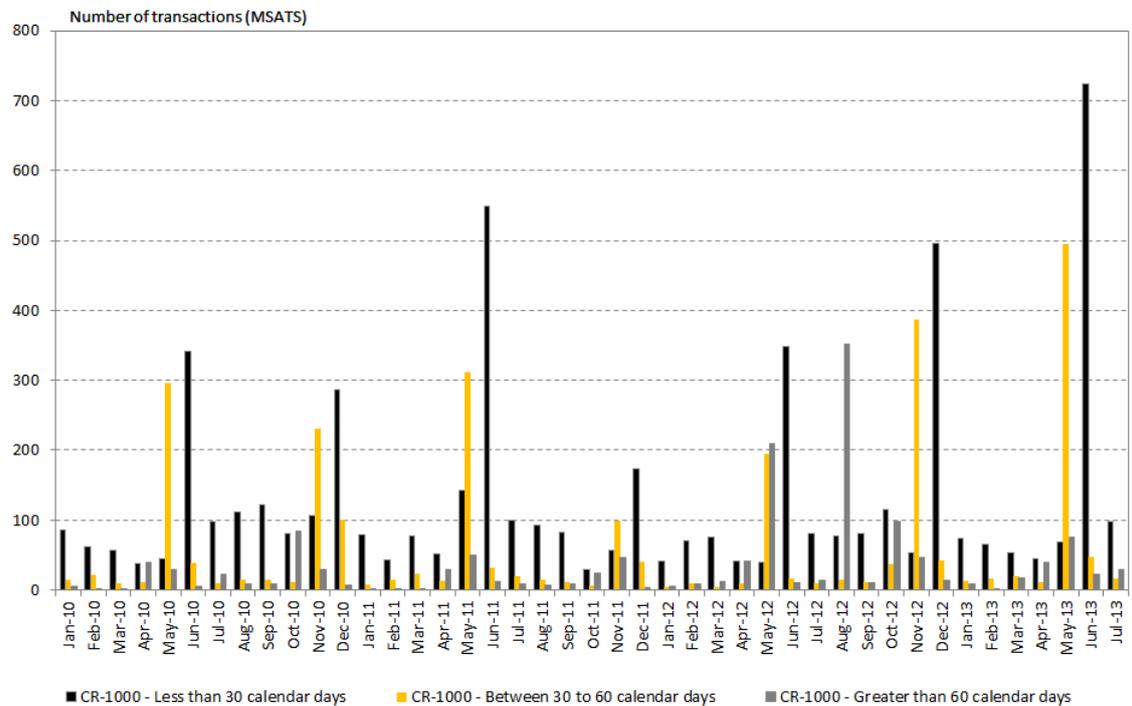


Figure A.23 Large customer switches in Queensland - number of completed switches, for all meter read types

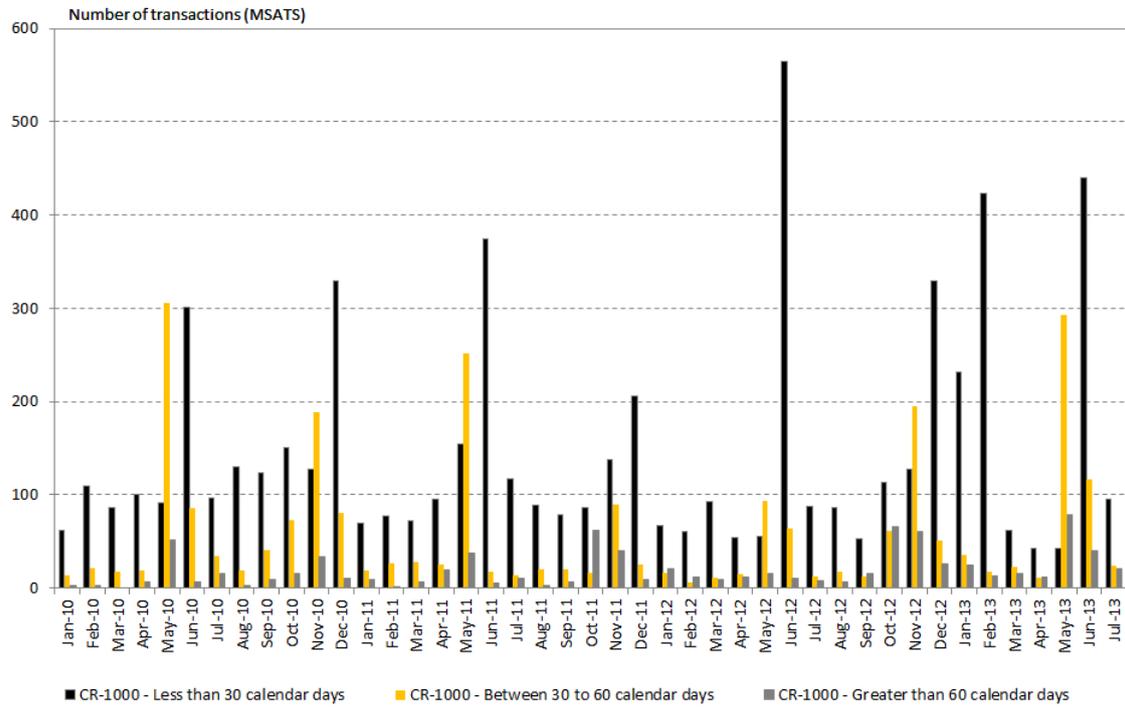


Figure A.24 Large customer switches in South Australia - number of completed switches, for all meter read types

