

By Email: AEMO_ISC@ret.gov.au



24 March 2009

Jemena Gas Networks
(NSW) Ltd
ABN 87 003 004 322

Mr Steve Rodgers
Governance Section
National Energy Market Branch
Department of Resources, Energy and Tourism
GPO Box 1564
Canberra ACT 2601

Level 14
1 O'Connell Street
Sydney NSW 2000
Locked Bag 5001
Royal Exchange
Sydney NSW 1225
T +61 2 9270 4500
F +61 2 9270 4501
www.jemena.com.au

Exposure Draft of Retail Gas Market (NSW and ACT) Procedure

Dear Mr Rodgers

Jemena Gas Networks (NSW) Ltd (JGN) welcomes the opportunity to provide comments on the draft Retail Gas Market (NSW and ACT) Procedure to the Ministerial Council of Energy.

We had understood from industry briefing sessions that the Retail Gas Market (NSW and ACT) Procedure was based on minimal changes from our existing NSW procedures. JGN is therefore concerned that the balance between the network operator's obligations and rights has been distorted through the removal of some rights without addressing the associated obligations. For example, the rules reflecting ROLR obligations to disconnect customers was historically supported by an obligation on GMC to contract with JGN to provide the disconnections on a commercial basis. The current drafting would see the obligation for JGN to perform the disconnections continue but without the accompanying ability for JGN to recover the associated costs.


The draft also introduces many other new processes or obligations which may be imposed on JGN which are quite open ended. These new clauses have introduced obligations which are not consistent with good regulatory processes, and which bypass the checks and balances resulting from open and transparent consultation. We consider that matters such as amendment to user interfaces with the market operator systems, and testing or trials requirements, should be the subject to the procedures consultation processes that are applicable to any other change.

JGN has previously suggested that the current market change working groups in each jurisdiction remain to manage the 'business as usual' component of developing procedures to meet new requirements (for example, policy changes, impact on access arrangements etc), and national convergence be addressed at an appropriate future time when all the issues involved can be properly considered and debated, including cost/benefit, transition and timing. This approach would ensure the necessary continuity in governance arrangements and frameworks and preserve their representative nature. We re-iterate our suggestion and recommend this principle be recognised in the proposed framework.

Jemena's detailed comments are in the attachment. We would be happy to meet with the ISC to discuss our concerns and contribute to improved drafting.

Should you have any questions on this letter or the attachment, please feel to contact David Musson, Manager Revenue Performance, on (02) 9270 4685.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'AR', with a long horizontal line extending to the right.

Alf Rapisarda
General Manager Energy Networks

Attach.

Item	Clause Number	Clause	Issue/Comment
1	GMC Rule 62.3	<p>62.3 Network operator to prepare and revise disconnection schedule</p> <p>(1) Not later than one business day after receiving a list from the Rules administrator under rule 62.1 the network operator must provide to the Rules administrator a schedule showing when the network operator proposes to complete disconnecting the delivery points on that list in aggregate (“disconnection schedule”). The disconnection schedule must:</p> <p>(a) provide for those delivery points where the consumption is greater than 10 TJ to be disconnected first; and</p> <p>(b) otherwise comply with the disconnection agreement.</p> <p>(2) Not later than two business days after receiving the first report from the Rules administrator after the NSW small customer disconnection start date, the network operator must provide to the Rules administrator a revised disconnection schedule showing when the network operator proposes to complete disconnecting the delivery points on the disconnection list in aggregate.</p>	<p>JGN provides a disconnection service to the GMC for the current ROLR process in NSW. Where the market operator requests disconnection for customers above 1TJ who have been unable to find a new retailer within the specific time, JGN would be paid for this disconnection service. The GMC rules recognised the obligation for the market to fund the cost of disconnections in the event of a ROLR.</p> <p>However our ability to recover the costs of these market operator requests disconnections is unclear. Recovery via a pass through mechanism is not an efficient approach and is a backwards move from the current arrangements, which should be re-instated in these new retail procedures.</p> <p>We note that the national reform ROLR framework has not been finalised and will need to be integrated into the NECF and the wholesale/retail rules frameworks. In addition, we had understood that each jurisdiction had the ability to opt into the national ROLR framework. We are several years away from implementation of the NECF and a national ROLR framework. Until such time as NSW has decided to opt in/out of this aspect of the national framework, JGN’s obligations in the current framework remain the preferred approach in the NSW jurisdiction.</p>

