

19 December 2013

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



positive energy

Dear Mr Pierce

Issues Paper: Review of Electricity Customer Switching (EPR0038)

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC's) review of electricity customer switching arrangements in the National Electricity Market.

Responses to the questions raised in the AEMC's issues paper are provided in **Attachment 1**.

Energex supports the AEMC's proposed approach to assessing the efficiency of the customer transfer process and agrees that not only should the process be transparent, straightforward and efficient for all parties involved but balanced by efficient allocation of risks and costs and minimisation of regulatory and administrative burden.

Energex considers that a key consideration when assessing possible options to enhance the transfer process is that the benefits of any proposed changes to current market procedures should outweigh any costs imposed. Consequently, in Energex's view, a significant focus of the review should be on:

- Improving customer awareness of their rights and responsibilities with regard to the transfer process;
- Reviewing the objections process, with a view to reducing objection resolution timeframes; and
- Identifying other opportunities to optimise the current process while minimising changes to existing business operations.

Should you have any enquiries regarding this submission please contact Rachel Leaver, Acting Group Manager Revenue Strategy, on (07) 3664 4115.

Yours sincerely

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Issues for Consultation	Energex Response
Question 1: Criteria for the review	
<p>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?</p>	<p>Energex supports the AEMC’s proposed criteria for assessing the efficiency of the customer transfer process and broadly agrees that the process should be transparent, straightforward and efficient for all parties involved.</p> <p>However, in assessing the efficiency of the current switching arrangements in Australia and potential options for improvement, Energex would like to make the following observations:</p> <ul style="list-style-type: none"> • While comparisons with other international retail markets can provide valuable insights into options for improving the customer switching process, care should be taken when using another country’s statistics as evidence to support the need for changes in the Australian National Electricity Market (NEM). In this regard, it is important that appropriate consideration is given to fundamental differences in key factors such as structure and size of that country’s energy market, switching rates, contractual arrangements, roles and responsibilities, meter types, meter read frequencies and methods, applicable charges, market systems and customer preferences. All of these factors influence the transfer process and, while transfers may occur within a shorter timeframe, the arrangements may be more costly or less efficient in other respects. • The 65 business day timeframe is merely the maximum timeframe within which a proposed transfer date can be requested in advance and is not reflective of the actual timeframe within which transfers occur. As timeframes are calculated from the date the transfer is initiated to when the transfer actually occurs, it is important to note that the statistics provided in the AEMC’s issues paper do not necessarily reflect an untimely response to a transfer request given that customers or retailers may elect to initiate the transfer in advance of an agreed upon transfer date. • There are valid reasons for the 65 business day timeframe. It may be the retailer’s and/or the customer’s preference that the switch does not occur until the next scheduled read date. Similarly, where a customer’s supply is subject to a market contract arrangement, the



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	<p>transfer cannot occur until that contract has expired without possibly incurring early termination fees. Consequently, the winning retailer may request a future proposed transfer date to take this factor into consideration.</p> <ul style="list-style-type: none"> • From Energex’s perspective, true delays in the transfer process generally only occur when difficulties arise in the transfer process, for example, inability to perform a meter reading due to access issues. • The Queensland Energy and Water Ombudsman closed 940 transfer-related complaints in 2012/13. However, of the 171 transfer complaints investigated by the Ombudsman during that period, only 31 were related to delays in transfers. The remainder were related to issues associated with consent, cooling off rights, billing, site ownership, contract terms, objection/rejection by a retailer or retailer error. • The NEM monthly transfer statistics published by AEMO report that 237,304 small customer transfers were processed in Queensland during 2012/13. Given the high volume of transfers compared to the number of transfer-related complaints received by the Queensland Energy and Water Ombudsman, Energex would query whether the efficiency of the transfer process is a significant issue for small customers. <p>Finally, it is noted that the assessment criteria include efficient allocation of risks and costs and minimisation of regulatory and administrative burden. Energex currently has over 1.3 million small (residential and business) customers in the South East Queensland region, the vast majority of whom have Type 6 (accumulation) meters which are manually read. Consequently, any changes to meter reading frequency, small customer metering types or meter reading methods, for example, may impose significant costs on parties involved in the transfer process which would ultimately flow on to customers. In this regard, Energex considers that a key consideration when assessing possible options to improve the current switching process is that the benefits of any proposed changes to current market procedures should outweigh any costs imposed. In Energex’s view significant focus should therefore be applied to identifying enhancements to the current transfer process while minimising changes to existing business operations as much as possible.</p>



