



22 November 2019

Mr Lee Brown
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

email: NEM.Retailprocedureconsultations@aemo.com.au

Dear Mr Brown,

Customer Switching in the NEM – Issues Paper

Origin Energy (Origin) appreciates the opportunity to respond to the Australian Energy Market Operators (AEMO) Issues Paper relating to changes that could be made to the retail transfer process to reduce the time it takes for a customer to switch retailers. AEMO's amendments seek to support operational changes to the Market Transfer and Settlement (MSATS) Procedures.

Origin supports the objective to transfer customers in the shortest possible timeframe by utilising existing market systems, billing and customer management processes and systems, where it is practicable to do so and cost effective.

We feel however that the proposed changes regarding meter read types for transfer, transferring within the cooling off period and transfers within 2 business days of the cooling off period are matters that ought to be considered within the Rules not through AEMO's high level designs and procedures. These have the potential to have significant impacts on both the operational and reputational aspects of the energy market.

We are also concerned that the changes proposed by AEMO will result in significant modifications which will be costly for retailers and ultimately customers. Specifically, AEMO proposes to remove the ability for an existing MC to object to an MC appointment as part of the transfer process. Nominated parties will not always have a contractual arrangement with a prospective retailer. The ability for an existing MC to object prior to the allocation of roles is necessary to allow parties to appropriately manage their contractual and operational risks with both the incoming FRMP and the customer. We believe that it is inappropriate to expect a commercial entity to deliver services to a third party when it has no contractual protections for the delivery of those services.

It is noted that AEMO's justifications for the proposed changes to the framework are based on International market experiences – particularly New Zealand¹. While we support reviewing these markets to develop 'best practices', it should not translate to AEMO overhauling a fully functioning model.

For these reasons, it is imperative that the AEMC and AEMO work together to ensure that any changes to the rules are supported by a clear quantitative assessment that shows that the market and consumer benefits clearly outweigh the industry costs. In this regard, we believe that clause 7.8.9(e)(1) should be retained until such time that AEMO can demonstrate that the financial (ie contractual) and operational (ie decommissioning of the current logic and returning to the manual processing) costs do not outweigh the benefits of this change to the market.

¹ AEMO, Electricity Rule Change Proposal, Customer Transfers in the NEM, May 2019, p17

Further comments on the above issues are set out below and Origin's specific response to the questions proposed in the Issues Paper are set out in Attachment 1 (response template).

Nomination of multiple roles alongside a change of retailer

As noted in the Paper, the MSATS Procedures currently enable a retailer to initiate a customer switch and to nominate changes to the roles of MC, MP and MDP within the one CR Code. In the case that one or more of these roles is nominated in the same CR Code, the nominated party may raise an objection if they decline the appointment. AEMO proposes to amend all CR Codes to facilitate change of FRMP only (this is known as Option 1).

Origin does not support Option 1. We do not consider that this Option takes into consideration the level of automation that is present in systems for the allocation of the MC role. Systems have a complex set of automated logic that sits behind the MSATS rules that identifies the various transfer scenarios based on the meter type, customer type and market rules. The removal of these roles from the CR Codes will amend the structure of the CR1000 Code and result in the decommissioning of the current logic. This will require significant system changes to remove the roles from systems which will be costly and does not support efficient market processes.

AEMO's review of customer switching data for 2018 found the majority of customer switches sought only to change the retailer, with less than 0.1% proposing to also change the MC within the retailer transfer². This highlights the issue is immaterial, but the ramifications of removing the fields from the CR Codes will be costly. We do not believe these costs support the benefit that will accrue to a small number of customers.

Option 2 is not preferred as it seeks to remove the ability for an existing MC to object to an MC appointment as part of the transfer process. This will have a significant operational impact for Origin. This is because nominated parties will not always have a contractual arrangement with a prospective retailer. Allowing an MC to object prior to the allocation of roles is necessary to allow parties to appropriately manage their contractual and operational risks. We believe that it is inappropriate to expect a commercial entity to deliver services to a third party when it has no contractual protections for the delivery of those services.

