

Quarterly Compliance Report:

National Electricity and Gas Laws

July - September 2015

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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 July to 30 September 2015 (the September 2015 quarter).

This quarter we provide an overview of a number of compliance matters in the gas markets and highlight that in some circumstances, failures to comply with the Bulletin Board obligations set out in the Gas Law and National Gas Rules (Gas Rules) can attract civil penalties. In electricity, we report the findings of a targeted compliance review of the obligations relating to the provision of Short Term Projected Assessment of System Adequacy (ST PASA) inputs.

**Gas**

For the Short Term Trading Market (STTM), we discuss AGL’s commissioning of the Newcastle Gas Storage Facility. During this process, AGL alerted the AER to a number of matters that it considered may have impacted the Sydney STTM. AGL put in place a number of initiatives to minimise the market impact of its activities and approached the AER and AEMO to work together to manage other aspects of the process. We welcome this approach and encourage all participants to self-report compliance issues.

This quarter, the AER participated in the Australian Energy Market Commission’s (AEMC) information provision working group as part of the East Coast Gas Market Review. Among other things, the working group examined the provision of information to the Natural Gas Service Bulletin Board (Bulletin Board). We presented our approach to compliance and enforcement of obligations for the Bulletin Board and an overview of the penalty regime that applies to breaches of Bulletin Board obligations which are listed as civil penalty provisions in section 3 of the Gas Law. With the development in Queensland of liquefied natural gas (LNG) trains and the need for greater transparency regarding gas production and flows, it is critical that participants provide accurate, complete and timely Bulletin Board information. We encourage participants to review their arrangements for providing Bulletin Board information to ensure compliance with the Gas Law and Rules.

**Electricity**

During this quarter we conducted a targeted compliance review of the obligations relating to the provision of ST PASA inputs under clause 3.7.3(e) of the National Electricity Rules (Electricity Rules). It is important that participants provide accurate ST PASA inputs as they assist AEMO to determine whether it needs to intervene in the market (and the form of that intervention), and also provides information to market participants on the expected level of short term reserve capacity. Given that the capability of generators can be affected by ambient temperature and that there is often a tight supply/demand balance over the summer period, we considered this a timely review to assess whether participants have sufficient processes in place to facilitate the obligations relating to ST PASA inputs. We asked six participants to provide details of the systems and processes used to determine and modify ST PASA inputs and review mechanisms which are used to ensure the accuracy of these inputs. A number of common themes emerged in the responses, all of which are outlined in section 2.2 of this report. We encourage all Scheduled Generators and Market Participants to consider our findings and to review their own arrangements for the provision of ST PASA inputs to identify whether they could make improvements to this process.

# 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 participants[[1]](#footnote-1) and other persons
* investigating breaches, or possible breaches, of provisions of the legislative instruments under our jurisdiction.

Consistent with our statement of approach,[[2]](#footnote-2) 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 a continuous 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.

# Gas

We are responsible for monitoring, investigating and enforcing compliance with the Gas Law and Rules, including but not limited to, the STTM, the Victorian gas market, the Bulletin Board and the Gas Supply Hub (GSH).

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

## 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.

### Demand forecasting

Rule 410 of the Gas Rules sets out the requirements in respect of demand forecasts (price taker bids). Namely, that they must be submitted to AEMO in good faith and be the best estimate of the quantity the participant expects to 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

During the quarter we closed a matter with Origin Energy regarding demand forecasting errors over May and June 2015.

Origin explained that a number of the variances were due to inaccurate weather forecasts which were exacerbated by provisional allocation data runs. Additionally, on one occasion, the error was caused by Origin’s systems failing to properly take account of a public holiday. Origin has made improvements to its demand forecasting systems so that this particular issue does not reoccur. We are satisfied with the steps Origin Energy has taken in relation to this issue and will continue to monitor its demand forecasting performance.

#### AGL

We also closed a matter regarding AGL’s demand forecasting, following an over forecast on one gas day and an under forecast on another.

