

## IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION

*(For AEMO to complete and administer)*

<b>Issue Number</b>	IN032/15		
<b>Impacted Jurisdiction (s)</b>	NSW/ACT		
<b>Proponent</b>	Danny McGowan	<b>Company</b>	AEMO
<b>Affected Gas Markets(s)</b> <ul style="list-style-type: none"> <li>▪ Retail</li> <li>▪ Wholesale</li> <li>▪ Bulletin Board</li> <li>▪ STTM</li> </ul>	Retail	<b>Consultation process (Ordinary or Expedited)</b>	Ordinary
<b>Industry Consultative forum(s) used</b>	NARGP-TCWG and NARGP-CF	<b>Date Industry Consultative forum(s)consultation concluded</b>	18 December 2015
<b>Short Description of change(s)</b>	Inclusion of transitional provisions into the existing New South Wales/Australian Capital Territory (NSW/ACT) Retail Market Procedures (RMP) to enable AEMO and Participants to remain compliant with the RMPs whilst transition plans are invoked ahead of updated harmonised RMPs taking effect on the 2 May 2016.		
<b>Procedure(s) or Documentation impacted</b>	Retail Market Procedures (RMP) NSW/ACT Gas Interface Protocol (GIP) NSW/ACT Interface Control Document (ICD)		
<b>Summary of the change(s)</b>	The proposed change in this Impact and Implementation Report (IIR) involves adding new provisions within the existing RMPs that enables AEMO, Users and Network Operators to put in place industry agreed transition arrangements for their respective IT system and business processes that interact with AEMO IT system and business processes. These transition arrangements will help facilitate an efficient transition to modified IT systems and business processes which forms part of the NSW/ACT harmonisation work program approved by AEMO in mid 2014 and is on track to take effect on 2 May 2016.		
<b>I&amp;IR Prepared By</b>	Danny McGowan	<b>Approved By</b>	Allicia Volvricht
<b>Date I&amp;IR published</b>	29 <sup>th</sup> January 2016	<b>Date Consultation under 135EE or 135EF concludes</b>	25 <sup>th</sup> February 2016
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## IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

### CRITICAL EXAMINATION OF PROPOSAL

1. Description of change(s) and reasons for change(s)

#### **Background:**

In February 2015, AEMO published its decision to amend the NSW/ACT Retail Market Procedures (RMP) and Gas Interface Protocol (GIP) for the changes relating to IN006/14 (Harmonisation of NSW/ACT processes). This proposed change also resulted in significant and complex IT systems changes for AEMO, Retailers and Network Operators (NWO).

In mid-August 2015, AEMO formed the Transition Cutover Working Group (TCWG) comprising representatives from Retailers and NWOs. The TCWG agreed that the standard approach to implementing IT system and business process changes was not possible without having a co-ordinated industry approach involving an industry Transition Plan (TP) in place.

In late 2015, it was identified that the processes prescribed in the TP would have a compliance impact on the existing RMPs which would need to be addressed by either seeking compliance relief from the Australian Energy Regulatory (AER) in the form a “letter of no action” or addressing these compliance issue by adding transitional provisions in the RMPs. These approaches were discussed with AEMO legal who recommended the adding transitional provisions was the most appropriate approach to mitigate the compliance impact.

#### **Proposed Changes:**

The proposed changes in this IIR is the culmination of multiple workshops held with NSW/ACT gas Retailers and NWO and have resulted in industry developing and agreeing a TP for NSW/ACT networks owned and operated by Jemena Gas Networks and ActewAGL distribution partnership. At the time of preparing this IIR an initial draft of the TP for the Wagga Wagga network and environs owned by Australian Gas Networks Limited (AGN) and the Tamworth network owned by the APA Group (collectively known as WWT) was issued to the TCWG on the 14<sup>th</sup> January 2016 for consideration.

The changes involve adding a Part H (Transitional Provisions) to the existing RMPs. The changes are described in section 3 of this IIR.

These changes are required to enable AEMO and Participants to remain compliant with the RMPs whilst transition plans are invoked ahead of updated harmonised RMPs taking effect on 2 May 2016.

