

Notice to all Participants,

13 October 2014

Notice to Participants on AEMO decision to approve amendments to the Retail Market Procedures (VIC, QLD, SA and NSW/ACT)

This notice advises Gas Market Registered Participants that consultation under the expedited Procedure change consultative process prescribed under Rule 135EF of the National Gas Rules (**NGR**) concluded on 19 September 2014 for IN028/13 and 1 September 2014 for IN011/14:

- **IN028/13 (Harmonisation of audit provisions)**
- **IN011/14 (NSW/ACT Procedures audit related updates and other minor amendments)**

As required under Rule 135EF of the NGR, Gas Market Registered Participants and other interested parties were invited to submit comments to AEMO on the Impact and Implementation Report (IIR) for each proposal.

Having considered each proposal, AEMO has approved the proposed amendments attached to this notice and has set the effective date for the changes to be **3 November 2014**.

Marked-up and unmarked copies of the new versions of the Retail Market Procedures pertaining to the changes described in Attachment A will be published prior to 3 November 2014 on the AEMO website.

Should you require any further information please contact Tim Sheridan on (03) 9609 8417.

ATTACHMENT A – PROPOSED RETAIL MARKET PROCEDURE CHANGES
IN028/13 – Harmonisation of Audit Provisions
Blue represents additions Red and strikeout represents deletions – Marked up changes

Extract from Version 13.0 of the RMP-N/A

Amend the definitions in clause 1.3 as follows:

review means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

Amend clause 38 as follows:

38. AUDIT OF AEMO'S FUNCTIONS UNDER THE PROCEDURES

38.1 ~~AEMO may appoint independent auditor~~ There is no clause 38.1.

~~AEMO may at any time appoint an independent, appropriately qualified person to undertake a negative assurance audit of the compliance by AEMO with some or all of the obligations of the entity or entities (as the case may be) under the Procedures.~~

38.2 ~~AEMO must consider necessity of negative assurance audit~~ There is no clause 38.2.

~~At least once every 12 months AEMO must consider appointing a person to undertake a negative assurance audit under clause 38.1.~~

38.3 ~~Terms of auditor's retainer~~ There is no clause 38.3.

- (1) ~~Subject to clause 38.3(2), the terms of retainer of an auditor appointed under clause 38.1 (including regarding remuneration, expenses, insurance and liability) are to be agreed between the auditor and AEMO.~~
- (2) ~~AEMO must ensure that the auditor appointed under clause 38.1 provides a report of the negative assurance audit that at least:~~
 - (a) ~~provides reasonable detail regarding the auditor's investigations and methodology; and~~
 - (b) ~~either:~~
 - (i) ~~states that the negative assurance audit did not disclose non-compliance; or~~
 - (ii) ~~provides details of each breach, non-compliance or other circumstance which prevents a statement under clause 38.3(2)(b)(i) being made.~~

38.4 Auditor's reportThere is no clause 38.4.

~~AEMO must make a copy of an auditor's report provided under clause 38.3 available to a market participant upon request.~~

38.5 Market Audit

- (a) AEMO must undertake a *Review* at least every two years.
- (b) In undertaking a *Review*, AEMO must appoint a Market Auditor who in AEMO's reasonable opinion is independent and suitably qualified to conduct a *Review*.
- (c) A *Review* must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
 - (i) AEMO's compliance processes and compliance with the *Procedures*;
 - (ii) IT Controls, including software management and business continuity;
 - (iii) integrity of the AEMO meter register;
 - (iv) profiling and allocation processes and systems; and
 - (v) retail billing and information systems.
- (d) AEMO will determine, in consultation with *market participants*, the extent and scope of the *Review* to be undertaken.
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to *market participants* on request.

