22 March 2019

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Australian Competition and Consumer Commission
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Submission on Consumer Data Right in Energy - Data Access Models for Energy Data

Introduction

1. This is Vector Limited's (Vector) submission on the Australian Competition and Consumer Commission's (ACCC) *Consumer Data Right in Energy Consultation paper: data access models for energy data*, issued in February 2019.

2. Vector is one of New Zealand's largest listed companies and provides energy and technology services across the country. It is the largest provider of electricity and gas distribution network services in New Zealand, and the country's leading provider of advanced (smart) metering solutions. It also provides fibre optic broadband communications network services, solar PV, energy storage, home energy management solutions, and electric vehicle recharging services.

3. Our metering business (Vector Advanced Metering Services – VAMS) provides a cost effective end-to-end suite of energy metering and control services to energy retailers, distributors and consumers. VAMS is an accredited Metering Data Provider and Metering Provider, and a registered Metering Coordinator in Australia's National Electricity Market (NEM). We are deploying advanced meters in Queensland, New South Wales, South Australia, and the Australian Capital Territory.

4. Vector does not support the Australian Energy Market Operator (AEMO) centralised model (Model 1), which we believe will impose significant IT development and maintenance costs, and heavier regulatory burden on CDR participants (accredited data recipients (ADRs) and data holders) and consumers. Importantly, a highly centralised approach will limit innovation that benefits consumers.

5. We support the 'decentralised' AEMO gateway model (Model 2) or the economy-wide model (Model 3), or variants of these models. These models will better enable innovation, facilitate the development of energy markets, and encourage greater consumer participation in these markets.

6. We set out below our responses to the consultation questions.

7. No part of this submission is confidential. Vector's contact person for this submission is:

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Responses to consultation questions

***Question 1**: Are there any other assessment criteria or relevant considerations which the ACCC should use to determine a preferred model for consumers to access their energy data under the CDR?*

8. Vector suggests that "enabling innovation" be included as an assessment criterion in determining a preferred model for consumers to access their energy data under the CDR. The ability of market participants to innovate drives the development of new and innovative services, providing greater choice for consumers.

9. Innovation flourishes under arrangements that are less prescriptive, voluntary, and where commercial solutions can flourish. We therefore support CDR arrangements in the energy sector where consumers and market participants are not limited to obtaining data from a single data holder if the data can be procured more efficiently/effectively from other data holders or through other means, including through commercial arrangements.

10. Less prescriptive models are more conducive to innovation. They minimise the need for more complex rules associated with highly centralised systems, which could potentially be contentious or costly to implement.

***Question 2**: Having regard to the assessment criteria, what are the advantages and disadvantages of each of the models?*

Model 1

11. Vector does not support the AEMO centralised model (Model 1) which we believe would impose significant costs and heavier regulatory burden on CDR participants, and eventually consumers.

12. We consider Model 1 to be inefficient as it requires AEMO to have a version of all energy data subject to the CDR, and for this data to be updated continuously even if most of it may not be requested. This would require AEMO to have bigger and bigger storage space and ever greater processing capacity. This will put increasing pressure on AEMO's system, particularly with: 1) the move to a 'global settlements framework' for the demand side of the wholesale market, 2) the move from half-hourly to five-minute settlement for electricity spot prices, and 3) as more products and services are introduced to the market.

13. Importantly, Model 1 will limit innovation (including contracting innovation) as CDR participants can only transact with or through AEMO. An AEMO-only view of CDR data will mute signals for multiple demands for data from the wider market that could spur innovation.

14. From a static perspective, the estimated development and ongoing maintenance costs of a highly centralised system may appear reasonable. However, such estimation should be assessed against unrealised value from missing opportunities for innovation (or greater innovation) with a highly prescriptive approach.

15. In addition, a highly prescriptive approach is 'fragile by design', i.e. there is higher risk that an AEMO system or software malfunction could have adverse impact on the entire CDR system in the energy sector, requiring longer recovery periods than otherwise.

