



# **Quarterly Compliance Report:**

## **National Electricity and Gas Laws**

October - December 2014

© **Commonwealth of Australia 2014**

This work is copyright. In addition to any use permitted under the Copyright Act 1968, all material contained within this work is provided under a Creative Commons Attributions 3.0 Australia licence, with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication. The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the Director, Corporate Communications,  
Australian Competition and Consumer Commission,  
GPO Box 4141,  
Canberra ACT 2601  
or [publishing.unit@accc.gov.au](mailto:publishing.unit@accc.gov.au) .

Inquiries about this publication should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Tel: (03) 9290 1444  
Fax: (03) 9290 1457

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)  
AER Reference: 56653 - D15/18776

# Contents

<b>Executive summary</b> .....	<b>1</b>
<b>Background</b> .....	<b>3</b>
<b>1 Gas</b> .....	<b>4</b>
<b>1.1. Gas Supply Hub</b> .....	<b>4</b>
1.1.1 Trading at the Gas Supply Hub .....	4
1.1.2 AEMO errors .....	5
<b>1.2. Short Term Trading Market</b> .....	<b>6</b>
1.2.1 Capacity and allocation data quality .....	6
1.2.2 STTM demand forecasting update .....	7
1.2.3 Jemena EGP— late capacity data .....	8
1.2.4 Significant price variation report .....	9
<b>1.3. Victorian Gas Market</b> .....	<b>9</b>
1.3.1 Origin bidding error .....	9
1.3.2 AEMO pricing schedule non compliance .....	9
<b>1.4. Natural Gas Services Bulletin Board</b> .....	<b>10</b>
1.4.1 Targeted compliance review - capacity outlook data .....	10
1.4.2 Redevelopment of Bulletin Board .....	11
1.4.3 Monitoring of Bulletin Board in 2015 .....	11
<b>2 Electricity</b> .....	<b>12</b>
<b>2.1. Outcome of Snowy Hydro action</b> .....	<b>12</b>
<b>2.2. Rebidding</b> .....	<b>12</b>
<b>2.3. Jurisdictional derogations</b> .....	<b>14</b>
2.3.1 Targeted compliance review – AGL Macquarie .....	14
<b>Appendix A: Shortened forms</b> .....	<b>16</b>

## Executive summary

The purpose of the Quarterly Compliance Report (**QCR**) is to outline the Australian Energy Regulator's (**AER**) compliance monitoring and enforcement activity under the National Electricity Law (**Electricity Law**) and the National Gas Law (**Gas Law**)—including the rules and regulations which sit under those laws. This QCR covers the period 1 October to 31 December 2014 (**the December 2014 quarter**).

### **Gas**

This quarter gas production in the Roma region reported on the National Gas Market Bulletin Board (**Bulletin Board**) increased quickly to exceed 1 petajoule per day, in preparation for the first LNG shipment from Gladstone in early January. As a result the Bulletin Board is becoming a critical tool for informing market participants about the east coast gas supply-demand outlook. During the December quarter, the Australian Energy Market Operator (**AEMO**) launched its revamped Bulletin Board website. As part of this we worked with AEMO to ensure the website displays production data for recently registered Queensland Liquefied Natural Gas (**LNG**) train production facilities.

East coast gas production data is now dominated by LNG production at Roma. Industry participants are endeavouring to understand the domestic east coast gas supply-demand outlook as LNG exports ramp up. During this quarter we engaged with LNG producers and AEMO on Bulletin Board data quality issues and will continue that engagement throughout 2015. Timely, accurate and complete information on the Bulletin Board will be a priority for the AER in the coming year.

We continued to develop our compliance monitoring framework for the Wallumbilla Gas Supply Hub (**GSH**) and published GSH information in the industry statistics section on our website (section 1.1.1) for the first time. In the first quarter of 2015 our monitoring framework will continue to evolve to account for new developments in the market including an AEMO end of day benchmark price and new futures products for the GSH to be introduced by the Australian Stock Exchange (**ASX**) (section 1.1.1).

This quarter we formally concluded our Short Term Trading Market (**STTM**) demand forecasting special compliance project. While we are satisfied that demand forecasting accuracy in the STTM has significantly improved, we will continue to monitor participants' compliance along with capacity and allocation data provided by pipeline operators as part of our ongoing monitoring activities.

Our focus for 2015 will turn to demand forecasting accuracy in the Declared Wholesale Gas Market (**Victorian Gas Market**).

### **Electricity**

After a very detailed investigation, this QCR also flags the outcome of our enforcement action against Snowy Hydro, a generator in the National Electricity Market (**NEM**). On 12 February 2015 the Federal Court of Australia declared by consent that Snowy Hydro had

breached the rules in relation to following dispatch instructions on nine occasions in 2012 and 2013 (see section 2.1).

Given the unique nature of Chapter 9 derogations under the National Electricity Rules (**Electricity Rules**), this quarter we undertook a targeted compliance review of AGL Macquarie in light of AGL's September 2014 purchase of Macquarie Generation's assets (section 2.4).

