

7 November 2019

James Hyatt
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Mr Hyatt,

Submission to draft rule determination on reducing customers' switching times.

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation on its Reducing Customers' Switching Times draft rule determination.

PIAC broadly supports the AEMC's draft determination and considers it will contribute to better consumer outcomes by reducing switching times for customers wishing to change electricity retailers.

In its decision to implement a more preferable rule, we consider the AEMC has avoided unnecessary alterations to the NERR, which will hopefully avoid introducing any extra complexity or confusion.

We welcome AEMO's consideration of reporting requirements to reflect compliance with the new switching process and the AEMC's intent to monitor the outcomes of the framework.

We highlight that the increased use of bill estimates likely under the new procedures may result in customers being overcharged more often. Under the current arrangements, which will remain in place, retailers have 10 days to use their 'best endeavours' to reimburse customers for a material overcharge.

PIAC is concerned this may become an insufficient safeguard to ensure customers are compensated for overcharging in the context of more frequent estimated bills. In light of this and given the potentially large customer benefits from quicker switching times, PIAC supports the proposed overcharging and undercharging provisions but stresses the AER and AEMO should monitor undercharging and overcharging, the accuracy of estimated reads, and how losing retailers are handling switching customers' existing bill debt. Retailers should be required to report to the AER the numbers of under and overestimates and whether true-ups are being delivered and within the timeframe. The AEMC should consider whether any changes to the rules are needed to ensure this monitoring and reporting takes place effectively.

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We also highlight that unless a losing retailer is a signatory to the AER's sustainable payment framework, a switching customer's debt may be handed to debt collectors upon switching rather than allowing the customer to continue to pay it off under a sustainable payments plan. This could exacerbate financial hardship for switching customers.

We outlined in our earlier submission to this process that any changes to cooling off periods should not be made through this consultation as the current 10-day cooling off period is an important energy specific consumer protection and needs broader consideration. As such we support the AEMC's decision not to make changes to existing cooling-off period provisions. We note that some organisations have suggested allowing switches to take place during the cooling-off period, with the ability to transfer back to the losing retailer within that period. We think this proposal warrants further consideration, however, we highlight, if the number of reverse switches is material it may result in an administrative burden for retailers which could be passed onto consumers.

We support the AEMC's proposal to amend Clause 4.2(a)(iv) to clarify it applies to switches between a wider variety of retail offers and agree with its decision not change the NERR to prohibit clauses in market retail contracts that only allow final bills to be issued on the basis of actual meter reads as doing so would be inconsistent with AEMO's proposed high level design.

We agree with the AEMC's decision not to implement AEMO's proposal to prevent retailers from recovering undercharged amounts from lost customers. Removing this ability introduces asymmetrical incentives and may produce unintended outcomes from retailers looking to minimise risks and recoup costs.

However, we note customers with manually read interval meters – around 4% of customers, most of which are in Sydney – do not have the ability to provide a self-read or check whether an estimate is correct. We suggest extra care is taken to monitor outcomes for these customers and the AEMC consider whether implementing a time or value limit on what can be recovered from these customers is appropriate.

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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