

National Gas Law Annual Compliance Order

Jemena Gas Networks (NSW) Ltd Annual Compliance Report for 2016–17

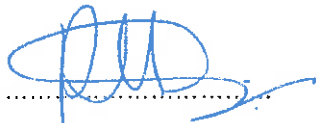
Statement of Compliance

PAUL ADAMS

I being a Director of Jemena Gas Networks (NSW) Ltd, ABN 87 003 004 322 (JGN), provide this Statement of Compliance in respect of the attached Annual Compliance Report (Report) for the 12 month period ending 30 June 2017 (Reporting Year).

1. The Report is accurate and can be relied upon by the Australian Energy Regulator (AER):
 - (a) as a true and fair representation of JGN's operations and ownership of the Jemena Gas Network in the Reporting Year; and
 - (b) in the performance or exercise of its functions or powers under the National Gas Law or the National Gas Rules.
2. To the extent that the Report relies on information and documentation that is prepared, kept, or maintained by JGN, that information and documentation is accurately represented.
3. The Report is not false or misleading.
4. The Report is provided in accordance with the Annual Compliance Order made by the AER and is complete.

Signed:



Director of Jemena Gas Networks (NSW) Ltd

Date:

17 Oct 17

NATIONAL GAS LAW ANNUAL COMPLIANCE ORDER

JEMENA GAS NETWORKS (NSW) LTD ANNUAL COMPLIANCE REPORT FOR 2016–17

(Format reproduced from Attachment 1 to the
Annual Compliance Order.)

Attachment 1 - Matters to be specifically addressed annually by service providers and related providers

Note: In addressing these matters, the information and documentation provided must only cover the relevant Compliance Period as defined in the Order.

1. General duties for the provision of pipeline services of covered pipeline services by a service provider

1.1 Legal entity

(a) *Nominate the type of legal entity the service provider is according to the specified kinds of legal entity in section 131 of the NGL.*

JGN response:

The service provider, Jemena Gas Networks (NSW) Ltd (**JGN**), is a legal entity registered under the *Corporations Act 2001* (Cth) (NGL s131(a)).

(b) *What is the registered business name and ABN of the service provider legal entity providing the covered pipeline service?*

JGN response:

The registered business name of the service provider is Jemena Gas Networks (NSW) Ltd, ABN 87 003 004 322.

(c) *Provide an outline of the group structure which is controlled by or which the service provider is a part (including identification of the head company, nature of investment or entity, relationship to the service provider and proportion of assets owned/share of investment within the group). This should include any assets (businesses) it owns or that own it. The group structure should include business that are beneficially controlled such as trustee companies, jointly owned or operated business such as partnerships or joint ventures, businesses that are significant investments or controlled. This can also be represented as an organisational chart.*

JGN response:

Attachment 1 contains an organisational chart which describes the corporate structure of which JGN was a part during the reporting period.

1.2 Preventing or hindering access

(a) Is the service provider aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL?

JGN response:

JGN is not aware of any claim that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL.

1.3 Supply and haulage of natural gas

(a) Does a producer supply natural gas through the covered pipeline at a place other than the exit flange of the producer's processing plant?

JGN response:

JGN cannot know if a network user is a producer within the meaning of the National Gas Law. (JGN notes that this question relates to section 134 of the NGL which does not impose any obligation on a service provider.)

1.4 Queuing requirements

(a) Has the service provider complied with the queuing requirements of the applicable access arrangement during the year?

JGN response:

Yes. There was no occasion during the reporting period when JGN received a request that required a queue to be formed.

1.5 Service provider providing light regulation services must not price discriminate

(a) Does the service provider provide light regulation services?

JGN response:

JGN does not provide any light regulation services.

(b) If so, are there any differences in the prices of the provision of those services? Please provide an explanation as to why these price differences exist.

JGN response:

Not applicable.

2. Structural and Operational Separation Requirements (Ring Fencing)

2.1 Carrying on of a related business

(a) Provide a list of associates of the service provider that take part in a related business and for each associate describe what the nature of the related business is.

JGN response:

None of JGN's associates takes part in a related business.

(b) Provide a list of associates that are service providers and/or provide pipeline services.

