

24 June 2009

Mr Ian Woodward
Chairman of the Reliability Panel
The Australian Energy Market Commission
submissions@aemc.gov.au

Dear Mr Woodward, 

Thank you for the opportunity to comment on the Reliability Panel's draft report on the template for generator compliance programs.

The AER considers the principles for the development of the template for generator compliance programs and the draft template proposed by the Reliability Panel to be sound. Further, the AER agrees that the template should form part of a generator's overall compliance management framework.

As discussed in its submission to the issues paper, the AER proposes to audit the compliance programs implemented by generators. A technical audit would include an assessment of how participants manage compliance with respect to these specific obligations in the national electricity rules. It may be based on a questionnaire, reporting requirement and/or site visit and include reviewing:

- documented practices and procedures;
- controls to identify and report non-compliance;
- evaluation and testing arrangements;
- responsibility levels and communication links throughout the business; and
- how ongoing compliance with these obligations is incorporated in the participant's broader compliance management system.

The AER's approach in this regard, in conjunction with how the AER proposes to respond in the event of enforcement action, is outlined in the revised *Compliance and Enforcement - Statement of Approach*, to be published at the end of June 2009 (to be available at www.aer.gov.au).

A summary of the results of the AER's ongoing audit program and lessons learnt will be included in its quarterly compliance reports.

The AER believes that, in combination, the template for generator compliance programs proposed by the Reliability Panel and the AER's proposed approach to auditing generator compliance programs and performing technical audits, will provide the appropriate balance of incentives and deterrents to ensure that generators operate within and adhere to an appropriate compliance management framework.

Should you have any queries on the above, please contact Mark Wilson, Director, Markets, on 08 8213 3419.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michelle Groves', with a long horizontal flourish extending to the right.

Michelle Groves
CEO
Australian Energy Regulator