



Quarterly Compliance Report:

National Electricity and Gas Laws

January - March 2016

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Executive summary

The Quarterly Compliance Report (QCR) outlines 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. It reflects the importance of compliance to the efficient operation of gas and electricity markets for the benefit of market participants and energy users. The AER reports compliance outcomes to provide transparency in these markets, while promoting good industry practice.

This QCR covers the period 1 January to 31 March 2016 (the March 2016 quarter) for gas and electricity markets.

Gas

This report provides information about the gas Retail Market Procedures. Where the Australian Energy Market Operator (AEMO) suspects a breach of the Procedures, it is required under the Gas Law to determine whether the breach is material. AEMO released a Compliance Decision report in November 2015 regarding a failure by Jemena Gas Networks to provide metering data to AEMO within the required timeframes between January 2015 and July 2015. After investigating the matter and concluding that those breaches were material, AEMO observed further breaches by Jemena between September 2015 and January 2016 and again concluded that the breaches were material. Due to the persistent and material nature of the breaches, AEMO referred the matter to the AER. Jemena has taken a number of steps to improve the efficiency of its meter reading process in order to improve its compliance. It has also agreed to report on its compliance to the AER on a regular basis.

The provision of Bulletin Board data remained a compliance focus this quarter. While there was an overall improvement in the provision of Bulletin Board data, we report on two compliance issues—one relating to daily nominations data and the other relating to daily production data.

Electricity

In response to the rule changes related to Bidding in good faith and Generator ramp rates and dispatch inflexibility in bidding (Generator ramp rates) that will come into effect on 1 July 2016, we will soon begin consulting on changes to our *Rebidding and Technical Parameters Guideline*. We will amend the guideline to outline our expectations for compliance with the new rules and to reflect new obligations placed on the AER as a result of the rule changes. We encourage stakeholders to subscribe to the AER's email updates on our website to ensure they are notified when we commence the consultation process.

In October 2015, Origin Energy self-reported an alleged breach of the Electricity Rules for not following dispatch instructions issued by AEMO for its four gas-fired Uranquinty units on 23 September 2015. The units together generated approximately 170 MW above target for the 18:35 dispatch interval. Following the event, Origin undertook a number of remedial actions including disciplinary action, updating its operating procedure, and providing trading

staff and plant operators with additional compliance training. This quarter the AER determined that Origin Energy breached clause 4.9.8(a) of the Electricity Rules, a civil penalty provision, and issued one infringement notice to Origin. This enforcement response took into account the remedial actions taken by Origin and its cooperation with the AER's investigation. Origin paid the \$20,000 infringement penalty.¹

We also conducted a targeted compliance review of Transmission Network Service Providers (TNSPs), seeking information on their compliance approach to various Electricity Rules obligations regarding the provision of outage information to AEMO. Most responses were well considered and, based on the information provided, we consider that the processes and review mechanisms outlined by the TNSPs should assist them in providing the required outage information to AEMO.

Concerns regarding representations to customers

It has come to our attention that some energy market participants have made inaccurate representations to their customers in written/verbal correspondence, including with reference to the AER. Two such examples of this alleged conduct are:

- a gas retailer informing its customers that gas tariffs will increase by an amount determined/authorised by the AER, however our preliminary investigations into this matter indicate that the tariff increase being imposed by the retailer exceeds the increase in network component approved by the AER. The existence of retail competition in the relevant jurisdiction means that the retailer is able to set part of the tariff, however if the retailer chooses to change that part of the tariff at the same time as an AER-approved change comes into effect, the retailer should not attribute the change in tariff wholly to the AER.
- a Responsible Person (RP) contacting its customers to arrange low voltage current transformer (LV CT) testing and stating that if the customer refuses to allow the testing to occur it risks disconnection of supply to its premises. The limited range of circumstances under which a customer may be disconnected are outlined in relevant energy legislation,² and would not extend to refusal of LV CT testing. The RP has also stated that the AER has discretion to decide how to deal with customers who refuse the testing, however the AER does not have a relationship with the customer and it is the RP's responsibility to ensure compliance. Additionally, the RP has implied that the customer could be subject to civil penalties for breaches of the Electricity Rules (which is not the case).

