

14 February 2014



Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Your Ref: EPR0038

Dear Mr Pierce

Review of Electricity Customer Switching

The Public Interest Advocacy Centre (PIAC) thanks the Australian Energy Market Commission (AEMC) for the opportunity to comment on the Options Paper for its Review of Electricity Customer Switching (the Options Paper). The current review is examining the arrangements that facilitate the transfer of a retail customer from one retailer to another when that customer has chosen to change supplier. The Options Paper identifies three broad issues with current customer switching arrangements:

- the potential length of time taken to finalise many customer transfers;
- errors in the customer transfer process, especially those relating to differences in the way addresses are expressed; and
- improvements that should be independently progressed by parties involved in the customer transfer process, including the functioning of the transfer objections framework.¹

The Options Paper discusses the negative impacts on consumers and retailers when a customer transfer is not completed successfully or in a timely manner. These include potential complaints from customers (which impose costs on retailers that are passed on through higher prices) as well as customer bills being higher than expected (when a transfer to a lower price is delayed or does not take effect).² As the Options Paper notes, higher bills could have 'significant repercussions for customers, particularly if they are experiencing financial hardship'.³

PIAC agrees with the AEMC that there is no 'single option' and a comprehensive approach will be required to alleviate all the problems identified.⁴ Nonetheless, PIAC wishes to support a number of specific proposals contained in the Options Paper. Firstly, PIAC submits that transfer timeframes could be significantly shortened through the increased use of estimated or customer self-meter reads for final accounts. PIAC also supports the AEMC's call for more proactive work from retailers and other market participants to improve the efficiency and effectiveness of the customer transfer objections framework.⁵

PIAC notes that the Energy and Water Ombudsman NSW (EWON) reported a significant increase in complaints related to customer switching in 2012/13. That year, EWON received

¹ AEMC, *Options paper: Review of Electricity Customer Switching*, 2014, 16.

² *Ibid.*, 24.

³ *Ibid.*

⁴ *Ibid.* 17.

⁵ *Ibid.* 59.

9099 complaints related to customer transfers, up from 4903 in 2011/12 (an increase of 85%).⁶ In light of these figures, PIAC submits that improvements to the customer switching framework are required to improve the customer experience of participation in the competitive market, including those outlined below.

Delays in completing customer transfers and the use of estimated bill reads

The Options Paper notes that delays in customer transfers can occur because most retailers prefer to conduct transfers only once the next scheduled meter read has taken place.⁷ With most meters only read once every three months, this has the potential to create a lengthy delay in the customer switching process.

The AEMC notes that the Australian Energy Market Operator's (AEMO) procedures allow for customers to be transferred on the basis of estimated reads or customer self-reads (for non-remotely read meters) provided this is permitted by the relevant jurisdiction and the customer consents.⁸ The Options Paper asserts that only Victoria explicitly prohibits customer transfers to occur on the basis of an estimated or self meter read.⁹ However, the Options Paper notes that regardless of jurisdictional policy 'retailers prefer not to use these meter read methods' for final bills.¹⁰

PIAC submits that the increased use of estimated or customer self-reads could increase the efficiency of the transfer process and benefit consumers, provided that consumers give explicit informed consent about the use of such reads (with one reservation, discussed under 'ensuring customers are not over charged', below). PIAC takes the view that those consumers who are motivated to seek out a better offer in the energy market will generally be able to provide a meter read to a supplier. Given the prevalence of smartphone and digital camera technology, many people could easily supply a digital photograph to verify this self-read. PIAC also submits that in a retail electricity market that is designed to facilitate consumer participation, such a process would empower, engage and educate residential consumers about their energy use and supply arrangements. Providing customers with information about this process is discussed further below.

However, as long as retailers do not offer customer transfers on the basis of estimated or self-meter reads, such transfers will not occur. Further, PIAC submits that retailers have little incentive to hasten the loss of a customer (and, in fact, have an incentive to slow this process) and are unlikely to conduct customer transfers on this basis.

PIAC supports the AEMC's recommendation to 'clarify that transfers can take place based on estimated reads' to 'increase transparency and understanding of the current arrangements for all participants'.¹¹ However, PIAC is unsure if improved clarity alone will result in retailers conducting customer transfers on the basis of estimated or self-meter reads. Accordingly, PIAC recommends that the AEMC examine other methods of encouraging retailers to conduct customer transfers based on estimated or self-meter reads.

