



13 September 2021

The Treasury
PARKES ACT 2600
Submitted by email: data@treasury.gov.au

Dear Sir/Madam

Submission: Consumer Data Right in the Energy Sector Consultation Paper

CS Energy welcomes the opportunity to provide a submission to The Treasury's *Consultation Paper – Consumer Data Right in the Energy Sector (Consultation Paper)*.

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

Key recommendations

CS Energy is broadly supportive of the Consumer Data Right (**CDR**) and its extension to the energy sector. The CDR can provide value for many energy customers through increased awareness and accessibility of their energy data and the subsequent enhanced competition that may ensue from more informed decisions.

CS Energy maintains its concern that applying the CDR across all energy consumers equally will:

- Violate the universality principle that the CDR seeks to apply across all sectors, treating sophisticated energy customers differently from sophisticated banking customers; and

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- Dilute the overall benefits through increased costs and obligations on retailers to provide a service that is not relevant to all consumers.

CS Energy proposes that the Treasury address both concerns through appropriate eligibility criteria whereby large, sophisticated customers do not constitute CDR eligible consumers.

(a) Consistency with the rules of the banking sector

The CDR rules for the banking sector target individuals and small businesses, highlighting the benefits that these groups can obtain. The rationale to limiting the eligibility to the above was based on the recognition that consumers who sought products targeted at the wholesale sector had a level of sophistication and would not benefit from the CDR.

This approach to segment consumers to ensure that the CDR targeted those that most benefit has not been applied in the draft energy rules, with eligibility proposed for all consumers. Like in the banking sector, the energy sector has a spectrum of consumers that have varying levels of understanding of their energy consumption, different abilities to negotiate contracts, and ultimately, view their energy needs differently. For example:

- Residential consumers are conscious of their energy use as it is directly related to their behavioural decisions. Furthermore, energy costs can constitute a material component of household disposable income;
- Small and medium enterprises (**SMEs**) as well as commercial and some small industrial consumers rely on energy for their operations and energy costs may represent a material component of their businesses; and
- For large commercial and industrial customers however, energy can be one of many inputs to support operations and is treated with the same care.

In CS Energy's view, the CDR will provide benefits to smaller consumers but not larger ones. Like in the banking sector, large customers engage in a very different way to smaller customers and are specific about their needs and expectations:

- Large customers have bespoke electricity arrangements with their retailers;
- As a bespoke retailer, CS Energy does not actively market to potential customers; it engages with potential customers via a competitive Request for Tender (**RoT**) process; and
- Large customers typically engage a third-party broker to manage their procurement process.

Data and reporting requirements are generally driven by the customer during the procurement process and stipulated in the retail contract. This information can be specific and differs from the data sets that are relevant for smaller consumers and the focus of the CDR.

Given that large energy customers access wholesale products via competitive tender processes, the CDR eligibility framework applied for the banking sector should be applicable to the energy sector.

(b) Impacts of CDR if applicable to large customers

CS Energy retails only to commercial and industrial users who are *large consumers* with significant annual consumption. These loads include mines, ports, hospitals, coal terminals and mineral processing plants. Contract arrangements are typically with a parent company and stipulate a number of sites and NMIs which are to be supplied. For example, CS Energy retails to the Queensland Government and provides 2,210 GWh annually to 1,500 NMIs. Across its other retail contracts, the smallest annual consumption is 640 MWh while nearly half of customers have annual consumption greater than 30 GWh per annum.

CS Energy customers already:

- Receive metering data (by NMI or individual meter) including if requested the raw metering data as provided by the metering data provider (which can be provided in real-time);
- Receive detailed reporting through CS Energy’s customer portal which provides information such as daily/weekly/yearly consumption and demand data, meter data for embedded generation exported and load profiles. Figure 1 shows a snapshot of the portal for one customer, displaying the information and reports that the customer can access. These can be amended at any time to adapt to the customer’s needs;

