

# AEMO COMPLIANCE NOTIFICATION

PREPARED BY: Retail Market Development

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**BLUESCOPE STEEL LIMITED**

## Retail Market Participation

### Introduction

This document outlines an apparent breach of the *Retail Market Procedures (NSW and ACT)* (Procedures) by BlueScope Steel Limited (BlueScope) concerning their participation in the NSW retail gas market. AEMO considers that BlueScope has committed an apparent breach of clause 45.2 of the Procedures, which requires participants to comply with the *Interface Control Document* (ICD) in respect of the provision of information, giving of notice, delivery of notices or documents and making of requests, and the receipt of information, notices, documents, or requests, as contemplated by the Procedures.

### Circumstances of Apparent Breach

#### Background

BlueScope operates facilities at Erskine Park and Port Kembla in NSW that are large users of gas. As such, BlueScope has registered as a self-contracting user (SCU) for the purposes of participation in the NSW gas market. In its capacity as a SCU, BlueScope is a User of Delivery Points in Erskine Park and Port Kembla that are connected to the NSW-Wilton network section. This network section is part of the short-term trading market (STTM) that utilises the Sydney STTM Hub. As such, BlueScope needs access to certain data from AEMO's Gas Retail Market Business System (GRMBS) to assist with its STTM operations.

BlueScope previously had operational infrastructure to comply with connectivity requirements with GRMBS under clause 45.2 of the Procedures through a solution arranged via a third-party service provider. In late 2011, BlueScope determined that the connectivity solution provided by the third-party provider was no longer necessary, as there was no perceived requirement for the interface to GRMBS that was offered by the provider. After discontinuing its arrangement with a third-party provider, BlueScope lost connectivity with GRMBS and was in breach of the Procedures. In March 2012, AEMO became aware of this situation and informed BlueScope that under clause 45.2 of the Procedures it was required to connect to the GRMBS. As such, AEMO requested that BlueScope undergo New Entrant Testing. BlueScope completed this testing and provided self-certification to AEMO on 20 September 2012. AEMO considers that BlueScope is currently compliant with the requirements under clause 45.2 of the Retail Market Procedures.

#### Clause 45.2

The relevant Procedures for the period of BlueScope's breach are version 8 and version 10 of the Retail Market Procedures (NSW and ACT). Version 8 was applicable until version 10 commenced on 3 September 2012. Both versions of the Procedures are relevant to this issue.

Clause 45.2 of version 8 of the Procedures states:

#### **45.2 Interface Control Document**

- (1) AEMO must publish and amend from time to time in accordance with the ordinary process for making Procedures under the Rules a document which sets out the technical steps that the market participant must take in order to supply data to, or interact with, the GRMBS ("Interface Control Document").
- (2) A market participant must connect and use the GRMBS in accordance with the version of the Interface Control Document supplied to the market participant by or on behalf of AEMO from time to time.

...

Clause 45.2(3) of version 10 of the Procedures states:

**45.2 Interface Control Document**

...

**(3) Effect**

- (a) *AEMO and each user and network operator must comply with, and is bound by, the Interface Control Document in respect of the provision of information, giving of notice, delivery of notices or documents and making of requests, and the receipt of information, notices, documents or requests, as contemplated by the Procedures.*
- (b) *In relation to the communications contemplated in clause 45.2(3)(a), subject to AEMO's discretion, a self-contracting user that is a current user for delivery points that are not located in a STTM network section or a no OBA network section or an OBA network section may communicate directly with a relevant network operator outside of the requirements of the Interface Control Document in a manner that is otherwise consistent with the Procedures.*

In both version 8 and version 10 of the Procedures, clause 45.2 requires a participant to be able to connect to and to transmit data using the GRMBS. Since discontinuing its arrangement with a third-party provider, BlueScope lost connectivity with the GRMBS.

AEMO contends that BlueScope was in breach of clause 45.2 of both version 8 and version 10 of the Procedures. The amendments to clause 45.2 in version 10 of the Procedures (effective from 3 September 2012) did not affect BlueScope's apparent breach of the Procedures, as the exemption available to SCUs under clause 45.2(3)(b) does not apply to self-contracting users who are current users for delivery points in an STTM network section.

BlueScope was made aware of the breach and made subsequent arrangements to resolve the issue. BlueScope notified AEMO that they planned to develop an in-house system to connect to GRMBS in accordance with the ICD protocol. BlueScope has since carried out testing successfully and has self-certified its connectivity with GRMBS in line with the Procedures and AEMO's requirements. AEMO considers that BlueScope is currently compliant with the requirements under clause 45 of the Procedures.

**AEMO Decision: Apparent Breach is Not Material**

AEMO is required to assess the materiality of breaches of the Procedures and if it determines that the breach is material may direct a person suspected of a breach to take remedial action.

Clause 45.2

The GRMBS system is crucial to the operation of the STTM market that operates on the NSW-Wilton Network Section. As an SCU in an STTM network section, BlueScope must have access to certain GRMBS provided data to assist with its own STTM operations. However, this lack of connectivity does not have a material effect on any other participant.

Materiality

Criterion 1: financial impact

There is no financial impact on any participant as a result of the breach.

Criterion 2 and 3: system and operational impact

The failure to communicate with the GRMBS does not have any practical operational impact as BlueScope does not use the STTM in a way that affects other market participants. BlueScope's failure to receive notifications means that some communications between BlueScope and other market participants may have occurred outside of GRMBS. This non-prescribed format of communication has no material effect on the market.

#### Criterion 4: Any other factors

Once BlueScope were made aware of the issue they took positive action to resolve the alleged breach. BlueScope currently has connectivity with GRMBS and is fully compliant with the Procedures.

#### Assessment:

BlueScope's failure to comply with clause 45.2 has had no material impact on any other market participant. The inability for BlueScope to send or receive notifications through GRMBS has had some operational impact on BlueScope but this has been mitigated by BlueScope's limited need to send and receive market information.

## 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 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).)