



20 May 2020

Secretariat
Inquiry into Future Directions for the Consumer Data Right
The Treasury
Langton Crescent
PARKES ACT 2600

Email: data@treasury.gov.au

Dear Mr Farrell

Inquiry into Future Directions for the Consumer Data Right – Issues Paper

Origin Energy (Origin) appreciates the opportunity to provide a submission in response to the Australian Government's Inquiry into the future direction of the Consumer Data Right.

Unlocking the value of consumers' data is fundamental to promoting the benefits of a digital economy. However, expanding CDR beyond banking must be undertaken in a manner that protects consumer data and recognise the different characteristics between banking and other sectors. Each industry has its own unique operating characteristics, laws governing information ownership and consent, and IT processes and systems. It will not always be practicable or appropriate to overlay an Opening Banking solution to other sectors of the economy.

We believe that expanding CDR should be undertaken in a measured way to fully understand the operational characteristics of the relevant sector, ensure data sharing models are effective and gauge the extent to which additional services or functionality is required under the scheme. This is particularly important for energy given the framework is only in the concept stage and it is still unclear on the system design and capabilities. In this regard, we ought to avoid the costs of sophisticated systems built for low volumes of data transfers. This will result in all customers ultimately paying a premium for an under-utilised right to access data.

Any enhancement to data sharing frameworks should not mandate only one way for data to be shared. The framework needs to be sufficiently flexible to allow for competitive approaches and the development of innovative and value add products. Origin believes that it will be imperative that the framework does not preclude customers from directly contacting their individual retailer for data or other parties developing their own innovative solutions for customers to access data outside of this framework.

Origin's views on matters raised in the Issues Paper are set out below. We focus our comments on how the proposed enhancements to the framework would apply to the energy sector.

International Context

Origin believes that expanding the CDR framework to encompass international standards will require an industry by industry review and the challenges to be addressed will differ across sectors and different customer classes. This includes across both the banking and energy sectors as each sector has been on their own digital journey.

The Issues Paper references that the 'Smart Data' model is being extended from the banking sector to the energy sector in the United Kingdom. The 'Smart Data' model refers to developing innovative services to help customers, particularly vulnerable customers. Some examples are provided such as developing comparison capabilities and more sophisticated tools that allow businesses to identify

vulnerable customers. The identification and management of vulnerable customers is a complex issue, but one that is high priority for energy companies in Australia. The industry has developed well defined guidelines and procedures to identify and manage these customers, including significant system investment to identify and treat these customers through a separate process. Any enhancements to the vulnerable customer tools should review the current arrangements and leverage systems that have already been implemented in Australia.

Further, both Governments and industry are investing significantly in digital platforms to allow customers to compare offers and identify a product that best suits their needs. The Government maintains a regulated price comparison site where there are strict rules and guidelines on providing updates and reporting on product and price offerings. We would not want to see a duplication of a similar platform to address additional elements – rather the existing platforms should be amended to include any additional requirements.