## Background

The AER is responsible for monitoring compliance and enforcement under legislation and rules governing Australia's wholesale energy markets, including those applying to Network Service Providers. Section 15 of the Electricity Law and section 27 of the Gas Law set out our functions and powers, which include:

- monitoring compliance by energy industry participants<sup>1</sup> and other persons.
- investigating breaches, or possible breaches, of provisions of the legislative instruments under our jurisdiction.

Consistent with our statement of approach<sup>2</sup>, we aim to promote high levels of compliance, and seek to build a culture of compliance in the energy industry. A culture of compliance will:

- reduce the risk of industry participants breaching their regulatory obligations.
- assist in ensuring industry participants can engage confidently in efficient energy markets.
- As part of this process, we undertake a continuous compliance risk assessment of the Electricity and Gas Rules to identify appropriate focus areas and monitoring/compliance mechanisms. These mechanisms include our strategic compliance projects, audits, reporting requirements, market monitoring, and targeted compliance reviews.

In selecting the areas for review, we adopt the following principles:

- consideration of risk (the greater the risk, the higher the priority).
- a commitment to ensuring that both systemic issues and those with the potential for isolated but significant impact are addressed.

In carrying out our monitoring functions, we aim for:

- cost effectiveness for energy industry participants and the AER.
- transparency (subject to confidentiality requirements).

While most obligations under the Electricity and Gas Rules do not require registered participants to establish specific compliance programs, we take into account a participant's compliance framework when determining our response to potential breaches. In assessing compliance culture, we consider whether compliance programs and processes are effectively applied, up-to-date and tested regularly.

---

<sup>1</sup> Entities registered by AEMO under Chapter 2 of the Electricity Rules or in accordance with Part 15A of the Gas Rules.

<sup>2</sup> The Statement of Approach can be found [here](#). In April 2014, the AER released a combined Enforcement and Compliance Statement of Approach covering our functions under the Gas Law, Electricity Law and National Energy Retail Law. The document reflects the consistent approach taken by the AER to enforcing the energy laws across all markets.

# 1 Gas

We are responsible for monitoring, investigating and enforcing compliance with the Gas Law and Rules, including but not limited to, the STTM, the Victorian gas market, the GSH and the Bulletin Board.

This part of the report provides an update on investigations, compliance matters and projects in the gas markets.

## 1.1 Gas Supply Hub

### 1.1.1 Trading at the Gas Supply Hub

Under Part 22 of the Gas Rules, the AER is responsible for monitoring GSH members' compliance with obligations specified in the Gas Rules for the gas trading exchange. This includes market conduct rules.<sup>3</sup>

The market conduct rules require GSH members to trade on the basis of gas they intend to physically deliver or receive. They also prohibit activities which are fraudulent, dishonest or in bad faith as well as activities designed to manipulate prices.

We are continuing to refine our GSH compliance monitoring framework, and this quarter we published GSH information in the industry statistics section on our website for the first time. A focus for the coming year will be to adapt our monitoring framework to account for new developments in the market including an AEMO end of day benchmark price and new GSH futures products to begin trading on the ASX in the first half of 2015.

Both futures will be:

- based on the day ahead product, with a monthly and a quarterly future being offered, and
- for 100 GJ per day for the contract period.

We understand the ASX will offer an exchange for physical service where futures contracts can be exchanged for physical gas.

Given the AER's role in monitoring compliance with the market conduct rules governing activities in the GSH, we are liaising with the ASX, AEMO and the Australian Securities and Investments Commission (**ASIC**) to discuss our respective roles in this new market.

Figure 1.1 shows volume traded and trade day volume weighted average prices at the GSH since market start. The figure shows that prices across the products increased from late October through to the end of December. The lowest price for the quarter was \$0.18/GJ, for a day ahead 1 TJ trade on 27 October (the lowest price yet recorded in the GSH), and the highest price was \$3.50/GJ, for a day ahead 3 TJ trade on 26 December.