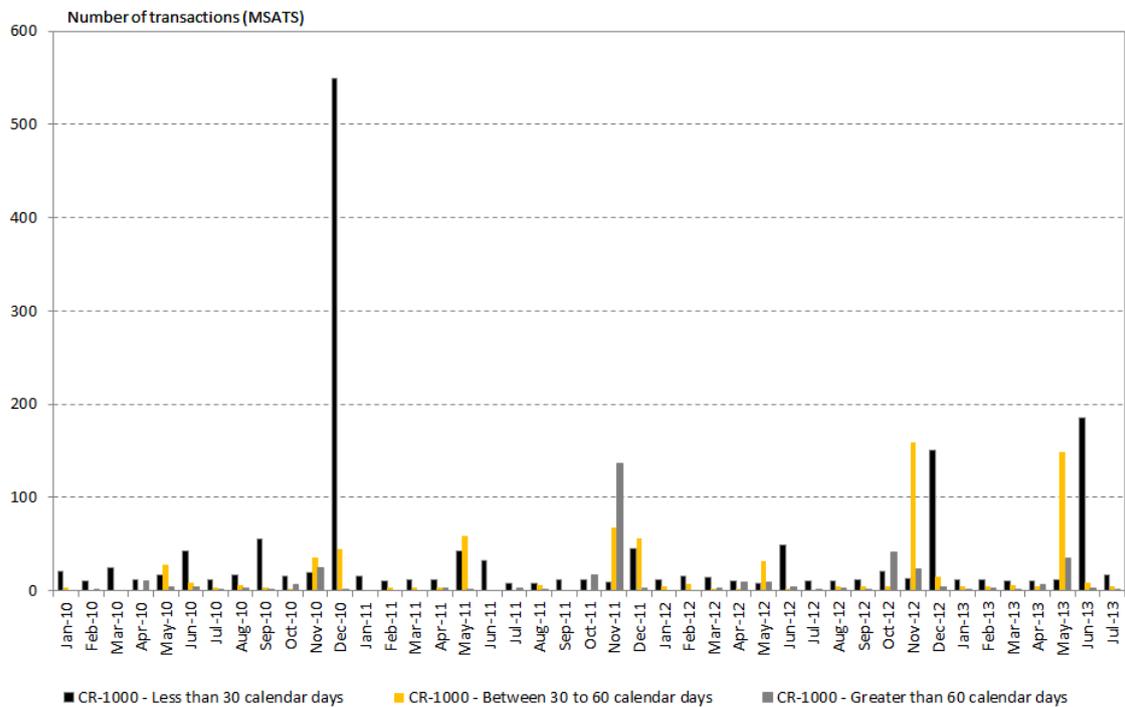


Figure A.25 Large customer switches in Tasmania - number of completed switches, for all meter read types

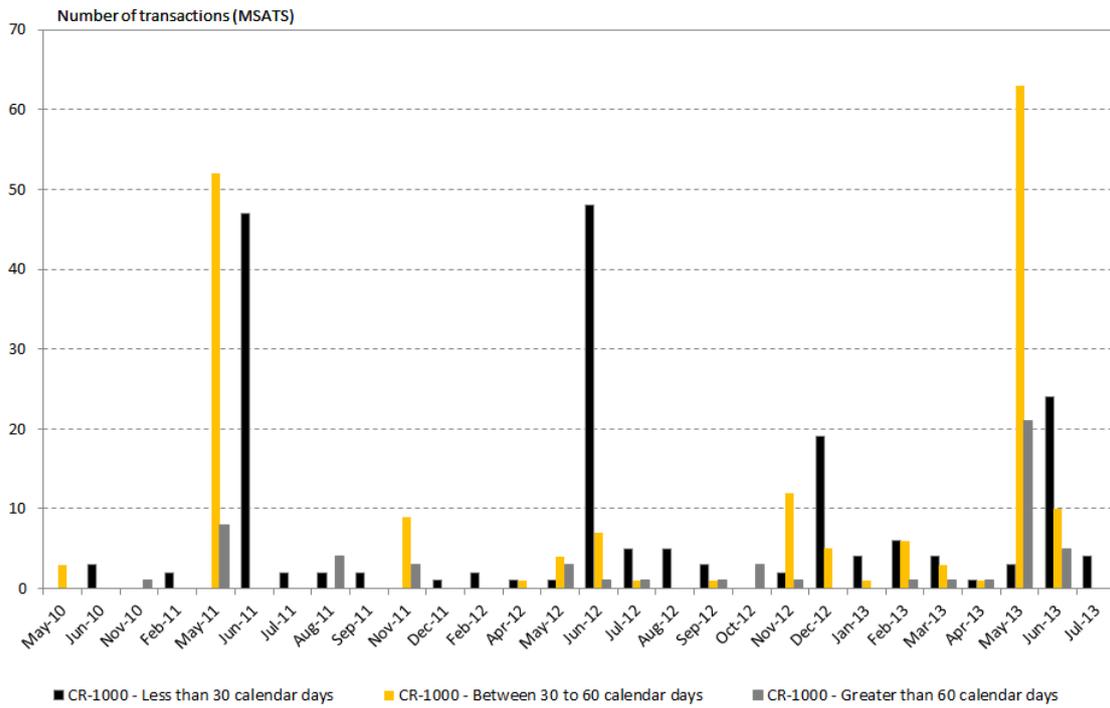
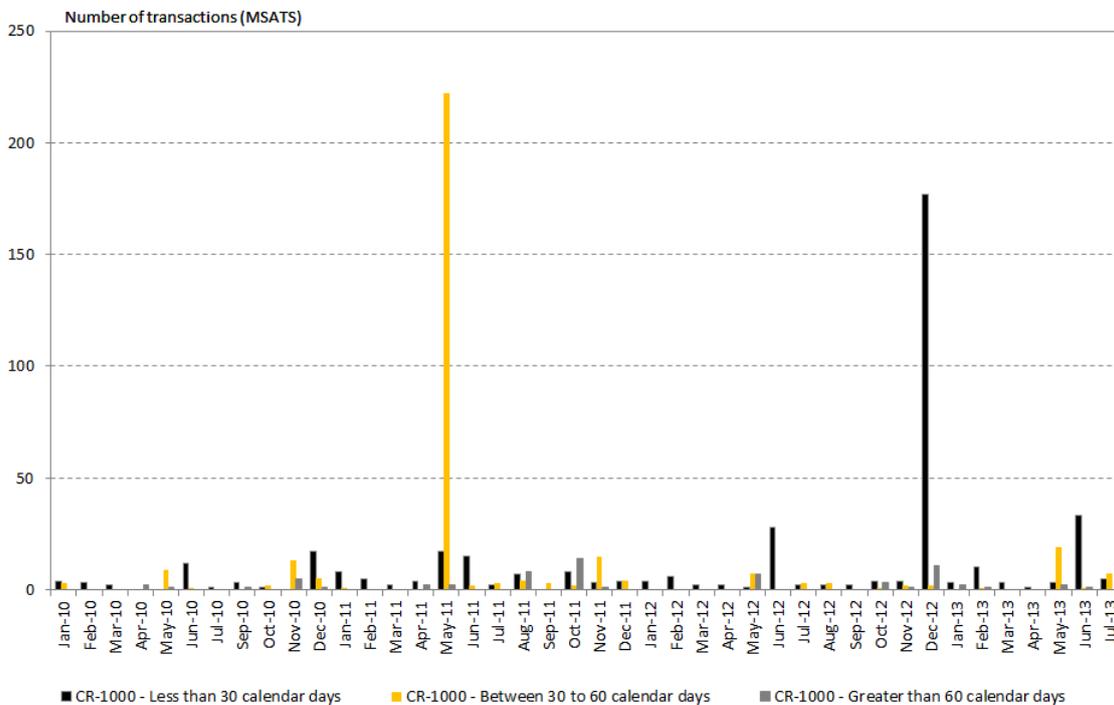