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Question 2: Regulatory frameworks for the customer transfer process	
<p>(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?</p>	<p>The key regulatory instruments that relate to the small customer transfer process in Queensland are as noted in the AEMC’s issues paper.</p>
<p>(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?</p>	<p>Energex does not have any specific issues with regard to the current regulatory framework relating to its roles as Meter Provider (MPB/MPC), Metering Data Provider (MDP) or Local Network Service Provider (LNSP) in the customer transfer process.</p>
<p>(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?</p>	<p>Under the QEIC, distribution and retail entities must comply with MSATS Procedures developed by AEMO. Other specific factors stipulated in the QEIC are as follows:</p> <ul style="list-style-type: none"> • A retailer must not initiate the transfer of a customer without obtaining the explicit informed consent of that customer (cl. 6.3.1(a)); • The proposed transfer of a customer may be initiated prior to the expiry of any applicable cooling off period in the retail contract (cl. 6.5.1(a)); • A retailer must ensure that a transfer is not completed until the applicable cooling off period under the retail contract has expired (cl. 6.5.1(b)); • A retailer must cancel the customer transfer request in accordance with MSATS Procedures as soon as practicable where the retail contract is terminated by the customer during any applicable cooling-off period (cl. 6.5.2); • A transfer on an actual meter reading date must be based on an actual meter reading that is a scheduled meter reading or a special metering reading which conforms with the CATS Procedures retrospectivity rule or occurred after the customer entered into the new retail contract (cl. 6.6(b));

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	<ul style="list-style-type: none"> • A retailer must not transfer a customer on the basis of a special meter reading, unless it obtains explicit informed consent from that customer to conduct the special meter reading and charge the customer for that special meter reading a fee which must be disclosed to the customer (cl. 6.6(c)). Explicit informed consent is not required if the retailer does not charge the customer (cl.6.6(d)). • Where a proposed new retail entity has previously advised a customer of the expected date of completion of a NMI transfer and that NMI transfer does not occur on that date and is not expected to occur within one month of that date, the retailer must, within a reasonable time of becoming aware of the non-occurrence of the NMI transfer, use its best endeavours to advise the customer that the transfer did not occur, the reasons for the delay and the expected new date of completion if the transfer is still proceeding (cl. 6.7). • Energex must complete special reads within 4 business days of receipt of a valid service order request (cl. 5.7.3). <p>In summary, in Queensland, a customer transfer must occur on an actual meter read which can be either the next scheduled meter read or a special meter read. Special meter reads must be completed by Energex within four business days at an AER approved fee of \$8.80 (+ GST), the costs of which can either be passed on to customers (with explicit informed consent) or absorbed by the retailer. Consequently, retailers and customers have a relatively inexpensive option to expedite the transfer process if desired. However, it is Energex’s experience that in the majority of instances retailers and/or customers do not elect to transfer before the next scheduled meter reading. For example, during November 2013 Energex processed approximately 16,000 in situ customer transfers, with only 1,084 special (transfer) reads completed or attempted.</p>
<p>(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?</p>	<p>In reference to efficient incentives, Energex notes the AEMC’s comment that “an accurate and timely meter reading is integral to an efficient transfer and the quality of the transfer in relation to that customer”. In this regard, Energex performs its role as MDP by finalising meter readings in a timely manner where possible to ensure that a transfer occurs on the proposed transfer date requested by the customer’s retailer. As noted, the proposed transfer date can be requested on the</p>



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	<p>next scheduled meter reading up to 65 business days in advance or a special meter reading can be requested to effect the transfer earlier. During 2012/13, 99.7 per cent of special reads were finalised by Energex within the obligation timeframe of four business days.</p> <p>As also noted above, insofar as MDPs' meter reading obligations are concerned, the most likely reason for transfers not occurring on the proposed transfer date is related to meter access issues at the customer's premises. In order to minimise the number of instances where a meter reading is not possible due to access issues, Energex considers there is an opportunity for customers to be better informed of their obligations in relation to the requirement for meter readers to have clear and safe access to the meter to ensure a timely transfer.</p>
<p>(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)?</p>	<p>Energex performs its role as MDP and LNSP in accordance with the MSATS Procedures. Failure to comply with the MSATS Procedures is a breach of a civil penalty provision of the NER and can result in enforcement action by the AER.</p> <p>In addition, under the QEIC, Energex is obliged to perform special meter read requests within an obligation timeframe of four business days. The Queensland Competition Authority (QCA) monitors Energex's compliance with specified timeframes and takes enforcement action where performance is considered to be unsatisfactory.</p> <p>Energex believes the current compliance and enforcement provisions are adequate to ensure that MDPs perform their meter reading obligations in a timely manner.</p>
<p>Question 3: MSATS customer transfer process</p>	
<p>(a) Does the current MSATS customer transfer process promote timely and accurate customer transfers in accordance with our assessment framework?</p>	<p>Energex does not consider that there are any significant issues with the MSATS customer transfer process with respect to MDPs' meter reading obligations.</p>