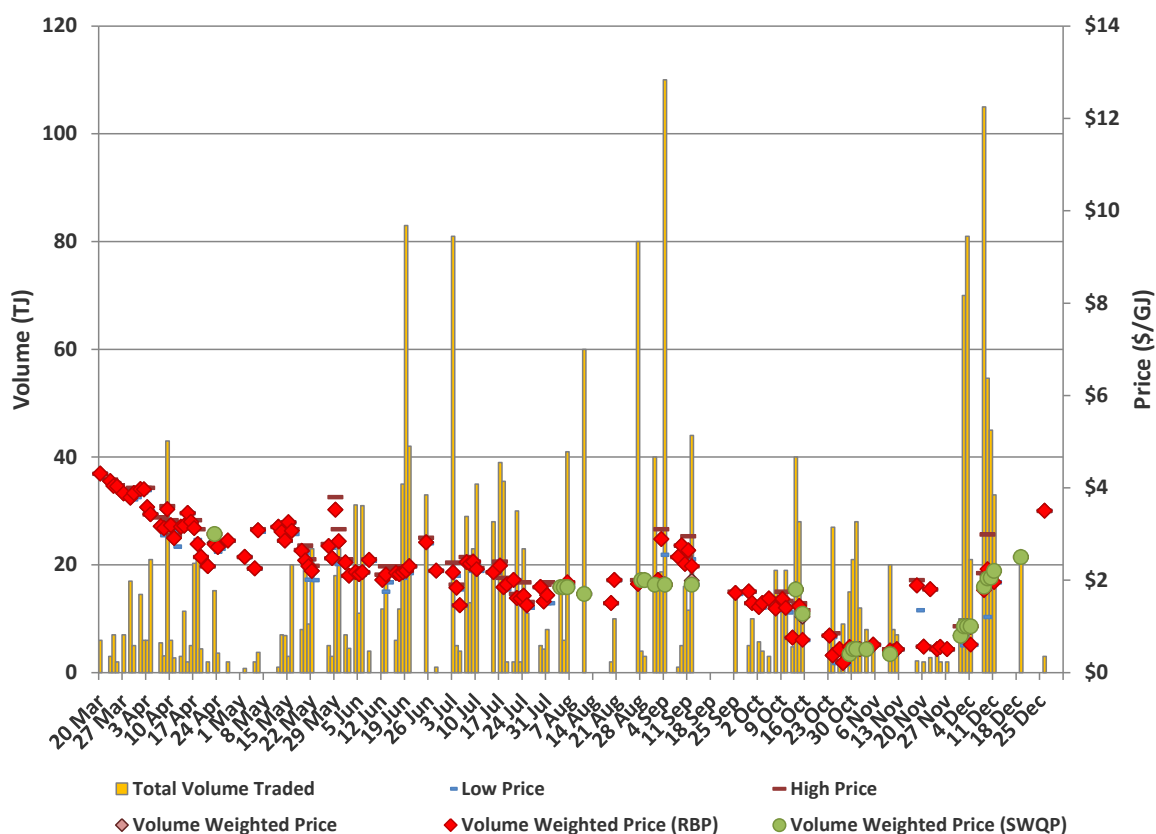
---

<sup>3</sup> Rule 545 of the National Gas Rules.

The recent increase in prices reflects the transition from ramp-up gas being available to the domestic markets to gas being made available for export. The first export LNG left Gladstone in early January.

Continuing the trend since trading began in March, trades occurred most weeks of the December quarter. Most of the volume traded for the quarter occurred in early to mid-December. Despite the number of trades being higher than for the September quarter, the volume traded was lower this quarter by more than 122 TJ. Also of note, the number of trades on the South West Queensland Pipeline (**SWQP**) was significantly higher than for the previous quarter, with 65 products traded totalling 500 TJ. This compares to 273.5 TJ traded on the Roma Brisbane Pipeline (**RBP**) this quarter and 0 TJ on the Queensland Gas Pipeline (**QGP**), where there haven't been any trades since market start.

**Figure 1.1: Volume traded and trade day volume weighted average prices since market start<sup>4</sup>**



### 1.1.2 AEMO errors

During the quarter, AEMO reported two IT issues affecting the market:

- On 26 December a system fault with daily and day ahead products with an end date beyond 31 December 2014 was detected at the Wallumbilla Hub. AEMO notified the

<sup>4</sup> The volume weighted average (VWA) price is the average of all products traded on a trade day. The VWA price for each separate pipeline uses the price for products traded on that pipeline, volume weighted by the pipeline's traded quantity.



market of the fault on the same day and no trades were affected. The problem was rectified after the end of the trading day.

- On 9 January a participant entered a bid to purchase gas. However the participant did not receive confirmation of the trade report within 15 minutes of it being lodged, meaning that the trade became void. According to AEMO's investigation into the matter, the problem was caused by human error. The participant had not been flagged as a trading participant after having changed its status from viewing participant to trading participant on 22 December.

AEMO advised at a February meeting of the Gas Supply Hub Reference Group (**GSHRG**) that it had revised procedures and processes to try to prevent similar faults occurring again.

## 1.2 Short Term Trading Market

Part 20 of the Gas Rules sets out participants' responsibilities for trading in the STTM. The STTM has trading hubs in Adelaide, Sydney and Brisbane. The Gas Rules govern how wholesale gas is traded and include requirements for pipeline operators to submit pipeline capacity and allocation (gas flow) data.

### 1.2.1 Capacity and allocation data quality

In the December 2010 quarter, we established a special project with the aim of reducing the amount of missing, late or erroneous data by participants in the STTM.<sup>5</sup> Such data failures cause harm through inefficient pricing which leads to adverse market outcomes.

Concerned by continuing data failures by STTM facility operators, in December 2011 we published a compliance bulletin to identify the key information and data requirements placed on facility operators and outline the AER's approach to ensuring compliance with these arrangements.<sup>6</sup>

The special project was closed in the December 2012 quarter and absorbed into our business-as-usual monitoring activities. We have continued to report on facility operators' performance in subsequent QCRs.

