AEMC

REVIEW

Australian Energy Market Commission

OPTIONS PAPER

Review of Electricity Customer Switching

23 January 2014

Submissions due 14 February 2014. Reference: EPR0038
Options Paper

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Reference: EPR0038

Citation

AEMC 2014, Review of Electricity Customer Switching, Options Paper, 23 January 2014, Sydney

About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

Executive Summary

A critical component of a competitive retail market is a customer transfer process that is efficient, supports customer choice and in which customers have confidence. The Australian Energy Market Commission (AEMC or Commission) has been undertaking a review of electricity customer switching arrangements to determine if the current process is timely and accurate, and whether any modifications are required.

The review has revealed areas for improvement, including the timing of the customer transfer process, the accuracy of data used and the process for handling objections. For public consultation, a range of options to address these areas are set out in this Options Paper.

Effectiveness of the current customer transfer process

The review commenced with the publication of an Issues Paper in December 2013.[1] Amongst other things, the Issues Paper noted that:

- there has been a significant increase in the number of recent complaints from customers to energy ombudsmen relating to the customer transfer process (although these complaints are a relatively small proportion of overall transfers that occur); and

- while approximately two-thirds of customers typically experience transfer times that are completed within 30 calendar days, some customers experience transfer completion times well in excess of 30 calendar days.

The impact felt by customers that do experience problems with the process can be substantial.

Submissions to the Issues Paper confirmed this. For example, submissions from the New South Wales and Victorian energy ombudsmen explained the complexities and frustrations experienced by customers who have been incorrectly transferred.

A total of 20 submissions were received from a variety of stakeholders and they provided information on a range of problematic aspects of the customer transfer process. Key issues raised in submissions included:

- Retailers stated that one of the main factors that prolong customer transfers is the inability to obtain metering data (from metering data providers, typically distributors) due to meter access issues. Some retailers acknowledged that there may be a role for the use of estimated reads for customer transfers in certain circumstances.

1 See: http://www.aemc.gov.au/market-reviews/open/review-of-electricity-customer-switching.html.

- Distributors commented that customers play an important role in the transfer process, and could be better informed about their rights, such as to provide clear and safe access to meters.

- Energy ombudsmen and consumer groups commented on how prolonged transfers can have significant impacts on customers. Ombudsmen also explained that there are a variety of reasons for these long transfer times. Some consumer groups considered that a number of improvements could be made to benefit the needs of customers, including making the transfer process faster and more accurate.

- Retailers and energy ombudsmen stated that there are a number of data quality issues that currently exist within the market's central information registry. Such data quality issues can result in erroneous transfers.

- Energy ombudsmen also commented that, based on their experience, there is confusion and inconsistent understanding across market participants about the objections framework, which forms part of the customer transfer process. Also, some retailers raised issues with the objections framework and would support a review of it.

Key issues considered in this Options Paper

There are several elements of the electricity customer transfer process that could be improved. Specifically, improvements could be made to:

(A) the timing of the customer transfer process. The time taken to transfer is largely determined by the current practice of transferring a customer only after an actual meter reading has been recorded;

(B) the accuracy of the data that is used in the customer transfer process. The most common issue is created by a mismatch between the address data that exists in the market's central registry for each electricity consumption point, and the commonly used address of the customer's premises; and

(C) the effectiveness of the objections framework that forms part of the customer transfer process. The purpose of this framework is to facilitate the orderly handling of participant objections received in response to customer transfer requests. It has developed in a piecemeal fashion since the gradual introduction of retail competition.

Options in this paper

This Options Paper sets out a range of possible options that could be deployed to address each of the issues listed above. Specifically:

(A) Options to address the timing of the customer transfer process:

- Option A1: reduce the maximum prospective timeframe for customer transfer requests, as set out in the Market Settlement and Transfer Solutions (MSATS) Procedures,[2] from 65 business days to 21 business days;

- Option A2: allow customer transfers to occur on the basis of estimated reads, which would provide an alternative to the current practice of obtaining an actual meter read for a transfer request to complete;

- Option A3: introduce an incentive scheme on regulated metering data providers, to encourage such parties to provide more timely and accurate special meter reads; and

- Option A4: increase monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER);

(B) Options to address the accuracy of data used in the customer transfer process:

- Option B1: cleanse the MSATS data that is used in the customer transfer process, and develop an industry-agreed standard for addresses in the MSATS database;

- Option B2: increase monitoring, and public reporting, of statistics associated with the accuracy of the data that is used in the customer transfer process, by the AEMO and the AER;

- Option B3: introduce an obligation for the National Metering Identifier (NMI)[3] number to be displayed on all small customer meters; and

- Option B4: confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner;

(C) An option to address the effectiveness of the objections framework:

- Option C1: undertake a project to improve the functioning of the objections framework that forms part of the customer transfer process, with the objective of promoting the efficiency of this particular element.

The paper discusses the potential value of each of the options in improving the efficiency of the customer transfer process. However, it does not make any recommendations as to which of these options should be implemented.

It is unlikely that implementation of any single option could, by itself, fully address the issues identified above. Therefore, a more comprehensive response to improving the

2 The MSATS Procedures detail the arrangements for billing, settlement and customer transfers in the NEM.

3 A NMI is an identifying code that uniquely defines a "metering installation" for the purpose of NEM settlements.

efficiency of the customer transfer process is likely to require a combination of several options discussed in this paper.

Submissions on the merits, costs and benefits associated with each of the options presented in this paper are invited. Also welcomed are comments on any other options that should be considered, or any alternative ways of implementing the options that would improve their effectiveness or reduce their costs.

Stakeholder views will inform the analysis and development of recommendations to be contained in the Commission's final advice to the Standing Council on Energy and Resources (SCER).

Responding to this paper and next steps

Submissions on this Options Paper are requested by no later than **5pm, Friday 14 February 2014**. Stakeholders are encouraged to include any relevant information and comments in their submissions.

As required by the terms of reference for this review, a Final Report setting out the Commission’s final recommendations will be provided to SCER by 31 March 2014, and published on the AEMC's website by 30 April 2014.

Contents

1 Introduction

This Options Paper sets out for public consultation a range of options that have the objective of improving the timeliness and accuracy of the electricity customer transfer process.

These options have been developed as part of the review that the Australian Energy Market Commission (Commission or AEMC) has been requested to undertake by the Standing Council on Energy and Resources (SCER) on the existing electricity customer switching arrangements to better support customer choice, and to make customer switching between retailers more efficient.[4]

1.1 Purpose of this review

The ability for electricity customers to exercise choice and easily switch between retailers in competitive retail markets may be influenced by the market and regulatory arrangements for processing customer transfers. This includes the timeframes for the customer transfer process.

The Commission considers that customer switching rates and their engagement with retail energy markets in Australia is high compared to both other countries and other industries, though the rate of doing so varies between jurisdictions. For example, more than a quarter of Victorian customers switch supplier every year. In New South Wales (NSW), switching rates have increased in recent years, where more than a fifth of customers now switch supplier annually.[5] This data suggests that the existing maximum transfer timeframe may not be a material barrier to effective customer switching.

The AEMC considers that more engaged and active customers provide for a more competitive retail market. Switching is an indicator of active customers, but switching rates cannot indicate whether customers are making informed decisions and selecting energy plans that best suit them. Only when switching rates are combined with other indicators, such as consumer surveys and industry analysis, can it provide a more complete picture of the competitive state of the market. For example, the review of competition in the retail electricity and natural gas markets in NSW considered a wide variety of indicators in order to assess the level of competition.[6]

That said, making further improvements to the current customer transfer process in the National Electricity Market (NEM) may be beneficial. Where customers are able to

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4 SCER, *Terms of Reference: Australian Energy Market Commission (AEMC) Review of Electricity Customer Switching,* 31 May 2013; and SCER, *Request for an Extension of Time Regarding the SCER Directed Review of Electricity Customer Switching,* August 2013. Hereafter, these are collectively referred to as "Terms of Reference".

5 See www.vaasett.com for further information.

6 See: AEMC, *Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales,* Final Report, 3 October 2013.

engage in an easy and timely process, they are likely to be more willing to switch retailers in order to select the retail product that most closely reflects their needs and perception of good value. This, in turn, promotes competition in retail energy markets.

Further, creating an easy and timely process for customer transfers may also benefit retailers. For example, an efficient transfer process with minimal manual intervention is likely to reduce the administrative costs of retailers by reducing the time that it takes for retailers to complete transfers successfully through fewer instances of rectifying failed or objected to transfer requests. This may, in turn, lead to lower retail prices for customers over the longer term.

1.2 Terms of reference and scope

1.2.1 Terms of reference

The AEMC received a terms of reference from the SCER in May 2013 to review electricity customer switching arrangements to improve the ease and time for how customers switch retailers. The review will help determine if the current customer switching process between retailers is efficient, and whether more specific maximum switching timeframe rules should be introduced to the NEM.

As set out in our terms of reference, in this review, the AEMC will give consideration to the following:[7]

- Current market arrangements - the AEMC will consider what impact the current rules and processes, including jurisdictional arrangements, around time limits have on the decision or ability of customers to switch retailers and the efficiency and accuracy of the switching process. The AEMC will consider whether improvements to the current rules and processes could be made to promote maximum efficiency for the customer switching process.

- Barriers and improvements - the AEMC will consider current barriers to customer switching and what improvements could make customer switching easier.

The AEMC will also give consideration to other factors and processes associated with customer switching, such as what impact technologies such as smart meters could have on improving the accuracy of switch readings.

A Final Report, setting out our final recommendations, is to be provided to the SCER by 31 March 2014, and published on the AEMC's website by 30 April 2014.

7 Terms of Reference, May 2013, p. 2. Available at: http://www.aemc.gov.au/market-reviews/open/review-of-electricity-customer-switching.html.

1.3 Other processes relevant to the Commission's considerations

In developing this Options Paper, we have considered the implications of other relevant projects that the AEMC has recently completed, is currently undertaking, or is about to commence, including the:

- completed review of competition in the retail electricity and natural gas markets in NSW, in which the AEMC assessed competition in the retail markets for electricity and natural gas in NSW for the purpose of retaining, removing or reintroducing retail price regulation;[8]
- current review of a framework for open access and communication standards, which will provide advice to the SCER on open access and common communication standards to support contestability in demand side participation end-user services enabled by smart meters;[9]
- current SCER rule change on distribution network pricing arrangements, which would improve the arrangements within the National Electricity Rules (NER) by which distribution network prices are set and structured;[10] and
- upcoming SCER competition in metering rule change, which would establish arrangements for increased competition in metering and related services in the NEM.[11]

1.4 Advice process

The Commission published an Issues Paper for this review on 3 December 2013 to seek stakeholders' initial views on the causes and materiality of issues in the current customer transfer process.

This review focusses on those small customers who wish to exercise choice and transfer from their current electricity retailer to another preferred supplier without moving address (i.e. in-situ transfers).

This Options Paper builds on the material issues that were identified in, and in response to, the Issues Paper. The Options Paper sets out a number of possible options to improve the effectiveness and efficiency of the customer transfer process, along with further questions for stakeholder comment.

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8 See: http://www.aemc.gov.au/market-reviews/completed/nsw-retail-competition-review.html.

9 See: http://www.aemc.gov.au/market-reviews/open/framework-for-open-access-and-communication-standards.html.

10 See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

11 SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

Responses to this Options Paper will further inform and enhance the AEMC's understanding of these possible options. Stakeholders are, therefore, invited to make submissions on the matters raised in this paper, and any other matters they consider relevant to this advice.

Key milestones for this review are outlined below. As required by our terms of reference, the AEMC's Final Report is to be provided to the SCER by no later than 31 March 2014.

Table 1.1 Advice process

Document	Purpose	Date
Issues Paper	To present the assessment framework and key issues identified by the Commission and set out the process for the review.	Provide to SCER's Energy Market Reform Working Group (EMRWG) by 29 November 2013 Publish on AEMC website on 3 December 2013
Options Paper	To address issues raised in submissions to the Issues Paper and identify potential policy recommendations.	23 January 2014
Final Report	To set out the Commission's policy conclusions and recommendations.	Provide to SCER by 31 March 2014 Publish on AEMC website by 30 April 2014

1.5 Key issues raised in submissions to the Issues Paper

The Commission published an Issues Paper for this review on 3 December 2013.

The Issues Paper:

- outlined the Commission's proposed assessment framework, which will be used to assess alternative options for improving the efficiency of the current customer transfer process;
- summarised the existing customer transfer regulatory framework, as well as outlining the current customer transfer process;
- summarised quantitative and qualitative information on actual customer switching times in the NEM; and
- set out a number of key issues, which included obstacles to potentially faster and more efficient switching timeframes for customers.

Stakeholder comment was invited on the above issues. Submissions to the Issues Paper closed on 24 December 2013, and we received 20 submissions.

Several submissions to the Issues Paper, mainly by retailers, commented that:

- there are no specific market failures that need to be addressed in the current customer transfer process;[12] and
- the existing customer transfer process allows for efficient outcomes.[13]

Other submissions considered that improvements could potentially be made to the current process. For example:

- AGL Energy commented that there may be potential interim measures for addressing such issues as meter read frequency, meter access, and data quality;[14] and
- other submissions also expressed similar views.[15]

1.5.1 Advanced metering infrastructure

As outlined above, our terms of reference require us to consider what impact technologies could have on improving the accuracy of transfers. In submissions received to the AEMC's Issues Paper for this review, stakeholders were united in their view that the customer transfer process will be enhanced with the roll-out of advanced metering infrastructure (AMI).[16]

For example, with AMI, metering data will be remotely read and recorded with an half-hourly resolution on a weekly basis, and so customers could potentially be transferred in very short timeframes, and at a lower cost to retailers. This would also minimise the time taken to transfer, the length of which may currently be extended through the metering data provider not being able to obtain physical access to the customer's meter, and so an actual read not being obtained.

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12 See: Alinta Energy, Issues Paper submission, p. 1; ERAA, Issues Paper submission, p. 1; ERM Power, Issues Paper submission, p. 2; Origin Energy, Issues Paper submission, p. 1; NSW DNSPs, Issues Paper submission, p. 1.

13 See: Aurora Energy, Issues Paper submission, p. 6; Ergon Energy, Issues Paper submission, p. 6.

14 See: AGL Energy, Issues Paper submission, p. 1.

15 See: EnergyAustralia, Issues Paper submission, p. 2; Australian Chamber of Commerce and Industry, p. 1; Etrog Consulting, Issues Paper submission, p. 9; Energy Action, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 2.

16 See: EWON, Issues Paper submission, p. 9; ERM Power, Issues Paper submission, p. 2; Aurora Energy, Issues Paper submission, p. 3; EWOV, Issues Paper submission, p. 8; ERAA, Issues Paper submission, p. 4; Lumo Energy, Issues Paper submission, p. 3; ENA, Issues Paper submission, p. 1; EnergyAustralia, Issues Paper submission, p. 4; Alinta Energy, Issues Paper submission, p. 2; ERAA, Issues Paper submission, p. 4; AGL Energy, Issues Paper submission, p. 4; Origin Energy, Issues Paper submission, p. 1; United Energy, Issues Paper submission, p. 2; Australian Chamber of Commerce and Industry, Issues Paper submission, p. 2.

The Commission agrees with the potential benefits that AMI brings. However, the Commission also considers that improvements could be made to the customer transfer process prior to any market-led roll-out of smart meters. Indeed, the question of whether there are beneficial incremental improvements that can be made to the current customer transfer process prior to the introduction of AMI was contemplated by AGL Energy in their submission to the Issues Paper.[17]

Therefore, the options contained in this paper do not specifically consider the issue or role of AMI in the customer transfer process. All policy options identified could be implemented in the absence of AMI and are also consistent with the introduction of AMI. This is reflective of the principle of competitive neutrality, whereby different technologies in the NEM are subject to the same arrangements.

Several submissions commented that AMI could also potentially create issues with the customer transfer process. For example, the Energy and Water Ombudsman Victoria (EWOV) commented that sometimes a remotely read meter may experience a problem during the reading process so that the meter read data was not obtained, causing a transfer to take a longer period of time.[18]

1.5.2 Large customers

As stated in the Issues Paper,[19] the focus of our review is on the transfer process of in-situ electricity small customers. The experience of large customer transfers between retailers has been used to compare the efficiency of the different arrangements.

Most large customer transfers occur within a shorter timeframe due to the type of meter typically installed for such customers (i.e. remotely read, interval).[20]

Several submissions raised a number of issues in relation to the customer transfer process for large customers. For example, Energy Action commented that, in their experience, in a significant number of cases, the transfers of large customers are either not achieved on time or only achieved on time given close management of the transfer process. Therefore, they believe the review should consider large customer transfers on an equal basis as small customer transfers.[21]

Given the timeframe constraints for our final advice to the SCER, we are not able to extend the review to cover these issues in this Options Paper. However, to the extent that there is some commonality in the transfer process for small and large customers,

17 See: AGL Energy, Issues Paper submission, p. 1.

18 See: EWOV, Issues Paper submission, p. 7.

19 AEMC, *Review of Electricity Customer Switching*, Issues Paper, 3 December 2013, p. 6. Hereafter referred to as "Issues Paper".

20 This was supported in submissions. See: Aurora Energy, Issues Paper submission, p. 5; Energex, Issues Paper submission, p. 8; EnergyAustralia, Issues Paper submission, p. 3; Ergon Energy, Issues Paper submission, p. 7; Origin Energy, Issues Paper submission, p. 8.

21 See: Energy Action, Issues Paper submission, p. 1.

and so the possible options could be applied, or may be relevant, to the customer transfer process for large customers, we would welcome stakeholder comment.

1.6 Key issues to be considered in this Options Paper

The Commission considers that there are improvements that could be made to the current customer transfer process, which would provide benefits to both customers and industry.

Based on analysis, informed by stakeholders' submissions to the December 2013 Issues Paper, the Commission considers that there are several elements of the electricity customer transfer process that could be improved.

Specifically, improvements could be made to:

(A) the timing of the customer transfer process. The time taken to transfer is largely determined by the current practice of transferring a customer only after an actual meter reading for their electricity consumption has been recorded;

(B) the accuracy of the data that is used in the customer transfer process. The most common issue is created by a mismatch between the address data that exists in the market's central registry for each electricity consumption point, and the commonly used address of the customer's premises; and

(C) the effectiveness of the objections framework that forms part of the customer transfer process. The purpose of this framework is to facilitate the orderly handling of participant objections received in response to customer transfer requests. It is has developed in a piecemeal fashion since the gradual introduction of retail competition.

This Options Paper sets out a range of possible options that could be deployed to address each of the issues listed above.

The paper discusses the potential value of each of the options in improving the efficiency of the customer transfer process. However, it does not make any recommendations as to which of these options should be implemented.

The Commission considers that it is unlikely that any single option could, by itself, fully address the above issues. Therefore, a more comprehensive response to improving the efficiency of the customer transfer process is likely to require a combination of several options discussed in this paper.

Submissions on the merits, costs and benefits associated with each of the options presented in this paper are invited. Also welcomed are comments on any other options that should be considered, or any alternative ways of implementing the options that would improve their effectiveness or reduce their costs.

Stakeholder views will inform the analysis and development of recommendations to the SCER to be contained in the Commission's final advice.

1.7 Stakeholder consultation

Under this review, the SCER has requested the AEMC to consult with jurisdictions and key stakeholders (which include energy retailers and consumer groups) during the preparation of its reports.

Consistent with our terms of reference, we have met with a number of key stakeholders (including retailers, metering data providers, energy ombudsmen and consumer groups) throughout this review to discuss the customer transfer process. We appreciate the information that has been provided to us through this process.

The Commission acknowledges that several stakeholders have raised concerns with the review timeframe, and have concerns about whether this allows sufficient time for the Commission to consider stakeholder views as presented in submissions to the Issue Paper.[22]

The timeframes in the terms of reference for this review are tight. However, the Commission recognises the importance of stakeholder views. The Commission will endeavour to respond fully to matters raised by stakeholders in submissions. Accordingly, Appendix A of this paper provides an overview of the matters raised by stakeholders in their submissions to the Issues Paper, along with the Commission's response to each issue. The Commission will also discuss any pertinent issues raised by stakeholders in their submissions, as appropriate.

1.7.1 Lodging submissions

Written submissions from interested stakeholders in response to this Options Paper must be lodged with the AEMC **by no later than 5pm, Friday 14 February 2014.**

Submissions should refer to AEMC project number "EPR0038" and be sent electronically through the AEMC's online lodgement facility at www.aemc.gov.au.

All submissions received during the course of this advice will be published on the AEMC's website, subject to any claims for confidentiality.

In order for this advice to be completed by no later than 31 March 2014, the AEMC must adhere to strict deadlines. While the AEMC will have full regard to all submissions lodged within the specified time period, late submissions may not be afforded the same level of consideration. To allow the AEMC to fully consider all submissions, we request that stakeholders lodge their submissions by no later than the due date.

22 See: Alinta Energy, Issues Paper submission, pp. 2-3; EnergyAustralia, p. 1; ERAA, Issues Paper submission, p. 1; Origin Energy, Issues Paper submission, p. 1

1.8 Structure of this paper

The remainder of this paper is structured as follows:

- chapter 2 sets out the finalised assessment framework that will be used to guide our assessment of the policy options in this paper;
- chapter 3 summarises how we developed the policy options;
- chapter 4 outlines policy options that seek to address the timing of the customer transfer process;
- chapter 5 outlines policy options that seek to address the accuracy of the data that is used in the customer transfer process;
- chapter 6 outlines other incremental improvements that could be made to the customer transfer process; and
- Appendix A summarises stakeholder's submissions to the Issues Paper and the Commission's responses to the issues raised.

2 Assessment framework

Summary of this chapter

We have assessed the policy options contained in this paper against a framework guided by the National Electricity Objective (NEO).

Further, we also consider a series of criteria to assess the alternative options for improving the efficiency (both in terms of timeliness and accuracy) of the current customer transfer process, and to guide the development of our final recommendations. They are:

- transparency of arrangements;
- clarity and simplicity;
- promotion of efficient incentives under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- the level of regulatory and administrative burden.

2.1 Introduction

This chapter sets out the AEMC's assessment framework for this review. It first discusses the overarching objective that guides this review - the National Electricity Objective (NEO) (section 2.2). It then discusses the range of criteria that we propose to use in testing whether the alternative options promote the NEO (section 2.3).

2.2 National Electricity Objective

The NEO states that:

> "The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to -
>
> (a) price, quality, safety, reliability, and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system."

The three fundamental limbs of efficiency are:

- allocative efficiency (efficient use of);[23]
- productive efficiency (efficient operation);[24] and
- dynamic efficiency (efficient investment).[25]

All three forms of efficiency are considered by the AEMC in assessing the customer transfer arrangements.

Typically, competitive markets provide the best means of driving allocative, productive and dynamic efficiencies. Switching is the most powerful tool customers have available for exerting their influence on the competitive process. The rules and process for customer transfers should therefore maximise the opportunity, incentive and ability for customers to switch retailers. This is the overriding objective of the assessment framework.

The efficiency of the customer transfer process can be considered in relation to two broad aspects, specifically the:

- timing of the customer transfer process (i.e. that the transfer process occurs within a timely manner, allowing customers to switch to their new retailer faster and so gain the benefits of their new retail offer); and
- accuracy of the customer transfer process (i.e. that the transfer process allows the correct customer to be switched to their new retailer of choice without error, with this process being based on accurate data and information).

