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Dr Kerry Schott AO
Chair
Energy Security Board

By email: info@esb.org.au

Dear Kerry

ECA SUBMISSION ON ESB DATA STRATEGY

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to the price, quality, reliability, safety and security of supply.

Thank you for the opportunity to respond to the Energy Security Board's (ESB) Data Strategy Consultation Paper. This submission has benefited from the positive and open engagement by the ESB lead Sarea Coates with consumer advocates who are advising on the Post 2025 Market Design Review. Energy Consumers Australia looks forward to continuing to work with advocates and the ESB to secure outcomes for consumers through these important reform projects.

Our core message in this submission is that the next stage of the ESB Data Strategy should be to move forward from seeing data as an agenda in-of-itself, to planning for data as an enabler for the Post 2025 Market Design to unlock value for consumers.

Overview

Data has been described as the 'new oil' of the modern economy and the idea that data-driven optimisation is a driving force of the energy system transformation is widely accepted. Energy Consumers Australia sees a future energy system which integrates a flexibility plan and data will be needed to oil that plan.¹ However, the ubiquity and pervasiveness of data as an enabler means that arranging and managing 'data reform' is extraordinarily challenging, with questions like 'where to start' and 'who has accountability for the outcome' difficult to answer. The extent to which data reform straddles sectors within the economy and governance structures further complicates the task. While we support the broad thrust of the ESB Data Strategy, we think it suffers from a lack of definition and clarity about these matters, and there is a very real risk that it will not create value and deliver benefits for energy consumers.

In our view what is needed are a clear set of organising principles to focus the strategy. We suggest that the best starting point is to 'start with the consumer'. As a result customer protections and business requirements will naturally emerge. The practical outworking of this principle is to integrate this work with the use cases being developed in the Post 2025 Market Design Two-sided Markets and DER Integration workstreams. The basic question that needs to be asked is 'what are the data

¹ We have described why maximising flexible demand should be a priority in the ESB's Post 2025 Roadmap in Annexure 3 to [our submission](#) to the ESB Post 2025 Consultation Paper. That section of our submission draws on material authored by Lynne Gallagher and Elisabeth Ross on flexible demand to be published in 2021 in *Variable Generation, Flexible Demand*. Edited by Fereidoon Sioshansi



requirements and reforms necessary to support innovation and deliver value for consumers in the new market?’

The scale and nature of the opportunity to optimise data across the energy system as a transforming force is lessened by the focus on important but nevertheless more process oriented reporting and other issues in the ESB’s Data Strategy Consultation Paper. We note that developing a data strategy was a recommendation of the Independent Review into the Future Security of the National Electricity Market in its June 2017 Final Report (the Finkel Review) and is one of the last to be progressed, reflecting the risk with data related reforms that they lose focus and are not pursued with the strength and clarity required.

Finding ways to organise and pursue data reform is also a challenge that other jurisdictions are grappling with. We believe the recent [UK energy data task force²](#) is among the clearest from which Australia can draw lessons because it is very explicit about the approach that is being taken i.e. it has two core principles that are animating all work and it has a very explicit purpose to unlock value and data driven optimisation being intrinsic to the energy transformation.

The UK’s structured approach (purpose, followed by structure then approach and principles) is very similar to the one being pursued through the Post 2025 Market Design DER Integration workstream. We acknowledge that data is more than just DER integration and could underpin the ease of consumers switching retailers and energy efficiency programs. However, we think the sensible next step for the ESB’s Data Strategy is to merge and integrate with the Post 2025 Market Design DER Integration work. It is critical that data is seen as an enabler and not as an end of itself. By focussing laser like on the Post 2025 Market Design Review consumer use cases and the role that data plays in unlocking the value of those use cases, we can ensure that our data agenda does not become lost in wider sector and economy wide reform processes.

The recommendations in the Data Strategy encompasses two streams of work. One stream reflects the critical role data will play in the transition to the future energy system and is essential to unlocking the value for consumers in the Post 2025 Market Design Review and any future directions. The other stream relates to important coordination and evolution that needs to happen with the governance and accountability of data in the energy system. We believe that a way to sharpen the ESB’s Data Strategy, which should be about the core structural and systemic issues associated with data, would be to reallocate the more process and administrative recommendations in the latter coordination and evolution stream and invite the other market bodies and regulators to progress those issues as part of their usual reporting and review processes. We note the efforts underway in all market bodies and regulators to rationalise and streamline the amount of duplication and overlap in relation to these matters.