We take this opportunity to remind participants of the importance of effective dealing with customers, in a way that is conducive to developing consumer trust in the energy sector and does not have the potential to mislead consumers (including in relation to actions attributable to the AER).³

¹ The payment of a penalty specified in an infringement notice is not an admission of a breach or an admission of liability.

² The relevant obligations are contained in the Essential Services Commission's Energy Retail Code (for customers in Victoria) and the National Energy Retail Rules (for customers in other NEM jurisdictions).

³ The Australian Consumer Law is set out in Schedule 2 of the [Competition and Consumer Act 2010](#).

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 participants⁴ and other persons
- investigating breaches, or possible breaches, of provisions of the legislative instruments under our jurisdiction.

Consistent with our statement of approach,⁵ 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 an ongoing 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.

⁴ Entities registered by AEMO under Chapter 2 of the Electricity Rules or in accordance with Part 15A of the Gas Rules.

⁵ The Statement of Approach is published on the [AER's website](#). 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 Bulletin Board, the Victorian gas market and the Gas Supply Hub (GSH).

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

1.1 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.

1.1.1 Origin Energy demand forecasting errors

Rule 410 of the Gas Rules sets out the requirements in respect of demand forecasts (ex ante bids, price taker bids and revisions to these bids). Namely, that they must be submitted to AEMO in good faith and be the best estimate of the quantity the participant expects to supply or withdraw on the gas day. Rule 369 further provides that a person required to prepare and submit information or data to AEMO and, if applicable, maintain any equipment from which that data is derived, must do so in accordance with good gas industry practice.

Origin Energy over forecast its demand on 9 and 10 January 2016 across all three STTM hubs (Adelaide, Sydney, and Brisbane). The error was due to Origin's demand forecasting model not properly accounting for the lower demand following the Christmas period. An Origin trader identified this issue on 12 January and implemented changes in Origin's systems on 29 January to prevent the issue reoccurring.

Origin then reported the issue to the AER, outlining the error and the remedial action taken in response. We have analysed this event and do not intend to take further action on this matter based on the information available to date.

We encourage all market participants to actively monitor their demand forecasting performance and to implement enhancements to systems and processes in response to any problems identified. 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.

Further, we encourage all market participants to self-report compliance issues to the AER. As outlined in the *AER compliance and enforcement – Statement of approach*,⁶ in determining an appropriate enforcement response to compliance issues, we will consider all relevant circumstances including whether the conduct was self-reported, the level of

⁶ Available on the [AER's website](#).

cooperation with the AER, and any action taken to rectify the breach and/or avoid a reoccurrence.

1.1.2 Retail market procedures

Under the Gas Law, AEMO has the ability to make procedures regulating a retail gas market (Retail Market Procedures).⁷ There are four sets of Retail Market Procedures covering Queensland, Victoria, New South Wales and the ACT and South Australia respectively. The procedures impose a number of obligations on participants including in relation to the provision of metering data, the Gas Interface Protocol, customer transfer processes and settlements. Section 91MB of the Gas Law requires compliance with the Retail Market Procedures.

In the event that AEMO suspects a breach of the Retail Market Procedures, it is required under the Gas Law to determine if the breach is material. If AEMO decides the breach is material, it must publish the decision and the reasons for it on its website. AEMO may direct the person suspected of the breach to rectify it or to take specified measures to ensure future compliance (or both). AEMO may also decide to refer the breach to the AER. The obligation to comply with AEMO's direction is a civil penalty provision.

In the previous QCR we reported on several recent breaches of the Retail Market Procedures. This included a failure by Jemena Gas Networks (Jemena) to provide metering data to AEMO within timeframes specified under clause 21.1 of the NSW and ACT Retail Market Procedures between January 2015 and July 2015. Jemena is the meter data agent in the NSW and ACT retail gas markets.

AEMO's November 2015 Compliance Decision⁸ on Jemena's failure to comply with the Procedures over that period concluded that the breach was material given the financial and operational impacts on multiple market participants and the impact on the operation of the NSW and ACT gas retail market as a whole. AEMO noted in its decision that Jemena came back into compliance for August and did not issue directions to Jemena.

AEMO continued to monitor Jemena's performance and issued another Compliance Decision in March 2016.⁹ AEMO found that Jemena again failed to meet its quarterly gas meter reading delivery requirements in accordance with clause 21.1 between September 2015 and January 2016. AEMO found Jemena's breach to be material given the previous material breach, the number of instances of the breach and the financial and operational impacts for market participants and end use customers.

