



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



30 January 2020

Mr Peter Geers
Chief Strategy and Markets Officer
Australian Energy Market Operator
Level 22, 530 Collins St
Melbourne VIC 3000

Submitted via email to: NEM.Retailprocedureconsultations@aemo.com.au

Dear Mr Geers,

Re: NEM Customer switching: Draft Report and Determination

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Operator (AEMO) on the Draft Report and Determination: NEM Customer Switching (the draft determination).

We support the intent of customers being able to access their retailer and product of choice in a faster manner. However, Red and Lumo remain concerned AEMO has again failed to properly assess the impacts of its proposed changes and has proposed options which have a wide range of negative impacts (most notably retrospective transfer timeframes).

AEMO has not undertaken a full industry-wide cost benefit assessment, and is progressing these changes irrespective of the costs that will be ultimately borne by consumers. We question whether without this assessment, AEMO can justify that it has met its regulatory requirements to make changes that are consistent with the national energy retail objective and the national electricity objective.

Red and Lumo provide our responses to key items in the draft determination below. This is supported by more technical responses to the draft Procedures in AEMO's participant response template.

Retrospective transfer of FRMP role

Red and Lumo continue to support retrospective transfers that consumers, where it provides benefits to consumers to do so. We strongly support limiting retrospective transfers to 15 business days, not 90 days as proposed in the draft determination. The move to 90 days creates consequential issues for retailers, in terms of regulatory reporting and network billing.

Red and Lumo share AEMO's original view "that the period of 15 business days provides customers with a degree of flexibility without establishing a material risk of needing to be credited for payments made on a structured, predictable monthly payment plan."¹ The proposed 15 business day timeframe is a good balance between the interests of participants and consumers when considering the wholesale market impact as well as network settlements. This view was supported by all stakeholders, with the exception of Energy Consumers Australia. It is unclear why AEMO took the view of one stakeholder and not the majority. Further, the draft determination provides limited information of its consideration of this change and any consequential implications it may have.

We firmly oppose the introduction of 90 day retrospectivity as it will impact wholesale settlement, network settlements and regulatory reporting. Furthermore, AEMO has not considered the consumer experience of introducing this change. Particularly where customers are on payment plans and bill smoothing arrangements. We strongly support consumers being able to change retailers quickly, and even retrospectively, however limiting the timeframe for to 15 business days will reduce any impact on the customer.

AEMO has not properly examined the impact that the proposed retrospective transfer timeframe on the wholesale market. The introduction of a 90 day retrospective transfer is likely to increase costs throughout the market, as it will create further unpredictability and volatility. In particular, as this is being implemented at a time of unprecedented amount of change, as industry participants are facing more unknown costs through the introduction of 5 minute settlement and global settlement.

Networks issue retailers invoices 30 days after the end of the month meaning they would be confident in the customer numbers and network charges for the previous month. This information will be perpetually incorrect, should AEMO implement 90 day retrospectivity. A prudent retailer may choose to auto-object to any network invoices until three months post the date of issue when they will be able to confirm the charges against historical customer numbers. This will create a massive disparity in network billing, heavily impacting their revenue and likely increasing costs which will eventually be passed onto consumers.

Section 282 of the National Energy Retail Law requires retailers to submit reports to the Australian Energy Regulator (AER) on a quarterly basis under the AER Performance Reporting Procedures and Guidelines. Even if a retailer decides not to offer 90 day retrospectivity to its prospective customers, its reporting data that is required to be submitted to the AER will be perpetually incorrect. This will not only apply to how many customers the retailer has at the end of the quarter, but also how many hardship customers, concession customers, payment plan were established in a month and many other data points. Moreover, this is a civil penalty that the AER clearly views as an important element of its monitoring and enforcement strategy, given its proceedings against a retailer in the Federal Court for alleged reporting breaches.

¹ Australian Energy Market Operator, Customer Switching in the NEM: Issues Paper, October 2019, p19

Furthermore, allowing 90 day retrospectivity will also undermine the integrity of AEMOs reports and the data it provides to the market.

