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Australian Energy Market Operator

Submitted by email to: NEM.Retailprocedureconsultations@aemo.com.au

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Dear Lee

NEM Customer Switching, Draft Report and Determination

AGL Energy (**AGL**) welcomes the opportunity to provide feedback on the Australian Energy Market Operator's (**AEMO**) Draft Report and Determination, *NEM Customer Switching*, December 2019 (**Draft Determination**).

AGL supports the Australian Energy Market Commission's (**AEMC**) final rule determination on reducing customer switching times, made in December 2019,¹ as an important reform to the NEM to enhance consumer choice, engagement and confidence.

We appreciate that these reforms rely upon AEMO's implementation of its High Level Design (**HLD**) and we commend AEMO on its incorporation of industry feedback into its Draft Determination to enable an effective solution.

We are generally supportive of AEMO's Draft Determination and consider the proposed approach will create a more effective procedural framework to facilitate timely customer switching in the NEM. We have identified a range of matters we would recommend be considered further to ensure an optimal customer experience, including:

- Review the risks associated with disconnections in the absence of notification of a pending role changed to contracted parties and develop a process that enables notification to contracted parties (distribution network businesses) with safeguards to ensure this information is not shared with the current retailer;
- In the context of prospective transfers for manually read interval meters (**MIRM**) (Type 5 or Type 4A), consider appropriate changes to AEMO systems to ensure that all transfers occur on an actual meter read (enabling 'locking' of estimated interval metering data to facilitate a superior customer experience and reduce the costs to retailers associated with these reconciliations);
- In introducing new fields with the proposed Market Settlement and Transfer Solution (**MSATS**) schema changes, consider the introduction of a third new field (Last Actual Read) to support retailers' transfer processes;
- In relation to cooling-off restriction changes, clarify the discrepancy between AEMO's determination to remove the current restrictions to cooling-off (which would allow retailers discretion as to when the transfer is to be effected and its relationship with contractual cooling-off provisions) and the intended reporting requirements for retailers; and

¹ See AEMC, Reducing customers' switching times, Rule determination, 19 December 2019, Available at https://www.aemc.gov.au/sites/default/files/documents/final_determination_final_for_publication.pdf



- Clarify that MC appointment objection changes apply equally to prospective and retrospective transfers.

We have carefully considered AEMO's Draft Determination and elaborate our feedback on AEMO's identified material issues in the **Attachment**.

As we observed in our submission in response to the Issues Paper, in order support the primary objective of the AEMC's rule determination and AEMO HLD, to modernise a transfer process that is no longer fit for purpose, we would strongly encourage AEMO to undertake appropriate system changes in relation to its own supporting operating systems. AEMO's determination to delay the implementation of the proposed changes provides an opportune window to consider relevant AEMO system upgrades to best support these reforms. With the continued use of overnight batched systems, the potential remains for customers to experience delay in the transfer process. We would therefore encourage AEMO to develop appropriate real-time processes that can appropriately support an efficient and seamless customer experience in transferring between retailers.

A modern real-time transfer system will also be an important precursor to the implementation of the Consumer Data Right (**CDR**) framework for the energy sector. In a market supported by the CDR framework, customers will expect to be able to receive and take advantage of offers in real-time, providing a seamless customer experience. We would therefore encourage AEMO to develop the necessary system changes now to ensure a well-functioning modern market into the future.

If you have any queries or would like to discuss our response further, please contact Kurt Winter, Regulatory Strategy Manager, at KWinter@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Con Hristodoulidis', with a long horizontal flourish extending to the right.

Con Hristodoulidis

A/ General Manager, Energy Market Regulation



ATTACHMENT

1. Nomination of multiple roles alongside a change of retailer

AGL supports AEMO's determination to adopt the Option 2 proposal (Removal of the ability of Metering Coordinators to object to appointment) in the form suggested by Simply Energy, which would enable the MC role to be nominated in a 1000 series CR. As we noted in our submission in response to the Issues Paper, we consider this the most efficient option to nullify the risk of delay or cancellation to the switching process. This outcome delivers the best outcome for the customer and therefore aligns to AEMO's objective to deliver a transfer system that is in the long-term interest of the energy consumer while also minimising industry costs.

2. Notification of a pending role change

We also support AEMO's determination to remove notification of a pending role change to parties, as originally proposed, to align with the ACCC's recommendations.

However, as we observed in our submission in response to the Issues Paper, the proposal will have a range of material implications for retailers being able to comply with their obligations under National Electricity Rules (**NER**) and National Energy Retail Rules (**NERR**) where they lose a customer in the transfer process.

