

AEMO COMPLIANCE NOTIFICATION

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Change of User Transactions

Introduction

This document outlines an apparent breach of clause 6.17 of the Retail Market Procedures (NSW and ACT) (Procedures) in relation to the failure to process and complete 116 change of user (COU) transactions initiated by a participant in the market. The apparent breach was caused by a bug in the market system (GRMBS) operated on AEMO's behalf by Logica. This bug has since been rectified. This document also outlines AEMO's apparent breach under clause 6.16(4) of the Procedures and failure to notify the relevant network operator, incoming user and current user that the 116 COU transactions were cancelled in the delivery point registry

Circumstances of Apparent Breach

In accordance with clause 6.1 of the Procedures, an incoming user initiated 233 COU transactions in the Delivery Point Registry (DPR) of the Gas Retail Market Business Systems (GRMBS) on 25 February 2011. 117 of the COU transactions raised by the incoming user were COU on move-in transactions, while the remaining 116 transactions were COU transactions. The incoming user notified the Registry Operator (as per clause 6.2(6)) that the earliest transfer date for the 116 COU transactions and 117 COU on move-in transactions was 3 July 2011.

Under clause 6.1, COU on move-in transactions may only be raised 20 business days prior to the date that the customer moves in, or intends to move into a premise (which is known as the move-in date for a COU on move-in transaction, but is known as the earliest transfer date for a COU transaction). As 3 July 2011 exceeds 20 business days from the date that the incoming user initiated the COU on move-in transactions, the 117 COU on move-in transactions were automatically rejected in the GRMBS and the incoming user, network operator and current user were notified of the cancellation of these transactions in the DRP.

However, there is no comparable requirement for COU transactions (as opposed to COU on move-in transactions) to be lodged 20 business days prior to the earliest transfer date. The only limitation on COU transactions, in relation to the earliest transfer date is outlined under clause 6.2(6).

Clause 6.2(6) states the following:

- (6) 'the earliest date that the change of user transaction can be completed, which, subject to clause 25.11(2)(a), must be not earlier than:
- (a) if the customer at the relevant delivery point will not be supplied by the incoming user under a negotiated customer supply contract, day + 5; or
 - (b) if the customer at the relevant delivery point will be supplied by the incoming user under a negotiated customer supply contract, the later of:
 - (i) *day + 5*; and
 - (ii) *last cooling off day + 1*;

Clause 6.2(6) states that the earliest date that a COU transaction can be completed must not be earlier than day+5 (or in the case of a negotiated customer supply contract the later of day+5 or the last cooling off day+1). This means that as long as the earliest transfer date occurs after day+5 (or the last cooling off day +1 under a negotiated customer supply contract) then the transaction should be able to reach the permit stage and then completion.

Clause 6.15 state that if no objections have been raised, or if the objections have been addressed or withdrawn, then by day+5 (5 days after the transaction had been initiated) the registry operator

can permit the COU transaction. Once the COU transaction has reached the permit stage, the registry operator must notify the incoming user, the current user and the network operator that the COU transaction will be permitted in the DPR.

Under clause 6.17, once a COU transaction reached the permit stage, the COU transaction can only reach completion in the DPR once the registry operator receives a meter reading for the delivery point. Under clause 6.16(3), there is an onus on the incoming user to ensure that the meter reading for the COU transaction is received within 100 calendar days after the transaction has been permitted under clause 6.15. If the meter read is not received within this timeframe, then under clause 6.16(4) the registry operator is required to cancel the COU transaction(s) and notify the incoming user, the current user and the relevant network operator that the transactions have been cancelled.

Clause 6.18 provides a similar framework, as clause 6.17, for the registry operator to complete of COU transactions for daily metered delivery points.

On 3 March 2011, the registry operator determined that there was an issue in the DPR of the GRMBS in relation to the 116 COU transactions that were raised by the incoming user in the GRMBS on 25 February 2011. The registry operator ascertained that there was a software bug in the GRMBS, which would not allow COU transactions to be processed in the DPR if the earliest transfer date for the COU transactions was greater than the 100 days permitted for the registry operator to receive meter readings under clause 6.16(3) of the Procedures.

The 116 COU transactions were initiated on 25 February 2011. These transactions reached the permit stage (in accordance with clause 6.15 of the Procedures) on 2 March 2011 and should have reached completion by no later than 10 June 2011, if meter readings were received within 100 days of the transactions reaching the permit stage in the DPR. If no meter readings were received for the 116 COU transactions within the 100 calendar day timeframe outlined in clause 6.16(3), then under clause 6.16(4) the registry operator would be required to cancel the 116 COU transactions and notify the network operator, the current user and the incoming user of the cancellation of the transactions.

The registry operator ascertained that the 116 COU transactions initiated by the incoming user reached the permit stage detailed under clause 6.15. However, in this situation the 116 COU transactions did not reach completion in the DPR of the GRMBS.

The failure of the registry operator to complete COU transactions after transactions had reached the permit stage under clause 6.15 may be a potential breach of clause 6.17 of the Procedures.

The failure of the registry operator to cancel the COU transactions and notify the incoming user, the current user and the network operator of the failure to receive and process meter reads within 100 days of the permit transaction being processed may be a potential breach of **clause 6.16(4)** of the Procedures.

AEMO Decision: Apparent Breach is Material

AEMO believes that it is appropriate and transparent for a third party, such as the AER to determine the severity of AEMO's breach of the Procedures, rather than for AEMO to moderate its own behaviour.

AEMO considers the breach of clause 6.17 and clause 6.18 of the Procedures may be considered to be a serious matter, as COU transactions are fundamental to the operation of the market and are essential for competition in the market. As such, AEMO provides the following assessments to assist the AER in considering whether this apparent breach be determined as material in nature or not:

Materiality

Criterion 1: financial impact

The alleged breach of clause 6.17 of the Procedures may have an impact on the user who initiated all 116 of the COU transactions which did not reach completion in the DPR. This is because this user was prevented from becoming the user financially responsible for the 116 delivery points. This means that the user was prevented from billing customers and earning revenue from the affected 116 delivery points. There were 111 days between the lodgement and the final cancellation of the transaction that is 11 days more than permissible under the Procedures. No queries were raised by the Retailer involved when the transfers did not complete by the due date.

Criterion 3: operational impact

As the 116 COU transactions had reached the permit stage in the GRMBS, the transactions were 'open transactions' in the GRMBS. As these transactions were 'open' in the GRMBS, no other users could perform any transactions in relation to the 116 delivery points. This means that no other users could raise COU transactions or COU on move-in transactions in relation to these delivery points. It appears that the bug in the system had the effect of preventing competition in relation to these delivery points for 111 days. That is, 11 days past the point at which they would have been either completed or been cancelled and then be available again for the lodgement of a transfer request.

Criterion 4: Any other factors

In general, COU transactions are important for competition in the market. If the COU transactions cannot be processed correctly and completely in the GRMBS, then competition between users in the NSW and ACT gas retail market is hindered.

The nature of the apparent breach is one of a software bug that has been identified and corrected. The nature of the breach therefore is not one that is likely to re-occur.

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.

National Gas Law

(From National Gas (South Australia) Act 2008—1.7.2009 – 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).)