Figure A.26 Large customer switches in the Australian Capital Territory - number of completed switches, for all meter read types



B International customer switching arrangements

This chapter reviews the key features of the customer transfer process in three international retail markets: Sweden, New Zealand and Great Britain.

Sweden and New Zealand have recently undertaken substantial reform of their customer transfer process, while the British arrangements are currently under review. These markets therefore provide useful case studies for understanding the Australian market in an international context.

B.1 Sweden

B.1.1 Overview of the Swedish electricity market

In common with many other energy markets around the world, the Swedish electricity sector was deregulated in the mid-1990s, with retail and generation sectors opened up to competition.

The Swedish wholesale market forms part of an integrated energy-only Nordic power market, with a single spot price applying to Norway, Sweden and Denmark collectively. The Nordic market is approximately the size of the NEM.

The Swedish electricity market is regulated by the Energy Markets Inspectorate, who:

- regulates network businesses charges and terms of access; and
- monitors the wholesale and retail electricity markets.

Despite its relatively small size, Sweden has approximately 170 distributors and 121 electricity retailers.¹³⁶ The large number of retailers, and the relatively high switching rate (12 per cent)¹³⁷ in Sweden suggests that competition is relatively strong in the Swedish retail market.

In 2005, the Swedish Government introduced new rules that required distributors to undertake monthly meter readings for household customers and hourly readings for commercial and industrial customers. Due to the expense of monthly site visits, the effect of this new obligation was to drive a full roll-out of remotely read interval meters to customers by the end of 2009.¹³⁸

¹³⁶ Swedish Energy Markets Inspectorate, *The Swedish Electricity and Natural Gas Markets*, 2011, p. 18, available at: www.energy-regulators.eu/.

¹³⁷ VAAS ETT Global Energy Think Tank, *Utility Customer Switching Research Project*, World Energy Retail Market Rankings, 2012, p. 14.

¹³⁸ Council of European Energy Regulators, *Status Review of Regulatory Aspects of Smart Metering*, 12 September 2013, p. 12, available at www.energy-regulators.eu.