The TP may require further minor amendments before they are finalised. This final round of consultation will allow AEMO to seek further clarity on the RMP and TP to ensure that they reflect how the gas retail market arrangements will operate in relation to the transition period.

AEMO has scheduled a workshop on the **5<sup>th</sup> February 2016**, as part of consultation on the RMP and TP documentation in preparation for publishing an AEMO final determination on the RMP and TP which is currently targeted for late March 2016. Meeting invites have already been issued to NSW/ACT working

	<p>group members and to those that expressed an interest in attending such workshops during the IIR stage. Anyone else wanting to attend these workshops should e-mail <a href="mailto:nargp@aemo.com.au">nargp@aemo.com.au</a> before COB <b>2<sup>nd</sup> February 2016</b>.</p> <p>Submissions for this final stage of the consultation close on <b>25<sup>th</sup> February 2016</b> and should be emailed to <a href="mailto:nargp@aemo.com.au">nargp@aemo.com.au</a>. Please use the response template provided in <b>Attachment A</b>.</p> <p>As noted above the work program to develop the TP for WWT is underway.</p> <p>AEMO has scheduled a further workshop on 7<sup>th</sup> March 2016 prior to AEMO making its final determination on this change to discuss any matters that may need consideration in respect to the TP for WWT.</p> <p>It is important to note that the scope of the TP referred to this IIR is limited to the Business to Market Operator<sup>1</sup> (B2M) interactions, as the current RMPs do not have coverage of the Business to Business<sup>2</sup> (B2B) transactions such as Service Orders, Network Billing etc.</p>
<p>2. Reference documentation</p> <ul style="list-style-type: none"> <li>▪ Procedure Reference</li> <li>▪ GIP/Specification Pack Reference</li> <li>▪ Other Reference</li> </ul>	<p>Retail Market Procedures (NSW/ACT) (see attachment B)</p> <p>Transition Plan (see attachment C)</p>
<p>3. The high level details of the change(s) to the existing Procedures</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>▪ A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures</li> <li>▪ A marked up version of the Procedure change (see Attachment B)</li> </ul>	<p>The proposed change in this IIR involves changes to the documentation that underpin the existing IT systems. They involve adding a Part H (Transitional Provisions) (see attachment B) to the RMPs. The provisions in this part provide for Part 2 of Schedule B and Part 2 of Attachment C of the TP to apply during the transition period instead of some provisions in the RMPs and GIP to allow AEMO, NWOs and Users to transition from the market arrangements and obligations under the current RMPs to the new market arrangement as a result of the NSW/ACT Gas Retail Market Project (NARGP). These provisions also set out when the transition period applies.</p> <p>One change to note is in relation to the transition period. This is the period when Part 2 of Schedule B and Part 2 of Attachment C of the TP will apply. Under the proposed clause 51 (4) (as set out in attachment B of this IIR), AEMO can issue a notice specifying the transition period <b>at any time</b>. AEMO considers this approach provides a level of flexibility by having the ability to set the transition period as late as possible, which is different to the 15 business day advance notice that AEMO gives for notifying of the effective date of changes to retail market procedures.</p>

<sup>1</sup> B2M means interactions between User and Market Operator, Network Operators and Market Operator or vice versa.

<sup>2</sup> B2B means interactions between User and Network Operators or vice versa.