Recommendation 1

PIAC recommends that the AEMC examine a variety of mechanisms that encourage or require retailers to allow customer transfers based on an estimated or self-meter read.

⁶ EWON, *Annual Report 2012/13*, 2013, 7.

⁷ AEMC, above n 1, 19.

⁸ Ibid 23

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid 35.

Avoiding customers with estimated meter reads being overcharged

PIAC notes that if customers are transferred based on an estimated meter read, it is important that the last actual meter read and the estimated meter read are provided to the new retailer. This will ensure that the new retailer has the same meter figure for which to commence charging the customer as that at which the previous retailer finished charging. If this figure is not available to the new retailer, that retailer may also estimate the starting point of their supply to a customer, meaning the customer may be charged twice for any difference between the two estimates.

The customer transfer objections framework

The Options Paper notes that a number of submissions, including those from the Energy and Water Ombudsmen of NSW (EWON) and Victoria (EWOV), had suggestions about possible improvements to the customer transfer objections framework. The objections framework is the mechanism by which the new or old retailer, or other companies such as the metering data provider, object to a customer transfer taking place. EWON and EWOV note that there is 'confusion and inconsistent understanding about the use of the objections framework',¹² while other submissions noted that improvements could be made to the timeframe for the objections process.¹³ To address these issues, the Options Paper suggests that AEMO could undertake a project to 'improve the framework in order to ensure that it still promotes efficient outcomes'.¹⁴

PIAC would support such a project. While there will be associated costs, PIAC believes that these would be outweighed by the benefit of lower customer complaints and reduced requirements for dispute resolution. Further, PIAC supports any measures that reduce the level of customer complaints and, therefore, the workload of energy and water ombudsman schemes.

Recommendation 2

PIAC recommends AEMO undertake a project to increase the efficiency and effectiveness of customer transfer dispute framework.

Other incremental improvements by retailers

Finally, PIAC wishes to support the proposals for other incremental improvements to customer switching arrangements. The Options Paper suggests that these could be 'independently progressed by retailers and metering data providers', because they do not require regulatory change.¹⁵ However, given these have not been pursued by retailers and other market participants, PIAC recommends that the AEMC examine whether regulation is required to compel service providers to offer these services to consumers.

Firstly, PIAC would welcome metering data providers (or meter readers) making more specific appointments with residents when this is required to facilitate access to a property. The Options Paper notes that people are often required to wait at home for up to five hours at a time or not given an appointment at all.¹⁶

Secondly, PIAC agrees with the Options Paper that metering data providers and retailers could make better use of technology such as mobile phones and emails when communicating with consumers. As the Options Paper notes, such technology could reduce instances where meter readers cannot gain access to a property (by alerting householders about when it is required). Similarly, erroneous transfers could be reduced through the use of confirmation of the transaction on the consumer's mobile phone (as occurs with many internet banking transactions).¹⁷

¹² Ibid 60.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid 63.

¹⁶ Ibid.

¹⁷ Ibid.

Thirdly, as noted by the Options Paper, better information about aspects of the transfer process could increase effectiveness and efficiency through engaging affected consumers.¹⁸ In particular, educating consumers about the timing of a meter read and the impact this has on the transfer process could reduce consumer complaints. Further, if consumers understand that meter readers require clear and safe access to undertake a meter read before the transfer can occur, they are more likely to take steps to ensure that access is available.

PIAC takes the view that all these measures would benefit consumers and the retail electricity market as a whole. However, PIAC notes that none of these is currently precluded by regulation. Given that, to PIAC's knowledge, no moves to introduce or promote such initiatives are in train, PIAC recommends that the AEMC examine whether regulation may be necessary to promote progress on these issues. For example, a requirement could be introduced for customers to confirm that they wish to switch supplier, either verbally or via SMS.

Recommendation 3

PIAC recommends that the AEMC examine whether regulation is required to encourage:

- *metering data providers to make more specific appointments with residential consumers;*
- *consumers to confirm their change of supplier by telephone or via SMS; and*
- *better communication with consumers about the customer transfer process.*

If you would like to discuss any matters related to this issue further, please contact myself or Oliver Derum, EWCAP Policy Officer, on 8898 6518 or oderum@piac.asn.au.

Yours sincerely



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¹⁸ Ibid.