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2	General		<p>The scope of procedures and procedural interaction with other jurisdictions is unclear. It is unclear how functions for which the current GMC rules are silent will be handled, and how corresponding procedures in other jurisdictions interact with NSW.</p> <p>A very relevant example is B2B or the Victorian GIP requirements. Currently B2B is out of scope of the GMC rules but there is no such clarity with AEMO, both regarding application of current procedures and the creation of new replacement procedures.</p> <p>If the Victorian retail procedures require retailers to use B2B a certain way, and the NSW rules are silent, this could mean that we have an unintended outcome of being covered by the Victorian part of the procedures. This would increase JGN's cost substantially and would require a significant program of work and implementation timeframe.</p> <p>We recommend at least the current exclusion of B2B in the NSW/ACT jurisdiction be confirmed explicitly to avoid any unintended coverage by the rules intended for other jurisdictions. Ideally, the procedures should explicitly apply to the specific jurisdictions for which they are intended only.</p>
3	GMC Rule 1.4	<p>Application of the Rules to Particular Local Government Areas</p> <p>Notwithstanding rules 1.2 and 1.3, the <i>Board</i> may determine by resolution that these <i>Rules</i> apply only to the <i>network sections</i> situated in the areas set out in Schedule 4.</p>	<p>GMC Rule 1.4 has been deleted. AEMO may now, without going through a change management process, declare coverage of other sections. This could mean that without consultation or justification, areas in NSW which may not otherwise be covered may be deemed to be included in the new retail procedures.</p> <p>Application of coverage used to be subject to GMC Board approval. Where AEMO takes on this decision making capability, it must be subject</p>

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		<p>Upon commencement of the <i>Rules</i> in accordance with rule 1.2, the <i>Rules</i> will only apply to those <i>network sections</i> situated in the areas set out in Schedule 4. Any amendment made to Schedule 4 by a determination made by the <i>Board</i> in accordance with this rule 1.4 does not constitute an amendment of these <i>Rules</i> for the purposes of rule 45 and the procedures set out in that rule need not be complied with.</p>	<p>to consultation with industry, must meet the national gas objective and it must permit a suitable implementation time for participants to meet these new retail procedures.</p>
4	NSW procedures 14.1 (5)	<p>Requirement for meter reading</p> <p>A user may at any time seek AEMO approval for an estimation methodology to be used under clause 14.1(2)(b). There will be only one estimation methodology approved for use in relation to low consumption delivery points in a network at any time. A user seeking such approval must provide to the Rules administrator:</p> <p>(a) a detailed description of the estimation methodology proposed to be used (“proposed estimation methodology”) and the network to which it would apply, if adopted; and</p> <p>(b) an explanation of how the proposed estimation methodology is consistent with laws and relevant access arrangements; and.....(etc)</p>	<p>To have a user propose an estimation methodology for approval by AEMO, and to require that there be only one methodology active at any point in time per network, are provisions which should no longer apply. The network operator should be able to agree the methodology which it uses through normal contractual agreements with users individually.</p> <p>The construction of the original procedure 14.1(5) was written as one of a number of provisions to give effect to MDA contestability. It was considered necessary to provide a means by which consumption estimation methods could be deployed through third party MDA's while still maintaining consistency with underlying methods embedded in NSW and ACT network operator systems.</p> <p>However, the procedures have been simplified to remove explicit reference to MDA contestability, and now recognise that the responsibility for managing meter data falls to the network operator. Consequently, to have network users propose an estimation methodology is no longer appropriate and should have been removed as</p>

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			<p>a package</p> <p>with the other MDA clauses. As a result, the specific method of estimation of consumption should appropriately be a contractual matter between network users and the network operator. We recommend that procedure 14.1(5) be removed, as the network operator and network users should have the ability to agree the methodology individually as a contractual matter.</p>
5	NSW Procedures 42.2	<p>Interface Control Document</p> <p>(1) AEMO must publish and amend from time to time in accordance with the ordinary Procedure change process in 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").</p> <p>(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.</p> <p>(3) A market participant must supply appropriate and correct customer and other data to the GRMBS in accordance with the Interface Control Document and any reasonable direction by AEMO or a contractor.</p>	<p>AEMO Publishes the ICD (technical IT interfaces between JGN/participants and AEMO), and may also change the ICD.</p> <p>Participants must comply with the ICD under Clause 42.2 (2). This interface documentation is key to information exchange between the participants and the market and any change in the ICD is likely to involve IT systems changes and at a minimum, internal testing requirements. Changes in this area could lead to significant time/cost impost on participants.</p> <p>The change process could allow fast track of changes without sufficient industry consideration of the impacts. The ability of participants to recover costs must be considered as part of any change proposal.</p> <p>We are concerned that these Procedures will take precedence over the ICD when the ICD is a key industry compliance requirement under 42.2 (2). The ICD must be consistent or have the same level in the regulatory</p>

