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NEM Customer Switching Consultation  
Australian Energy Market Operator  
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**EnergyAustralia**  
LIGHT THE WAY

Submitted electronically:  
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Dear AEMO

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## **NEM Customer Switching – Draft Determination**

EnergyAustralia welcomes the opportunity to make this submission to the Australian Energy Market Operator (AEMO) draft determination NEM Customer Switching.

EnergyAustralia is one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

AEMO's draft determination has made positive changes to the rule changes proposed in the issues paper. Retailer's concerns have been considered. Specifically, by the implementation timeframe being extended to December 2020, and AEMO proposing an extended period for retrospective transfers as an alternative option to transferring on estimations. Ultimately the changes proposed in the draft determination are considered and preferable. We will only address our identified concerns in this submission.

### *Retrospective transfers*

EnergyAustralia supports the retrospective transfer option in AEMO's draft determination. Extending the allowable timeframe for retrospective transfers will provide an additional transfer option for retailers to consider. It is reasonable to assume that it will be the preferred option for most retailers because:

- it will generally be a reading accepted by the customer i.e. a reading that is not in dispute,
- retailers are able to depend on an actual reading via this option,
- it will result in a reduction in the use of special reads and associated fees, and
- it will result in less exposure to inaccurate estimations.

Participants have expressed concerns with AEMO settlement resulting from extending the retrospective period to 65 business days. Outside of increased operating expense in reviewing settlement, EnergyAustralia has not established any evidence that this concern is justified. The retrospective transfer option will be predominantly used for basic meters, as readings will easily be obtained for type-4/advanced/interval meters. AEMO are responsible for correcting previously charged settlement, with the only consideration for a retailer being reviewing historical, current, and revised settlement. The potential exposure to risk if a retailer obtains a significant portion of customers from a retrospective read and are now in a position where their payment to AEMO is due prior to invoicing their new customers, seems unlikely although should be considered as something that could occur in a Retailer of Last Resort event. While EnergyAustralia supports the retrospective transfer option, we note some considerations for AEMO below.

Retailers will need to determine the requirements and implications around backdating rates when a customer is won and retrospectively transferred. It is expected most transfers are moving from a more expensive offer to a new cheaper offer (and backdating the new price will be a good customer outcome). However, there could be exceptions where the new rates may be more expensive (e.g. due to a network price increase). Retailers will have to consider how to manage this issue by clear disclosure of any new rates that are more expensive. In this regard, we note that existing obligations for retailers already provide adequate consumer protection regarding price disclosure. For instance, under the National Energy Retail Rules, retailers must provide price information before or as soon as practicable after contracting a customer.

We also note that the increased use of retrospective transfers will have ramifications on distribution network billing, with an increase in reconciliation activity by both distributors and retailers. Network billing disputes are already a contentious point between distributors and retailers. It is expected that additional adjustments will result in increased operating expenses and un-/identified disputes.

#### *Removal of loss notification*

AEMO's proposal to remove the pending loss notification from retailers and metering coordinators, will reduce 'saves' activity. However, an unintended consequence is the limiting of a retailer's or metering coordinator's capacity to cancel active service orders. If a change of retailer notification is only received on the date of the transfer, in some circumstances it will impose an unachievable timeframe for cancelling service orders that are active, i.e. disconnection or metering work service orders issued to the field may not be cancelled by the distributor or the metering coordinator.

EnergyAustralia accepts AEMO has proposed to remove the pending loss notification to limit 'saves' activity, we suggest that AEMO consider alternatives that will achieve this outcome or additional forms of notifying a losing retailer, metering coordinator, or distributor, to cancel any pending service orders:

- AEMO/AEMC to reconsider banning 'saves' activity, an action already considered by the Victorian government, and something that will achieve the requirements initially outlined by ACCC's recommendations 8 and 9 of the Retail Electricity Pricing final report. If AEMO will not consider banning saves,

- AEMO could develop an interaction in the B2B market to identify pending service orders, and then create a transaction to cancel service orders that are arranged for a period coinciding with a pending transfer, or
- AEMO could retain the current pending loss transactions, and review 'saves' activity to ensure it is not triggered and completed prior to the transfer (as AEMO have not limited 'win-back' activity).

### *Reporting*

EnergyAustralia supports greater reporting on how retailers are complying with MSATS procedures. However, there are instances in which a customer will contact a retailer and the retailer is unable to raise a prospective transfer in line with the +1 business day timeframe, such as if a customer's NMI or address are not confirmed. In these instances, a retailer would elect to wait for confirmation, to ensure the transfer is of the correct address and to provide a positive customer experience. EnergyAustralia suggests that AEMO consider and outline potential exceptions to the +1 business day rule. For example, that the timeframe does not commence until explicit informed consent to enter a market retail contract has been provided or a standard retail contract is in place, and that relevant and required customer information is established.

EnergyAustralia appreciates AEMO's consideration of limiting changes in the draft determination to reduce the cost imposed on retailers, and the corresponding costs passed through to customers. We acknowledge the rule change has been created to adjust the customer transfer process in line with current technology and reasonable expectations of customers. We request AEMO continue to assess the proposed changes in view of the financial impacts on retailers, real benefit to customer, and consider where additional requests for rule changes to the AEMC are required.

If you would like to discuss this submission, please contact Travis Worsteling on 03 8628 1704 or [Travis.Worsteling@energyaustralia.com.au](mailto:Travis.Worsteling@energyaustralia.com.au).

Regards

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Industry Regulation Leader