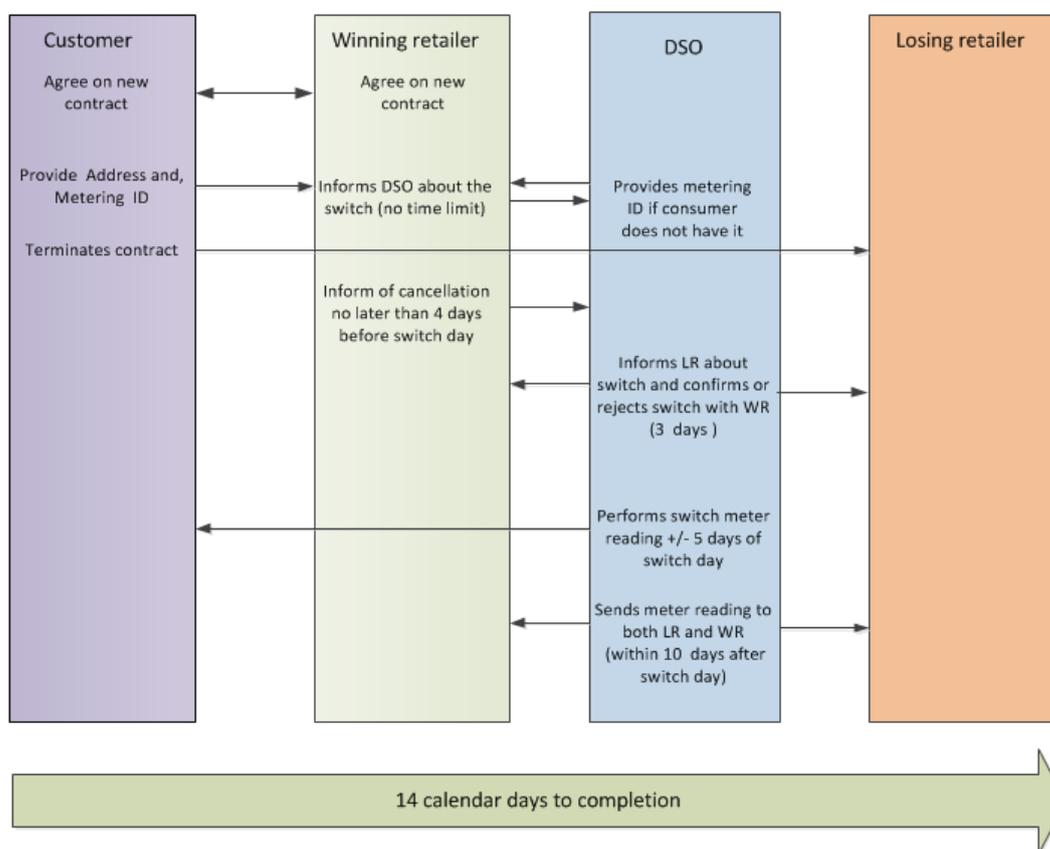
B.1.2 Customer transfer process

The Nordic countries cooperate closely on energy markets issues. NordREG, a cooperative of Nordic energy regulators, has recently established a standardised process for customer transfers and billing to apply to all Nordic countries.

While transition to a common Nordic retail electricity market is not expected to be completed until 2015, Sweden has already implemented most of the NordREG recommended changes to the customer transfer process.

The key accountabilities and timelines for each of the parties involved in the transfer process, is illustrated in Figure B.1 below.¹³⁹

Figure B.1 Swedish customer transfer process



The transfer begins when the customer provides the winning retailer with the following information:

- name and address; and
- metering point ID.

¹³⁹ Swedish Energy Markets Inspectorate, *The Swedish Electricity and Natural Gas Markets*, 2011, p. 46, available at: www.energy-regulators.eu/

In order to facilitate timeliness of the switching process, information about the metering point ID (equivalent to the NMI) and the network area ID has to be displayed on the customer's bill.

The Swedish Electricity Act¹⁴⁰ sets out that a change of retailer can take place any time of the week and should take no longer than 14 calendar days after the distributor is notified by the winning retailer of a switch request.

Previously, a customer transfer could only take place on the first day of the month and could take up to six weeks to complete.¹⁴¹

As illustrated in the diagram, there are specific requirements in the market rules related to time limits for the provision of information by the winning retailer and distributor in relation to the customer transfer. For example, the distributor must inform the losing retailer that the switch is taking place within three days of it being notified of the switch by the winning retailer. The distributor must also, during the same period, confirm or reject the switch request with the winning retailer.

The distributor is required to perform the meter reading no earlier than five days before and no later than five days after the day the winning retailer has nominated for the transfer to take place.

The customer receives a final bill from the losing retailer no later than six weeks after the transfer is completed.

B.1.3 Roles and accountabilities of transfer participants

In Sweden, the distributor has responsibility for the switching process and provides the key communication channel between the losing and winning retailer. The customer currently has a relationship (reflected in a contract) with both the retailer and the distributor.

The losing retailer has virtually no role in the switching process. The distributor is responsible for performing the relevant meter reads and managing metering related information.

B.1.4 Data exchange

The transfer of metering point IDs between retailers lies at the core of the switching process, which is managed by the distributor.

If the customer does not have a bill at hand, the retailer may request this information from the distributor, who is obligated to provide this information to the winning

¹⁴⁰ See: <http://ei.se>.

¹⁴¹ NordREG, *Harmonised Model for Supplier Switching*, September 2005, p. 74, available at www.nordicenergyregulators.org.

retailer free of charge. The winning retailer must have authorisation from the customer to get access to this information.

There is no common database or information hub for metering point IDs. Each distributor has its own database of metering point information that reflects the area it has responsibility for. Unlike other jurisdictions, such as Australia or New Zealand, this means retailers and distributors tend to interact directly with one another when it comes to transferring customers.

There is a standard form of electronic data communication for facilitating this interaction. The flow of information between the winning retailer, the distributor and the losing retailer in relation to a customer transfer must be in a specified data and information format.¹⁴² The content of the information between parties is regulated by relevant legislation.

B.1.5 Meter reading

The distributor is responsible for performing the meter reading.

Prior to 2009, transfers often occurred on the basis of estimated meter reads. However, Swedish legislation was subsequently introduced requiring meters to be read monthly to improve accuracy of meter reading. This legislation also specified that customers were no longer able to be switched on the basis of estimated meter readings.¹⁴³ As noted above, this led to interval meters with remote reading capability being introduced for all customers by the end of 2009.

There are no metering fees for the customer related to switching retailers. The losing retailer is obliged to make a final settlement based on the distributor's meter read.

B.1.6 Stopping the transfer

Existing retailers are not allowed to object or stop the switch. Objections can only be lodged by the distributor in relation to meter data errors.

B.1.7 Rationale for reform

The current changes for more streamlined and faster transfer arrangements have largely arisen from a long and ongoing process of reform, triggered by broader widespread customer dissatisfaction with the operation of the retail market in early 2000.¹⁴⁴ The customer transfer process was among a range of issues identified as

¹⁴² Known as EDIEL (Electronic Data Interchange in the Electricity Industry)-format.