Context

Energy Consumers Australia has since early 2017 been pursuing mechanisms to enable consumers to authorise third parties to access their usage data for the purpose of providing a service to the consumer. We have embraced the opportunity presented by the economy-wide Consumer Data Right (CDR). We set out the results of our research which underpins our support for the CDR in energy in [our submission](#) to the Australian Competition & Consumer Commission on the CDR Rules Framework in August 2020.

We believe that a valuable lens through which to assess the ESB’s proposed Data Strategy is to consider how the recommendations will improve levels of trust and confidence in the energy system

² See the 5 recommendations in *A Strategy for a Modern Digitalised Energy System* published by the Energy Data Taskforce in July 2020



and markets by delivering lower energy prices and increasing consumer agency in relation to new energy services, including that delivered through new energy technology.

These outcomes are aligned with the three key points made by the Productivity Commission in its Report on Data Availability and Use (8 May 2017):

- “Improved data access and use can enable new products and services that transform everyday life, drive efficiency and safety, create productivity gains and allow better decision making.
- The substantive argument for making data more available is that opportunities to use it are largely unknown until the data sources themselves are better known, and until data users have been able to undertake discovery of data.
- Lack of trust by both data custodians and users in existing data access processes and protections and numerous hurdles to sharing and releasing data are choking the use and value of Australia’s data. In fact, improving trust community-wide is a key objective.” (page 2)

It is clear that data and the availability of data is key to the future energy system. The ESB is separately looking at the future energy system and we understand it is developing a roadmap for managing the energy transition through its Post 2025 Market Design review. In [our submission](#) to the ESB’s Post 2025 Market Design consultation paper we reflected on the context in which policy makers seeking to develop major reforms such as the data strategy, find themselves. The impact of natural disasters including drought, bushfires and floods followed by the COVID-19 pandemic has resulted in fundamental disruption to everyday social practices and the economy.

Comments on the Consultation Paper

In our view the Consultation Paper is right to focus on data governance as a core sectoral issue. However, it is more than data management of operational matters that are needed. We also require structures to drive the energy system transition. It is not clear that committees of the kind proposed in the Consultation Paper (the creation of the DataLAC and Data Users Group (DUG)) is at the level required to successfully drive the transition and to build trust and confidence in the future energy system by leading to better outcomes for consumers.

The stated aim of the DataLAC and DUG is to coordinate data management across the various market bodies and regulators. It is unclear to us how this fits in with the future administration of the CDR and the Data Availability and Transparency Bill, which we understand will not apply to AEMO. We would like to reflect further on the governance arrangements in the coming weeks because clarity of roles and accountability is critical for success of the Data Strategy. We think there is a role for the DataLAC and DUG to provide coordination. Where we perceive an outstanding gap is in relation to governance and accountability for data as an enabler for the Post 2025 Market Design and any future roadmap.

We note that the ESB’s Post 2025 Market Design package and the subsequent and separate Data Strategy package seek to interact with, and in some cases build on, other change processes such as the CDR. The layering of change over the past five years, through different points of the NEM governance structure to solve discrete problems, makes it very difficult to form a view about how the elements fit together and the merits of the Data Strategy overall. This complexity is compounded by the Consultation Paper arguing that there will be gaps from processes that have yet to be implemented, as justification for what appears to be more pre-emptive reform. For this reason we support in principle the approach underpinning the strategy of removing regulatory barriers in pillar 2 and an evolution to new principles based data regulation in pillar 4.



As part of engagement on its Consultation Paper the ESB presented its data package of recommendations to the Post 2025 Consumer Working Group (Consumer Working Group). Energy Consumers Australia facilitates the Consumer Working Group. The engagement with the ESB involved constructive discussion and was welcomed by the Consumer Working Group. The Consumer Working Group gave feedback to the ESB, which we support, that it is not clear how the overall package - which is very technical - fits together and what the implications are for all consumers in plain English. The Consumer Working Group encouraged the ESB's Data Strategy and DER Integration workstream leads to work with case studies to explain its vision for how the data recommendations will unlock value over and above the results from expected reforms such as CDR, the Australian Energy Regulator's (AER) Value of DER (VaDER), AEMC rule changes, DER standards work and the AER's approach to DER integration investment and others. We are looking forward to the ESB mapping the detail in Appendix C of the Consultation Paper of ongoing reform processes in a way that shows the expected benefits from these processes. This could then form the basis of detailed cost benefit analysis of the proposed additional measures in the recommendations, which we are aware is the next stage also for the Post 2025 Market Design DER Integration and Two-sided Markets workstreams.