As Ergon Energy commented in its submission, it is important to consider both of these elements together. That is, the timeliness of transfers should not be improved at the expense of the accuracy of transfers.[26]

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23 Allocative efficiency is achieved when resources used to produce a given set of goods and services are allocated to their highest value uses. This requires that goods and services are provided, and that consumption decisions are made, on the basis of prices that reflect as closely as possible the opportunity (or marginal) cost of supplying those goods and services.

24 Productive efficiency is achieved when only the minimum resource inputs are used to produce a given set of goods and services. Achieving productive efficiency is important because it avoids wasting resources which could have been used for producing something else.

25 Dynamic efficiency is concerned with ensuring allocative and productive efficiencies are sustained over time. This requires markets and supporting regulatory arrangements to provide incentives for firms to innovate and invest at efficient levels over time.

26 See: Ergon Energy, Issues Paper submission, p. 5.

2.3 Criteria

We used the following criteria or principles to assess the policy options identified:

- transparency of arrangements;
- clarity and simplicity;
- promotion of efficient incentives under the arrangements;
- efficient allocation of risks and costs;
- predictability; and
- the level of regulatory and administrative burden.

How each of the principles relate to the promotion of the NEO in the context of the customer transfer process is briefly discussed below.

All stakeholders that commented on our proposed assessment framework, as set out in our Issues Paper, were supportive of these criteria.[27]

2.3.1 Transparency of arrangements

It is important that the obligations on participants in the transfer process are clear and enforceable and that all necessary information is provided to businesses that are party to a transfer so that the switching process can proceed as efficiently as possible for the customer.

There are a number of different parties, as well as the customer, that are involved in the switching process, including:

- the "winning" and "losing" retailers (i.e. the retailer the customer moves to, and moves from, respectively);
- the metering data provider (typically the distributor); and
- Australian Energy Market Operator (AEMO), who manages the central database and user interface for facilitating and communicating the transfer between retail and distribution businesses.

These parties play different roles in the transfer process and have different obligations under the rules for providing and managing information.

27 See: Aurora Energy, Issues Paper submission, p. 2; Energex, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 5; Lumo Energy, Issues Paper submission, p. 1; Origin Energy, Issues Paper submission, p. 4; and United Energy, Issues Paper submission, p. 1.

Transparency promotes accountability and confidence in the retail market and, subsequently, encourages retail businesses and other participants who operate in the market to commit future funds for investment and improve the quality of service provision. This supports allocative and dynamic efficiency.

2.3.2 Clarity and simplicity

The switching process should be clear, easily understood by all parties, and simple for customers to navigate.

For example, if transferring from one retailer to another means a customer has to contact both their existing and winning retailers, the customer may find this all too hard (i.e. the transaction costs of transferring may be too great). Therefore, customers may (understandably) resolve to stay on their existing retail contract with their current retailer. This would discourage such transfers, and so undermine the competitive process.

A simple process for switching would ideally require that the customer would contact only one party - the winning retailer - who would be responsible for initiating the switch. We understand that this is currently the case in the NEM (i.e. the customer only contacts the winning retailer, who then arranges the transfer).

Transaction costs may also apply from the perspective of the winning retailer - the process of securing a new customer should be straightforward and unencumbered. For example, if it is hard to secure cooperation from others who are party to the transfer, or access necessary information, retailers could be discouraged from seeking out new customers (perhaps focussing only on the highest value prospects). This could in turn discourage an active level of competition and new entry.

The easier the process for switching is for all parties involved, the greater discipline switching can impart on the competitive process.

Further, clear and simple processes are likely to result in fewer switching errors, and so will contribute to addressing one of the causes of longer than necessary customer switching times.

2.3.3 Promotion of efficient incentives under the arrangements

A critical part of having an efficient transfer process is that participants in the process have appropriate incentives, or effective obligations, to:

- provide relevant information and undertake their specified functions in a timely fashion (e.g. obtain and supply meter readings); and
- require that data and information used in the switching process is accurate and consistent (e.g. information on National Metering Identifier (NMI) standing data in the relevant AEMO database is consistent with customer addresses held by retailers).

Where parties do not have sufficiently strong incentives to undertake their functions in a timely manner, or for data to be accurate and consistent, this can lead to switching errors (or erroneous customer transfers). For example, the wrong customer may be transferred because the address provided by a particular customer is inconsistent with the NMI standing data for that address in the relevant AEMO database.

Transfer errors can prolong the switching process, undermining the quality of the customer experience with regard to the switch. Poor customer experiences may cause customers to lose confidence in the retail market and create risks of regulatory intervention. This will have the effect of undermining dynamic efficiency.

2.3.4 Efficient allocation of risks and costs

Efficient incentives usually arise where costs and risks are appropriately allocated. As a general rule, incentives should be allocated to those who are best placed to manage them, since this allows costs to be minimised and risks to be managed in the most effective way possible.

An example in the context of this review is the provision of metering data. An accurate and timely meter reading is integral to an efficient transfer and the quality of the transfer in relation to that customer. For the majority of meters in the NEM, metering data providers (typically the distributor) are responsible for undertaking the meter reading and providing this data to the retailer.[28] However, it is retailers who have the customer relationship and are, therefore, held accountable by customers for any poor service experience with respect to a switch caused by inaccurate or delayed meter readings.

There may consequently be a misalignment of incentives because those who bear the costs of any poor metering service provision (i.e. the retailer) may not be the ones who impose the costs (i.e. the metering data provider).

A lack of control over the meter reading process may create risks for retailers. Risks need to be managed, which means they incur costs to those parties who experience them.

An important question in this review is, therefore, whether those who bear any costs or risks under the existing switching process are in the best position to manage them. This allows the costs of managing risks to be minimised, which supports productive efficiency.

If the environment in which businesses operate becomes less risky, then a businesses' incentive to invest and/or innovate over time increases. This supports dynamic efficiency.

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28 Currently in the NEM, metering data providers are typically distributors, who are regulated by the AER. Under the upcoming SCER competition in metering rule change, this may change (i.e. metering data providers may not be distributors, and so would not be regulated). This is discussed further in section 4.4.1.

2.3.5 Predictability

Processes and arrangements that promote predictability (or minimise uncertainty) are important for the achievement of dynamic efficiency.

This principle is, in part, a function of successfully meeting the principles listed above. Clear and transparent rules enhance predictability. The customer, and all other parties involved in a transfer, should undertake what their own and others' obligations under the rules are, and how they should interact with other parties to effect a customer switch. Participants should, and also expect others to act consistently with their obligations under the rules.

The rules should not be overly burdensome, complex or duplicative. For example, a different switching process in each NEM jurisdiction would not promote predictability.[29]

Further, where retailers have predictability about how the transfer process will operate now and into the future, confidence in the retail market is promoted. This is important for future investment and innovation.

We are also mindful of the importance of having a predictable process for changing market arrangements. Recommendations for change should be a proportionate response and stakeholders should have sufficient warning of, when and how, changes will be implemented. Where changes lead to unanticipated outcomes, are misunderstood or overly complex, this can undermine dynamic efficiency.

2.3.6 The level of regulatory and administrative burden

The customer transfer process, or changes to the customer transfer process, should not impose undue regulatory or administrative costs for parties associated with a transfer.

In this regard, productive efficiency applies equally to regulatory and administrative arrangements as much as it does to the firms that operate under those processes. Where arrangements are complex to administer, difficult to understand, or impose unnecessary risks, they are less likely to achieve their intended ends, or will do so at a higher cost.

We will also keep this consideration in mind in respect of any potential changes we propose to the arrangements. Retailers have existing information technology and business processes that are structured to meet existing obligations. New arrangements and obligations could require existing systems and processes to be modified. Any costs this imposes should be proportionate to the benefits likely to be derived from those changes.

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29 This is consistent with Lumo Energy's submission, which stated that they strongly support a national, harmonised approach to transfers that is free from unnecessary jurisdictional derogations. See: Lumo Energy, Issues Paper submission, p. 3.

3 Development of options

Summary of this chapter

The options set out in this paper were developed in response to the identification of three key issues raised in, and in response to, the Issues Paper:

- the timing of the customer transfer process;
- the accuracy of the data that is used in the customer transfer process; and
- the effectiveness of the objections framework that forms part of the current customer transfer process.

The Commission welcomes submissions on these options, as well as any other options that should be considered, or any alternative ways of implementing the options that would improve their effectiveness.

3.1 How we developed the options set out in this paper

The Issues Paper sought stakeholder comment on the efficiency of the customer transfer process, specifically in relation to the materiality of issues affecting two key aspects - the timing and accuracy of the process.

Stakeholders commented that there were several issues related to timing and accuracy in the current customer transfer process which may impact on the processes' efficiency.

Each of the options discussed in this paper, therefore, seek directly, or indirectly, to address one of the following issues:

- the timing of the customer transfer process, with the time taken to transfer being largely determined by retailers requiring actual meter read data in a timely and accurate manner from metering data providers in order to complete the customer transfer process;
- the accuracy of the data that is used in the customer transfer process, with the most common issue being created by a mismatch between the address data that exists in MSATS for a particular NMI number, and the address that the customer uses; and
- the effectiveness of the objections framework that forms part of the current customer transfer process. The purpose of this framework is to facilitate the orderly handling of participant objections received in response to customer transfer requests. It is has developed in a piecemeal fashion since the gradual introduction of retail competition.

Each option is described in more detail in chapters 4 to 6.

It is unlikely that any single option could, by itself, fully improve the efficiency of the customer transfer process. A more comprehensive response to improving efficiency is therefore likely to require a combination of several options discussed in this paper.

Due to the number of options discussed in this paper, we have kept the description of each option reasonably brief and have not explored in detail all the issues regarding how each option could be implemented. In the Final Report, we will develop in more detail any options that we recommend, including how these options could be implemented. This would also include consideration of any NER, NERR or Procedure changes that may be required.

It is worth noting that these options could be applied to all the jurisdictions in the NEM (i.e. could be equally applicable to both National Energy Customer Framework (NECF)-adopting jurisdictions, and (through retail code amendments) non-NECF-adopting jurisdictions). This may have some impact on implementation costs. Any relevant differences between the arrangements in NECF and non-NECF jurisdictions are discussed in the descriptions of the options.

The Commission welcomes submissions on any other options that should be considered, or any alternative ways of implementing the options that would improve their effectiveness or reduce their costs.

3.2 Structure of options chapters

The remaining chapters of this paper discuss each of the options.

Each chapter adopts the following structure:

- a description of the problem that the options are trying to address, including our assessment of the extent of the problem;
- for each option:
  - a summary of the option;
  - a detailed description of the option;
  - an explanation of how the option may address the identified problem; and
  - an exploration of the potential benefits and costs of the option, discussed in relation to our assessment framework as set out in chapter 2.

The Commission recognises that any response to improve the efficiency of the customer transfer process may involve some costs. The potential benefits and costs associated with each of the options are, therefore, explained in the relevant chapter by reference to the assessment framework as set out in chapter 2.

A number of submissions to the Issues Paper commented that any proposed policy initiatives should only be pursued following a robust cost-benefit analysis, potentially

conducted by AEMO in conjunction with industry participants.[30] This assessment, and stakeholder comment on this initial assessment, would assist in any cost-benefit analysis that may potentially occur.

30 See: Energy Australia, Issues Paper submission, p. 1; Alinta Energy, Issues Paper submission, p. 2; ERAA, Issues Paper submission, p. 1; Lumo Energy, Issues Paper submission, p. 2; Origin Energy, Issues Paper submission, p. 1; Energex, Issues Paper submission, p. 2; United Energy, Issues Paper submission, p. 1.

4 Options to address timing of the customer transfer process

Summary of this chapter

Currently, customer transfer requests may not complete in the fastest possible manner. The time taken to transfer is largely determined by the current practice of transferring a customer only after an actual meter read for their electricity consumption has been recorded.

The options that are considered in this chapter, with the aim of improving the timing of the customer transfer process are:

- Option A1: reduce the maximum prospective timeframe for customer transfer requests, as set out in the MSATS Procedures, from 65 business days to 21 business days;
- Option A2: allow customer transfers to occur on the basis of estimated reads, which would provide an alternative to the current practice of obtaining an actual meter read for a transfer request to complete;
- Option A3: introduce an incentive scheme on metering data providers, to encourage such parties to provide more timely and accurate special meter reads; and
- Option A4: increase monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the AEMO and/or the AER.

The Commission welcomes stakeholder comments on these options, including on the main costs and benefits of each option, whether there are benefits in some of these options being implemented jointly, or whether there are alternative options that should be considered.

This chapter discusses four policy options that could be implemented to address the timing of the customer transfer process.

4.1 What is the problem?

4.1.1 Length of the customer transfer process

Currently, customer transfer requests may not complete within a desired timeframe. A fast and reliable switching process is likely to improve customer engagement in the retail energy market and will support retail competition.

In our Issues Paper, we identified that approximately 99 per cent of all small customer transfers were completed within 65 business days for the NEM as a whole between

January 2010 to July 2013.[31] However, only 65 per cent of all small customer transfer requests were completed within 30 calendar days.

In most cases, 30 calendar days (approximately 21 business days) may be considered a reasonable timeframe for the completion of customer transfer requests.[32] This is also consistent with timeframes in overseas jurisdictions.[33] In submissions to the Issues Paper, the majority of stakeholders agreed that 30 calendar days was a reasonable timeframe for transfer requests to be completed.[34]

Transfer times can, therefore, be improved in the NEM. Two-thirds of current transfers are completed within 30 calendar days. In submissions to the Issues Paper, stakeholders commented that transfers should be aimed to be completed within 30 calendar days.[35]

4.1.2 Use of actual meter reads

The Commission understands that the time taken to transfer is largely determined by the current practice of transferring a customer only after an *actual* meter read is obtained.[36]

Transfer requests complete once an actual meter read has been obtained, and supplied to the MSATS system by the metering data provider.

In order to obtain an actual meter read, retailers either:

- wait for the next scheduled meter read, which:
  - for manually read meters, occurs in accordance with a quarterly meter reading cycle; and
  - for remotely read interval meters, data is approximately received weekly; or

31 Issues Paper, p. 52.

32 Although, we recognise that in some instances there may be valid reasons why transfers do not complete within 30 calendar days.

33 For example, in 2009, the European Union identified that all customer transfers should occur within 21 calendar days (or 3 weeks).

34 See: SACOSS, Issues Paper submission, p. 2; Aurora Energy, Issues Paper submission, p. 6; Alinta Energy, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 8.

35 See: EWON, Issues Paper submission, p. 5; SACOSS, Issues Paper submission, p. 2. Further, the Australian Chamber of Commerce and Industry commented that the current maximum time allowed to switch retailers is "excessive". See: Australian Chamber of Commerce and Industry, Issues Paper submission, p. 1

36 This was supported by discussion in Etrog Consulting's submission. See: Etrog Consulting, Issues Paper submission, p. 6.

- pays (or obtains consent from the customer to pay) for a special meter read, where the metering data provider undertakes a one-off read of the meter to obtain an actual read.

From our discussions with stakeholders, and views expressed in submissions, we understand that there are issues with both of these options. We discuss these issues below.

Quarterly meter reading cycle

For manually read meters, the next scheduled meter read occurs in accordance with the metering data provider's quarterly meter reading cycle. Therefore, if the transfer request occurs soon after the last actual meter read, the next scheduled meter read may be up to three months into the future.[37]

Cost of special meter reads

In order to overcome the problem of long meter reading cycles, and as an alternative, some retailers currently request special meter reads to obtain timely actual metering data to transfer customers quickly when the next scheduled read date is far away.[38] However, there are costs involved with a special read, which must either be incurred by the retailer or a consenting customer.

From our review of MSATS data, the use of special meter reads does not seem to occur frequently (i.e. retailers opt for a special read around 20 per cent of the time).[39]

Some stakeholders considered that special meter reads are too expensive (and potentially not cost reflective) and are, therefore, not opted for by either retailers or customers.[40] For example, EnergyAustralia commented on the "exorbitant cost of special reads" being a "significant barrier to requesting them more regularly when a scheduled read is not readily available."[41]

37 This was identified by submissions as a potential reason for the customer transfer process to be prolonged. See: ERM Power, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 8; Origin Energy, Issues Paper submission, p. 9; EnergyAustralia, Issues Paper submission, p. 4.

38 See: Origin Energy, Issues Paper submission, p. 9.

39 Further, Energex commented that in its experience, in the majority of instances, retailers and/or customers do not elect to transfer before the next scheduled meter read (i.e. opt for a special read). See: Energex, Issues Paper submission, p. 4.

40 See: EnergyAustralia, Issues Paper submission, p. 4; Ergon Energy, Issues Paper submission, p. 8. ERM Power also comments that customers have the ability to pay for a special read outside the usual cycle, but they do not generally choose to do so. ERM Power do not comment on any potential reasons why this may be. See: ERM Power, Issues Paper submission, p. 1.

41 See: EnergyAustralia, Issues Paper submission, p. 4.

Access to the meter

The most material issue associated with obtaining an actual meter read appears to be related to access to the meter.[42,43] Under both of the above options available to retailers for obtaining a meter read, metering data providers can "object" to the transfer request on the basis of "no access" (i.e. no actual meter read can be obtained since the metering data provider cannot obtain access to the customer's meter).

Objections to the transfer process relating to no access, comprise a large proportion of objections that are raised (29 per cent). Further, Simply Energy commented that they have examples of customers who have been subject to "no access" objections, despite there being clear access to the meter.[44]

If the actual meter read is not obtained, and the metering data provider subsequently "objects" to the transfer request, the metering data provider will notify the winning retailer that it has been unsuccessful in reading the meter. The winning retailer would then contact the customer to rearrange a time for the meter to be read, or to confirm access to the meter.

In a similar fashion to how the transfer request was first raised in MSATS,[45] the winning retailer is then required to select a proposed transfer date based on the meter read type, for which the metering data provider must provide confirmation. This process continues in MSATS until either the metering data provider successfully reads the meter, and so submits actual meter read data into MSATS; or MSATS automatically cancels the transfer request at the expiry of the maximum time period for which the request can remain open (220 calendar days). Therefore, any access related issues necessarily extend the time for the customer transfer process to occur.

There are legitimate workplace health and safety reasons why access may not be obtained (e.g. vicious dogs, locked gate). However, we also consider that metering data providers may not always have sufficient incentives to supply timely and accurate meter reads.[46]

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42 See: AGL Energy, Issues Paper submission, p. 3; Origin Energy, Issues Paper submission, p. 5; EWOV, Issues Paper submission, p. 7; Aurora Energy, Issues Paper submission, p. 6; Simply Energy, Issues Paper submission, pp 2-3; Alinta Energy, Issues Paper submission, p. 1; Energex, Issues Paper submission, p. 3; ERAA, Issues Paper submission, p. 2; Lumo Energy, Issues Paper submission, p. 3.

43 The NSW DNSPs have the view that if access problems are able to be resolved relatively quickly, then the issue does not have a material impact on timeliness. See: NSW DNSPs, Issues Paper submission, p. 6.

44 See: Simply Energy, Issues Paper submission, p. 3.

45 For a more detailed discussion of the customer transfer process, please refer to chapter 4 of our Issues Paper for this review.

46 The NSW DNSPs do not consider that the "Local Network Service Provider (LNSP) obstructs the market process". The AEMC does not consider that DNSPs obstruct the process, rather that the incentive arrangements in place are not as strong as they could be. See: NSW DNSPs, Issues Paper submission, p. 6.

Although retailers may have stronger incentives (both regulatory and competitive) to resolve access issues and so complete transfers faster,[47] they are not actually in control of obtaining meter reads and meter data provision. These services are currently performed by parties that are not subject to the same competitive pressures as retailers (although they are subject to similar regulatory pressures), and so may not face the same incentives to strive for accuracy and efficiency.[48] Therefore, actual meter reads may not always be obtained in such a timely or accurate fashion, as they may be if the performance incentives were stronger.

4.1.3 Estimated reads and/or customer self-reads

Currently, the MSATS Procedures set out that both estimated reads and customer self-reads can be used in the customer transfer process, provided that this is consistent with jurisdictional policy and the customer consents to this. The use of these meter read types would circumvent access issues, since retailers would not have to rely on the meter being read physically by the metering data provider.

However, several submissions commented that jurisdictions do not permit electricity customer transfers to occur on the basis of these approaches.[49] However, based on a review of existing jurisdictional instruments, the only jurisdiction that explicitly does not permit customer transfers to occur on the basis of an estimated read appears to be Victoria.[50] The Commission would welcome further information or evidence with respect to whether estimated or customer self-reads can be used in other NEM jurisdictions.

The Commission understands, however, that regardless of current jurisdictional policy on these available read methods, retailers prefer not to use these read methods for customer transfers. Although we understand that some retailers do use customer self-reads and/or estimated reads for billing purposes.[51]

47 Retailers also have incentives to receive meter reads more frequently to enable more accurate settlements in the wholesale market.

48 These incentives may change depending on the outcome of the SCER competition in metering rule change, which would establish arrangements for increased competition in metering and related services in the NEM. See: SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

49 See: AGL Energy, Issues Paper submission, p. 4; Alinta Energy, Issues Paper submission, p. 2; Ergon Energy, Issues Paper submission, p. 6.

50 Clause 4.5 of the Victorian Electricity Transfer Code.

51 See: Alinta Energy, Issues Paper submission, p. 2; ERAA, Issues Paper submission, p. 3.

4.1.4 Impact on the customer transfer process

Failure to obtain meter read data also extends the customer transfer process, as outlined above. Longer than expected transfer times can have significant impacts on both customers and retailers.[52]

For example, a customer who has experienced a longer than expected time to transfer to the winning retailer may also complain that they have not received their final bill (from the losing retailer) or first bill (from the winning retailer). Or, that when it is received, the bill(s) may be higher than expected since it would relate to a longer than usual billing period. This could potentially affect their level of confidence in the switching process, more generally, creating disenchanted customers who may reduce their level of engagement in the retail market. Further, higher bills could have significant repercussions for customers, particularly if they are experiencing financial hardship.

Retailers may also incur greater costs, since they would be obliged to field more queries and complaints from these customers where the transfer has not yet occurred.

Retailers would also face increased administrative costs, associated with responding to, and dealing with, no access objections that are raised in response to the transfer request. For example, retailers would have to contact both the customer and the metering data provider, in order to set up a new time where access would be provided to read the meter. Excessive transaction costs associated with securing customers are likely to undermine retail competition and prospects for new entry.

Consequently, given the potential for longer than expected transfer times to have significant detrimental impacts on parties involved in the transfer process, the Commission considers that they should be addressed.

4.1.5 Cooling-off period

A number of stakeholders also considered that the 10 business day cooling-off period may contribute to longer than expected transfer times for small customers.[53]

As noted in our Issues Paper, customer protection measures (including the cooling-off period) raise broader considerations (beyond energy specific issues) that are best addressed by the relevant jurisdictions. Also, it is important to recognise that since many consumer protection measures flow from the Australian Consumer Law,[54] any conflicting rules based amendments may have no practical effect.

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52 Examples, such as those discussed later in this section were also highlighted in EWOV's submission. See: EWOV, Issues Paper submission, p. 7.

53 See: Ergon Energy, p. 2; Simply Energy, p. 1; EnergyAustralia, p. 2; ENA, p. 2; Australian Chamber of Commerce and Industry, p. 2.

54 The Australian Consumer Law sets out that customers who sign an unsolicited agreement have 10 business days to cancel the agreement without penalty (i.e. this refers to the "cooling-off" period). See: http://www.consumerlaw.gov.au/content/Content.aspx?doc=home.htm.