In response to the AER’s inquiries into these demand forecast errors, AGL explained that on both days, the inaccurate forecasts were caused by changes in customer demand that AGL was not informed of and therefore did not expect. AGL has since reviewed its communication processes and protocols with its large customers in an effort to improve the way they provide information to AGL.

These circumstances are not unique to AGL. Any participant in the STTM who relies on other parties contributing to its overall demand forecast would likely be faced with a similar risk. However it is the participant (in this case, AGL) who has the responsibility to comply with the relevant obligations under the Gas Law and Rules.

We expect participants to have systems and processes in place to ensure good communication with all customers to allow a timely and accurate submission of demand forecasts. We consider not doing so risks not meeting the standard of good gas industry practice.

### Renominations on the MAP and SEA Gas pipeline

Rule 399(6) of the Gas Rules states that a shipper must not make a nomination or renomination in respect of an STTM pipeline for the purpose, or primary purpose, of creating or increasing a pipeline deviation for which Market Operator Service (MOS) may be required.

On 20 and 22 July 2015, Origin incorrectly nominated supply quantities on pipelines delivering gas to the Adelaide hub. This resulted in pipeline deviations that may have contributed to the significant quantity of MOS required in the hub. In particular there were discrepancies between the scheduled and allocated quantities of supply following renominations on the Moomba to Adelaide Pipeline (MAP) and South East Australia Gas (SEA Gas) pipeline.

Origin self-reported these instances to the AER and provided an explanation of the events. The nomination error on 20 July occurred as a result of a trader not correctly adjusting a renomination on the MAP when a corresponding SEA Gas renomination could not be met. The nomination error on 22 July occurred as a result of Origin failing to confirm a renominated quantity on the MAP. The renomination was not scheduled or published on the pipeline’s website and remained unnoticed by Origin due to a failure by staff to follow internal procedures. As a result, Origin has implemented training to ensure that traders adhere to procedures.

We analysed these events and do not intend to take further action on this matter based on the information available to date.

### AGL’s Newcastle Gas Storage Facility

In May this year, AGL carried out commissioning tests at its Newcastle Gas Storage Facility (NGSF). During commissioning, AGL alerted the AER to a number of matters that it considered may have impacted the Sydney STTM.

AGL explained that due to the unpredictable nature of commissioning a new gas storage facility, it had difficulty accurately forecasting the NGSF’s gas usage at all times. On one occasion, a deviation occurred in the Sydney STTM because AGL did not have enough time to respond to the new demand profile advised by the facility. On other occasions, AGL modified its overall participation in the Sydney STTM to minimise or avoid market impact.

After completing the commissioning tests, AGL advised the AER that it has put in place a number of initiatives in an effort to mitigate the market effects of commissioning activity. These include improving its communications protocol with the NGSF and reminding staff that deviations to forecasts provided to gas traders must be communicated as soon as practicable so that appropriate actions can be taken.

AGL also approached the AER and AEMO to pre-emptively manage other aspects of its commissioning process in an effort to minimise any further disruption of the Sydney STTM.

In June, AGL submitted its allocation notice for the NGSF after the 11 am cut-off. At 11:03 am, AEMO issued a market notice stating the allocation had not been received and AGL submitted the allocation notice by 11:30 am. Again, AGL reported this matter to the AER on the day, and outlined a number of steps it would take to prevent another late allocation notice submission. AGL has not reported further errors of this nature.

We welcome AGL’s efforts in self-reporting its demand forecast and allocation notice issues and that it initiated a collaborative approach with the AER and AEMO to minimise impacts of the commissioning process on the Sydney STTM.

We encourage all participants to self-report compliance issues. As outlined in our *Compliance and Enforcement Statement of Approach*, 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 cooperation with the AER, and any action taken to rectify the breach and/or avoid a reoccurrence.

## Victorian Gas Market

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

### AEMO request for no action

On 4 September 2015, AEMO requested a no action letter from the AER regarding its determination of the average volume weighted market price (AVWMP) under the Wholesale Market Distribution unaccounted for gas (DUAFG) Procedures (the Procedures).