As the current Procedures allows for both a retrospective transfer and an error correction (with a longer timeframe) we consider that retaining these two change request types is both beneficial and essential. We consider that long term retrospective transfers should only be used when a customer has been won in error and remain only a small percentage of customer transfers. Maintaining the separate change request types will make them easy to identify and manage in terms of all the matters outlined above.

Red and Lumo strongly oppose the proposal to extend this transfer timeframe to 90 days as there has been no proper examination on the impact of the proposal. We strongly encourage AEMO to move back to its original proposal of 15 business days for the vast majority of stakeholders were willing to support. It meets all of the proposed aims of the rule change (and the ACCC's initial recommendation), while causing the least disruption to industry.

Market notification of customer transfers

Red and Lumo continue to believe that the lack of sufficient examination of the impacts of the proposed changes is likely to have unintended consequences on both consumers and the wider market. Specifically, AEMO has again failed to properly examine how the removal of the notification to retailers of a transfer or the implementation of a retrospective transfer will impact pending service order or metering requests in the market.

In its draft determination, AEMO claimed that currently there are “mechanisms that can be employed by retailers and their service providers to minimise risk of confusion to customers, or of any service works being undertaken inappropriately, without the need for a notification of a pending customer switch.”² However, the mechanisms and processes that AEMO refer to are based on the current transfer framework with its existing market notification. AEMO made no consideration of how these processes and mechanisms work when no notification received by the retailer.

Notification periods for transfer can also play a much wider and more important role for consumers than just a “save” activity. During the Victorian Essential Services Commission's work on amendments to the Energy Retail Code to introduce protections for customers experiencing family violence, it was revealed that perpetrators of family violence can manipulate systems and transfer processes of utility accounts against victims. This can be done in a number of ways including forcing accounts into the victim's names without contributing to the debt or transferring the account out of an affected customer's name without their knowledge.

² Australian Energy Market Operator, NEM Customer Switching, Draft Report and Determination, December 2019, p12

In one instance, a perpetrator attempted multiple times to transfer an electricity account to another retailer with the alleged aim of disconnecting the power at the property. Without the notification periods and the existing notices on the account, the losing retailer would not be able to contact the customer or organise to notify the winning retailer that the customer did not wish to transfer the account to them. The notice period also allows customers the opportunity to have a conversation with the losing retailer to make sure that indicators such as family violence, concessions, payment plans or hardship are maintained on the account. Red and Lumo have committed to implement the family violence protections nationally, not just in Victoria, and the removal of the notification window diminishes our ability to provide adequate protections to our customers affected by family violence.

As noted the one business day notice period has essentially eliminated the ability of companies to carry out “save” activity but it does allow for important discussions on sensitive accounts. Therefore, we consider that the removal of the notice period altogether requires further analysis to fully understand its broader impact. Red and Lumo strongly encourage AEMO to refer to our submission to the issues paper in examining the impact of the removal of this notification and continue to believe that AEMO must consider an alternative approach including retaining the market notification to address these risks. Through an assessment of the costs and benefits, AEMO will be able to assess that the change meets the national energy retail objective. In particular focusing on the long term benefits to consumers with respect to price, quality, safety, reliability and security of supply of energy. Removal of the notification window will be detrimental to the safety of consumers, as retailers will be unable to provide additional protections to potential victims of family violence.

Objection to customer switches in Victoria based on a certified debt

AEMO has proposed to introduce a new change reason code to reverse a transfer for debt. As stated above, we prefer the retention of the notification window, we consider that this new change reason code is an appropriate solution in the absence of an objection ability.

Notification of a pending role change

Red and Lumo remain concerned that AEMO has not properly assessed the full impacts of the removal of the notification. We continue to believe that the only available avenue to address the above issues is to maintain a one business day notification period to market participants of a pending transfer. This would allow retailers to cancel pending meter installations or disconnections for non payment, avoiding the negative customer impact and associated penalties.

Please also refer to Red and Lumo’s commentary on the governance arrangements and Market notification of customer transfer in our submission to the issues paper.

Amendments and removal of change reason codes

While Red and Lumo generally support the move by AEMO to remove change reason codes that are “either already not used and redundant, or identified as being made redundant as a result of the broader procedure changes and design for the future management of customer switches”³ we have some concerns around the removal of the CR1024 (retrospective move in) and the CR1021 (retrospective error correction) as proposed.