JGN response:

The following associates of JGN were service providers and/or provided pipeline services during the reporting period:

- Jemena Colongra Pty Ltd
- Jemena Eastern Gas Pipeline (1) Pty Ltd
- Jemena Eastern Gas Pipeline (2) Pty Ltd
- Jemena Networks (ACT) Pty Ltd
- ActewAGL Distribution
- Jemena Queensland Gas Pipeline (1) Pty Ltd
- Jemena Queensland Gas Pipeline (2) Pty Ltd
- Jemena VicHub Pipeline Pty Ltd

2.2 Marketing staff and the taking part in related businesses

(a) Provide a list of associates of the service provider that are directly involved in the sale, marketing or advertising of pipeline services.

JGN response:

Interpreting this to require a list of associates of JGN that are directly involved in the sale, marketing or advertising of pipeline services where the pipeline services may be those of the associate, JGN or any other service provider, those associates are:

- Jemena Colongra Pty Ltd
- Jemena Eastern Gas Pipeline (1) Pty Ltd
- Jemena Eastern Gas Pipeline (2) Pty Ltd
- Jemena Northern Gas Pipeline Pty Ltd
- ActewAGL Distribution
- Jemena Queensland Gas Pipeline (1) Pty Ltd
- Jemena Queensland Gas Pipeline (2) Pty Ltd
- Jemena VicHub Pipeline Pty Ltd
- Jemena Asset Management

- (b) *Provide a statement as to whether or not any of the service provider's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.*

JGN response:

None of JGN's associates takes part in a related business. Accordingly, none of JGN's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.

- (c) *Provide a statement as to whether or not any of the service provider's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.*

JGN response:

None of JGN's associates takes part in a related business. Accordingly, none of JGN's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.

2.3 Separate accounts must be prepared, maintained and kept

- (a) *Provide a statement as to whether or not the service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by every covered pipeline owned or operated by the service provider.*

JGN response:

JGN operates four covered pipelines, which are and have always been consolidated for access purposes. JGN's only and entire business is to own, control and operate those pipelines. Consistent with the consolidation, JGN has prepared, maintained and kept a single set of accounts for its business.

- (b) *Name the legal entity or entities in which the separate accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?*

JGN response:

The accounts referred to in (a) above are in the name of JGN.

- (c) *Provide a statement as to whether or not the service provider has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.*

JGN response:

JGN has prepared, maintained and kept a single set of accounts being the set of accounts referred to in (a) above.

(d) Name the legal entity in which the consolidated set of accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?

JGN response:

The accounts referred to in (c) above are in the name of JGN.

(e) Provide a copy of the most recently lodged annual financial reports with the Australian Securities and Investments Commission or if no such reports exists other similar audited financial reports prepared for or provided to a state or territory department, agency or body under relevant state or territory legislation. These financial reports may be the consolidated set of accounts in respect to the whole of the business of the service provider, and if also separately lodged with the Australian Securities and Investments Commission the most recently lodged annual separate set of accounts in respect of the services provided by the service provider.

JGN response:

A copy of JGN's special purpose financial report for the year ended 31 December 2015 is attached (**Attachment 2**). The report was submitted to the Australian Securities and Investments Commission in April 2017.

2.4 Additional ring fencing requirements or exemptions

(a) Does the service provider have any additional ring fencing requirements?

JGN response:

JGN has no additional ring fencing requirements.

(b) What are these requirements?

JGN response:

Not applicable.

(c) Provide a statement that these additional ring fencing requirements have or have not been met.

JGN response:

Not applicable.

(d) Does the service provider have any exemptions for the minimum ring fencing requirements?

JGN response:

JGN has no exemptions for the minimum ring fencing requirements.

(e) What are these exemptions?

JGN response:

Not applicable.

(f) By what jurisdictional regulator and when where these exemptions granted?

JGN response:

Not applicable.

2.5 Associate contracts

(a) Has the service provider entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract?

JGN response:

JGN has not entered into or given effect to any new associate contracts or varied the terms and conditions of an existing associate contract during the reporting period.

(b) For each new or varied associate contract, please indicate the date the new or varied associate contract was entered into or given effect?

JGN response:

Not applicable.

(c) For each new or varied associate contract, please indicate if the contract or variation was approved by the AER and the date that it was approved?

JGN response:

Not applicable.

(d) If the associate contract was not approved by the AER, please indicate what date the new or varied associate contract was provided to the AER?

JGN response:

Not applicable.

Note: An 'associate contract' is defined under the NGL to include arrangements or understandings and is not limited to written contracts.

3. Other requirements

3.1 Making access arrangement or terms and conditions of access available

(i) Ensuring applicable access arrangement and other specified information is available on website

(a) Has the service provider published the approved access arrangement on its website?