In all NECF-adopting jurisdictions, and in accordance with the National Energy Retail Rules,[55] a retailer can commence the customer transfer process in MSATS for a market retail contract prior to the expiry of the cooling-off period, provided the retailer can reverse the transfer if the customer elects to withdraw from the contract prior to the expiry of the cooling-off period.[56] Therefore, the cooling-off period should not have a significant impact on customer transfer times, since the process for small customer market retail contracts can be started prior to the expiry of the cooling-off period.

However, we understand that, in general, most retailers prefer to commence the transfer process after the cooling-off period has expired. This avoids potentially administratively costly and/or complicated transfer reversal processes for the retailer where, prior to the end of the cooling-off period, the customer decides not to proceed with the transfer.

The Commission is interested in understanding more about why retailers prefer to not commence the small customer transfer process until the cooling-off period has expired (e.g. how reversals are given effect in a retailer's systems; the magnitude of costs involved with reversing a transfer; to what extent is it a risk management decision). We are also interested in understanding whether retailers take a blanket approach to all small customer transfer requests in relation to the cooling off period (i.e. whether retailers apply the same approach to residential customers and small business customers). The Commission invites stakeholder comments on this process, and these costs.

4.1.6 Summary

Submissions to the Issues Paper also contemplated several other reasons as to why there may be longer than expected transfer times. For example, Ergon Energy commented that since MSATS is a labour intensive system, where there are delays in data entry, the timeframe for the transfer will necessarily be longer.[57]

The Commission considers that, while the MSATS system may be labour intensive, if an actual meter read is available, and no objections to a transfer request are lodged, then the MSATS process can complete within approximately 10 business days.

55 National Energy Retail Rules, Rule 57(2).

56 In Queensland, the proposed transfer may be initiated prior to the expiry of any applicable cooling-off period, but the transfer must not be completed until the cooling-off period has expired. See: clause 6.5.1 of the Queensland Electricity Industry Code, February 2013. In Victoria, the Victorian Code states that retailers can only raise a customer transfer request to change retailers at the expiration of the cooling-off period. See: Clause 4.1 of the Victorian Electricity Customer Transfer Code, April 2011.

57 See: Ergon Energy, Issues Paper submission, p. 5.

However, the Commission considers that the most material issues causing longer than expected transfer timeframes are those described above, specifically:

- issues with access to the meter, and a lack of incentives on the part of the metering data provider, which may prevent both scheduled meter reads and special reads from being undertaken in a timely and efficient manner;
- the reliance on actual meter reads, which for manually read meters may only occur once every quarter; and
- the cost of special reads, which some stakeholders consider may potentially be not cost reflective.

Therefore, this chapter focusses on those options that address these issues. These options, if pursued, would all aim to address issues related to the timing of the customer transfer process.

4.2 Option A1: Reduce the maximum prospective timeframe for customer transfer requests

Summary of this option

This option would reduce the maximum prospective timeframe for customer transfer requests, as set out in the MSATS Procedures, from 65 business days to 21 business days.

4.2.1 Description of this option

Under this option, the relevant clauses in the MSATS Procedures[58] would be amended to give effect to a reduction in the maximum allowable time for a prospective transfer date from when a transfer request is first raised by the winning retailer. The maximum allowable time for a transfer would be reduced from 65 business days to 21 business days under this policy option.[59,60]

Currently, the transfer process can extend beyond the 65 business days where there are metering access issues. This would still be allowed to occur under this option (e.g. transfers could extend beyond 21 business days if there are meter access issues). As stated in several submissions,[61] it is likely to be efficient for the transfer to extend beyond the timeframe in these circumstances. This is more efficient than the

58 For example, clauses 3.10.2 and 6.9(b) of MSATS Procedures: CATS Procedure Principles and Obligations.

59 Such an option was contemplated in the terms of reference for this review. "The AEMC is required to conduct a review which outlines existing retailer switching arrangements for consumers and assesses whether more specific maximum day limit rules should be introduced into the NEM."

60 In order to give effect to this option, an amendment to the NER stating what the MSATS Procedures should cover would be required.

61 See: Energex, Issues Paper submission, p. 7; AGL Energy, Issues Paper submission, p. 2.

alternative, where the transfer request would be cancelled, and the retailer would then be required to reinitiate the transfer request.

The Victorian Electricity Transfer Code (Victorian Code) specifies that the proposed transfer date for a small customer may be up to 20 business days in the future (i.e. the prospective timeframe in Victoria is less than the 65 business days in the rest of the NEM). This requirement has been in the Victorian Code for a number of years, and so it is not a recent amendment in response to the roll-out of AMI, which enable faster transfers.

Further, Victoria explicitly prohibits transfers on the basis of estimates. Therefore, the Commission considers that the lower prospective timeframe in Victoria may have in some part influenced retailer behaviour in achieving shorter transfer timeframes in this jurisdiction.[62] The Commission welcomes stakeholder views on this matter.

This option was supported by the Australian Chamber of Commerce and Industry, who supported a significant reduction in the current permitted maximum switching time of 65 business days.[63]

4.2.2 How will this option reduce the customer transfer timeframe?

By reducing the prospective timeframe for customer transfers, retailers would be under increased pressure, and incentivised to undertake customer transfers faster.

Retailers would be encouraged to use other available meter read methods for transferring customers, as opposed to solely waiting for the next actual meter read. Also, retailers operating nationally could harmonise their internal business processes for transferring customers within jurisdictions.

It would be up to the individual retailer to decide what would be the most efficient method of achieving this. Retailers would not be required to use one particular type of meter read to transfer customers.

Both the Energy Networks Association (ENA) and Energy and Water Ombudsmen NSW (EWON) commented that reducing the maximum timeframe on its own is unlikely to reduce average switching times.[64] This policy option, in isolation, is unlikely to speed up the customer transfer process, given the limitations with the current framework as outlined above. The issues associated with prolonged transfer timeframes would also need to be addressed.

Under the current framework, the only way that retailers could undertake customer transfers faster would be for:

62 MSATS data from 2010 suggests that Victoria had a higher proportion of transfers being completed than other NEM jurisdictions. In 2010, a small number of AMI was rolled-out in Victoria.

63 See: Australian Chamber of Commerce and Industry, Issues Paper submission, p. 2.

64 See: ENA, Issues Paper submission, p. 2; EWON, Issues Paper submission, p. 10. For example, since many of the issues that extend the customer transfer timeframe relate to data errors, which are not addressed under this option.

- metering data providers to provide actual meter reads in a faster manner;
- for the retailer to either incur (or charge consenting customers for) the cost of a special read; or
- for the retailer to install remotely read meters.

However, Option A2 (discussed below) contemplates allowing transfers based on estimated reads. This option would give more flexibility to retailers as mechanisms to achieve faster transfer times. Therefore, this option represents a complementary reform that could be undertaken in order to help give effect to this option.

4.2.3 Assessment

Prima facie, a shorter prospective maximum transfer time would compel retailers to undertake transfers more quickly. However, the Commission considers that this is unlikely on its own to lead to significant improvements in the speed and reliability of the transfer process.[65] This is because the majority of issues contributing to prolonged transfer times (i.e. access to the meter, data errors, and a lack of incentives on the part of the metering data provider) are largely outside the control of retailers. In particular, implementing this option in isolation:

- Would not increase or change the incentives placed on the metering data providers to provide more timely and accurate meter reads.
- Would likely lead to a misallocation of costs and risks. If there are no mechanisms (or only costly mechanisms) for a retailer to access more timely meter read data, then risks and costs are not aligned. The party that is bearing the costs of being required to meet the shorter prospective timeframe (i.e. the retailer) is not the one who is responsible for the data necessary to achieve this reduction (i.e. the metering data provider). Therefore, this option is likely to increase risks to retailers, without providing them any corresponding means of managing these risks.
- Could potentially be low cost to implement, since only the relevant clauses of the MSATS Procedures would need to be changed and corresponding changes made to the MSATS system. There may need to be minor changes to businesses' IT systems as a result of this option, but these appear unlikely to be substantial.

Given the experience in Victoria with lower prospective timeframes, the Commission considers that this could be extended to the rest of the NEM.

However, this option, when implemented in conjunction with other options considered in this chapter, may provide greater benefits, since issues with incentives, risks and costs would also be addressed. Therefore, when assessing this option, it is important that the benefits of a shorter maximum customer timeframe are weighed against, not

65 Further, this could result in retailers delaying the entry of the transfer requests into MSATS in order to meet this shorter prospective timeframe.

only the cost of implementing this option, but also the costs of the additional measures that would have to be implemented in order to achieve this reduction in timeframe.[66]

4.3 Option A2: Allow transfers to occur based on estimated meter reads

Summary of this option

This option would confirm that customer transfers are allowed to occur on the basis of estimated meter reads (including potentially customer self-reads) which would provide an alternative to the current practice of obtaining an actual meter read for a transfer request to complete.

4.3.1 Description of this option

While the current regulatory framework may allow customer transfers to take place on the basis of estimated meter reads (provided that this is consistent with jurisdictional policy), this option would confirm that this is allowed.

Importantly, this option would not require retailers to give effect to all customer transfer requests on the basis of an estimated read. Instead, it would give the retailers the option of using estimated reads, for example, in such situations where a special read is considered too costly, there is no remotely read meter, or the next scheduled meter read is several months away.

Estimated reads would be most useful where customers are on quarterly read accumulation (i.e. type 6) or manually read interval (i.e. type 5) meters, since these customers would no longer have to wait for an actual read on the next scheduled read date for their meter . Remotely read meters would not require the use of estimated meter reads - unless the remote reading ability of the meter is not working.[67]

Estimated reads can be based on information that is either provided by the:

- metering data provider, estimated through a statistical method (currently termed estimated read); or
- the customer, estimated by reading the meter (currently termed customer self-read).

Regardless of how the "estimate" is sourced, the metering data provider would verify the estimate, and provide the verified estimate to the retailer, for this to be used in the customer transfer process. Therefore, this option would consider both of these sources

66 This sentiment was expressed in AGL Energy's submission. See: AGL Energy, Issues Paper submission, p. 5.

67 While estimated reads could also be used where communication of remotely read meters breaks down, it is unlikely that the breakdown in communication would last for a significant period of time, making an estimated read beneficial.

of information as estimates. The term "estimated read", as used throughout the remainder of this section refers to estimated reads as defined above (i.e. either source of information).

If estimated reads are to be allowed, then the regulatory framework could be clearer in terms of when such a read could be used. In particular, if estimated reads are allowed as a basis for transferring customers in-situ, the transfer process could occur as follows:

- The customer begins the process to switch retailers by choosing a new ("winning") retailer.
- In the process of signing up to the winning retailer, the customer would provide explicit informed consent that it may be transferred on the basis of an estimated read.[68,69]
- The winning retailer would commence the transfer process. In submitting the transfer request into the MSATS system, the winning retailer would select the meter read type "estimated read". This read type should only be selected when there is the existence of an immediately previous actual read for the relevant site.[70] It may also be beneficial that this read type could only be selected where the next scheduled read is greater than 30 calendar days in the future.
- The metering data provider would source an estimate for the customer's consumption, as at the relevant transfer date. This estimate would be sourced in accordance with an industry-agreed, and AEMO-specified, method for estimating meter reads, which would be set out in the Metrology Procedures.[71,72]
- The metering data provider would then validate this estimate. This validation could include: the use of the metering data provider's system to estimate consumption; or an accompanying photo provided by the customer, along with the self-read.[73]

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68 Indeed, this was supported by AGL. See: AGL Energy, Issues Paper submission, p. 4.

69 There are current provisions in the National Energy Retail Rules (NERR) (Rule 21(1)(1)) that require customer consent to receiving a bill (and so a final bill before a transfer) based on an estimate. In the context of a transfer, the above consent would need to be sought by the *losing* retailer. There may be limited incentives for a losing retailer to ask for consent in the event of a transfer. However, we consider that this explicit informed consent is an important part of this process. It is likely that in this context, the NERR would need to impose a new obligation on retailers, and would also need to address how both retailers sort this out.

70 As stated by EnergyAustralia, requiring a previous actual read would limit risks since estimates would be based on previous reads. See: EnergyAustralia, Issues Paper submission, p. 4. AGL Energy also supported this. See: AGL Energy, Issues Paper submission, p. 4.

71 This was supported by AGL Energy. See: AGL Energy, Issues Paper submission, p. 4.

72 Information for the estimate could either come from the customer itself, or be based on the customer's prior history of consumption.

73 This may require some IT systems investment from industry in order to give effect to this. See: Origin Energy, Issues Paper submission, p. 4. We also note EWON's concerns that some customers may not have easy access to their meter, or are otherwise unable to provide a photograph. For these

- The estimated consumption would then be entered into the MSATS system and form the basis for the customer transfer.
- The losing and winning[74] retailers would have an option to dispute the estimated read, if its own estimated read was more than, say, 200 kWh different to the metering data provider's read, with the dispute occurring in accordance with an industry-agreed dispute process.[75]
- Once the estimated data has been uploaded to MSATS, a series of billing and settlement processes would be initiated amongst the various registered participants and AEMO.
- The winning and losing retailers would be settled in the wholesale market on the basis of this estimated read.[76]
- The losing retailer would provide a final bill to the customer, with this being based on the estimated read.
- Following the conclusion of these billing and settlement processes, the winning retailer would become financially responsible for that customer, and the customer transfer process would complete.

We understand that currently AEMO's Metrology Procedures set out methods for estimating meter reads for remotely read interval (i.e. type 5) and accumulation (i.e. type 6) meters. However, if this option was pursued, we consider that AEMO, in conjunction with an industry working group, should review and update these estimation methods, with the aim of obtaining an industry agreed, robust estimation methodology promoting accuracy.[77,78]

AEMO, and the industry working group, could develop a standardised estimation methodology, based on a number of principles, which would include promoting accuracy.[79]

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customers, if an estimate was required it would be sourced from the metering data providers. See: EWON, Issues Paper submission, p. 9.

74 We recognise that it would be unlikely that the winning retailer would dispute the estimated read, since it would not have a history of data on the customer, which would be used in developing its own estimate.

75 This was supported by both EnergyAustralia and AGL. See: EnergyAustralia, Issues Paper submission, p. 4; AGL Energy, Issues Paper submission, p. 4.

76 This was supported by EnergyAustralia. See: EnergyAustralia, Issues Paper submission, p. 4.

77 This revisit of estimation methods may address some of the NSW DNSPs concerns with estimated reads. See: NSW DNSPs, Issues Paper submission, p. 7.

78 This task would be undertaken in response to rule changes covering what the Metrology Procedures should cover.

79 United Energy comment that under an estimated read, the allocation of energy to the winning and losing retailers in the market is by implication less accurate than a measured quantity. However, having accuracy as one of the selection criteria for choosing an estimation method would also help to promote accuracy. See: United Energy, Issues Paper submission, p. 2.

For example, one issue AEMO and the working group should consider is that the metering data provider may not have up-to-date or accurate information on customer consumption. Therefore, a customer self-read could potentially be provided to the metering data provider as a source of information. This customer self-read could be used as a "check" against an estimate based on prior customer consumption. This could enhance the accuracy of the estimation process.

Some retailers do not support permitting transfers based on estimated reads.[80]

However, other stakeholders supported the introduction of estimated reads.[81] This included some retailers stating that the introduction of estimated meter reads may have merit, although noting that some issues should be resolved before estimated reads are introduced. We welcome stakeholder comment on whether the above method for estimated reads has addressed these concerns.[82]

4.3.2 How will this option reduce the customer transfer timeframe?

This option provides an alternative option for a source of a meter read required for transferring a customer. This means that the retailer would not have to wait for an actual read (which could be up to three months away), or pay for a special read (or require a consenting customer to pay), in order for a transfer to take effect.[83]

Importantly, this option does not prescribe that all transfers could occur on the basis of an estimated read. Instead, it provides increased flexibility for the retailer and the customer as how to achieve a transfer faster. Customers (and so retailers) would opt to transfer on an estimated read where the benefits of the faster transfer time outweighed the costs associated with this.

The Commission considers that, of the options considered in this paper, this option is most likely to have a significant impact, in terms of reducing customer transfer times for customers with manually read meters.

4.3.3 Impact on retailers

Some stakeholders have concerns about the need for a reconciliation (or "true-up") between actual and estimated reads, that may be created under the use of estimated

80 See: Alinta Energy, Issues Paper submission, p. 2; Origin Energy, Issues Paper submission, p. 1; Simply Energy, Issues Paper submission, p. 3.

81 See: Australian Chamber of Commerce and Industry, Issues Paper submission, p. 2; Etrog Consulting, Issues Paper submission, p. 5.

82 See: EnergyAustralia, Issues Paper submission, p. 4; AGL Energy, Issues Paper submission, p. 4.

83 Indeed, EWON commented that the use of estimated reads would speed up the timeframe for completion of a transfer. See: EWON, Issues Paper submission, p. 9.

reads.[84] If this were to occur, it would reflect "volume" or "settlement" risk between the wholesale and retail markets.

However, since the *same* estimated read is used in both the retail and wholesale markets, there are no "unders" or "overs" for retailers in terms of wholesale settlement, or charging customers in the retail market. Therefore, this risk would not arise - see Box 4.1. Therefore, there should be no volume risk for retailers since the same volumes of electricity are used in both the wholesale and retail markets.[85]

Box 4.1: Financial impacts on retailers from using estimated reads

Assume there are only two retailers (Retailer A, Retailer B). At the start of the period (Day "0"), Customer 1 is with Retailer A. However, Customer 1 decides to switch to Retailer B.

The customer transfer process would occur as follows:

- The customer gives consent to Retailer B for the transfer to occur on the basis of an estimated read, with the effective transfer date being Day "X1".
- Retailer B, as the winning retailer, submits a customer transfer request to the market's central transfer system (MSATS, as per current practice) for the transfer to occur on Day "X1".
- The metering data provider estimates consumption in accordance with an agreed estimation method. The estimated consumption for Customer 1 at Day "X1" is estimated to be 50kWh.
- Neither Retailer A, nor Retailer B dispute this estimate, and so 50kWh is agreed (by both retailers) to be the customer's consumption on this date.
- Retailer B is responsible for Customer 1 from Day "X1" onwards.
- Post transfer, an actual meter read is done for Customer 1 on Day "X2", in accordance with the regular meter reading cycle. Actual consumption at this point in time is found to be 150kWh since the meter's last available actual meter read.

What happens in the wholesale market?

The estimated consumption is used in settlement in the wholesale market - where AEMO collects payments from market customers ("retailers") for energy

84 See: Alinta Energy, Issues Paper submission, p. 2; ERAA, Issues Paper submission, p. 3; NSW DNSPs, Issues Paper submission, p. 8.

85 AGL Energy commented that transfers and settlement based on actual reads promotes efficient outcomes since neither retailer is carrying settlement risk. We consider that under our proposed approach, this risk would not arise. See: AGL Energy, Issues Paper submission, p. 2.

purchased and, in turn, pays generators for electricity produced.

Wholesale market settlement would occur as follows, with the estimated consumption being used in settlement:[86]

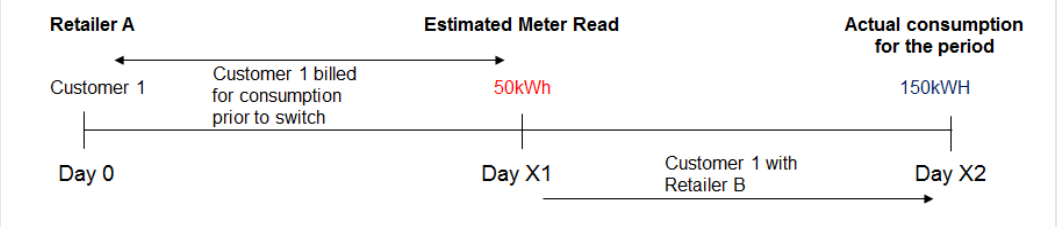
- Retailer A would be charged with purchasing 50kWh (estimated consumption pre-transfer, up to Day "X1"); and
- Retailer B would be charged with purchasing 100kWh (consumption post-transfer, between Days "X1" and "X2", calculated as actual consumption less estimated consumption at the date of the transfer).

The actual meter read (i.e. 150kWh, taken on Day "X2") is never used to adjust the estimated meter read upon which the transfer was based (i.e. 50kWh, as at Day "X1").

What happens in the retail market?

Retailer A bills Customer 1 for the estimated consumption pre-transfer (50kWh).

Once the actual meter read comes in, Retailer B will charge Customer 1 for the additional energy consumed (i.e. actual consumption less the estimated read = 100kWh).



Since the *same* estimated read of 50kWh is used both in the retail and wholesale markets, and the actual read is never used to adjust the estimated read, there are no "unders" or "overs" for retailers in terms of wholesale settlement, or charging customers in the retail market.

The Commission accepts that there may be some increased risks for retailers from using estimated reads, which relate to a retailer's hedging strategy.

Retailers must pay AEMO for the energy supplied to their customers. In turn, AEMO pays generators for the electricity purchased and applied by retailers. These transactions are known as "spot market" trading, with retailers paying the "spot price" for the electricity their customers use. Spot prices in the wholesale market can be

86 Currently, in wholesale market settlement, as each customer is transferred, the customer's metered energy consumption from that day forward is subtracted from the total metering of the franchise or host retailer (i.e. the retailer that supplies those customers who have the option to move to a market (i.e. unregulated) offer, but remain on a regulated retail price), and is added to the energy account of the new retailer. This is also referred to as settlement by difference. We do not consider that the use of settlement of difference creates any issues with this proposed process for using estimated reads.

volatile, with this volatility creating significant risks for retailers. Retailers seek to manage these risks through a variety of strategies, including entering into financial contracts with generators (i.e. "hedging" against this risk).

Retailers hedge against the spot market based on an expectation of electricity load that they expect to serve to their customer. Using the above example, from Box 4.1 Retailer B would hedge based on an expectation of supplying the estimated load of customer 1 (i.e. 50kWh). However, it ended up supplying 100kWh. This meant it "under-hedged" by 50kWh.

While retailers may face some increased risks from estimated reads in relation to their hedging strategies, it is expected that any changes would operate in both directions (i.e. positive and negative) and so balance out over time. Further, since customer transfers are a normal occurrence in the NEM, it is likely that these considerations would already be built into retailers considerations.

Finally, metering data providers would not be significantly affected by any use of estimates. Where metering data providers are distributors, they are responsible for billing retailers for their network use of system charges, and so use of an estimate may have some impact on this where the charge is based on usage.[87] However, metering data providers do not settle in the wholesale market, and so are not subject to any settlement risk.

4.3.4 Assessment

Clarifying that transfers can take place based on estimated reads, would increase the transparency and understanding of the current arrangements for all participants, enabling them to manage transfers as effectively as possible.

The primary benefit associated with allowing estimated reads is that customers can move on to their new retail offer much sooner than having to wait to transfer on their next actual scheduled meter read. This would therefore, reduce transaction costs for those customers that opt to switch on estimated reads, since the transfer would occur more quickly (i.e. those customers that valued a faster transfer timeframe would take advantage of this option).

It would also reduce transaction costs for retailers, since they would be able to "win" the new customer sooner, and so be able to invoice the customer from an earlier date.

87 If the metering data provider was not a regulated distributor, then there would be no effect since they would not bill retailers for use of the network.