¹⁴³ Swedish Electricity Act, available at <http://ei.se>

¹⁴⁴ VAASA ett, Global Energy Think Tank, *Evaluation of residential smart meter policies, WEC-ADEME Case studies of Energy Efficiency Measures and Policies*, 2010, p. 56, available at <http://www.worldenergy.org>.

needing reform at this time.¹⁴⁵ In particular, concerns over inaccurate invoices due to estimated meter reads and errors and delays in transferring customers between retailers were all considered to have contributed to this dissatisfaction.¹⁴⁶

The Swedish Government subsequently made specific changes to the Electricity Act in relation to monthly meter reading - to promote accuracy in billing - as well as participating actively in the broader NordREG review of customer transfer processes.

B.2 New Zealand

B.2.1 Overview of the New Zealand electricity sector

New Zealand operates under a competitive retail and generation sector.

The electricity market is regulated by the Electricity Authority, under the Electricity Industry Participation Code (the Code).¹⁴⁷ The Code sets out the rules and obligations applying to parties that participate in the electricity market.

There are 28 distributors, five major generators and 14 retailers in the market. Most of the retailers are linked to generating companies or have common ownership.

The New Zealand retail market has one of the highest rates of customer switching in the world (about 20 per cent).¹⁴⁸

An important feature of the New Zealand market is that provision of meters and metering services occurs on a contestable basis. Approximately half of all meters in New Zealand are now remotely read interval meters.¹⁴⁹

B.2.2 Customer transfer process

New rules were implemented on 1 October 2010 requiring all customer transfers to be completed within ten business days, and at least half those within five business days.¹⁵⁰

¹⁴⁵ Nordic Energy Regulators, *Supplier Switching in the Nordic Countries: Current practices and recommendations for future development*, 2005, p. 83, available at www.energitislynet.dk.

¹⁴⁶ VAASA ett, Global Energy Think Tank, *Evaluation of residential smart meter policies*, WEC-ADEME *Case studies of Energy Efficiency Measures and Policies*, 2010, p. 56, available at <http://www.worldenergy.org>.

¹⁴⁷ Electricity Industry Participation Code 2010, available at www.ea.govt.nz.

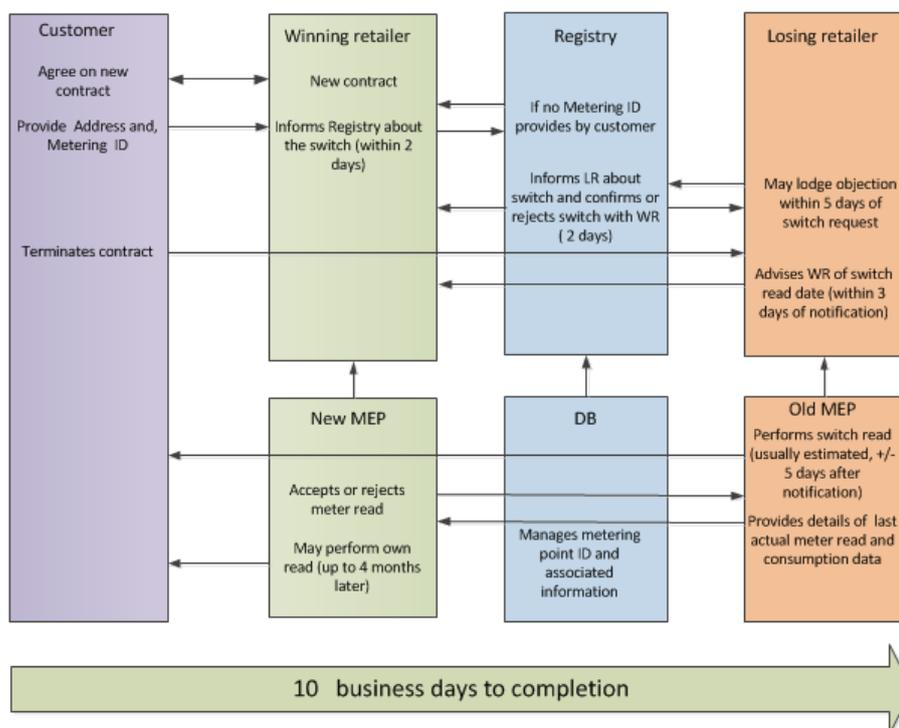
¹⁴⁸ VAAS ETT Global Energy Think Tank, *Utility Customer Switching Research Project*, World Energy Retail Market Rankings, 2012, p. 13, available at <http://www.vaasaett.com>.

¹⁴⁹ Beatty, Ron, "AMI regulation in a contestable metering market", *Metering International*, 3, 2013, p. 30.

¹⁵⁰ See Schedule 11.3 "Registry information management & customer switching", of the Electricity Industry Participation Code 2010, available at www.ea.govt.nz.

An overview of the switching process in New Zealand, key participants and timings is set out in Figure B.2 below.

Figure B.2 New Zealand customer transfer process



A transfer is initiated by the retailer upon confirmation of a contract with a customer.

The process diverges from the Swedish model in a number of important ways from this point on.¹⁵¹

First, the transfer process is managed by the Electricity Authority through a central registry database, rather than by the distributors themselves. There is consequently no or little direct interaction between the distributors and retailers regarding the transfer process.

Second, compared to the Swedish model, there is a stronger role for the losing retailer, who is required to perform the meter reading used for the customer transfer and also provides the winning retailer with relevant meter related information. The meter reading must occur no earlier than five days before, and no later than five days after the nominated transfer day for the customer.

Third, a key difference compared to Sweden in relation to the meter reading is that customers can be transferred on the basis of an estimate. This important aspect of the process is discussed further in section 2.5 below.

¹⁵¹ Details of the switching timeframes, processes and obligations are set out in Part 11 of the Electricity Industry Participation Code 2010

Fourth, the meter reading is generally subcontracted out to specialised agents, referred to as metering equipment providers (MEPs), who provide meter reading and other meter related services to retailers. Distributors can also perform the role of a MEP and will often compete with more specialised operators to provide metering related services.