Origin's view is that the ability for an existing MC to decline an MC nomination should remain. We believe that a practicable solution to address the concerns raised by AEMO would be to allow the incoming FRMP to raise a CR1000 following a transfer request to change both the FRMP and, where necessary the MC; but not MD and MDP (ie Option 3). This would enable the customer transfer to proceed while also reducing the operational risks of an incorrectly appointed MC.

Removal of Next Schedule Read Date (NSRD)

Origin does not support AEMO's proposal to remove the option of a Next Scheduled Read for a change request in MSATS. It will be difficult to manage customer expectations, determine the best alternative meter read option and it will result in significant back office administration.

Origin believes that some customers may prefer to transfer on a NSRD than an estimated read. It should be noted that both the South Australian and NSW Energy Ombudsman's have submitted that they do not support the use of substituted reads given the level of customer complaints regarding estimated reads, especially when there has been an extended history of these reads. The NSW Energy Ombudsman also stated that there is a persistent subset of customer who object to estimated reads on principle³. Origin submits that the proposed changes extend beyond simple process improvements and the AEMC should formally consult on these issues prior to enacting these changes through Procedural changes.

² AEMO, Customer Switching in the NEM, Issues Paper, October 2019, p10

³ NSW Energy Ombudsman, Response to the AEMC's Reducing Customer's Switching Times, 1 August 2019, p3.

Meter Read options for transfer and costs

Origin believes that it is imperative that customers have options in terms of preferred read type at the time of transfer. This includes an actual read if it is scheduled for the near future (ie NSRD) or an actual read that has recently occurred. Origin's views on the meter read options are set out below.

Transfer on Actual Read (retrospective 15 days)

Origin support the use of actual reads for customers transfers. Actual reads provide the most accurate form of meter data for a transfer and ensures that customers are billed based on actual usage.

AEMO propose to allow meter reads provided in the 15 calendar days prior to the proposed customer transfer to be used without requiring an agreement from the current retailer (i.e. if a meter read is taken and a request for transfer comes within 15 days after the meter read). We support this proposal. The quality of data of an actual meter read is preferred over estimated reads.

Estimated Read

Transferring customers on MDP estimated read may appear to be one solution to accelerating the transfer process, however, the objective of maintaining accuracy and data integrity in the transfer process is more likely to be compromised. If estimated reads are allowed for transfer, we believe there should be parameters around the use of these reads such that estimated reads can only be used if the previous meter read was an actual.

An emerging concern with estimated reads is whether distributors will seek to charge a fee, similar to the cost of a special read, for estimates prepared outside of the usual meter reading cycle. Energex has already received approval from the Australian Energy Regulator (AER) for an "estimated meter read" fee. The likelihood of other networks following are extremely high if estimated reads become a default position. Like special meter read costs, neither AEMO nor retailers can limit or determine the amount that the networks will pass through to customers on a request.

Special reads

Origin supports the continued use of special reads to expedite a transfer for in situ customers. The use of special reads for a transfer is a generally available option, however, this does attract additional cost. Assuming the alternative control service costs associated with special reads are set at an economically efficient level (approved by the AER), there exists the option to accelerate a transfer by lodging a special read.

Timing for Implementation

The implementation timing of May 2020 is not achievable. It is proposed that the final report will not be published until 21 February 2020. At this time, the system amendments will need to be fully scoped, system changes, training and testing need to be conducted. The changes are extensive, will be timely to undertake and requested in an environment of extensive system changes for projects like 5-minute settlements. The timing would need to be decided with consultation of the 5-minute settlement group.

A rushed implementation may hurt the reputation of the industry if system changes are not implemented as intended and thus customers are not transferred in a timely manner. The implementation of the Power of Choice reforms is an example of how a rushed implementation did not deliver the desired benefits to customers. It has taken costly system and process iterations to work towards the desired benefits. We should take learnings from this process.

Closing

While we support initiatives to reduce customer switching times, we consider that the proposed changes are extensive and introduce unnecessary risk and costs for the parties involved. We believe it is imperative that the AEMC and AEMO work together to ensure that any changes to the transfer

framework are supported by a clear quantitative assessment that demonstrate that the market and consumer benefits clearly outweigh the industry costs.

