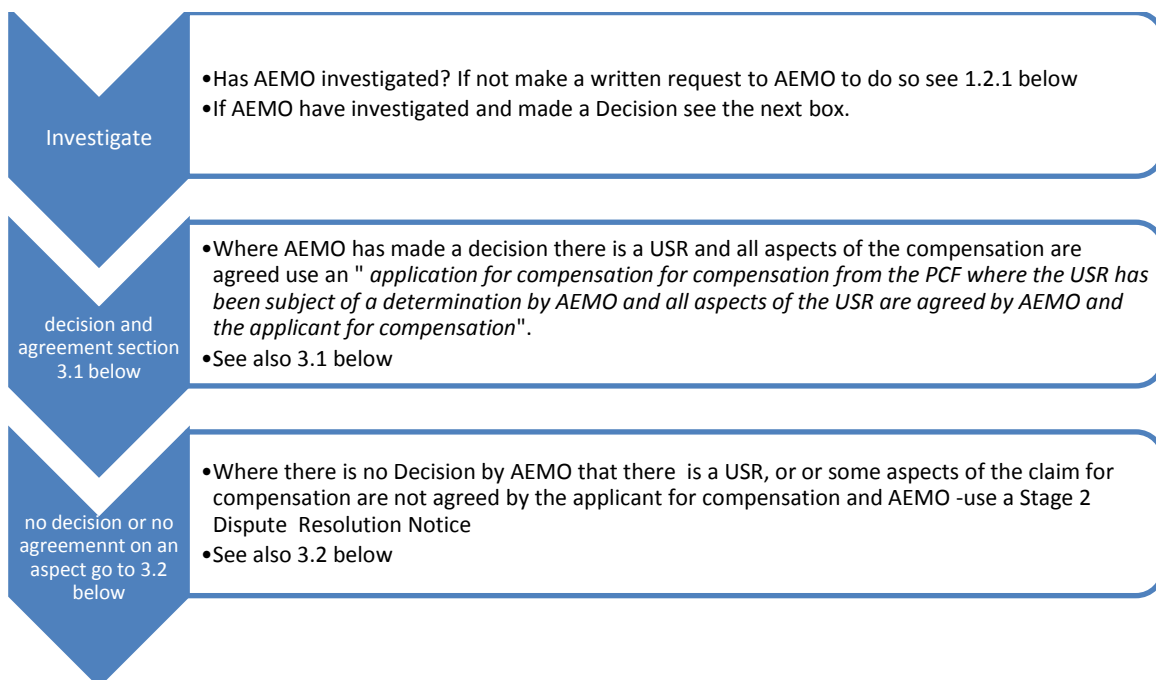




National Gas Rules Part 19
Rule 217 Unexpected
Scheduling Result (USR)

Guidelines for Compensation for an USR

The purpose of this document is to provide guidelines for making a claim for compensation from the Participant Compensation Fund when there has been an Unintended Scheduling Result as provided for Under Part 19 Rule 217 of the National Gas Rules.



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Overview

An Unintended Scheduling Result (‘USR’) occurs where scheduling instructions produce an unintended result of the nature outlined in the Rules. It may arise whether or not AEMO has complied with the gas scheduling procedures.

The purpose of this note is to provide guidance on how to apply for compensation from the participant compensation fund (“PCF”) for an USR which meet the requirements set out in the Rules.

1.1 What is an unintended scheduling result (USR) Rule 217(1)

To qualify as an USR:

- a) Check the results that comprise a USR as specified in Rule 217(1) (a)-(f) of the National Gas Rules were applicable to the event that occurred.
- b) Check that this result is not excluded by the operation of the matters listed in Rule 217(2)-(4).

Please refer to the Rules that are current at the relevant time.

1.2. AEMO's investigation and Decision.

1.2.1. Investigation by AEMO

In the event that a participant thinks that it is affected by an USR, check whether AEMO has issued a Decision dealing with the event in question. If not, a participant can request AEMO to investigate. The requirements for the request to investigate are set out in Part 19 Rule 218 and include the form of the request and the timing. In summary the request must:

- a) Be made in writing, identifying the relevant operating schedule(s) and the result which is contended to be a USR.
- b) Not be later than 60 Business days after the issue of the relevant operating schedules.
- c) Include supporting information.

1.2.2. The publication of a Determination following an investigation.

- AEMO will publish a Decision following the investigation. This occurs not later than 20 business days after the receipt of a request properly made.
- If, after investigating, AEMO decides that the event does not constitute a USR and makes a Decision accordingly then the participant, if it disagrees, can proceed by way of a dispute. More details about this can be found under subsection 3.2 of this memo below.
- A participant can initiate a dispute resolution process for a USR whether or not AEMO has published a Decision (see Rule 218 sub rule (4))

Any compensation payable from a USR is payable from the Participant Compensation Fund

2 Participant Compensation Fund (Rule 225) (PCF)

2.1 Limits to compensation

- Rule 227 sets out the limits to compensation from the PCF and directs a DRP to take into account a number of matters pertaining to the PCF. This includes that the aggregate amount of compensation is not to exceed the balance of the PCF at the time the determination is made.
- Rule 217(4) also provides a threshold amount for compensation claims of the range of \$20K for one claim and \$50K for multiple claims, such amount is indexed for CPI.