B.2.3 Roles and accountabilities of transfer participants

The obligations and accountabilities for the various parties involved in the transfer process are set out in the Code.

In New Zealand the winning retailer is responsible for managing the transfer process (this differs from Sweden where the distributor has primary responsibility).

The distributor is responsible for creation of metering point IDs as well as maintaining the accuracy of this information. It provides this information to the registry where it is then accessed by relevant parties in the transfer process.

Under the Code, it is the losing retailer who has principal responsibility for the meter reading and making sure it is accurate. However, MEPs also have specific requirements under the Code for providing retailers with accurate metering information to fulfil this obligation.¹⁵²

The Electricity Authority has overall responsibility for management of a central database/registry, which it has subcontracted out to a third party service provider.¹⁵³

B.2.4 Data exchange

The customer provides metering point ID and address to the winning retailer. As in Sweden, this information is contained on the bill. Where the customer is not able to provide this information, the retailer can access it from the registry.

The information flows between the various participants involved in the transfer process is centralised through the registry. The registry contains information on every metering point ID in New Zealand and tracks changes to ownership of these IDs that occur through the customer transfer process.

When a transfer occurs, retailers and/or its MEPs provide information to the registry to facilitate the supply of electricity at a metering point to be transferred to another retailer. The registry service is the user interface to the registry database.¹⁵⁴

¹⁵² Part 10 of the Code.

¹⁵³ This is Jade Software Corporation (Jade). Jade hosts and maintains the registry under its contract as a service provider to the Electricity Authority. Jade is subject to performance criteria to help maintain the integrity of the registry and information flows.

¹⁵⁴ It is an online service available over the internet or via a dedicated client/server application.

B.2.5 Meter reading

An important aspect of the New Zealand electricity market is the ability under the Code for the retailer to transfer customers on the basis of estimated meter reads. Most switches for non-half hourly meters (those without time of use and remote reading capability) occur on this basis, due to the short period of time in which the switching process must take place.¹⁵⁵

The ability to use estimated meter reads under a contestable metering framework increases the complexity of the meter reading process relative to that operating in Sweden. In particular, the losing and the winning retailer must agree on the estimate used. This requires a supporting process set out in the rules, for how retailers should interact with one another to agree on such a reading as well as a process for dispute resolution for when they do not.¹⁵⁶

The process is as follows:

- if a switch is done on the basis of an estimated meter read, the losing retailer must provide the winning retailer with the date of the last actual meter read;
- retailers can use their own method to estimate meter reads, but the Code requires such estimates to be validated before they can be used for reconciliation purposes (the validation requires the estimated read to be within a reasonable range of the previous actual meter read);
- the losing retailer and winning retailer must both use the same meter read for a customer switch;
- the winning retailer can choose to accept the losing retailer's reading or undertake its own reading. Where the difference between readings is below 200kWh, the winning retailer must accept the losing retailer's reading. If the difference is above 200kWh, the winning retailer may dispute the reading; and
- a dispute will be resolved under the disputes procedures of the Code.¹⁵⁷

The Code requires meters to be read at least annually, however most retailers read meters bi-monthly. The cost of meter reading must be borne by losing retailer

B.2.6 Stopping the transfer

The losing retailer can object to, but not stop, the customer transferring to the winning retailer. It is up to the winning retailer to decide, within five days, on whether to stop

¹⁵⁵ Electricity Authority, Review of time frames for customer switching, Final Report, 3 October 2011, p 5

¹⁵⁶ This is set out in Schedule 11.3 of the Electricity Industry Participation Code 2010.

¹⁵⁷ Section 15.29 of the Electricity Industry Participation Code 2010.

the transfer (called a "switch withdrawal"). A switch withdrawal can be made by the winning retailer up to two months after switch for two reasons:

- on behalf of customer, if customer decides to stay with existing retailer due to receipt of a better offer (win back); or
- by the winning retailer if there is some error in the switch process.

The registry must inform the retailers within five days of whether the withdrawal request is accepted or rejected. All transfer withdrawal requests must be resolved within ten business days after the date of the initial switch withdrawal request.

B.2.7 Rationale for recent policy changes in the customer transfer process

The length of time taken to switch customers between retailers was identified in the 2009 Government review of electricity market performance as a significant constraint on retail competition. The average time to switch retailers was over 200 days in 2003.¹⁵⁸ The New Zealand Government subsequently requested the Electricity Authority to review the switching process.

B.3 Britain

B.3.1 Overview of the British electricity sector

The British electricity retail and generation sectors were some of the first to be deregulated in the 1990s. Competition was also introduced for the provision of metering services, which allows retailers to choose who provides them with meters and metering related services.

The energy market is regulated by Ofgem under the Electricity Act 1989. The Act sets out a requirement for key participants in energy markets, such as retailers and distributors, to have licences and perform their roles and function consistent with associated codes and standards. Combined these instruments form the rules of the market. The content of, and amendments to, the licences codes and standards are managed by Ofgem.¹⁵⁹

There are approximately 14 distributors and six large vertically integrated electricity retailers in the British market.