AEMO is required to publish the Procedures under gas rule 317. The Procedures establish a process for DUAFG, including business rules and data formats which enable the exchange of information between distributors and retailers. AEMO uses AVWMP to determine the UAFG reconciliation amounts to be paid between retailers and distributors. The Procedures set out the formula that AEMO must apply when determining the AVWMP.

AEMO requested that the AER take no action in relation to its non-compliance with the AVWMP formula in the Procedures. The request for no action applied to the:

* determinations already issued for the 2010 to 2013 years
* forthcoming 2014 determination.

AEMO had formed the view that while reasonable, its AVWMP determinations from the 2010 year onwards had not complied with the formula in the Procedures. This affects the determinations already issued for the 2010 to 2013 years. AEMO delayed its determination for the 2014 year pending the AER's consideration of this issue and further discussions with the Gas Wholesale Consultative Forum (GWCF). AEMO proposed that the determination for the 2014 year would be made using the same formula as was applied for the 2010 to 2013 determinations.

AEMO advised us that it consulted with industry participants through the GWCF in April and intends to initiate a procedure change process under the Gas Rules to change the AVWMP formula in the Procedures. AEMO intends that the procedure change process will be completed in time to apply for the 2015 determination.

On the basis of the information provided, we decided to take no further action in relation to this matter at this time. AEMO may now proceed with carrying out the 2014 AVWMP determination for 2014 using the same formula as was applied for the 2010 to 2013 determinations. This was conditional upon AEMO:

* initiating and completing the Procedure change process in time for AEMO's 2015 AVWMP determination
* advising the AER as soon as practicable if at any stage AEMO forms the view that the Procedure change process will not be completed in time to apply to the 2015 AVWMP determination.

## 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 in Queensland of LNG trains and the need for greater transparency regarding gas production and flows, it is critical that participants provide accurate, complete and timely Bulletin Board information. The Bulletin Board remains a focus of the AER in 2015.

### Civil penalties for Bulletin Board provisions

Over the last quarter, the AER participated in the AEMC’s information provision working group as part of the East Coast Gas Market Review.[[3]](#footnote-3) Among other things the working group looked at information provision for the National Gas Services Bulletin Board.

As part of the working group discussions, AER staff presented our approach to compliance as set out in our *Compliance and Enforcement Statement of Approach* and an overview of the penalties regime that may apply if a participant breaches its obligations regarding the Bulletin Board.

It is important to note that in some circumstances, failures to comply with the Bulletin Board obligations set out in the Gas Law and Rules can attract civil penalties under the Gas Law.[[4]](#footnote-4) In particular, sections 223 and 225 of the Gas Law, which relate to the provision of information to AEMO, are listed as civil penalty provisions in section 3 of the Gas Law.

If the AER has reason to believe that a civil penalty provision has been breached, we have the power to issue an infringement notice. The penalty payable under an infringement notice is currently $4 000 for a natural person or $20 000 for a body corporate.

If the provision is a civil penalty provision and the AER decides to institute civil proceedings, a court may order the payment of a civil penalty up to:

* $20 000 for an individual plus a further $2 000 for every day during which the breach continues
* $100 000 for a body corporate plus a further $10 000 for every day during which the breach continues.

### Late Bulletin Board production data

Rule 166 of the Gas Rules requires a Bulletin Board production facility operator to submit daily production data to AEMO for each production facility it operates. Clause 5.5 of the Bulletin Board procedures sets out the relevant timing and information requirements.

This quarter, the AER concluded a compliance matter related to Queensland Gas Company (QGC) failing to submit data to the Bulletin Board within the required timeframe on a number of occasions during May and June 2015, many of which were on weekend days.