Another concern expressed by the Consumer Working Group, which we strongly endorse, is the lack of integration between the consumer facing aspects of the Post 2025 Market Design Review - specifically the Two-sided Markets and DER Integration workstreams and the Data Strategy. We believe it is critical that the ESB presents the Data Strategy recommendations (particularly for pillars 1 and 3) and DER Integration workstream as a joined up piece of policy and tests the recommendations with consumer facing use cases. At this stage the Data Strategy in our view lacks a rigorous assessment of consumer outcomes, opportunities and risks. We think this joined up work lends itself to a set of evaluation criteria that could be co-designed with consumer groups and other stakeholders as part of the next phase of the program. The framework developed by the Consumer Working Group in Annexure 1 could serve as a starting point for this piece of work.

Energy Consumers Australia also notes that the draft High-Level energy data principles in recommendation 18 are not clearly responsive to detailed consumer problem definitions underpinning the pillars of the Data Strategy. We had a similar concern with the ESB's Post 2025 work in the Two-sided Markets and DER Integration workstreams. For this reason, we also shared the Consumer Working Group's framework in Annexure 1 with the DER Integration workstream leads and we are very pleased that they have developed guidelines based on those principles to help reflect the perspective of the consumer throughout the DER sprint design exercise and the development of their high priority use cases. We encourage the ESB to join the DER visibility aspects for the Data Strategy with the DER Integration workstream and to then review the guidelines developed by the DER Integration workstream to ensure that they adequately cover the role data will play in any DER roadmap.

Next steps

There are a number of very common sense and practical recommendations in the Consultation Paper about the way that data can be used for policy making and other decision-making processes in the National Electricity Market to be managed by existing agencies. In our view, these recommendations should be extracted from the Data Strategy and allocated to market bodies and regulators to progress. We have not dwelt on these issues in detail and are largely comfortable for those agencies to assess and progress.

Merging the remaining recommendations, which seek to unlock value for consumers, with the Post 2025 DER Integration workstream should be progressed as a matter of urgency using the consumer use cases developed by the DER Integration workstream. We want to see the data requirements and any reforms needed to deliver stage 1 of the Post 2025 Market Design roadmap specifically identified



and spelled out in the upcoming March 2021 Post 2025 Market Designs Options Paper in a fully integrated way. I.e. every proposal should include a heading titled 'Data' where issues, barriers, implications for designs are discussed and laid out. In this way the discussion can move forward from seeing data as an agenda in, and of, itself, to planning for data as an enabler for the Post 2025 Market Design roadmap to unlock value for consumers. In the discussions with the Consumer Working Group, the opportunity to leverage smart meter data in Victoria was highlighted as obvious, low-hanging fruit.

Should you have any questions about our comments in this submission, or require further detail, please contact Chris Alexander, Director of Strategic reform by email at chris.alexander@energyconsumersaustralia.com.au or Louise Benjamin, Strategy Advisor by email at louise.benjamin@energyconsumersaustralia.com.au.

Yours sincerely

Lynne Gallagher
Interim CEO
Energy Consumers Australia



ANNEXURE 1

Post 2025 Two-sided market Working Group Vision, Problem definition, Objectives and Principles

Vision

Option 1: In 2025, energy market arrangements support the most efficient balance of supply and demand resources, enabling consumers to access the energy they need affordably and sustainably while realising the value of their demand and supply where it contributes to the ability of the system to meet end-users' needs.

Option 2: In 2025 energy market arrangements facilitate the most efficient, affordable, reliable and clean balance of energy supply and demand, by supporting consumers to access affordable, clean energy they need and provide opportunity for consumers to safely and easily participate in the market through valuing their energy practices.

Option 3: In 2025, energy market arrangements support the most efficient, affordable, sustainable balance of supply and demand resources for consumers.

Problem definition

UNCERTAINTY: Current and future markets and policy settings, and how people are motivated to respond to these and other incentives, are characterised by increasing uncertainty.

