

## Appendix A

### Civil penalty provisions that may be appropriate to attract the maximum penalty amount.

#### *National Electricity Rules*

- **Provisions related to information required for Projected Assessment of System Adequacy:**
  - **Clause 3.7.2(d)** – requirement for generators to submit medium term Projected Assessment of System Adequacy inputs to AEMO
    - Failure to provide information and follow relevant procedures could affect the well-functioning of the system and could potentially affect system security and reliability
  - **Clause 3.7.2(e)** – requirement for network service providers to submit to AEMO an outline of planned network outages to assist AEMO to meet its medium term Projected Assessment of System Adequacy obligations
    - Failure to provide information and follow relevant procedures could affect the well-functioning of the system.
  - **Clause 3.7.3(e)** - requirement for generators to submit short term Projected Assessment of System Adequacy inputs to AEMO
    - Failure to provide information could affect the well-functioning of the system.
  - **Clause 3.7.3(g)** - requirement for network service providers to provide information on planned network outages to assist AEMO to prepare its short term Projected Assessment of System Adequacy
    - Failure to provide accurate outage data could mean that Lack of Reserve / Low Reserve Conditions are not forecast, which could materially impact on AEMO's ability to manage system security.
- **Provisions related to limitations on generators' technical parameters – requirements only apply in certain circumstances:**
  - **Clause 3.8.3A(b), (d)** - the requirements on generators regarding provision of ramp rate information to AEMO
    - Failure to provide the ramp rate information to AEMO could compromise AEMO's function as operator of the National Electricity Market as it would not have sufficient information. It could also significantly affect other participants if plants are not ramping in or out quickly enough.
  - **Clause 3.8.19(a)-(a1)** - requirements on generators in relation to dispatch inflexibility
    - Market operation relies on compliance with these requirements. Failure to advise AEMO of inflexibility affects proper dispatch of the market.
  - **Clause 4.9.7(a)** - De-commitment, or output reduction, by Scheduled Generators – advice to be provided to AEMO one hour ahead of de-synchronising
    - Failure to comply with this obligation could impact on AEMO's ability to manage power system security.
- **Provisions related to key requirements that generators must meet, regardless of the circumstances of their plant:**
  - **Clause 3.8.20(g)** - requirement on scheduled generators to be able to dispatch as required under the pre-dispatch schedule and change inputs, if necessary, via the rebidding provisions.
    - Market operation relies on compliance with this requirement. Pre-dispatch information is critical to operation of the market.

- **Clause 3.9.7(a)** - Requirement for a scheduled generator that constrained-on during any dispatch interval to comply with dispatch instructions from AEMO in accordance with its availability as specified in its dispatch offer
    - Constrained-on generating units that do not comply with dispatch instructions without due cause may jeopardise system security and other market participants.
  - **Clause 3.12A.4** - Requirement for generators to rebid where mandatory restrictions apply; generators must rebid their total capacity that is the subject of a restriction offer
    - The mandatory restriction framework depends on compliance. Failure by generators to comply would lead to disorderly outcomes, which could result in widespread disruptions.
  - **Clause 4.9.8(a)** - Requirement for participants to follow AEMO's dispatch instructions unless there is a hazard to public safety or equipment
    - Failure to comply will affect the smooth operation of the system, and has the potential to affect the security and reliability of the system. Cumulative impact on the system may be high.
  - **Clause 4.9.8(b)** - Scheduled generators must ensure that their units are able at all times to comply with their latest dispatch offer
    - Failure to comply will affect the smooth operation of the system, and has the potential to affect the security and reliability of the system.
  - **Clause 4.9.8(b1)** - Scheduled network service providers must at all times be able to comply with their latest network dispatch offer in respect of market network services
    - As above.
  - **Clause 4.9.8(c)** - Registered participant must ensure that each of its facilities is at all times able to comply with any relevant dispatch bid in respect of the facility
    - As above.
  - **Clause 4.9.8(d)** - market participant with ancillary service generating unit or load must ensure it is able to comply with the latest market ancillary service offer
    - As above.
  - **Clause 4.9.8(e)** - A semi-scheduled generator must ensure that each of its units is at all times able to comply with its latest generation dispatch offer
    - As above.
- **Provisions related to requirement to advise AEMO if situation changes, ensuring that AEMO is kept continuously informed**
- **Clause 4.8.1** - a Registered Participant must advise AEMO when they become aware of anything that poses a risk to power system security or equipment
    - Failure to notify AEMO may affect the well-functioning of the system, and, depending on the deficiency in the power system or equipment, there could be an impact on system security and reliability.
  - **Clause 4.9.9** - A scheduled generator must notify AEMO of any event which has changed or is likely to change the operational availability of its units
    - Failure to notify AEMO may affect the smooth operation of the system, and depending on the precise nature of the breach, may affect the security and reliability of the system.
  - **Clause 4.9.9A** - A scheduled network service provider must notify AEMO of any event which has changed or is likely to change the operational availability of any of its scheduled network services
    - As above.

