

14 February 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth St
Sydney NSW 2000

via website: submissions@aemc.gov.au

Dear Mr Pierce

Australian Energy Market Commission (AEMC) Market Review – Review of Electricity customer switching – Options Paper - EPR 0038

Thank you for the opportunity to make a submission in response to the AEMC Market Review – Review of Electricity customer switching – Option Paper - EPR 0038 released on 23 January 2014.

The Energy Networks Association (ENA) is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

The ENA understands that the purpose of the Options Paper is to propose options to address issues raised during the first round of consultations. This response from the ENA provides high level comments on the Options Paper and responses to the specific (A), (B) and (C) options listed in the Paper (see Attachment 1). It remains unclear how the options proposed make feasible a maximum requirement of 21 business days, compared with the current maximum of 65 days.

While the ENA is a strong supporter of improvements that contribute to the National Electricity Objective we consider that the customer benefit for the proposed options has not been demonstrated even in a preliminary manner. For instance:

- the cost of making many of the suggested changes appears likely to exceed the benefit, particularly as the benefit will only apply to a small group of customers and
- the measures proposed do not address the key issue of concern to customers reflected in switching complaints. As reported in the Energy & Water Ombudsman NSW Annual Report 2012-13, 2013 (p 22); transfer delays are responsible for only 10% of customer complaints versus 31% for contract related issues and 21% for transfers without consent.

In fact, the ENA is concerned about the potential for arbitrary reductions in the maximum allowed days from 65 days to 21 days without any real change in the operating environment may result in unintended consequences, such as increased errors. The AEMC Options Paper notes the timeliness of transfers should not be improved at the expense of the accuracy of transfers and yet the proposals appear to create a risk that this may occur.

In our earlier submission on the Issues Paper the ENA, suggested that improved switching times would be materially improved with the more widespread roll out of smart metering. The changes proposed by the AEMC in the Options Paper are at the margin rather than a step change and we

suggest that major changes to the process be postponed until these smart meters are more widespread.

It is also apparent that the existing robust customer switching framework serves customers well given the high rate of customer switches taking place compared with overseas experience. National Electricity Market consumer switching rates average around 20% compared with European switching rates averaging around 5% (see Attachment 2). The AEMC itself has found that two thirds of customers typically experience transfer times that are completed within 30 calendar days, which is significantly less than the current 65 day maximum.

Submissions from network and retailer organisations to the Issues Paper comprise 15 out of the 20 submissions and are consistent in the following themes:

1. There is consistency that a review of the framework is premature given that the evidence for a process changes lack material support. On the most recent year's data, transfer-related complaints as a proportion of total transfers ranged from 0.4% in Queensland to 1.4% in NSW¹.
2. One of the key issues in achieving faster switching is availability of timely and accurate data. Where smart meters have been installed there is evidence that switching times has achieved a strong improvement and under the existing framework further penetration of smart meters will provide similar improvements. Also it is worth noting that in Victoria in the 6 months up to July 2013, (where a significant proportion of smart meters are now operational) 86% of customer transfers are being completed within 20 Calendar days². As reported in our submission to the Issues Paper we strongly support the more widespread market-led roll-out of smart meters which offer, as one of its benefits, faster switching times.
3. The NEM switching process to the end of December 2013 has achieved over 14 million customer switches³. Given the complexity of the consumer switching process the time allowed for industry to respond to the Options Paper (3 weeks) is insufficient to make informed and detailed comments and falls short of the normal industry consultation period of 6 weeks.

Assuming the consultation phase can be extended the ENA would be willing to participate in a workshop to explore opportunities for incremental improvement in the process and to specifically address concerns with the NSW and Victorian Energy and Water Ombudsman.

If you have any questions please do not hesitate to contact me on 02 6272 1510 or Jim Bain on 02 6272 1516.

