



27 November 2020

Dr Kerry Schott AO  
Independent Chair  
Energy Security Board

Submitted by email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Dr Schott

**RE: Data Strategy Consultation Paper**

Origin Energy appreciates the opportunity to provide a submission in response to the Energy Security Board's (ESB) Data Strategy Consultation Paper.

The energy market is undergoing a significant phase of reform where the traditional electricity market is being displaced by alternative technologies and supply models. The challenge for policy makers and regulators during this important phase is finding a balance between collecting information that is both relevant and necessary for making informed policy decisions and not creating an environment where the level of data being collected is exhaustive and results in overly prescriptive policy interventions that inhibit the market from evolving organically.

It is vital that in developing its data strategy the ESB remain focussed on defining the market problem and the gap in the data to examine and solve that problem – rather than seeking to find problems in an ever expanding data set. As the Finkel Review noted, this information gap analysis must be rigorous and undertaken in consultation with industry and relevant stakeholders. We are concerned that the ESB has determined gaps in the data without fully consulting industry.

Furthermore, we are concerned that the gaps have been determined without a full understanding of the cost benefit trade-off in expanding the data collection requirements.

We consider that with respect to retail market data, there exists sufficient information to support robust policy making. The issue is not in the quantum of existing data or its availability, it is in the management of that data.

However, we do recognise that new technologies have created a new data need for policy makers to observe and understand how the market for these services evolves and how customers respond to market signals.

Finally, the energy market is currently implementing significant data reforms including 5-minute settlement and consumer data rights. These are significant and resource intensive reforms intended to provide greater transparency and personalised services in retail energy markets. We believe a focus of the ESB ought to be the consolidation and streamlining of the existing regulatory data framework with these reforms. This will allow for the more efficient use of data which will minimise compliance costs, which are ultimately borne by customers.

Origin's response to the ESB proposed recommendations are set out below.

### **Recommendation1: Retail plans and billing**

The ESB cites one of the key motivations for the ACCC 2018 Retail Electricity Price Inquiry (REPI) was that a persistent lack of retail transparency meant policy makers and regulators could not resolve growing concerns about retail competition and affordability.

The ESB suggests that issues around price monitoring, reviewing the competitiveness of markets, and understanding affordability could be achieved by requiring retail plans for individual meters to be reported with settlement meter data for all small energy users (residential and small business), along with current network tariffs and other retail competition and switching data.

Origin understands the desire for policy makers to have a detailed understanding of how the market is working, especially across different demographics. However, there has already been significant progress in addressing the issues identified by the ESB as well as the ability of regulators to access relevant information.

For example, the ACCC already monitors:

- electricity prices faced by customers in the NEM including both the level and the spread of price offers, analysing how wholesale prices are influencing retail prices and whether any wholesale cost savings are being passed through to retail customers;
- wholesale market prices including the contributing factors to these such as input costs, bidding behaviour and any other relevant factors;
- the profits being made by electricity generators and retailers and the factors that have contributed to these;
- contract market liquidity, including assessing whether vertically integrated electricity suppliers are restricting competition and new entry, and
- the effect of policy changes resulting from recommendations made by the ACCC in its Retail Electricity Pricing Inquiry report of July 2018.

Further, the ACCC states that where appropriate, it will make recommendations to government(s) to take any proportional and targeted action considered necessary to remedy any failure by market participant(s) (or the market as a whole) to deliver competitive and efficient electricity prices for customers.

In response to the ACCC 2018 REPI, we now have a default market offer (DMO) and a Victorian default offer (VDO) that establish a safety net price for disengaged customers. These respective safety net prices have been determined by independent regulators (the AER and the ESC) to reflect efficient retailer costs – including an allowance for an efficient margin. Market offers are generally below the regulated standing offer, the range of market offers remains broad and the retail market remains sufficiently competitive to encourage new retailers to enter.<sup>1</sup>

Since the REPI, both the AER and the ESC have taken significant steps to address the identified problems. It is not apparent that the issue identified by the ESB remain a persistent problem.

In terms of the practicalities of the ESB's proposal, linking meter data to contract products/plans/tariff is complicated and is not a simple relationship with meter data as experienced in the consumer data right (CDR) project.

Through the development of the CDR standards for data standards, it is being proposed that tailored retail plan information be bundled into the billing data payload – what the customer is actually being

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<sup>1</sup> See for example AER Position Paper Default Market Offer Prices 2021-22, 20 October 2020.

billed on will be linked to a site/account and not specifically to a meter data. Meter data will form part of a separate data subset request. It is not proposed that these will be linked as part of the CDR framework. We understand that the DSB considered exploring linking Plan ID to meter data however the complexities resulted in meter data being linked to a Service ID (i.e. site).