In response to our inquiries, QGC identified a number of factors that contributed to the late submission of data, including an expired File Transfer Protocol (FTP) service password with AEMO and failures by QGC staff to follow relevant internal procedures on some weekends. QGC has since undertaken a number of measures to mitigate the risk of the same issues reoccurring, including implementing additional daily monitoring processes, providing compliance briefings for relevant staff and engaging with AEMO regarding future notification of FTP service passwords.

In addition, QGC agreed to promptly notify the AER of any additional instances of missing or late Bulletin Board data over a three month period to 26 November. These notifications will include the reason for any non-compliance and any additional actions taken to resolve related issues as they arise. This allows the AER to assess the effectiveness of the steps taken by QGC to address compliance. At the time of publication, QGC had not advised the AER of any issues related to late submission of data.

### Bulletin Board registration and exemption

Rule 147 requires gas pipeline operators, Bulletin Board storage providers, production facility operators and Bulletin Board shippers to apply to AEMO for registration.[[5]](#footnote-5) Alternatively, participants may apply to AEMO to have their facility declared exempt. The criteria AEMO will consider when making an exemption declaration are set out in gas rules 149 to 151. AEMO may revoke an exemption declaration in certain circumstances.

Given the ongoing interest in the Bulletin Board, information on registrations and exemptions this quarter are provided below.

**Registration**

Combabula Production Facility, operated by Australia Pacific LNG Pty Limited, was registered with AEMO during the quarter.

**Exemptions**

AEMO declared the following facilities and pipelines exempt during the quarter:

* the Wallumbilla to Gladstone Pipeline operated by QGC Operations Pty Ltd
* the Silver Springs Storage Facility operated by AGL Energy Ltd
* the Camden Production Facility operated by AGL Energy Ltd
* the APLNG Pipeline operated by Australia Pacific LNG Pty Ltd.

**Exemption revocations**

On 16 October, AEMO advised that the Curtis Island LNG Demand Zone will be effective on the Bulletin Board from 26 October. The exemption applying to the following facilities and pipelines was automatically revoked following the declaration of the Curtis Island LNG Demand Zone:

* Fairview Compressor Station 4 operated by Santos TOGA Pty Ltd
* Roma Compressor Station 2 operated by Santos CSG
* the GLNG Pipeline operated by GLNG Operations
* the Wallumbilla to Gladstone Pipeline operated by QGC Operations Pty Ltd
* the APLNG Pipeline operated by Australia Pacific LNG Pty Ltd.

These facilities and pipelines are now required to provide information to the Bulletin Board.

## 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.[[6]](#footnote-6) 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.

# 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.

## 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.[[7]](#footnote-7)

According to the ‘three stage process’ introduced in late 2010 (updated in 2012),[[8]](#footnote-8) 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 (adjusted[[9]](#footnote-9))

Rebids auto-triggered and reviewed per week 

There was one warning issued during the September quarter in relation to a participant making an inflexible bid without providing a technical reason. The AER received nine self‑reporting notices from participants regarding errors in their rebids during the quarter.

## Targeted compliance review – ST PASA

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 ST PASA inputs under clause 3.7.3(e) of the Electricity Rules.

AEMO is required to prepare PASA outputs over two timeframes:

* ST PASA covers six trading days from the end of the trading day included in the most recent pre-dispatch schedule with a half hourly resolution
* Medium Term PASA (MT PASA) covers 24 months from the Sunday after the day of publication with a daily resolution.

The PASA process uses data from various sources to forecast the overall balance of supply and demand for electricity in the NEM. This information assists AEMO to determine whether it needs to intervene in the market (and the form of that intervention), and also provides information to market participants on the expected level of short term reserve capacity.

We selected the provision related to ST PASA inputs for review recognising that the capability of generators can be affected by ambient temperature, which can vary greatly over the summer months. There is often also a tight supply/demand balance over the summer period which heightens the importance of participants providing accurate ST PASA inputs to AEMO. Further, with some participants making commercial decisions to keep some generators offline for extended periods of time and only offer capacity to the market under certain market conditions, ST PASA inputs are being varied more frequently. We considered a targeted compliance review would assist us to assess whether participants have sufficient processes in place to facilitate compliance with the obligations set out in rule 3.7.3(e).