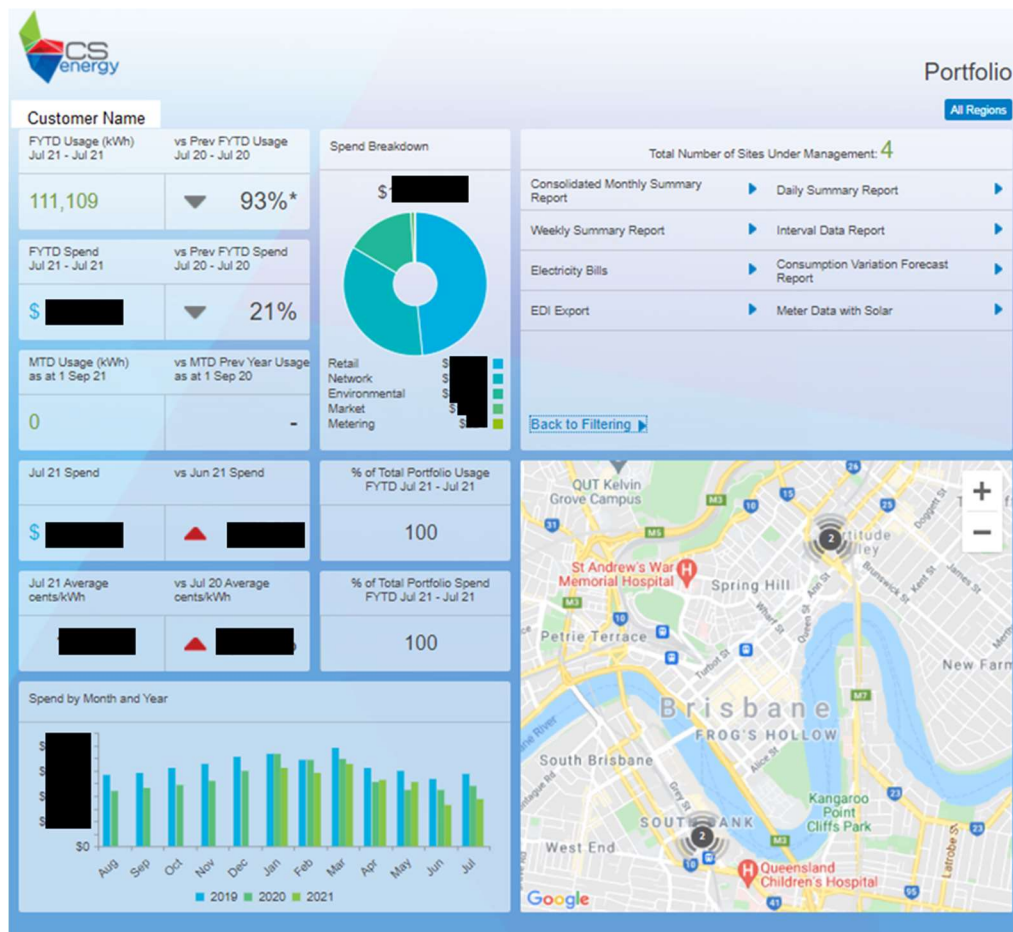


Figure 1 Snapshot of a customer's data portal

- Have access to NMI standing data information via the customer portal and/or their monthly invoice;
- Have individually negotiated, sophisticated pricing arrangements; there is no standard “energy plan” for CS Energy’s customers; and
- Individually negotiate billing and payment periods, reflective of other commercial terms and conditions such as the pricing mechanism.

Given the data accessibility and sophistication of CS Energy’s customers (and those of other bespoke retailers), it is unclear how CS Energy’s customers would benefit from the CDR. Thus, as energy consumers increase in sophistication, the benefits of the CDR will be inversely proportional as will be the relevance of the CDR data sets.

The inclusion of large customers that access wholesale energy products in the CDR will at best duplicate existing processes while imposing additional costs on retailers and consumers. CS Energy would incur significant costs in the implementation and ongoing compliance of the CDR:

- IT system changes will be required to facilitate data transfers through the gateway to be operated by AEMO;
- IT systems will need to be maintained; and
- Compliance with the CDR will require dedicated resources in establishing the framework and ensuring ongoing compliance.

CS Energy’s initial assessment of the initial IT implementation costs alone are estimated to be around \$3 million. This represents a significant cost to CS Energy and its consumers who will not see any improvement to the energy data and reporting that CS Energy already provides.

(c) Proposed approach for the CDR

CS Energy suggests that eligibility for the CDR should be aligned with those customers who would most benefit while minimising the regulatory impact on retailers and should be consistent with the process applied in the banking sector.

In this respect, CS Energy does not consider an energy consumption threshold to be the most appropriate metric for eligibility for several reasons:

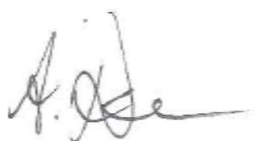
- Given the 100 MWh per annum threshold in the National Retail Electricity Law (**NREL**) that separates small and large customers is considered too low in the CDR context, a further consumption threshold would need to be established. Applying a CDR-specific customer eligibility criterion that overlays the definitions and obligations onto the existing NREL treatment of electricity consumers will increase costs to retailers in how they manage compliance under NREL and the CDR, driving inefficiencies; and
- Annual energy consumption is not necessarily reflective of the level of sophistication of the consumer. For example, some SMEs can have energy intensive operations and thus may be inadvertently excluded from eligibility.

CS Energy proposes that the eligibility is aligned with the approach in the banking sector and considers the level of sophistication of the consumer and the energy products they access and how they can access them.

CS Energy would be happy to work with Treasury to determine appropriate eligibility arrangements for the energy sector such that sophisticated customers are not eligible while ensuring that SMEs with large energy consumption are not inadvertently excluded.

If you would like to discuss this submission, please contact Alison Demaria (Market Policy Manager) on 0407 548 627 or ademaria@csenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Demaria', with a long horizontal flourish extending to the right.

Alison Demaria
Market Policy Manager