Synergy's considerations and position on GMI IN001/18W

Invitation to present to GRCF

synergy

Background

The GRMP, clause 325, currently does not oblige participants to:

1. implement a self-reporting compliance framework and controls; and
2. self-report non-compliances under the GRMP.

The GRMP, clause 325, currently only provides for a person to notify AEMO if they reasonably believe that another participant has not complied with the GRMP.

Amendments to the AEMO Scheme must be submitted to the ERA under the Energy Coordination Act 1994 (WA) for approval. The ERA must give regard to section 26 of the Economic Regulation Authority Act 2003 in relation to this function.

The ERA has established a self-reporting compliance framework and principles under its electricity generation, transmission, distribution and retail and gas trading and distribution licencing frameworks in Western Australia.

GMI IN001/18W proposes amendments to the GRMP in relation to establishing a self-reporting compliance framework.

AEMO requires participants to accept (or not accept) IN001/18W and 20W as a single consolidated package.

Purpose of this presentation

Synergy has made two submissions in relation to GMI IN001/18W – not supporting the proposed amendments as drafted.

AEMO has invited Synergy present its position to the GRCF on the proposed compliance reporting framework outlined in GMI IN001/18W.

AEMO has made available all participant submissions on IN001/18W to the GRCF.

Synergy is pleased to present to the GRCF. This presentation is provided to the GRCF:

1. In the interest of transparency and provides an overview of the matters Synergy considered and discussed with AEMO in relation to GMI IN001/18W.

2. To highlight key factors of the ERA's compliance and reporting framework currently operating in Western Australia.

Context

Compliance reporting principles underpinning IN001/18W

AEMO considers - "The phrase 'ought to have become aware' is in the current Procedures and is equally applicable to self-reporting breaches as they place an obligation on participants to take reasonable steps to identify and report breaches, so a participant cannot willingly remain ignorant of breaches and therefore extend the time for reporting." (refer AEMO feedback on GMI IN001/18W).

The interpretation of this phrase is not in-consistent with Synergy's views.

Synergy has sought regulatory clarity from AEMO on what constitutes "reasonable steps to identify" under a reporting and compliance framework given this is not reflected in the absolute obligations drafted and proposed under IN001/18W.

ERA Reporting and Compliance Principles	IN001/18W Reporting and Compliance Principles
The ERA's reporting and compliance regime seeks to balance: 1. The cost to licensees of monitoring and reporting against their compliance obligations. 2. Providing appropriate incentives to licensees to ensure they comply with regulatory obligations, and provide a mechanism to respond to instances where non-compliances become systemic. Regulatory certainty is provided through a published compliance reporting manual that is regularly updated.	1. Must monitor and report on all obligations and controls within 30 business days. 2. Must ensure participants cannot remain or be ignorant of breaches in relation to all obligations and associated controls.

Context

Implementing a reporting and compliance framework under IN001/18W

Effective compliance reporting is dependent on first having an effective compliance framework in place – where individual obligations are linked to controls and responsible teams.

A reporting and compliance framework established under the scheme should apply equally to AEMO and participants.

Therefore, to achieve the standard required under IN001/18W for reporting all breaches within 30 business days participants must have an effective compliance framework that:

1. Can monitor and report on all obligations and controls within 30 business days.
2. Ensure participants cannot remain or be ignorant on all obligations and associated controls.

Synergy considers (preliminary estimate) that there is approximately 300 - 500 individual control obligations in the RMP and Specification Pack that will require participants to put in place controls, assign responsibilities, assign risks, trigger reviews, assign incidents, monitor and automatically trigger compliance reports. The number of these obligations is considerably more than what Synergy has for compliance reporting to the ERA under its electricity licensing framework.

ERA requires electricity retailers to report on approximately 233 obligations. Synergy currently performs these compliance, monitoring and reporting activities using its enterprise compliance management system.

Synergy considers there are approximately 80 key obligations in the GRMP that materially affects competition and the effectiveness of the gas retail market operations.

Context

Implementing a reporting and compliance framework under IN001/18W

ERA Compliance Reporting Framework Electricity Retailer	GRMP Compliance Reporting Framework Gas Retailer Information sought by Synergy
Reportable obligations - 233	Reportable obligations – ? (To be confirmed)
Reportable controls - > 587 controls (for Synergy)	Reportable controls – ? (To be confirmed) It will be easier for participants to determine the applicable (system, process, people) controls if there was a materiality threshold defined for the obligations.
Regulatory instruments covered – 10	Regulatory instruments covered: • GRMP • GRMP Build Pack documents

Why Synergy has not supported GMI IN001/18W in its current form

Synergy has not supported GMI IN001/18W in its current form because:

1. The standard of compliance reporting proposed in the GMI is materially more onerous and will be more costly than the framework adopted by the ERA. Especially, given the small number of gas customers Synergy services compared to the larger number of electricity customers Synergy services.

2. The proposed reporting approach treats the vast majority of GRMP requirements the same irrespective of materiality for reporting purposes.

3. The principles contemplated under GMI IN001/18W is not aligned with the reporting and compliance regime principles published by the ERA (outlined further in this presentation) that Synergy considers could be considered for GRMP application.

4. Synergy does not support the GMI IN001/18W framework in its current format and considers the same outcome can be achieved with a more balanced reporting and compliance framework and policy.

5. Synergy considers the proposed (principles) in GMI IN001/18W is not consistent with a best practice reporting and compliance framework and does not provide sufficient regulatory certainty.

Because of the material impact of this GMI Synergy has sought substantiation of this proposal under clause 7A of the RMP given there is no evidence to date of market failure in relation to compliance reporting.

Alternative consideration

Synergy supports:

- A reporting and compliance framework that applies equally to all parties.
- A reporting and compliance framework that provides regulatory certainty.
- Self-reporting based on a materiality threshold.
- Immediate reporting of material (major) non-compliances.
- Annual reporting of non-material (moderate/minor) non-compliances.

Synergy considers the principles underpinned by the ERA's compliance and reporting framework is effective and has been proven.

AEMO requires participants to accept (or not accept) IN001/18W and 20W as a single consolidated package.

Thank You

Synergy would like to thank AEMO for the opportunity to present to the GRCF