Should you have any questions or wish to discuss this submission further, please contact Caroline Brumby on (07) 3867 0863.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', with a large, stylized flourish at the end.

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CUSTOMER SWITCHING IN THE NEM

FIRST STAGE CONSULTATION

PARTICIPANT RESPONSE TEMPLATE

Participant: Origin Energy

Submission Date: 22 November 2019

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Context

This template is to assist stakeholders in giving feedback to the questions raised in the issues paper about the proposed changes to the customer switching process design in the NEM.

Questions raised in the NEM Customer Switching Issues Paper

Question No.	Question	Participant Comments
1	Does the proposed change, to limit 1000 series CRs to a change of FRMP only, unreasonably restrict a retailer or other party from performing an action as required by the NER? Are there any additional considerations that AEMO has not presented?	<p>Limiting the 1000 series CR's to change of FRMP only will remove the ability for MC's to object to a nomination where there is no agreement in place with the incoming FRMP. Origin believes the retention of the MC's ability to decline taking responsibility for a premise to which there is no contractual arrangement should be retained We do not support AEMO's preferred option – Option 1. This is given:</p> <ul style="list-style-type: none"> • There needs to be contractual arrangements in place between MC's and incoming FRMP's to perform services. Absence of an agreement increases the risk of the MC being non-compliant and equally increases the risk of HSE related incidences; • There are liability and indemnity risks if the MC appointment is not corrected in a timely

Question No.	Question	Participant Comments
		<p>manner - specifically if there is a fault to the meter and there has been loss to the customer. Unclear who would be responsible for the loss as the MC has no relationship with the incoming customer/FRMP. There is no enforceable contract to assign liability.</p> <p>These risks could be avoided by ensuring the MC role is correctly assigned prior to the transfer.</p> <p>While Option 2 provides the ability for a retrospective correction of roles after the transfer has been completed, there are still risks (as outlined above) and complexities in terms of time, systems and process to seek the prospective retailer to amend MSATS to correctly reflected the metering responsibilities for the premises. The incentive to correct this after the transfer has occurred are significantly reduced.</p> <p>Origin proposes and supports an 'Option 3'. Option 3 would to be allow an incoming FRMP to raise a CR1000 following a transfer request to change both the FRMP and, where necessary the MC; but not MD and MDP. This would enable the customer transfer to proceed while also reducing the operational risks of an incorrectly appointed MC.</p>
2	Are the issues raised by AEMO regarding restrictions being placed on an MCs ability to object to an appointment reasonable?	With regards to AEMO's concerns around objections and potential delays, it would only be for premises where there are smart meters as the DNSP is the

Question No.	Question	Participant Comments
		<p>initial MC for accumulation meters. Given the objection is only relevant to smart metered customers, the prospective FRMP has the ability to resolve the issue as soon as practicable and the customer can transfer the next day.</p> <p>Further, the incidences of the MC objections are minimal (0.1%) and it is more efficient and cost effective for the industry if these issues were resolved prior to a transfer.</p>
3	Does the removal of the notification of a pending customer switch unreasonably restrict retailers from being able to comply with the NER or NERR?	<p>Removing notification of a pending transfer, removes the ability of current retailers to manage those customers that are most at risk of falling into debt or customers who are uncertain who they have signed with.</p> <p>If a customer is a hardship customer, once they transfer, they are no longer eligible for the hardship support on their previous plan. The notification of intention to transfer will allow the retailer to contact that customer to discuss their options if they wish to leave the retailer. This gives the hardship/vulnerable customer an opportunity to assess debt repayment options and minimise the possibility of entering into a new contract that does not recognise a customer's hardship status.</p>
4	Are there any alternative design options that AEMO should consider facilitating prevention of a customer switch by a	No comment