Extract from Version 8.0 of the RMP-V

Amend the definitions in clause 1.1.1 as follows:

review means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

1.7 Market Audit

- (a) AEMO must undertake a *Review* at least every two years.
- (b) In undertaking a *Review*, AEMO must appoint a Market Auditor who in AEMO's reasonable opinion is independent and suitably qualified to conduct a *Review*.
- (c) A *Review* must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
 - (i) AEMO's compliance processes and compliance with the *Procedures*;
 - (ii) IT Controls, including software management and business continuity;
 - (iii) integrity of the AEMO meter register;
 - (iv) profiling and allocation processes and systems; and
 - (v) retail billing and information systems.
- (d) AEMO will determine, in consultation with *Market Participants* and *Distributors*, the extent and scope of the *Review* to be undertaken.
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to *Market Participants* and *Distributors* on request.

Extract from Version 9.0 of the RMP-Q

Amend the definitions in clause 1.1.1 as follows:

~~Market Auditor~~ — A person appointed by AEMO to carry out a ~~Review~~ under clause 4.7.

~~Review~~ Means ~~An an~~ examination in accordance with the standard ~~specified~~ (as varied from time to time) for a “review” specified in Auditing Standard AUS106: “ASAE 3000 (Explanatory Framework for standards on Audit and Audit Related Services)” prepared by the Auditing and Assurance Standards Board ~~of the Australian Accounting Research Foundation, as varied from time to time.~~

1.7 Market audit

- (a) AEMO must ~~arrange for~~ undertake a ~~Review to be conducted at least annually by a Market Auditor~~ at least every two years.
- (b) In undertaking a Review, AEMO must ~~shall~~ appoint a ~~Market Auditor~~ Market Auditor who in AEMO’s reasonable opinion is independent and suitably qualified to conduct the required ~~Review~~.
- (c) ~~The A~~ Review must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
 - ~~(i) — AEMO business processes;~~
 - ~~(ii)~~ (i) AEMO’s compliance processes and compliance with the *Procedures*;
 - ~~(iii)~~ (ii) IT Controls, including software management and business continuity;
 - ~~(iv)~~ (iii) integrity of the AEMO meter register;
 - ~~(v)~~ (iv) profiling processes and systems; and
 - ~~(vi)~~ (v) retail billing and information systems ~~(balancing and STTM distribution system allocation processes).~~
- (d) AEMO will determine, in consultation with Participants, the extent and ~~must establish and implement a consultative process that enables Users and Distributors to provide input into the development of the~~ scope of the ~~Review on an annual basis~~ to be undertaken.
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the ~~Market Auditor~~ Market Auditor in accordance with clause 1.7(e) must be published on the AEMO website and made available by AEMO to ~~Users, the AER and Distributors~~ Participants on request.

Extract from Version 6.0 of the RMP-S

Amend the definitions in clause 2 as follows:

~~“appointor” has the meaning given to it under clause 228(2).~~

~~“auditor” means an auditor appointed under Part 7.2.~~

~~“negative assurance audit” means a review with the objective of enabling the auditor to state whether, on the basis of review procedures that do not provide all the evidence that would be required in a standard audit, anything has come to the auditor’s attention that indicates (as applicable):~~

~~(a) AEMO’s non-compliance with the clauses set out under clause 228(1); or~~

~~(b) a network operator’s non-compliance with the clauses set out under clause 228(1).~~

“review” means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

Part 7.2– Audit

350. There is no clause 350.

351. Market aAudit of AEMO

~~(1) AEMO must appoint an auditor, by having regard to clause 353, to undertake a negative assurance audit of AEMO’s compliance with the following parts of these Procedures: Part 2.1, Part 2.2, Part 2.3, Part 3.1, Part 3.3, Part 3.5, Part 3.6, Part 5.5, Part 5.6, Part 5.7, Part 5.8, Part 5.10, Part 5.11, Part 5.12 in accordance with clause 351(1A) to (3).~~

~~(1A) A negative assurance audit under clause 351(1) may cover some or all of the Parts of the Procedures listed in clause 351(1), provided that at least once every 3 years, each Part of the Procedures listed in clause 351(1) is subject to a negative assurance audit covering 12 consecutive months within that 3 year period.~~

~~{Note: the first 3 year period starts from commencement of these Procedures and ends 3 years thereafter. The next year 3 year period starts immediately on the completion of this 3 year period and so on.}~~

~~(2) AEMO may determine, in consultation with participants, the extent and scope of a negative assurance audit to be undertaken under clause 351(1).~~

~~(3) AEMO must:~~

~~(a) ensure that the auditor conducts any negative assurance audit in accordance with this Part 7.2; and~~

~~(4) obtain the auditor’s final report of its findings within 3 months after the end of the period to which the negative assurance audit relates.~~

(a) AEMO must undertake a Review at least every two years.

