

24 December 2013

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Dear Mr Spangaro

**AER Authorisation of Software Changes by AEMO – ERC0151**

The Australian Energy Regulator (AER) has requested a rule change under National Electricity Rules (NER) clause 3.17.1 to remove the requirement for them to authorise Australian Energy Market Operator (AEMO) software changes.

The AER's proposal would require AEMO to make software changes in accordance with its IT Change Management Procedures Manual rather than the current rule.

A number of concerns were raised by Origin Energy and GDF Suez Australian Energy about AEMO's IT Change Management Procedures Manual, including its governance processes, change management obligations, reporting, and dispute resolution.

AEMO has met with representatives from these organisations to better understand their concerns.

Attached is AEMO's response to those concerns.

For further details or if you would like to meet with AEMO to discuss this submission please contact Taryn Maroney on 02 8884 5609 or by email at [taryn.maroney@aemo.com.au](mailto:taryn.maroney@aemo.com.au)

Yours sincerely



Taryn Maroney

On behalf of Sandra McLaren  
**A/Group Manager Market Development**

cc: Sophie Cazabon

Attachment 1: AER Authorisation of Software Changes by AEMO – AEMO's Submission.

## Attachment 1

### AER Authorisation of Software Changes by AEMO – AEMO's Submission

#### 1. Background

The Australian Energy Regulator's (AER's) rule change request proposed to:

- Remove the AER's obligation to authorise software changes made by AEMO.
- Require AEMO to make software changes in accordance with its IT Change Management Procedures Manual (Manual).

On 24 October 2013, the Australian Energy Market Commission (AEMC) initiated the rule change request. Two submissions were received, from GDF Suez Australian Energy (GDFSAE) and Origin Energy (Origin).

AEMO recently met with representatives from Origin and GDFSAE to understand the issues in their submissions. The sections below represent AEMO's response to those concerns.

#### 2. The Manual's Governance

Origin raised concerns over the Manual's governance structure, lack of industry oversight over the IT change management process, the review process, and convening the IT Change Management Review Committee (Committee).

AEMO recognises the need to improve the Manual and its governance processes. It will take the following actions to address Origin's concerns:

- Reconvene the Committee by March 2014 to discuss further recent amendments to the Manual. Under the Manual's governance arrangements, AEMO must identify changes and convene the Committee for approval. The Manual states that the Committee will meet annually; however this has not occurred in the last four years. AEMO will review the current membership of the Committee and will use the relevant Consultative Forums to ensure that the appropriate stakeholders are involved.
- Consult with Registered Participants on changes to the Manual within three months of the AEMC's final rule determination. AEMO's letter to the AER dated 20 June 2012 also noted this. Further issues and suggestions to improve the clarity of the Manual will be considered in this consultation.

AEMO is also developing a stakeholder engagement plan on its energy change management processes and frameworks; including the Manual. This will identify how AEMO proposes to consult with industry on energy market changes and will be finalised by March 2014.

#### 3. Change Management Obligations

GDFSAE's submission stated that the NER change management obligation was insufficiently defined and suggested a set of policy objectives be included in the NER or in a policy document.

While the objectives and requirements are stated in the Manual, AEMO acknowledges GDFSAE's view that further high level requirements should be included in the NER to provide Registered Participants with greater regulatory certainty. For this purpose, AEMO suggests NER clause 3.17.1 is replaced with the following drafting:

- (a) AEMO must develop, *publish* and maintain, in consultation with *Registered Participants*, an IT Change Management Procedures Manual that must describe:
- The objective and principles;
  - The software to which it applies;
  - Details of the process AEMO will apply in notifying and consulting with *Registered Participants* on proposed changes;
  - The manner in which AEMO will address any dispute raised by *Registered Participants*, incorporating the dispute resolution processes in Chapter 8;
  - Any other factors AEMO considers relevant.
- (b) AEMO must not alter, reconfigure, reprogram or otherwise modify or enhance any computer software required under Chapter 3 for the operation of the *market* unless such changes have been made in accordance with the IT Change Management Procedures Manual.
- (c) AEMO may make minor or administrative amendments to the IT Change Management Procedures Manual without complying without consulting with *Registered Participants*.

AEMO considers that this will provide adequate governance and allow sufficient operational flexibility.

#### 4. Change Management Reporting

GDFSAE suggested that the NER should make the reporting obligation on change management outcomes more explicit to provide transparency to industry. AEMO supports information transparency and considers that the AER's powers under the NER clause 8.7.2 are sufficient. If future reporting requirements change, this clause allows the AER the flexibility to seek further information from AEMO.

GDFSAE suggested that the NER specifies AEMO reports "*outcomes of its change management processes for software alterations*" so this information is available to stakeholders. Currently, AEMO provides the AER with the General IT and Change Reports monthly. These reports summarise the change notifications AEMO publishes each month. AEMO will provide this information to stakeholders on request.

#### 5. Dispute Resolution Arrangements

The AEMC's consultation paper queried whether the NER Chapter 8 dispute resolution process was applicable to software changes and whether section 120A of the National Electricity Law (NEL) provided AEMO with immunity from the Chapter 8 process.

Section 120A states that AEMO is immune from any "*civil monetary liability for loss or damage suffered by a Registered participant or other person in consequences of the use of computer software to operate the NEM*". This does not provide immunity from the process or immunity from a remedy such as an order to make/not make changes to software.

GDFSAE suggested that, in the AER's absence from the process, the Chapter 8 dispute resolution process was "*heavy-handed*" for disputes over system changes. AEMO does not share this view because the proposed rule change does not change the current dispute resolution process included in the Manual.

Figure 1 illustrates this process. If six or more participants object to a change, AEMO would consult with participants to understand their issues and identify options to resolve them. If required, AEMO might revise the change and would re-initiate the change management process. If participant concerns remained, the Chapter 8 dispute resolution process could be used.

AEMO acknowledges that the Manual's dispute process will need to be changed for any amending rule.

Figure 1: Proposed IT change management process (AER removed)