Question No.	Question	Participant Comments
	retailer based on a certified debt, which are consistent with the ACCC REPI recommendations for the removal of the notification of a pending customer switch and do not unreasonably delay customer switches in Victoria?	
5	Does the one business day timeframe proposed to enable the raising of the new Victorian certified debt objection CRC reasonably enable retailers to exercise the ability to prevent the customer switch?	Origin questions the potential customer experience and notification requirements of a customer with debt being transferred to a prospective retailer and then transferred back to the current retailer within one day. Electronic notifications are set up to be issued to customers on transfers so a customer may receive a welcome letter from the new retailer and then “you did not transfer” letter from the current retailer. The mechanisms and costs associated with this ‘exception’ to current processes needs to assess – especially given the low volume of ‘certified debt’ objections raised in Victoria. AEMO suggests the number of objections are in the range of 0-50 objections per month – this represents 0.02% of transactions per month.
6	Should AEMO seek to replace rather than redesign the current CRC with two new prospective CRs? If so, how might transactions ‘in-flight’ be treated upon implementation of the procedure changes and associated system changes?	Origin does not see benefit in either redesigning or replacing the current CRs and is of the view that the current CR’s in the market would enable retailers to meet this requirement.
7	Is there a compelling reason to retain the use of the NSRD in the customer switching process? If so, what are these reasons; and what controls might reasonably be introduced such that its use no longer becomes commonplace and that	Origin support retaining the use of the NSRD in the customer switching process. It is important to provide customers with the transfer options of NSRD i.e. if the NSRD will be within the next week then the

Question No.	Question	Participant Comments
	customers benefit from the ability to access next day switching?	<p>customer may want to wait as it would be cleaner from a billing perspective.</p> <p>The NSW Energy Ombudsman states that there is a persistent subset of customers who object to estimated reads on principle¹. Customers should have the ability to choose the read type that best suits their circumstances.</p>
8	Is there value in retaining an ability for a prospective change of FRMP role to occur based on a special reading?	Origin supports retaining the ability for a prospective change of FRMP role to occur based on a special reading. Like the NSRD, this allows prospective FRMP's to provide customers with a choice on how a read could be obtained to be able to transfer.
9	With the NSRD no longer able to be used to facilitate prospective customer switches, is there value in maintaining access to the NSRD in NMI Discovery?	Yes. As per Origin comments in question 8, Origin support retaining the NSRD which will allow for consultation with the customer when determining what read would be used to transfer. The meter read type will depend on the customers need for meter reading accuracy, speed of transfer and costs associated with the read type.
10	How critical is the Read Quality information to the potential use of the Last Read Date for retrospective customer switching?	Origin views read quality as critical. This will allow retailers to make an informed decision with regards to the read option suitable for the customer. If the previous meter read had been an estimated read, the retailer may request a special read to start a new

¹ NSW Energy Ombudsman, Response to the AEMC's Reducing Customer's Switching Times, 1 August 2019, p3.

Question No.	Question	Participant Comments
		<p>account with the customer.</p> <p>Origin supports consideration on parameters on the number of estimated reads that are allowed prior to a transfer. The greater the number of estimates reads, the greater the inaccuracies there will be with the transfer. Knowing estimated read history may provide an opportunity for the retailer to work with the customer to obtain an actual read.</p>
11	Are there other matters that AEMO should consider regarding the three options presented, or any alternative options that AEMO might consider?	No comment.
12	Has AEMO reasonably presented the relevant considerations in relation to using recent readings to support customer switching? Are there any additional considerations that AEMO has not presented?	Retrospective transfers are only relevant to manually read interval meters. Retrospective transfers are supported to ensure that customers are able to be billed on an actual read if there had been one in the past 15 business days.
13	Is the proposed 15 business day 'window' in which a recently obtained metering reading could be used to support a retrospective in-situ customer switch reasonable? Are there additional matters that AEMO might consider in support of a lengthening or shortening of this 'window'?	Origin supports the proposed 15 business day 'window' in which a recently obtained meter reading could be used to support a retrospective in-situ customer switch.
14	Is the proposed inclusion of a retrospective customer switch in the CRC 1000 a preferable outcome to the creation of a new specific CRC for this purpose (linked to question in section 3.1.2)?	Yes – Origin supports the extension of the date period of the current CR1000.

