

Our Ref: 48846 – D12/179145  
Contact Officer: Scott Hall  
Contact Phone: (08) 8213 3425

12 December 2012

Ms Helen Huang  
Adviser  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

via email: [Helen.Huang@aemc.gov.au](mailto:Helen.Huang@aemc.gov.au)

Dear Ms Huang 

**Request for rule change – requirement for AER authorisation of software changes by AEMO**

As per our recent discussion, this letter contains the requested supplementary information to the AER's rule change proposal submitted on 20 July 2012. The AER is happy for the AEMC to publish this letter as supplementary documentation to our earlier rule change proposal.

*Why is this proposed rule change 'non-controversial'?*

Under section 87 of the NEL a 'non-controversial Rule' is defined as 'a Rule that is unlikely to have a significant effect on the national electricity market'. We consider that the following reasons demonstrate that the rule change proposal satisfies this requirement.

The rule change proposal seeks to amend clause 3.17.1 of the National Electricity Rules (Electricity Rules) which requires the Australian Energy Market Operator (AEMO) to obtain authorisation from the AER for any alterations to any software required under Chapter 3 for the operation of the market. The AER proposes that the clause be amended to remove the requirement for AEMO to obtain authorisation from the AER, and instead require AEMO to undertake software changes in accordance with an IT change management process developed in consultation with registered participants. As detailed in our rule change proposal, the proposed amendments essentially codify the current process by which AEMO amends the software. We consider this is unlikely to have a significant effect on the market.

In our rule change proposal we also noted that participants would still be permitted to raise objections to proposed software amendments with AEMO, and further, in the event that a representative number of participants were unable to resolve any dispute with AEMO, they would have recourse to the dispute resolution procedures under chapter 8 of the Electricity

Rules. We also propose to continue the current reporting obligation under clause 8.7.2 of the Electricity Rules, under which AEMO advises the AER of the outcomes of change management processes for software alterations. This would allow us to monitor the new arrangements to ensure there is no deterioration of the process. These measures offer participants protection, further ensuring the proposed rule change is unlikely to have a significant effect on the market.

*Which aspects of the NEO would the proposed Rule change contribute to?*

The NEO is set out in section 7 of the NEL as follows:

*“The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –*

*(a) price, quality, safety, reliability and security of supply of electricity;*

*and*

*(b) the reliability, safety and security of the national electricity system.”*

We consider that the proposed rule, if made, will improve the quality of the Rules in terms of accuracy, by bringing the Rules into line with actual current practice. Industry participants will be able to rely upon the accuracy of the Rules to a greater extent, which will promote the efficient operation of the market for the long term interests of consumers. The AER considers that the proposed Rule change is likely to contribute to the achievement of the NEO, albeit the efficiency benefits that will result from the proposed Rule are considered to be small given the minor or nonmaterial nature of the changes proposed.

*What are the benefits arising from the proposed rule change?*

The AER considers that the greatest benefit arising from the rule change proposal is that the Electricity Rules will reflect current practice, thus improving the quality of the Electricity Rules and increasing the level of confidence that industry participants can have in the Rules. In addition, as detailed in its letter of support accompanying the rule change proposal, AEMO considers the proposed change would improve the consistency in the way computer software modifications are treated in the NEM and other markets, hence simplifying operational practices.

Should you wish to discuss any aspect of the above, please do not hesitate to contact Scott Hall on 08 8213 3425.

Yours sincerely



Tom Leuner  
General Manager  
Wholesale Markets