Removing all of the change reason codes which have been listed by AEMO reflects the assumption that there will be no need for an error correction change request under the new transfer framework. As noted above, we remain concerned that this is not the case.

The CR1021 is an error correction change request where “the proposed transfer date has been missed due to the MDP not being able to provide a corresponding Actual Change Date on the original Change Request.”⁴ Even with the proposed changes, there is still an opportunity that this error will occur and it is not adequately addressed by other change request reason codes. Red and Lumo recommend that CR1021 is retained, and if the CR is not used in the 12 months after the changes are implemented then it can be phased out as part of a future schema upgrade. This will avoid any unintended consequences and ensure a risk-averse approach to implementation.

There is a market benefit associated with CR1024 and it too should be re-examined post introduction of the new change request framework. A CR1024 is generally used in instances where a transfer was missed for whatever reason; the most common being “Re-energisation of Site, with or without End User notification.”⁵ As the proposed changes from AEMO will have no impact on the existing move in or move out change requests (CR1030 and CR1040), the removal of this CR limits the ability of participants to win a move in site retrospectively if the original CR does not successfully complete for any reason. While it may be argued that 90 day retrospectivity for all in-situ transfers would address this, as noted above, this creates a wide range of unintended consequences.

Consistent with our recommendation on retrospective transfers and the unintended consequences with utilising the CR1010 in all retrospective transfer circumstances. We do not support the removal of the CR1021, CR1024 and the change to CR1010 to 90 days.

³ Australian Energy Market Operator, NEM Customer Switching, Draft Report and Determination, December 2019, p23

⁴ Australian Energy Market Operator, MSATS Procedures, CATS Procedure Principles and Obligations, Version 4.5, December 2017, p48

⁵ Ibid, p48

Facilitating cooling-off reversal of a FRMP change

Red and Lumo support the introduction of a new change reason codes CR1060 to allow consumers to transfer during the cooling off period. This provides a mechanism for retailers to meet their existing regulatory requirements to send a customer back should they decide to cancel during the cooling off period. We also agree that having this new CR rather than amending existing CRs would be the cleanest and most efficient option.

Estimate reads as a transfer type

Red and Lumo continue to oppose the use of estimated reads as a transfer option for consumers between retailers. As per our submission to the Issues Paper we continue to believe that there has been insufficient justification on why these changes are needed or assessment of the incremental benefit for consumers (if estimated reads are occurring already as claimed by AEMO) or how the widespread use of this transfer type would impact the wholesale settlements or the wider electricity market.

Nomination of multiple roles alongside a change of retailer

Red and Lumo support AEMO's proposal to enable the Metering Coordinator (MC) role to be nominated in a 1000 series CR with MCs no longer able to object to the CR. We agree that this limits the potential system impacts on retailers while also addressing the problem of delays for consumers from MC objections. However, Red and Lumo are concerned that the wording in the procedures does not appear to match AEMO's conclusion in their draft determination.

Specifically the draft procedures state that the Financially Responsible Market Participant (FRMP) must "ensure that the initial MC is only nominated as the New MC, on a CR10XX, where they are already Current MC."⁶

The wording of the procedures appear to imply that a retailer can only nominate an MC in the 10XX series CR where that MC is already the current MC on the connection point. However, this contradicts the Draft Determination which concluded to implement an option "which would enable the MC role to be nominated in a 1000 series CR" and that "the MC would not have the ability to object to any such nomination and any incorrect nominations would need to be addressed by the retailer following completion of the customer switch."⁷

Red and Lumo suggest AEMO should reword the procedures to better confirm a retailer's ability to nominate the MC role in a CR10XX series.

⁶ Australian Energy Market Operator, MSATS Procedures, CATS Procedure Principles and Obligations, Version 4.9, December 2020, p8.