- **Clause 4.9.9B** - A market participant which has classified a unit or load as an ancillary service unit or load must notify AEMO of any event which has changed or is likely to change its availability
  - As above.
- **Provisions related to Generator and Network Service Provider performance standards**
  - **Clause 4.4.2(b)** - Generators must meet the technical requirements for frequency control
    - A generator's failure to ensure that its generating units meet the technical requirements for frequency control could impact on system security and reliability.
  - **Clause 4.4.3** - requirement for generators to protect their plant against abnormal voltage and extreme frequency
    - A generator's failure to comply with the standards in Schedule 5.2 could impact on system security and reliability.
  - **Clause 4.15(a)** - Registered Participant must ensure that its plant meets or exceeds performance standards and will not adversely impact on power system security
    - Failure to comply with this obligation could mean that plant could jeopardise system security and reliability. There may also be significant financial impacts if performance standards are not complied with.
  - **Clause 4.15(f)** - Registered Participant with plant that is subject to a performance standard must immediately notify AEMO if it becomes aware that the plant is breaching a performance standard or believes the plant is likely to breach a performance standard
    - Failure to notify of breaches of a performance standard will mean that the inadequacy or deficiency persists, which could affect system security and reliability.
  - **Clause 5.2.3(b)** - Network Service Provider must comply with power system performance and quality of supply standards
    - Failure to comply with power system performance and quality of supply standards could affect the security and reliability of supply which will in turn affect the smooth operation of the market and could have a financial impact on players affected by the defective equipment. The failure could also pose administrative difficulties for entities and bodies that are involved in remedying the failure.
  - **Clause 5.2.5(a)** - Generator facilities must comply with applicable performance standards, connection agreements and system standards
    - Failure to plan and design facilities in accordance with relevant rules could have potentially dire effects. The failure could affect the security and reliability of supply which will in turn affect the smooth operation of the market and could have a financial impact on players affected by the defective equipment.
  - **Clause 5.7.3(c)** - Generator's obligations if tests demonstrate non-compliance with connection requirements for generators.
    - Failure to comply with the requirements of this clause (particularly the requirements regarding remedial work and testing/monitoring) could jeopardise the security and reliability of the system. Failure to comply, including the failure to provide the relevant notice, could also affect the smooth functioning of the system.
- **Provisions related to requirement to follow AEMO directions in certain circumstances**
  - **Clause 4.8.2(a)-(b)** - A Registered Participant must advise AEMO if they become aware of any protection or control system that is defective or unavailable and must comply with AEMO directions
    - Failure to advise of defective equipment and/or failure to comply with AEMO directions could affect the well-functioning of the system and the security and reliability of the system.

- **Clause 4.8.9(c)** - A Registered Participant must comply with AEMO directions issued to restore power system security or reliability [*Note – obstructing AEMO, or a person authorised by AEMO, with respect to actions it takes to ensure safety and security of national electricity system is a criminal offence under the National Electricity Law with a maximum penalty for a body corporate of \$100,000*].
  - Failure to comply with a direction/instruction could affect the well-functioning of the system, and impact on system security and reliability.
- **Clause 4.8.14(b), (d), (e)** - Generators and network service providers must comply with AEMO directions and requirements, and local black system procedures, during black system/major supply disruption
  - Failure to comply with local black system procedures, and failure to comply with directions or instructions, may affect the smooth operation of the market and may have an impact on the security and reliability of the system.