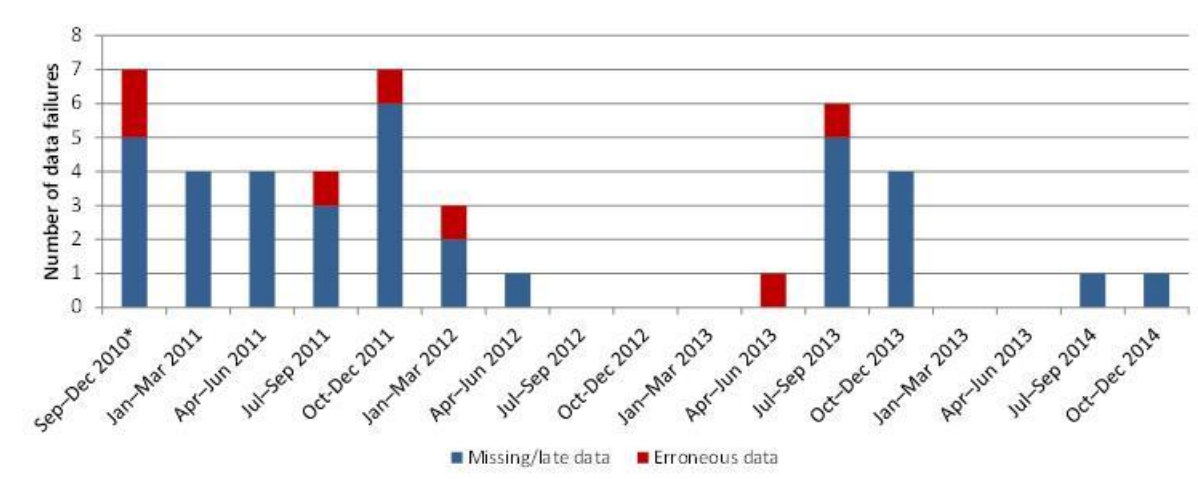
Figure 1.4 shows data failures since the beginning of the STTM across all hubs. Given that quarterly data error frequency has remained low for more than a year, we have decided to report on this issue in future QCRs on an as needs basis only. We will, however, continue to monitor capacity and allocation data quality, given its importance in facilitating efficient market outcomes.

---

<sup>5</sup> This was announced in the December Quarter 2010 QCR.

<sup>6</sup> The Compliance Bulletin can be found [here](#).

**Figure 1.2: Data failures since STTM commencement**



\*September 2010 has been grouped with the December 2010 quarter. Therefore, this data point represents four months.

## 1.2.2 STTM demand forecasting update

Rule 410 (1) requires a participant who expects to withdraw gas from a hub to submit, in good faith, ex ante bids or price taker bids (and any revisions to those bids) that reflect its best estimate of the quantity it expects to withdraw on that gas day. These bids in effect reflect each participant's demand forecast.

Poor demand forecasting leads to inefficiencies with ex ante prices being set on the basis of a higher or lower quantity of gas than is required. It can also lead to high Market Operator Service (**MOS**) payments, if gas is under or over delivered.

In 2012, we conducted a special compliance project to address ongoing inaccurate demand forecasting. Throughout 2013 and 2014 we used metrics to help identify patterns in demand forecasting errors in each hub and contacted those participants with persistent large forecast errors.

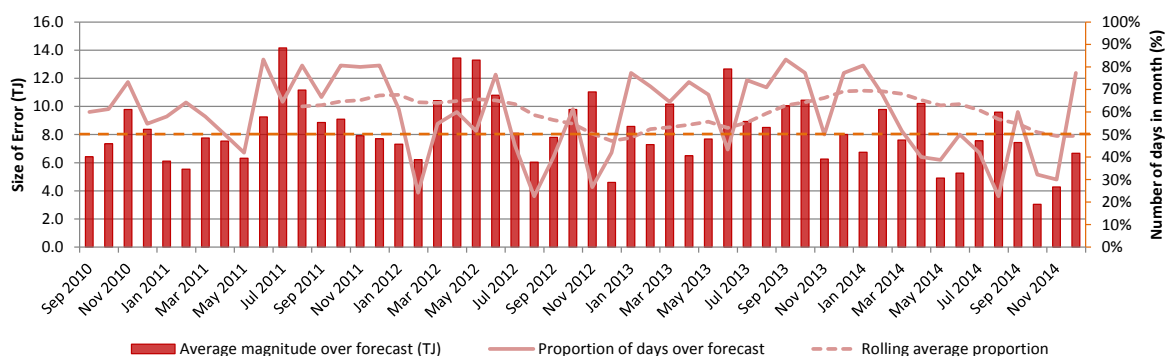
In the June quarter 2014 QCR we observed that, in general, there had been a significant improvement in the accuracy of demand forecasts with reductions in forecasting bias and magnitude of errors in each STTM hub.<sup>7</sup> However, we also noted that there had been a long term bias towards over forecasting in the Sydney hub. We engaged with Sydney hub participants over the second half of 2014 to try to address the issue.

### Sydney STTM

Following the first quarter of 2014, a number of months saw more days with under-forecast demand resulting in the 12 month rolling average of the proportion of days over-forecast falling to around 50 per cent. Since May there has also been a reduction in the magnitude of over-forecast errors (see figure 1.3). As a result of our persistence in seeking to improve demand forecasting in the Sydney hub, the bias to over-forecast and the magnitude of the error seem to be reducing.

