

6 November 2014

Mr Alex Kroon  
Markets and Regulation Division  
Public Utilities Office, Department of Finance  
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Cloisters Square WA 6850

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Dear Mr Kroon,

**RE: Review of the Electricity Industry Customer Transfer Code 2004 Draft Recommendations Report**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Department of Finance's Review of the Electricity Industry Customer Transfer Code 2004 Recommendations Report (**the Report**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas. Three of our members also participate in the retail energy market in Western Australia.

The Report outlines thirty one recommendations related to the Electricity Industry Customer Transfer Code (the Code). The ERAA's submission focuses primarily on the final recommendation (Recommendation 31) which prohibits a retailer objecting to a customer transfer on the grounds of unpaid debt or where there is an active Energy and Water Ombudsman investigation. We have also made brief comments on three other recommendations.

**Recommendation 31 - Retailer objections to a transfer**

The ERAA recommends that the Code is amended to allow a retailer to raise an objection to a customer transfer if the customer has an outstanding debt with the retailer. This is a long standing policy position that applies to all jurisdictions in Australia. We view this amendment as an optimal outcome for customers and retailers, whilst enhancing competitive outcomes in the market.

**Customer outcomes**

Retailers recognise that consumers are susceptible to financial hardship that at times impacts their ability to pay their utility bills. To assist customers through these periods retailers offer suitable payment arrangement plans and in chronic situations a customer would benefit from participation in the retailer's hardship programme. Australia-wide it is commonly recognised that early intervention is optimal to help prevent debt build-up and reduce the risk of disconnection. This preferential outcome can only work where a retailer can build a relationship with the customer accumulating the debt.



When a customer is allowed to transfer to multiple retailers and build up debt they ultimately end up in a more unfavourable position than if they had engaged with the original retailer. The customer will be exposed to collection agencies seeking to recover debt on behalf of retailers. Their poor credit history with multiple retailers may also deny a customer access to products enabled by the retail market, as retailers may choose not to supply those customers. This may prevent a customer accessing the optimal product for their needs.

### **Retailer impacts**

A retailer incurs significant costs managing outstanding debt for customers that have transferred away. Retailers only avenue to recover outstanding debt is the engagement of debt collection agencies to pursue the outstanding debt and in most instances are left to write-off part or the whole debt owed to them. This increases the commercial risk faced by retailers which is reflected in risk premiums applied to retail prices, impacting all consumers.

### **Competitive market**

The ERAA supports open and competitive markets as these facilitate innovation which provides consumers with value through a variety of products. Competition also ensures that retailers have incentives to improve their efficiency and to provide better service to customers. Mechanisms that facilitate the collection of outstanding debt lower the financial risks of operating in the market. As such the ability for a retailer to prevent a market transfer for a customer in debt is not a constraint on competition, rather an element of a vibrant competitive market. This increases retailers' confidence in entering a market and would therefore remove a barrier for effective competition. Recommendation 31, as drafted, will only constrain the market which is not in the long term interest of consumers in Western Australia.

### **Recommendation 13 – Submitting a data request**

The ERAA supports the increase in standing data and historical consumption data requests that can be made by a retailer to one hundred per day. This change will enhance the customer experience and improve a retailer's operational efficiency. In the longer term the cap should be removed on the basis that full retail contestability is introduced.

### **Recommendation 17 – Charges for standing data and historical consumption data**

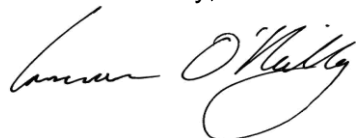
We support the proposed amendment noting that Western Power, under its current Model Service Level Agreement provides up to twelve months of historical consumption data free of charge.

### **Recommendation 18 – Submitting a customer transfer request**

The ERAA supports the recommendation to increase the number of transfer requests to a maximum of fifty per day. Should full retail contestability be introduced this would necessitate the removal of the cap to facilitate an effective competitive market in Western Australia.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly  
CEO  
Energy Retailers Association of Australia