The provision of the information proposed by the ESB is likely to impose a significant cost impost on retailers that will ultimately be passed on to customers. Accordingly, it is essential that the ESB provide a clear understanding of why the problem originally identified by the ACCC still exists and how its proposed expanded data will be utilised to solve the problem.

### **Recommendation 2: Streamlining price reporting**

We agree that retail price monitoring should be streamlined across regulatory agencies to reduce costs and allow regulators and governments to deliver more efficient and effective solutions.

### **Recommendation 3: Large energy user prices**

Regulatory frameworks for a residential customer compared to larger commercial and industrial consumer differ significantly given the size, sophistication and the range of products and services they require. The variances in the framework are appropriate given the significant differences between the energy services. There is no standard format for either consumer management, contracts or the level or detail of billing information presented to large consumers – these will differ between retailer and retailer.

Large customers are also moving away from the ‘traditional’ retail bundled services. The size and sophistication of larger energy consumers means they may negotiate specific contracts for both: 1) energy with a retailer; and 2) metering and data services directly with meter data providers (MDPs). Metering services may expand to include value-added services, like recommendations and capabilities to manage energy consumption to reduce energy costs. These businesses have an incentive to contract these services directly with other parties because energy is a significant input cost for them. Therefore, retailer information held on a customer account may not accurately capture the customers complete account as they have outsourced elements of the ‘traditional’ retail service.

There are likely to be significant time and costs in standardising data inputs and defining the inputs required for the ESB’s proposed monitoring.

### **Recommendation 4: Contract Market Monitoring**

The ESB suggests that transparency in the contracting arrangements of retailers has been an ongoing concern, as regulators seek to understand the true costs and whether prices are efficient. The ESB recommend that to provide greater transparency of contract markets and enhance wider wholesale market monitoring by expanding the AER’s information-gathering powers and requiring them to review and report on contract market performance.

As part of the derivation of the DMO and the VDO, the AER and ESC develop respective benchmark efficient hedging strategies to determine an efficient wholesale cost allowance. This represents what both regulators consider to be an efficient benchmark practice. Not all retailers will adopt the “efficient” hedging strategy for a host of reasons. As a result, some retailers may outperform the benchmark, others may not – that is the objective of incentive regulation. Irrespective, what the customer pays reflects the efficient strategy.

We also note that under the Prohibiting Energy Market Misconduct (PEMM) Act, retailers are required to make reasonable adjustments to reflect sustained and substantial reductions in the underlying costs of procuring electricity.

If there is an efficient hedging strategy applied by regulators in the derivation of the DMO and the VDO, it is unclear what problem the ESB is trying to solve by expanding the AER's information gathering powers.

#### **Recommendation 5: Retail Margins**

The ESB highlights that one of the key questions in testing effective competition is whether industry returns reflect an effectively competitive market, or whether there is evidence of persistent excess returns.

As highlighted above, the AER and ESC have each developed regulated retail prices that reflect efficient retailer costs. On the basis that an efficient benchmark exists it is not clear where the market is deficient and why the ESB require the quantum and detail of information being proposed.

We are not aware of any evidence that supports the view that the retail margins allowed for in the DMO or VDO are inefficient. Given the number of regulatory interventions in recent years which have imposed significant costs on retailers, we would suggest that retail margins are thin.

On the basis that regulators have established efficient margins and that market offers ought to be below the respective regulated prices it is not clear that any evidence exists to support the need for additional data over and above what the current regulators have.

#### **Recommendation 11: Research impacts of current voltage levels**

Origin generally supports draft Recommendation 11 which aims to provide greater information on LV network issues. We believe this is particularly relevant given recent and proposed market changes such as South Australia's new requirements for distributed solar systems and the AEMC rule change process which is investigating the potential for export charges for DER.

Our experience is that there has been a presumption that voltage issues exist but little evidence or transparency about what is actually occurring and where. This appears to be a gap in decision making, with many proposed policies assuming, that for example, LV issues are largely being caused by the increasing penetration of distributed solar systems. As the ESB consultation paper indicates, the recent UNSW study has suggested that overvoltage may be a problem in some areas, and that this may in part be a systemic issue because of the change from 240V to 230V. Going forward, an improved understanding of LV issues may assist in implementing new policies, such as dynamic limits on solar export and demand response more generally.

#### **Recommendations 12 -14: LV-DER visibility**

We are less supportive of Recommendations 12-14, which also deal with LV data, and the sharing of information. A better approach is for networks and other parties to put a value on the services that DER can provide. As a result, DER will be allocated to its highest value use.