<p>4. Explanation regarding the order of magnitude of the change</p> <p>(e.g.: material, non-material or non-substantial)</p>	<p>This change proposed in the IIR forms part of the broader NSW/ACT harmonisation work program that was approved by AEMO in mid-2014. The order of magnitude applicable for that program of work was material. NSW/ACT harmonisation involves significant changes to the current NSW/ACT B2M transactions and the introduction of standardised B2B transactions. Most of the existing bilateral B2B transactions are being retired and replaced with a suite of transactions used in the other gas retail markets.</p> <p>In terms of the TP, the changes mostly involve putting in place interim business processes to support the transition arrangements. A small number of changes are IT systems related which AEMO considers are not extensive.</p>
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#### ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p>In late 2014, AEMO issued an IIR recommending RMP and GIP changes that underpinned an industry initiative to harmonising B2B and B2M arrangements in NSWACT. The cost and benefit information provided to AEMO for this initiative indicated that it would yield a positive return in the medium term estimated to be \$3.6m within ten years. Participants were invited to make submissions and no participants opposed AEMO's recommendation. AEMO subsequently approved and published these RMP and GIP changes in February 2015. It is AEMO's view that costs and benefits of the changes proposed for the transitional provisions are incorporated in the overall \$3.6m benefit estimated in harmonising B2B and B2M arrangements in NSWACT.</p>
<p>6. The likely implementation effect of the change(s) on stakeholders</p> <p>(e.g. Industry or end-users)</p>	<p>The changes involve putting in place an interim business process to support the transition arrangements in the lead up to the new market arrangements that are proposed to take effect on 2 May 2016. A small number of changes are IT system related which AEMO considers are not extensive.</p> <p>Failure to incorporate these changes in the NARGP work program may jeopardise the smooth transition to the new arrangements due to IT systems and business processes operating in a way that is non-compliant with the Procedures.</p>
<p>7. Testing requirements</p>	<p>The broader NSW/ACT harmonisation testing requirements are defined and included in the NARGP program of work and include industry tests, market trial and final FRC Hub certification prior to Go-Live.</p> <p>The TP is largely changes to business process rather than IT system changes. Given the IT changes are not extensive AEMO and Participants are expected to undertake their own internal testing to ensure their systems and processes adhere to the TP arrangements during the transition period.</p>
<p>8. AEMO's preliminary assessment of the proposal's compliance with section 135EB:</p> <p>- consistency with NGL and NGR,</p>	<p><u>Consistency with National Gas Law (NGL) and National Gas Rules (NGR)</u></p> <p>AEMO's view is that the proposed change is consistent with the NGL and matters about which Procedures can be made within section 135EA of the NGR. The change is also consistent with the operation and intention of other regulatory instruments such</p>

<p>- regard to national gas objective</p> <p>- regard to any applicable access arrangements</p>	<p>as the NERR.</p> <p><u>National Gas Objective</u></p> <p>The National Gas Objective (NGO) states “Promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”</p> <p>In September 2015, the TCWG agreed on a set of principles in assessing the appropriateness of any approach to transitioning from the existing to the new market arrangements. One of the principles noted that transitional arrangements must be practical and cost efficient. This proposal satisfies the NGO on the basis that the TCWG has applied that principle.</p> <p><u>Applicable Access Arrangements</u></p> <p>In relation to the B2M interactions in the TP referred to in attachment C of this IIR, NWOs or Retailers did not raise any material concerns with the proposed amendments in relation to Access Arrangements during workshops. AEMO is of the view that the proposed changes do not conflict with any Access Arrangements.</p> <p>In relation to B2B interactions, AEMO understands that a separate work program facilitated by NWOs and Retailers is underway to review the TP against other regulatory artefacts (other than AEMO’s RMPs and GIP) to determine whether compliance relief is necessary for those artefacts.</p>
<p>9. Consultation Forum Outcomes</p> <p>(e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>	<p>In early August 2015 AEMO formed the Transition Cutover Working Group (TCWG) comprising Retailers and NWOs that operate in the NSW/ACT networks owned and operated by Jemena Gas Networks and ActewAGL distribution partnership. This working group was assigned the task of developing an approach to transition from the existing IT system and business processes that interact with AEMO IT system and business processes, to the new harmonised IT systems and business processes that are proposed to take effect on 2 May 2016.</p> <p>From mid-August 2015 to mid December 2015, several TCWG workshops were held to consider the transition approach for each of the existing market transactions. Once the approaches were agreed at the workshops, they were included in the TP. On 18 December 2015 the TCWG unanimously endorsed the TP (see attachment C) noting that the arrangements prescribed in the TP will take effect in the lead up to implementing the new harmonised market arrangements.</p> <p>In relation to the RMP changes (see attachment B) this IIR consultation is the first time that Participants have the opportunity to consider these changes. AEMO’s view is that they are non-contentious and provide the necessary regulatory relief to facilitate the transition in accordance with the TP principles.</p> <p>Based on the responses received and the feedback within the working groups broadly there have been no dissenting views</p>