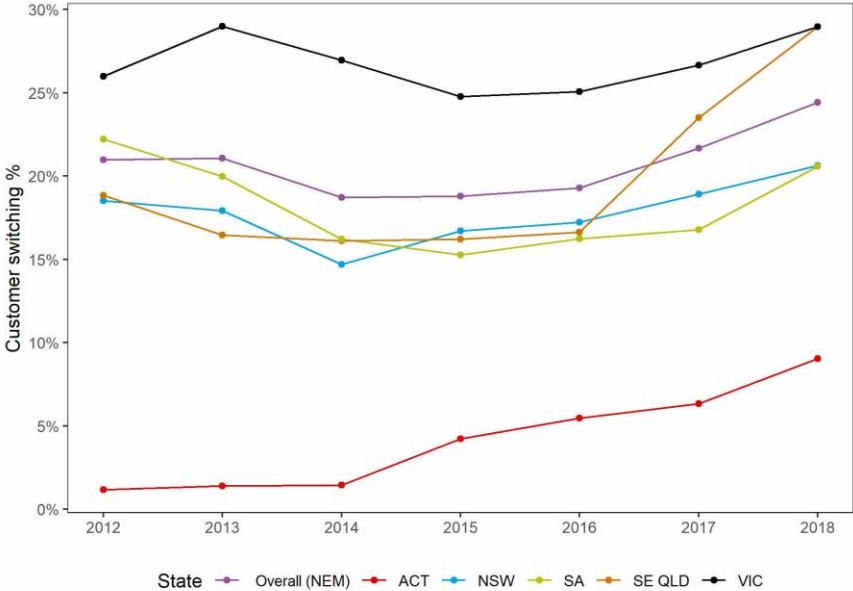
International frameworks will need to be reviewed on an issues by issues basis to determine the relevance of the model to the Australian market and determine that the benefits of each of the initiatives to customers outweigh the costs.

Switching

The Issues Paper makes reference to low switching rates in the banking and electricity sector and the fact that a lack of meaningful information is a contributing factor¹.

The Australian Energy Market Commission’s 2019 Competition Report showed that electricity switching rates have been on an upward trend with the NEM wide average switching rate of 24.4 per cent (as can be seen in the table below)².

Overall customer electricity switching – 2019 Competition Report³



While the rate at which customers switch retailers can provide some indication of how engaged customers are with the energy market, it is not a complete picture. This is because energy customers may engage with the market but choose to stay with their current retailer on the same or different plan.

¹ Australian Government, Inquiry into Future Directions for the Consumer Data Right, Issues Paper, March 2020, p. 4.
² Australian Energy Market Commission, Final report 2019 Retail Energy Competition Review, 28 June 2019, p. 104.
³ Australian Energy Market Commission, Final report 2019 Retail Energy Competition Review, 28 June 2019, p. 104.

This level of engagement in the market is not reflected in market statistics. 'In situ' transfers make up a large number of product and/or pricing changes with the same retailer.

There have been significant market developments since the Consumer Data Scheme was first reviewed in the energy sector. Rules and legislation have been enhanced considerably to improve the transparency of market offers and provide additional information to enable customers to make informed choices. This information includes price change notifications, notices at the ends of a fixed term contract and enhanced product disclosure statement requirements.

Further, the Commonwealth and Victorian State Governments have recently introduced regulated retail prices through the Default Market Offer (DMO) and Victorian Market Offer (VDO) respectively. These regulated prices also act as reference prices. A retailer must present any market offer by comparison to the relevant reference price. As a result, consumers can directly compare offers and make a more informed choice about the product that best suits their circumstances. There has also been a move to simpler pricing structures.

In addition, relevant State and Commonwealth Governments manage comparison sites, Energy Made Easy and Victorian Energy Compare, which provide transparency in terms of price and the conditions of each product offerings of all retailers operating in the national market.

We do not feel that the availability of information to consumers to switch retailers is a main barrier to entry. Rather a potential barrier to switching in the energy sector is customer engagement. Either a customer wishes to engage and seek out alternative offers or energy is viewed as a low value product and customers choose not to engage in the market. While we can seek to educate consumers about choice, not all energy customers seek to engage in the market.

Read and Write Access

The CDR framework currently provides for 'read' access, that is, the transfer of data about a customer to them or an accredited third party at the customer's direction and with their consent.⁴ This will allow the accredited third party to review and read the data, but it will not allow the accredited third party to modify the data.

The Inquiry is to examine how the CDR could be expanded to include 'write' access to data. This would enable accredited third parties to change or add to data about a customer at the customers discretion and with their consent. The Inquiry raises that accredited third parties could apply for, manage or change products on a customers' behalf.⁵ A proposal by the Inquiry is, that for energy, an accredited third party could open a new account and make changes to or close an existing account⁶.

