



Energy Retailers Association
of Australia Limited

6 August 2012

MIMO Submissions
Energy Sector Reform
Queensland Department of Energy and Water Supply
PO Box 15168
City East Queensland 4002

By email: nemr@deedi.qld.gov.au

Dear Sir/Madam

RE: Customer move-in move-out (MIMO) process for residential premises in Queensland Discussion Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Customer move-in move-out (MIMO) process for residential premises in Queensland Discussion Paper (the Discussion Paper).

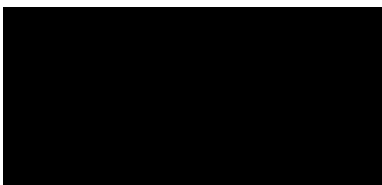
The ERAA is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating predominantly in the electricity and gas markets in every State and Territory throughout Australia. These businesses collectively provide electricity to over 98% of customers in the National Electricity Market and are the first point of contact for end use customers of both electricity and gas.

Whilst the ERAA has addressed each consultation question individually, outlined below are the key points from our submission:

- The ERAA believes that that it is fair and reasonable for customers to pay the associated costs for a MIMO, and supports the removal of the Schedule 8 price cap.
- The ERAA does not support either of the options proposed in the Discussion Paper, as they create the potential for issues including customer confusion, disputes and inequity.

Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely



Cameron O'Reilly
Chief Executive Officer
Energy Retailers Association of Australia

2.4 Retailer process

1. Do retailers submit service order requests for disconnection (at a customer's request or otherwise) in all move-out situations? If not, what proportion of the time are disconnections requested and in what circumstances?

The default position of energy retailers in Queensland is to request a disconnection at move out. The only exception is when another customer has contacted the retailer to request a move-in, in which case a special read would be requested for the final bill on the move-out customer and the start read for the move-in customer.

What proportion of the time are final meter reads (only) requested?

Energex should be able to provide accurate figures, as they will match up the service order requests for final reads that are received from different retailers.

2. What is driving the decision to request disconnection (if this is in fact the case) for move-out customers rather than requesting a final meter read and leaving premises energised for a time?

Retailers request disconnections to ensure the premise is off supply and reduce the risk of unknown consumption occurring. Retailers require certainty when forecasting volumes of consumption to manage their wholesale position appropriately and manage an acceptable ratio for bad debt. When consumption uncertainty increases, a risk premium is attached to pricing, driving an unfavourable overall outcome for customers.

Disconnection also provides clarity of when the move in customer commences taking supply, reducing confusion and related complaints and disputes. With no new customer ready to move into a property any consumption will not be able to be billed and there will be no incentive for the new customer to contact a retailer to establish an account and ensure they are on the most applicable tariff. This also encourages customers to proactively engage with a retailer when moving into a premise. Establishing and defining a relationship with a customer at the beginning of their energy consumption is fundamental to avoiding ongoing credit issues, establishing an applicable tariff and is critical when working with vulnerable customers.

3.3 Customer convenience

3. Are move-out customers informed (by retailers) that they can choose between a final meter read and a disconnection in order to finalise their bill? What information (if any) are customers provided in this regard?

As there are no costs associated with disconnections at this point retailers will not advise customers of the options of a final read and disconnection. A final read is only undertaken if retailers are advised of a new customer moving into the premise, although it is unclear as to why a customer would request a final read only.



4. To what extent are customers aware that they may need to organise reconnection of a premises when they move in? Through what channels can move-in customers find out this information?

The ERAA is of the understanding that customers are aware that they need to reconnect supply however they're often not aware of the lead time required to organise a move in and often attempt to connect supply before or on the same day as when they move in to a property.

The AER have published a helpful guide for customers to understand what they need to do when moving property. Television and online advertising highlights the requirement for move in customers to contact a retailer to assist with the move. Retailers' bills, confirmation packs and customer charters advise customers to call prior to moving in or out of a property. Customers are also able to contact their retailer or relevant areas of government to obtain this information.

A large number of real estate agents in the rental market will also use third party connection services that connect all utilities for a customer, so it is expected that the majority of customers understand the need to establish an account. However when they move into a property and supply is connected they may also make the assumption that someone has organised the power to be connected.

5. ENERGEX estimates the maximum cost of energy consumption at unoccupied premises at \$1 per day (approximately 3kWh per day - taking into account premises with pool pumps and electric hot water systems). What do retailers and other stakeholders estimate the maximum cost per day might be for energy consumed in unoccupied premises? Please provide a rationale.

There are a number of different factors which contribute to consumption at vacant premises. Energex have provided information which identifies some sites using 0 kWh over an extended period where as other sites have used over 100kWh a day. The daily costs are variable across different sites and will depend on the volume of energy consumed at the meter as well as actual meter readings being obtained by the network.

If energy is needed at a property for pool pumps, security systems or any other purpose then there should be a customer responsible for its payment.

3.4 Implications for MSS disconnections

6. At present there is no distinction between a physical disconnection and MSS disconnection despite the difference in technical knowledge and skills (and therefore cost) required to perform these tasks. Is this something that should be given further consideration when examining the implications of regulatory change? What are the implications for retailers?

Retailers will generally pass through the costs applied by the network for the completion of a service order. If there are different costs for the physical and MSS disconnections then a retailer will need to be able to select whichever option they request for that customer and incur the applicable fee. Whether this is then passed onto a customer is at the retailer's discretion and commercial undertaking.

The existing problem is that when a retailer requests a 'fuse removal', Energex will send a service order completion advising that the request has been completed when they may have only performed a MSS disconnection. If there are to be choices for the type of disconnection requested then Energex should respond appropriately and action the request as directed.

