

22 November 2019

Australian Energy Market Operator
By email

SUBMISSION TO THE CUSTOMER SWITCHING IN THE NEM - ISSUES PAPER

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply.

We appreciate the opportunity to respond to the Australian Energy Market Operator's (AEMO) Customer Switching in the NEM Issues Paper.

Consumers are telling us that energy services are not affordable and that they are not value for money. Consumers do not have confidence and trust that the sector is working in their long-term interests. The price of energy has for many essentially doubled in the past 10-15 years, far exceeding wage growth and with extraordinary price spikes along the way, and is a root cause of the dissatisfaction we see coming through the Energy Consumer Sentiment Survey.¹ Making switching faster and easier is good for consumers and can increase the competitive pressure on retailers to deliver better and more affordable services.

While we don't intend to comment on the detailed design implementation issues raised in the Issues Paper, we do support the intent of the proposed changes to the Market Settlement and Transfer Solutions (MSATS) Procedures. Specifically:

1. Ensuring the switch can occur next day (or a day otherwise agreed with the customer), including retrospective transfers;
2. Removing the ability for the losing retailer to "save" the customer; and
3. Allowing the cooling off period to run in parallel with the transfer process.

We provide further comment on these key changes below.

We consider that the proposed changes should be implemented as soon as practicable given the benefits to be gained by consumers. AEMO's proposed implementation date of May 2020 appears to appropriately balance the need to implement these changes quickly for consumers (especially noting the higher switching rates of the June / July period) and that retailers will need to make systems changes to accommodate the new arrangements.

We also want to commend AEMO on their efforts to engage the consumer advocate community in these important discussions, and to reduce the burden on advocates who wish to participate in such processes. Advocates are often willing, but unable to participate in processes given their limited resources. Providing alternative ways to engage, such as the ones used during this process, helps to ensure that the consumer voice can be clearly heard.

¹ <https://energyconsumersaustralia.com.au/publications/energy-consumer-sentiment-survey-findings-june-2019>



Speeding up the switching process

In the Retail Electricity Pricing Inquiry, the Australian Competition and Consumer Commission (ACCC) found that “transfer times must be improved in order to promote more vibrant competition and enable customers to obtain the benefits of switching more quickly.”² The ACCC noted concern that the time needed for a switch to take effect meant that consumers could remain on uncompetitive offers for several months while waiting for a meter read. We also share these concerns. We therefore strongly support AEMO’s proposed changes which would reduce this switching time to no more than two days, or even allow switching to occur retrospectively. This will deliver better consumer outcomes and will increase the competitive pressure on retailers to deliver better and more affordable services.

The Issues Paper notes that the reliance on a meter reading being taken before a customer can switch is a material barrier to a customer’s ability to benefit from a new offer. To facilitate faster switching, AEMO considers relying on the Next Scheduled Read Date (NSRD) is problematic as there is uncertainty as to when this read will actually occur, and there can be substantial time between the customer choosing a new offer and the read being taken. We agree that the removal of the NSRD as the basis for the transfer will enhance a customer’s ability to access retail products and services of their choice.

Removing the NSRD from the process would mean that a customer switch could occur based on:

- a remote meter read (where a smart meter is installed);
- the previous meter read;
- an estimated read; or
- a special read.

These options appear appropriate and would facilitate better customer outcomes. However we note that the option of transferring a customer on the basis of an estimated meter reading is already permitted by the national rules, but that retailers rarely transfer a customer on this basis.³ We would not want to see a situation where retailers require a customer to have a special meter read (for a fee) in place of using an estimated reading.

Special reads should only occur where a customer has initiated this request. In this case, a retailer should make a customer aware of any additional costs of the read upfront so they can make an informed decision as to whether to go ahead with the special read or choose an alternate basis for the transfer.