Due to the persistent nature of the material breach, AEMO referred the matter to the AER on 9 March 2016.

Jemena has taken a number of steps to improve the efficiency of the meter reading process and therefore improve its compliance with the Retail Market Procedures. These include:

- improving resourcing (including human resources, equipment and IT systems) at all critical points in the meter reading process

7 Sections 91M and 91MB of the National Gas Law.

8 Available on [AEMO's website](#).

9 Available on [AEMO's website](#).

- employing a reading route optimisation program. This will improve Jemena’s ability to read meters in the field and upload the data in a more timely manner
- prioritising the resolution of meter read exceptions (i.e. missing or erroneous data) to minimise their impact on retailers and end users.

Jemena has also entered into a reporting arrangement with the AER. Under the arrangement, Jemena must report on its compliance status on an exception basis fortnightly, and on a substantive basis monthly.

The AER and AEMO will continue to monitor Jemena’s compliance level and the steps it is taking to ensure future compliance.

1.2 Natural Gas Services Bulletin Board

Chapter 7 of the Gas Law and Part 18 of the Gas Rules set 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. It requires 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.

With the development of Liquefied Natural Gas (LNG) trains in Queensland and the need for greater transparency regarding gas production and flows, it is increasingly important that participants provide accurate, complete and timely Bulletin Board information. In some circumstances, failures to comply with Bulletin Board obligations set out in the Gas Law and Rules can attract civil penalties under the Gas Law.¹⁰ The Bulletin Board is a focus of the AER in 2016.

There was an overall improvement in the provision of information by Bulletin Board participants this quarter. We report on two compliance issues below—one relating to daily nominations data and the other relating to daily production data.

1.2.1 Daily nominations data

Gas rule 173(1) requires a Bulletin Board pipeline operator to provide AEMO with:

- aggregated delivery nominations for each gas day
- aggregated forecast deliveries for subsequent gas days if it has been provided with forecast deliveries by shippers under contract or market rules.

Section 5.7(a) of the Bulletin Board Procedures requires the aggregated delivery nominations (i.e. firm nominations) to be provided to AEMO by no later than 7 pm local time on the evening before each gas day. Also, aggregated forecast deliveries (i.e. forecast nominations) by zone must be provided to AEMO no later than 7 pm local time on the evening before the first gas day for which shippers’ forecast deliveries apply, and may be provided to AEMO as soon as practicable after the pipeline operator receives them.

¹⁰ For more information, see the [September 2015 QCR](#).

Where there are renominations before or on a gas day that materially change the aggregated delivery nominations (i.e. firm nominations) for the pipeline on the gas day, section 5.7(b) states that the pipeline operator must provide this updated information on that gas day using the same standard file format.¹¹

This quarter we observed a number of instances of late or missing nominations data submissions by a pipeline operator connected to the recently-introduced Curtis Island LNG Demand Zone.¹² Most of these instances were due to human error, such as the participant not successfully submitting the data to AEMO, or linking data to incorrect dates.

Given that the relevant pipeline operator was new to providing Bulletin Board data, we have worked with this participant to increase its understanding of these obligations. As a result, the participant has updated its processes around the timeliness and accuracy of Bulletin Board data submissions and its error rate has reduced significantly.

In the process of resolving this matter, we observed that where the participant provided AEMO with aggregated delivery renominations after not successfully submitting the corresponding nominations, AEMO treated the data as nominations (rather than renominations) and because the timeframe for nominations had passed, it was treated as being late. This highlights the importance of participants having processes in place to check that data has been correctly submitted to AEMO, and what is submitted accurately reflects the participant's intentions.

We also note that there is potential for data labelling errors to impact participants' compliance with the Bulletin Board procedures. For example, if a forecast delivery is incorrectly labelled as a delivery nomination, or if data is attributed to the incorrect gas day, it may result in AEMO publishing the data against those incorrect labels. Participants should review their systems and processes for labelling data to avoid errors of this nature.

1.2.2 Daily production data

Gas rule 169 requires a Bulletin Board storage provider to submit to AEMO the daily production data for each Bulletin Board storage facility that it operates in accordance with the Bulletin Board Procedures.