Customers may be wary of estimated reads,[88] given the potential for them to be different to the amount of electricity that is actually consumed. However, under the process described above:

- to the extent that any incorrect estimation occurred, this would be reconciled for the customer when an actual read is taken by the winning retailer. Any adjustment to the bill would occur solely with the winning retailer, and so minimise confusion to the customer. The extent to which a customer would be financially affected, would depend on the difference in the customer's retail tariff under the losing retailer, compared to the winning retailer (but this is likely to be small);

- since explicit informed consent is required by the customer in order to permit a transfer to occur on an estimated read basis, only those customers that would value a faster transfer would opt for this approach; and

- if the estimation was based on a customer self-reads, then customer wariness may be mitigated.

We understand that there may be concerns that the party responsible for providing the estimate (i.e. the metering data provider) has limited exposure to the risk of an estimate being incorrect and so may have limited incentives to resolve any errors, or provide an accurate estimate.[89] However, since the estimated read would be undertaken by the metering data provider, in accordance with an industry-agreed method, this should limit some of these concerns. There would be little scope for the metering data provider to deviate from this agreed method.[90]

While the winning and losing retailers may have incentives to influence the estimate (i.e. since they are responsible for settling with generators in the wholesale market, based on the level of energy they buy, which is influenced by this estimate), there would be little opportunity for them to influence the estimate.

Further, under the above method, since retailers would be settled both in the retail market and wholesale market on the basis of this estimate, we consider that few incentives to influence the estimate exist.

There may be a number of costs associated with this option, including:

- some changes to the regulatory framework (including the NER, and possibly the National Energy Retail Rules (NERR); MSATS Procedures, Metrology Procedures) to support routine transfers based on estimates;

- some changes to participants' back-office business and process systems to accommodate changes to the customer transfer process;

88 See: United Energy, Issues Paper submission, p. 2; and EWON, Issues Paper submission, p. 9.

89 See: Origin Energy, Issues Paper submission, p. 2.

- training of retailers' call-centre staff in order for them to be aware that they must ask the customer whether they wish to be transferred on the basis of an estimated meter read;

- costs associated with any disputes that may arise from disagreements over estimated reads.[91] However, we consider that by limiting disputes to those where the estimate differs by more than, say, 200kWh (approximately $50), this would limit the extent of those costs; and

- an increased risk for retailers, relating to a retailer's hedging strategy (as discussed above in section 4.3.3).

However, the former three costs would be one-off costs, while only the latter two costs would continue over time.

This option becomes less costly the more retailers take advantage of this option. That is, the more retailers make use of estimated reads, the more likely it is the implementation costs outweigh the benefits that would be achieved.

Metering data providers may incur increased costs, since they would need to provide an increased number of estimated reads. However, it is likely that they would also face a reduced number of special reads, since estimated reads would be used instead. Therefore, we consider that the overall revenue impact on metering data providers would likely be small. We invite stakeholder comment on this.

4.4 Option A3: Introduce incentive arrangements on regulated metering data providers in relation to special meter reads

Description of this option

This option would introduce an incentive scheme on regulated metering data providers, to encourage such parties to provide timely and accurate special meter reads.

4.4.1 Current regulation of meter reading services

As discussed above, several stakeholder submissions suggested that it is the high cost of special reads that prohibits their use, except in unique circumstances.[92] It has been suggested that the charges of special reads are, therefore, not cost reflective.

90 If there were concerns about inaccurate estimates by the metering data provider, then AEMO could "audit" the systems of metering data providers that would be used to produce the estimates.

91 See: Origin Energy, Issues Paper submission, p. 3.

92 See: Alinta Energy, Issues Paper submission, p. 2; ERAA, Issues Paper submission, p. 3; EnergyAustralia, Issues Paper submission, p. 4.; EWON, Issues Paper submission, p. 9.

Where metering data providers are also distributors, then the revenue that is received in return for providing the metering data services is regulated, and so set by the AER as part of the distributor's regulated revenue determination. Currently:

- "metering services" (e.g. scheduled meter reads) are classified as standard control services, and so are included in the regulated revenue component for distributors (i.e. in their role as metering data provider);[93] however
- "special meter reads" are classified as alternative control services, which do not form part of the revenue cap and, as such, are set individually. These are charged on a fee basis, and distribution businesses must demonstrate their compliance by submitting a schedule of charges to the AER each year.

Currently, for type 1 to 4 meters,[94] metering data providers might not be network service providers (i.e. not distributors) since these metering installations are considered "contestable". Therefore, for these parties, any revenue received for undertaking meter data provision is set through contracts that are entered into by the metering data provider and the relevant retailer. Under the proposed SCER competition in metering rule change, such arrangements would be allowed for all metering types (i.e. all metering types would be considered "contestable").[95]

The Commission considers that it is important that the charges for special reads are cost reflective.[96] If the charge is cost reflective, then the customer and/or retailer will weigh up the cost of the special read against the value to them of a faster transfer time.[97] To the extent that the party values the new arrangement, they are likely to use a special read to accelerate a transfer request.[98]

However, cost reflective special meter read charges are likely to vary across geographical areas as they do currently. For example, it is more costly to undertake a special meter read in a rural area, than it is to undertake a special meter read in an urban area.

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93 We note that in the most recent Framework and Approach paper for the regulation of NSW distribution businesses, the AER has classified metering services as alternative control services, since provision of these services is likely to become more competitive in the future. Further, the range of metering services customers may wish to use (e.g. increasing use of smart meters) suggests that unbundling these services from standard control services is appropriate. See: AER, *Stage 1 Framework and approach paper: Ausgrid, Endeavour Energy and Essential Energy,* March 2013.

94 These meters record energy use every half-hour and send those readings to a central database on, generally, a daily basis. These are usually known as "remotely read, interval meters". These are typically installed in large businesses.

95 SCER, *Bulletin: Energy Market Reform: Submission of rule change proposal to the Australian Energy Market Commission (AEMC) on expanding competition in metering and related services*, Bulletin 20, 29 October 2013.

96 This was agreed by ERAA, ENA and AGL Energy. See: ERAA, Issues Paper submission, p. 2; AGL Energy, Issues Paper submission, p. 2; ENA, Issues Paper submission, p. 1.

97 See: AGL Energy, Issues Paper submission, p. 2.

98 It is worth noting that many retailers support the use of special reads to expedite transfers.

The AEMC is currently undertaking a rule change,[99] that is considering how the distribution network pricing principles should be adjusted to encourage distribution businesses to set and structure network prices on a more cost reflective basis, providing more efficient pricing signals to customers.[100]

Since the distribution pricing principles apply to both standard and alternative control services, this rule change will consider how the AER can determine more cost reflective charges - including for special meter reads. Therefore, the Commission considers that the option of pursuing more cost reflective special reads should be considered under that rule change, rather than as part of this review.

We note that Queensland currently has a jurisdictional instrument that caps the costs of certain types of meter reads.[101] A fixed fee applies to special reads.[102] Any revenue shortfall that may exist, where the cost of obtaining the special meter read is higher, cannot be recovered from other customers, or via other charges. This is likely a limitation in setting cost reflective special meter read charges in Queensland.

4.4.2 Description of this option

This option would aim to incentivise regulated metering data providers (i.e. distributors) to improve their service levels[103] by encouraging them to successfully complete special meter reads in a timely and accurate manner. This option does not seek to address the cost of special reads, for reasons as set out above.

This incentive scheme would essentially change the structure of charges for special reads, so that those where a service order for a special read was successfully completed the first time would be better rewarded than those service orders that required a repeated attempt.[104]

The Commission considers that this incentive scheme could work as follows:[105]

- where a special read was obtained on the first attempt, the metering data provider would receive the full fee for providing the service; but

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99 See: http://www.aemc.gov.au/Electricity/Rule-changes/Open/distribution-network-pricing-arrangements.html.

100 To the extent that current charges are not cost reflective, any changes may be either higher or lower than the current special meter read fees.

101 Schedule 8 of the Queensland Electricity Regulation 2006 specifies a fixed fee for special reads.

102 Energex has an AER approved fee for special meter reads of $8.80 (+GST). Energex state that they do not have any specific issues with regard to the existing structuring of charges for provision of metering data. See: Energex, Issues Paper submission, p. 4.

103 See: Simply Energy, Issues Paper submission, p. 1.

104 This was supported by AGL Energy. See: AGL Energy, Issues Paper submission, p. 4.

105 This incentive scheme would need to be developed, and created in Chapter 6 of the NER. Existing incentive schemes only apply to standard control services, where this would apply to alternative control services.

- where a special read was attempted, but no access and so no meter read was obtained, the metering data provider would receive the fee for providing the service less the margin (or rate of return) that is associated with that service.

We accept that the metering data provider may not be able to successfully complete a meter read due to legitimate workplace health and safety issues. Therefore, it would still be able to earn the operating and capital costs associated with providing the special read service.[106]

However, since it was not successful in obtaining the meter read it would not be able to receive the margin or profit to be earned for that service. This would be equivalent to the metering data provider being able to keep "X" per cent of the special read fee. This would likely ensure that metering data providers could still cover the costs of providing the service (even if access was not obtained).

The Commission's view is that targeted incentive schemes significantly affect participant behaviour, while minimising risks on the participants. The Commission welcomes stakeholder comment on whether depriving regulated metering data providers of their margin is of significant enough value to alter behaviour.

The NSW DNSPs do not consider that new obligations are required to incentivise DNSPs to comply with their market and regulatory obligations to deliver timely and accurate data. It considers retailers frustrations with delays in meter reads and inaccurate data could be addressed by improving B2B and metrology processes, and reviewing the effectiveness of current enforcement measures.[107] However, the Commission considers that having effective incentives in place is an important part of any regulatory framework.

To the extent that there are significant concerns with scheduled meter reads, a similar scheme could also be extended to metering services more generally (i.e. those meter reads that occur as part of a scheduled meter read cycle). However, the Commission understands that stakeholders are primarily concerned about the timeliness and accuracy of special reads, and so proposes that this incentive scheme would only apply to special reads (at least in the first instance). We welcome stakeholder views on whether the extension of this incentive scheme to all metering services would be a beneficial approach.

4.4.3 How will this reduce the customer transfer timeframe?

This option does not seek to address the cost of a special meter read.

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106 Ergon Energy commented that where a physical meter reading is required for a small customer with a basic meter installation to enable an expedited transfer, network service providers should be given the opportunity to charge additional fees where costs are incurred (i.e. where the cycle for the next scheduled read is outside the timeframe, and a special read is required). This option would still allow the network service provider to charge and earn additional fees. However, a proportion would not be able to be charged, if the meter read was not successful. See: Ergon Energy, Issues Paper submission, p. 9.

107 See: NSW DNSPs, Issues Paper submission, p. 5.

Instead, it seeks to improve the incentives on regulated metering data providers (distributors) to complete timely meter reads. This would increase the probability that a special read is completed the first time the service order is submitted by the retailer.

This, therefore, would allow the customer transfer process to be completed in accordance with the retailer's expected timeframe.

We also consider that this would increase the retailer's confidence that a special read is likely to be successfully completed. Therefore, retailers may opt for special reads more frequently. Again, this option increases the flexibility for retailers to achieve faster transfer times.

4.4.4 Assessment

This option would promote the appropriate incentives on parties to provide relevant information, and undertake their specified functions in a timely fashion (i.e. obtain meter readings). Since metering data providers would face a financial incentive to successfully complete special reads in a timely manner, we consider that such incentives would be stronger, and so the timeliness and accuracy of special readings would be increased.[108]

The Commission considers that financial incentives provide an understandable and transparent approach to influencing behaviour. In the Commission's view, efficient outcomes can best be promoted by aligning the commercial incentives on businesses with the interests of the customer.

This also seeks to promote the alignment of incentives, by imposing the costs of any poor metering service provision on the party that is responsible for the poor service. This allows costs to be minimised, and risks to be managed in the most effective way possible.

Further, it would also increase predictability of the customer transfer process, since retailers would likely have increased confidence that meter reads would be completed in a timely manner, and so the customer transfer process would be completed in an efficient manner.

This may increase the regulatory burden on the AER, who would be the party responsible for designing, and administrating the incentive scheme. However, little regulatory or administrative burdens would be placed on parties involved in the customer transfer process. We welcome stakeholder comment on this aspect.

108 Although, it is typically the winning retailer that is responsible for contacting customers and informing them that access to the meter must be provided.

4.5 Option A4: Monitoring by AEMO and AER of the timing of the customer transfer process

Summary of this option

This option would increase monitoring, and public reporting, of statistics associated with the timing of the customer transfer process, by the AEMO and/or the AER.

4.5.1 Description of the option

We understand that both AEMO and the AER either currently, or have plans to, monitor the "accuracy" of data that is used to support the customer transfer process. This is discussed in more detail in section 5.3.

This option would see AEMO provide data on the "timing" of customer transfers to the AER. The AER would then publish this information, with this being publicly available (potentially as part of the AER's annual retail market performance reports). This would have the purpose of improving the transparency of information and data flows that relate to the customer transfer process. It would also increase the awareness of parties interested in the customer transfer process.

To the extent that any compliance issues arise as a result of this monitoring, the AER would then be well placed (e.g. have the relevant information) in order to action any enforcement proceedings.

Performance statistics could be published on a number of aspects, subject to any confidentiality concerns, including:

- average transfer times, disaggregated by retailer, for each NEM jurisdiction, and potentially by distribution region;
- how average transfer times, disaggregated by retailer, for each NEM jurisdiction, and potentially by distribution region, change over time (i.e. what parties are achieving improvements in the timeframes for customer transfers);
- the number of successfully completed service orders (i.e. number of successfully achieved special reads), disaggregated by metering data provider;[109] and
- how the number of successfully completed service orders, disaggregated by metering data provider, changes over time.

Based on these monitoring results, AEMO and the AER could identify potential barriers to faster switching times, and propose changes to the NER or MSATS Procedures, that address any barriers that they identify. These results could be investigated in greater detail by industry working groups.

109 This was supported by AGL Energy. See: AGL Energy, Issues Paper submission, p. 3.

4.5.2 How would this option address the problem?

Since statistics would be published on transfer times, with these disaggregated by retailer and metering data provider, there would be an increased amount of information available to interested parties about the customer transfer process.

Publishing these statistics:

- may impose reputational incentives on metering data providers to successfully complete more special reads;
- may impose reputational incentives on retailers to achieve faster switching times;
- allow retailers to market their comparatively faster switching times and superior customer service, in a bid to increase their presence in the market;
- potentially assist jurisdictional energy ombudsmen, in resolving customer complaints;
- potentially assist consumers to help decide which retailer to transfer to, and get faster access to a better market offer; and
- potentially assist AEMO and the AER to identify potential barriers in the customer transfer process.

4.5.3 Assessment against the assessment framework

This option facilitates more information to be made available to those stakeholders who are interested in the customer transfer process, so promoting transparency and clarity.

This is consistent with Ergon Energy's statement that it encourages initiatives that result in greater participation by consumers, and better communication between, and accountability by, market participants.[110] By providing more information on customer transfer timeframes, customer participation and industry communication flows may be improved.

This option also places an incentive on individual retailers to improve the timing of customer transfers, through positive and/or negative reputational consequences arising from their performance. The Commission notes that these reputational incentives are unlikely to be as strong as any financial incentives that are imposed on parties. However, any increase in incentives is always likely to be beneficial.

While there will be some additional costs imposed on the monitoring parties, these costs are likely to be lower compared to the previous two options. Further, minimal Rules and/or Procedure changes are likely to be required for this option.

110 See: Ergon Energy, Issues Paper submission, p. 4.

This change is very minimal (i.e. can be accommodated under the existing regulatory framework), and would be unlikely to result in much change to customer transfer times. It may be useful as a complementary measure to a more significant reform.

4.6 Consultation questions

Question 1 Possible options to address the timing of the customer transfer process

The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered. We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- **reducing the maximum prospective timeframe for customer transfers (Option A1);**
- **introducing estimated reads (Option A2), including whether our proposed process has addressed stakeholder concerns with the use of this read type;**
- **introducing incentive arrangements on metering data providers, relating to the timely and accurate provision of special reads (Option A3); and**
- **increasing monitoring and reporting on customer transfer timeframes (Option A4).**

We are also interested stakeholder comment and evidence whether there are other NEM jurisdictions (aside from Victoria) that do not permit customer transfer to occur on the basis of estimated reads.

5 Options to address accuracy of the customer transfer process

Summary of this chapter

The Commission considers that some aspects of the data that are used in the customer transfer process is not accurate, meaning that customer transfer timeframes are longer than necessary.

Issues with the quality of the data in the MSATS system increase the likelihood for errors in the customer transfer process, requiring an extension of time for a successful completion of a customer transfer request.

The options that are considered to improve the accuracy of the data used in the customer transfer process are:

- Option B1: cleanse the MSATS data that is used in the customer transfer process, and development an industry-agreed standard for addresses in the MSATS database;
- Option B2: increase monitoring, and public reporting, of statistics associated with the accuracy of the data that is used in the customer transfer process, by the AEMO and/or the AER;
- Option B3: introduce an obligation for the NMI number to be displayed on all small customer meters; and
- Option B4: confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner.

The Commission welcomes stakeholder comments on these options, including on the main costs and benefits of each option, whether there are benefits in some of these options being implemented jointly, or whether there are alternative options that should be considered.

This chapter discusses four policy options aimed at improving the accuracy of the data that is used in the customer transfer process.

5.1 What is the problem?

A key feature for ensuring that the customer transfer process happens in a timely and efficient manner is the maintenance and provision of accurate information to be used in the process.

The accuracy of data and information impacts on the customer's experience with the transfer process. Accurate and timely data and information leads to overall lower levels of errors in customer transfers. Fewer errors in customer transfers contribute to

lower operational costs for retailers, and handling of cases that must be resolved with energy ombudsmen.

Some aspects of the data that is used in the customer transfer process is not accurate, contributing to prolonged transfer times. Erroneous transfers can also occur. Stakeholder submissions also agree that there are issues with the data used in the customer transfer process.[111]

5.1.1 NMI Standing Data

The largest issue of inaccurate data is that contained within the NMI standing data in MSATS, for example, issues with address data for the NMI.

NMI standing data is the information that exists in MSATS that is related to a customer's connection point.[112] This information relates to the physical location, and properties of a customer's meter, and includes the applicable network tariff and the customer's consumption threshold bands.

Of more relevance to the customer transfer process, NMI standing data also includes:

- The national metering identifier (NMI), which is an identifying code that uniquely defines a "metering installation" for the purpose of NEM settlements. This information is required to be provided by the LNSP.[113]

- A series of free-text fields that aim to describe the address of the NMI. This information is required to be provided by the LNSP.

From submissions there appear to be several issues associated with the address data contained in MSATS, including:[114]

- The local government's property description (i.e. the address that the customer associates with their premises) does not always align with the NMI standing data, or the data in either the retailer's or metering data provider's system. This can result in the wrong property being transferred (discussed further below in section 5.1.3).

111 See: Origin Energy, Issues Paper submission, p. 10; and Simply Energy, Issues Paper submission, pp. 2-3; ERAA, Issues Paper submission, p. 3; Lumo Energy, Issues Paper submission, p. 2.

112 A connection point is defined as the agreed point of supply, for example, by the retailer and network service provider.

113 That is, the distributor that has responsibility for the supply of electricity to franchise customers in a local area (typically a geographical area that has been allocated to it by jurisdictional electricity legislation).

114 Such examples were provided by the EWOV, EWON and the ERAA in their submissions. See: EWOV, Issues Paper submission, p. 5; EWON, Issues Paper submission, p. 1; ERAA, Issues Paper submission, pp. 3-4.

- The customer may not have ready access to the NMI itself, which places increased reliance on the address that is provided to the retailer as part of the transfer.
- Greenfield sites are assigned a NMI and initial address. However, these sites are often re-addressed by builders or local governments following development, with these new addresses not being updated in MSATS.
- The NMI number in MSATS does not match the details at the customer's supply address, because the data has not been updated in MSATS, or the address was assigned the wrong NMI number.
- In order to make a correction to the supply address in MSATS, the LNSP requires the financially responsible market participant (FRMP) to supply a local government rates notice. Where the customer resides at a rental property, this may be difficult to procure since it requires the co-operation of the property owner or their agent.

5.1.2 Entering incorrect data

In addition, errors may also occur when raising the transfer request in MSATS:[115]

- retailers can potentially enter the incorrect NMI number, due to:
  - the customer quoting the NMI number incorrectly to the retailer; or
  - error by the retailer when entering the NMI number in MSATS;
- retailers enter the incorrect date of the next scheduled meter read, which corresponds to the effective date of the transfer. This date is found in a separate file provided to the retailer by the metering data provider, which sets out scheduled meter reads. Errors can happen due to:
  - error by the retailer when entering the date in MSATS; or
  - metering data providers not providing updated meter read schedules to the retailer, and so an outdated date is entered.

5.1.3 Erroneous transfers

Data issues of the type referred to above can result in erroneous transfers (i.e. where a customer is transferred to another retailer without the customer's consent).[116]

115 Such examples were provided by the EWOV and the ERAA in their submissions. See: EWOV, Issues Paper submission, p. 5; ERAA, Issues Paper submission, pp. 3-4.

116 As stated in the Issues Paper, erroneous transfers can also result through unscrupulous marketing practices, whereby customers are signed up without explicit informed consent (which was more common under door-knocking). However, this type of marketing conduct is out of scope of this review.

At the start of the customer transfer process, a retailer generally undertakes a "NMI discovery" process[117] in MSATS for the purpose of identifying the customer's NMI, and matching it to their commonly used address for the purposes of billing and mailing out a new energy retail contract and product information.

Using the information obtained through the NMI discovery process, the retailer then enters these details into the MSATS system as a retailer transfer request transaction to begin the customer transfer process. It is through either obtaining an incorrect match during the NMI discovery process, or by entering the incorrect transaction information into the MSATS system, that an erroneous transfer may arise.

Mismatches between NMI standing data and the customer's address can arise for a number of different reasons, but primarily for the reasons identified above.

Under the current arrangements, an erroneous transfer is not likely to be identified until it has occurred. A customer may identify they have been wrongly transferred when they receive a welcome pack or electricity bill from a new (unfamiliar) retailer.

The AEMC understands that typically, an erroneous transfer cannot be resolved without considerable input from the wrongly transferred customer. The wrongly transferred customer may be required to coordinate communications between the two affected retailers, and effectively undertake the planning for a transfer that is an in-situ change of retailer.[118]

Therefore, erroneous transfers increase time and resource costs for retailers, customers, and potentially metering data providers, who must allocate time and resources for the erroneous transfer to be reversed.[119]

Further, there are a number of potential negative impacts on customers, including:[120]

- disconnection risk - for example, the new retailer establishes an "unknown customer" account, but the customer does not respond as they do not believe they have an account with that retailer. Where this continues for a long time, the customer is at risk of disconnection by the new retailer for non-payment;
- account disruption - for example, the resulting disruption to the customer's existing payment arrangements may cause them to fall into arrears;
- effects upon a third party - where there is one transfer error, the incorrectly transferred NMI will likely affect another customer; and

117 Currently, this process can return up to 99 possible matches. If this occurs, the retailer must undertake further investigation to satisfy themselves that the correct information is obtained, in terms of both the customer's address and corresponding NMI.

118 See: EWON, Issues Paper submission, p. 5.

119 See: Lumo Energy, Issues Paper submission, p. 2.

120 See: EWOV, Issues Paper submission, p. 5.

- customer service centre impact - where there is a transfer error, customers can be confused about which energy retailer should be billing their property, so may contact their retailer or an energy ombudsmen for clarification.

