POC executive forum

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| FOR DISCUSSION | |
| SUBJECT: | contingency planning Approach |
| AGENDA ITEM: | N/A |

# PURPOSE

The purpose of this paper is to outline the approach AEMO will manage to conduct Contingency Planning for the adoption of National Electricity Rule (NER) changes on 1 December 2017 within the Power of Choice (POC) Program of Work.

# BACKGROUND

The Australian Energy Market Commission (AEMC) released three National Electricity Rule (NER) changes between late-2015 to mid-2016 aimed at enhancing electricity consumer choice. AEMO and its industry counterparties (retailers, networks, embedded networks, new service providers and consumer group representatives) are currently implementing the POC reforms (competition in metering, embedded networks, and reforms to B2B arrangements) to commence on 1 December 2017.

The Rule changes require AEMO to amend existing, or create new market procedures to reflect the contents and principles of the new Rules. The Procedural changes, in turn, inform associated system changes for both AEMO and participants. AEMO is also responsible for accrediting and registering new participants who will participate in the new commercial environment from 1 December 2017.

# DISCUSSION

The Power of Choice Program has been considering a number of scenario based situations which could be realised at, or about the time when the National Electricity Rule (NER) changes are implemented on 1 December 2017[[1]](#footnote-1). These scenarios feed into a broader contingency planning exercise that AEMO has committed to undertake.

The governance, accountabilities, responsibilities and management of contingency activities that may be required are important to understand. Scenario planning aims to determine and detail processes ad activities necessary to negate the impact these scenarios could potentially impose.

In addition to the AEMO processes, Price Waterhouse Coopers (PwC) feedback from a recent Participant survey together with one on one discussions, has identified that more clarity is required for the process, outputs and schedule for which AMEO intends to conduct industry contingency planning.

## Approach

AEMO has established the following approach to achieve effective contingency planning with industry:

* AEMO will release an Industry Contingency Development Plan by mid-August 2017
* AEMO will release and maintain the scenarios list
* RWG will develop each scenario, refine and update the list
* For each scenario, the RWG will propose actions to mitigate or implement in the event of a scenario coming to fruition
* For each scenario, the RWG will develop ‘trigger(s)’ to identify when the scenario is likely to occur and ‘decision(s) criteria’ required in the event of the scenario coming to fruition
* A collation of trigger(s) will be summarised into the Transition and Cut-Over Group and included in the final Transition and Cut-Over Plan and schedule
* A collation of decision criteria will be shared with the PoC-RWG and PoC-PCF and monitored in the lead-up to the effective date

AEMO will circulate to industry a strawman list of possible scenarios derived from a combination of industry Readiness Reporting, PoC Industry Risk register and data provided to AEMO by PwC.

The scenario list, including proposed actions will be circulated back to appropriate governance bodies including the PoC-PCF, and if required, the Executive Forum.

## Responsibilities

### Readiness Working Group (RWG)

The RWG, in accordance with the Readiness Strategy, is tasked with:

* Developing and finalising the Industry Contingency Development Plan
* Assessing and developing scenarios and proposing actions and outcomes for each
* Maintaining and updating the scenario list
* Escalation of issues and risks to the PoC-PCF and / or Executive Forum (if required)

The RWG may establish smaller focus groups to expedite the process as required.

### Participants

Industry contingency planning does not remove the necessity for individual organisations to develop and maintain their internal contingency plans. Many of the industry wide actions may involve participant(s) undertaking their own individual contingency plans in accordance with requirements of Procedures and/or processes in the event of individual system failures.

## Outputs

AEMO will publish the Industry Contingency Development Plan, and maintain a live list of scenarios on the PoC website.

### Decision making criteria

It is expected that a number of decision criteria will be developed throughout the scenario planning activities.

The key outputs of this planning in terms of decision making criteria are:

* Under what circumstances are decisions required to be made
* In what timeframes are decisions expected to be made
* What actions participant(s) are expected to undertake (including AEMO and other industry bodies)

## Decision Principles

In finalising decision criteria from scenario planning, AEMO will apply the following principles in determining the appropriate action(s) to be taken:

* The materiality and impact on customer supply, safety, service not intended from the reforms
* The suitability of contingency plans to mitigate the event from a market perspective
* Whether or not a delay to the effective date mitigates or guarantees a resolution

In addition, AEMO will apply originally agreed and communicated transition and cut-over principles when confirming the decision criteria, these are included in Appendix A for reference.

## Schedule

An overview of the approach will be presented to the PCF on 11 August 2017.

The draft Industry Contingency Development Plan and initial list of scenarios with strawman actions will be circulated to the RWG for the upcoming session on 18 August 2017.

The RWG will a draft scenarios and plan towards by the end of September 2017[[2]](#footnote-2).

# RECOMMENDATIONS

Executive Forum note the contingency planning approach and outputs that AEMO will facilitate through the RWG; and support the approach by making available suitable resources.

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| appendix | |
| a | Transition and Cutover Principles |

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| Attachments | |
| 1.0 | initial draft list of scenarios |

# Industry transition and cutover Proposed Guiding principles

1. NEM participants and AEMO must continue to fulfil all regulatory and compliance obligations during the transition period and perform all necessary activities to comply with their respective obligations under the revised market arrangements from 1 December 2017;
2. Minimal disruption to all customers (large and small).
3. Collaborative approach to Industry Transition and Cutover planning – including the development of supporting templates and materials.
4. Where possible transition arrangements and activities should be relevant and cost effective for market participants and customers;
5. Each NEM participant and AEMO is responsible for developing their own internal transition and cutover plans and where practical and possible will endeavour to find a common approach. These plans should have regard to the key activities and dates set out in the Industry Transition and Cutover Plan.
6. Where possible, all transactions begin and end under the same rules. Where this is not possible, a suitable workaround is to be agreed by market participants;
7. Where possible and practicable to do so, minimise and effectively manage the number of in-flight transactions during cutover activities;
8. Issues and risks that may affect industry transition and cutover are to be communicated to AEMO as early as possible in order to facilitate an assessment of potential impacts. AEMO will subsequently escalate any industry relevant matters to the Readiness Working Group or appropriate forum.
9. The industry cutover approach will be based on a ‘fix-on-fail/roll-forward’ approach in which AEMO and all Participants will commit to cutting over and avoid rollback by addressing any problems as and when they arise;
10. If participants have system readiness issues at the time of cutover and they must implement contingency (e.g. manual) arrangements in their organisations, they must notify AEMO and the market as soon as possible.
11. All participants will adopt and follow the POC Industry Transition and Cutover plan.
12. The Industry Transition and Cutover Plan will endeavour to limit jurisdictional differences for transition and cutover activities.

1. AEMO notes that the system cut-over will occur over the first weekend in December making the effective date for the Rules Monday 4th December. AEMO / AER are formalising this approach through AER processes. [↑](#footnote-ref-1)
2. AEMO notes that the progress of industry planning relies on the support provided by participants. [↑](#footnote-ref-2)