On 30 November 2015, Lochard Energy became the new owner and operator of the Iona Underground Gas Storage Plant (Iona) and assumed responsibility for the facility's compliance with the Gas Rules, including the Bulletin Board obligations.¹³ Prior to that date, EnergyAustralia was the owner and operator of Iona and held those responsibilities.

We identified that EnergyAustralia had failed to submit daily production data to AEMO for Iona within the required timeframe on a number of occasions during September, October

¹¹ A material change is defined as more than the greater of 10 per cent nameplate rating or 30 TJ.

¹² Following the introduction of Queensland's Curtis Island LNG Demand Zone in October 2015, three pipeline operators (namely Australia Pacific LNG, Queensland Gas Company and Gladstone LNG) are now required to provide Bulletin Board information in accordance with Gas Rules 170 to 174. Last quarter we conducted a targeted compliance review to assess the readiness of these pipeline operators to meet the new obligations. For more information, see the [December 2015 QCR](#).

¹³ Iona Operations Holdings (set up by the Queensland Investment Corporation – QIC) as trustee of the Iona Operations Trust, trading as Lochard Energy, was successful in its bid to purchase the Iona facility from EnergyAustralia.

and November 2015. We sought an explanation for these errors from EnergyAustralia and received a response from Lochard (as the ownership change had occurred).

Lochard noted that some of the late data submissions occurred as a result of communication issues during the file transfer protocol process, while others occurred during a plant outage which staff were not aware they were still required to submit data for. Lochard outlined a number of measures it has adopted to help ensure data is submitted in accordance with its obligations, such as reducing its reliance on AEMO notifications to identify missing or late data, performing manual checks of actual flows and providing staff with additional training.

Participants are required to provide AEMO with Bulletin Board data during plant outages and that '0' values should be used to indicate to other participants that no gas is expected to flow. Further, participants should not solely rely on AEMO to notify them of missing or late data, as AEMO is not required to provide such notifications and therefore may not do so in a timely manner. We expect participants to have appropriate systems, processes and procedures in place to ensure they submit the required data to AEMO successfully and in a timely manner.

1.3 Victorian Gas Market

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

There were no substantive compliance outcomes for the Victorian gas market this quarter.

1.4 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.¹⁴ This includes market conduct rules.

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.

There were no substantive compliance outcomes for the GSH this quarter.

¹⁴ Rule 545 of the Gas Rules.

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 Revisions to the Rebidding and Technical Parameters Guideline

In response to the rule changes on Bidding in good faith and Generator ramp rates that will come into effect on 1 July 2016, we will soon begin consulting on changes to our *Rebidding and Technical Parameters Guideline*.

2.1.1 Bidding in good faith rule change

On 10 December 2015, the Australian Energy Market Commission (AEMC) published its final rule and determination which will amend the relevant provisions of the Electricity Rules as follows:

- the current requirement that offers be made in good faith will be replaced by a prohibition against making false or misleading offers
- there is a new requirement that any variations to offers be made as soon as practicable after a change in material circumstances and conditions
- there are additional requirements to record information for variations to offers made close to dispatch.

2.1.2 Generator ramp rates rule change

The existing rules require generators to specify a minimum ramp rate for each registered generating unit that is greater than or equal to the lower of three megawatts per minute, or three per cent of maximum capacity, unless there is a physical or safety limitation on their plant.

The final rule, as published by the AEMC on 19 March 2015, extends these minimum ramp rate requirements to individual physical units that make up aggregated facilities.

2.1.3 Upcoming consultation process

We will amend our *Rebidding and Technical Parameters Guideline* to outline our expectations for compliance with the new rules and to reflect new obligations placed on the AER as a result of the rule changes. For example, the Bidding in good faith rule change requires the AER to include in the guideline the amount of detail participants are required to provide to AEMO in relation to rebids submitted close to dispatch.

In accordance with the rules consultation procedures, we will publish a notice on our website when the consultation process begins.

The consultation process will still be in train when the Rule changes come into effect on 1 July 2016. This will allow participants to feed their early learnings into the consultation

process while fine tuning their systems and processes associated with the rule changes. In addition to the formal consultation process, we will host an industry forum in the third quarter to facilitate discussions about the new arrangements and the AER's approach to monitoring compliance with the new rules.