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		<p>(4) In the event of any inconsistency between the provisions of these Procedures and the Interface Control Document, the inconsistency is to be resolved by giving precedence to these Procedures.</p> <p>(5) Until such time as AEMO amends the Interface Control Document under clause 42.2, the Interface Control Document established by the former gas retail market operator in NSW and ACT is taken to be the Interface Control Document for the purposes of these Procedures.</p>	<p>hierarchy as these Procedures. Any change in the Procedures which creates a future inconsistency will have to be aligned with changes in the ICD.</p> <p>Further, if the ICD requires JGN to provide certain interfaces and JGN has provided these in good faith, we are concerned that Clause 42.2 (4) implies that we would be in breach of these procedures.</p>
6	42.5	<p>Virus protection</p> <p>Each <i>market participant</i> and AEMO must use reasonable efforts to prevent software contamination, and diffusion of software contamination (including computer viruses, worms or Trojans), of the <i>GRMBS</i>.</p>	<p>JGN submits that this new compliance obligation should be removed. As drafted this requires market participants to protect others, including the GRMBS, from viruses. This is an inappropriate obligation.</p> <p>A prudent business would deploy virus protection and would not intentionally spread a virus. Virus protection is a part of good business practice and an obligation to protect others is unnecessary.</p>
7	NSW Procedures 43	<p>Assistance in relation to access and use of the GRMBS</p> <p>43.1 Market Participant to provide assistance</p> <p>(1) Subject to clause 43.1(2), a market participant must provide such assistance as is reasonably requested by AEMO as being reasonably necessary</p>	<p>JGN is concerned with the assistance that may be required by market participants to support AEMO requests for the contractor management of the operation of the NSW gas market. This is a potential mechanism to avoid the discipline of Procedure making, and would seem to send the wrong signal about AEMO pushing its operator functions towards rather</p>

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		<p>to enable AEMO to discharge its obligations under its agreements with its contractors concerning the operation of the market and the GRMBS.</p> <p>(2) AEMO must not require the assistance of a market participant to discharge AEMO's contract management obligations under its agreements with its contractors.</p> <p>(3) The assistance that the market participant must provide under clause 43.1(1) may include:</p> <p>(a) consultation with AEMO about some or all aspects of the use and access to the GRMBS under clause 42.1;</p> <p>(b) providing appropriate qualified personnel (including technical staff) to consult with one or more market participant to enable AEMO to provide use of, and access to, the GRMBS; and</p> <p>(c) participation in reasonable trials requested by AEMO (including provision of data to the GRMBS and GRMBS output analysis and reports) in relation to the operation of the GRMBS.</p> <p>43.2 AEMO to provide notice when assistance is required</p> <p>AEMO must provide as much notice to the market participant as is reasonably possible in the circumstances of its requirements under clause 43.1.</p>	<p>than away from participants.</p> <p>Where the market systems require adjustments, enhancements or changes to certain interfaces or file formats, they must not bypass procedures and consultation processes. These small market operator systems changes can impact participants and could require IT changes to interfaces, gateways etc at the participant end. These changes also need to pass a cost/benefit test and the timing of implementation needs to be agreed with participants and programmed into their IT work programs. JGN does not support a 'back door' approach to these types of changes. Open and transparent consultation is required to ensure that there are sufficient checks and balances.</p> <p>Clause 43.1 (3) (b) appears to require some participants to provide technical expertise to help other participants access the GRMBS. This could be a requirement imposed on JGN for almost all new retail entrants. If this is what was intended by this clause, this must be subject to all reasonable costs being re-imbursed and subject to mutual agreement as to the timing. Where this requires JGN involvement due to a market operator IT systems change or due to Procedures changes, this cost and timing requirement must be factored into the change consultation process.</p> <p>Participating in any trials should not be a Procedures requirement on participants. It should be part of a procedures change process where large projects may warrant significant industry and market operator testing prior to a release. As part of this procedure change process any testing requirements, development of test strategies, scripts etc would all be agreed and planned. The requirements to test would be part of the cost/benefit analysis of proceeding with the change.</p> <p>We recommend that Clause 43 be deleted. All changes and impacts on</p>

