



## Review of Electricity Customer Switching

### Issues Paper released for consultation

**The Australian Energy Market Commission (AEMC) has commenced its review of electricity customer switching arrangements in the National Electricity Market (NEM), focusing on supporting customer choice and facilitating efficient switches between retailers. Today we have released an Issues Paper, which sets out our proposed assessment framework, provides information on actual switching times, and invites stakeholder submissions on the materiality of the key issues we have identified.**

### Purpose of the Issues Paper

The customer switching (or “transfer”) process – whereby an electricity customer switches to a retailer of their choice – impacts on the energy market activities and experiences of customers, retailers, distributors and the Australian Energy Market Operator (AEMO). During the initial period of this review, we engaged with a cross-section of stakeholders to obtain their preliminary views and evidence on the efficiency of current switching arrangements. While some commonality across a range of key issues was identified, the materiality of those issues was unclear. Accordingly, we have prepared an Issues Paper and invite all interested stakeholders to make submissions on the materiality of the key issues identified.

The Issues Paper sets out:

- our proposed assessment framework, which will assess alternative options for improving the efficiency of the current customer switching process and guide the development of our final recommendations;
- the current regulatory framework and process for facilitating customer switching; and
- quantitative and qualitative information on actual customer switching times in the NEM.

### Key issues for the review

#### Customer switching process

In this review, we are particularly interested in the switching process for, and experiences of, small customers (that is, residential and small business customers) when switching retailers, but not premises. While the switching process refers to a wide range of activities that result in a customer having a new retailer, the focus of this review is Step 3 below:

1. A customer decides to switch retailer and chooses a new (winning) retailer;
2. The winning retailer gains information and consent from the customer to commence the switching process;
3. The customer switching process commences – the winning retailer initiates the process by submitting a transfer request to AEMO’s IT transfer system which, in turn, automatically notifies all relevant market participants of the transfer request and awaits receipt of all necessary information from specific market participants in order to give effect to the transfer request (such as actual meter reading data for the customer);
4. After receipt of all relevant information by AEMO, a series of market and settlement processes are initiated amongst the various registered participants and AEMO; and
5. The winning retailer becomes financially responsible for the customer, supplying them with electricity, and the customer switching process completes.

## Key issues for the review

### Customer switching process (continued)

The Commission invites stakeholder submissions on the efficiency of the customer switching process, specifically in relation to the materiality of issues affecting two key aspects:

- timing – that is, the process occurs in a timely manner, allowing customers to switch to their new retailer faster and gain the benefits of their new retail offer sooner; and
- accuracy – that is, the process facilitates the correct customer to be switched to their retailer of choice without error.

### Customer experience with the switching process

Information obtained by the Commission from AEMO on actual customer switching times in the NEM shows that many transfer requests complete within 30 calendar days of being initiated. However, for some customers, the Commission notes that switching times can exceed 60 calendar days. A longer than desirable switching period for the customer may lead to customer dissatisfaction with, and disengagement from, retail market processes. The Commission has also noted the recent increase in the number of transfer-related customer complaints being handled by energy ombudsmen schemes.

The Commission, therefore, invites stakeholder submissions on their experiences with the current customer switching process, in order to help the Commission to understand:

- the materiality of the key issues identified in relation to the switching process, including obstacles to potentially faster, more accurate and more efficient switching times;
- the adequacy of enforcement and compliance provisions for the switching process;
- the extent to which switching arrangements could be improved; and
- whether improvements to switching arrangements would require significant changes to stakeholders' business operations, the National Electricity Rules, the National Energy Retail Rules, or AEMO procedures.

## Next steps

Stakeholder submissions on the Issues Paper are due by no later than 24 December 2013.

The AEMC will consider the materiality of all issues identified in submissions. Where material issues are identified, we will publish an Options Paper in mid-January 2014 for further consultation, setting out potential policy options aimed at improving the efficiency of the customer switching process.

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

## Background to the review

The SCER has requested the AEMC to review current customer switching arrangements to improve the ease and timing for how customers switch retailers. The review will help determine if the current switching process is efficient and whether any modifications are required, including having regard to future technologies that may impact on the switching process (such as smart meters).

In the NEM, electricity retail customers have the option to choose from a range of providers and service offers. Where customers are able to engage in an easy and timely switching 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.

For information contact:

AEMC Director, **Slavko Jovanoski** (02) 8296 7800  
AEMC Adviser, **Victoria Mollard** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817  
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