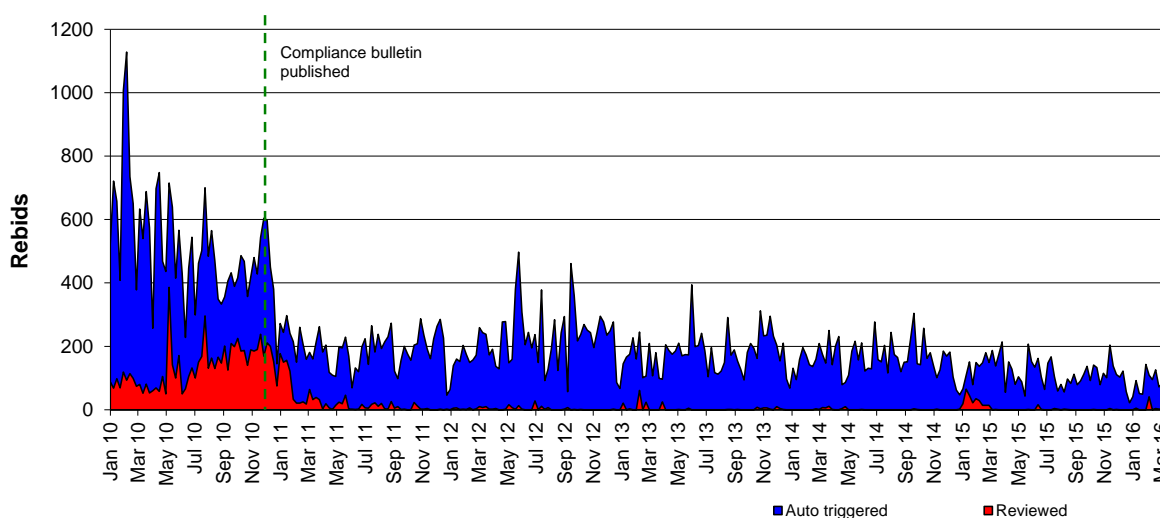
2.2 Rebidding

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.¹⁵

According to the 'three stage process' introduced in late 2010 (updated in 2012),¹⁶ we will consider issuing an infringement notice if we issue three notifications within a six month period to generators 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.

As shown below in Figure 1, the number of rebids automatically triggered as requiring initial examination (indicated by the blue area) has fallen markedly since 2011.

Figure 1: Rebids auto-triggered and reviewed per week (adjusted¹⁷)



¹⁵ 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'.

¹⁶ 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 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.

¹⁷ There was a significant increase in automatically triggered rebids from August to November 2014 when one participant's automated bidding system submitted rebids without including a time adduced which was subsequently corrected. This has been detailed in a [previous QCR](#). Figure 1 has been adjusted by removing the erroneous rebids.

This quarter we issued one initial and one second warning in response to participants making inflexible bids without providing a technical reason. We also issued a second warning to a participant for making a ramp rate rebid without providing a technical reason.

We received four self-reporting notices from participants regarding errors in their rebids during the quarter which we took no further action on.

2.3 Origin Energy payment of infringement penalty

In October 2015, Origin Energy self-reported an alleged breach of the Electricity Rules for not following dispatch instructions issued by AEMO for its four gas-fired Uranquinty units on 23 September 2015. The conduct occurred at a time of high prices and when the units were being constrained down by a network constraint managing the Canberra to Upper Tumut lines in New South Wales.

Origin outlined that the non-compliance with dispatch instructions occurred as a result of a senior trader instructing plant operators to take the units off Automatic Generation Control (AGC) and operate at maximum output. The trader rebid the units to offer their maximum availability, however this was less than the units' maximum output. The senior trader believed that there was no compliance issue as long as the units were not flagged as non-conforming by AEMO.¹⁸ Origin explained that the senior trader's actions were contrary to its compliance practices and procedures. The trader did not act upon subsequent dispatch instructions from AEMO to reduce output and in the 18:35 dispatch interval the four units together generated approximately 170 MW above target.

Following this event, Origin undertook a number of remedial actions including disciplinary action, updating its operating procedure, and providing trading staff and plant operators with additional compliance training in relation to the Electricity Rules requirements to follow dispatch instructions. Origin also conducted a review of the wider compliance culture within the trading team, but concluded that this was an isolated incident and that there are no systemic cultural issues.