Also, MSS disconnection can lead to unauthorised usage occurring, with customers refusing to take responsibility or usage for a period of time. MSS customers re-energising MSS premises of their own accord are often subsequently disconnected for failure to provide acceptable ID.

7. To what extent is unbilled energy consumption occurring in the Queensland electricity market and at what cost? Please provide details.

Costs are unknown and very difficult to measure. Bad debts for unauthorised usage are written off or chased through collection agencies but it is difficult to confirm the root cause in many cases as sometimes Energex is prevented from accessing the site at move out to remove the fuse. Unbilled consumption is an issue in every state and different measures are applied within different jurisdictions to try to minimise this cost.

8. Are co-ordination agreement compensation payments reflective of the actual financial cost to retailers for unbilled energy consumption as a result of MSS disconnections or otherwise?

No. The compensation agreement was a temporary solution to allow Energex to become compliant and was never intended to be a long term compensation program. If compensation is to continue then the process followed by Energex whereby they stop all charges until a re-energisation service order is received would have to be discussed as an option.

If Energex use the MSS process they should not pass through any network charges until a new account is established by the retailer and not via the current process of pass through when energy use is detected.

4.1 Option 1 – Remove Schedule 8 price cap

9. What are the social, equity and economic implications of the removal of the Schedule 8 price cap for customers, particularly low income customers, renters and regional customers (on isolated feeders)?

When undertaking any service there is an expectation that reasonable costs will be passed on to the customer for the service requested. Reasonable costs should be approved by the Australian Energy Regulator with appropriate mechanisms to prove the cost is fair, equitable and efficient. The ERAA believes that it is fair and reasonable for customers to pay the associated costs disconnections and reconnections. These costs should be transparent and upfront and disclosed to a customer in a price disclosure statement and when the service is requested.

The removal of the Schedule 8 price cap will remove the inequitable subsidy that all customers currently receive. When costs aren't directly attributed to a specific service one unintended consequence can be for the costs to be smeared across a broader group of customers via cross subsidisation.

The ERAA believes that one class of customers should not dictate the outcome and impact across the broader group. The impact on vulnerable customers can be managed through a concession (as it is in other states) ensuring that only those customers who need the support receive the benefit of the subsidy, rather than having it applied to all customers without assessing the impacts. In Victoria a transfer waiver fee concession is available to assist a specific class of customers which is something the DEWS could take into consideration.



The ERAA recognises that the isolated feeders are a challenge and this could be addressed via the installation of a smart meter and remote re-energisation and de-energisation. The ERAA recommends that an opt-in approach would allow for this.

10. What is an appropriate amount of time for a premise to remain energised before it should be de-energised at the distributor's expense? Is a time limit considered necessary in the event a charge for disconnection is introduced?

If retailers are not responsible for any energy consumed after the completion of their service order then the length of time is not a factor. Otherwise there should be no limit on timeframes as retailers are requesting a valid service order request. Retailers need to know when customers are on and off-supply. Additional visits lead to an inefficient outcome and the network will incur additional costs.

A delay in undertaking a disconnection creates incentives for move out customers to mislead retailers about their move out date as they will be able to maintain supply after their final read at no cost. A key driver to customer responsiveness is empowering customers to make appropriate decision through education and information of their responsibilities.

11. Do stakeholders foresee/expect any other financial impacts as a result of this approach?

Under this proposed option, the move in customer will be faced with the charges accruing as a result of the move out customer's consumption. That customer may still be faced with the prospect of moving in to a de-energised property if the time elapsing between the final read request and the date on which they move in exceeds the time in which the retailer is prohibited from raising a disconnection. There is also exists the potential for financial disputes to arise if move-out customers accrue considerable consumption after their final read date.

As already outlined, manual handling, billing adjustments and bad debt are all associated with the existing process.

12. Would move-in customers be prepared to pay for energy consumed while premises are unoccupied as a trade off for the convenience of moving into energised premises? How much (i.e. is a maximum of \$1 a day a reasonable amount?)

The ERAA is not supportive of requiring a customer to pay for supply charges that are not their responsibility. When a customer moves into a premise and enters into a contract they are only responsible for the supply charges from the date they move in. Requiring them to accept responsibility retrospectively could create unintended liability consequences and cause unnecessary disputes and drive an inefficient outcome. In our experience customers would not support this approach.

Many third parties who arrange move ins for customers advise them to take a meter reading at their property when they move in to compare to their first bill. A move in fee is a fixed charge, and retailers ensure customers are aware that this will be on their first bill. There would be no way to advise of what amount of unauthorised usage a customer may expect on their first bill, leading to a bad customer experience, and potentially calls for compensation.

Even if move in customers would accept such a charge to guarantee their supply, this may not possible as outlined in response to question 11.



4.2 Option 2 – Change the Electricity Industry Code

13. What is an appropriate amount of time (if any) for premises to remain energised before a retailer can submit a service order request for disconnection in this instance?

Energy retailers require certainty regarding when a customer is on and off-supply. There should not be any time limits on the retailer's ability to raise a request for disconnection at a site. Any restrictions on a retailer's right to raise a disconnection service order creates incentives for move out customers mislead their retailer about their move out date as they will be able to maintain supply after their final read at no cost.

14. Do stakeholders foresee/expect any other financial impacts resulting from this approach?

See answer to question 10.

15. Could the issues raised in this paper be addressed by other measures (i.e. other than regulatory change)?

The existing MSS process includes a sticker placed across the seal which warns of imprisonment or a fine for unlawfully reconnecting supply. However this warning has not been sufficiently enforced. If there are existing rules in places to prevent the illegal reconnection then Energex should be following up accordingly when this breach occurs as they are in the best place to detect it.