Further, those parties who have already invested significant resources in gathering, analysing and sharing DER data through agreement with other parties (such as agreements between networks, retailers and installers) should not be disadvantaged by moving to a system where all data is made "free". The one exception to this is the customer themselves, who clearly should have a right to the data and not be charged for this.

Further, it is important that changes to DER related issues consider the consumer impacts, including costs, of any new requirements. Whilst having more information may be useful, it may also come at a significant cost. Unless a thorough cost benefit analysis is undertaken, costs from new requirements (such as for metering or communications) may simply discourage consumers from adopting new DER products and services or distort when and where they are adopted. We believe it is important to allow a competitive market for new DER products and services to develop organically and not impose unnecessary costs on consumers, particularly at this relatively early stage of market development.

### **Recommendations 16: Evolving the DER Register to wider needs**

We also support the intent of Recommendation 16, which is to update the DER Register (DERR) over time. This register is a useful starting point that provides some important information for customers with DER such as solar systems and is worth building on over time.

### **Recommendations 18-22: Proposed Regulatory Reforms**

The ESB considers that out-of-date and inconsistent regulatory arrangements and data policies frequently mean that key trusted stakeholders cannot access, share or integrate relevant available data, even when access to the data may clearly promote the long-term interest of consumers.

The ESB proposes moving from a data sharing policy which prohibits disclosure by default, to one which authorises controlled disclosure for approved purposes where safeguards are in place. The ESB recommends that Energy Ministers should agree to clear policy principles for energy data regulation as an ongoing guide to energy data reforms and to guide decisions of data holders.

We are concerned with the breadth and indistinct nature of the policy principles. Specifically, “privacy safeguards” in accessing data should be extended further to include “security safeguards” (i.e. system security). The CDR framework requires that accredited parties meet certain system security requirements to receive and access data – this will be imperative to ensuring that data that is transferred from one party to another is securely transferred and meets specifications. These security safeguards should equally apply to consumers, governments and regulators.

In addition, defining ‘non-sensitive data’ will be challenging. The reference to “supporting data sharing for clear public-good” needs to be clearly defined and who would decide whether it’s a “public good” or “commercial good” clarified. Businesses have invested a considerable amount of time, resources and finances to ensure that data is collated, maintained and analysed to provide ‘value added’ products and services to customers. Businesses may be reluctant to pursue innovation and product development if there is a concern that the work they undertake may end up being related to the release of commercial insights at the expense of the business. Given the objective of the proposed reform is to open up data access to promote competition and better outcomes for consumers, it would be unfortunate if the framework itself hindered that very innovation and market development.

For these reasons, we believe the ESB ought to consult broadly with all vested stakeholders, not just core agencies, on any change to policy principles, data regulation and the development of common guidelines and data policy.

### **Recommendation 22: Support coherence with the CDR**

We agree that the data strategy needs to be developed in consultation with the CDR framework. Governments and regulators should be subject to the same rules and regulations to accessing customer data as Accredited Third Parties under the CDR regime i.e. governments and regulators should not have lesser obligations in relation to security and privacy safeguards.

### **Recommendation 23: Data Leadership and Coordination Group**

The ESB argues that the shift in principles and rights proposed under Pillar 2 will take significant implementation. It states that no one agency can drive this kind of change. It will require a strategic coordinating group, tasked to deliver specific achievements in data reforms, drive cultural change and capacity development and engage directly with the leadership group of agencies and government.

As a result, it proposes to form an ongoing Data Leadership and Coordination group (DataLAC) across the core agencies where forward plans would link to wider energy market coordination, such as the Regulatory Implementation Roadmap.

We believe the proposed DataLAC ought to include participants from the energy market. We believe having market participants as part of this group will assist the group better understanding not just the data, but the costs and challenges involved in creating the data. Also, working collaboratively will allow industry to better manage for future data expectations.

Origin supports the formation of the Data Users Group. However, this group should not circumvent the need for public consultation on any future data expansions.

We also support the use of agreed common guidelines across core agencies.

**Recommendation 28: Forward review of Data Strategy against outcomes**

We support the DataLAC undertaking an annual stocktake of performance against the outcomes identified in this Strategy, identifying emerging or persistent gaps in data requirements and access, and opportunities to streamline data management. These should also be made in the context of identifying specific problems that need to be addressed and why.

We also support an independent review at year three after the introduction of the Data Strategy.

If you have any questions regarding this submission, please contact Sean Greenup in the first instance on (07) 3867 0620.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'K. Robertson'.

Keith Robertson  
General Manager, Regulatory Policy