Clause 4.9.8(a) of the Electricity Rules provides that a registered participant must comply with a dispatch instruction given to it by AEMO unless to do so would, in the registered participant's reasonable opinion, be a hazard to public safety or materially risk damaging equipment. This clause is classified as a civil penalty provision.

The AER determined that Origin Energy breached clause 4.9.8(a) in relation to the four Uranquinty units' failure to follow dispatch instructions for the 18:35 dispatch interval on 23 September 2015. On 2 February 2016 the AER issued one infringement notice to Origin, and Origin paid the \$20,000 infringement penalty on 26 February 2016. The payment of a penalty specified in an infringement notice is not an admission of a breach or an admission of liability.

In determining its enforcement approach, the AER took into account the remedial actions taken by Origin in response to this incident and its cooperation with the AER's investigation.

¹⁸ In accordance with clause 3.8.23 of the Electricity Rules.

We take this opportunity to remind participants of the importance of following dispatch instructions under clause 4.9.8 of the Electricity Rules. These obligations are distinct from AEMO's non-conformance procedures and must be complied with at all times. Further information on the AER's approach to enforcement of these obligations is contained in the March 2015 Quarterly Compliance Report.¹⁹

2.4 Targeted compliance review

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. We will generally choose the obligation based on our risk assessment of the Electricity Rules, whereby obligations 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 examined obligations relating to the provision of outage information to AEMO under clauses 3.7.2(e), 3.7.3(g) and 3.7A(n)-(p) of the Electricity Rules. Clauses 3.7.2(e) and 3.7.3(g), which as classified as civil penalty provisions, require that Network Service Providers (NSPs) provide the following information to AEMO:

- an outline of planned network outages in accordance with the timetable published by AEMO under clause 3.4.3
- any other information on planned network outages that is reasonably requested by AEMO to assist AEMO to meet its obligations under clauses 3.7.2(f)(6) and 3.7.3(h)(5).

Clauses 3.7A(n)-(p) require TNSPs to provide AEMO with information specified in the congestion information resource (CIR) guidelines. This information must be provided in a form which clearly identifies confidential information and in accordance with the CIR guidelines. If there has been a material change to the information provided, TNSPs must provide AEMO with revised information as soon as practicable.

Information contained in the CIR which has been provided by, or derived from information provided by TNSPs must represent TNSPs' current intentions and best estimates regarding planned network events at the time the information is made available. Information contained in the CIR does not bind TNSPs to comply with an advised outage program and may be subject to change due to circumstances outside the control of TNSPs.

We wrote to Ausgrid, AusNet Services, ElectraNet, Energy Infrastructure Investments, Powerlink, TasNetworks and TransGrid seeking information on their compliance approach with respect to clauses 3.7.2(e), 3.7.3(g) and 3.7A(n)-(p) of the Electricity Rules. In particular, we requested:

- details of the systems and processes used to provide outage information to AEMO
- any review mechanisms which are used to assess whether information contained in the CIR represents current intentions and best estimates regarding planned network events

¹⁹ Available on the [AER's website](#).

- an overview of the planning stages for the two most recent completed planned outages detailing the provision of information to AEMO including any reviews or updates.

Most responses were well considered and, based on the information provided, we do not have any concerns with the compliance of businesses with their obligations under the Electricity Rules to provide outage information to AEMO. We found many similarities in the systems and processes used by businesses to provide this information to AEMO. Some of these similarities are listed below:

- The use and updating of well integrated software systems is critical. Many businesses use separate outage planning software systems — one system for longer term planning and the coordination of network outages and another for detailing the final scheduling, specification of plant to be isolated and switching arrangements.
- Outage plans that have significant outage requirements are often developed more than 13 months prior to any outage taking place.
- Non-routine maintenance outages have a shorter notice period because they are required to manage more urgent and unforeseen plant issues and may be advised to AEMO with less than one month's notice.
- Planned outage information may be entered into planning software using thresholds corresponding to certainty levels defined by AEMO and giving rise to different planning time horizons.
- Before planned outages are confirmed, businesses consider and coordinate with all external parties impacted by planned network outages.