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		<p>43.3 Assistance to be provided in a timely manner</p> <p>A market participant required to provide assistance under this clause 43 must comply with all reasonable requests made by AEMO under this clause 43 in a timely manner so as to ensure that the market participant does not cause AEMO to be in breach of AEMO's obligations under any agreement with its contractors where compliance with such a request is within the market participant's control.</p>	<p>participants should go through normal consultation processes and be part of Procedures or ICD amendments.</p>
8	GMC Rules 15A.5	<p>Network operator not liable for information in DPI full listing</p> <p>(1) Each <i>user</i> and <i>Gas Market Company</i> acknowledge that the <i>network operator</i> collects and holds <i>discovery address</i> data for the purpose of locating its <i>meters</i> and not for the purpose of locating <i>customers</i>, and that the <i>discovery address</i> data may not be complete, correct or current. A <i>network operator</i> is not liable for loss or damage suffered incurred by any person as a result of <i>discovery address</i> data provided under rule 15A.2 not being complete, correct or current.</p> <p>(2) Each <i>user</i> agrees to release and indemnify and keep indemnified the <i>network operator</i> against, and must pay the <i>network operator</i> on demand the amount of, all losses, liabilities, damages, costs (including legal costs) and expenses incurred or arising in connection with any breach of its obligations under</p>	<p>In the current GMC Rules, JGN is not liable for information provided in the DPI full listing. This clause has been deleted in the new procedures.</p> <p>Whilst JGN will still have the obligation to provide such assistance in the DPI listing, we no longer are indemnified for losses, liabilities etc where the information may not be complete or current.</p> <p>The current Rules were are clear that JGN would be protected and are subject to a change process (15A.10 prevents changes without JGN approval). This was established as a condition to us supplying the DPI full listing. We recommend that these clauses be re-inserted in the new Procedures.</p>

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		<p>rule 15A.4(1) or 15A.4(2) by the <i>user</i>.</p> <p>(3) If a claim is made against the <i>network operator</i> in connection with any breach by a <i>user</i> (the "<i>indemnifier</i>") of its obligations under rule 15A.4(1) or 15A.4(2) then:</p> <p>(a) the <i>network operator</i> shall:</p> <p>(i) notify the <i>indemnifier</i> of that claim as soon as practicable; and</p> <p>(ii) provide the <i>indemnifier</i> with all reasonable information and assistance required by the <i>indemnifier</i> (or its advisers) in relation to the claim.</p> <p>(b) the <i>network operator</i> agrees not to settle any claim or demand without obtaining the prior written consent of the <i>indemnifier</i>, such consent not to be unreasonably withheld.</p> <p>(c) unless otherwise agreed, the <i>indemnifier</i> will assume legal defence of the claim in the name of the <i>network operator</i> and shall have full discretion in managing any negotiation or proceeding as to the resolution of such claim.</p>	
9	GMC Rules 45.1	<p>Participant, Panel or Board may recommend amendment to the Business Rules</p> <p>(1) A <i>participant</i>, the <i>Panel</i>, or the <i>Board</i> may</p>	The current rule clause 45.1 which gives the Board the right to fix clear

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		<p>recommend a <i>proposed amendment</i>.</p> <p>(2) If a <i>participant</i> or the <i>Panel</i> wishes to recommend a <i>proposed amendment</i> it must provide the <i>Rules administrator</i> with an <i>amendment notice</i>.</p>	<p>data errors should be re-inserted. The current drafting implies that obvious errors may not be able to be corrected in a timely manner. Where all impacted parties agree to a data error being corrected, then this should occur.</p>
10	GMC Rules 45.9 (2) and 45.12 (6)	<p>Participants may submit comments on assessment report</p> <p>(2) During the <i>consultation period</i>, any <i>network operator</i> may notify the <i>Rules administrator</i> that it has a special interest in the <i>proposed amendment</i> which relates to the ability of a <i>network operator</i> to recover any costs it may incur as a result of acceptance of the <i>proposed amendment</i>, or which relates to the safety or security of the network changes</p> <p>Board to consider report</p> <p>(6) If a <i>network operator</i> has advised the <i>Rules administrator</i> of a special interest in a <i>proposed amendment</i> under rule 45.9(2) or an <i>alternative amendment</i> under rule 45.10(2)(b)(ii) or rule 45.12(2)(b)(ii) then the <i>Board</i> must refer the matter to a vote of <i>members</i> in accordance with rule 45.12(1)(d), and any resolution to pass the <i>amendment</i> must attain a favourable vote of at least 75% of voting <i>members</i> who are <i>network operators</i></p>	<p>The current GMC Rules 45.9(2) and 45.12(6) have been deleted. These Rules relate to the cost recovery mechanism for network operator changes and JGN had understood that this was being considered by AEMO.</p> <p>Network operators like JGN should have the same level of protection to recover costs incurred due to market changes as is provided today. The transition to AEMO should not reduce the ability of a network operator to recover costs incurred due to market requested and agreed changes, particularly given the high level of involvement that JGN has in supporting the market requirements. In addition the consideration of safety and security of the network should not be compromised due to the introduction of AEMO.</p>