



Beautiful business

# Submission to the ACCC - Models for application of CDR in the energy sector

## Overview

Xero is a beautiful, intelligent platform built to help small businesses and their advisors grow and thrive. Born in the cloud, Xero connects businesses with the accounting tools, apps and the thousands of data points business owners need in one place, available at any time, on any device.

Since our founding in 2006, Xero has become one of the fastest growing software-as-a-service companies globally. We lead the New Zealand, Australian, and United Kingdom cloud accounting markets, and have an emerging presence in North America and Asia.

Data has always been at the core of our ability to deliver benefits to our customers. Born as a single accounting ledger in the cloud, Xero was the first in the industry to build an open API to connect into the software businesses use daily, from inventory and logistics to point of sale and customer experience.

Xero makes it easier for small businesses to work with their closest ally — their accountant, bookkeeper or advisor. Whether it's doing taxes, getting the books in order, or setting out the business growth strategy, Xero brings the data and information in one place, quickly and easily, so advisors can do what they do best.

Today, with over 1.6 million subscribers, data is more important to Xero than ever. There is a wealth of data that flows through our platform. For example, globally:

- \$2.4 trillion in transactions each year
- 83 million bank feed transactions per month
- 450 million API calls per month

We are committed to delivering on the promise of leading-edge, data-driven technology on behalf of small businesses and their advisors. The Xero platform is augmented by artificial intelligence and machine learning so business owners and advisors can spend less time focusing on finding information and more time using it to grow their business. By unlocking trillions of data points around the world, and analysing them through smarter AI, Xero is training the accounting platform to become faster and more accurate every day.



## The Benefits of CDR in the Energy Sector

Xero has pioneered industry-leading connections with some of Australia's largest small business suppliers to automate invoicing data entry. By investing in these relationships, Xero has removed the need for manual data entry, increased data accuracy and has facilitated a real time view of cash flow making it easier for business owners to make informed decisions.

Our experience leads us to believe that Consumer Data Right in the energy sector can play an important role in guiding the use of data across the industry, providing improved outcomes for consumers, small businesses, and energy retailers. We also believe CDR will drive innovation in the form of new tools and services which enable consumers and business owners to compare pricing and products thereby encouraging competition in the energy sector.

Providing our customers with control over their data is one of our most important responsibilities, and we do this in several ways. With secure, direct data feeds with banks and enterprise suppliers our customers can streamline bank reconciliations, expense management, and cash flow visibility. And with secure API connections to over 700 apps in the Xero marketplace, we help our small business customers to pass and receive data to and from the service providers that help them be more efficient and successful.

## Feedback and Recommendations

Xero welcomes the opportunity to provide feedback on the proposed data access models against the assessment criteria outlined in the consultation paper dated February 2019. Our responses to the questions put forward by the ACCC are below:

### **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?**

As outlined in the Farrell Report, the Consumer Data Right should be consumer focused. It should encourage competition and should create opportunities for new ideas and businesses to emerge and grow.

Xero believes this notion also applies to the data access model chosen for the energy sector. The model chosen should not only provide a simple and convenient process for consumers to access their energy data but it should also allow developers ( Accredited Data Recipients) to build products and solutions at scale which will ultimately drive value back to the customer. It is critical that the infrastructure and API interfaces provided by data holders support cost effective product innovation, and ADR's have access to comprehensive SDKs and documentation.

Xero's assumption is that the chosen model will support free access to data for all Accredited Data Recipients provided appropriate authorisation has been given by the consumer.



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

### **AEMO Centralised model**

The centralised model offers a single point of contact for data recipients and enables data to be provided in a homogeneous way regardless of the data holder. However this would also require each customer to have their own system wide identifier which allows data to be correlated and stored.

This model appears to be less cost effective and carries a higher level of risk with respect to data security and reliability. As AEMO would be the sole data holder, there is a risk of a single point of failure in addition to more exposure to a potential breach in security resulting in access to identifiable data. This model presents a less scalable and transferable solution with the potential need for middleware and changes to the regulatory framework. There is also the need for AEMO to ensure up to date data is available, and any changes to data are accounted for.