⁷ Australian Energy Market Operator, NEM Customer Switching, Draft Report and Determination, December 2019, p10

Implementation date of the proposed changes

We understand that AEMO wishes to implement this change in December 2020 to align with the implementation of the new backend of MSATS. Dependent on AEMOs specific decisions around retrospective transfers, market notifications and nominations of multiple roles alongside a customer transfer, we cautiously support this date. However, we remain concerned about the risks of implementing these changes concurrently, and urge AEMO to have frank conversations with industry about its readiness and roll back plan should settlements and/or customer transfers be impacted.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and electricity in the ACT to over 1 million customers.

Red and Lumo thank the AEMO for the opportunity to respond to its draft determination. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd

Att.

NEM CUSTOMER SWITCHING

PROCEDURE CONSULTATION

DRAFT DETERMINATION STAGE PARTICIPANT RESPONSE
TEMPLATE

Participant: Red Energy & Lumo Energy

Submission Date: 29/01/2020

Table of Contents

1.	Context	3	
2.	MSATS Procedures: CATS Procedure Principles and Obligations	3	
3.	MSATS Procedures: Procedure for the Management of Wholesale, Interconnector, Generator and Sample (WIGS) NMIs	4	4
4.	Meter Data File Format Specification NEM12 & NEM13	4	
5.	Retail Electricity Market Glossary and Framework	5	

1. Context

This template is being provided to assist stakeholders in giving feedback about the changes specified in the ‘NEM Customer Switching’ Draft Procedures.

The changes being proposed seek to enable the implementation of efficient delivery of proposed changes to the customer switching process design in the National Electricity Market (NEM).

2. MSATS Procedures: CATS Procedure Principles and Obligations

Section	Description	Participant Comments
3.4. Change Request Status Life Cycle	(B) The Change Request has been in a status of ‘Pending’ longer than 7 months from the date of initiation; or	Red and Lumo note that the ERCF has potentially agreed on a timeframe for cancellation of CR6800s which was greater than the 730 day period. We suggest that AEMO consider reviewing this to align with the potential outcome from the ERCF.
Table 4-N	Valid Combinations of Read Type Codes, Metering Installation Type Codes and Change Reason Codes	Red and Lumo believe that AEMO should retain the use of code CR (Consumer Read) and ER (Estimated Read) as valid read type codes to create clear differentiation for consumer transfers types outside of the RR transfer type. This will not only allow for clear delineation in the transfer method for retailers but would also assist with the automation of systems and provide a valuable reporting tool on methods of transfers between retailers. We are concerned that the use of (RR) read required for all transfers will create confusion and have unintended consequences.
Table 4-O – Last Read Quality Flag	S Substitute For any substituted metering data that is considered	Red and Lumo believe that AEMO should remove the ability for S Substitute to be an option for last reading data. We believe that only Actual and Final reads should be used for last read quality and associated retrospective transfers. While the presence

	temporary and may be replaced by Actual Metering Data. Substitutions apply to historical date/time periods at the time of Substitution.	of a last read substitute can still be published this should not be capable of being used as a transfer, as this would mean the last bill from that retailer would not be the final bill for the retailer as it would almost certainly be updated when actual reads become available. This would erode confidence for consumers in the transfer process.
Provision of previous read dates and quality		Red and Lumo support AEMO’s proposed technical solution that would see previous reading dates and reading quality “provided via NMI discovery as proposed in the Issues Paper” with the data used to populate the fields “sourced from AEMO systems, rather than requiring additional data to be provided from MDPs.” We also support the Next Scheduled Read (NSR) date being retained in the NMI discovery field as this information is used for a range of systems and automated processes for retailers.

3. MSATS Procedures: Procedure for the Management of Wholesale, Interconnector, Generator and Sample (WIGS) NMIs

Section	Description	Participant Comments

4. Meter Data File Format Specification NEM12 & NEM13

Section	Description	Participant Comments
Appendix E	Additional Reason Code 67	

5. Retail Electricity Market Glossary and Framework

Section	Description	Participant Comments
5. Glossary	Actual Meter Reading	
5. Glossary	Current [Participant/Role]	
5. Glossary	Initial MC	
5. Glossary	Manually Read	
5. Glossary	Meter Data Type	
5. Glossary	New [Participant/Role]	
5. Glossary	Previous Read Date	
5. Glossary	Previous Read Quality Flag	
5. Glossary	Read Type Code	

5. Glossary	Remotely Read	
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