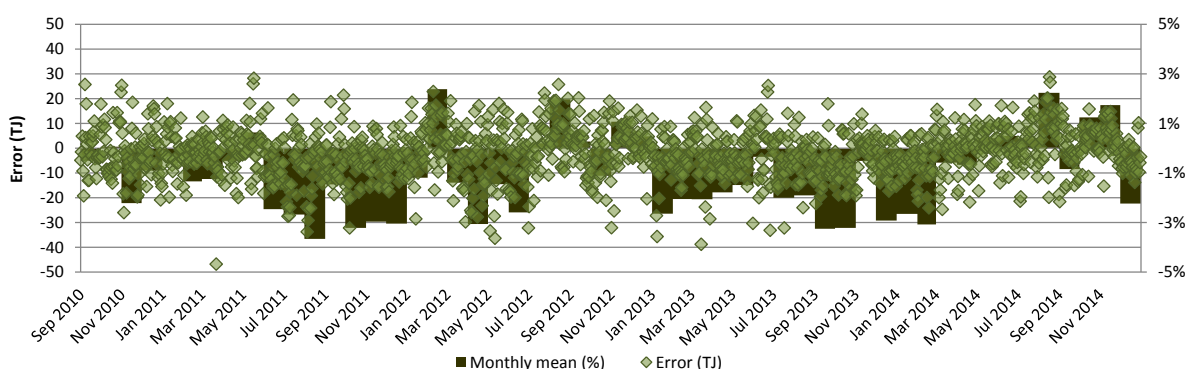
<sup>7</sup> [QCR 2 2014, can be found here.](#)

**Figure 1.3: Days over forecast each month and actual error magnitudes**



Overall demand forecast errors (under or over) have reduced; mean errors remain below 3 per cent of hub demand, with a reduction in demand forecast errors over 20 TJ (see figure 1.3). Two thirds of the daily forecasting errors remained below 6 TJ over the last quarter, with no errors above 16 TJ and the majority of errors below 2 per cent of total demand.

**Figure 1.4: Error as a proportion of total load and actual error volumes**



Note: error = actual – forecast.

## Conclusions

Improvements in demand forecasting by individual participants has led to an overall improvement at the Sydney hub. This brings this special compliance project to an end. We will continue to report on forecast accuracy in STTM hubs in our weekly monitoring reports and from time to time in QCRs.

Over the coming year our focus will shift to demand forecasting accuracy in the Victorian Gas Market to ensure participants are complying with the requirements of the Rules.

### 1.2.3 Jemena EGP— late capacity data

The provision of inaccurate Pipeline Allocation Daily (**PAD**) and MOS Stack Daily (**MSD**) data can cause default allocations to apply. Ex-post price outcomes can be affected when actual allocations depart from default allocations, potentially distorting price signals and affecting market participants.

On 15 October 2014, Jemena resubmitted PAD and MSD files to AEMO for the Eastern Gas Pipeline (**EGP**), after discovering a data error. It did so close to the cut off time of 11 am<sup>8</sup>. AEMO's systems approved the PAD file at 10:59:06 but rejected the MSD file at 11:00:30. This meant that Jemena did not have allocation data in AEMO's systems by cut-off time.

Jemena has since changed its internal processes to create a larger buffer before cut-off times when submitting data. All participants should be aware of these requirements and allow sufficient time for data to be delivered electronically.

## 1.2.4 Significant price variation report

A number of significant price variation thresholds were triggered on the 17 October gas day in Brisbane. In accordance with the requirements under rule 498(1)(b) of the Gas Rules and our Significant Price Variation (**SPV**) guidelines, we published a report into the events.<sup>9</sup>

Our report concluded the significant price variations occurred in response to a high provisional market price (driven by capacity constraints invoked for the planned maintenance of the Dalby compressor station), and a steep supply curve.

## 1.3 Victorian Gas Market

Part 19 of the Gas Rules sets out participants' responsibilities for trading in the Victorian gas market.

### 1.3.1 Origin bidding error

In the September quarter,<sup>10</sup> we reported on Origin Energy's (**Origin**) operator bidding error in the Victorian Gas Market on 19 September. Origin self-reported the issue and has since undertaken a significant review of its bidding practices in the Victorian Gas Market, including its systems, processes and the procedure for authorising traders in the Victorian Gas Market to minimise the potential for the error to reoccur.

### 1.3.2 AEMO pricing schedule non compliance

In the September quarter QCR, we reported that AEMO had advised of a failure to publish the Victorian gas market pricing schedule in accordance with rule 221(4) of the Gas Rules. The problem arose when AEMO incorrectly applied the constraints of the declared transmission system to the pricing schedule. AEMO did not discover the problem during its annual market audit process, required by rule 322 of the Gas Rules. In response to our inquiries, AEMO has taken a number of remedial steps.

AEMO provided a forward plan to industry about this at the Gas Wholesale Consultative Forum (**GWCF**) in December. At the February 2015 GWCF AEMO sought participants' feedback on draft amendments to its Gas Scheduling Procedures (**GSP**) to address pricing schedule non-compliance.

---

<sup>8</sup> Rule 420(2) of the Gas Rules

<sup>9</sup> The report can be found [here](#).

<sup>10</sup> The September quarter QCR can be found [here](#).

AEMO will also seek recommendations from its auditors on its review and change-control processes and manuals to ensure the operating practices remain consistent with the Gas Rules. Recommendations following this process are expected in April 2015. AEMO has also implemented an additional stage of change review for operational documents which focuses on the market impacts of proposed changes, and their alignment with current market design.