While the British market has been active in terms of switching over the past ten years, the rate of switching has fallen from over 20 per cent to about 13 per cent in 2012.¹⁶⁰

¹⁵⁸ Electricity Authority, *Review of time frames for customer switching*, Final Report, 3 October 2011, p 15

¹⁵⁹ See Ofgem website www.ofgem.gov.uk

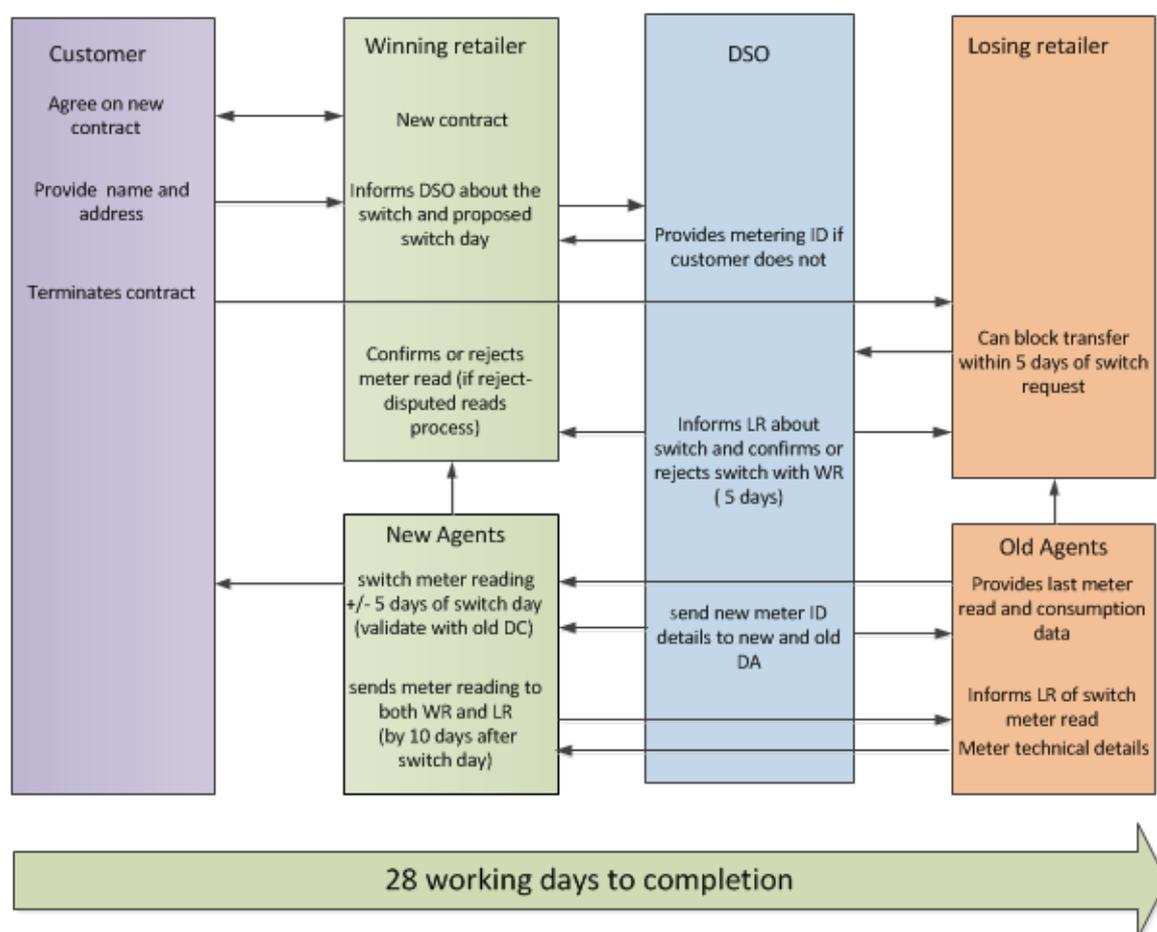
¹⁶⁰ VAAS ETT Global Energy Think Tank, *Utility Customer Switching Research Project, World Energy Retail Market Rankings*, 2012, p. 27.

A substantial market reform process is currently underway in Great Britain, which includes significant reform initiatives in the retail market. The British government has mandated a roll out of remotely read interval meters to all domestic customers by 2020.¹⁶¹ Ofgem has also recently commenced a review of the customer transfer process, as part of its promoting smarter markets work program and in light of increasing levels of public concerns over transfer time frames.¹⁶²

B.3.2 Customer transfer process

The current transfer process in Great Britain is complex relative to the two other markets examined. The process is complicated by the number of agents involved and the lack of a centralised data base for managing communication flows between participants. The process, key actors and time lines are set out in Figure B.3 below.

Figure B.3 British customer transfer process



¹⁶¹ See written Ministerial statement by Edward Davey MP, Secretary of State for Energy and Climate Change on Smart Metering, 10 May 2013 Available on www.Ofgem.gov.uk.

¹⁶² See Ofgem, Promoting smarter energy markets: a work program, 31 July 2012, Available on Ofgem's website, www.Ofgem.gov.uk; and also recent comments by the Energy Secretary, Ed Davey about wishing to see the transfer process being completed within 24 hours <http://www.bbc.co.uk/news/business-24756440>.

The rules governing the transfer process for electricity customers are contained within the Master Registry Agreement (MRA).¹⁶³ This is an industry agreement, to which all licensed suppliers and distributors are required by their licences to become a signatory. The MRA defines the responsibilities and obligations of each party in relation to the transfer process. The process for transferring a customer between retailers is required to be completed in five weeks.

Like the other two international markets examined, a customer transfer commences once a contract is agreed between a retailer and a customer and the customer provides the retailer with a name and address. The winning retailer then notifies the relevant distributor (distribution network operator or DNO) of its intention to take over responsibility for a metering point in the distributor's register of metering points on a specified date (this aspect of the process is referred to as registration).

Other than the retailers and distributors, there are a range of information agents involved in the transfer process. These include:

- the meter operator, who installs and maintains the meter;
- the data collector, who has responsibility for reading the meter and sending meter data to the retailer and data aggregator; and
- the data aggregator, who has responsibility for aggregating data and submitting data for settlement purposes.

