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Dear Mr Pierce,

RE: Submission on the AEMC's Consultation paper- Reducing customers' switching times

As the peak body for the health and community services sector in South Australia, the South Australian Council of Social Service (SACOSS) has an established history of interest, engagement and provision of advice on the necessary market mechanisms and policy for essential services, including electricity. It has been well documented by SACOSS and others that the cost and supply of basic necessities like energy have significant and disproportionately greater impacts on low income and vulnerable people. SACOSS' advocacy is informed by our members and direct consultations with consumers and other consumer organisations: organisations and individuals who witness and experience these impacts in our community.

SACOSS would like to thank the Australian Energy Market Commission (AEMC) for providing us with the opportunity to comment on the Australian Energy Market Operator's (AEMO) rule change request to reduce customers' switching times (the Rule Change request).

In summary, the Rule Change request has been submitted to support the delivery of AEMO's high level design (HLD) for 'a contemporary retailer transfer process that enables customers to transfer within two days (following the 10 day cooling off period), irrespective of metering type'.¹ The HLD involves AEMO making changes to its Market Transfer and Settlement (MSATS) Customer Administration and Transfer Solution procedures, which is largely within its remit to do. The Rule Change request is not seeking specific changes to the National Electricity Rules (NER) or the National Energy Retail Rules (NERR), rather it is seeking the AEMC clarify existing consumer protection obligations and corresponding consumer rights under the NER and NERR to support the proposed changes to the MSATS procedures.

SACOSS agrees with the AEMC and AEMO that the existing customer transfer processes are outdated and in need of review. Currently, transfers for customers with manually read meters can take in excess of 90 days to complete. SACOSS also agrees that a more efficient transfer process that limits the opportunity for

¹ AEMO, Electricity Rule Change Proposal, Customer Transfers in the NEM, May 2019 – Appendix A, Retailer Transfer Process in the NEM: High Level Design, May 2019, p. 3

retailers to engage in 'save' and 'win-back' activity would support the exercise of consumer choice, resulting in greater consumer engagement in the retail market.²

The AEMC's 2019 Retail Energy Competition Review states that if South Australian customers currently on standing offers (9% of customers) switched to the cheapest electricity market offer, those customers would save \$760 per year, or 41% of the bill.³ There are clearly benefits to be had for customers who chose to switch retailers, and making that process easier and faster should facilitate that choice. SACOSS therefore broadly supports AEMO's HLD.

However, we strongly support the AEMC thoroughly considering all potential impacts of the changes to AEMO's procedures on the consumer protections under the NERR. We are seeking the AEMC ensure there are no unintended consequences arising as a result of the changes to the MSATS procedures, that would negatively impact on low income and vulnerable energy consumers in the NEM.

Early termination charges

The HLD is seeking to ensure customers have the ability to transfer retailers within a two-business-day time frame, commencing after the 10 day cooling off period. SACOSS understands there is some discussion around reducing the cooling off period to 5 days, to allow for transfers to take place within seven business days, as opposed to 12.

Rules 49 and 49A of the NERR deal with termination of market retail contracts and early termination charges. Rule 49(2) of the NERR provides that a term or condition of a market retail contract must not require a customer to give more than 20 business days' notice to terminate the contract. Therefore, some market retail contracts may include a term which requires the customer to provide up to 20 business days' notice of termination.

SACOSS is seeking the AEMC consider whether the reduced switching times proposed may have an impact on notice periods and potential early termination charges that could apply to customers (subject to the conditions in Rule 49A).

Concessions

As noted by the ACCC in the Retail Electricity Pricing Inquiry Report (the REPI report), 'the main way that vulnerable consumers are provided with financial support to pay their electricity bills is through state and territory concession schemes'.⁴ The AER's recent performance data for Q3 2018-2019 shows nearly 61% of hardship customers across NECF jurisdictions received an energy concession in 2017-2018. In South Australia, 34.55% of hardship customers received an energy concession.⁵ Concessions customers in South Australia currently receive up to \$226.67 to cover both electricity and gas payments.