The review mechanisms typically employed by businesses during the outage planning process are outlined below:

- Plans are reviewed for outage timing, network security, reliability, network constraints, customer impacts, weather, resources, equipment availability, cost impacts and clashes with other outages.
- The details of planned outages, including the outage element, outage dates and times, recall, reason for outage, outage certainty, transfer capacity information and limit equations, entered within the businesses' outage planning systems are assessed to ensure access to the network can be provided in a safe manner and to consider any special operational pre-conditions or contingency plans that may be needed while the outage is occurring. This includes an assessment of whether the outage will have, or is likely to have, a material effect on network constraints, such that it is required to be notified to AEMO. Once planned outages have reached a particular internal approval threshold, the outages are entered into AEMO's Network Outage Schedule (NOS).
- Both capital project and routine maintenance plans are often reviewed on a monthly basis, including project progress, resource requirements and impacts on the market and customers. Any amendments to outage plans are provided to AEMO.
- The potential for a planned outage to materially affect inter-regional and/or intra-regional network constraints is also reviewed. These can be multi-step reviews

made up of an initial screening followed by a more detailed review and often include an assessment of the outage to impact the Service Target Performance Incentive Scheme.

- Outages that have potential market impacts are often coordinated 13 months in advance and are kept under review. Depending on the predicted market impact, an outage start date may be delayed, its restoration brought forward or the entire outage may be cancelled and rescheduled for a time of less predicted market impact. Outages for which minimal market impact is expected may be coordinated between one and four months prior to an outage taking place.
- Businesses also conduct regular reviews of equipment ratings (under both system normal and upcoming outage conditions) and provide updated information to AEMO as appropriate.

Most businesses referred to policies promoting continuous review and improvement of systems and processes. One business also identified specific opportunities for improvement including greater integration and data sharing between various outage planning software systems which were originally developed independently and partially automating the provision of outage information to AEMO to allow the updating of outage information to be more promptly reflected within the NOS. Other businesses already have their outage software system linked with the NOS via the B2B interface, allowing automatic updates.

Network outages can significantly impact market outcomes and other market participants. The timely provision of information regarding planned outages allows AEMO and affected market participants to make informed decisions, therefore improving the likelihood of efficient market outcomes. Some of the responses highlighted a tension between providing early notification of outages versus maintaining flexibility to schedule and/or adjust outage timing to reduce the impact to the market. Maintaining the right balance requires regular re-evaluation by businesses of their approach.

We consider that the processes and review mechanisms outlined above should assist businesses in providing outage information to AEMO in accordance with clauses 3.7.2(e), 3.7.3(g) and 3.7A(n)-(p) of the Electricity Rules. We encourage all relevant parties to consider the above findings and review their arrangements for the provision of outage information to AEMO to identify whether improvements could be made.

2.5 Technical audits

Clause 4.15 of the Electricity Rules requires generators to institute and maintain compliance programs to meet their individual generator performance standards (GPS). These compliance programs must be consistent with the template published by the AEMC Reliability Panel, include procedures to monitor the plant in a manner consistent with good electricity industry practice and provide reasonable assurance of ongoing compliance.

Participants with sound compliance programs are best placed to meet their performance standards and associated obligations under the Rules. Each year, we undertake technical audits on different participants to ensure they have robust and effective compliance programs in place.

2.5.1 Tumut Power Station audit

This quarter we completed our technical compliance audit of Snowy Hydro Limited's 1800 MW Tumut Power Station (TUMUT3), which is one of several hydroelectric generating stations that form part of the Snowy Mountains Hydro Electric Scheme.

Our technical audit found that Snowy Hydro has instituted and maintains the requisite compliance program for its hydroelectric plant; however we identified the following relatively minor areas of improvement:

- the documented generator performance standards (GPS) compliance framework should cross-reference related processes under the overarching regulatory compliance program,
- given that Snowy Hydro has a decentralised GPS compliance framework in place, its Asset Management and Engineering section should implement a formal training program for relevant technical staff or incorporate related aspects into existing training, and
- Snowy Hydro should enhance the manner in which it prioritises technical compliance matters.

Overall, we are satisfied that Snowy Hydro's approach to technical compliance for TUMUT3 (and like hydroelectric units) should meet the requirements of clause 4.15 of the Electricity Rules.

2.6 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 of any act or omission which partly or wholly constitutes non-compliance with the Electricity Rules.

No non-compliances were reported this quarter.