This clause, which is classified as a civil penalty provision, requires Scheduled Generators and Market Participants to submit the following ST PASA inputs to AEMO:

* availability of each scheduled generating unit, load or network service for each trading interval under expected market conditions
* PASA availability of each scheduled generating unit, load or network service for each trading interval (being the physical capability, including any capability that can be made available within 24 hours)
* if applicable, projected daily energy availability for energy constrained scheduled generating units and energy constrained scheduled loads.

ST PASA inputs are provided to AEMO as frequently as changes occur[[10]](#footnote-10) and must represent the Scheduled Generator’s or Market Participant’s current intentions and best estimates. This information should be based on the most recent information on fuel availability and local weather forecasts, reflecting the effect that ambient temperature has on plant, and should indicate any scheduled maintenance. The AER published a compliance bulletin to clarify its interpretation of provisions relating to generator availability, including clause 3.7.3(e), in February 2010.[[11]](#footnote-11)

We wrote to Origin Energy, AGL, GDF Suez, Hydro Tasmania, Stanwell Corporation and EnergyAustralia seeking information on their compliance approach with respect to clause 3.7.3(e). In particular, we asked for details of the systems and processes used to determine and modify ST PASA inputs and any review mechanisms which are used to ensure the accuracy of these inputs. Most responses were well considered and clearly outlined how the participant meets its requirements for ST PASA inputs. Some provided screenshots of internal systems which are used to calculate these inputs and submit them to AEMO. A summary of the responses is below.

In terms of determining and submitting ST PASA inputs, a number of common practices emerged, including:

* reliance on internal procedures, which were developed based on the Electricity Rules, AEMO’s Spot Market Operations Timetable and/or the AER’s Compliance Bulletin.
* provision of data/information for the generating units by operational staff to trading staff. This occurs daily via internal systems, email, or phone calls. Updates are provided more frequently in response to events or during summer months. A range of data is provided, including outages, re-rating, and required maintenance.
* consideration of weather data by trading staff to assess whether availability should be adjusted to account for ambient conditions. Some respondents monitor the forecast on a daily basis, while others have alerts set up to notify when actual/forecast temperatures exceed nominated levels. In some instances, where plant availability is affected by ambient conditions, internal guides of capability at various temperatures and levels of humidity are used to determine ST PASA inputs.
* significant processes for the scheduling and approval of outages. Information about outages (such as start/end time/date, available capacity, reason and recall time) is maintained in internal systems. These entries often require approval at various levels of the organisation, with a final approval due shortly prior to the outage commencing. Unplanned outages are entered into these systems as they occur. Trading staff compare ST PASA inputs that have been submitted to AEMO with scheduled outages to ensure they are consistent.
* submission of ST PASA inputs by trading staff to AEMO. This is commonly done using a participant’s custom built software, either as an automated process at the same time each day, or manually. In the case of system failures, or during times of significant changes to ST PASA inputs, trading staff contact AEMO by phone or manually submit data.

One respondent develops and submits ST PASA inputs differently. The trading team sets up its commercial position and default bids (including ST PASA inputs) for its plant for the month in the third week of the month prior. The submitted values are based on the respondent’s commercial position and expected plant conditions, with planned outages overlaid (i.e. the standing ST PASA value is adjusted for the relevant day on which the plant is planned to be out). These values are updated as changes in position and plant conditions occur. Then, as part of daily operations, the trading team reviews the latest plant restrictions, commercial objectives and outages for the current trading day to three days out (D + 3) and makes any required changes to PASA inputs for those trading days. A final refinement is made to inputs for the next trading day prior to the pre-dispatch run cut-off, and will include any updates to planned outages. If there is an unplanned outage, ST PASA inputs are adjusted based on the station’s best estimates following the event.