## 1.4 Natural Gas Services Bulletin Board

Part 18 of the Gas Rules sets out participants' responsibilities regarding the Bulletin Board. These obligations aim to facilitate greater transparency in gas production and gas pipeline flows to assist gas trading. The obligations also require participants to identify and report any potential conditions where curtailment of gas use might be necessary.

### 1.4.1 Targeted compliance review - capacity outlook data

Targeted compliance reviews form an important part of our monitoring program. The reviews explore participants' compliance practices and aim to improve stakeholder understanding of obligations. The AER will generally choose the obligation on the basis of its risk assessment of the Gas Rules, whereby obligations are identified as having a medium to high risk and impact will be selected for review. We also take into account previous industry performance with respect to the obligation.

This quarter we targeted the following obligations on facility operators:

- Rule 165, which requires a production facility operator to provide to AEMO, in respect of each gas day for Bulletin Board production facility that it operates, the daily production capacity outlook for that Bulletin Board production facility for a seven day period into the future.<sup>11</sup>
- Clause 5.4 of the Bulletin Board Procedures, which sets out the information and timing requirements which must be met in order to comply with clauses 165 and 171.

We wrote to Queensland Gas Company (**QGC**) to understand how they comply with rule 165. We targeted QGC because actual flows exceeded their capacity outlooks for Bellevue and Berwyndale South Production facilities on several occasions in November 2014. In particular, we sought details of the systems and procedures they have in place to comply with Bulletin Board information requirements, including quality assurance processes to ensure an accurate three day capacity outlook.

QGC explained that its actual real time flows have become more variable for Bellevue and Berwyndale South Production facilities in the lead-up to the commissioning of the Curtis Island QGLNG plant. QGC noted that it has taken further measures to ensure compliance with Bulletin Board obligations, including:

- reviewing its Bulletin Board data between October 2014 and January 2015 for compliance.
- reviewing its internal procedures and systems to ensure it is consistent with the new seven day outlook requirement.

---

<sup>11</sup> The requirement changed from a 3 day outlook to a seven day outlook in January 2015.

- updating its Bulletin Board quality assurance process, to include electronic notifications confirming successful transmission of data to AEMO, and a weekly compliance check by the Regulatory Manager.
- reporting material flow deviations and the VO Supply and Optimisation to the Production Report Manager.

In reviewing QGC's response we identified the need to clarify what CSG operators should report as their capacity outlook. The CSG production process involves gas from hundreds of wells being fed into field compressor stations, which is then processed in a central processing plant. QGC's current approach is to reflect the capability of field compressor stations and central processing plants as opposed to likely well performance in its capacity outlook.

The Bulletin Board procedures require Bulletin Board production facility operators to take account of short term trends in gas field performance (which are constraining or will constrain overall production capability), in their 7-day outlook.

The Bulletin Board data suggests that CSG operators in Queensland are taking different approaches to reporting likely well performance and production capacity into account. We are currently reviewing the arrangements to ensure that capacity data is reported in a consistent fashion by all participants and in accordance with the Gas Rules and Bulletin Board procedures.

### **1.4.2 Redevelopment of Bulletin Board**

Last year AEMO made a commitment to the AER to improve the completeness of data available on its Bulletin Board website as part of its broader Bulletin Board redevelopment plan. (completed in December 2014). The website now shows data for recently registered Queensland LNG train production facilities including Condabri, Reedy Creek, Ruby Jo and Bellevue. Initially some participants experienced problems uploading data onto the redeveloped Bulletin Board, which resulted in data being submitted after the deadline. While we recognise there can be an increased likelihood of errors occurring when system changes are implemented, we encourage participants to take necessary steps to reduce the possibility of errors occurring under such circumstances.

### **1.4.3 Monitoring of Bulletin Board in 2015**

With the development of LNG trains in Queensland and the need for greater transparency regarding gas production and flows, ensuring participants are providing accurate, complete and timely information to the Bulletin Board will become a focus of our work program in 2015.

We will continue to expand our work program as needed to include any additional obligations relating to the Bulletin Board, including changes to reporting requirements arising out of the Council of Australian Governments' Energy Council and AEMO's consultation on Bulletin Board zones.

## 2 Electricity

We are responsible for monitoring, investigating and enforcing compliance under the Electricity Law and Rules. This part of the report provides an update on investigations, compliance matters and projects in the electricity market.

### 2.1 Outcome of Snowy Hydro action

On 3 July 2014, the AER instituted proceedings against Snowy Hydro for alleged breaches of clause 4.9.8(a) of the Electricity Rules. The AER alleged that Snowy Hydro failed to follow dispatch instructions issued by AEMO on nine occasions in 2012 and 2013. On 12 February 2015 the Federal Court of Australia declared by consent that Snowy Hydro had breached clause 4.9.8(a) on these occasions. On each occasion, Snowy Hydro generated more power than the dispatch instruction required.

The Court ordered that Snowy Hydro pay total penalties of \$400 000. These are the first court ordered penalties for a breach of the Electricity Rules.