Yours sincerely



John Bradley
Chief Executive Officer

¹ AEMO retail transfer statistical data

² AEMC Issues paper p 55

³ AEMO retail transfer statistical data

Attachment 1 – AEMC’s proposed options

Ref	Description of Option	ENA position	Reasons
(A) Options to address the timing of the transfer process			
A1	Reduce the maximum prospective timeframe for customer transfer requests, as set out in the MSATS Procedures, from 65 business days to 21 business days.	Not supported	Does not address the causes for delays in the existing customer transfer process. There is no evidence that switching times, where they exceed 21 days at present, are due to inappropriate or uneconomic behaviour that would be addressed by an arbitrary reduction in the maximum time frame.
A2	Allow customer transfers to occur on the basis of estimated reads, which would provide an alternative to the current practice of obtaining an actual meter read for a transfer request to complete.	Not supported	It is more cost effective to be handled by a <i>special</i> read than an <i>estimated</i> read. Estimated reads lead to customer complaints and high costs for correction of errors and/ or resolution of disputes. It does not appear the AEMC has evaluated these costs to switching customers against any assessed benefits of the process. It is important that retailers provide a high level of communication and/ or education with customers who are switching so that their expectations in terms of the switch are met or exceeded.
A3	Introduce an incentive scheme on metering data providers, to encourage such parties to provide more timely and accurate special meter reads.	Not supported	This does not address the cause of delayed meter reads (access to the meter) and would incur additional costs to consumers. It does not appear the AEMC has evaluated these costs to switching customers against any assessed benefits of the process. Under the AEMO Metrology Procedure special meter reads are required to be carried out within 3 business days of the request ⁴ . There is no evidence presented by the AEMC that this service level is not being achieved or that special reads are any less accurate than standard meter reads.

⁴ AEMO, Metrology Procedure: Part A National Electricity Market, clause 3.4.12

A4	Increase monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the AEMO and/ or the AER.	Support	While good switching statistics are already collected and published by AEMO and the AER additional monitoring and reporting would provide comfort to rule makers, ombudsman, customers and participants. The specific activities should be subject to a cost benefit analysis.
(B) Options to address the accuracy of data used in the customer transfer process			
B1	Cleanse the MSATS data that is used in the customer transfer process, and develop an industry-agreed standard for addresses in the MSATS database.	Support	Subject to a cost benefit analysis the ENA supports any process to improve data cleansing as this is a vital precursor to all customer billing and transfer processes. DNSPs have existing processes to achieve a high level of data accuracy
B2	Increase monitoring, and public reporting, of statistics associated with the accuracy of the data that is used in the customer transfer process, by the AEMO and/ or the AER.	Support	As for A4 above. Additional monitoring and reporting would provide comfort to rule makers, ombudsman, customers and participants. Subject to a cost benefit analysis.
B3	Introduce an obligation for the NMI number to be displayed on all small customer meters	Not supported	Currently all NMI's are displayed on customer bills and are matched to customer addresses. The cost of displaying the NMI on meters (including an audit to confirm the correct number) would appear to be excessive in relation to the benefit.
B4	Confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner.	Supported	Retailers have responsibility for the customer relationship and for resolution of customer issues.
(C) Options to address the effectiveness of the objections framework			
C1	Undertake a project to improve the functioning of the objections framework that forms part of the customer transfer process, with the objective of promoting the efficiency of this particular element.	Support	Supported subject to a cost benefit analysis of the project.
	Incremental improvements that we consider could be independently pursued by parties involved in the customer transfer process.	Support	DNSP's are committed to efficient transfer processes and strongly support cost effective improvements to customer transfer processes.

Attachment 2

Comparison of household consumer switching rates

Europe

Country	Switching rate (2012)
Belgium	14.8%
Portugal	13.2%
Spain	11.6%
Denmark	3.7%
Italy	6.4%
Northern Ireland	2.0%
France	3.6%
Poland	0.6%
Greece	4.0%
Slovakia	5.0%
Latvia	0%
Hungary	1.6%
Bulgaria	0%
Lithuania	0%
Romania	0%
Estonia	0%
Malta	NA
Cyprus	0%
Nominal average	5%

Source: ACER/CEER Annual Report on the results of monitoring the internal electricity and gas markets 2012, page 53.

Australia

State	Switching rate (1 month annualised transfer rate)
Victoria	28%
South Australia	20%
New South wales	19%
Queensland	12%
Nominal average	20%

Source: AEMO – Monthly Retail Transfer Statistics – December 2012.