

21 November 2024

Mr Daniel Westerman  
CEO  
Australian Energy Market Operator

Submitted via: [cerdataexchange@aemo.com.au](mailto:cerdataexchange@aemo.com.au)

Dear Mr Westerman,

### **CER Data Exchange Industry Co-Design**

Nexa Advisory welcomes the opportunity to share our views and insights on AEMO's CER Data Exchange Industry Co-Design Consultation Paper, following our participation in the recent industry co-design workshop.

Nexa is a 'for purpose' advisory firm. Our unwavering focus is accelerating the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

We are pleased that the consultation paper clearly aligns with this problem definition and that AEMO recognises the opportunities of data accessibility and transparency for CER integration and operation<sup>1</sup>.

The objective of this initiative should be to facilitate improved CER and distribution network information and data sharing in a way that delivers value to consumers who are ultimately footing the bill. We agree with AEMO<sup>2</sup> that it should not become a channel for CER control or central coordination, which would undermine competition, innovation and consumer adoption of CER.

We agree with the use cases identified by AEMO<sup>3</sup> - particularly *Sharing Network Limits* - given the grid utilisation, planning and investment signals that this would provide. *Transparency in market prices* is also critical as it will foster innovation in pricing models and cost-reflective tariff design and underpin greater demand-side response and consumer participation in the market.

While we agree with the problem definition and the need for better information to address the market failures that have resulted from distribution network regulation, it is not clear that AEMO has adequately shown that this centralised approach is the most cost effective, consumer-

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<sup>1</sup> As outlined in Section 2 of the Consultation Paper.

<sup>2</sup> Consultation Paper, p.21, p.30

<sup>3</sup> Figure 16 of the Consultation Paper

centric option to deliver immediate wins - such as visibility over network limits and dynamic pricing in a timely manner.

Critically, this initiative should continue to be industry-led, with representation across innovators, investors and consumers – in addition to market bodies and incumbent players. We have recently discussed the competition and innovation benefits of including these stakeholders within governance arrangements, highlighting the concerns identified in the Finkel Review that incumbency bias favours status quo, inhibits innovation, investment and new models<sup>4,5</sup>.

AEMO must undertake genuine engagement and transparency throughout this design process, without presupposing solutions. Having attended Workshop 2, we consider that AEMO has presumed a centralised approach for the CER Data Exchange and did not appear to have explored alternative options which could better address the major concerns identified by many stakeholders<sup>6</sup>.

Our discussion below highlights that there are immediate wins which do not require AEMO's ongoing development of a complex, centralised and expensive IT-centric solution.

*We agree with the problem definition that market information asymmetry across distribution networks has been a major roadblock to CER adoption*

Our previous work has highlighted the critical role for improved transparency around distribution network information as a critical enabler to CER uptake and more efficient network utilisation<sup>7</sup>. In the context of network planning, we have discussed that the Distribution Annual Planning Report (DAPR) is no longer fit-for-purpose and in its current form is not the right vehicle to provide the necessary data to help new energy services providers and other third-parties identify where their services may benefit network operation<sup>8</sup>.

Without this transparency, trust in the industry and in Distribution Network Service Providers (DNSPs) can never be developed, preventing innovative, cost-effective solutions, such as orchestration, from being delivered. This further undermines the social licence for pricing and ability to implement much needed tariff reform.

*AEMO has not adequately justified the case for a centralised approach*

We consider that AEMO has presumed that a centralised approach for the CER Data Exchange, without fully exploring alternative options. Although we recognise the work undertaken through

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<sup>4</sup> Nexa Advisory, [Submission on the Select Committee on Energy Planning and Regulation in Australia](#), October 2024

<sup>5</sup> Finkel A., [Independent Review into the Future Security of the National Electricity Market](#), 2017

<sup>6</sup> Appendix 3.2 of Consultation Paper

<sup>7</sup> Nexa Advisory, [Accelerating Consumer Energy in Australia](#), April 2024

<sup>8</sup> Nexa Advisory, [AEMC Electricity pricing for a consumer-driven future: Draft Terms of Reference submission](#), August 2024

ARENA’s Project EDGE and the associated cost-benefit analysis<sup>9</sup>, it is not clear that the proposed centralised approach is the best vehicle for all these data use cases.

The above cost-benefit analysis, as well as the AEMO’s CER Data Exchange Workshop 2 survey<sup>10</sup> focused on the coordination of CER. We consider that CER coordination is distinct from the concept of an information exchange, and that the latter does not necessitate a centralised approach across all the use cases identified in Figure 16.