While the 'write' capabilities may be appropriate for certain industries, Origin does not believe that the capabilities should be available for the energy industry. Energy is an essential service and it is critical that customers understand and consent to the terms and conditions of supply – especially in terms of price and safety requirements around supply. It is not clear how retailers, who are the interface to the supply chain and take financial liability for all upstream costs (i.e. wholesale and network) including bad and doubtful debt, could ensure that authorised third parties have adequately explained the contract details. At the very least, the consent requirements would need to mirror the requirements currently imposed on retailers in their contractual dealings with customers.

Origin understands that allowing accredited third parties to make decisions on behalf of customers would require that the agents are Financial Service License accredited to perform the functions. Entering into an energy agreement is a financial transaction and advice cannot be provided on the best offer for the

⁴ Australian Government, Inquiry into Future Directions for the Consumer Data Right, Issues Paper, March 2020, p. 5.

⁵ *ibid*, p. 5.

⁶ *Ibid*, p. 5.

customer as we are not always privy to the circumstances behind the decision. We believe that any framework and enforcement regime must ensure third parties comply with all relevant requirements.

We have further concerns that allowing a 'write' functionality for accredited third parties will turn the function into a future sales channel whereby third parties are motivated by commissions or a fee to provide a service. This is particularly concerning if the customer did not have a complete understanding of the extent to which they were providing consent (ie the customer may have thought consent was only for accessing data) or if the agent did not seek adequate information to make an informed decision on the customer's behalf. This may not result in a positive price or service outcome for customers.

The Scheme needs to build trust in data innovation and customer engagement. The ability to 'write' an account by an accredited third party may break down the trust in the industry if data is not used and accessed in a manner that is generally acceptable to the consumer.

Linkages with existing frameworks and infrastructure

Data sharing methods in the energy sector are continually evolving as technologies and metering capabilities advance. Customers are able to log into web portals to obtain energy consumption data and in-home energy displays can be installed and where real time usage can be viewed and customers can directly request information from energy companies. Further, energy companies are continually enhancing "apps" on handheld devices to view detailed information about price, usage and provide tips on reducing energy consumption on a "on demand" basis (depending on the metering type). The means to obtain energy data will be further enhanced with the introduction of Stage 1 of CDR in energy.

The energy sector has a comprehensive regulatory framework that could be utilised for the further development of a CDR regime. Leveraging current industry standards and frameworks may deliver a more efficient and cost-effective CDR regime for the energy sector. The Inquiry will need to determine the value of additional functionality or enhancements and review whether any additional requirements could be met through amendments to current energy infrastructure rather than building a new requirement.

Consumer Protection

One of the key terms of the Inquiry is to "*ensure the Consumer Data Right promotes innovation in a manner that is inclusive of the needs of vulnerable consumers*". Governments and businesses could work together to assist the vulnerable to engage in the digital energy market by:

- supporting data literacy initiatives and developing a digital skills framework. This could be through awareness, education and building on guidance and research policies on how best to engage consumers in the digital world;
- ensuring that consumer representatives are part of the development framework for energy to ensure they advocate the areas where vulnerable consumers do not have the skills; or
- monitoring the CDR framework, once implemented, to determine who's benefiting and the specific areas that may require enhancements.

Protecting vulnerable customers or those in hardship are key priorities for energy companies. The industry has comprehensive Rules and Guidelines which must be met and energy companies have detailed hardship plans. Part of the management of vulnerable customers is ensuring that customers in hardship are on the best available plan that meets their needs. It is in the retailer's best interest to ensure customers are on the best plan to support the payment of their bill and to minimise debt levels.

For these reasons, Origin suggests that the solution to ensuring vulnerable customers are part of the framework does not have to be a technical enhancement to the framework.

Closing

If you have any questions regarding this submission, please contact Caroline Brumby in the first instance on (07) 3867 0863 or caroline.brumby@originenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', written over a light grey rectangular background.

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