

27 November 2020

Dr. Kerry Schott
Chairperson
Info@esb.org.au

Dear Dr Schott,

Re: ESB Data Strategy

Flow Power welcomes the opportunity to make a submission in response to the ESB's Data Strategy Consultation paper.

Flow Power is a licenced electricity retailer that works with business customers throughout the NEM. Our model aims to give customers control over their energy costs through dynamic energy pricing that rewards flexible energy use. Customers can manage price volatility through physical or financial tools, including:

- A physical hedge in the form of a demand response or onsite generation (supported by our energy management systems).
- A financial hedge may include purchasing financial hedges from markets such as ASX Energy Futures or entering into a PPA with generators.

Our unique PPA model, Virtual Generation Agreement, plays an important role in supporting the development of large-scale renewables by providing price certainty and confidence to investors, and at the same time creating a product for business customers to access low electricity prices and take control of their energy costs.

Overview

The key points we would like to make regarding the ESB's consultation paper are:

- **Giving consumers access to good information is key.** We believe motivating customers to use energy at the right times will be crucial to facilitate higher proportions of renewable generation in the network. Not only will this keep costs down for consumers, it will help keep the lights on. Integral to this is making sure energy users have access to the right information that allows them to make smarter energy decisions.

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For example, customers need to understand how and when energy is used on-site for them to develop effective energy management. Further, having real time visibility of energy demand assists customers in making operational decisions and responding to price changes.

- **Data will support consumer focused retailing.** Allowing customers to obtain and share information with trusted parties will help the retailers provide products that are better customised. For example, detailed historical energy data from prospective customers allows Flow Power to calculate whether their load shape best suits a solar or wind-backed arrangement, or a mix of both, thus delivering the greatest possible value to that customer.
- **Innovation and flexibility will be needed to find the best approach.** In considering how data should be collected and shared in the ESB's Data Strategy, it will be important to maintain flexibility and preserve the ability for future innovation. Further, the ESB should seek to preserve incentives and opportunities for industry to develop innovative products. For example, we have developed hardware and software that facilitates high speed, remote monitoring and control of our customers sites. If the data collected by our controllers was subject to the same data-sharing provisions as standard meter data, then it could impact the business case of developing those products.
- **Data management and sharing isn't costless, and can be costly.** We understand that changes to systems will be necessary as the market and regulatory framework develops; however, we would be concerned if additional systems costs are incurred for unclear benefits. The ESB should be clear that the benefits of the dataset can be realised before making rules to require its sharing. Additionally, we note that there is a risk that excessive system costs fall on smaller market participants. As such, large systems costs are the result of changes may inadvertently harm smaller participants driving competition in the market.
- **Feel free to give us a call.** We are always available to discuss our views in more detail with the ESB and the market bodies

We've provided some additional comments on various aspects of the consultation paper below.

Additional comments

Our additional comments have been grouped under two topics:

- Better understanding customer behaviour
- Insights for large customers.

Better understanding customer behaviour in aggregate demand patterns

ESB has suggested that some of the data collected would be used to better understand consumer behaviour, particularly highlighting aggregate demand patterns changing.

We are supportive of the ESB considering how it can better incorporate the changing role of energy consumers into various long-term processes. The NEM is transitioning to a power system that is characterised by greater demand-side participation. Flow Power has successfully demonstrated that in this transition, customers can use demand-side participation and renewable energy to access lower electricity costs and achieve a lower carbon footprint. Understanding how this growing market can be understood and reflected in the operation and planning of the market will be increasingly important. For example, we think the role of demand management in contributing to resource adequacy has been understated.

In assessing how it can better capture understand how consumers respond to prices, the ESB should consider the interaction with the demand-side participation (DSP) portal, which aims to provide similar insights. AEMO is able to use the information in the DSP portal to inform its short- and long-term forecast of demand. This is an established process that is familiar to aggregators and retailers and will continue to provide valuable insights, particularly regarding how demand side participation can be incorporated into longer term processes.

Further, the ESB's two-sided market MDI is also seeking to address this challenge. It is exploring the role for the demand side in central dispatch, particularly as consumers become more responsive to price.

It is also important in the broader Post-2025 work program for the ESB to continue exploring how demand side participation can be incorporated into the various MDIs, and any duplication between the processes should be avoided.

Large customer insights

The ESB recommended, as part of the Data Strategy, expanding AER's information-gathering powers and requiring them to monitor and report on contract pricing arrangements for large energy users. It also suggested that the AER would track prices, contract cycles, liquidity, and additional terms and services, including reliability requirements and demand response arrangements.

Flow Power's customers are large energy users. We have found the competition to service these customers to be strong and often multi-faceted. This competition delivers both low rates and product differentiation. This includes incorporation of behind-the-meter services, renewable PPAs, sleeving of other financial derivatives, varied approaches to settlement and billing, all intended to provide the customer with a better service.

While we acknowledge it is important for regulators to understand how this competition operates, we are concerned that it would make the potential reporting requirements onerous and complex for limited benefit. More generalised information is generally easier to collate and provide to regulators. However, providing information that is more bespoke, such as terms and components in large energy user contracts, is much more difficult and expensive. As such, we suggest the ESB explore low cost options for gaining insights into retail competition for large energy users, without relying on more expensive broad-based reporting requirements.

In conclusion

We support the ESB exploring the role for data and information in the transition of the power system. Data will play a role in facilitating the transition alongside innovation, demand side participation and renewable energy. Data can be used to support innovation and inform demand side participation. However, care should be given to manage the costs of collecting and sharing this data, particularly when the costs may fall more significantly on smaller participants. The ESB should continue to progress the Data Strategy with an emphasis on delivering cost effective value in the short term.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy Manager

Flow Power