JGN response:

Yes.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

JGN response:

JGN has maintained a 'live' version of its AA on its website. This was made available from 1 July 2015 and is currently available on the Jemena website at:

<http://jemena.com.au/about/document-centre/gas/access-arrangement>

(c) Has the service provider received any requests from the AER to provide to prospective users generally other information specified as reasonably necessary to determine if access should be sought.

JGN response:

There have not been any relevant requests from the AER during the reporting period.

(d) Please provide details of when and how this request was met.

JGN response:

Not applicable.

(ii) Publishing approved competitive tender process access arrangement

(a) Where there is an approved competitive tender process access arrangement in place for a covered pipeline, has the service provider published the approved access arrangement on its website?

JGN response:

Not applicable.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

JGN response:

Not applicable.

(iii) Publishing terms and conditions of access to light regulation services

(a) Where there is access to light regulation services on a covered pipeline, has the service provider published tariffs and other terms and conditions for these services on its website?

JGN response:

Not applicable.

(b) Please provide the website address where this information can be accessed and the date that this information was first made available on the website.

JGN response:

Not applicable.

(c) Has the service provider had access negotiations regarding light regulation services? If so, the following will need to be reported, the name of the party requesting the service, the pipeline service requested, and the outcome of the access negotiations.

JGN response:

Not applicable.

3.2 Access determinations

(a) Has the service provider been party to an access determination?

JGN response:

No.

(b) When did the access determination become operative?

JGN response:

Not applicable.

(c) For what period is the access determination in place?

JGN response:

Not applicable.

3.3 Confidentiality

(a) Provide a statement that the confidentiality requirements under rule 137 of the National Gas Rules have or have not been met.

JGN response:

There were three instances during the reporting period where the confidentiality requirements under rule 137 of the NGL were not met: : All of these involved provision of customer metering data to the customers' outgoing retailer.

The first non-compliance spanned the period of the this reporting period and the 2015-16 reporting period and was reported to the AER in our 2016 response to the annual compliance order. It is replicated below.

The non-compliance was due to JGN mistakenly providing confidential information (meter reading data) for 33 customers to third parties following the implementation of JGN's new SAP systems on 2 May 16.

In preparation for the new SAP systems implementation, JGN's GASS system and associated market interfaces were taken offline, from 5:00pm on 26 April 2016 to 8:00am 2 May 2016. This period is known as the 'cutover period'. During the cutover period, AEMO's system continued to process and complete transfers which were 'in-flight' at the time of JGN's system shutdown (i.e. transfers that had had been requested by retailers prior to 5.00pm on 26 Apr 16, but where the transfer of the relevant MIRN from one retailer to another had not been completed). However, due to the shutdown, JGN's system did not receive the relevant market transactions to update the details of the incoming retailer. This resulted in mismatches between AEMO's system and JGN's new SAP system for 325 customers, whereby JGN's system continued to record the outgoing retailer as responsible for the relevant customer's site, despite the incoming retailer being shown as being responsible in AEMO's system. This issue was only identified in May 2016, after the end of the cutover period.

Once identified, the mismatches were corrected in JGN's SAP system. However, for 46 of the 325 customers, the corrections in JGN's system were not completed prior to the first billing period (post cutover). Consequently, incorrect meter reading data was made available by JGN to the incorrect retailer for these customers for one billing period, as follows:

- 13 customers - billing period from May 2016 to June 2016 (this non-conformance relates to the 2015-16 reporting year, but is included in this report for completeness given that it relates to the same incident)
- 33 customers - billing period from July 2016 to September 2016.

This was a one-off scenario where JGN's SAP system was not manually updated with the correct information prior to the first billing cycle for the affected customers following the cutover period.

Where the metering data was made available to the third parties (the outgoing retailers), JGN reversed the meter read and then published it to the correct retailer.

The second non-compliance was due to a SAP system weakness when processing period read meters . A single period read customer requested to

transfer on 1 July 2016. While JGN had a 30 June 2016 meter reading available, the system failed to recognise it and therefore did not complete the transfer. Incorrect meter reading data was made available to the outgoing retailer for one billing period.

Since JGN identified the error, it has introduced a manual process and control to ensure the system has a valid meter reading that enables the transfer to correctly process. JGN has also reviewed its end-to-end demand transfer process (as described in our response to 3.3(b)), resulting in a number of actions to reduce further risk these types of non-compliances.

