

Improving Customer Transfer Accuracy

Submission in response to the AEMC Consultation Paper

21 June 2016



Energy
Consumers
Australia

Introduction

Energy Consumers Australia (ECA) thanks the Australian Energy Market Commission (AEMC) for the opportunity to provide comment on its Consultation Paper, *Improving the accuracy of customer transfers* (the Consultation Paper).

The Long term interest of consumers of energy services is promoted by economic efficiency. Achieving efficient outcomes for electricity consumers can be broken down into three different tasks. Firstly, there must be strict structural separation of potentially competitive markets from natural monopolies. Secondly, 'best practice' economic regulation must be applied to natural monopoly elements of the supply chain. Finally, there must be effective competition in those markets that are potentially competitive.

A key element of effective competition in retail markets is that a consumer can easily exercise choice and, once exercised, their choice can be acted upon. Delays in customer transfer not only restrict immediate choice. If the transfer process is identified as a "hassle", this will dissuade other customers entering the market and transferring.

It should not be assumed, however, that retailers uniformly take the view that transfer should be easy. In their ideal world, transferring away is hard, while transferring in is easy. It is difficult to generalise about how these twin but contradictory forces play out in the decision making of any individual retailer.

ECA is disappointed that improving the ease of customer transfers, identified as a concern in 2012, is only being acted on in 2016. ECA hopes that this will not be the norm in terms of how market bodies pursue issues that promote the long term interests of consumers.

The AEMC Consultation Paper identifies two specific issues to be addressed through the rule changes; address standardisation and resolving erroneous transfers. These are discussed further below. ECA proposes changes to the proposals contained in the consultation paper, including in relation to how energy retailers can be better brought into the process to develop solutions that will serve the long term interests of consumers.

Address standardisation

Problems with understanding a customer's address has been identified as something that can severely hamper the customer transfer process. To address this issue, the rule change requests to the AEMC from the Council of Australian Governments Energy Council (COAG EC) propose three examples of address standards that could be implemented to improve

address standardisation: the Australia Post address standard, the Australian and New Zealand Land Information Council (ANZLIC) address standard, or the Geo-coded National Address File (G-NAF).

It is unclear to ECA whether there is any difference between these last two, as ANZLIC has agreed with the Australian Government to make the G-NAF and Administrative Boundaries datasets openly available from February 2016.¹

None of the proposals from COAG EC refer to the adoption of the Australian Standard AS 4590 (interchange of client address information), which is based on ISO 19160. The Australian work has been led by the Public Data Branch within the Department of Prime Minister and Cabinet, the same group that manages the G-NAF.

ECA also notes that address standardisation to match the GNAF data set will have the benefit of facilitating research that can associate energy consumption data with other demographic detail gathered in the census to the SA1 level. The GNAF and AS 4590 work is also being incorporated by the telecommunications industry and, importantly, by its Internet of Things taskforce.

Address standardisation should not be left as a matter for determination by the Australian Energy Market Operator (AEMO) after consultation, as discussed in the Consultation paper. ECA takes this position even though AEMO is likely to pursue the national standard. An AEMO process does not require the same broad industry consultation and consensus building entailed in an AEMC rule change. Accordingly, a matter of such significance should be outlined in the rules, as made by the AEMC. It is unclear to ECA that the AEMO decision would focus on the long term interest of consumers as the policy objective.

ECA, therefore, proposes an intermediate approach. The rules should specify that AEMO is to use only nationally agreed standards (or refer to AS 4590) and that it consult with the Public Data Management Branch of PM&C on an ongoing basis regarding these issues. Actual implementation be a matter would, however, be left to AEMO.

Resolving erroneous transfers

The consultation paper implies that erroneous transfers occur because the National Meter Identifier (NMI) is incorrectly supplied by the customer or transcribed by a service provider.

¹ See <http://www.anzlic.gov.au/foundation-spatial-data-framework/geocoded-addressing>

Rather than focusing on resolving erroneous transfers, ECA suggests that the emphasis could be placed on reducing them at source.

To do so would entail processes that actually match NMIs to addresses before a transfer can occur. To ECA's knowledge, such a matching may already be attempted, despite the fact it does not appear to be required. However, the high incidence of erroneous transfers suggests to ECA that such a pre-matching does not currently occur.

It is unsatisfactory that the focus of this activity is on rectification after the fact. According to the Consultation Paper, errors occur in 2% of transfers, an unacceptably high proportion. From this starting point, the focus must be on reducing the incidence of such errors, rather than rectifying them after they occur.

It is equally surprising that this high level of erroneous transfers has occurred while the retailers have not been prepared to take responsibility for rectification. To ECA, this lack of action implies a problem of regulatory resignation in a supposedly competitive market – a situation that is not in the long term interest of consumers.

ECA is also troubled that the legal interpretation is that a customer's contract with its retailer is terminated if the customer has been erroneously transferred.

In light of the above concerns, ECA recommends that the AEMC adopt a revised approach for progressing this rule change and convene a panel of retailer and consumer representatives to devise the best possible customer transfer and resolution process. Such an approach would lead to a better outcome in the long term interest of consumers than relying on the AEMC to reconcile views of various providers.

Conclusion

ECA has restricted its comments on this rule change to a very high level overview. We have not attempted to address the questions in detail that are more appropriately addressed by retailers.

ECA would appreciate the opportunity to meet with the AEMC, either on its own or with retailers, to discuss these issues. ECA will also review other parties' submissions made in response to the consultation paper.

Once again, ECA thanks the AEMC for the opportunity to provide comment on the Consultation Paper. If you would like to discuss this submission or associated issues, please contact David Havyatt, ECA Senior Economist, on 02 9220 5508 or

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