Figure 16: List of Primary Example Use Cases

System Operation & Security use cases	Market Efficiency & Performance use cases	Customer, Asset, & Actor Records use cases
<p>Use cases for information exchange to manage power flows and risks:</p> <ol style="list-style-type: none"> <li>1. Sharing Network Limits</li> <li>2. Grid Data Collaboration</li> <li>3. Scaling Dynamic Network Pricing</li> <li>4. Supporting Local Network Services</li> </ol>	<p>Use cases for information exchange for CER participation services</p> <ol style="list-style-type: none"> <li>5. Accessibility of Market Prices</li> <li>6. Flexibility Service Requests</li> <li>7. Streamlined CER Portfolio Data Access</li> </ol>	<p>Use cases for information exchange on customer’s CER choices:</p> <ol style="list-style-type: none"> <li>8. Visibility of CER Customer Choices</li> <li>9. Consistent CER Standing Data</li> <li>10. Support EV Uptake and Integration</li> </ol>

We are concerned that AEMO has undertaken the development of this solution without considering broader alternatives which could better support consumers and drive quicker outcomes in the near-term. We note the expected timelines for two key use cases – *Sharing Network Limits* and *Accessibility of Market Prices* – are medium-term, and therefore consider that alternative approaches should be explored to unlock these key information areas sooner.

For example, we have previously discussed that the AER has a role in facilitating the sharing of key distribution network data given their role in the DAPR process (i.e., through setting the DAPR template<sup>11</sup>). In the context of the current consultation, this namely relates to *Sharing Network Limits*, which we consider would be better addressed through an updated regulatory framework, rather than as part of the CER Data Exchange. This would likely result in faster and lower cost implementation, noting the AER’s existing regulatory architecture and frameworks.

It is not clear that the CER Data Exchange would provide any additional value beyond what can be achieved through further development of the DER Register – particularly around *Consistent CER Standing Data* and *Streamlined CER Portfolio Data Access*. While the Consultation Paper highlighted several shortcomings of the current DER Register, we consider that AEMO’s efforts would be better directed towards improving this channel to address several data use cases in the near-term, without the additional cost of the proposed centralised data platform – particularly given their existing responsibility and operation of this resource.

Additionally, while the international experience highlighted by AEMO – including the UK’s Digital Spine, Ontario’s Green Button and United States Open Field Message Bus initiatives – highlight the need for a secure, standardised and interoperable approach, it is not clear that this must be a centralised platform.

<sup>9</sup> Deloitte Access Economics and Energeia, [Project EDGE CBA – Final Report Executive Summary](#), August 2023

<sup>10</sup> Appendix 3.2 of the Consultation Paper

<sup>11</sup> AER, [Distribution Annual Planning Report Template](#), May 2017

For example, in the UK, the need for coordinated data sharing infrastructure arose as there was a gap in flexible and scalable digital infrastructure which resulted in ad-hoc, typically centralised architectures which were developed in a complex, costly and unstructured way<sup>12</sup>. The Green Button Ontario and U.S. OpenFMB are both decentralised, industry-led initiatives which have been successful in localised implementation but have faced challenges around scalability and complexity around interoperability. However, we do not see that this is a clear justification of a centralised solution.

*Independent ownership and governance is needed to remove incumbency bias and ensure consumer-centric outcomes*

It is critical that AEMO maintains a consumer-centric approach which builds social licence and ensures any operational improvements or cost savings result in tangible benefits for consumer bills. We support an independent ownership and governance model that balances the involvement of industry stakeholders with clear, independent governance oversight.

The ownership and governance arrangements also have significant implications for the data accessibility outcomes and the cost recovery model. The CER Data Exchange must be designed to be accessible to all market participants, including smaller players and consumers, and utilise a fair cost-sharing model.

Given the need for consumer-centric solutions as discussed above, it is critical that any cost-benefit analysis demonstrates the value for consumers. Incorporating consumer value into the design, assessment and implementation of this initiative reflects the evolving role of New Energy consumers with a different set of needs and issues compared to traditional consumers given their increasing participation.

AEMO should reconsider this initiative, adopting a customer-first approach that outlines consumer value for each use cases before designing an IT-centric solution that does not guarantee innovation and equal access to data for all stakeholders. While this would be the first step in building consumer trust, the data governance and privacy arrangements are another clear opportunity to empower consumers. We recently discussed this in the context of consumer access to data<sup>13</sup> but consider that consumer data privacy should be a key design objective<sup>14</sup>.

Thank you for the opportunity to provide input to the Consultation Paper. We welcome the opportunity to further discuss any aspect of our report or submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, [jordanferrari@nexaadvisory.com.au](mailto:jordanferrari@nexaadvisory.com.au).

Yours Sincerely,  
Stephanie Bashir  
CEO and Principal  
Nexa Advisory

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<sup>12</sup> UK Government, Department for Energy Security and Net Zero, [Digital Spine Feasibility Study](#), September 2023

<sup>13</sup> Nexa Advisory, [Real-time data for consumers – consultation paper submission](#), November 2024

<sup>14</sup> We note the relevance of this in other concurrent AEMC work, such as the *Electricity pricing for a consumer-driven future* Review