16. Based on stakeholder feedback from the ACCC forum on data access models on 18 March 2019, we understand that there is barely any stakeholder support for Model 1. On this note, we reiterate our agreement with the Energy Security Board's principle of "decentralising data where possible" and its statement that:

> In most cases, data users should be able to receive data from the organisation that holds it, unless more cost-effective and efficient alternatives exist.[1]

Model 2 and Model 3

17. We support the AEMO gateway model (Model 2) or the economy-wide model (Model 3), which are less prescriptive than Model 1. These models:

    a. avoid the regulatory burden and compliance costs associated with a highly centralised, 'data monopoly' model (Model 1);

    b. provide ADRs who are acting for consumers the choice to access data from data holder(s) that can provide the requested data that best suit each consumer's needs; and

    c. enable new and innovative ways of data provision in the energy sector to evolve organically, and disruptive innovation to occur (including at the 'fringes of the sector'). This facilitates the expansion of existing energy markets and the creation of new ones.

18. Model 2 could leverage AEMO's existing infrastructure (e.g. B2B e-hub), avoiding massive IT development and maintenance costs. This enables the CDR to be implemented more quickly, with minimal disruption.

19. The gateway under Model 2 minimises the cost to ADRs of searching for data holders that hold the types of data requested by particular consumers, e.g. in a format that is most useful to those consumers. This allows potential service providers to obtain the data they need to enter the market without having to build costly IT platforms, promoting greater participation, hence, competition in the market.

20. As demand for data increases, it is reasonable to assume that Model 2 could evolve into Model 3. Consumers who will become more familiar with various data holders (if they are not already) may opt to access data directly from data holders without the need for a gateway, or even an ADR.

21. In the future, the generation of more data that AEMO may not be required to hold could mean that consumers could approach or negotiate with the holders of that data directly. We believe that any proposed data access model should not prevent data access seekers from procuring data outside of existing infrastructure (e.g. a gateway) if that can be done more efficiently/effectively through commercial arrangements.

22. We reiterate our agreement with HoustonKemp's statement that:

> Nothing in this process…should prevent commercial arrangements being put in place whereby accredited third parties fund bespoke changes to standard data formats to facilitate the provision of services to consumers.[2]

Convergence with other sectors

23. Model 1 is a departure from the decentralised Open Banking approach that will be implemented prior to the implementation of the CDR in the energy sector. This 'misalignment' could make the convergence of digital services in the banking and energy sectors more challenging than if consumers were already familiar with Model 2 or Model 3-

[1] http://vectorams.com.au/documents/597574/1686831/Vector+Submission+Facilitating+Access+to+Consumer+Electricity+Data/511b8ee0-03cb-471c-bcea-56c35900bdac, paragraph 15

[2] *Ibid.*, paragraph 13

type CDR arrangements (particularly Model 3 which is more akin to the Open Banking approach).

***Question 3**: What are the likely implementation/compliance costs for market participants (including accredited data recipients) under each of the models, including costs associated with IT system changes or data storage?*

24. As a Metering Data Provider in the NEM, we would have to build two or more application programming interfaces (APIs) to support data transfer to CDR participants that will be required under the CDR rules. It is likely that higher build costs will be incurred by CDR participants, who are better placed to provide comparative cost information.

25. On a broader context, the limited ability of CDR participants to innovate under Model 1, which would deprive consumers of the benefits of improved and competitive services (i.e. unrealised benefits), could be the bigger cost for consumers.

***Question 4**: What additional requirements should the ACCC consider including in the CDR rules for the energy sector if the gateway model is adopted?*

26. Should a gateway model be adopted, we envisage it to be a web-based 'information hub' or directory that is simple and easy for ADRs and data holders to navigate.

27. The gateway should be able to point to the ADR the data holder(s) that can provide the requested data, and potentially signal which data holders can provide it more efficiently and effectively.