(b) In undertaking a Review, AEMO must appoint a Market Auditor who in AEMO’s reasonable opinion is independent and suitably qualified to conduct a Review.

- (c) A Review must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the Procedures, including but not limited to:
 - (i) AEMO's compliance processes and compliance with the Procedures;
 - (ii) IT Controls, including software management and business continuity;
 - (iii) integrity of the AEMO meter register;
 - (iv) profiling and allocation processes and systems; and
 - (v) retail billing and information systems.
- (d) AEMO will determine, in consultation with participants, pipeline operators and prescribed persons, the extent and scope of the Review to be undertaken.
- (e) AEMO must ensure that the person who conducts the Review prepares a report in which the results of the Review are set out.
- (f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to participants, pipeline operators and prescribed persons on request.

352. There is no clause 352. ~~Audit of network operator's metering responsibilities~~

- ~~(1) For each calendar year, each network operator must appoint an auditor, having regard to clause 353, to undertake a negative assurance audit of the network operator's compliance during the year with clauses 62, 153, 156, 160(1)(j) and 169.~~
- ~~(2) A network operator must:~~
 - ~~(a) ensure that the negative assurance audit is conducted in accordance with this Part 7.2; and~~
 - ~~(b) provide the auditor's final report of its findings to AEMO within 3 months after the end of the year to which the negative assurance audit relates.~~
- ~~(3) Clause 352 will not apply when an ESCOSA code relating to network operator audits is finalised.~~

353. There is no clause 353. ~~Auditor's qualifications etc~~

~~An auditor appointed under this Part 7.2 must have sufficient qualifications, resources, professional skill and experience to enable it to undertake the audit for which it is appointed.~~

354. There is no clause 354. ~~Auditor's conflict of interest~~

- ~~(1) In this clause 354, but subject to clause 354(4), the term "conflict of interest" includes, but is not limited to:~~
 - ~~(a) the holding of any office; or~~
 - ~~(b) the entering into, or giving effect to, any contract, arrangement, understanding or relationship,~~~~by an auditor or any of its directors, officers, servants or agents whereby, directly or indirectly, duties or interests are or might be created for the auditor or any of the auditor's directors, officers, servants or agents which conflict, or might reasonably be expected to conflict, with any one or more of:~~

- ~~(c) the auditor's duties in conducting an audit under this Part 7.2; or~~
- ~~(d) the interests of AEMO; or~~
- ~~(e) the interests of a participant.~~
- ~~(2) A person required by this Part 7.2 to appoint an auditor must ensure that the auditor:
 - ~~(a) before commencing any audit, and in any audit report, provides full disclosure of all actual or potential *conflicts of interest*;~~
 - ~~(b) at all times has in operation effective procedures to detect any actual or potential *conflict of interest* which arises during the course of the audit; and~~
 - ~~(c) forthwith notifies the person who appointed the auditor of any actual or potential *conflict of interest* which arises during the course of the audit, and of any non-compliance with this clause 354.~~~~
- ~~(3) A person required by this Part 7.2 to appoint an auditor must not appoint an auditor, or having appointed an auditor must terminate the appointment, if the person becomes aware of an actual or potential *conflict of interest* in the auditor which might reasonably be expected to materially adversely affect the auditor's independence and impartiality or the performance of its duties.
 - ~~{Note: Examples of when an actual or potential conflict of interest in an auditor might reasonably be expected to materially adversely affect the auditor's independence and impartiality or the performance of its duties, would be if the auditor is the person who designed the relevant systems.}~~~~
- ~~(4) An auditor appointed to conduct an audit under this Part 7.2 is not to be taken to have a *conflict of interest* merely because it has previously been appointed to conduct an audit under this Part 7.2, or because it carries out other audit duties for a *participant*.~~