These issues are often evidenced in ombudsmen customer complaints.[121] Several submissions commented that the complaints to energy ombudsmen, as quoted in the Issues Paper, comprised a small proportion of overall transfers.[122] While they comprise a small proportion of total transfers, the Commission still considers that since the number complaints are constant (i.e. have been going on for a while), and potentially have a large impact on individual customers, such complaints suggest there may be material issues in the customer transfer process.

5.1.4 Impact on timeliness for the customer transfer process

Data quality issues (including erroneous transfers) can affect the timeliness of the customer transfer process.[123] For example, if data quality issues emerge within the customer transfer process, this will result in a technical "objection" to the transfer request, which can potentially extend the switching time since:

- the objection will need to be responded to by the retailer, in order for the objection to be resolved;
- following resolution of the objection (and receipt of metering data), the transfer request would be able to be completed.

Therefore, data quality issues can result in longer transfer timeframes. As discussed in chapter 4, prolonged transfer times create costs for both retailers and customers.

5.2 Option B1: Cleanse the MSATS data in order to achieve higher accuracy levels

Summary of this option

This option would involve cleansing the MSATS data that is used in the customer transfer process, and development of an industry-agreed standard for addresses in the MSATS database.

121 See: EWOV, Issues Paper submission; and EWON, Issues Paper submission, for further details on such customer complaints, including customer case studies.

122 See: NSW DNSPs, Issues Paper submission, p. 5.

123 See: Alinta Energy, Issues Paper submission, p. 1.

5.2.1 Description of this option

The current regulatory framework provides clear guidance and standards on the maintenance of accurate metering data and information.[124] Various obligations are placed on registered participants to ensure they meet certain performance standards with regards to the collection and processing of information.

For example, the MSATS Procedures currently require:[125]

- all new and existing standing data in MSATS to be kept current and relevant; and
- that the relevant participant must update the NMI standing data in MSATS within 20 business days of becoming aware that the data is no longer current or relevant.

Further, guidance in the National Electricity Law (NEL) and NER provide scope for AEMO, as the ultimate custodian of market metering data and information contained in MSATS, to audit the information provided by metering data providers and LNSPs.

Increased auditing of the NMI standing data by AEMO could, however, be beneficial.[126] This option would involve AEMO co-ordinating participants to cleanse the data in order to ensure that these provisions are met.

For example, this could occur through retailer's cross-checking the address associated with a NMI against the relevant customer's address in their billing system. Where these addresses differ, the retailer could contact the customer to determine if differences should exist (e.g. where the residence is a holiday home, with electricity bills being addressed to the customer's primary residence), or whether there is a mistake in the NMI standing data. If a mistake was determined, then this data would be corrected both in the retailer's system and MSATS.

Such an approach was broadly supported by Alinta Energy, who considered that data quality would likely be improved without significant cost or expense through an ongoing, continuous improvement program of data cleansing via information updates from all participants.[127]

A similar policy was recently introduced into New Zealand - see Box 5.1.

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124 Indeed, the majority of submissions considered that commented on this, stated they consider the current enforcement and compliance provisions are sufficient. See: Alinta Energy, Issues Paper submission, p. 1; Aurora Energy, Issues Paper submission, p. 3; Energex, Issues Paper submission, p. 6.

125 Clauses 2.2(i) and (j).

126 This is consistent with Ergon Energy's submission, which stated that while they consider the current compliance provisions to be appropriate and suitable for their purpose, enforcement of the provisions is often insufficient. See: Ergon Energy, Issues Paper submission, p. 5.

127 See: Alinta Energy, Issues Paper submission, p. 2.

Box 5.1: Accuracy of data in New Zealand

A data accuracy policy was recently introduced into New Zealand, requiring all "metering equipment providers to ensure all registry metering records are complete, accurate, not misleading or deceptive".

This requirement is contained in New Zealand's electricity code (equivalent to the NER in Australia). This requirement sets out that:

- 50 per cent of the data must meet this requirement by 1 October 2014; and
- 100 per cent of the data must meet this requirement by 1 April 2015.

The Electricity Authority of New Zealand will undertake audits of the data from 2015 onwards.

The ERAA commented that a review of MSATS data would be beneficial. However, the scope of work to correct current data would be substantial, and when this matter was previously raised it was set aside due to the costs involved in identifying and correcting data in MSATS.[128]

Based on information available to the Commission, issues with incorrect addresses contained in MSATS are the cause of the vast majority of errors in customer transfers, for such reasons set out above. Further, addresses are entered into MSATS in free-form cells. Therefore, a cleansing and standardisation of solely address data in MSATS would be beneficial in minimising erroneous customer transfers created through address mismatch error, and impose lower costs compared to a complete audit of the MSATS database.[129]

The development of a standard for addresses could be undertaken by AEMO, in conjunction with an industry working group.[130] In particular, the Commission considers that standardisation of addresses to reflect the Australia Post standard could be beneficial.

5.2.2 How would this option address the problem?

Cleansing the NMI standing data that is most pertinent for the customer transfer process, would result in a higher degree of accuracy of data that is used in the customer transfer process. This would:

- reduce the risk of erroneous transfers, by reducing the instances where there may be a mismatch between the NMI number and the address of the customer; and

128 See: ERAA, Issues Paper submission, p. 4.

129 This was supported by AGL Energy. See: AGL Energy, Issues Paper submission, p. 3.

130 This option could be given effect by a request to AEMO from SCER (utilising AEMO's existing auditing obligations). Alternatively, the need for a rule change or procedure change could be investigated in order to give effect to this option.

- reduce the risk of technical objections being raised for data being incorrect, and therefore reducing the risk of objections extending the customer transfer process.

This would also address a number of issues with the address data that were discussed in section 5.1, for example, the mismatch between local government property descriptions and data in the retailer or metering data provider's system.

5.2.3 Assessment

Cleansing the NMI standing data would:

- Increase clarity, transparency and predictability of the customer transfer process.
- Reduce the number of erroneous transfers, and so increase the likelihood that a customer transfer would occur correctly, and in a timely manner.
- Place strong incentives on both retailers and metering data providers to improve the accuracy of information that is entered into the MSATS system, since there would be increased auditing of the data that is inputted into MSATS. This is particularly important, since it is the metering data provider or LNSP that is responsible for the majority of the NMI standing data that is relevant to the customer transfer process. Currently, these parties do not have strong incentives to provide accurate NMI standing data.
- Would likely impose large administrative costs on AEMO, who would be responsible for the auditing. This is due to the large amount of data that is held in MSATS.[131] Actual audit costs, subject to audit scope, could potentially be significant and would need to be carefully managed.

Therefore, as outlined above, the Commission considers that a more cost-effective solution would be to:

- involve an industry working group, who would also be responsible for the cleansing of data in MSATS, and so sharing the burden of costs among a number of parties. For example, the market participants could commit to a continuous improvement program of data cleansing - committing to self-auditing five per cent of MSATS data annually. It would be expected that the more problematic fields would be self-audited first. This would also allow any systemic issues to be readily identified, and corrected across the whole of the data set in a more timely manner, than waiting for the data to be audited in accordance with the annual program;
- restricting the data cleanse to solely the address field, which we understand is the main cause of errors in the customer transfer process; or
- incorporate this MSATS data cleansing activity into the current audit program of AEMO.

131 AGL Energy comment that this may be an issue. See: AGL Energy, Issues Paper submission, p. 3.

This option would not likely require many (if any) changes to the regulatory framework.

5.3 Option B2: Increased monitoring, and reporting by AEMO and AER of the accuracy on the customer transfer process

Summary of this option

This option would involve increased monitoring, and public reporting, of statistics associated with the accuracy of the data that is used in the customer transfer process, by the AEMO and/or the AER.

5.3.1 Description of this option

Currently, the AER, in consultation with AEMO, monitors and reports on the quality of some data in MSATS.

The information that is monitored is not directly related to the customer transfer process. The AER reviews the number of MSATS errors made by each LNSP in relation to whether NMIs are active or not (e.g. those NMIs that do not have a network tariff code; those NMIs that have not had their status updated to active).

The AER then works with LNSPs who have shown a consistently high number of errors over the relevant period, with the aim of decreasing these errors over time.

We also understand that AEMO is currently developing new reporting metrics, which seek to improve the performance of MSATS users, by using targeted compliance activities and participant engagement.

The Commission considers that there could be increased monitoring and reporting on the accuracy of MSATS data. AEMO would provide such data to the AER, who would then monitor and publish the information (potentially in their annual retail market performance reports). The Commission considers that useful statistics to monitor, and so publish (subject to confidentiality concerns), may include:

- the number of erroneous transfers made by each retailer; and
- the number of technical objections that are raised (and so which could potentially be related to incorrect data), disaggregated by retailer the objections were raised against.

To the extent that any compliance issues arise as a result of this monitoring, the AER would then be well placed in order to action any enforcement aspects.

Any monitoring and public reporting that may occur could be enhanced through using this information to identify any potential barriers to more accurate switching times and proposed changes to the NER or MSATS Procedures that address such barriers.

An additional "add-on" to this option, could be to place a sample target of data accuracy for audits of metering data providers. For example, a target sample of two per cent of data could be audited by the AER. The relevant data provider could face financial penalties depending on the outcome of this audit.

5.3.2 How would this option address the problem?

By increasing the amount of information that is published on the accuracy of information involved in MSATS, reputational incentives would be placed on both retailers and metering data providers to provide more accurate information and data to be used in the customer transfer process.

If more accurate information is provided, then, over time, there is likely to be a:

- reduction in the number of erroneous transfers, by reducing the instances where there may be a mismatch between the NMI number and the address of the customer; and
- reduction in the number of technical objections being raised for data being incorrect, with such objections extending the length of the customer transfer process.

5.3.3 Assessment

Transparency and clarity is likely to be promoted under this option, since more information will be available to those stakeholders who are interested in the transfer process (including customers and jurisdictional ombudsmen).[132] By providing more information on customer timeframes, communication flows to customers will be improved.

This option also increases the incentives placed on individual retailers and/or metering data providers to improve the accuracy of information provided to MSATS. This occurs through the reputational consequences that arise from public reporting of their performance. The Commission notes that these reputational incentives are unlikely to be as strong as any financial incentives that are imposed on parties. However, any increase in incentives is always likely to be beneficial.

The costs involved with this option are also likely to be relatively low. While there may be some additional costs imposed on the monitoring policies, these are likely to be minimal. Further, no major changes are likely to be required to the regulatory framework under this option.

132 This is consistent with Ergon Energy's statement that it supports initiatives resulting in greater participation of consumers, and better communication between, and accountability of, market participants. See: Ergon Energy, Issues Paper submission, p. 4.

5.4 Option B3: Obligation to display NMI number on meter

Summary of this option

This option would introduce an obligation on metering providers, for the NMI number to be displayed on all meters.

5.4.1 Description of this option

As outlined above, errors can occur in the transfer process where there are mismatches between a customer's address and the NMI number. If the customer can provide their NMI number directly to the retailer, then it avoids the NMI discovery process that a retailer would otherwise have to undertake (and described above). However, some form of "check" would still have to take place in order to confirm that the number has been recorded by the retailer and customer accurately.

Currently, there is a requirement that the small customer's bill must have the NMI number displayed clearly on it.[133] However, it is likely that when a customer contacts a retailer to arrange for a transfer, they may not have ready access to their bill. For example, they may have thrown away all old bills, or may have forgotten a password in order to access electronic bills.

Therefore, this option would involve metering installations being required to have their NMI number displayed on them. This would mean that when a customer contacted a retailer to arrange a transfer, they could simply read out their NMI number from their meter, circumventing any problems where their address does not match with the address in MSATS.

While we understand that for most *new* metering installations, the NMI number will be displayed on the metering installation, this is unlikely to be the case for older meters. This option would require *all* small customer metering installations to have their NMI number displayed on them. We consider that this could be given effect for manually read meters by metering data providers gradually affixing a "sticker" of the NMI number on the meter during the scheduled meter reading cycle.

The incoming retailer is responsible for cross-checking the customer's address and NMI. This places an important obligation on the retailer in ensuring that the correct customer is transferred. However, the cross-checking may not reveal errors in situations where the customer has given an incorrect address, or a marketer or customer service representative in the call centre has recorded the address incorrectly. This is because it is the NMI for the incorrect address that is being verified in MSATS.[134]

133 NERR Rule 25(1)(c); Victorian Energy Retail Code, clause 4.2(b); Queensland Electricity Industry Code, clause 4.9.6(a).

134 See: EWON, Issues Paper submission, pp. 6-7.

One example of how this option could evolve under AMI is where, if a customer had an AMI with an in-home display, the display could potentially be used to prevent erroneous transfers. The in-home display could indicate a message, which the customer would have to respond to. This would confirm whether the customer had intended to transfer retailers. We consider that this is analogous to the use of text messages by banks in order to confirm electronic transfers of funds.[135]

5.4.2 How would this option address the problem?

This would reduce the instances of mismatches between the customer's address and the NMI number, and so reduce erroneous transfers. Customers could report their NMI number directly when they contact their retailer. This would also avoid the customer having to find their most recent bill, which is not always readily available.

This would also avoid problems where the NMI number in MSATS does not match the details at the address, since the address would not be required to give effect to a transfer.

However, not all customers have ready access to their meter (e.g. where the customer lives in an apartment building, and all meters are kept centrally in a locked room). In these instances, this option would not reduce the instance of erroneous transfers.

5.4.3 Assessment

This increases the clarity and simplicity of the transfer process. All a customer would have to do in order to transfer is contact the winning retailer, and quote the NMI number on its meter. There would be no need for the retailer to conduct the NMI discovery process, as currently occurs. This therefore reduces the administrative costs for the retailer that is associated with the transfer (although a check on the number would still need to be undertaken).

The Metrology Procedures make provision for meter displays needing to be easily read, and easily accessible, but do not comment on the display of the NMI number. Therefore, this option would require some minor regulatory changes in order to give effect to this option.

Other than these regulatory costs, this option would be relatively low-cost. Stickers could be produced relatively easily. Further, the stickers could be placed on existing metering installations by metering data providers through their scheduled meter read cycle, and so would not impose material costs on these parties.

135 This is consistent with the Australian Chamber of Commerce and Industry's submission that suggested that the AEMC should add comparisons of switching in other industries to its considerations. See: Australian Chamber of Commerce and Industry, Issues Paper submission, p. 3.

5.5 Option B4: NERR obligation on retailers to co-ordinate to resolve erroneous transfers in a timely manner

Summary of this option

This option would confirm and strengthen the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner.

5.5.1 Description of this option

There are currently requirements in the MSATS Procedures, that participants must consider and action as necessary (within 2 business days) any requests from incorrectly assigned participants (i.e. retailers) to correct the participant allocation in MSATS.[136] That is, to correct the wrongly assigned retailer assigned to the customer

However, creating an obligation in relevant rules to resolve erroneous transfers in a timely manner would impose clearer obligations on registered participants to resolve erroneous transfers. This would require that where a customer has been erroneously transferred, the winning retailer would be required to coordinate with the customer's losing retailer to rectify the transfer in accordance with the relevant procedures.

Guidelines could also be established to clarify how and when a retailer is required to raise transactions in MSATS to resolve the erroneous transfer.[137] This would likely facilitate retailers developing a more structured exception management process for those customers who have had a poor transfer experience.[138]

Placing clearer obligations on registered participants, along with guidelines on how these transfers would be resolved, would mean that retailers would have the responsibility to resolve erroneous transfers rather than the wrongly assigned customer.

For example, EWON commented that when a customer's account is taken in error, it is the responsibility of the retailer who initiated the transfer to rectify the error. In some cases, customers were advised to approach their original retailer to resolve their compliant.[139] By clarifying this obligation, this would mitigate problems such as these.

Further, AEMO and/or the AER could potentially produce performance monitoring reports that report on this obligation.

136 Clause 2.2(m).

137 See: AGL Energy, Issues Paper submission, p. 3.

138 See: AGL Energy, Issues Paper submission, pp. 2-3.

139 See: EWOV, Issues Paper submission, p. 5.

5.5.2 How would this option address the problem?

Clearly identifying the party responsible for resolving erroneous transfers, and how this is to occur, would not only reduce the time taken to fix erroneous transfers, but could also reduce the likelihood of erroneous transfers in the first place.

5.5.3 Assessment

This option would increase clarity and transparency in the customer transfer process and encourage retailers to improve the quality of service provision.

This option would promote the efficient allocation of risks, costs and incentives. By developing guidelines, and making it clear who is responsible for rectifying erroneous transfers, it would increase the incentives on those parties to resolve those erroneous transfers.

5.6 Consultation questions

Question 2 Possible options to address the accuracy of data used in the customer transfer process

The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.

We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- **a cleanse of data in MSATS in order to achieve higher accuracy levels (Option B1);**
- **monitoring, and reporting by AEMO and AER of the accuracy of the customer transfer process (Option B2);**
- **placing an obligation to display NMI number on small customer meters (Option B3); and**
- **placing an NERR obligation on retailers to resolve erroneous transfers in a timely manner (Option B4).**

6 Other incremental improvements that could be made to the customer transfer process

Summary of this chapter

The set of options discussed in this chapter aim to outline other incremental improvements that could be made to the customer transfer process. The main option considered is:

- Option C1: undertake a project to improve the functioning of the objections framework that forms part of the customer transfer process, with the objective of promoting the efficiency of this particular element.

This chapter also highlights several incremental improvements that we consider could be independently pursued by parties involved in the customer transfer process.

This chapter sets out other incremental improvements that could be made to the customer transfer process.

6.1 Improve the functioning of the objections framework

6.1.1 What is the problem?

The objections framework enables parties to object to the customer transfer process. The intention of this is to allow for a checking mechanism, to ensure that the correct roles are allocated during the process, and so transfer errors can be avoided.[140]

In certain cases, this is efficient, since the objections framework allows issues to be identified and resolved, rather than the transfer request simply being rejected.[141] If the transfer request is simply rejected, the winning retailer would be required to resubmit the transfer, which would impose time and resource costs. Further, it is likely that, if not resolved, the same objection may be raised again.

However, unnecessary objections can extend the customer transfer process.[142] If an objection is raised, then the transfer impediment must be identified, and responded to, potentially lengthening the time for a transfer to successfully complete.

As stated in our Issues Paper, based on our assessment of MSATS data from AEMO, objection codes are largely being used: for the appropriate reasons; and by the appropriate parties. Two-thirds of all objections are raised by the metering data provider, as opposed to the losing retailer. Further, to the extent that the losing retailer raises an objection, this is largely due to "BAD DEBT", which can only be raised in

140 This was acknowledged by EnergyAustralia. See: EnergyAustralia, Issues Paper submission, p. 3

141 See: AGL Energy, Issues Paper submission, p. 2.

142 Indeed, this was recognised by EWOV. See: EWOV, Issues Paper submission, p. 7.

non-NECF jurisdictions (i.e. Queensland and Victoria). Therefore, as these jurisdictions adopt the NECF, it is likely that the number of objections raised by losing retailers would likely decline.

Submissions generally concurred with this, noting that the current objections framework does allow for efficient outcomes.[143]

However, several submissions commented that there are areas of improvement in the objections framework, including:

- confusion surrounding the framework - both EWON and EWOV comment that, in their experience, there is confusion and inconsistent understanding about the use of the objections framework;[144] and
- the timeframes that relate to objections - several submissions commented that a review of the timeframes associated with the objections framework should be conducted.[145]

6.1.2 Option C1: AEMO to improve the functioning of the objections framework that forms part of MSATS

Summary of this option

This option would involve AEMO undertaking a project to improve the functioning of the objections framework that forms part of the customer transfer process, with the objective of promoting the efficiency of this particular element.

Description of this option

Under this option, AEMO would undertake a project to improve the existing objections framework in order to ensure that it still promotes efficient outcomes.[146] This project would occur, with the objective of maximising the efficiency of the objections framework, in order to support an efficient, accurate and timely customer transfer process.

143 See: Aurora Energy, Issues Paper submission, p. 4; Ergon Energy, Issues Paper submission, p. 7.

144 See: EWOV, Issues Paper submission, pp. 7-8; EWON, Issues Paper submission, p. 7.

145 See: Lumo Energy, Issues Paper submission, p. 2; Energex, Issues Paper submission, p. 1; EnergyAustralia, Issues Paper submission, p. 2.

146 Potentially this could be undertaken by the B2B and MSATS Reference Group.

This project would include examining:

- the merits of the following objection codes, and ways to reduce the number of objections that are raised in relation to these codes, including:[147]
  - DATEBAD, which is used where the date of change nominated for a change of retailer does not align with a proposed or actual meter read. We understand that this code is typically used either where there are errors with the metering data provider's meter read schedule,[148] or human error in entering the date into MSATS;
  - BADMETER, which is used where a customer's consumption increases to exceed the small customer limit, and so a meter upgrade is required by the rules. We understand that, despite being aware of this, the metering data provider objects to the transfer request and so the transfer is cancelled, despite the fact that a request for a new meter has been sent through a separate service order;[149]
  - BADPARTY, which is used where the nominated metering data provider or metering provider is incorrect. Similar concerns may arise with this objections code, as those that arise with the use of BADMETER; and
  - DECLINED, which is used when the identified party declines to perform the service. This is for use by the nominated new party to indicate that they decline to act in the role that they have been nominated for. This would typically be used in the contestable metering (i.e. types 1 to 4) by the service provider, where the retailer (or consumer) does not have an agreement and/or has not contacted the service provider raising the change request in MSATS. The Commission considers that this definition could be further clarified;
- whether there is a need for a new objections code. For example, the NSW DNSPs comment that there is currently no mechanism for capturing requests made by retailers, which are illogical and require validation by the LNSP.[150] Similarly, retailers comment that metering data provider responses to objections code are not fulsome. Allowing more free-text cells may address some of these concerns; and

147 The benefits of these objection codes were questioned by Origin. See: Origin Energy, Issues Paper submission, p. 7.

148 This concern was raised by Simply Energy, who comment that this objection is raised despite retailers nominating a transfer date based on the metering data provider's meter read schedule. Simply Energy suggested that one potential improvement would be to increase incentives on metering data providers to maintain actual meter reading schedules to prevent this from occurring. See: Simply Energy, Issues Paper submission, p. 4.

149 This concern was raised by Simply Energy. See: Simply Energy, Issues Paper submission, p. 4.

150 See: NSW DNSPs, Issues Paper submission, p. 6.

- the timeframes of the objections framework. If a lesser number of objections were being raised, or they were being resolved faster, then the timeframes of the objections framework should be considered.[151]

AEMO and the AER would also undertake ongoing monitoring of the objections framework, including:

- monitoring what objection codes are raised; and
- what parties raise the objections.

This would ensure that the objections framework was continuing to be used in an appropriate manner.

How would this option address the problem?

A revised and updated objections framework is more likely to reflect current expectations of customers, retailers and metering data providers, for competitive and responsive energy retail markets and so ensure that unnecessary objections are not extending transfer times. Indeed, several submissions commented that the objections process should be reconsidered.[152]

The Commission also considers that an update of the objections framework is timely. The current MSATS Procedures were initially developed for the transfer of large customers, with incremental amendments being made following the introduction of full retail contestability for small customers. These Procedures have incrementally evolved over time, on a piecemeal basis to accommodate full retail competition and higher switching rates.

