

St - 06
JP - C.C.



RECEIVED 20 JUN 2013

B13/602

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

Project ID P509
Trim Folder 12F710
Trim Record 13-13080

17 JUN 2013

Dear Mr Pierce 

As you would be aware, the Standing Council on Energy and Resources' (SCER) energy market reform package contained a range of measures to promote efficient and competitive energy markets. This included the in-principle endorsement of the majority of the Australian Energy Market Commission's (AEMC) 'Power of Choice' review recommendations.

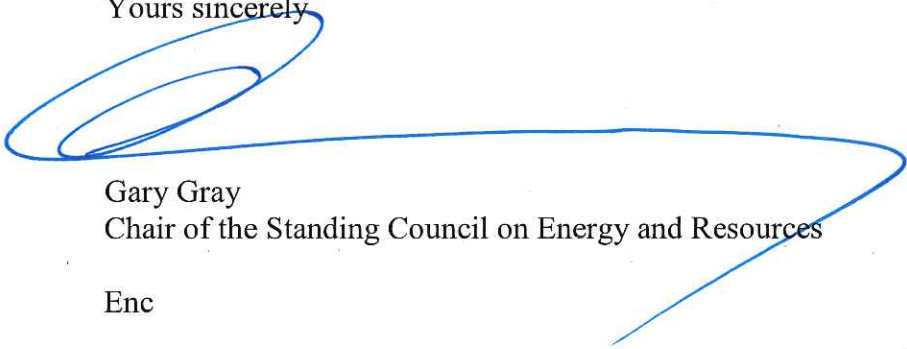
SCER's response to the review included agreement to the AEMC's recommendation that SCER direct the AEMC to review existing retailer switching arrangements to better support consumer choice and to make consumer switching retailers more efficient. As such, I request that the AEMC on behalf of SCER undertake this review in accordance with the attached Terms of Reference.

The Ministerial Council on Energy makes this request pursuant to section 6(b) of the *AEMC Establishment Act 2004* (the Act). In September 2011, the Council of Australian Governments created SCER, which includes Ministers responsible for energy. These Ministers comprise the membership of the legally enduring MCE. SCER Ministers responsible for energy are entitled to make requests under the Act.

SCER requests that the AEMC deliver the final report for this tasking by 31 December 2013 as outlined in SCER's response to the AEMC's 'Power of Choice' review.

SCER looks forward to continuing to work with the AEMC on this and other important energy market related matters.

Yours sincerely



Gary Gray
Chair of the Standing Council on Energy and Resources

Enc

TERMS OF REFERENCE

AUSTRALIAN ENERGY MARKET COMMISSION (AEMC) REVIEW OF ELECTRICITY CUSTOMER SWITCHING

BACKGROUND

The Australian Energy Market Commission (AEMC), in its Power of Choice¹ final report, recommended a review into electricity consumer retailer switching arrangements to improve the ease and time for how consumers switch retailers. The report identified the length of time allowed to process customer switching requests as an issue for review.

In a report published by the New Zealand Electricity Authority², a comparison of maximum switching times (from the Council of European Energy Regulators³) identified Australia as the country with the highest maximum switching time. The Australian Energy Market Operator (AEMO) rules for change of retailer (section 6.9, change of retailer⁴) nominate 65 prospective business days as the maximum time frame to process a change of retailer request for all jurisdictions. All retailers are required to comply with this requirement under clause 7.2.8 (d) of the National Electricity Rules (NER). New Zealand has recently introduced a maximum ten business days switching time frame, allowing the switch to take place on estimated final readings used by both parties.

In December 2012, the Standing Council on Energy and Resources (SCER) agreed to implement (in principle) recommendations from the AEMC's Power of Choice report. This included a recommendation that SCER task the AEMC to review consumer retailer switching arrangements to improve the ease and time for how consumers switch retailers. This Terms of Reference satisfies the recommendation by the AEMC.

SCER agreed that the AEMC's review be completed by 31 December 2013.

PURPOSE

These Terms of Reference are intended to guide the AEMC's review on retail customer switching arrangements. The review will help determine if the current switching process is efficient and whether more specific maximum switching time frame rules should be introduced to the National Electricity Market (NEM).

¹ AEMC, Power of Choice Final Report, 30 November 2012.

² Electricity Authority New Zealand, Review of timeframes for customer switching, Final Report, 3 October 2011 (as referenced in the AEMC Power of Choice Final Report, 30 November 2012).

³ 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), Ref: C11-RMF-35-03.

⁴ AEMO, MSATS procedures: CATS procedure principles and obligations, Section 6.9, CR Code 1000, 1 July 2012.

SCOPE

The AEMC is required to conduct a review which outlines existing retailer switching arrangements for consumers and assesses whether more specific maximum day limit rules should be introduced into the NEM. The review will be presented as a report to SCER.

In the review, the AEMC should give consideration to the following:

Current market arrangements: the AEMC should consider what impact the current rules and processes, including jurisdictional arrangements, around time limits have on the decision or ability of consumers to switch retailers and the efficiency and accuracy of the switching process. The AEMC should consider whether improvements to the current rules and processes could be made to ensure maximum efficiency for the consumer switching process.

Barriers and improvements: the AEMC should consider current barriers to consumer switching and what improvements could make consumer switching easier.

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

CONSULTATION

The AEMC is tasked to work with the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) as appropriate.

The AEMC must consult with jurisdictions and key stakeholders (which would include energy retailers and consumer groups) during the preparation of its report, including providing its draft report for their review and comment.

TIMING

The AEMC must provide, by 31 October 2013, its draft report to jurisdictions (through the SCER Energy Market Reform Working Group - EMRWG) for their review and comment. The AEMC's final report must be delivered to SCER by 31 December 2013 and published on the AEMC's website 31 January 2013.

31 MAY 2013