The third non-compliance was due to system weaknesses when processing demand transfers on 1 January 2017. Three separate issues caused a total of eight demand customer transfers to fail and information being sent to the outgoing retailer. These issues were as follows:

- To process a demand transfer, JGN's Market System Interface (MSI) system extracts standing data and metering data from JGN's SAP system. A coding issue in the program used to extract this data from JGN's SAP system resulted in the retrieval of one record associated with each meter at a delivery point. However, for one customer transfer, one of the meters at a delivery point had been changed, refurbished and linked back to the delivery point, which meant there were two streams of metering data associated with a single meter number at that delivery point. However, JGN's MSI system was configured to extract only one stream of metering data. This misalignment of data caused the transaction to go into error and the transfer did not progress in SAP.

Upon identifying this error, JGN corrected the system coding to ensure MSI receives the correct metering data to rectify the issue (i.e. complete the transfer for this single demand customer) and prevent this error re-occurring. The change was put into effect on 9 January 2017.

- JGN's MSI system triggers a system generated objection to a customer transfer when the customer does not have the haulage right to deliver gas to a part of the network. In this instance for a single demand customer, the standing data associated with the delivery point was converted to SAP incorrectly, so MSI raised a system generated objection to a customer transfer request. As at 1 January 2017, system generated auto-objections were not allocated to a task list, which meant that JGN staff were unable to see that an objection had been raised in relation to the customer transfer and take action to fix the error.

This error was identified and rectified on 6 January 2017. On 7 August 2017 JGN put in place an system alert that sends an email to the relevant team if an objection has been raised in relation to a demand or volume customer transfer, which enables JGN staff to withdraw the objection if it is incorrect. By 12 January 2017 JGN also rectified the incorrectly recorded receipt points in SAP.

- JGN's SAP system includes a "register group", which is used to differentiate a basic meter from an interval meter. When a meter is changed, this field defaults to a basic meter, and is required to be manually updated by staff if the meter is an interval meter. A misalignment between the meter type at a delivery point and the meter type recorded in the SAP system resulted in the transfer process failing on 1 January 2017 for six separate demand customers.

This transfer failure was identified on 6 January 2017 and rectified on 9 January 2017.

On 6 January 2017, JGN's Interval Data Management team updated its work processes to ensure the meter field is updated in SAP at the same time as the meter is changed.

Where the metering data was made available to the third parties (the outgoing retailers), JGN reversed the meter read and then published it to the correct retailer. As far as JGN is aware, no person or entity has suffered detriment as a result of the disclosure.

JGN's review of its end-to-end demand transfer process (described in our response to 3.3(b)) includes actions to reduce further risk of these types of non-compliances, including the potential to automate where this is cost-effective.

(b) Has the service provider established an internal protocol or policy guideline or procedure manual for the handling of confidential information?

If so please provide the AER with the relevant policy document

JGN response:

SGSP (Australia) Assets Pty Ltd has implemented and maintains a ring-fencing training program for all relevant subsidiaries, including JGN, which emphasises the importance of ensuring that confidential information is handled properly and that any breaches or possible breaches are reported promptly. That training was completed by 1,128 personnel during the reporting period. Ring-fencing requirements, including provisions relating to confidential information, are also described in induction material provided to new employees.

Jemena also maintains a compliance management system. The confidential information provisions of the NGL are included in the system which, among other things, delivers compliance questionnaires to responsible managers in the business on a periodic basis. This process serves to maintain awareness of the obligations and reinforces responsible managers' accountabilities for ensuring compliance.

Additionally, in response to the AER's letter of 7 June 2017, JGN undertook a review of its existing quality assurance procedures to further minimise the risk

of unauthorised disclosure of confidential customer information. This review identified 16 actions, which have either been implemented or are targeted for completion before 31 December 2017. Details of that review and the actions are contained in the response provided to AER on 7 September 2017.⁶

3.4 Bundling

(a) Has the service provider bundled any of its services when providing access or negotiating access with a prospective user?

JGN response:

No. JGN's 2015-20 AA has a single reference service, the Haulage Reference Service.

(b) If so, provide a description of the bundled services and related conditions of access.

Not applicable.

⁶ Jemena Gas Networks (NSW) Ltd, JGN review of quality assurance procedures. Response to AER letter regarding JGN breaches of r137 of NGR.

ATTACHMENT 1

Question 1.1(c) – corporate structure of which JGN was a part during the reporting period

The organisational chart in this Attachment 1 show the corporate structure of which JGN was a part during the reporting period.