Assessment

This option would aim to improve the transparency, clarity and simplicity of the objections framework in order to increase efficiency. This would ensure that the objections framework is clear and easily understood with all parties. This means that there are likely to be fewer switching errors.

Further, this project is unlikely to have large administrative or regulatory burden. While there would be a one-off cost for AEMO (and potentially an industry working group) to review and update the framework, there are unlikely to be significant regulatory burdens placed on parties once it is complete.

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151 Such a review was supported by several submissions. See: Energex, Issues Paper submission, p. 1; EnergyAustralia, Issues Paper submission, p. 2; Ergon Energy, Issues Paper submission, p. 7. However, AGL Energy cautioned against shortening the timeframe for resolving objections since it is in the long-term interests of customers that the issue is addressed before a transfer completes, or is automatically withdrawn. See: AGL Energy, Issues Paper submission, p. 2.

152 See: Energex, Issues Paper submission, p. 1; Ergon Energy, Issues Paper submission, p. 5; Lumo Energy, Issues Paper submission, p. 2; EnergyAustralia, Issues Paper submission, p. 3.

Depending on the outcome of the project, there may be costs associated with upgrading retailers' and metering data providers' billing, and MSATS interfacing systems, in order to accommodate any changes that may be made to the objections framework. However, these would be one-off costs.

This option would require minimal changes to the regulatory framework. It is likely that this option would be given effect by proposing a rule that required this update to occur by a certain time.

6.2 Incremental improvement to be independently progressed by retailers and metering data providers

Some submissions also raised a number of other useful, incremental improvements to the customer transfer process. These could, and should, be progressed independently by parties involved in the customer transfer process, since no regulatory changes are required.

These suggestions include:

- better appointments by metering data providers - metering data providers could accommodate scheduled visits to premises within more narrow appointment windows. We understand that although some metering data providers have very good appointment systems, in some regions a customer may be required to wait at home for up to 4-5 hours for a scheduled visit, or alternatively, scheduled visits are not offered at all;[153]

- increased use of electronic communication - considering advances in technology, increased use of text messages, emails and mobile phones numbers could be used by metering data providers, and retailers to reduce:

  - site "no access" read failures. For example, a generic text message could be sent as a reminder to a customer one hour before the meter read is scheduled to occur;[154] and

  - potentially, erroneous transfers. For example, banks typically require a "net bank" code to be entered prior to a transfer taking place. A similar confirmation could occur with customers prior to being transferred;

- better information to customers - customers could be better informed about a number of aspects in the transfer process, including:[155]

  - the ability to expedite the transfer process by requiring a special meter read if their preference is to transfer before the next scheduled meter read

153 See: AGL Energy, Issues Paper submission, p. 3.

154 See: EnergyAustralia, Issues Paper submission, p. 2.

155 See: Energex, Issues Paper submission, p. 6; Origin Energy, Issues Paper submission, p. 5; and United Energy, Issues Paper submission, p. 1;. NSW DNSPs, Issues Paper submission, p. 7.

(although, also the knowledge that this would come with an associated charge); and

– the requirement for meter readers to be provided with clear and safe access to their meter box and electricity meters in order to ensure a timely transfer where applicable (i.e. to lock up their dogs, unlock the gate).

6.3 Consultation questions

Question 3 Other policy options to improve the efficiency of the customer transfer process

The AEMC would be interested in receiving feedback on these options. Participants are encouraged to assess these options against the assessment framework, and to discuss what they see as the main costs and benefits of each option, whether they see benefits in some of these options that may be implemented jointly, or whether there are alternative options that should be considered.

We are particularly interested in hearing stakeholders' views on the benefits and costs, including implementation considerations of:

- **AEMO undertaking a project to improve the objections framework (Option C1); and**
- **the additional incremental improvements that could be independently progressed by stakeholders.**

A Summary of submissions to the Issues Paper

This appendix sets out a summary of the issues raised in stakeholders' submissions on the Issues Paper for the AEMC's review of electricity customer switching, and the AEMC's response to the issues raised. Note that where stakeholder views were broadly similar, they have been grouped together in the table and responded to by the AEMC collectively.

Table A.1 Summary of submissions on the issues paper

Issues raised	Stakeholder	AEMC response
Timeframe for the review		
A concern that the review timeline does not allow sufficient time for the Commission to consider stakeholder views that are raised in submissions to the Issues Paper.	Alinta Energy, pp. 2-3; EnergyAustralia, p. 1; ERAA, p. 1; Origin Energy, p. 1.	Under the terms of reference provided by SCER, the timeframes for this advice are limited. However, the Commission recognises the importance of stakeholder views. The Commission will endeavour to respond to matters raised in stakeholders' submissions in this appendix, in addition to discussing matters further with stakeholders as appropriate.
The Commission has also requested additional data from retailers related to customer switching, with this not due until 17 January 2014. It is unclear how this data will influence the AEMC's initial analysis of this issue.	EnergyAustralia, p. 1.	Retailer responses to this additional data request will feed into the Commission's analysis of submissions both to the Issues Paper and Options Paper, and so our final recommendations. The Commission considers that stakeholders' written responses to the Issues Paper are sufficient for the purpose for developing an Options Paper at this stage of the review.

Issues raised	Stakeholder	AEMC response
General efficiency of the customer transfer process		
There is not a specific market failure that needs to be addressed.	Alinta Energy, p. 1; Origin Energy, p. 1.	The Commission considers that, while this may turn out to be the case, the customer transfer process needs to be investigated before this can be concluded (e.g. understanding the factors behind rising transfer-related customer complaints) Also, while it may turn out that there is not one single market failure to be addressed, there may be a number of improvements that can be made to the current customer transfer process, which would increase its efficiency. Such possible improvements are detailed in this Options Paper.
The Issues Paper does not identify a specific market failure to be addressed.	ERAA, p. 1.	
The efficiency, in relation to both timeliness and accuracy of the current customer transfer process, is generally adequate; however, an increase in customer complaints indicates some issues exist.	Ergon Energy, p. 2.	The Commission considers that improvements can be made to the current customer transfer process, which would increase its efficiency, and so provide benefits to both customers and industry. Such possible improvements are detailed in this Options Paper. An efficiently functioning and competitive retail market that promotes customer engagement and choice is in the interests of all energy consumers, industry and policy makers.
The current transfer process is accurate and timely, given the limitations of manually read meters, the typical quarterly reading schedule of these meters and access issues.	Origin Energy, p. 6.	
The transfer process supported by MSATS has served customers and the industry well, and that wholesale changes are not required. However, an efficient customer switching process is clearly in the interests of customers and retailers alike.	AGL Energy, p. 1.	
There are no concerns with the current times to switch, particularly that are worth addressing in an already packed policy reform agenda.	ERM Power, p. 2.	

Issues raised	Stakeholder	AEMC response
A range of incremental improvements to current processes will give benefits to customers and industry.	Simply Energy, p. 1.	
While there is always an opportunity for continuous improvement of any system or process, the MSATS data on small customer transfer timeframes indicates that current outcomes are generally efficient.	Ergon Energy, p. 6.	
The issue of maximum timeframes creating a barrier to customer switching is overstated and unsupported.	NSW DNSPs, p. 1.	
The data suggests that the existing customer transfer process allows for efficient outcomes in accordance with the assessment framework.	Aurora Energy, p. 6.	
There is scope for improvement in switching timeframes in NSW.	EWON, p. 2.	
Query the need for a further Options Paper as there appears to be no material issues. Industry via AEMO working groups have reviewed these processes previously and could do so again if they considered there is both sufficient need and a likely benefit.	United Energy, p. 2.	
In some cases, elongated switching processes leave customers not knowing whether the switch is actually taking place. This creates customer confusion.	Etrog Consulting, p. 2.	
To the extent that improvements can be made to the customer transfer process, and systems supporting it, encourage any initiative resulting in greater participation of customers, and better communication between, and accountability of, market participants.	Ergon Energy, p. 2.	Agreed. The Commission supports such initiatives. Possible incremental improvements discussed in chapter 6 may help to address this.

Issues raised	Stakeholder	AEMC response
Customer switching in the NEM would be most beneficial to the needs of business, especially SMEs, if it were characterised by: • access to a healthy range of retailers to choose from who compete vigorously; • an efficient and low cost switching process; • a process that is completed quickly so that customers can gain quick access to competitive offers; • a process that is relatively error free and one where, if errors to occur, they do not prevent or unduly delay customer switching; • a process that is relatively simple and easy for smaller customers to understand and deal with, as well as one, where regulation is kept to a minimum; and • a process that allows customers to raise any grievances efficiently and effectively.	Australian Chamber of Commerce and Industry, p. 8.	Agreed. The Commission supports such criteria. These are aimed to be encapsulated in our assessment framework as set out in chapter 2.
The fact that the maximum allowable prospective timeframe is longer than transfer times of other countries is of itself not evidence that the current NEM process is inefficient or in need of reform.	Alinta Energy, p. 1.	The Commission notes this comment. However, there are still a small proportion of transfers being completed within the same time in the NEM, as compared with the UK.[156] While this evidence is not conclusive, it does suggest that the average switching times in the NEM, at the very least, are not sufficiently superior to other international

156 Ofgem has recently found that approximately 80 per cent of domestic switches in electricity occur within three weeks. In the NEM, only 56 per cent of small customer transfers in electricity occur within three weeks.

Issues raised	Stakeholder	AEMC response
		jurisdictions. Also, rising transfer related customer complaints suggest some issues requiring further investigation.
Approach to the review		
The AEMC needs to be mindful of any subsequent consequences related to changes that may counteract the original benefits sought. Any rule changes should be fully supported by a cost benefit analysis, and prior proof of market failure.	EnergyAustralia, p. 1.	The Commission recognises there may be a financial impact on industry arising from possible regulatory changes that flow from recommendations made under this review (e.g. changes to IT systems and business processes). The relevant chapters provide an assessment of each of the options. This assessment, and stakeholder comment on this initial assessment, would assist in any cost-benefit analysis that may potentially occur. Due to the tight timeframes of this advice, it is unlikely that a full cost-benefit assessment would be able to be undertaken. We will consider this further in our Final Report, where we will also set out thoughts on how any potential recommendations may be implemented.
Any proposed initiatives must satisfy a robust cost benefit analysis, where a positive outcome is achieved before consideration of implementation is undertaken.	Alinta Energy, p. 2.	
Any potential changes should be referred to the AEMO so that a full cost-benefit analysis can be undertaken. This approach will ensure that stakeholders are able to work with AEMO to determine the true impact of any cost changes.	ERAA, p. 1	
Any review or recommendations must include a cost benefit analysis completed by industry participants in conjunction with AEMO, to ensure that the recommendation will produce a net benefit to the industry, the customer, and meets the NEO.	Lumo Energy, p. 2.	
Support a cost-benefit analysis of any options, undertaken with the assistance of industry, stakeholders and the AEMO.	Origin, p. 1.	

Issues raised	Stakeholder	AEMC response
The benefits of any proposed changes to current market procedures should outweigh any costs imposed.	Energex, p. 2.	
Any change in the process needs to ensure that the benefits outweigh the costs and take into account any jurisdictional smart meter roll-outs.	United Energy, p. 1.	
The costs of any interim measures (prior to a market-led smart meter rollout) would likely outweigh any potential benefits that would be experienced by customers, and therefore should not be implemented.	ERAA, p. 2.	
The AEMC may need to consider the advantages to retailers and customers of shortening customer transfer timeframes using estimated reads or customer own-reads, as against any inaccuracy that may result. Costs of system and process changes also need to be taken into account.	Etrog Consulting, p. 5.	
If changes to the existing framework are deemed necessary, the options may result in significant investment in information technology systems.	Origin Energy, p. 1.	
The AEMC should structure its review in a three stage basis: 1. the current situation analysis; 2. incremental improvements considering the long-term strategy where smart meters will prevail in the market; and 3. a market where smart meters predominantly exist for all small customers.	EnergyAustralia, p. 2.	The Commission considers that improvements can be made to the customer transfer profess prior to any market-led roll-out of smart meters. Therefore, the possible options contained in this paper do not specifically consider the issue or role of smart meters. In this respect, the Issues Paper may be considered similar to "stage 1", and the Options Paper may be considered similar to "stage 2", as proposed by EnergyAustralia.

Issues raised	Stakeholder	AEMC response
In order to consider incremental improvements, the following should be undertaken: • an investigation into the barriers for expanded use of special meter reads for "insitu" transfers; • review barriers to market driven roll-outs of smart meters covering issues such as unbundling of metering costs and meter exit fees; • further investigation into transfers on estimates for basic meters; • create suitable incentives or penalties for the parties responsible for achieving transfer meter reads; • use of electronic communication to reduce site "no access" read failures; • investigation into the reduction of the transfer objection period; and • review of and a reduction of the contract cooling-off period for utility customer transfers.	EnergyAustralia, p. 2.	The Commission considers that the following sections of this Options Paper address these concerns: • section 4.4 discusses the current use of special meter reads; • section 1.5.1 discusses why this paper considers smart meters to be out of scope; • section 4.3 discusses allowing estimated reads for transfers; • sections 4.4 and 4.5 discuss ways to strengthen incentives on the parties responsible for achieving meter reads; • chapter 4 discusses various methods to reduce "no access" failures; • section 6.1 discusses a review of the transfer objection period; and • section 4.1.5 discusses the cooling-off period.
Concerned that the AEMC has mainly focussed its review on Steps 3 to 5, as there are many issues in Step 2 where customers' premises are unable to be located in MSATS. This is predicated on the site being entered and maintained in MSATS by distributors.	Lumo Energy, p. 2.	The Commission considers that possible options discussed in chapter 5 may address these issues.
A significant focus of the review should be on:	Energex, p. 1.	The Commission considers that possible options discussed in chapter 6 may address these issues.

Issues raised	Stakeholder	AEMC response
• improving customer awareness of their rights and responsibilities with regard to the transfer process; • reviewing the objections process, with a view to reducing objection resolution timeframes; and • identifying other opportunities to optimise the current process while minimising changes to existing business operations.		
Concur that while move-in/move-out scenarios are out of scope, they are parameters to be taken into account.	Etrog Consulting, p. 2.	Agreed. See section 1.3.2 of our Issues Paper for further information.
A more holistic assessment of the impediments to customer switching in the NEM is called for in this review than the AEMC propose. In particular, ACCI consider the following should be considered: • all steps of the customer transfer process (as opposed to step 3, which the AEMC proposes to focus on); • new connections and change of address issues involving switching; • all aspects of metering (so far as they relate to switching); and • consumer protections that relate to switching, such as cooling off periods.	Australian Chamber of Commerce and Industry, p. 3 and pp. 11-12.	Given the tight timeframe constraints for our final advice to the SCER, we are not able to extend the scope of this review. However, to the extent that the possible options could be applied, or may be relevant, to the customer transfer process more generally, we would welcome stakeholder comment.

Issues raised	Stakeholder	AEMC response
Assessment framework and criteria for the review		
Supports the AEMC's proposed criteria.	Aurora Energy, p. 2; Energex, p. 2; Ergon Energy, p. 3; Lumo Energy, p. 1; Origin Energy, p. 4; United Energy, p. 1; Energy Action, p. 5; Australian Chamber of Commerce and Industry, p. 12.	Agreed. See chapter 2 for further discussion.
Supports the introduction of any enhancements that may improve the timeliness of transfers, but not at the expense of accuracy.	Ergon Energy, pp. 3-4.	Agreed. See chapter 2 for further discussion.
The National Energy Retail Objective could join the National Electricity Objective in guiding the review.	AGL, p. 2.	The Commission considers it is unnecessary to include the National Energy Retail Objective. This would require consideration of whether any recommendations made are compatible with current and future consumer protections (as defined by particular legal obligations), which is likely to be beyond the scope of this review. The Commission considers the National Electricity Objective allows considerations of economic efficiency, which is in the long-term interests of consumers. The Commission also notes that where any future NERR rule change requests flow from the recommendations made under this review, they will be tested against the National Energy Retail Objective.

Issues raised	Stakeholder	AEMC response
Regulatory frameworks for the customer transfer process		
Once contestability is introduced to the market for small customer metering services, the Meter Churn Procedure may also be relevant.	AGL, p. 2.	Agreed. The regulatory framework, as set out in our Final Report, will be updated to incorporate these elements.
There are a number of specific factors related to the customer transfer process that are stipulated in the QEIC. For example, Energex must complete special reads within 4 business days of receipt of a valid service order request. The QCA monitors Energex's compliance with specified timeframes and takes enforcement action where performance is considered to be unsatisfactory.	Energex, pp. 3-4.	
Clause 6.2 of the Victorian Energy Retail Code also has practical importance when there has been a prolonged transfer delay or unresolved transfer error. This clause should be an incentive for energy companies to identify and fix transfer issues as early as possible.	EWOV, p. 13.	
The following regulatory instruments should also be added: • Electricity Customer Metering Code in Victoria, which provides that customers must provide at all times convenient and unhindered access to metering and associated equipment (clause 2.1); and • B2B procedures which are used by retailers to request a special meter read to enable an earlier transfer than on the next scheduled meter read.	United Energy, p. 1.	
The B2B procedures may also be relevant, since it relates to services order relating to special reads.	Origin Energy, p. 5.	

Issues raised	Stakeholder	AEMC response
There are appropriate incentives currently in place under the regulatory framework.	Aurora Energy, p. 2; Ergon Energy, p. 5.	The Commission considers that, while this is largely true, there are concerns with incentives applying to metering data providers (i.e. distributors). This is discussed in further detail in section 4.4.
The multiple regulatory instruments that exist should not impede switching, especially for smaller consumers, by creating confusion and a lack of understanding.	Australian Chamber of Commerce and Industry, p. 2 and p. 14.	Agreed.
The regulations and procedures are clear in relation to in situ transfers. There is transparency of the transfer process through the MSATS.	Origin Energy, p. 5.	Agreed.
Supports a national, harmonised approach to transfers that is free from unnecessary jurisdictional derogations.	Lumo Energy, p. 3.	Agreed. This is also consistent with our principle of predictability. For current and prospective national retailers, such predictability also promotes greater efficiency and retail competition.
Jurisdictional differences in Victoria and Queensland should not impede switching or add to its costs. Moves to national arrangements should be on a best practice basis.	Australian Chamber of Commerce and Industry, p. 2 and p. 14.	
ENA supports a regulatory framework that facilitates the installation, on an economic basis, of metering required to support consumers to respond to cost-reflective pricing; enables the benefits of distribution network derived benefits being passed on to consumers; and removes restrictions to the roll out of advanced meters by networks based on an economic business case.	ENA, p. 1.	Agreed. The Commission considers that these are important features for the regulatory framework.

Issues raised	Stakeholder	AEMC response
MSATS Process		
The current MSATS transfer process is both fit for purpose and meets the requirements of the assessment framework.	Aurora Energy, p. 3.	The Commission considers that improvements can be made to the current customer transfer process, which would increase its efficiency, and so provide benefits to both customers and industry. Such possible improvements are detailed in this Options Paper.
There may be valid reasons for the 65 business day timeframe (e.g. it may be the retailer's or customer's preference that the switch does not occur until the next scheduled read date).	Energex, p. 2.	Agreed. However, the Commission still considers that improvements can be made to the current customer transfer process, which would still allow a delayed switch date where this is the customer's preference.
Issues with the delay in transfers relate to access issues for actual meter reads and address issues which may see the wrong customer transferred.	Origin Energy, p. 5.	Agreed. The Commission considers that both of these issues exist in the customer transfer process.
The reason why transfers take as long as they do, is since switching happens on meter readings that occur as per the local distributor's timeframe (usually quarterly).	ERM Power, p. 1.	Agreed. The Commission has set out a number of issues in this paper that aim to provide retailers and customers with other options for obtaining meter reads in a timely manner, rather than waiting for the scheduled meter read.
Benefits could be obtained from reviewing the data requirement for change requests, to determine how much information is actually needed and what can be removed.	Simply Energy, p. 1.	The Commission considers that the information that is requested in transfers is relevant, and so requirements should be maintained. Automatic population of some of the data fields in MSATS could be evaluated by industry and AEMO as part of an incremental system improvement program outside of this review.
Benefits could be obtained from reviewing change request code types and determine if the number can be reduced.	Simply Energy, p. 1.	The Commission has focussed in this review on the process for those transfers under the change request code CR1000 (in-situ, small customer transfers). To the extent that MSATS change request codes could be reviewed and
Potential opportunities to improve the customer transfer	Ergon Energy, p. 7.	

Issues raised	Stakeholder	AEMC response
process: • introduction of expedited transfers for small customers where there is a new Change Reason type and new metering is not required; and • where a physical meter reading is required for a small customer with a basic meter installation to enable an expedited transfer, NSPs should be given the opportunity to charge additional fees where costs are incurred (i.e. where the cycle for NSRD is outside of the timeframe and a special read is required).		streamlined without affecting the process for transfers, industry and AEMO could evaluate this as part of an incremental system improvement program outside of this review.
The NECF currently includes provisions that prevent retrospective customer transfers more than 130 days before the date of the request. These provisions should be reviewed to reduce the complex customer and retailer issues that arise. The provisions should accept that a de facto transfer took place, and allow a retrospective transfer back to the original retailer back to 130 days.	Simply Energy, p. 2.	As noted in our Issues Paper, the Commission's focus in this review is efficient in-situ, small customer transfers, given the limited timeframes for advice to SCER. To broaden the Commission's investigation of the customer transfer process to include retrospective transfer requests, as well as other types of issues related to transfer requests, would make it difficult to complete the review by the date required in the terms of reference.
Generally the current arrangements for billing and settlements are efficient apart from a provision under the NECF, whereby a transfer error or inability to validate consent within 10 business days the current retailer is required to retrospectively transfer the customer back to the previous retailer for up to 12 months. The current market procedures only allows for retrospective transfers up to 130 business days which aligns to the wholesale settlements process. A retrospective transfer in excess of 130 business days will result in retailers having to negotiate and manage off market settlements, which are often problematic and inefficient.	EnergyAustralia, pp. 2-3	

Issues raised	Stakeholder	AEMC response
Benefits could be obtained from reversing the change that allowed the current retailer to object to retrospective transfers as this has led to a substantial increase in email traffic to clear the objections, for no apparent benefits to consumers or market participants.	Simply Energy, p. 1.	There be merit in considering such issues as part of a review of the objections framework, as discussed in section 6.1.
A transfer delay can occur for the following reasons: • a transfer error or objection requires identifying the transfer impediment, then resubmitting the transfer request, with the consequence of delaying the transfer to the new retailer; • a transfer can only be affected on an actual meter read, so if the distributor has not been able to access the meter there will be a delay in the transfer; • a smart meter, solar bi-directional meter, or interval meter may have experienced a problem during the reading process so that meter data was not obtained, causing a transfer delay; • issues with the business to business communications between a distributor and a retailer, such as receiving meter read data compatible with the retailer's billing system.	EWOV, p. 7.	Agreed. The Commission considers these reasons for extending transfer timeframes throughout the discussion of the problem in chapters 4 through 6.
Excessive switch times are ordinarily experienced by customers as a result of quarterly meter reading blocks; the requirement to have compliant metering installed, resourcing constraints, and costs associated with special reads.	Ergon Energy, p. 6.	Agreed. The Commission discusses the reasons for extended transfer times throughout the discussion of the problem in chapter 4.