We note AEMO's view that retailers and their service providers have a range of mechanisms to minimise customer confusion and/or any service works being undertaken inappropriately. These solutions are not fit for purpose in a new faster transfer process that AEMO is proposing. The current processes available are based on the retailer receiving prior notification on losing a customer and can therefore remove any pending service orders. With the removal of the losing retailer notification retailers will only know of a transfer out once the transfer has been completed.

There is no opportunity for the losing retailer to take any necessary action against pending service orders. For example, we do not believe retailers' available checks and controls are sufficient to ensure an optimal customer experience, particularly in the context of wrongful disconnections. With strict regulatory interpretation and penalties attached to wrongful disconnection, AEMO has a responsibility to not only implement a faster transfer process but to also ensure they make any other necessary procedural changes to avoid negative and unintended consequences.

While we acknowledge AEMO's interest in restricting notifications to parties contracted to the current retailer of a pending customer switch (so as not to circumvent the removal of retailer notification through possible forward notifications), we believe customer safety should be the overriding consideration in the context of disconnections.

In order to mitigate this risk and ensure an optimal customer experience, we would recommend AEMO develop a process that enables notification to contracted parties (distribution network businesses) with safeguards to ensure this information is not shared with the current retailer.

As AEMO and the AEMC advised in its Joint Advice to the COAG Energy Council² that initiated the customer transfer reforms, the HLD and associate rule changes were also to take into account customer protection

² AEMO and AEMC, Advice: Implementation options for ACCC recommendation 8 and 9 – customer transfers (3 December 2018), Available at <https://www.aemc.gov.au/sites/default/files/2018-12/AEMC%20and%20AEMO%20joint%20advice%20%20customer%20transfers.%20%20Combined%20version%20for%20publication.pdf>. AEMO also acknowledged this in its Issues Paper. See AEMO, Customer Switching in the NEM,



issues. In our view, establishing a notification process to contracted parties (distribution network businesses) with safeguards to ensure this information is not shared with the current retailer will provide the necessary protection to customers to ensure their ongoing safety. Given that appropriate safeguards could be established to ensure this notification is not shared with 'losing' retailers, we believe such an approach would be compatible with the ACCC's Recommendation 8 to remove advanced notification to 'losing' retailers and the policy intent to limit the opportunity to 'losing' retailers to conduct save activity.

We would welcome the opportunity to meet with AEMO to work through a solution for pending services orders that provides a positive customer outcome from a faster transfer and without any unintended interruption to their supply arrangements. These can then be implemented simultaneously and in line with AEMO's terms of reference.

3. Objection to customer switches in Victoria on the basis of a certified debt

While AGL's preferred approach is that Victoria harmonises its' jurisdictional requirements relating to certified debt objections with the National Energy Customer Framework, we note support AEMO's determination to progress as proposed to introduce a new CRC to enable the reversal of a customer switch in place of the current objection mechanism.

4. Transfer of the financially responsible market participant (FRMP) role

Prospective transfer

AGL supports AEMO's determination to:

- proceed with its preferred Option 2 to retain the CRC1000 and redesign at Read Type Code level;
- retain special readings (SR) to facilitate a customer request to switch via an SR read type code; and
- retire the Next Scheduled Read Date (NSRD) Read Type Code for the purpose of transfers.

However, in order to ensure that the transfer procedures best serve the long-term interests of electricity consumers consistently, AGL would recommend that AEMO consider appropriate changes to its own system to ensure that all transfers occur on an actual meter read.

A modern real-time transfer system will also be an important precursor to the implementation of the CDR framework for the energy sector. In a market supported by the CDR framework, customers will expect to be able to receive and take advantage of offers in real-time, providing a seamless customer experience for consumers. We would therefore encourage AEMO to develop the necessary system changes now to ensure a well-functioning modern market into the future.

As we observed in our submission to the Issues Paper, in the context of manually read interval meters (MIRM) (Type 5 or Type 4A) (MRIM), transfers should only occur on an actual read provided by the MDP or the nominated transfer date or a final substituted meter read. While we appreciate that these transfers would occur on Required Read, we would recommend AEMO consider developing system controls to prevent the use of estimated read transfers within the Required Read option. We anticipate substantial complexity for customers where a transfer is undertaken on the basis of an estimated read in these circumstances. In some instances, remediation in relation to estimated read of MRIM could entail a customer receiving three revised bills from

Issues Paper (October 2019), page 6, available at https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2019/nem-customer-switching/aemo-nem-customer-switching-issues-paper.pdf?la=en&hash=71083784CAC3D4E98B7966E749A99F81.



their former retailer and two bills from their new retailer, causing substantial complexity for customers to navigate and therefore potentially mitigating any consumer benefits from a faster transfer.