355. There is no clause 355.Terms of auditor's retainer

~~Except as stated in clause 356, the terms of retainer of an auditor appointed under this Part 7.2 (including regarding remuneration, expenses, insurances and liability) are to be agreed between the auditor and the person required by this Part 7.2 to appoint the auditor.~~

356. There is no clause 356.Confidentiality

- ~~(1) A person required by this Part 7.2 to appoint an auditor must ensure that the auditor enters into a deed of undertaking substantially in the form set out in Appendix 4, but that deed remains subject to clause 356(2).~~
- ~~(2) To the extent that disclosure by an auditor of any information or matter regarding a material non-compliance by a *participant* or AEMO is reasonably necessary for the auditor to report on the material non-compliance, the *participant* or AEMO (as the case may be) by this clause:
 - ~~(a) waives all of its rights to require that the auditor keep the information or matter confidential; and~~
 - ~~(b) authorises disclosure by the auditor of the information or matter in accordance with this Part 7.2.~~~~

357. There is no clause 357.Participants, AEMO, pipeline operators and prescribed persons must cooperate with auditor

- ~~(1) A person being audited under clauses 351 or 352 must cooperate with and provide all reasonable assistance to an auditor appointed under this Part 7.2.~~

- ~~(2) Without limiting clause 357(1), a person being audited under clauses 351 or 352 must comply without delay with any request by the auditor for the purpose of conducting an audit under this Part 7.2 for the person:~~
- ~~(a) to deliver to the auditor specified documents or records; and~~
 - ~~(b) to permit the auditor:~~
 - ~~(i) to access the its premises during a business day; and~~
 - ~~(ii) to take copies of its records.~~
- ~~(3) Each of a participant, AEMO, pipeline operator and prescribed person who is not being audited under clauses 351 or 352 must cooperate with and provide reasonable assistance to an auditor appointed under this Part 7.2.~~
- ~~(4) As a pre-condition to cooperating and providing assistance under clause 357(3), a person may request to be identified as a covenantee under a deed executed under clause 356(1).~~

358. There is no clause 358. Audit report

~~A person required by this Part 7.2 to appoint an auditor must ensure that the auditor's report of a negative assurance audit under this Part 7.2 at least:~~

- ~~(a) provides reasonable detail regarding the auditor's investigations and methodology; and~~
- ~~(b) details any material restrictions or deficiencies in the auditor's access to or use of relevant documents or records; and~~
- ~~(c) without limiting clause 358(b), details the circumstances of any non-compliance by a participant or AEMO with clause 357, in respect of the negative assurance audit; and~~
- ~~(d) complies with the deed of undertaking under clause 356(1); and~~
- ~~(e) makes all disclosures required under clause 354(2); and~~
- ~~(f) either:~~
 - ~~(i) states that the negative assurance audit did not disclose non-compliance; or~~
 - ~~(ii) provides details of each breach, non-compliance or other circumstance which prevents a statement under clause 358(f)(i) being made.~~

359. There is no clause 359. Level of Audit

- ~~(1) In this clause 359, "level" means the degree of rigour with which a negative assurance audit is undertaken, including the size and nature of any sample used and the extent, if any, to which the sample is representative.~~
- ~~(2) The person who appoints an auditor under this Part 7.2 ("appointor") and the appointed auditor are to agree the level of the negative assurance audit.~~
- ~~(3) Each appointor must ensure that the intensity of the negative assurance audit is adequate and reasonable having regard to:~~
- ~~(a) the requirements set out in this Part 7.2; and~~
 - ~~(b) the need for the level to be sufficient for the auditor as a reasonable and prudent person to state that the negative assurance audit did not disclose non-compliance; and~~

- ~~(c) the objective that where possible, *participants* are to seek to minimise the costs of participating in the gas retail market and to achieve the best possible cost-benefit mix; and~~
- ~~(d) the objective that a *negative assurance audit* is normally designed to verify that systems and processes are functioning correctly.~~
- ~~(4) A *participant* or AEMO may challenge the adequacy or level of a *negative assurance audit* conducted under this Part 7.2 by referring a matter to AEMO under clause 325.~~

