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Violette Mouchaileh  
Senior Manager – STTM Development  
Australian Energy Market Operator  
Via email: [STTMCF.correspondence@aemo.com.au](mailto:STTMCF.correspondence@aemo.com.au)

#### **IMPACT AND IMPLEMENTATION REPORT – STTM data validation and price setting process**

Dear Violette

The Australian Pipeline Industry Association (APIA) has two issues to raise in relation to the impact and implementation report for the STTM data validation and price setting process.

APIA supports the proposed changes to the STTM and considers it will substantially reduce risks presented to the market from data errors. The operators of the (currently) four STTM pipeline facilities are willing to undertake the necessary system changes required to submit data on hub capacity at 9:30am each gas day rather than the current 11:00am.

#### **CHANGES TO THE STTM INTERFACE PROTOCOL, STTM BUILD PACK AND PIPELINE SYSTEMS**

Representatives of STTM pipeline facilities met with AEMO personnel on 14 April to discuss for the first time the IT processes necessary to introduce the new validation and confirmation procedure. At the meeting it was advised the intended implementation date of the new system is 16 June. This implementation date seems to have been proposed with no regard to pipelines ability to achieve the necessary system changes.

This was the first instance that the pipeline representatives were advised that the IT design solution being proposed is a SWEXIE (CSV transaction) confirmation process. In the meeting, pipelines stated that the preference of all STTM pipeline facilities is for a SWEX button based confirmation to be implemented.

A CSV transaction will require changes to pipelines IT systems. This is a significant effort for a transaction that is expected to occur infrequently. Based on the analysis provided by AEMO, this

would have occurred 7 times for facility allocation data between Market Start and early April 2011, of which only 1 would have been true error.

These changes will take time to understand and implement in a risk managed manner. Besides IT systems, operational processes and procedures need to be reviewed and changed for the pipelines. As changes are implemented, it is inevitable that further questions and issues will arise. Further, some pipelines have the same IT vendor, and the resources may not be available to change all pipeline IT systems in a short space of time.

Alternatively, a SWEX transaction does not require any change to pipeline IT systems to manage the confirmation transaction. Changes to pipeline business processes and procedures will still be required.

AEMO has advised that the development of a CSV transaction has progressed to a stage where it cannot be removed without impacting the implementation date. It appears that, at best, it may be possible to implement the two solutions jointly.

APIA appreciates that the changes to the STTM data validation and price setting process are being expedited and that AEMO has to manage a rule change process, a procedure change process and an STTM Interface Protocol (SIP) process simultaneously. The pipelines support the STTM and changes required to meet the new obligations. However, a well consulted implementation and an agreed start date based on a consensus design would assist all effected pipelines in meeting their obligations to the market.

## **TREATMENT OF SUSPECT DATA**

APIA would like to highlight its preference for the treatment of data that breaches validation and is not confirmed in the proposed procedure.

Section 7.1.4 (a)(vi) of the proposed procedure states:

*If AEMO does not receive a confirmation or an updated notice under subparagraph (iii), it must retain the values under rule 414 (1)*

This provision in the proposed procedure means that data that breaches the validation test and is unconfirmed (suspect data) will still be used by AEMO to determine the ex post ante price.

APIA believes that such data should be considered materially suspect, and it would be preferable to use the confirmed facility default, as would be the case if a pipeline failed to provide any data at all. **If the default is used as a substitute for the data that breached validation and did not get confirmed, it further reduces the risk of erroneous pipeline data causing high price events.**

APIA does not disagree that the currently proposed rule and procedure changes reduce the risk of high price events due to data error. However, it is the stated intention of the rule change and the procedure change to minimise the risk of such events occurring. In line with risk management principles, it is appropriate to reduce the risk As Low As Reasonably Practical (ALARP).

APIA considers the better outcome for the market is to reduce the risk of high price events due to pipeline data error ALARP, and the use of the default data in the validation and confirmation process will enable this.

If you wish to discuss this proposal in more detail, please feel free to contact me on (02) 6273 0577.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Davies', written in a cursive style.

STEVE DAVIES  
Policy Adviser