### **AEMO Gateway model**

As the gateway model provisions the transfer of data from multiple sources to Accredited Data Recipients, Xero believes this to be a more streamlined and scalable approach than the centralised model. The opportunity to leverage AEMO existing IT infrastructure where appropriate including the B2B e-hub means this is potentially a more cost effective model, however further work is required to establish the full requirements of developing a gateway and some assumptions have been made by HoustonKemp in their assessment. The risk of a single point of failure also remains and would need to be mitigated.

### **Economy wide CDR model**

The economy wide model supports a high degree of interoperability and facilitates innovation by data driven service providers across multiple sectors. Utilising the model and standards developed for the banking sector where suitable also reduces the complexities and barriers to entry faced by smaller energy retailers. Whilst Accredited Data Recipients would be required to request data from multiple parties under this model which could prove costly for smaller providers, the model supports a direct link to data holders including retailers which already hold a majority of data sets that are subject to CDR in the energy sector.



### **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?**

As a likely data recipient, Xero believes the cost of building to the relevant API's under the centralised and gateway models would be relatively low in comparison to other outbound integration projects Xero has undertaken. However the likely costs of AEMO enhancing security and controls to prevent a breach or unauthorised access of a single data repository or gateway would need to be weighed up against the benefits. Whilst energy retailers would be required to develop API's for AEMO to pull the relevant data under the centralised model, the retailers would avoid the costs associated with managing customer authentication.

Smaller scale Accredited Data Recipients are likely to incur higher costs under the economy wide CDR model given the need to request data from multiple parties. This could inhibit the development of innovative products or services for consumers and small businesses.

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

The ways in which AEMO stores or treats any data flowing through the gateway is critical to the privacy and security of such data. This needs to be considered when establishing rules surrounding a designated gateway. It's also worth considering whether the granularity or volume of data that is sent via the gateway should be limited given the associated security risks.

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

Xero believes that Consumer Data Right in the energy sector will foster the development of new tools and services which help consumers and businesses to manage their energy costs. We expect the types of technology most likely to emerge through the introduction of CDR to include:

- Comparison tools to help consumers and small businesses benchmark energy costs for their sector and business size. These tools would make it easier for consumers to identify opportunities to reduce energy costs and would fuel a more competitive retail market.
- Alternative energy comparison tools which would enable pricing comparison across multiple energy sources including augmented solutions like solar and battery storage.
- Personalised marketing solutions to support target messaging and advertising by energy retailers.



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

Xero doesn't believe the benefit of an on-demand model to be justified by the likely increase in costs in comparison to a daily model. Given our understanding of consumer behaviour and likely frequency of pricing changes, we believe daily repository updates would suffice.

It's worth noting that on-demand capabilities may be impacted by the technology offered by the distribution / wholesale / retail network in each state or region. For instance, in Victoria, smart meters provide a mechanism for data access every 30 mins, which may not be consistent across all states and territories.

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

Data access via AEMO is likely to be more cost effective for Accredited Data Recipients, thereby attracting more developers of products and solutions which drive value back to consumers and support a competitive market. This method would also ensure a level playing field with data holders being required to adhere to the open standard for API interfaces.

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

Xero encourages the ACCC to explore how a high level of consistency can be applied for organisations that may be considering becoming Accredited Data Recipients across multiple sectors (e.g. Banking, energy and telco). If the investment in bespoke product development could be minimised, it's likely that better outcomes will result in the form of more participants, more innovation and more trust in the system.

The Consumer Data Right has the potential to transform the Australian data landscape for consumers, small businesses, energy providers and distributors . We are excited by the opportunities presented by CDR to benefit the Australian economy through better access to data. We'd like to thank the ACCC for taking the time to review our remarks and we stand ready to work with the ACCC and industry in this endeavour.

Yours sincerely,

A handwritten signature in black ink that reads "Jared Baker".

Jared Baker  
Platform Growth Director  
Xero Australia