Question No.	Question	Participant Comments
15	Is the proposed extension of five business days (from 10 to 15 business days) to the retrospective period within which a CR 1040 may be raised reasonable? Are there additional matters that AEMO might consider in support of maintaining the current 'window', or the lengthening or shortening of this 'window'?	Origin support the extension from 10 to 15 business days.
16	Should the use of a recent reading be limited to customers who have manually read metering installations? Smart metering systems should be able to provide readings for a specified date within the last 15 business days (e.g. if a customer with a smart meter can confirm the date of their recent bill is within the last 15 business days, why should the prospective retailer be restricted from retrospectively switching the customer on that date, so that the customer and participants can access the benefits of a retrospective customer switch as described in this section?	<p>Origins views that 'retrospective' billing is relevant to both manually read and smart meters. However, smart meters (with comms) should have a retrospective period of no earlier than the day of the read (today's date would be considered retrospective).</p> <p>This is given these meters have specific billing cycles based on monthly reads. Customers may be billed on the 10th of each month for the preceding 30 days. If a customer is billed on an actual and then a new retailer retrospectively transfers them for a date for which an invoice has been issued, then the customer will be confused and inconvenienced with a cancel-rebill scenario for actual consumption. There is also the added complication that the customer may have paid an invoice. While "retrospectivity" could apply to smart meters, it needs to be limited to the day of the read.</p> <p>Origin also seek clarification from AEMO around the customer provided reads. What is the proposed method of providing a customer read when the Retailer is not the FRMP?</p>

Question No.	Question	Participant Comments
17	Has AEMO overlooked any requirement or reasonable justification for the retention of the five embedded networks specific CRs?	The use of the embedded network codes is very low and it does not seem necessary to have separate CR Codes for embedded network customers.
18	Do the changes adequately provide for retailers to comply with the cooling-off provisions and customers' exercising their right to cool-off?	<p>Origin is of the view that the use of CR1025/29 could achieve the same outcome as the CR1060.</p> <p>AEMO's proposal refers to amending CR1026 to allow a winning retailer to reverse the transfer if the customer decides to cancel the transfer.</p> <p>However, the procedures removes CR1026 in its entirety and replaces it with a new CR1060 to allow a transfer reversal to cover cooling off. This requires the build of new CR Codes.</p> <p>This proposal is a shift in both system and process capabilities as the onerous for cancelling a transfer moves from the current retailer to the winning retailer. Systems, process and training will need to be undertaken to ensure that winning retailer (rather than the losing retailer) initiates a cooling reversal if a customer changes their mind.</p>
19	Is the redesign of an existing cooled-off error correction CR preferable to the creation of a new error correction CR for the purpose stated above?	Origin raises whether CR1025/29 could achieve the same outcome as it could cover cooling-off.
20	What problems, if any, might be caused by the removal of the	Origin seeks clarification that CR1025/29 will be

Question No.	Question	Participant Comments
	error correction CRCs 1022, 1027 and 1028?	used in place of the removed CR's.
21	Should changes be considered to error correction CRCs 1020, 1021, 1023 and 1029 to better facilitate resolution of issues and errors for customer switching?	No comment
22	Are the changes proposed to the objection codes available to MCs regarding MC role appointment reasonable?	It appears reasonable that the initial MC should not DECLINE to be MC for sites where there is an error correction required.
23	Are there other unreasonable restrictions placed on appointing parties by the MSATS procedures that limit or prevent MSATS role appointment to align with the NER requirements at a connection point that AEMO might consider?	The LNSP may have sent an MFIN to the previous retailer and not re-issued the fault notification to the current retailer. Hence, for avoidance of doubt, the 3 rd condition should be amended as follows: "The Initial MC has previously raised a notice of a metering installation malfunction, to the Retailer reinstating the initial MC, as provided for in clause 11.86.7 of the NER."
24	Are there issues affecting the installation of metering that could reasonably be resolved by reducing the nominated MC's objection timeframe to zero days in MSATS?	No comment
25	Would MCs reasonably be capable of determining whether to object to transfers if the objection period for MC nomination was reduced to zero days?	Origin will not be able to object if the period was reduced the zero days – especially if the transfer was to occur closer to the end of that business day. Most business systems work on batched processes scheduled to run outside of business hours for more efficient processing of high-volume transactions where validations need to occur. Origin operates in