***Question 5**: What emerging technologies do stakeholders believe will have an impact on the energy sector with respect to the CDR?*

28. In our view, emerging technologies such as advanced metering, solar PV, batteries/energy storage, electric vehicles, and smart home energy solutions will have an impact on the energy sector with respect to the CDR, particularly in the immediate term.

29. Technologies such as peer-to-peer trading and blockchain could potentially support the trend towards greater decentralisation in the energy sector in future years, e.g. consumers making transactions directly with data holders or trading with each other.

***Question 6**: What are the cost differences to participants of providing data once a day (to an AEMO repository) or on demand?*

30. As a Metering Data Provider, the cost differences to us of providing data once a day compared to providing it 'on demand' depends on how frequently data is demanded under an 'on demand' arrangement. Current data formats do not support the delivery of data on demand or near real-time. This would require CDR participants and the gateway (where present) to build new IT applications, including APIs.

31. As indicated in our response to Question 2, we do not support Model 1 where AEMO is the sole data holder. Such a highly centralised setup is not conducive to innovation and would therefore not be in the interest of consumers.

32. We do not tend to agree with data formats and transmission methods being mandated, particularly for new and emerging services. What we want to see encouraged is the use of common design principles, common design standards, and common security standards that

enable consumers, CDR participants, and market entrants to benefit from interoperability and efficiency gains without hampering innovation.

***Question 7**: What is the competitive impact, if any, of accessing data through AEMO rather than through a retailer?*

33. Competition is enhanced where consumers can choose from a range of services delivered by multiple service providers, and can easily switch providers ('vote with their feet'). A competitive environment incentivises CDR participants to focus on delivering improved services rather than on complying with AEMO's rules and processes.

34. It is our view that Model 1 cannot provide the flexibility required to support increasing decentralisation in the energy sector enabled by new technologies, e.g. distributed generation, peer-to-peer trading, embedded networks, and standalone ('off the grid') networks. Having AEMO as the sole data holder or sole repository under this model would mute signals from increasingly diverse market participants on their demand for data, including alternative delivery mechanisms that may be more cost-effective and do not necessarily require AEMO's involvement. This would make the market less responsive to consumers' needs.

35. We believe the appropriate role of regulators or market operator is to remove barriers to, and not obstruct, the electricity sector's natural evolution and ability to innovate.

36. As indicated in our response to Question 2, it is not unreasonable to assume that as consumers and CDR participants become more familiar with the CDR, more and more of them may prefer to transact directly with each other (moving towards Model 3).

***Question 8**: Are there any other issues that stakeholders wish to raise?*

Cost-benefit analysis

37. To further inform the development of CDR rules in the energy sector, we suggest that the ACCC conduct or commission a cost-benefit analysis of the various options explored, considering any practical approaches or features suggested by stakeholders in this consultation.

Specification of data holders

38. The consultation paper (pages 23-24) notes that the *Treasury Laws Amendment (Consumer Data Right) Bill 2018* (the CDR Bill) contemplates that retailers, distributors, AEMO, and potentially government-provided energy comparator services will become data holders in the energy sector.

39. In the specification of persons who hold one or more classes of designated information for CDR in the energy sector, we suggest that a nuanced approach be adopted so that only those who actually hold data subject to the CDR are captured by the specification.

40. For example, specifying "registered participants" under the *National Electricity Law* as data holders will capture the above parties as well as Metering Coordinators, among others. However, as a Metering Coordinator (in addition to being a Metering Data Provider and Metering Provider) in the NEM, we do not hold any data at all, and would therefore be unable to perform the functions of a data holder.

41. Alternatively, exemptions for a class of persons (e.g. Metering Coordinators) from being data holders could be provided for the reason that they do not hold any data at all, or data that is subject to the CDR.

Post-implementation review

42. We further suggest that the ACCC or the appropriate regulator conduct a review of CDR arrangements specifically in the energy sector, say three years following their implementation.

Concluding comment

43. We are happy to discuss any aspects of this submission with the ACCC.

Yours sincerely

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