

AEMO COMPLIANCE NOTIFICATION

PREPARED BY: Retail Markets & Metering

VERSION: 1.0

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Retail Market Participation

Introduction

This document outlines an apparent breach of Attachment 6, clause 2.3.1 of the *Retail Market Procedures (Victoria)* (Procedures) by the Australian Energy Market Operator (AEMO), which relates to the requirement on AEMO to calculate daily load when meter readings are not available.

Circumstances of Apparent Breach

Attachment 6, clause 2.3.1 of the Procedures states AEMO must estimate the consumed energy for a basic meter for a second tier supply point based on the weather measured in effective degree days and the base load and temperature sensitivity factor provided to AEMO by distributors under clauses 2.8.1(c) and 2.8.1(d).

Clause 2.8.1(d) of the Procedures states each distributor must use its reasonable endeavours to provide to AEMO a new base load and a new temperature sensitivity factor for each distribution supply point in its distribution area that is a second tier supply point by midnight on the business day before 30 April and 31 October of each year.

AEMO's normal process is to manually upload the new base load (BL) and temperature sensitivity factors (TSF) upon receipt of the data from each distributor. The data is then analysed and any exceptions are reported to the relevant distributor. The exceptions report captures discrepancies between AEMO and distributors meter register, these exceptions are principally related to incorrect MIRN status and differences in financially responsible person and usually are very small in number.

In November 2012, AEMO performed an ad-hoc review of its meter data process and discovered discrepancies in MIRN status affecting multiple sites across Victoria and Queensland jurisdictions. In order to remedy the immediate issue, AEMO requested distributors to provide the correct MIRN status via B2M transactions. To prevent double handling from both AEMO and distributors on correcting sites identified in the exceptions report and the issues identified in the review of meter data process, decisions were made to not generate the exceptions report until all sites identified in the review of meter data process were rectified. Subsequently internal AEMO correspondence was inadvertently misinterpreted and the upload of the new base load and temperature sensitivity factor was not performed as expected in November 2012.

In February 2013, AEMO identified the process was not performed and immediate action was taken to complete the process as soon as possible. On Monday 18 February 2013, the manual upload process was completed.

AEMO Decision: Apparent Breach is Not Material

Applying the criteria outlined in the AEMO Compliance Process (see Attachment A), AEMO regards the apparent breach of Attachment 6, clause 2.3.1 of the Procedures in relation to requirement on AEMO to calculate daily load using the latest BL and TSFs when meter readings are not available to be non-material for the following reasons:

Non-Materiality

Criterion 1: financial impact

There is no financial impact expected on any participant. The differences between the factors provided in the previous year and the current update are small. The small variations between the estimates are removed when the estimations of daily load used in settlements are replaced by actuals at the time of revision settlement.

Criterion 2 and 3: system and operational impact

There were no market systems or operational impacts on Participants or AEMO.

Criterion 4: Any other factors

None.

Assessment:

AEMO's apparent breach of the Procedures has had no material impact on any participant or AEMO. As specified above, the cause of this apparent breach was due to misinterpretation of internal correspondence. AEMO has since introduced a peer review of its manual upload process to mitigate the risk and likelihood of occurrence. AEMO considers this apparent rule breach to be non-material and AEMO has put in place peer review processes to minimise reoccurrence of future breaches of clause Attachment 6, clause 2.3.1.

ATTACHMENT A: AEMO COMPLIANCE PROCESS

Criteria AEMO will use in considering whether:

- i. An incident is material; and**
- ii. If the incident is material, whether it should be referred to the AER.**

Criteria to consider in assessing materiality of apparent breach

The following criteria will be used by AEMO in determining whether an apparent breach is material in nature:

1. Whether or not the apparent breach is likely to cause significant financial impact on either of the following:
 - a. Market Participants;
 - b. AEMO, including the Gas Retail Market Business System;
 - c. End use customers;
 - d. AEMO stakeholders.

2. Whether or not the apparent breach is likely to cause significant market system impact on either of the following:
 - a. Market Participants;
 - b. AEMO; including the Gas Retail Market Business System;
 - c. AEMO stakeholders.

3. Whether or not the apparent breach is likely to use significant operational impact on either of the following:
 - a. Market Participants;
 - b. AEMO; including the Gas Retail Market Business System;
 - c. End use customers;
 - d. AEMO stakeholders.

4. Any other factors considered relevant by AEMO.

Criteria to consider in referring a material apparent breach to AER

The checklist is the process AEMO will use to determine whether an apparent breach, if considered material, should be referred to the AER.

In determining whether or not a material apparent breach warrants referral to the AER, AEMO may have regard to the following matters:

1. Whether the complaint is frivolous or vexatious.
2. Whether the apparent breach has resulted in any costs being borne by AEMO (and therefore the market as a whole).
3. Whether or not the apparent breach appears to have arisen as a result of problems with the design/operation of the Procedures.
4. Whether the apparent breach by a Market Participant was caused by the conduct of AEMO.
5. Whether the apparent breach is an isolated event, or indicates a systemic problem with compliance.
6. Whether the apparent breach appears to have been made intentionally or maliciously.
7. Whether remedial action was taken by the Market Participant following discovery of the breach.
8. Whether the apparent breach has a potential anti-competitive effect.
9. Any other matters considered relevant by the AEMO.

ATTACHMENT B: *National Gas Law*

(From *National Gas (South Australia) Act 2008* – note: individuals are responsible for using the latest version of the Procedures/legislation)

91MB—Compliance with Retail Market Procedures

- (1) AEMO and each person to whom the Retail Market Procedures are applicable must comply with the Procedures.
- (2) However, if there is an inconsistency between an applicable access arrangement and the Retail Market Procedures, a person is, to the extent of the inconsistency, not required to comply with the Procedures.
- (3) If AEMO has reasonable grounds to suspect a breach of the Retail Market Procedures, it must, after making such inquiries and investigation as it considers appropriate, make a decision as to whether the breach is a material breach.
- (4) If AEMO decides the breach is material, AEMO—
 - (a) must publish the decision and the reasons for it on its website; and
 - (b) may direct the person suspected of the breach to rectify it or to take specified measures to ensure future compliance (or both); and
 - (c) may refer the breach to the AER.
- (5) A direction by AEMO under subsection (4)(b) must—
 - (a) specify the breach; and
 - (b) specify the date by which the direction is to be complied with; and
 - (c) be addressed to, and given to, the person suspected of the breach.
- (6) A person to whom a direction is given under subsection (4)(b) must comply with the direction.
- (7) AEMO must give a copy of its decision under subsection (3), its reasons for the decision and (if relevant) any direction under subsection (4)(b) to the AER.
- (8) If AEMO decides the breach is not material, AEMO must—
 - (a) publish the decision and the reasons for it on its website; and
 - (b) give a copy of the decision and the reasons for it to the AER.

Note—

AEMO may provide the AER with relevant information (including protected information) related to a suspected breach of the Procedures. (For disclosure of protected information, see section 91GC(2)(b).)