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<p>(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?</p>	<p>From Energex’s viewpoint, many of the issues that result in extended transfer timeframes could be lessened by providing more information to customers concerning their rights and responsibilities, such as:</p> <ul style="list-style-type: none"> • The impending expiry of their current market contract and their options with regard to either remaining with their current retailer or switching retailers and what that involves; • The ability to expedite the transfer process by requesting a special meter read if their preference is to transfer before the next scheduled meter read and the associated charge; and • The requirement for meter readers to be provided with clear and safe access to their meter box and electricity meters in order to ensure a timely transfer where applicable. <p>A review of the objection process and the timeframe within which objections must be resolved may also improve the timeliness of transfers.</p> <p>As noted earlier, potential options such as changes in meter reading frequency (for example, from quarterly to monthly), in small customer metering types (for example, a mandatory roll-out of advanced meters) or in meter reading methods (for example, customer or estimated meter reads) may impose significant costs on parties involved in the transfer process which would ultimately be borne by customers.</p>
<p>(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?</p>	<p>Energex does not have any specific issues with regard to the existing structuring of charges for provision of metering data. Scheduled meter readings are currently classified as a standard control service and costs are recovered through distribution network charges. The AER approved Energex charge for special meter reads is currently \$8.80 (+ GST) which can either be passed on to the customer (with explicit informed consent) or absorbed by the retailer.</p>



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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?	Please refer to comments already provided above. Energex does not have any specific issues with regard to the current jurisdictional customer transfer process.
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?	As identified in the AEMC’s issues paper, MDPs can raise an objection for a variety of technical or access issues. MDPs’ obligations with regard to the objections process are largely limited to notifying the retailer of an objection. For example, where an objection is raised due to no access, the customer’s retailer is notified and the retailer will then liaise with the customer to organise access. Objections raised by other participants are typically in relation to errors in the specific roles provided in the transfer process and are generally not negotiable.
(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?)	Energex considers there may be opportunities for improvement to the objections process, in particular with respect to resolution timeframes.
(c) What underlying factors create these objections? How could these be resolved under the current customer transfer framework?	As noted above, the most common objection raised that affects the timeliness of small customer transfers is where a meter read cannot be obtained as a result of property access issues. There is an opportunity to minimise the frequency of this objection by improving customer awareness of their obligations in relation to the requirement for meter access.
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?	In some circumstances it may be necessary to extend the MSATS process beyond 65 business days, particularly where difficulties arise in the transfer process. While Energex acknowledges that this may not be considered an efficient outcome, it is necessary to resolve these issues before the transfer can proceed.



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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?	Energex does not have any comments in relation to the billing and market settlement stage of the switching process.
Question 8: Customer experiences with the customer transfer process	
What are typical customer experiences where the customer transfer process has broken down?	Energex does not have any comments on typical customer experiences where the transfer process has broken down.
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?	The key reason large customer transfers can be progressed in a shorter timeframe is due to the type of metering typically installed in large businesses, for example Type 1-4 (remotely read, interval) meters. Consequently, it is possible to effect transfers after the objection period for large customers within a day or two of the requested transfer date.
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?	<p>Energex notes that, in line with greater competition within the energy market, there has been an increase in the number of customer transfer complaints received by jurisdictional energy ombudsmen in recent years.</p> <p>As highlighted earlier, of the 171 transfer-related complaints investigated by the Queensland Energy and Water Ombudsman in 2012/13 only 31 related to delays in transfers. The remainder were related to issues associated with consent, cooling off rights, billing, site ownership, contract terms, objection/rejection by a retailer or retailer errors.</p>



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	<p>When compared to the volume of small customer transfers processed in Queensland during this period of 237,304*, it is questionable whether delays and/or other difficulties experienced in the transfer process are in fact a significant issue for customers.</p> <p>As suggested elsewhere, Energex believes improved awareness of the transfer process and associated rights and obligations and reduced objection resolution timeframes would result in better small customer experiences with the switching process.</p> <p><i>* AEMO NEM Monthly Transfer Statistics</i></p>
<p>(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?</p>	<p>Refer above.</p>
<p>(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?</p>	<p>Please refer to Energex’s response to Question 2(e) above.</p>
<p>(d) To what extent have the current compliance and enforcement arrangements applying to the customer transfer process been utilised to date?</p>	<p>No comment.</p>



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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?	It is important to note that the effective date of the transfer is not solely driven by the date on which the customer transfer was initiated as per previous comments. Retailers may incur additional administrative costs should they be further restricted in raising a customer transfer due to a 30 calendar day timeframe.
(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?	Refer to comments already provided above.
(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?	The AEMC's issues paper states that the average transfer time across the NEM is approximately 20-30 business days (from the date the transfer is initiated to when the transfer actually occurs). This timeframe does not necessarily reflect issues with the current customer transfer process or an untimely response to transfer requests given that customers or retailers may elect to initiate the transfer in advance of an agreed upon transfer date.
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?	As noted above, large customer transfers can be progressed faster and more efficiently due to the type of metering typically installed.
(b) In terms of possible improvements, what lessons from the large customer transfer experience could be applied to the small customer transfer experiences?	Large customers with Type 1 to 4 meters have considerably reduced transfer timeframes. However, installation of smart meters or remotely read interval meters will only reduce transfer timeframes for small customers (as they have been calculated in the AEMC'S issues paper) if the transfer is initiated close to the proposed transfer date and not in advance. Large customers are generally more aware of their rights and obligations and are more knowledgeable about contractual and financial matters to facilitate an efficient transfer.



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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?	Refer to comments already provided above.
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?	Energex does not have any further comments.