² AEMC and AEMO, Request for advice to COAG – Implementation options: ACCC recommendations 8 and 9: customer transfers, 3 December 2018, p. 5 <https://www.aemc.gov.au/sites/default/files/2018-12/AEMC%20and%20AEMO%20joint%20advice%20%20customer%20transfers.%20%20Combined%20version%20for%20publication.pdf>

³ AEMC, 2019 Retail Energy Competition Review, Final report, 28 June 2019, p.76 <https://www.aemc.gov.au/sites/default/files/2019-06/2019%20AEMC%20Retail%20energy%20competition%20review%20-%20Final%20report.PDF>

⁴ ACCC, Retail Electricity Pricing Inquiry: Final Report, June 2018, p. 291 https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%20E2%80%94Final%20Report%20June%202018_Exec%20summary.pdf

⁵ AER, Q3 2018-19 Retail Performance Data: Schedule 3 and Schedule 4 <https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-3-2018-19>

Energy concessions in South Australia are administered by the state Department of Human Services (DHS), as opposed to the retailer (as is the case in all other states and territories⁶). As a result, when South Australian concessions customers chose to switch retailers, they must contact ConcessionsSA and reapply for their energy concession. Importantly, ConcessionsSA will only transfer the energy concession to the customer if the customer's name appears as an account holder on their new retailer's electricity bill, and it matches their Centrelink or DVA card. Therefore, concessions customers can only reapply for their concession once they have received their first bill from their new retailer.

The ACCC has noted this process 'not only delays the receipt of the concession but acts as a disincentive for concession consumers to switch retailers', and as a result 'even though there may be more competitive offers in the market, concession customers may remain on less beneficial tariffs for fear of losing their concessions and having to do without them for a period of time'.⁷

SACOSS is keen to ensure that concessions customers in South Australia receive the full benefit of bill savings gained as a result of exercising their choice to transfer retailers via the more efficient process proposed by AEMO. SACOSS is seeking the AEMC consider how to best reduce or remove the barriers to switching that concessions customers face, to allow those customers to fully access the benefits of competition. SACOSS supports the AEMC liaising with the South Australian government on changes to the administration of the concessions scheme, and SACOSS would be pleased to be involved in those discussions.

More broadly, SACOSS strongly agrees with the ACCC's conclusion and recommendation in the REPI report that concessions schemes in each state and territory of Australia are not fit for purpose and COAG should improve concessions schemes across the NEM as a matter of urgency.⁸

Payment Plan and Centrepay customers

AEMO's HLD proposes removing the use of a Next Scheduled Reading Date (NSRD) as a basis for customer transfer, and relies instead on different forms of meter reads for manually read meters, including:⁹

- substituting (or estimated) meter reads
- last billable read
- customer self-reading.

It is worth noting that as at 30 November 2018, manually read meters (metering type 4A, 5 and 6) make up 74% of meters in the NEM,¹⁰ and outside Victoria, annual smart meter installations were averaging approximately 3.8 per cent to November 2018 (AEMO MSATS Data).¹¹

As AEMO indicated in its Rule Change request,¹² a customer transfer based on the last billable read may result in payment plan customers who are paying their bill outside the quarterly reading cycle (e.g. weekly, or monthly) overpaying their previous retailer. Similarly, Centrepay customers have amounts deducted from

⁶ AEMC, 2018 Retail Energy Competition Review, Final Report, 15 June 2018, Sydney, Appendix E. p.238

⁷ ACCC, Retail Electricity Pricing Inquiry: Final Report, June 2018, p. 302,303

⁸ ACCC, Retail Electricity Pricing Inquiry: Final Report, June 2018, Recommendation 37, p. xxiii and discussion at p.302 and 303

⁹ AEMO, Electricity Rule Change Proposal: customer transfers in the NEM, May 2019, p. 11

¹⁰ AEMO, Electricity Rule Change Proposal: customer transfers in the NEM, May 2019 - Appendix A, Retailer Transfer Process in the NEM: High Level Design, p.6

¹¹ AEMC and AEMO, Request for advice to COAG – Implementation options: ACCC recommendations 8 and 9: customer transfers, 3 December 2018, p. 5 <https://www.aemc.gov.au/sites/default/files/2018-12/AEMC%20and%20AEMO%20joint%20advice%20%20customer%20transfers.%20%20Combined%20version%20for%20publication.pdf>

¹² AEMO, Electricity Rule Change Proposal: customer transfers in the NEM, May 2019 - Appendix A, Retailer Transfer Process in the NEM: High Level Design, p.19

their Centrelink payments to cover the cost of electricity (making it easier for those customers to budget and avoid bill shock associated with quarterly bills), and these customers may also be at risk of overpaying when transferring retailers on this basis.