Issues raised	Stakeholder	AEMC response
Meter reads		
The Issues Paper gives little consideration to the role that customers and retailers play in the successful completion of a meter read at a premises.	United Energy, p. 1.	Agreed. The Commission considers that customers could be better informed of their obligations, such as, in relation to the requirement for meter readers to have clear and safe access to the meter to ensure a timely transfer. The Commission considers that this could be independently progressed by retailers and metering data providers. Also, chapter 4 looks at possible options to progress customer transfers where meter access issues are encountered.
In order to minimise the number of instances where a meter reading is not possible due to access issues, there is an opportunity for customers to be better informed of their obligations in relation to the requirement for meter readers to have clear and safe access to the meter to ensure a timely transfer.	Energex, p. 5.	
Retailers clearly play a key role in educating customers about access, but once access has become an issue, distributors could assist in the resolution by accommodating scheduled visits to the premises with a reasonably narrow appointment window.	AGL Energy, p. 3.	Agreed. The Commission considers that this could be independently progressed by retailers and metering data providers. Also, chapter 4 looks at possible options to progress customer transfers where meter access issues are encountered.
The principal obstacle for switching times is a function of the timing of when the customer has received their bill and subsequently approaches a retailer and agrees to transfer (i.e. the existence of a quarterly read cycle for scheduled meter reads.	Origin Energy, p. 9.	The Commission considers that the existence of a quarterly read cycle for manually read meters extends the time for a customer transfer. Chapter 4 looks at possible options to progress customer transfers in a timely manner that is not subject to the quarterly meter read cycle.
A 3 month manual meter reading cycle, and the ability to achieve an actual read with basic meters are the key aspects of the current transfer process which are most likely to impact the customer switching process.	EnergyAustralia, p. 3.	

Issues raised	Stakeholder	AEMC response
Lack of access to meters accounts for a significant proportion of cases that result in failure to take a final read.	Origin Energy, p. 5.	The Commission considers that lack of access to meters is a significant issue, extending the time taken for a transfer to complete, and a poor experience for the customer who has tried to engage in the retail market. This is discussed in further detail in chapter 4.
Issues which may prevent a successful transfer, such as no access to gain an actual read or the request for a special read to appropriately align to a proposed transfer date in a change request in the MSATS system, do not appear to be a significant barrier for customers.	United Energy, p. 1.	
The inability to obtain meter reads related to meter access issues is a major delaying factor for many customer transfers.	Aurora Energy, p. 6.	
The maximum switching time in Australia is primarily reflective of the meter reading cycle and the obligation to achieve an actual read to finalise a transfer.	EnergyAustralia, p. 2.	Agreed. As set out in Commission responses above, it is both the existence of a quarterly read cycle, and the obligation to achieve an actual read that may extend the time for the customer transfer process. Chapter 4 looks at possible options to progress customer transfers in a timely manner that is not subject to the quarterly meter read cycle.
Any potential option to change meter reading frequency or in meter-reading methods (for example, customer or estimated meter reads) may impose significant costs on parties involved in the transfer process, which would ultimately be borne by customers.	Energex, p. 2.	As set out in the Issues Paper, the Commission considers that the broader aspects of metering are out of scope of this review. However, the Options Paper does present possible non-mandatory options for obtaining meter reads in order to process a customer transfer in a timely manner.
Any change to meter read frequency for example so that all customers were on a 30 day meter read cycle would need to consider the additional costs of meter reading and changes in customer billing frequency.	United Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
A potential option may be to permit customer transfers if the meter has been read during the 21 days prior to the transfer date.	Aurora Energy, p. 3.	The Commission considers that it would be preferable if customers transferred based on a meter read, which is taken on the transfer date (which could be a scheduled read, estimated, self-read, or a special read). However, as set out in our proposed process for estimated reads in section 4.3, this requires transfers on estimates only to occur when the previous read was an actual.
The only way to provide more "timely" data are: • introduce remote read capable meters; • read the existing meters more frequently; or • require a special read on customer churn.	Aurora Energy, p. 3.	Agreed. The Commission considers that estimated reads also enable more timely data, albeit with potentially less accuracy which requires reconciliation given the estimated nature of the data.
An actual read, as prescribed in the current processes, enables the accurate customer transfer. This is considered to promote an efficient and transparent process that does not add further complexity and costs to the customer transfer process.	Lumo Energy, p. 2	The Commission considers that estimated reads, undertaken in an industry agreed process, may also potentially promote an efficient and transparent process.
Permitting transfers on estimated reads and self reads are unlikely to improve transfer arrangements in a cost efficient manner relative to the public benefit.	Alinta Energy, p. 2.	The Commission has set out potential policy options to allow transfers to take place on estimated reads in chapter 4. Stakeholder comment is welcomed on the potential costs and benefits associated with these possible options.
Alternative measures such as customer self-reads and estimated reads have real potential to increase complexity and cost, and may add to customer confusion in relation to the switching process.	Origin Energy, p. 1.	

Issues raised	Stakeholder	AEMC response
Support a range of options to reduce delays in switching caused by meter reading, such as separating meter reads from switching, and making greater use of retailer or customer self-read options and of estimated reads.	Australian Chamber of Commerce and Industry, p. 2 and p. 17.	Agreed. Possible options to promote timely customer transfers are explored further in chapter 4.
Although transferring on an actual read potentially results in a longer transfer timeframe, customers can be sure that the final bill reflects their final consumption.	EWON, p. 9.	Agreed. In the Commission's proposed process for undertaking estimated reads or customer self-reads, the transfer would only occur on this basis, if the customer provided explicit informed consent. Therefore, customers that do not choose to transfer on this basis would not. Also, customer billing would be reconciled to reflect actual energy consumption by the customer. The Commission acknowledges "bill shock" may be an issue with reconciliation; however, the customer will still have the option to transfer on an actual read.
Another option to improve the timeliness of the transfer process would be to permit the transfer on an estimated read or customer self-read.	AGL Energy, p. 4.	Estimated reads are discussed as options in chapter 4.
A move to promote more use of customer own-reads and / or estimates may result in more timely customer transfers. An actual read will always be more accurate than an estimate, but the materiality may not be significant. A customer own-read may be just as accurate as a meter read by an accredited person.	Etrog Consulting, p. 6,	

Issues raised	Stakeholder	AEMC response
There are four possible meter read options if a timeframe for completion of a transfer is to be reduced: • actual read, currently conducted on a quarterly basis; • estimated read; • self-read; • special read.	EWON, p. 9.	
One further case does not seem to be addressed in the Issues Paper, and may warrant further consideration. That is the case of a Manually Read Interval Meter (MRIM), where: • a customer own-read will not record all the interval data that may be required to bill the customer; • if estimates are used, unlike in the case of a non-interval meter, with an interval meter the actual data up to and after the date of customer switching can be retrieved later. The use or otherwise of that data when it is later obtained from the meter may require further consideration.	Etrog Consulting, p. 8.	The Commission values such feedback. The Commission agrees, that where such manually read interval meters exist, the customer could not take advantage of a customer self-read. However, customers could make use of an estimated read (although this would require a different method for estimation than that used for manually read accumulation meters).
Special reads		
Customers have the ability to pay more for a special read outside the usual cycle, but generally choose not to.	ERM Power, p. 1.	The Commission notes that it is the cost of special reads that typically prohibits their use. The AEMC is currently undertaking a rule change, which is considering how the distribution network pricing principles
Special reads are already available; however, their cost, which varies across jurisdiction and fuel type, is generally	Alinta Energy, p. 2	

Issues raised	Stakeholder	AEMC response
such that it prohibits their use, except in unique circumstances.		should be adjusted to encourage distribution businesses to set and structure network prices on a more cost reflective basis. The Commission considers that this rule change will give the AER licence to set more cost reflective charges - including for special meter reads.
Special reads are not commonly used since the costs of undertaking a special read will either have to be absorbed by the retailer undertaking the transfer, or passed on to the customer. If special reads are pursued, the AEMC will need to ensure that regulatory oversight is provided from the AER in ensuring that any fees imposed by distributors on consumers are cost reflective.	ERAA, p. 3.	
If a customer or retailer considers it too long to wait for a transfer on the next scheduled read date, either one can elect to pay for a special read to bring the transfer forward. This requires the customer or retailer to weigh up the cost of the special meter read against the value to them of the faster transfer. In this regard, it is important that special read fees are genuinely reflective of costs.	AGL Energy, p. 2.	
Supports the use of special reads to expedite a transfer for in situ customers. Assuming the costs associated with special reads are set at an economically efficient level, then to the extent the market values the benefits associated with its new arrangement with the winning retailer, there exists the option to accelerate a transfer by lodging a special read.	Origin Energy, p. 3.	
Greater use of special reads would be a good incremental improvement.	EnergyAustralia, p. 4.	

Issues raised	Stakeholder	AEMC response
However, in many cases the cost of a special read is prohibitive. The exorbitant cost of special reads is a significant barrier to requesting them more regularly when a scheduled read is not readily available.		
A potential option to address the efficiency of the customer transfer process is to undertake transfers on a "special read" basis, where the customer pays a fee for the above standard service of unscheduled meter reading. Aurora notes, however, that this latter approach may decrease any incentive a customer may have to change retailers.	Aurora Energy, p. 3.	The Commission discusses the use of special reads as an option to speed up customer transfers in chapter 4. The Commission does not consider that all transfers should be required to take place on special reads. Instead, special read fees should be cost reflective, to encourage retailers to make use of them where the benefits of use outweigh the costs, and customers should be made aware of their available options for a faster transfer time.
While customers can transfer on the basis of special reads, many customers prefer to wait until the next scheduled meter reads since the special read fee may be a significant burden. To the extent that a shorter transfer timeframe is pursued, customers should have the choice to transfer at the next scheduled read date if so desired.	EWON, p. 9	
Customers could be better informed and educated on different energy products, and provided with the option of switching faster using special meter read data.	NSW DNSPs, p. 6.	
The use of email or SMS messaging to pre conditioning residents where a special read is required would be worth investigating in order to reduce "no access" issues. This could be undertaken by the party responsible for achieving the need.	EnergyAustralia, p. 4	The Commission considers that this would be an improvement to the customer transfer process. Further, this could be implemented independently of this review by retailers and metering data providers.

Issues raised	Stakeholder	AEMC response
Estimated reads		
Not all jurisdictions permit the use of estimated reads.	Alinta Energy, p. 2	The Commission welcomes further information on those jurisdictions that do not permit the use of estimated reads. As far as the Commission is aware, the only jurisdiction that explicitly does not permit estimated reads is Victoria.
Transfers and settlement on the basis of actual reads promotes efficient outcomes as neither retailer is carrying settlement risk. Further, this avoids disputes about the transfer read, or market or billing adjustment issues.	AGL Energy, p. 2.	The Commission does not consider that our proposed process for estimated reads introduces settlement risk. This is discussed further in Box 4.1.
Estimated reads have the potential to create settlement issues where over and under estimation of energy consumption occurs	Alinta Energy, p. 2.	
The ERAA consider that utilising an estimated read will result in customers being over or under-charged. For example, there may be uncertainty surrounding which retailer will resolve this issue, and how any adjustments to network charges will be refunded. Should estimated reads be given further consideration, a detailed analysis will need to be commissioned to understand the potential ramifications of using estimated reads whilst performing customer transfers.	ERAA, p. 3.	If this option was pursued, the Commission considers that AEMO, and an industry working group, would develop a standardised estimation methodology. The choice of method would be based on a number of principles, which would include promoting accuracy.
Estimated meter reads transfers may not be consistent with the National Measurement Act which would suggest that the financial transactions should be based on measured quantities.	United Energy, p. 2.	The existing Metrology Procedure permits estimated reads for customer transfers if authorised by participating jurisdictions (clause 1.6.1, Part B).

Issues raised	Stakeholder	AEMC response
		The Procedures go on to set out the procedures for estimation of metering data. Therefore, it would appear to the Commission that estimated reads are either consistent with the Act; or the Act may not have any application. Also, AEMO has addressed such issues in its Guideline for Clarification of the National Measurement Act.
Do not support transfers on estimates, because: • if challenged in the future, the settlement of differences among parties will lead to additional costs that will be ultimately be reflected in higher prices; • generally, the party responsible for providing the estimate (the distribution business as MDP), has limited exposure to the risk of an estimate being incorrect and will unlikely be involved in resolving the error with the customer; and • there would be significant changes required to the NER and participant information technology systems to support routine transfers on estimates.	Origin Energy, p. 3.	Section 4.3 of this Options Paper discusses the possible policy option of allowing transfers on the basis of estimates, and addresses these points.
Estimated reads would involve further billing calculations and adjustments by both winning and losing retailers once an actual meter read is completed. There may be potential problems if miscommunication occurs or their billing systems are incompatible. There would also need to be clear and specific guidelines on adjusting customers' accounts where there has been an overcharge or undercharge on the final bill.	EWON, p. 9.	

Issues raised	Stakeholder	AEMC response
The concept of transferring based on estimates appears to have some merit as an incremental improvement, subject to several conditions summarised in EnergyAustralia's submission.	EnergyAustralia, p. 4.	
Issues with estimated reads or customer own reads are not insurmountable, but the costs and timeframes for making the necessary changes would need to be carefully considered against the ultimate goal of a wide spread smart meter rollout.	AGL, p. 4.	
Estimated reads are likely to be subject to more errors and require final bills to be re-issued.	NSW DNSPs, p. 7.	
Distributors do not accept self-reads as actual reads for the purpose of settlements or network billing. Self-reads are not able to be validated by the incoming retailer, therefore carrying with them a level of risk and uncertainty negating any potential benefits.	Alinta Energy, p. 2.	The Commission recognises that customer self-reads are not currently accepted as reads by accredited metering data providers. However, if customer self-reads were used as an "estimate" and then verified by the metering data provider, this would get around this issue
Current industry practice is to treat self-reads as estimated because it has not been verified by a meter data provider.	EWON, p. 9	
AEMO and distributors do not accept self-reads as actual reads for the purpose of settlements of network billing. Resolving issues that arise from the use of self-reads can be lengthy and expensive.	ERAA, p. 3.	
Do not support the increased use of self reads. This would add to administrative costs and will contribute to an increase in disputes. Self-reads are used very occasionally, and cause similar	Origin Energy, pp. 3-4.	Section 4.3 of this Options Paper discusses the possible policy option of allowing transfers on the basis of customer self-reads, and this section addresses these points. For example, while some customers may not have easy

Issues raised	Stakeholder	AEMC response
issues to transferring customers on estimates. The use of digital photographs may eliminate a number of issues, but would require a significant investment on the part of industry.		access to their meter, they would still be able to utilise an estimated meter read.
Some customers may not have easy access to their meter or are unable to take a photograph.	EWON, p. 9	
Structure of charges for provision of metering data		
No specific issues with regard to the existing structure of charges for provision of metering data.	Energex, p. 6.	Section 4.4 of this Options Paper discusses the possible policy option of introducing an incentive scheme on metering data providers to encourage parties to increase timely and accurate provision of special meter reads. The Commission considers that MSATS data presented in the Issues Paper was of a factual nature, and encouraged stakeholder comment on issues requiring further information before a clear view could be expressed.
In Tasmania, where the majority of small customer installations have Type 6 meters, the charging structure is of little consequence to the timeliness of data provisions.	Aurora Energy, p. 3.	
Incentivising the meter reads to provide more timely and accurate reads is a matter for the distributor and regulator where this service is regulated. Providing incentives to metering data providers will not necessarily affect transfer timing issues.	Origin Energy, p. 6.	
The structure of charges for special reads could be revised so that service order completed with a successful result are better rewarded than those requiring a repeat attempt.	AGL Energy, p. 4.	
Benefits could be obtained through improving distributor service levels.	Simply Energy, p. 1.	
Concerned by some of the inferences drawn by the Issues Paper, and note the potential for people without industry knowledge to misinterpret this as the LNSP obstructing the	NSW DNSPs, p. 5.	

Issues raised	Stakeholder	AEMC response
market process. Do not consider that DNSPs lack sufficient appropriate incentives to comply with their obligation to provide accurate meter reads in a timely fashion.		
Although retailers have strong incentives (regulatory and competitive) to resolve access issues, they are not actually in control of meter reading and data provision. One option may be to make more transparent what proportion of "completed" service orders (e.g. special reads) have been "successfully completed".	AGL Energy, p. 3.	Increased monitoring, and public reporting, of statistics associated with the customer transfer process are discussed in section 4.5. The Commission considers that increased reporting of such statistics may address AGL's concerns. In relation to incentives on metering data provider, see response to above comments.
There are a number of aspects of distributor service performance that require review and improvement: • currently distributors require 20 business days to supply a meter read for a transfer. They do not take this long to supply meter reads for billing purposes and the reasons for the 20 business day requirement should be reviewed, and reduced if possible; • address the data quality issues with the way addresses are created by distributors in MSATS free-form cells; and • reduce the incidence of the "no access" reason for a read not being made, which delays a transfer.	Simply Energy, pp. 2-3	Agreed. See responses to above comments. Further, chapter 5 discusses options to address data quality issues. These may also address some of Simply Energy's concerns.
There is no visibility to the MSATS request to the metering data provider to obtain the actual meter read. Changing this would provide greater transparency of the request	Origin Energy, p. 6.	Increased monitoring, and public reporting, of statistics associated with the customer transfer process are discussed in section 4.5. The Commission considers that

Issues raised	Stakeholder	AEMC response
being set to the metering data provider (although the greater enhancement would be the deployment of smart meters).		increased reporting of such statistics may address Origin's concerns. Also, industry and AEMO could evaluate this as part of an incremental system improvement program outside of this review.
Objections framework		
The current objections framework does allow for efficient outcomes in accordance with the assessment framework.	Aurora Energy, p. 4	The Commission considers that unnecessary objections can extend the customer transfer process. Further, it may be appropriate that the objections framework be updated with the aim of improving the efficiency of the customer transfer process. This update could also include reviewing of the timeframes associated with the objections framework. This is discussed further in section 6.1.
On the basis of AEMO's MSATS data on objections to the customer transfer process, Ergon Energy generally regards the existing process as capable of achieving efficient outcomes	Ergon Energy, pp. 6-7.	
Overall the objection framework is appropriate, although in some circumstances participants who log objections do not follow up or withdraw objections as required.	Ergon Energy, p. 5.	
The objections process should be reviewed, with a view to reducing objection resolution timeframes.	Energex, p. 1 and p. 6	
Suggests a reduction in the objection clearing period from 20 days to 10 and believes a review of all objection rules in relation to responsibilities and ownership, to assess relevance and appropriateness, would lead to continuous improvement of the customer transfer process.	Ergon Energy, p. 7	
The objections procedures would be reviewed to ensure that inappropriate objections are not unnecessarily extending transfer times.	Simply Energy, p. 4.	

Issues raised	Stakeholder	AEMC response
Supports a review of the objection process, to ensure it is meeting its intended objective.	Lumo Energy, p. 2.	
There is no mechanism for capturing requests made by retailers that are illogical and require validation by the LNSP.	NSW DNSPs, p. 5.	
A review of the 5 business day period for objections could be considered. However, a reduced objection period may result in industry participants implementing increased system automation for objections due to the tighter timeframe not allowing for proper consideration of the reason for raising the objection.	EnergyAustralia, p. 3.	
Currently parties can raise a range of objections to customer switching, which can delay or even stop the process. ACCI finds that these can be outdated and act as an impediment to competition.	Australian Chamber of Commerce and Industry, pp. 2-3 and p. 18.	
Anecdotally, the factors underlying objections include: • human error, which can be addressed by training; • invalid/unclear information, which can be addressed by data quality improvements and data validation and checking; and • access issues which can be addressed through better engagement with customers to ensure they understand that access to the metering equipment on site is an obligation upon them.	Aurora Energy, p. 4.	The Commission values such evidence. This has influenced our assessment of the problem associated with accuracy of data, as set out in chapter 5.

Issues raised	Stakeholder	AEMC response
Some EWON cases demonstrate apparent confusion and some inconsistent understanding across market participants of objections, the reasons they have been raised and what can be done to resolve them. There is a need for adequate staff training on the MSATS transfer process, particularly around transfer codes and objections.	EWON, pp. 6-7.	The Commission values such evidence. This has influenced our assessment of the problem associated with accuracy of data, as set out in chapter 5. The Commission considers that there may be benefits from participants in the customer transfer process refreshing their staff training.
Retailers should be able to object to customer transfers in any NEM jurisdiction, where a customer's debt exceeds $200 and has been outstanding for at least 40 business days. The "debt" objection needs to be made consistent across jurisdictions and give sufficient flexibility that customers do not transfer to another retailer to avoid paying for their consumption and network charges.	Simply Energy, pp. 3-4.	The NECF refers to national arrangements that govern the sale and supply of electricity and natural gas to retail customers. The MCE's stated policy for the NECF is to preclude all objections on the basis of debt for small customers.[157] Therefore, the Commission considers that, consistent with the NECF, objections on the basis of debt for small customers should be precluded.
The DATEBAD objection is used by distributors to object to a transfer because there is no meter reading data available for the nominated transfer date. This is despite retailers nominating a transfer date based on the distributor's meter read schedule. This delays transfers. Distributors should maintain accurate meter reading schedule to prevent this occurring.	Simply Energy, p. 4.	Section 6.1 discusses a possible policy option, which relates to an update of the objections framework. This would involve reconsidering these objection codes.
The BADMETER objection - when a customer's consumption increases to exceed the small customer limit, a meter upgrade is required by the rules. Despite being aware of this, distributor's object to the meter upgrade	Simply Energy, p. 4.	

157 See: Ministerial Council of Energy Standing Committee of Officials, National Energy Customer Framework: Second Exposure Draft, Explanatory Material, November 2009.

Issues raised	Stakeholder	AEMC response
change request as a matter of course. Further, although we explain to the distributor that a request for a new meter has been sent to a third party metering provider, the objection is not withdrawn and the change request is cancelled automatically. We then have to submit a new change request.		
Analysis could be done on the following objections to determine if these can be removed: • BADMETER; • BADPARTY; • DATEBAD; and • DECLINED. Therefore the objection logging period could potentially be eliminated as there may be no grounds for logging objections and transfers could occur sooner on average.	Origin Energy, p. 7.	
Extension beyond 65 business days		
In some circumstances it may be necessary to extend the MSATS process beyond 65 business days particularly where difficulties arise in the transfer process. This may not be considered an efficient outcome, but it is necessary to resolve these issues before the transfer can proceed.	Energex, p. 7	The Commission considers that it may be efficient for some transfers to extend beyond 65 business days. This circumvents the transfer being cancelled/rejected, and the retailer being required to re-initiate the transfer.