In his judgment Justice Beach stated that “Compliance with dispatch instructions is necessary to ensure the power system remains secure. AEMO relies upon compliance with dispatch instructions to ensure it can effectively perform its functions as both power system operator and market operator for the NEM”.

The Court also ordered that Snowy Hydro appoint an independent compliance expert to review the accuracy of Snowy Hydro’s internal documents relating to the compliance with dispatch instructions.

In conjunction with these orders, Snowy Hydro also provided a Court enforceable undertaking to the AER regarding the operation of generators under certain conditions. The undertaking is the first enforceable undertaking accepted by the AER under the provisions of the National Electricity Law.

More information about this matter and the AER’s approach to the requirements of clause 4.9.8 of the Electricity Rules will be provided in the future QCRs.

### 2.2 Rebidding

Scheduled generators and market participants operating in the NEM submit offers and bids for each half hour trading interval. The offers and bids include available capacity for up to 10 price bands, and can be varied through rebidding.<sup>12</sup>

According to the “three stage process” introduced in late 2010,<sup>13</sup> we will consider issuing an infringement notice if we issue three notifications within a six month period to generators

---

<sup>12</sup> Market participants must provide to AEMO, at the same time as a rebid is made, a brief, verifiable and specific reason for the rebid, plus the time at which the reason for the rebid occurred. Equivalent requirements apply where AEMO is advised, under clause 3.8.19 of the Electricity Rules, that a unit, service or load is inflexible. Clause 3.8.22A of the Electricity Rules requires that dispatch offers, dispatch bids and rebids are made in ‘good faith’.

<sup>13</sup> In June 2012, we published an updated [Compliance Bulletin No. 3](#) to make it clear that, for the purposes of administering the three stage process and issuing warnings, we will rely on the cumulative count of non-compliant bids for all generating

who submit offer, bid and/or rebid information that does not meet the requirements of the Electricity Rules. The warning count for a participant is set to zero after six months of the first warning being issued.

The number of rebids automatically triggered (indicated by the blue area in figure 2.1) as requiring initial examination has fallen markedly since 2011, as shown in figure 2.1. The significant increase from August to November occurred because one participant’s automated bidding system submitted rebids without including a time adduced (as required under rule 3.8.22). The participant adjusted their systems to account for this error after we brought it to their attention, and since then the number of auto triggered rebids has returned to previous levels.

