



MEMORANDUM OF UNDERSTANDING

AUSTRALIAN ENERGY REGULATOR

and

AUSTRALIAN ENERGY MARKET OPERATOR

June 2011

The Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) are committed to promoting effective mutual communication, cooperation, and co-ordination in performing their roles and functions in Australia's energy industry.

The AER's role involves:

- National Electricity Law (Electricity Law) and National Electricity Rules (Electricity Rules) monitoring and compliance, and responsibility for the economic regulation of electricity transmission and distribution networks in the national electricity market (NEM)
- National Gas Law (Gas Law) and National Gas Rules (Gas Rules) monitoring and compliance, and responsibility for the economic regulation of gas transmission and distribution in all jurisdictions except Western Australia, and
- assuming additional responsibility for regulating electricity and gas distribution networks as part of the transition to national energy regulation (under the Australian Energy Market Agreement), and a responsibility for electricity and gas retail markets (other than retail pricing) under the proposed National Energy Retail Law and National Energy Retail Rules.

AEMO's role involves:

- long-term planning for the National Electricity Market (NEM), planning, procurement and connection to, the Victorian electricity transmission network and the Victorian wholesale gas transmission system
- operating the NEM and the retail and wholesale gas markets of South Eastern Australia, including emergency preparedness, as well as overseeing the management and maintenance of systems through which prices are set and transactions carried out, and providing accurate and timely market data
- collaboratively improving existing markets as well as developing new ones for the benefit of the energy sector.

AEMO and the AER recognise the importance of mutual consultation as well as independent decision making, and will inform each other about mutually relevant activities and publications, and (where appropriate) exchange information relevant to the performance of their various functions.

Both the AER and AEMO will endeavour to accommodate the information requirements and reasonable requests for information by the other party in a timely and effective manner. This may include the provision of routine data from the energy market systems, administered by AEMO, or *ad hoc* requests for information by either party.

AEMO and the AER will share information, including confidential information, in a manner consistent with any legal requirements. The AER and ACCC may share information in accordance with the '*ACCC–AER information policy: the collection, use and disclosure of information*'.

To facilitate this cooperation, AEMO and the AER will appoint (and maintain a register of) staff to act as a point of contact, with respect to each area of common interest, who will meet when necessary to provide information about mutually relevant activities and developments, and to identify opportunities for joint activities or information sharing.

Both parties will:

- share the results of compliance audits, market auditors and investigation reports; and
- provide information and cooperate in staff training as required.

AEMO will, as soon as possible:

- notify the AER whenever AEMO issues a default or suspension notice;
- notify the AER whenever an emergency situation in the Electricity or Gas sector arises;
- notify the AER whenever a registered participants fails to comply with its directions or instruction;
- notify the AER whenever a late market settlement occurs.

This memorandum of understanding is intended to help AEMO and the AER perform their statutory responsibilities. It is not legally binding, and does not limit either organisation's performance of those responsibilities.

Shared information and cooperation under the memorandum of understanding

In addition to the reporting requirements and obligations established in legislation, the AER and AEMO will work together in the following areas through the provision of information and cooperation as required from time to time.

National Energy Retail Law and Rules & National Energy Customer Framework (NECF)

Both parties agree to co-operate in good faith in establishing and maintaining systems and processes for the effective exchange of information, including confidential information, and expertise related to all areas of the National Energy Customer Framework, and in particular the National Energy Retail Law and Rules.

National Electricity Rules

Both parties will establish systems and processes for the effective exchange of information, including confidential information, and expertise related to all areas of the Electricity Rules. The parties will also develop processes for notifying the AER whenever AEMO becomes aware of a possible breach of the Electricity Rules.

National Gas Rules

Both parties will establish systems and processes for the effective exchange of information, including confidential information and expertise related to all areas of the Gas Rules. The parties will also develop processes for notifying the AER whenever AEMO becomes aware of a possible breach of the Gas Rules or Procedures as made under Part 15B of the Gas Rules, in particular with respect to:

- Part 18 of the Gas Rules - Natural Gas Services Bulletin Board
- Part 19 of the Gas Rules – Declared Wholesale Gas Market (Victoria)
- Part 20 of the Gas Rules – Short Term Trading Market.

National Transmission Planning

Information sharing for the purpose of the AER's role as transmission network regulator and AEMO's role as National Transmission Planner is essential.

The AER and AEMO will share information, including confidential information, to facilitate the AER's economic regulation of electricity transmission network service providers (TNSPs), AEMO's development of the National Transmission Network Development Plan (NTNDP), and the assessment of TNSP compliance (and disputes) in relation to the Regulatory Investment Test (RIT-T).

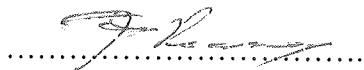
The AER may also:

- provide AEMO with information to assist with developing and consulting on the NTNDP, and
- seek information from AEMO when reviewing or investigating a TNSP's compliance with the RIT-T, or when determining disputes.

Dated this 19th day of JULY 2011



Signed on behalf of the
Australian Energy Market Operator
Tom Parry
Chairman



Signed on behalf of the
Australian Energy Regulator
Andrew Reeves
Chairman