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

By email: Data@treasury.gov.au

Consultation on Inquiry into Future Directions for the Consumer Data Right (the Inquiry)

Simply Energy welcomes the opportunity to provide feedback on the issues paper associated with the Inquiry in order to understand how the Consumer Data Right (CDR) could be enhanced and leveraged to boost innovation and competition, and support the development of a safe and efficient Australia wide digital-economy, including examining how the CDR could be expanded to 'write' access.

Simply Energy is a leading second-tier energy retailer with over 725,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia and being a consumer-centric organisation, supports the CDR framework as a means of enabling greater competition and customer engagement in energy markets. With this objective in mind, Simply Energy proposes that the scope of the Inquiry is appropriately considering how to provide consumers access to their **energy data** in a fast, reliable and secure manner. Whilst acknowledging that the issues paper is not energy specific, Simply Energy believes that sectoral differences should be adequately considered while providing recommendations to the Treasurer as a part of the Inquiry process.

In exploring the requirements of the issues paper, Simply Energy's submission briefly evaluates:

- Deep-dive analysis of CDR framework and its adoption in global markets
- Evidence of need/demand for 'write' access
- Inclusivity and adaptability of CDR
- Proposed next steps

Deep-dive analysis of CDR framework and its adoption in global markets

As a part of the Inquiry, one of the key recommendations to the Treasurer is based on options to leverage the developments of the CDR with other countries that are developing similar regimes to enhance opportunities for Australian consumers, businesses and the Australian economy¹. Simply Energy agrees with this recommendation as it can provide appropriate benchmarks and dynamic market trends that can be used to uplift the benefits of CDR framework in Australia.

However, the issues paper does not provide extensive research on global markets, rather provides introduction to similar regimes at a very high-level and limited to the banking/financial sector, which may not provide fit-for-purpose case studies for Australian energy markets.

CDR in energy:

Simply Energy notices that the Terms of Reference (ToR)¹ specifically mention 'financial' sector related considerations, however other sectors are either not included or not mentioned. This 'implied' approach can prove risky when proposing a long-term industry benefits roadmap and suggests that appropriate sectoral differentiation should be included in the ToR's considerations. Simply Energy has also noticed in the ToR that the Inquiry will have regard to the Reserve Bank of Australia's New Payments Platforms Conclusions Paper, the ACCC's home loan price inquiry (including its proposed examination of obstacles to home loan switching), and Government's response to the ACCC's Digital Platforms Inquiry, none of which are energy related.

Australian energy markets are some of the most advanced markets in the world, and there are extremely complex bespoke processes that needs to be considered in order to maximise the benefits of CDR. For example, the ACCC's position paper² published in August 2019 has acknowledged that although the overarching CDR framework is sector-agnostic, the 'implementation model' for energy will be bespoke (gateway model) and not the same as used for the banking sector (economy-wide model). As such, the ToRs should either include energy specific considerations or a separate set of ToRs should be developed to cater for energy matters.

Global markets research:

Simply Energy has researched some of the other international market reforms that are similar to CDR and has observed that 'Open Banking' platforms and technology solutions may not be the right approach for energy. Some of the key findings and ongoing analysis of energy-specific CDR-related international reforms are summarised below:

Green Button Data:

The Green Button^{3,4} initiative was officially launched in the United States in January 2012. To date, a total over 50 utilities and electricity suppliers have signed on to the initiative. In total, these commitments ensure that over 60 million homes and businesses will be able to securely access their own energy information in a standard format. ENGIE is a member of Green Button Alliance (GBA)⁵ and Simply Energy, being the Australian retail arm of ENGIE global network, is exploring various aspects of CDR via GBA that can be analysed for Australian energy markets.

Stricter third-party access:

Simply Energy has noticed that a security upgrade at Pittsburgh-based PNC Financial Services Group kept data aggregators from gaining access to customers' account numbers and routing numbers last fall, and as a result of that, JPMorgan Chase announced a ban on third-party apps accessing customer passwords⁶. Several large U.S. banks also revamped and tightened their third-party data sharing practices, affecting the way some fintechs conduct business with their customers, and several industry experts say the trend is expected to grow in 2020.