Much of the relevant information the winning retailer requires to complete the switch is received from the newly appointed agents who, in turn, obtain the information from the former agents.

The winning retailer, through its newly appointed data collector, can obtain a meter reading from the customer or the former data collector, which should be taken no earlier than five days before, and no later than five days, after the proposed transfer date.

The new data collector will validate any reading received against other data provided by the losing retailer's data collector. This data includes the last actual meter read and consumption history for that customer. This information is provided by the 8th working day past the day of the switch and is used by the new data collector to validate the customer's change of retailer meter read.

If an acceptable meter read is not received within eight days of the switch date, the new data collector will generate and send out an estimated reading to be used instead.

¹⁶³ The details of the British customer transfer process can be found in the Master Registry Agreement, available at www.mrasco.com.

B.3.3 Roles and accountabilities of transfer participants

The winning retailer has overall accountability for managing the transfer on behalf of customers. The retailer also has responsibility for the performance of its metering agents.

The distributors are responsible for maintaining metering point data in a register, which are referred to as Metering Point Administration Numbers (MPAN). The MPAN is the equivalent of the NMI. Like the two other markets examined, the MPAN is required to be printed on customer bills to facilitate the transfer process.

The distributors are responsible for managing the process of amending the register when a customer changes retailers. They are obligated to provide relevant metering information to retailers and other stakeholders upon request. The obligations for each participant in the transfer process are set out in the MRA as well as the licence conditions applying to each participant.¹⁶⁴

B.3.4 Data exchange

Like elsewhere, there is standardised communication protocol for exchanging information between participants, which is set out in the MRA. However, there is no centralised database for managing metering information. As in Sweden, the metering information is stored and managed by the distributors.

The Government is proposing to appoint a Data and Communications Company (DCC) to facilitate transitioning the retail market to remotely read interval meters by 2020.¹⁶⁵

As part of this process, Ofgem is considering a range of potential roles for the DCC in the central procurement of electricity data processing and data aggregation arrangements, including management of the customer transfer process.

Ofgem notes this could realise efficiencies, both in terms of reduced costs and complexity. In particular, avoiding the need to appoint and de-appoint these agents would support faster customer transfers in electricity by removing the cost, time and risks involved with the flow of data between such agents.¹⁶⁶

The detailed arrangements between the DCC and users of its services will be set out in a new industry code spanning both gas and electricity, called the Smart Energy Code (SEC).

¹⁶⁴ There are a range of conditions with which participants must comply in order to hold a licence to operate in the electricity market. These conditions can be found on Ofgem's website www.ofgem.gov.uk.

¹⁶⁵ Ofgem, *Promoting smarter energy markets: a work program*, 31 July 2012, p. 12, available on Ofgem's website www.ofgem.gov.uk.

¹⁶⁶ *Ibid*, p. 12.

B.3.5 Meter reading

The meter reading and validation process for transferring customers is complex in the British market. As noted above, it requires information flows between the winning and losing retailer as well as their agents. The winning retailer is largely dependent on the information received from the losing retailer's metering agent in order to complete the switch.

The process is similar to that used in New Zealand, in that transfers can be completed on the basis of both actual and estimated meter reads and the winning and losing retailers need to agree on the meter reading used for the transfer. Where the winning and losing retailer disagree on the meter reading and the difference between the readings performed by them is greater than 250 kWh, then the reading becomes subject to a dispute resolution process.¹⁶⁷

B.3.6 Stopping the transfer

The losing retailer can, within five days of being notified of the potential loss of a site, block the transfer by raising an objection.

In addition, a winning retailer can request that the losing retailer raises an objection where they have made an error in the transfer. Following an objection there is a further five-day window in which the losing supplier has the opportunity to withdraw the objection. If the objection is not withdrawn then the site will not transfer.

There is a high rate of delays in customer transfers caused by objections, mostly related to bad debts. This an area Ofgem is investigating as part of its review of customer transfer arrangements, in particular whether the incumbent retailer should be able to block a customer transfer.¹⁶⁸

B.3.7 Rationale for reform

Concerns with the customer switching process were identified as far back as 2000 by Ofgem, when the time taken to transfer retailers for customers took on average two months.¹⁶⁹ Ofgem noted more recently that the requirement for data flows to be exchanged between former and newly-appointed metering agents is complex, often leading to delays, errors and associated costs.¹⁷⁰

Many of the problems currently being experienced in the transfer process result from discrepancies in the data that winning retailers receive from different agents (e.g. the

¹⁶⁷ This is set out in Part XII of the MRA.

¹⁶⁸ See Agenda and papers for the fourth meeting of the change of Supplier Expert Group, available on www.ofgem.gov.uk.

¹⁶⁹ Ofgem, *Improving Customer Transfers, A consultation document*, November 2000, p. 4, available on the Ofgem website www.ofgem.gov.uk.

¹⁷⁰ Ofgem, *Promoting smarter energy markets: a work program*, 31 July 2012, p. 11. www.ofgem.gov.uk.

meter reading received from the data collector is not consistent with the meter technical details received from the meter owner) or the receipt of data flows out of sequence between the various parties involved in the switch process.¹⁷¹

A range of other issues have also been identified, including the quality of address data held against the metering points.¹⁷² Ofgem's smarter markets work program, as well as increasing level of publically voiced concerns with the process, has provided the catalyst for Ofgem to initiate a review of customer transfer arrangements.¹⁷³

171 Ofgem, *Improving Customer Transfers, A consultation document*, November 2000, p. 22, available on the Ofgem website www.ofgem.gov.uk.

172 Ibid, p. 20.

173 See Ofgem, *Promoting smarter energy markets: a work program*, 31 July 2012, p. 11. Available on www.ofgem.gov.uk.