2.2 Process for compensation.

Rule 226 provides that the following matters must be determined (presumably by a DRP):

- Which Market Participants are to receive compensation
- The amounts of compensation
- The manner and timing of payments.

Rule 226(2) provides that the USR must be confirmed by agreement or determination. The Adviser has interpreted this as agreement between the applicant(s) for compensation and AEMO evidenced by:

- A Decision from AEMO setting out that there is in fact a USR; and
- A joint statement from AEMO and applicant(s) for compensation setting out agreement on the relevant operating schedule and the basis on which the loss is calculated;
- Evidence from the applicant(s) in support of the amount claimed.

3 Relevant Form

The form to be used depends on whether all aspects are agreed by AEMO and the applicant(s) for compensation (see 3.1 below) or not (see 3.2 below)

3.1 Process-DRP for compensation where the Unexpected Scheduling outcome has been the subject of a Decision by AEMO and all aspects of the USR are agreed by AEMO and the applicant for compensation.

Where an error is declared and all aspects of compensation are agreed, the role of the DRP is to formally review the matters and make a determination on the level of compensation to be awarded from the PCF taking into account the matters set out in the Rules. Generally there will be only one DRP member chosen in these circumstances.

Where there is an agreement on the parameters of the scheduling error the Adviser will meet with the parties to:

- Check all of the parameters
- Consult/get consent for a DRP of less than 3 members and
- Choose appropriate DRP member(s).
- Check the applicant(s) has addressed whether it meets the threshold in rule 217(4) (a) (adjusted for CPI under rule 217(5)).

To commence the process;

- Complete the form on the AER site entitled *“Application for compensation from the PCF here the Unexpected Scheduling outcome has been the subject of a Decision by AEMO and all aspects of the USR are agreed by AEMO and the applicant for compensation”*.
- Review the pool of members on the website to be in a position to liaise with the Adviser to select a DRP
- Prepare with AEMO a joint statement of matters for the DRP (see the document prepared for other similar matters on the AER website.)
- Ensure that in the joint submissions contains:

- Information on AEMO's internal process, (such as a quality assurance processes, internal procedures etc) to ensure the calculations are correct.
 - Details of the calculation of avoided fuel cost- it is appropriate to provide assurance to the DRP that the amount is not understated. (Has the amount been determined based on actual costs or some other basis? If actual costs, has AEMO undertaken any checks to determine the amount is reasonable, if so what are they?)
 - Consider whether the threshold (in Rule 217(4) (a) adjusted for CPI under Rule 217 (5)) has been met.
- Consider the DRP agreement (see "*Agreement for Use with a DRP*". <http://www.aer.gov.au/content/index.phtml/itemId/736110>)

3.2 Process-DRP for compensation where the Unexpected Scheduling Result has not been the subject of a Decision by AEMO or some or all aspects are not agreed

Where there is not agreement between AEMO and an affected participant that there is a USR or, AEMO having made a Decision that there was a USR, there is not agreement on other aspects of USR (such as the time of commencement, the intervals or the effect of the USR) the role of the DRP is to make a determination on all of the issues in dispute.

The DRP will usually be constituted by more than one member where there is a dispute on issues.

There will be a meeting with the Adviser to:

- Set a timetable for the exchange of issues and information that will provide a clear identification of the issues in dispute
- Liaise with the Adviser about the type of DRP and the skills of the members.
- Agree a timetable for the exchange of information to assist in estimating the likely time and cost involved in a DRP hearing.
- Agree logistics for any hearing with the DRP.

To commence the process where not all the issues are agreed:

- Complete the form standard Stage 2 Dispute Resolution (<http://www.aer.gov.au/content/index.phtml/itemId/736110>)
- Discuss the type of DRP and the skills of the members as well as logistics
- Review the DRP agreement (see on the AER website.)
- Discuss joinder of any additional participants who may wish to participate in the dispute.
- Review a Notice to the market from the Adviser

If you have any questions or comments please do not hesitate to contact the Adviser

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Thank you



Shirli Kirschner

14 March 2011

History of amendments:

Drafted January 2011. Consultation with DMC contacts. With thanks to AGL (George Foley), APA (Paul Callander) and TRUenergy (Don Vigilante) for their comments and feedback

Finalised March 2011 and a separate application form posted on the net

Application for Compensation for a USR

Form :

Application for Compensation for an Unexpected Scheduling Result following a Decision by AEMO confirming the USR. [The most up to date version of this form can be found on the AER website]