



21 November 2013

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Mr Pierce

ERC0151 - AER Authorisation of Software Changes by AEMO

Origin Energy (Origin) appreciates the opportunity to provide comments to the Australian Energy Market Commission (AEMC) Consultation Paper on the Australian Energy Regulator (AER) rule change proposal to remove the requirement for the Australian Energy Market Operator (AEMO) to obtain authorisation from the AER before making software changes. The rule change proposal would instead require AEMO to make software changes in accordance with the IT Change Management Procedures Manual (Manual).

Origin understands the AER has reviewed its obligations under the rules, specifically clause 3.17.1, and concluded that it adds little value for the AER to consider individual software changes. While respecting the desire of the AER to remove itself from the change management process, it is not clear to Origin that the proposed change management process adequately allocates risks between AEMO and Market Participants for functional changes to software or amendments to the AEMO Manual.

Change management

Origin recognises that the primary objective and principle for AEMO change management is an analysis of the costs and benefits of a proposed change. In defining change Origin supports the AEMO classifications of software changes but considers any cost benefit analysis of a proposed change considers and balances the potential strategic benefit of a change in addition to the cost of the proposed change.

AEMO stated in the Manual that the objectives of the change management process with respect to the National Electricity Market (NEM) systems are to “enforce an evaluation of a proposed change in terms of its benefit, its cost, and risk to the systems, and the implications of the change to both AEMO and Participants.”¹ Origin supports, in principle, these objectives but it is not clear how AEMO will balance these competing objectives, for example, between balancing the cost with the potential benefit of a change and the potential implications for AEMO or Market Participants.

Origin recognises the need to define different categories of software changes and supports the categories AEMO has used in the Manual as follows:

- A change which relates to the development of a new program or which alters the functional characteristics of an existing program;
- A change which is to fix a fault with the operation of an existing program; and

¹ AEMO, *IT Change Management Procedures Manual*, Melbourne, June 2009. p. 9.

- A change which is of an operational status.²

A change relating to a new program or a functional and behavioural change to an existing program could involve significant costs, benefits and potential risks. In assessing a functional change the Manual indicates the person responsible for the assessment³ but it is not clear what acceptance criteria or standards the person will use in assessing a proposed change. Origin considers the strategic benefit of a proposed change should form part of the assessment for a functional software change considering, for example, the payback period for the change or the range of economic or other benefits accruing from the change.

Origin considers changes to fix faults or operational changes are likely to be non-controversial and necessary to minimise any potential risks to NEM systems. A minimum lead time may be required for these changes to gain approval and assess the compatibility of any proposed change but AEMO should not be unreasonably prevented or delayed in implementing changes of this nature.

Change management reviews

The Manual indicates annual reviews will be undertaken⁴. These reviews are to be initiated by the Change Manager with any changes to the Manual to be approved by the IT Change Management Review Committee. The Manual indicates, however, the latest version of the Manual was finalised in June 2009. It is not clear whether any subsequent reviews and consultations have been undertaken since this time or whether the IT Change Management Review Committee has convened. Origin seeks clarification and confirmation on these points.

Conclusion

The change management process for software change to NEM systems should have clearly defined processes and guidelines for reviewing and amending the AEMO Manual. This could also include a greater level of prescription of the types of information that should be included in the Manual, for example, acceptance criteria and published standards. These aspects under the change management framework are required to ensure the risks for making software changes for operating in the NEM are adequately allocated between AEMO and Market Participants.

Should you have any questions or wish to discuss this information further, please contact Ashley Kemp on (02) 9503 5061 or ashley.kemp@originenergy.com.au.

Yours sincerely,



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² Ibid. p. 10.

³ Ibid. p. 31.

⁴ "The Change Manager will be responsible to ensure the Change Management Process is reviewed at least once per year as part of AEMO's continuous quality improvements, and that the review will seek comment from Participants." p. 13.