Simply Energy notices that in relation to third-party access to data, the more the authority, the greater the risk on data holders as well as consumers. Implementing adequate, robust and sustainable security protocols for 'read' access' is the first hurdle and unless it is accomplished, inclusion of 'write' access adds to the complexity and risk profile. This leads us to the next section of our feedback.

Evidence of need/demand for 'write' access

As the Inquiry is not focussing on the current progress of the Consumer Data Right in designated sectors or its expansions to specific new sectors, various scenarios and customer segments need to be explored and analysed once the CDR framework's tranche 1 is up and running (from July 2020). Simply Energy suggests that thorough analysis is required before CDR could be expanded beyond the current 'read' access to include 'write' access, as there is no 'current' form of CDR that exists in other markets that can be used as a benchmark. As such, the concept of 'write' access needs to follow an incremental path, assessing the need/demand for such services, and the order of magnitude. As with most reforms, unless there is sufficient scale, i.e. uptake from end customers to avail 'write access' related services, the cost of implementation outweighs the benefits.

Where 'read access' is status quo, 'write access' is revolutionary and unique, especially where third parties are involved in updating customer records. As an example of read access, more so in relation to energy, customer access to data provisions already exist in the National Electricity Market (NEM). The purpose of these Metering Data Provision Procedures¹⁰ is to establish the minimum requirements for the manner and form in which retailers and Distribution Network Service Providers (DNSPs) must provide metering data to a retail customer, or their customer authorised representative, in response to a request for metering data from the retail customer or customer authorised representative. These Procedures apply to retailers and DNSPs responding to requests from a retail customer, or their customer authorised representative (including third parties), for their metering data from the retail customer's metering installation, made under National Electricity Rules clause 7.7(a)(7)¹⁴.

In the energy context, in theory, 'write' accesses could enable a consumer to open a new account, and make changes to or close an existing account, quickly and easily through a third party. This could further enable the development of convenient and efficient switching services which not only offer to find customers a better deal, but also to switch them. However, this includes issues such as who should bear responsibility for payments made, and for changes made to data, and whether write access should extend to the ability to change details which identify a customer (and if so, how any associated security risks could be minimised). As such, Simply Energy suggests that the ToR¹ should not be focused on 'switching' between products and providers, while exploring the use of CDR to overcome behavioural and regulatory barriers. Rather, it should consider services more broadly in the context of customer experience.

Possible approaches adopted by some third parties (outside of Australia):

- **Read only access**, e.g. comparator websites or standard third-party apps with ability to provide hints and tips to customer on their energy usage pattern, however no ability to control their load profile, manage payments or switch providers.
- **Read-only access + limited write access** (based on time-limited consent), i.e. ability to manage payments for the customer where a consumer has given consent to a third-party to manage payments on their behalf for 'x' months, however no access to switch providers.

Another version of this example is where the application provides push notifications to the customer before taking any action. For example, the application keeps an eye on all possible products for the customer and when it's time to switch providers, it 'seeks' authorisation from the consumer and act based on the output of consumer. UK-based bank NatWest¹² trialled Mimo which stands for "money in, money out", a personal finance app, with select customers and employees in April 2019. The app draws on open banking APIs, AI, and data analytics to

provide users with budgeting help, financial tasks reminders and insight into their spending habits. The app is able to send 'push notifications' to customers when to switch energy providers, or if they're spending too much on coffee. Customers get a prompt stating that, for instance, a better energy deal is available, and asking them whether they would like to switch.

- **Full read/write access** (based on time-limited consent), so a third-party can operate as if it is the customer.

Simply Energy has found that Switchcraft¹³, an automatic energy switching website in the UK, claims to have vastly simplified the process of switching energy suppliers where households are required to register their details with Switchcraft¹³ and the service automatically moves them to the best price plan when their current contract ends. Switchcraft¹³ claims that they've eliminated the tedious switching process and that this can save customers an average of £200 plus per annum on their energy bills and even up to £300–500 per annum for some.

As such, there might be an opportunity for challenger brands in Australia to adopt the Switchcraft¹³ business model to help consumers overcome switching inertia between retailers, however this may not be a like-for-like case study for Australia, especially with the introduction of new regulations late last year in relation to 'best offer advice' by their current energy retailer in Victoria⁷.