Retrospective transfers

We welcome AEMO’s proposal to enable in-situ customer transfers (those where a customer does not move to a new premise) to occur retrospectively which goes beyond the concerns identified in the ACCC Retail Electricity Pricing Inquiry to deliver greater consumer benefits. As identified in the Issues Paper, allowing a retrospective customer transfer would simplify the billing process for the consumer (avoiding multiple bills for the same billing period) and would ensure the retailer and the consumer can have confidence in the accuracy of the meter reading.

Most importantly, this would allow a consumer to access the new, presumably better, retail offer even earlier. This significant benefit should be available to all small consumers and we suggest that AEMO considers allowing all consumers, not just those with a type 5 or 6 meter, to transfer retrospectively.

² ACCC, Restoring electricity affordability and Australia’s competitive advantage, p.153.

³ AEMC, Reducing customers’ switching times, Draft rule determination, 26 September 2019, p.14.



Further, we consider that the retrospective limit of 15 business days could be extended, to allow a customer to switch based on a date at any time since the last meter reading (potentially up to three months).

Retailers may consider that this approach would increase their risk of exposure to the wholesale market if a substantial number of consumers were to switch in the same settlement period. However, we consider that this is unlikely, and even so, it provides incentive for the retailers to continue to act to ensure their consumers are on the best deal. Further, as retailers are now responsible for the roll out of smart meters to their customers, we consider that it is within their control to limit their risk exposure by accelerating this roll out. The installation of a smart meter would mean that a customer transfer could occur at any time, based on an accurate consumption reading.

Removing “save” activities

We consider one of the key changes proposed by AEMO is the removal of the notification of a pending role change, which would remove the advance notification to the losing retailer of a customer switch. This notification is often used by the losing retailer as a trigger to undertake “save” activity to retain the customer.

We consider this save activity has a number of negative outcomes for consumers. Firstly, we believe that retailers should make their best offers available to all consumers, not just those who indicate they intend to switch to another retailer. Further, retailers should be actively looking for ways to ensure their customers are on the best offer for their needs, rewarding consumer loyalty rather than penalising consumers for it. Finally, as the ACCC noted, the “competitive dynamics in the NEM’s retail markets has given rise to strategic retention activity that increases costs and provides little benefit to consumers.”⁴ These costs are ultimately passed on to all consumers, increasing prices.

We agree with the ACCC that removing the advance notification will encourage retailers to proactively engage with and seek to retain their existing customers. Retailers who support their customers in this way will provide the industry leadership necessary to rebuild consumer confidence and trust in the market.

Maintaining cooling off periods

Energy Consumers Australia supports the amendments which would mean that a customer transfer could occur immediately, without in any way compromising the cooling off period. This ensure that the consumer who can benefit directly from choosing a new offer, can still access their consumer rights during this time, which is clearly the intention of the National Energy Retail Rules. Rule 57 of the Rules allows retailers to transfer a customer prior to the completion of the cooling off period, provided the transfer can be reversed if the customer elects to withdraw from the contract.

The right to a cooling off period can provide the power for redress for those consumers who are transferred following an unsolicited agreement or a pressurised sales call. However, it should not prevent consumers from being able to access the benefits of a new energy offer as quickly as possible.

Conclusion

We welcome the efforts of AEMO, and the Australian Energy Market Commission (AEMC), to facilitate a smoother, faster consumer switching process. We support the intent of the changes which we consider will help to deliver more transparent market processes and better consumers outcomes, ultimately increasing trust and confidence in market. We ask that AEMO continue to engage with the

⁴ ACCC, Submission to the AEMC Draft rule Determination on reducing customers’ switching times, p.1.



AEMC to ensure that there is ongoing focus on consumer protection and compliance matters that are beyond the scope of the current proposal to amend the MSATS Procedures.

If you have any questions about our comments in this submission, or require further detail, please contact Jacqueline Crawshaw, Associate Director, by email at jacqueline.crawshaw@energyconsumersaustralia.com.au or by phone on 02 9220 5520.

Yours sincerely,

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