The responses included a number of review mechanisms which are used to ensure that accurate ST PASA inputs are provided to AEMO:

* system checks of ST PASA availability and bid information, and alerts where these values differ. This is done manually as part of the trader’s daily tasks or by the system itself.
* daily review of past bidding activity where the duty trader explains the reason for any differences between availability and ST PASA inputs. Similarly, the outage database and ST PASA inputs are compared to ensure outages are accurately communicated to AEMO.
* internal alerts half an hour before a unit is bid to become available/unavailable which are a trigger for a final check of ST PASA values.
* annual review of the procedures used to determine the ST PASA inputs. This review is conducted by staff as part of staff training. There are also ad-hoc reviews of the effectiveness of the procedures if there are performance issues.
* annual review of the internal procedure containing generator output capability at various levels of temperature and humidity for each scheduled generator. This review examines observed past generator performance during various weather conditions and reports from generator performance engineers to assess whether the current capability assumptions are accurate.

As noted above, clause 3.7.3(e) also requires scheduled generators to provide projected daily energy availability for energy constrained generating units and loads. One respondent noted that its generation portfolio can be subject to energy limitations from time to time and it has developed a procedure to manage energy limitations across the portfolio. It also has a purpose-built fuel management tool which uses relevant information to calculate the daily and weekly energy limits which are submitted to AEMO.

In preparing its response to this targeted compliance review, one respondent identified that it did not have a process in place to regularly examine the ambient weather conditions at its plant, instead these conditions were considered on an ad-hoc basis. Recognising that some of the plant for which it submits ST PASA inputs is highly sensitive to ambient temperature, it has set up an alert which notifies traders each morning via email if a high temperature is forecast that requires an adjustment to ST PASA inputs.

For another respondent, the review uncovered that the ST PASA inputs did not reflect that physical plant capability could be made available on 24 hours’ notice, as per the definition of PASA availability. Recall times are provided by the maintenance team, but had only been included in MT PASA submissions. The respondent has modified its internal system to rectify this error, and ST PASA inputs now correctly reflect the capability definition.

We consider that the processes outlined above should assist Scheduled Generators and Market Participants to provide ST PASA inputs as required under clause 3.7.3(e). We encourage all relevant parties to consider the above findings and review their arrangements for the provision of ST PASA inputs to identify whether they could make improvements to this process.

## 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](mailto: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.

1. Entities registered by AEMO under Chapter 2 of the Electricity Rules or in accordance with Part 15A of the Gas Rules. [↑](#footnote-ref-1)
2. The Statement of Approach is published on the [AER’s website](http://www.aer.gov.au/node/5876). 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. [↑](#footnote-ref-2)
3. Further information on the AEMC’s East Coast Gas Review and the Information Provision Working Group can be found on the [AEMC’s website](http://www.aemc.gov.au). [↑](#footnote-ref-3)
4. In some circumstances this may also extend to breaches of AEMO’s *Natural Gas Services Bulletin Board Procedures,* for example,where Rules require information to be given to AEMO in accordance with the AEMO’s procedures. [↑](#footnote-ref-4)
5. Participants operating Bulletin Board facilities (pipelines, production facilities and storage facilities) and Bulletin Board shippers are defined in clause 141 of the Gas Rules. [↑](#footnote-ref-5)
6. Rule 545 of the Gas Rules. [↑](#footnote-ref-6)
7. 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’. [↑](#footnote-ref-7)
8. In June 2012, we published an updated [Compliance Bulletin No. 3](http://www.aer.gov.au/node/15433) 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. [↑](#footnote-ref-8)
9. 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](http://www.aer.gov.au/wholesale-markets/compliance-reporting/quarterly-compliance-report-january-march-2015). Figure 1 has been adjusted by removing the erroneous rebids. [↑](#footnote-ref-9)
10. In accordance with AEMO’s Spot Market Operations Timetable, available on [AEMO's website](AEMO's%20website). [↑](#footnote-ref-10)
11. Available on the [AER’s website](AER%20website). [↑](#footnote-ref-11)