As a principle, each of the above models need to be assessed in conjunction with risks/benefits from two separate aspects:

- **Opt-in.**

where a customer provides authorisation to the third-party before the third-party can act on their behalf, and

- **Opt-out.**

where a customer has provided authorisation to a third-party to act on their behalf for a specific period of time, or where a third-party will keep acting on a customer's behalf unless the customer opts out.

In exploring how the CDR could be expanded to include 'write' access to enable customers to apply for and manage products (including, for Open Banking, by initiating payments) through application programming interfaces, it can be observed that while some functions can be beneficial for write access, as a service provided in the UK by Nets¹¹ (for payments) while some other functions, such as switching, might be challenging and more complex when assessed in conjunction with safety and security of customer data in mind.

As such, the need/demand for write access should be assessed from an Australian consumer perspective, and valid use-cases should be designed to justify its requirement. As per Deloitte's assessment on Open Banking⁸, it showed seven potential opportunity areas in personal financial management (which can be applied to any sector):

						
Keep me on track	Make banking more convenient	Reward my spending	Keep my money safe	Save me money	Save me time	Give me inspiration
Get better visibility and control of my finances, across accounts	Do banking when and where I want	See all my loyalty and rewards in one place	Keep an eye on my money and prevent fraud	Find opportunities to save me money	Take the hassle out of money related tasks	Find me the best places to eat, drink, shop or visit

(Source: Deloitte's Insights into customer switching behaviour and trust, October 2019)

In the absence of research data on the topic, Simply Energy considers that the possibilities offered by write access may be a step too far for many consumers. However, if it is shown to be safe, secure, and saves people money, it will put the industry on notice that customers want a better service.

Inclusivity and adaptability of CDR

Simply Energy agrees that the CDR should promote innovation in a manner that is inclusive of the needs of vulnerable consumers, however the scope and use-cases of an innovative sector might be inversely proportional to needs of vulnerable community.

Simply Energy considers digital literacy (in the context of energy) to be one of the key enablers that can drive the success of the CDR framework. While it is evident that in the banking sector there is a high proportion of consumer uptake of digital-enabled services, a gap exists in the energy industry. For example, more than 40% of Simply Energy's customers receive paper bills despite the high rate of engagement and incentive programs to switch customers onto digital platforms. Also, instead of focussing on switching and other similar functions that comparator websites already perform, CDR should be more focussed on customer experience, to assist customers to better manage their energy usage, assist with knowledge-building on solar/battery solutions, and sustainability, for example.

In energy markets, there are three key customer segments:

- *Small (Residential segment)*
- *Medium (Small-Medium Enterprise – SME segment)*
- *Large (Commercial and Industrial – C&I segment)*

The majority of residential and small-medium enterprise customer segments are adequately protected by consumer law and jurisdictional regulations (e.g. National Energy Customer Framework, NECF), whereas C&I customers are not covered under similar customer protections as they are better able to negotiate their own terms of service than customers in other segments. Due to this tiering, Simply Energy suggests that there may be a need for targeted use-cases for relevant customer segments, including vulnerable customers, to maximise the long-term benefits of a CDR framework, including innovation in services.

Proposed next steps

Simply Energy suggests that the recommendations drawn from the Inquiry should be based on key basic consumer-data principles, being privacy, security, regulation (including consent framework), speed, and sustainability. By creating benchmarks, an infrastructure, and an ecosystem for safe, efficient, and fair information sharing, the CDR could provide a framework to help connect different parts of the Australian digital economy including the banking, energy, telecommunications, superannuation, and insurance industries.

That said, more direction and objective criteria need to be provided in the recommendations, along with energy-data related examples. As the scope of the Inquiry is very broad it is important that the recommendations are tailored to the needs of energy sector consumers. Simply Energy believes that there will need to be further industry consultation to develop the next level of detail, and a second round of consultation would be beneficial for the industry before the recommendations are provided to the Treasurer: Simply Energy suggests consultation on draft recommendations.

In closing, Simply Energy would welcome the opportunity to engage with Mr. Scott Farrell, the Treasury, as well as other key stakeholders such as the ACCC and consumer associations, on the technical issues to implement the energy sector CDR in the most efficient and timely manner.

Simply Energy looks forward to engaging with you on these matters. If you have any questions or would like to engage in discussions with Simply Energy, please contact Aakash Sembey, Industry Regulations Manager, on (03) 8807 1132 or Aakash.Sembey@simplyenergy.com.au.

Yours sincerely



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References

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