COST: The growth of decentralised sources of supply and demand is contributing to more variability in the energy wholesale market, which is increasing costs on the system that are ultimately borne by consumers.

PARTICIPATION: Consumers shifting load or generation could create value in the wholesale market, ancillary services, emergency services or for network support, but market rules prevent them from realising this value.

CHOICE: Market arrangements, along with those for metering and connection, don't support consumer preferences to access the products and services they want or from the providers they choose (i.e. people can only contract with one retailer, and not with other intermediaries such as aggregators).

ACCESS: New and innovative energy products and services offer significant value but are difficult to access for disengaged and low-income consumers.

PROTECTIONS: New market models, products and services, where they partly or fully facilitate essential energy supply, raise new risks for consumers in emerging markets, particularly disengaged and vulnerable consumers.

Objective of the review

The objective of the 2SM review is to introduce reforms and controls which support a move (at least cost for consumers) to a market with new energy services and opportunities for consumers who want to take advantage of the new capability (including generation or use), either directly or via traders, while protecting the essential service supplied to all other consumers.



Principles

To ensure that energy is an essential service and everyone has the right to access clean, affordable, dependable energy. Any future market design must:

- Put people at the centre
 - Leave no one behind:
 - All people should have the opportunity to take advantage of new energy services enabled by two-sided market reforms if they want to.
 - People should be able to access affordable, efficiently priced basic energy supply regardless of how much or how little they actively interact with energy services.
 - People should be able to readily obtain any help they need to access an essential energy supply or to interact with energy services.
 - Enable energy management technology, products and services that enhance consumer outcomes and reduces the costs of the energy system.
 - Be open and transparent, allowing consumers to choose from a range of new products and services that they can engage in directly and/or via energy providers and market intermediaries.
 - Information and tools that empower consumers to make decisions must be available, and be clear, transparent, in plain language and accessible (i.e. rather than relying on bills as the primary communications channel, businesses should communicate directly and appropriately with customers according to preferences and in ways that suit the information being communicated).
 - Supported by fit for purpose consumer protections, including dispute resolution, to enable full participation.
 - Consumers and communities have an ongoing voice and input into the design, evolution and progression through market development to reflect consumer needs and expectations.
- Prioritise the long-term and be flexible
 - Long-term (2025 and beyond) solutions should be prioritised over short term workarounds. There is inherent uncertainty in transforming complex systems, therefore a staged approach, with scope to adapt along the way, is critical.
 - Regulatory frameworks and controls should be fit for purpose, light touch and provide the maximum agency and flexibility for consumers, both individually and in groups or communities. This would favour decentralised bottom up solutions rather than a centralised top down model.
 - To deal with changing circumstances and uncertainty, decisions about progressing through reform stages should be guided by a customer centred framework and principles to evaluate consumer needs and preferences, business models, technology, consumer protection frameworks and other material considerations.
 - Be flexible and innovative in response to changes in people's needs and preferences, the environment and technology.



- Focus investment on innovation, research and development to develop products and services that meet the diverse needs of people, businesses and communities.
- Guarantee just and fair outcomes
 - Distribute costs, benefits and risks transparently and fairly to allow for equitable outcomes regardless of people's ability to engage with the energy system.
 - Costs should be recovered from:
 - beneficiaries (where costs and beneficiaries can be identified) or
 - causers (where primary beneficiaries are difficult to identify or costs or benefits are difficult to quantify).
 - Clearly identify risks of future market arrangements to ensure that risks sit with those best placed to manage and afford them.
 - If consumers are going to be exposed to risks, this must be by their own choice, they should be rewarded and they must be empowered to manage and minimise them.
 - The designers must be explicit about the limitations of the market solutions and consider the need for complementary measures that may be required to successfully address those limitations.
- Ensure it works
 - Ensure that investment in, and the operation of the energy system is equitable, economically efficient and avoids wasting money and resources.
 - Provide incentives and prioritise energy solutions to manage demand and improve the utilisation and reliability of existing generation and network infrastructure.
 - Improve the resilience of people, communities, businesses and institutions as well as the energy system to manage shocks.
- Deliver clean and healthy energy
 - Support transition to net zero emissions, as well as consumer preferences for clean energy services.
 - Support energy services that positively impact the health and wellbeing of people.
 - Enables people, businesses and the community to play a role in the transition to a clean and sustainable environment.