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ACAT Comments on Customer Switching in the NEM

Thank you for the opportunity to participate in the Energy Ombudsman representative meeting on 20 November 2019.

In this submission, the ACT Civil and Administrative Tribunal (ACAT) provides some brief comments on the proposed changes to customer switching in the NEM, based on the AEMO paper circulated for the representative meeting.

Australian Competition and Consumer Commission Retail Electricity Pricing Inquiry Final Report

The current AEMO process arises from two recommendations of the ACCC Retail Electricity Pricing Inquiry Final Report:

Recommendation 8: AEMO [should] amend its rules and procedures so that losing retailers are only given a loss notification on the actual date of transfer of financial responsibility for the customer to the new retailer. This will limit the opportunity of 'losing' retailers to conduct 'save' activity before a customer transfer has taken place.

Recommendation 9: The AEMO should make changes to speed up the customer transfer process, for example by enabling customers to use self-reads of their electricity meters. This will ensure that customers move to new offers quickly and will limit the time available for 'losing' retailers to conduct 'save' activities.

ACAT Comments

The ACAT supports the stated Design objective and Design principles, noting that a two day transfer period will reduce the opportunity for 'save' marketing by the losing retailer.

The ACAT notes that the ACT has some features which might result in the proposed changes having different impacts in the ACT when compared to other NEM jurisdictions. For example:

- The ACT has a high seasonal usage of electricity in winter at peak periods because of residential heating. In winter, a quarterly electricity bill for a high residential user in the ACT can be as much as \$1,000 to \$1,500, which may lead to problems in allocating estimated usage and consumption costs between the gaining and losing retailers.
- In the ACT, when a meter reader attends a property, they read all three meters – electricity, gas and water. Accordingly, in the ACT utility bills are usually aligned.

- In its paper, AEMO has only considered electricity transfers and has not analysed possible impacts on dual fuel customers (electricity and gas), who are common in the ACT. The ACAT suggests this analysis should be included in AEMO's consideration of its final position on transfers.

The ACAT notes that retailers in the ACT often offer dual fuel discounts. When a delay in transfer occurs, or if electricity and gas bills become misaligned, this could potentially affect the discount that the consumer expects to receive from their retailer.

The ACAT suggests that the period for retrospective transfer be short and certainly no more than 15 days. A much longer period of retrospectivity may harm the losing retailer and may also have unintended consequences for the transferring customer.

There was uncertainty in the slides for the meeting, as the graphic on page 12 refers to a 15 day transfer ('Day - 15'), while on page 15 the reference is to a '15 business day transfer'. A 15 business day transfer would provide a longer window at times when many consumers are at their most financially exposed (Christmas and Easter) due to child care costs/needs, children/family expectations. Usage generally occurs daily, not on a business day basis, in low income households.

Issues may arise with a transfer to a new retailer where the previous retailer has allowed a large debt to accrue, possibly in association with their hardship program management. Many customers do not understand that when they change retailers the debts accrued with their previous retailer become due and payable. This could result in increased direct debt collection action and in the number of electricity default credit listings increasing. The rules should require the potential gaining retailer to explain that debts to a previous retailer will become due and payable and that debts to their previous retailer will not be covered by the previous retailers' hardship program if a transfer occurs.

The system must provide for customer self reads, to reduce reliance on estimates as far as is possible. In order to avoid conflict between the losing and gaining retailer, the customer self-read should be sent by the gaining retailer to the distributor as an integral part of the transfer process.

Smart (advanced) meters support real time data transfer if communication software (comms) are in place. However, there may be issues for smart meters which do not have comms, in that consumers often get confused on how to read these meters. The same issue could occur for analogue meters which have dials. The estimate may need to be corrected when an actual read is taken, which may create issues for the losing retailer.

Further, the use of estimates for analogue meters and advanced meters without comms to achieve two day transfers could lead to a high level of problems in the ACT due to the basis on which estimates are made. Unfortunately, estimates in the ACT are often inappropriate because of the high level of seasonal variation and the widespread use of bill smoothing to even out utility costs over a whole year.

Cooling off issues also need to be considered. Currently there is a 10 day cooling off period to allow for a customer to change their mind about a transfer. We understand that the cooling off notice is usually recorded. When giving notice of the right to a 10 day cooling off period, retailers should also inform customers about the effect of changing retailers on existing debt, as discussed above.

At the meeting AEMO advised that it was looking at a method for operationalising the retransfer to original retailer when a customer exercises cooling off rights. Under the current system, the losing retailer may not know which retailer gained the customer's account. If the account is returned to the original retailer by an automated process, it is important that each utility know the identity of the other retailer so that the customer doesn't fall between the two retailers if problems arise during the cooling-off transfer.

We hope that these comments identify for your consideration several practical issues that arise in the ACT (and possibly elsewhere).

Yours sincerely



Graeme Neate AM
President
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