We note AEMO's commentary in the Draft Determination that 'under current data management requirements in AEMO Procedures, any estimated interval metering data provided as a 'Final' reading would be replaced with actual readings if obtained in the future. As a result, marking the data as 'Final' would not 'lock' the data and make it unchangeable, and would therefore not limit the likelihood of the retailer having to rebill or issue credits as appropriate.'

However, we would recommend that AEMO seek to revise its Procedures to enable any estimated interval metering data provided as a 'Final' to be 'locked', thereby preventing future meter readings from necessitating reconciliations. In our view, this solution would both:

- facilitate a superior customer experience, by reducing customer confusion in received revised bills from their retailers; and
- reduce the costs to retailers associated with these reconciliations.

Retrospective transfers

AGL supports AEMO's determination to extend the proposed 15 business day 'window' in which a recently obtained metering reading could be used to support a retrospective in-situ customer to a full three calendar month period. As we observed in our submission to the Issues Paper, the retrospective 'window' should enable switching customers to benefit from more competitive offers retrospectively to the greatest extent possible.

In the context of manually read metering installations, we note AEMO's determination to retain the CRC 1010 for retrospective customer switching. While this is not an ideal outcome in terms of ensuring a consistent customer experience, we appreciate that it reduces the need for system changes and associated costs.

We also note AEMO's determination that the time 'window' extension is not required for connection points with remotely read metering installations due to the ready availability of prospective readings but that AEMO intended to:

- establish a retrospective facility within the CRC 1000 as previously proposed (obtained by use of an RR read type code) for a retrospective date within the last 10 business days and only applicable to remotely read metering installations: and
- retain the EI read type code as requested by several participants as an alternative to the RR code, and for remotely read metering installations (type 1-4 metering only).

5. Technical solution for the provision of previous read dates and quality

AGL supports AEMO's view that previous read dates and reading quality should be provided via NMI discovery as proposed in the Issues Paper.

We also support AEMO's intention to align the proposed schema changes with the five-minute settlement program of work. In addition to the introduction of two new fields (Last Read Date and Read Quality), we would also recommend the schema changes contemplate the introduction of a third new field (Last Actual Read) to support retailers' transfer processes. This would provide greater flexibility and choice in how to effect a retrospective transfer based upon the customer's own preference.



6. Amendment and removal of CRCs

AGL accepts AEMO's determinations to retire CRCs 1021, 1022, 1024, 1027 and 1028 and remove CRC codes for embedded networks. While we note that these changes will entail operational system costs to retailers that may not entail a corresponding benefit to customers, we acknowledge that these changes reduce duplication in MSATS.

7. Facilitating cooling-off reversal of a FRMP change

AGL supports AEMO's determination to remove the current restrictions to cooling-off in MSATS as proposed in order that retailers can determine the best balance between providing timely switching for customers and the risks of raising reversal CRCs in the event that a customer exercises their right to cool-off. We note that AEMO intended to implement this change through the creation of a new CRC 1060, separating 'reversal' CRCs from error correction CRCs in MSATS.

However, we have identified some discrepancy between AEMO's determination to remove the current restrictions to cooling-off in MSATS (which would allow retailers discretion as to when the transfer is to be effected and its relationship with contractual cooling-off provisions required by the ACCC) and the intended reporting requirements for retailers. AEMO's intended reporting requirements provide that:

- For prospective switches, the retailer must raise the CRC in MSATS no later than one business day of obtaining informed consent from the customer (irrespective of cooling-off).
- For retrospective switches, the retailer must raise the CRC in MSATS no later than one business day following the end of the relevant cooling-off period.

We would recommend that the reporting requirement for prospective switches be clarified to align with the removal of the current restrictions to cooling-off in MSATS to enable retailers the flexibility to respect cooling-off timeframes. In our view, this would create a solution that better aligns with positive customer outcomes.

8. MC appointment objections (6000 series CRs)

AGL supports AEMO's determination to change the DECLINED objection code in the MSATS procedure as proposed. We would also recommend that AEMO clarify that this change would apply equally to prospective and retrospective transfer.

9. Timing and implementation

AGL welcomes AEMO's determination to delay the implementation in order that it can align with the planned schema change in December 2020 for the five-minute settlement program of work. As we observed in our submission to the Issues Paper, we anticipate substantial associated system build requirements and testing to align with the proposed changes.