	<p>opposing the TP and the inclusion of new transitional provisions in the RMPs.</p> <p>It should be noted that AEMO has not issued the customary Proposed Procedure Change (PCC) normally associated with retail market Procedure changes ahead of the IIR in this instance. AEMO considers that the workshops that were conducted between August and December 2015 and the consideration and discussion of the TP at the workshops meets the requirements of the Approved Process under 135EC of the NGR and has provided the opportunity for participants to consider and provide feedback on the issues that are considered as part of a PPC.</p>
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<b>RECOMMENDATION(S)</b>	
<p>10. Should the proposed Procedures be made, (with or without amendments)?</p>	<p>AEMO recommends that these Procedures and Transition Plans be made in line with Attachment B and C.</p>
<p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p>	<p>AEMO proposes that the changes will occur in accordance with the following timeline:</p> <ul style="list-style-type: none"> <li>• <b>29 March 2016</b> – AEMO publishes notice of decision.</li> <li>• As set out in Part H, Clause 50.1 (4) of the RMPs, AEMO will publish a further notice sometime after 29<sup>th</sup> March 2016 specifying the transition period.</li> </ul> <p>The rationale for this timeline is that the above dates are post the NARGP-Consultative Forum meeting to be held on 15<sup>th</sup> March 2016, to consider whether to recommend proceeding with a 2 May 2016 implementation and before 22 April 2016 which is when most provisions within TP are proposed to commence.</p>

**ATTACHMENTS – DOCUMENTATION CHANGES (SEE SECTION 3)**

Blue represents additions Red and strikeout represents deletions – Marked up changes

**Attachment A**

**IIR Response Template**

The IIR response template has been attached separately to this document.

## **Attachment B**

### **PROPOSED CHANGES RETAIL MARKET PROCEDURES (NSW/ACT)**

#### **Part H TRANSITIONAL PROVISIONS**

##### **50.1 Definitions**

In this Part:

- (1) *transition* means the activities to be undertaken to allow AEMO, network operators and users to transition from the market arrangements and obligations under the Procedures applicable immediately before the transition time to the market arrangements and obligations under the Procedures applicable immediately after the transition time as a result of the amendments to the Procedures and Gas Interface Protocol for the NSW/ACT Gas Retail Market Project (NARGP).
- (2) *transition plan* means,
  - (a) for the networks sections operated by Jemena the plan described in Part 2 of Attachment B of the NARGP Industry Transition, Cutover and Controlled Production Start Plan for the transition and the provision of certain information established by AEMO in consultation with users and network operators and published on AEMO's website;
  - (b) for the Wagga Wagga and Tamworth network sections, the plan described in (a) above as amended by Attachment C of the NARGP Industry Transition, Cutover and Controlled Production Start Plan for the transition and the provision of certain information established by AEMO in consultation with users and network operators and published on AEMO's website.
- (3) *transition time* means the time when the amendments to the Procedures and Gas Interface Protocol for the NSW/ACT Gas Retail Market Project (NARGP) become effective as determined by AEMO and specified in the notice of effective date published by AEMO.
- (4) *transition period* means the period for the transition, ending immediately before the transition time, to be determined by AEMO and specified in a notice published by AEMO on the AEMO website.

##### **50.2 Transition**

- (1) During the transition period:
  - (a) AEMO, users and network operators must use reasonable endeavours to co-operate with each other to facilitate the transition;
  - (b) to the extent that the provision, delivery or receipt of information, notices, documents, requests, reports or transactions contemplated by the Procedures is provided for in the transition plan, the provisions in the transition plan relating to that matter will apply instead of those in the Procedures and the Gas Interface Protocol; and
  - (c) to the extent that the provision, delivery or receipt of information, notices, documents, requests, reports or transactions contemplated by the Procedures is not provided for in the transition plan, the Procedures (including the Gas Interface Protocol) will continue to apply in respect of that matter.



## **Attachment C**

### **Transition Plan**

Part 2 of Attachment B and Attachment C of the NARGP Industry Transition, Cutover and Controlled Production Start Plan contains the transition plans for the Business to Market Operator” (B2M) interactions. This is attached separately to this document.