Issues raised	Stakeholder	AEMC response
Although it is not ideal for a transfer to continue beyond 65 business days it should complete on the next actual read. This is more efficient than the retailer being required to re raise the transfer request.	AGL Energy, p. 2.	
The continuation of the MSATS process beyond 65 business days is not necessary, since 65 business days is a sufficient period of time.	Ergon Energy, p. 5.	
Data quality in MSATS		
Data quality issues exist in MSATS. Data quality may be improved without significant cost or expense through an ongoing continuous improvement program of data cleansing via (as discovered) information updates from all participants.	Alinta Energy, p. 2.	The Commission considers that some aspects of the data that is used in the customer transfer process is not accurate, meaning that transfer times may be extended. Chapter 5 discusses potential policy options that address accuracy issues. For further detail, refer to this chapter.
The accuracy of data in MSATS can present a barrier to competition, and increase costs to retailers. Should the AEMC decide to explore this option to improve the transfer process, a separate review of MSATS to address systematic issues would provide greater benefit. The scope of work to correct current data is substantial and when this matter was previously raised, it was set aside due to the costs involved in identifying and correcting supply address data in MSATS.	ERAA, p. 4.	
The accuracy of data in MSATS is of upmost importance as it directly impacts on the competitiveness of the market and adds costs to retailers in order to attempt to correct the data.	Lumo Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Issues with the quality of standing data and meter data held in MSATS can be a cause of erroneous transfers. There may be some benefit in developing a common industry address standard. The processes and required timeframes for updating data held in MSATS could also be examined. Given the volume of data held in MSATS, the costs and benefits of any programme for review would need to be assessed.	AGL Energy, p. 3.	
Part of the focus should be on how to facilitate a more structured exception management process for those customers who have had a poor transfer experience.	AGL Energy, p. 3.	Agreed. The Commission considers that Option B4 relates to increasing the obligations on retailers to co-ordinate to resolve erroneous transfers in a timely manner. This would encourage retailers to develop a more structured exception management process.
There are difficulties in the address field in MSATS. For example, a local council has reassigned street numbers but fails to provide this information to the relevant network distributor.	EWON, p. 6.	The Commission considers that are a large number of issues with data accuracy occur with the address fields in MSATS. Option B1 aims to standardise address fields, with may address these concerns.
Sometimes the billing rights to a customer's supply address are transferred between retailers in error. However, we have found that MSATS transfer errors usually happen because of mismatches between property address descriptions, meter numbers and NMI details. A more accurate alignment would reduce the number of transfer errors.	EWOV, pp. 4-5.	
EWOV has found occasions where a transfer objection is based on account debt not in the customer's name, but in the name of the previous occupant of the property.	EWOV, p. 10.	The Commission values such evidence. This has influenced our assessment of the problem associated with accuracy of data, as set out in chapter 5.

Issues raised	Stakeholder	AEMC response
Retailers can play a role in minimising the risk of a transfer error by taking greater care when asking customers for their address and NMI details, maintaining good and efficient internal systems and making early communications with customers should a transfer error occur.	EWOV, p. 6.	Agreed. The Commission considers that competition within the retail market should drive retailers to undertake this as part of normal business practice to deliver a superior customer service experience. Also, chapter 5 looks at the possible option of publishing statistics of retailers involved in erroneous transfers.
The incoming retailer is responsible for cross-checking the customer's address and NMI. This places an important obligation on the retailer in ensuring that the correct customer is transferred.	EWON, p. 6.	
Guidelines could be established to clarify how and when a retailer is required to raise a transaction in MSATS to win a customer back.	AGL Energy, p. 3.	Agreed. Option B4 relates to increasing the obligations on retailers to coordinate to resolve erroneous transfers on a timely manner. This would include development of guidelines.
Cooling-off period		
The AEMC should consider a reduction in the cooling-off period.	Ergon Energy, p. 3; Simply Energy, p. 1; EnergyAustralia, p. 2.	As noted in our Issues Paper, customer protection measures (including the cooling-off period) are considered out of scope for this review, since the Commission considers that these matters raise broader considerations (beyond energy specific issues)that are best addressed by the relevant jurisdictions. The focus of this review is on the customer transfer process post the customer's decision to transfer to a retailer, given existing consumer protections. However, the Commission is interested in understanding more about why retailers prefer to not commence the small customer transfer process until the cooling-off period has expired (e.g. how reversals are given effect in a retailer's systems).
The other significant constraint to reducing the switching time is the cooling off period of 10 business days which is seen as an essential consumer protection and needs to be maintained.	ENA, p. 2.	
Victoria is the only state that does not allow the transfer process to begin before the end of the cooling-off period. It would reduce transfer time if the Victorian requirements are brought in line with other states.	Simply Energy, p. 2.	

Issues raised	Stakeholder	AEMC response
Consideration of the impact of mandated cooling off periods on switching times and possible reform options such as making these shorter or more flexible.	Australian Chamber of Commerce and Industry, p. 2 and p. 16.	This is discussed further in section 4.1.5.
Compliance and enforcement		
There is no evidence to suggest that the current enforcement and compliance provisions are lacking or do not provide sufficient incentive for retailers to comply with their customer transfer obligations.	Alinta Energy, p. 1.	The Commission considers that the current enforcement and compliance provisions are sufficient and clearly specified. This conclusion (based on stakeholder submissions) has informed the development of the options, as detailed in this paper. That said, the Commission expresses some concern that EWON is unclear which bodies are responsible for the compliance and enforcement of the regulatory framework relating to customer transfers. Some possible options, such as greater cooperation between retailers to correct erroneous transfers, may improve the end customer experience by promptly dealing with customer concerns before they are escalated to energy ombudsmen.
The current compliance and enforcement provisions governing the customer transfer process do allow for efficient outcomes.	Aurora Energy, p. 3	
The current compliance and enforcement provisions are appropriate.	United Energy, p. 2	
The current compliance and enforcement provisions are sufficient - the processes are known and transparent.	Origin Energy, p. 8.	
The current compliance and enforcement provisions are adequate to ensure that MDPs perform their meter reading obligations in a timely manner.	Energex, p. 5	
The current compliance provisions are appropriate and suitable for their purpose. However, enforcement of the provisions is often insufficient, nor consistently applied.	Ergon Energy, p. 3 and p. 6.	
It is currently unclear which bodies are responsible for the compliance and enforcement of the regulatory framework relating to customer transfers. A framework that articulates clearer guidance will provide incentives for retailers to	EWON, p. 3.	

Issues raised	Stakeholder	AEMC response
engage in the transfer process more efficiently, and generally assist in improving customer experiences of transfers.		
Customer experiences		
A transfer error may have several consequences for a customer and an energy retailer, including: disconnection risk; account disruption; effects upon a third party; and customer service centre impact.	EWOV, p. 5.	The Commission appreciates such evidence being provided of customer experiences with the customer transfer process. The Commission has considered this evidence, with this influencing the Commission's assessment of issues with the customer transfer process, and potential options to address these issues, as outlined in this Options Paper.
Transfer delays can have a significant impact on customers. This may have serious financial repercussions for customers, particularly if they are facing financial hardship. The consequences of a transfer delay may also have a detrimental effect on retailers.	EWOV, p. 7.	
In EWON's experience, complaints about the timeliness and accuracy of transfers can be triggered when: • the winning retailer has delayed in entering a change request on MSATS; • the transfer of the site to the winning retailer fails; • technical or administrative errors are involved in the transfer process, such as incorrect addresses or NMIs being transferred or retailers entering incorrect information into MSATS.	EWON, p. 2	
Customers are often disappointed and do not always understand why the transfer did not proceed. The technical details of the transfer process should not be	Origin Energy, p. 8.	

Issues raised	Stakeholder	AEMC response
of concern to customers, what matters most to customers when the transfer will be effective.		
The typical scenarios in which failures of the customer transfer process occur are: • transfer without consent of customer; • failure to read meter; • incorrect meter type quoted to effect transfer; • where CR1500 is not triggered to market by metering data provider.	Ergon Energy, p. 5.	
Retailers should be required to place NMI (meter identifiers) information clearly on bills.	Australian Chamber of Commerce and Industry, p. 2 and p. 16.	The Commission notes that this is already a requirement under the NERR (Rule 25(1)(c)), and the relevant jurisdictional codes (Victorian Energy Retail Code, clause 4.2(b); Queensland Electricity Industry Code, clause 4.9.6(a)) that a small customer's bill must have the NMI number displayed on it. The Commission considers that large customer bills should also have the NMI information clearly displayed.
Customer complaints to energy ombudsmen		
The Issues Paper cites an increase in transfer-related complaints. The figures quoted do not take into account the rise in the number of transfers that occurred in this period. Once this is taken into consideration, the increases are much smaller (albeit still an increase).	ERAA, p. 2.	The Commission appreciates the evidence provided by stakeholders on reasons for increases in transfer-related complaints. The Commission agrees that the proportion of complaints

Issues raised	Stakeholder	AEMC response
While there are a number of reasons for increases in complaints relating to the transfer process, both the reasons themselves (increased levels of customer switching) and the number of complaints relative to the total number of successfully completed transfers are not material enough to require significant changes to current industry processes and regulation.	Origin Energy, p. 4.	is relatively small when compared to the total volume of small customer transfer processed, however, in level terms, the number of complaints are a concern. The Commission also notes that there is still a rise in transfer-related complaints as a proportion of total transfers, which is also concerning. That said, a proportionate response to any problem is required. The Commission is mindful of separating transfer-related complaints that relate to billing from those that relate to the transfer process itself (i.e. what is being looked at in this review). Therefore, the Commission has outlined options in this paper that aim to improve the efficiency of the customer transfer process.
The number of complaints is small when compared to the volume of small customer transfers processed.	Energex, p. 2 and pp. 8-9; NSW DNSPs, p. 4.	
While the AEMC quotes increases in ombudsmen recorded switching complaints it fails to quote these complaints aligned to the increases in customer transfers quoted by AEMO that has also occurred for the same period.	EnergyAustralia, p. 4.	
Absolute numbers of complaints also need to be weighed against the numbers of customer transfers that are taking place. If those are increasing as rapidly, then the corresponding increase in complaints may be less concerning.	Etrog Consulting, p. 6.	
The vast majority of customer transfers do complete successfully (greater than 98% across all NEM jurisdictions). This is sufficient evidence that the transfer process is operating efficiently.	Origin Energy, p. 8	
A review of several sites to which links were given in the Issues Paper seems to indicate that fewer than 20 per cent of customer complaints related to customer transfers: the majority concerned billing issues.	Aurora Energy, p. 5.	

Issues raised	Stakeholder	AEMC response
It is problematic for the Commission to categorise all transfer-related ombudsman complaints as a systematic issue with customer transfers.	Lumo Energy, p. 3.	
The two leading reasons for increases in customer complaints are increasing numbers of erroneous transfers and the offering of corporate deals, the details of which are often not sufficiently explained to the customer. These are not related to the MSATS transfer process.	Ergon Energy, p. 6.	
Customers rarely complain about the mechanisms of the switching process itself. Rather, they contact ombudsmen when a problem arises. However, these may have arisen from a transfer process problem or error.	EWOV, p. 2.	
There is an increasing number of Victorians contacting EWOV for assistance with transfer-related matters.	EWOV, p. 3.	
There appear to be various drivers causing the increase in transfer complaints. Some providers are not effectively responding to customer enquiries concerning transfer and marketing issues, which can cause complaints to come to EWON. In other instances it appears that there are not robust systems in place to process contract cancellations and other transfer related transactions between providers.	EWON, p. 2.	
While there have been increases in complaints, the regulatory framework has coped with millions of transfers that have taken place since full retail competition commended more than a decade ago.	Origin Energy, p. 5.	
Complaints indicate that MSATS procedures for transferring a customer's account appear to fail where	EWON, p. 3.	

Issues raised	Stakeholder	AEMC response
retailers do not have a clear understanding of these procedures.		
As retailers address ancillary issues to the MSATS process (i.e. contract issues, consent issues and billing problems), and now that many have withdrawn from door to door selling, there may be a downward trend in transfer related complaints. These issues constitute a major portion of transfer related complaints.	AGL Energy, p. 3.	
EWON has also received complaints relating to administrative errors made by retailers when following MSATS procedures.	EWON, pp. 6-7.	
There appears to have a been a significant increase in the errors occurring in the switching process, even allowing for the increased number of transfers, with error related objections rising from less than 1,000 per month in 2010 to 4,000 more recently. Date and meter related problems are the cause.	Australian Chamber of Commerce and Industry, p. 9.	
It would help customers, and reduce complaints to their call centres and EWOV, if retailers identify delayed transfers early on and explain to customers the reasons for the delay and the steps being taken to fix the issue.	EWOV, p. 8.	Agreed. The Commission considers that if retailers identify delays to transfer early on, then the customer should be informed, and updated as the delays are resolved. Rule 59 of the NERR requires that, where the customer transfer did not commence as expected, a retailer is required to notify the customer: that the transfer did not occur; the reason for the delay; and the new expected date for completing the transfer. The Queensland Electricity Industry Code (clause 6.7) also states that if the customer transfer does not occur on the date previously advised by the winning retailer, and it is not expected to occur within one month of that expected date, then the retailer must

Issues raised	Stakeholder	AEMC response
		advise the customer that the transfer did not occur, the reasons for the delay, and the new expected date of completion.
Customer transfer timeframes		
Once all consumer protection provisions are complied with, the switching process itself should be executed as quickly and accurately as possible.	SACOSS, p. 1.	The Commission considers that, in most cases, 30 calendar days (approximately 21 business days) is a reasonable timeframe for transfer requests to be completed within. Fast and reliable switching improves customer engagement in the retail energy market, and supports retail competition and benefits customers.
Switching should aim to be completed within 30 days.	SACOSS, p. 2.	
The AEMC should propose a significant reduction in the current permitted maximum switching time of 65 days.	Australian Chamber of Commerce and Industry, p. 2 and p. 15.	
30 calendar days is reasonably acceptable.	Aurora Energy, p. 6.	
In most cases, 30 days is an achievable timeframe for customer transfers.	Alinta Energy, p. 1.	
A 30 day transfer timeframe may perhaps be too optimistic if issues around prolonged transfer delays and confusion relating to transfer procedures are not addressed.	EWON, p. 10.	
The 30 calendar day timeframe for completion of small customer transfers is appropriate. Although, this timeframe requirement must be considered in the context of the contingencies created where customers are receiving quarterly meter reads.	Ergon Energy p. 6.	
A significant reduction to current maximum timeframes seems unwarranted and impractical.	NSW DNSPs, p. 7.	

Issues raised	Stakeholder	AEMC response
Pursuing a mandatory reduction in the maximum timeframe of 65 business days is unlikely to be effective, and unlikely to reduce average switching times.	ENA, p. 2.	Option A1 relates to reducing the maximum prospective timeframe for customer transfers requests, as set out in the MSATS Procedures. The Commission considers that this policy option, in isolation, is unlikely to reduce customer transfer timeframes.
The effective date of the transfer is not solely driven by the date on which the customer transfer was initiated as per previous comments. Retailers may incur additional administrative costs should they be further restricted in raising a customer transfer due to a 30 calendar day timeframe.	Energex, p. 10	
SACOSS note the significantly shorter timeframes achieved in Victoria, and that the Victorian market is the most competitive in Australia. SACOSS is interested in the Commission's opinion as to whether the shorter switching times are more "cause" or "effect" of this degree of competition.	SACOSS, p. 1.	The NSW review of competition in the retail electricity and natural gas markets considered a wide variety of indicators in order to assess the level of competition. The relationship between the level of competition and the degree of switching may be hard to disentangle as faster switching times foster greater customer engagement and awareness, making customers more likely to switch retailer in future, which promotes retail competition.
The average timeframe does not necessarily reflect issues with the current customer transfer process or an untimely response to transfer requests given that customers or retailers may elect to initiate the transfer in advance of an agreed upon transfer date.	Energex, p. 10	The Commission considers that, where customers wish to initiate the transfer in advance of an agreed upon transfer date, this is accommodated under the current customer transfer process. The average timeframes referred to in the Issues Paper relate to when the transfer request is first raised in the MSATS system. The customer may have contacted the retailer prior to this date.
Although around half of switching outside Victoria is achieved in less than 30 days, which shows that many switches are achieved well within the maximum time allowed, it is a concern that over a quarter take between	Australian Chamber of Commerce and Industry, p. 20.	This is largely due to the quarterly meter reading cycle.

Issues raised	Stakeholder	AEMC response
30-60 days and over 20 per cent take more than 60 days. It would be useful to know the reasons for this.		
Customer transfer process for large customers		
The key reason why large customer transfers occur in a shorter timeframe is due to the type of metering typically installed (i.e. remotely read, interval meters).	Aurora Energy, p. 5; Energex, p. 8; EnergyAustralia, p. 3; Ergon Energy, p. 6; Origin Energy, p. 8.	As stated in the Issues Paper, the focus is on the transfer process of in-situ small customers. The experience of large customer transfers between retailers has been used to compare the efficiency of the different arrangements. Most large customer transfers occur within a shorter timeframe due to the type of meter typically installed for such customers (i.e. remotely read, interval). Given the timeframe constraints for this advice, we are not able to extend the review to cover these issues in this Options Paper. However, to the extent that there is some commonality in the transfer process for small and large customers, and so the possible options could be applied, or may be relevant, to the customer transfer process for large customers, we would welcome stakeholder comment.
The data suggests that the existing customer transfer process allows for efficient outcomes for large customers in accordance with the assessment framework.	Aurora Energy, p. 6.	
In circumstances where large customers wish to transfer and maintain existing metering and remain with the same metering participants, the transfer timeframes are reasonably efficient. Once a request is made to transfer that also includes changes to metering arrangements, the potential for delays is increased significantly.	Ergon Energy, p. 6.	
Query whether the large customer transfer process is relatively straight forward, these customers are account managed, there are complex processes to support meter and role churn, and within day processes when meters are exchanged. There is also complexity in the arrangements when meters are churned before, on or after the retail transfer date and potential for lost or poor quality data in these processes.	United Energy, p. 2.	
In a significant number of cases, the transfer or large customers are either not achieved on time, or are only achieved on time following close management of the transfer process. Therefore, the review should consider large customer transfers on equal footing with small	Energy Action, p. 1.	

Issues raised	Stakeholder	AEMC response
customer transfers.		
Since a large number of large customer transfers take place at month end, this creates an unevenness in workload and increases the likelihood for failed transfers.	Energy Action, p. 4.	
The total number of late transfers for Energy Action customers was 1 per cent. The majority of late transfers were caused by issues relating to the incoming retailer, and covering matters such as failure to initiate the transfer process in MSATS in a timely manner, failure to complete arrangements with the metering provider for the site.	Energy Action, p. 3.	The Commission recognises these issues for large customers. However, the Commission considers that such matters that relate to marketing operations of the retailer are outside the scope of this review.
There would be significant system, mail house, call centre and collection issues if effective transfer dates were restricted to specific dates of the month for the mass market. While many large customer transfers occur at the end of the month, the volume is very small and is readily managed by retailers.	EnergyAustralia, p. 3.	The Commission does not propose restricting effective transfer dates to specific dates of the month.
In the majority of cases, the actual commencement date for a large customer transfer is determined by the expiry date for the customer's current contract, with this typically being the last day of a calendar month. Therefore, assessment of large customer transfers should be against the agreed transfer date (as opposed to a fixed number of days). However, the appropriate metric for small customers is that stated in the Issues Paper.	Energy Action, p. 1.	Agreed. The Commission agrees that the more appropriate metric for assessing efficiency of large customers, is comparison against the agreed transfer date.
AEMO's reporting requirements for large customers transfers should be expanded so that more information is readily available on number of transfers by participating state and on transfer performance in general.	Energy Action, p. 5.	Agreed. The Commission considers that AEMO should consider expanding their reporting requirements for large customer transfers.

Issues raised	Stakeholder	AEMC response
Advanced metering infrastructure		
The increased use of smart meters provides the most efficient method of improving the customer switching process.	ERAA, p. 1.	The Commission agrees with the potential benefits that AMI brings to the customer transfer process.
Transfer times would be improved with the use of smart meters.	EWON, p. 9; ERM Power, p. 2; Aurora Energy, p. 3; EWOV, p. 8; ERAA, p. 4; Lumo Energy, p. 3; ENA, p. 1; Alinta Energy, p. 2.	
Efficiency of the customer transfer process would be improved with smart meters.	AGL Energy, p. 4; Origin Energy, p. 1.	
Evidence from Victoria indicates smart meters have a positive impact on reducing transfer timeframes.	Origin Energy, p. 9; AGL Energy, p. 2.	
Lumo has experienced a significant decline in the switching timeframe in Victoria and increased satisfaction with the switching process with the introduction of smart meters. Additionally, where customers have an operating smart meter access issues and the inability to obtain an actual read have ceased to exist.	Lumo Energy, p. 3.	
The installation of COMMS metering and the ability to receive readings/data at any time, rather than cyclic reads, would greatly improve the transfer experience for small customers.	Ergon Energy, p. 6.	
Customers with remotely read interval meters / smart meters should be transferred as soon as metering data is available at the end of the cooling-off period.	Simply Energy, p. 1.	

Issues raised	Stakeholder	AEMC response
Supports the final recommendation from the AEMC's Power of Choice review regarding the establishment of a framework for increased competition in metering and related services. Enabling retailers to more directly manage meter data services will better align performance incentives with the party that has the most interest in their accurate and efficient provision.	AGL Energy, p. 4.	
ACCI supports a well-structured, cost effective and competitively based roll out of smart meters as this will support more efficient and effective customer switching. ACCI therefore supports the contestable and open access approach to metering services adopted by the SCER.	Australian Chamber of Commerce and Industry, p. 3.	
The ERAA notes that this review will look at the impact of technologies such as smart meters on the accuracy of transfer readings. Given the ability of smart meters to address a range of issues relating to the customer transfer process, the ERAA recommends that this narrow scope is broadened.	ERAA, p. 4.	The Commission considers that improvements can be made to the customer transfer process prior to any market-led roll-out of smart meters. Therefore, the options contained in this paper do not specifically consider the issue or role of AMI in the customer transfer process. All policy options identified could be implemented in the absence of AMI; and are also consistent with the introduction of AMI. This is reflective of the principle of competitive neutrality, whereby different technologies in the NEM are subject to the same arrangements.
The currently limited introduction of smart meters outside Victoria means that the adoption of rules and processes by the AEMC that facilitate customer switching will be more important to improved switching in the interim than new metering technology.	Australian Chamber of Commerce and Industry, p. 3.	
The unbundling of metering charges in all jurisdictions would support a more rapid rollout of smart meters together with more transparency on the removal of or expected meter exit fees.	EnergyAustralia, p. 4.	The Commission notes that in the framework and approach paper for the NSW DNSPs the AER consider classifying metering services as alternative control services.

Issues raised	Stakeholder	AEMC response
International arrangements		
Care should be taken when using another country's statistics as evidence to support the need for changes in the NEM.	Energex, p. 2; NSW DNSPs, p. 2.	Agreed. The Commission discussed differences between various countries statistics in section 1.1.2 of the Issue Paper.
Do not consider that some international arrangements that would work in the NEM, despite appearing to work overseas.	Simply Energy, p. 3.	Noted. The Commission has discussed international arrangements, where relevant, throughout this Options Paper.
There are a range of developments in Sweden, New Zealand and Great Britain to facilitate switching that should be considered for introduction into the NEM (e.g., more frequent meter reads, shorter maximum transfer times, displaying meter numbers on all bills, shorter time limits on transfer processes, removal of or limitations on the use of objections to stop transfers, greater use of estimated meter reads).	Australian Chamber of Commerce and Industry, p. 3 and p. 10.	
International jurisdictions that rely on customer self-reads (for move-in/move-out) have developed a culture and enforcement where: • customers are not surprised to be asked to read their own meter; • customers are actively encouraged to provide their own meter reads in various circumstances; • the industry has put in place systems and procedures to accept and validate customer own-reads are properly propagated in the industry to all who need the meter reading.	Etrog Consulting, pp. 4-5.	Agreed.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
DNSPs	Distribution Network Service Providers
FRMP	financially responsible market participant
LNSP	Local Network Service Provider
MSATS	Market Settlement and Transfer Solutions
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERR	National Energy Retail Rules
NMI	National Metering Identifier
NSW	New South Wales
QCA	Queensland Competition Authority
SCER	Standing Council on Energy and Resources