**Figure 2.1: Rebids auto-triggered and reviewed per week**

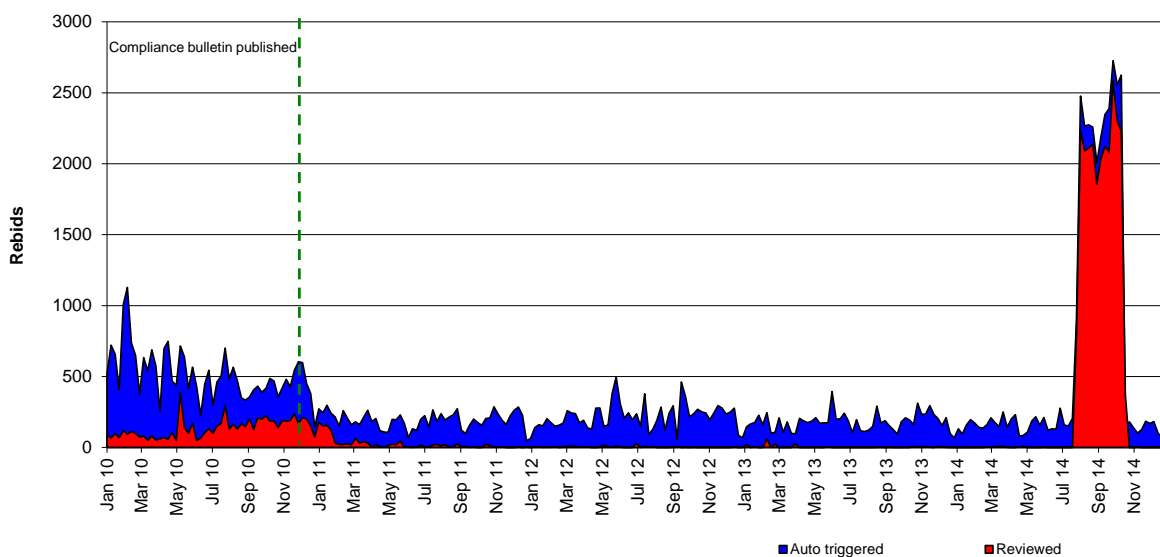


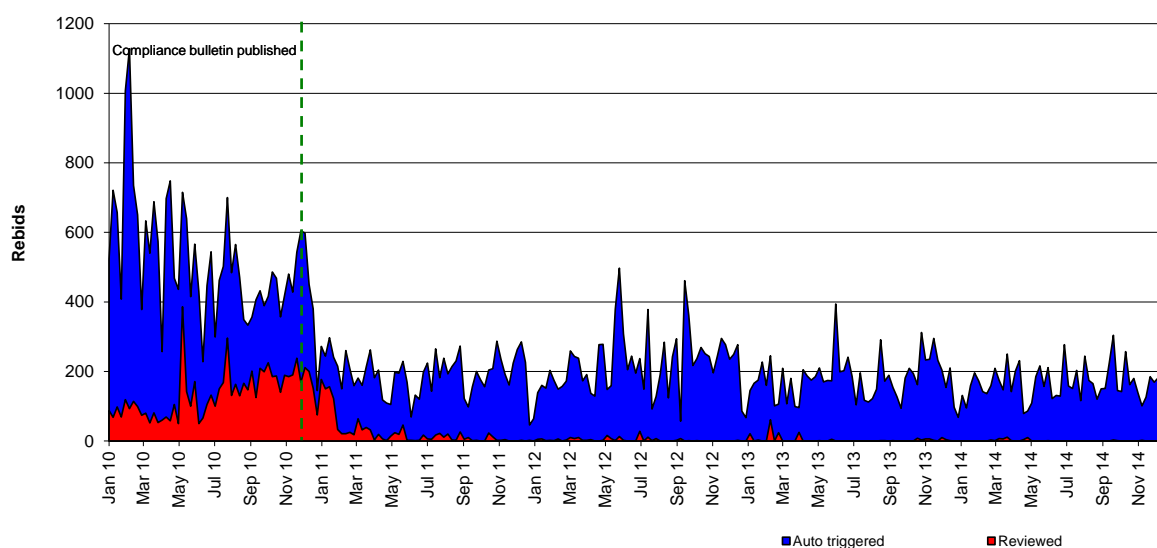
Figure 2.2 shows the number of rebids that would have been automatically triggered from August to November if the above rebids had contained a time adduced.

---

units under the same portfolio. In other words, where a parent company employs a common trading team for the bidding of multiple generating units in its portfolio, irrespective of whether these generators are different registered participants, we will count any non-compliant bids by that trading team together.



**Figure 2.2: Rebids auto-triggered and reviewed per week (adjusted)**



There were two warnings issued during the December quarter:

- an initial warning for a ramp rate reduced to below the allowed minimum of 3MW/minute without providing a technical reason, and
- a second warning for an inflexible bid without providing a technical reason.

In addition :

- eight participants self-reported errors in their rebids, and
- two participants had their warning counts reset to zero.

## 2.3 Jurisdictional derogations

Chapter 9 derogations exempt Victorian smelter traders, New South Wales power traders and Queensland nominated generators (for the purposes of exempted generator agreements) from complying with the Electricity Rules to the extent there exists:

- any inconsistency between the Rules and a contractual requirement under the relevant agreement between the government and other entities,
- any other specified exemption in the jurisdictional derogations.

Relevant participants must notify the AER at [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au) of any act or omission which partly or wholly constitutes non-compliance with the Electricity Rules.

No non-compliances were reported this quarter.

### 2.3.1 Targeted compliance review – AGL Macquarie

This quarter we undertook a targeted compliance review of AGL Macquarie.

In September 2014 AGL purchased Macquarie Generation's assets. As part of the sale process, the power supply agreement with the Tomago aluminium smelter was vested in

AGL Macquarie, and AGL Macquarie was nominated as the Power Trader for the purposes of the Chapter 9 derogation. AGL Macquarie now has obligations under clause 9.12.3.

The AER considers it important that participants are made aware of their obligations under chapter 9 derogations, given their unique nature. To this end, this quarter we inquired how AGL intends to comply with these obligations. In response AGL advised that it has risk management systems in place to monitor and detect non-compliance, including with its new obligations. We are satisfied, therefore, that AGL is aware of its obligations under the derogation.

## Appendix A: Shortened forms

Shortened form	Full title
ACCC	Australian Competition & Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASIC	Australian Securities and Investment Commission
ASX	Australian Stock Exchange
Bulletin Board	Natural Gas Service Bulletin Board
DWGM	Declared Wholesale Gas Market (Victorian Gas Market)
EGP	Eastern Gas Pipeline
EFP	Exchange for Physical
Electricity Law	National Electricity Law (Schedule to the National Electricity Act)
Electricity Rules	The National Electricity Rules made under Part 7 of the Electricity Law
Gas Law	National Gas Law (Schedule to the National Gas Act)
Gas Regulations	The National Gas (South Australia) Regulations made under the National Gas Act
Gas Rules	The National Gas Rules made under Part 9 of the Gas Law
GJ	Gigajoule
GSH	Gas Supply Hub
GSHRG	Gas Supply Hub Reference Group
GSP	Gas Scheduling Procedures
GWCF	Gas Wholesale Consultative Forum
LNG	Liquefied Natural Gas
MAP	Moomba to Adelaide pipeline
MOS	Market Operator Service
MSD	MOS Stack Daily

MW	Megawatt
MWh	Megawatt hour
National Electricity Act	National Electricity (South Australia) Act 1996 (South Australia)
National Gas Act	National Gas (South Australia) Act 2008 (South Australia)
NEM	National Electricity Market
PAD	Pipeline Allocation Daily
QCR	The AER's quarterly compliance report
QGP	Queensland Gas Pipeline
RBP	Roma-to-Brisbane Pipeline
SPV	Significant Price Variation
STTM	Short Term Trading Market
SWQP	South West Queensland Pipeline
TJ	Terajoules