360. There is no clause 360. AEMO's audit summary report

- ~~(1) For each calendar year, AEMO must produce a report, after consulting with the *participant* regarding the content of the report, within 4 months after the end of the calendar year which:
 - ~~(a) details all significant instances of non-compliance identified in each of the *auditor's* reports produced under this Part 7.2; and~~
 - ~~(b) details any action that has been taken or is proposed in respect of each instance of non-compliance identified under clause 360(1)(a).~~~~
- ~~(2) AEMO's report under clause 360(1) must as far as practicable be consistent with making adequate disclosure, not disclose details of matters expressly identified to it by a *participant* during the consultation under clause 360(1) as comprising the *participant's* intellectual property, marketing systems, information technology or otherwise being confidential or commercially sensitive information.~~

ATTACHMENT B– PROPOSED RETAIL MARKET PROCEDURE CHANGES
IN011/14 – NSW/ACT Procedures Audit related updates and other minor amendments
Blue represents additions Red and strikeout represents deletions – Marked up changes

Extract from Version 13.0 of the RMP-NSW & ACT

Amend the wording in RMP clauses as follows:

Audit finding:

33.15 STTM distribution system allocation – monthly recalculations

...

- (2) By the fourth business day after the last day of the ninth month ~~On the last business day of the ninth month~~ after month M, AEMO must recalculate each user's STTM distribution system allocation, and each component of the user's STTM distribution system allocation, for a network section for each gas day in month M.

Minor typographical errors:

1.3 Definitions

substituted means in relation to a *meter reading* or *energy value*:

- (1) a calculated or estimated *meter reading* or *energy value* agreed between the relevant network operator and user, or

~~(3)~~ (2) a customer meter reading,

1.9 Approvals and determinations by ~~Rules administrator~~ AEMO

If a clause of these *Procedures* refers to a matter being approved or determined by AEMO, AEMO will give such approval or make such determination in writing and make a copy of the approval or determination available on AEMO's website.

6.8 Assessment of user change data and meter reconnection

- (1) Upon receipt of the *user change data* for a *delivery point*, AEMO must validate the *user change data* by confirming each of the following matters:

....

(f) that the date proposed under **clause 6.2(6)** is:

- (i) if the change of user transaction is a *COU move-in*, no earlier than the date the transaction was initiated; and

~~(ii)~~ (ii) otherwise, no earlier than *day +5*; ~~and~~

24.1 Meter data agent to co-operate with ~~Rules administrator~~ AEMO

- (1) Whenever a common approach to the provision of services to be provided by a *meter data agent* under these *Procedures* is required, a *meter data agent* must co-operate with AEMO to facilitate the effective development and implementation of processes and other requirements for these *Procedures*.

28.3 User to notify AEMO of negative forecast requirement

....

- (2) The *user* must notify AEMO under **clause 28.3(1)** immediately upon the *user* determining that the *forecast requirement* will be less than zero, and in any case by no later than 1600h on *nomination day -2*.
- (3) ~~If the *user* is unable to notify AEMO, then the *user* must notify AEMO.~~ There is no clause 28.3(3).

Redundant clause:

3.2 Participant information

- (1) ~~AEMO will notify all existing *users*, *network operators* and *accredited meter data agents*.~~ There is no clause 3.2(1).

ATTACHMENT C – PROPOSED RETAIL MARKET PROCEDURE CHANGES
IN011/14 – NSW/ACT Procedures Audit related updates and other minor amendments
Blue represents additions Red and strikeout represents deletions – Marked up changes

Update the Operating Procedure as follows:

1. The title of the document to match the wording in the Procedures clause 47.1.
2. References to the NSW Department of Energy changed to Division.
3. Removal of the process for a gas customer to contact the Division as it was considered redundant.
4. AEMO's contact details in the 'Further Information' section.
5. The 5 step gas retailer discovery process, as per EWON comments for their preference to follow the same discovery process as the gas retailers rather than having to refer customers who contact EWON to a gas retailer.
6. Updates to steps 1(b) and step 5 in relation to clarifying privacy law related obligations; and
7. Other minor updates.

Please refer to the marked-up version of the Operating Procedure on the AEMO website for the relevant track changes.