The Australian Energy Regulator's (AER) most recent performance report for Quarter 3 2018-19 found that there were 91,297 customers on payment plans in NECF jurisdictions and 141,729 customers using Centrepay.¹³ Payment Plans and Centrepay are important supports for customers experiencing payment difficulty, and SACOSS is hopeful more customers will be made aware of the availability of these supports under retailers' recently revised customer hardship policies.¹⁴

SACOSS is seeking the AEMC consider the effect of transfers based on last billable reads (and other substituted meter reads for manually read meters) that may leave payment plan and Centrepay customers out of pocket. It may be necessary to make specific provision for these customers within the Retail Rules dealing with transfers and overcharging.

Credit collection

The AER's Q3 2018-19 data shows that there were 162,707 customers in NECF jurisdictions repaying an electricity or gas debt (outside of hardship programs), with the average debt being \$792.83. For the 76,413 hardship customers in NECF jurisdictions, the average debt was \$1,219. The AER now collects data on external credit collection referrals and credit defaulted customers. In Q3 47,927 electricity and 12,375 gas customers were referred for credit collection, and 26,946 electricity customers had a credit default listing by their retailer.¹⁵

An easier transfer process is clearly of benefit to consumers, but it is important customers receiving the support of their retailer to pay off their debt and reduce their ongoing energy costs (through payment plans and other supports), are aware that they will lose those supports once they have transferred retailers. The previous retailer may then refer the outstanding debt to an external debt collector, which could result in a credit default listing that will have an adverse effect on the customer's credit rating. It is also worth noting that these customers, who may benefit the most from switching retailers to take advantage of the cheapest offers, are often reluctant to switch because of these reasons.

Clearly this is an issue irrespective of how long it takes to transfer retailers. However, given the increase in speed and the expected resultant increase in the number of transfers, SACOSS will be monitoring whether there is an increase in external credit collection referrals and credit defaulted customers as a result of AEMO's changes, and is seeking the AEMC clarify whether the consumer protections for customers who can't afford to pay their bill and have accumulated debt, are adequate in those circumstances.

¹³ See AER, Schedule 3 – Q3 2018-19 Retail Performance Data <https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-3-2018-19>

¹⁴ Retailers in NECF jurisdictions have submitted revised hardship policies to comply with the AER's new Hardship Policy Guideline which is aiming to ensure retailers better comply with their existing obligations to customers under the NECF.

¹⁵ See AER, Schedule 4 – Q3 2018-19 Retail Performance Data <https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-3-2018-19>

Summary

In summary, SACOSS is seeking the AEMC:

- ensure there are no unintended consequences arising as a result of the changes to the MSATS procedures, that would negatively impact on low income and vulnerable energy consumers in the NEM
- consider whether the reduced switching times proposed may have an impact on notice periods and potential early termination charges that could apply to customers
- consider how to best reduce or remove the barriers to switching that concessions customers face, to allow those customers to fully access the benefits of competition
- consider the effect of transfers based on last billable reads (and other substituted meter reads for manually read meters) that may leave payment plan and Centrepay customers out of pocket, including whether making specific provision for those customers within the Retail Rules dealing with transfers and overcharging is necessary
- monitor the number of credit defaulted customers in NECF jurisdictions following the introduction of the changes and clarify whether the consumer protections for customers who can't afford to pay their bill and have accumulated debt, are adequate in circumstances where transferring is easier and faster.

We thank you in advance for consideration of our comments. If you have any questions in relation to this submission, please contact Georgina Morris on georgina@sacoss.org.au or 08 8305 4214.

Yours sincerely,



Ross Womersley
Chief Executive Officer