Question No.	Question	Participant Comments
		such a high-volume environment. Any changes from batched to real-time transaction processing/validations represents significant financial implications.
26	Are there further suggestions on changes to structure to improve the clarity and accessibility of sections 1 to 6 of the MSATS CATS procedures?	No comment
27	Do MSATS Participants believe that the proposed changes materially alter the obligations placed on them within the MSATS procedures?	<p>The proposed changes outlined as part of these Procedural changes will require multiple system changes due to already established automation as well as updating of training documentation and rollout of new processes. Based on this, there will be a significant cost to Origin as well as impact to resourcing due to conflicting market priorities i.e. 5 Minute Settlements.</p> <p>Attachment 1 includes some of the identified changes that Origin would need to undertake to be compliant with the Procedures.</p>
28	Is the change to the reason code in the MDFF necessary?	Origin supports the change to the reason code in MDFF.
29	Should other changes be considered to the MDFF to accommodate the changes proposed in this Issues Paper?	No comment
30	Is the rationale described in this Issues Paper regarding the proposed timing for implementation reasonable?	<p>The implementation timing of May 2020 is not achievable.</p> <p>It is proposed that the final report will not be</p>

Question No.	Question	Participant Comments
		<p>published until 21 February 2020. At this time, the system amendments will need to be fully scoped, system changes, training and testing need to be conducted. The changes are extensive, will be timely to undertake and requested in an environment of extensive system changes for projects like 5-minute settlements. The timing would need to be decided with consultation of the 5-minute settlement group.</p> <p>A rushed implementation may hurt the reputation of the industry and result in a poor customer experience. The implementation of the Power of Choice reforms is an example of how a rushed implementation did not deliver the desired benefits to customers. It has taken costly system and process iterations to work towards the desired benefits. We should take learnings from this process.</p> <p>As outlined in our attached letter, while we support initiatives to reduce customer switching times, we consider that the proposed changes are extensive and introduce unnecessary risk and costs for the parties involved.</p> <p>Further, we have a fundamental concern that the proposed changes include significant policy shifts without the corresponding level of appropriate consultation on the policies. Policy considerations include meter read types for transfer, transferring</p>

Question No.	Question	Participant Comments
		<p>within the cooling off period and transfers within 2 business days of the cooling off period. These have the potential to have significant impacts on both the operational and reputational aspects of the energy market.</p> <p>We thus believe it is imperative that the AEMC and AEMCO work together to ensure that any changes to the transfer framework are supported by a clear quantitative assessment that shows that the market and consumer benefits clearly outweigh the industry costs.</p>
31	Are there other considerations or proposals that AEMO might consider regarding the timing for implementation of the proposed changes?	Please see question 27

Other Issues Related to Consultation Subject Matter

Heading	Participant Comments
Publishing estimated reads from current MC to new MDP?	There appears to be a missing link of how reads such as estimates will be published from the current MC to the new MDP so that networks can issue correct network bills. Origin

Heading	Participant Comments
	seeks clarification from AEMO on how estimated reads will be published.
CR1080 – Retrospective?	Will the 15-business day retrospective timeframe apply to CR1080 transaction?
Removal of the error correction CRCs 1022, 1027 and 1028	Can the CR1025/29 be used in place of the removed CR's?
MRAM Meter and costs of reading them off cycle	Retailers incur additional costs for reading meters for which they are an MC. Origin is MC for type 4A meters where smart meters have been installed, however they have been installed without remote comms. These are known as MRAM meters. The costs of reading MRAM meters are significantly more expensive off cycle. If the prospective retailer made the decision that a MRAM read would be the most appropriate meter read option, the customer would be required to pay the MC's costs. This cost would not necessarily be transparent and would vary from MC to MC. How does a retailer know that the customer has an MRAM meter?
Estimated Meter Read Fee	Energex has AER approval for an 'estimated meter read' fee. The fee is for out of cyclical meter reads. The use of estimated reads will become a common occurrence with this proposed process. If Energex has AER approval, it is likely that other MDPs will seek approval for a similar fee. Customers will wear these costs as they are a direct pass through. Has this been considered as part of the proposal? It would seem to diminish the benefits of the proposal.