○ **Provisions in the 2017 system security and inertia rule changes**

- **Clause 3.9.7(c)** – Pricing and compliance with dispatch instructions where inertia generating unit is constrained on – generators must comply with dispatch instructions to maintain system security.
  - Constrained-on generating units that do not comply with dispatch instructions without due cause may jeopardise system security and other market participants.
- **Clause 4.3.4(l)** - A Transmission Network Service Provider must provide system strength services.
  - Failure to provide system strength services impacts on system security.
- **Clause 4.4.4(g)** – Inertia service provider or registered participant must comply with instruction from AEMO.
  - Failure to comply will affect the smooth operation of the system, and has the potential to affect the security and reliability of the system.
- **Clause 4.4.5(f)** – System strength service provider must comply with AEMO instructions.
  - Failure to comply with AEMO's instructions could affect the well-functioning of the system, and impact on system security and reliability.
- **Clause 4.9.9C** – Inertia Service Provider must inform AEMO of event which has changed availability of inertia support services.
  - Failure to notify AEMO of a change in availability of inertia support services may impact on system security.
- **Clause 4.9.9D** – A system strength service provider must notify AEMO as soon as possible of any event that will change the availability of system strength services.
  - Failure to notify AEMO of a change in availability of system strength services may impact on system security.
- **Clause 5.20B.4(b)** – If AEMO assesses that there will be an inertia shortfall, Inertia Service Provider must make inertia available.
  - Compliance with this provision is critical to maintaining system security and stability of the grid.
- **Clause 5.20C.3(b)** – Where AEMO identifies there is a fault level shortfall, the system strength provider must make system strength services available in accordance with AEMO requirements .
  - As above.

## ○ Other provisions

- **Clause 4.8.12(d)** - Each generator and network service provider must develop local black system procedures in accordance with AEMO guidelines
  - Failure to develop local black system procedures could affect the well-functioning of the system and power system security and reliability, particularly if non-compliance was widespread.
- **Clause 4.9.4(a)** - Dispatch related limitations on Scheduled Generators and Semi-Scheduled Generators for sending out energy from a generating unit
  - Failure to comply with affect the smooth operation of the system and, depending on the nature of the breach, may affect the security and reliability of the system.
- **Clause 4.15(b)** - A registered participant with plant that is subject to a performance standard must institute and maintain a program for compliance with generator performance standards
  - Failure to institute and maintain a compliance program may mean that plant does not comply with the relevant performance standards which, in turn, may affect system security and reliability.

## ***National Gas Rules***

### ○ Provisions relating to prevention of market manipulation


- **Rule 399(6)** - A gas shipper or other person must not act to create or increase pipeline deviations for which balancing gas may be required.
  - Gas shippers and pipeline operators receive payment for these ancillary services (balancing gas) and may benefit financially by creating a need for higher balancing gas volumes. Ancillary service costs are ultimately passed to consumers.
- **Rule 410(1)** - A trading participant that submits bids or offers, or revisions to those bids or offers, must do so to reflect its best estimate of the gas it expects to withdraw / inject.
  - Participant could use price or volume bids/offers to manipulate wholesale prices. This also has system security implications where false bids/offers mislead the market operator and require management of short term supply/demand changes.
- **Rule 542** - A member of a gas trading exchange must comply with all applicable laws relevant to the performance of its obligations; not act fraudulently, dishonestly or in bad faith; and not engage in any conduct with the intent of distorting or manipulating prices.
  - A high level provision targeting any behavior aimed at manipulating prices. Manipulation threatens to increase the traded price of gas and increase the cost of gas delivered to end users.
- **Rule 543** - A member of a gas trading exchange must not submit offers to buy or sell products, where it knows it will not be able to perform its obligations under a resulting transaction; with the intention of defaulting in its performance; with the intention of causing a transaction with itself or an associate in circumstances where the terms of that transaction may be varied on terms that would not reasonably be agreed with a separate unrelated party. The exchange member must also not potentially or recklessly default in the performance of its obligations under any transaction arising on the gas trading exchange or manipulate or attempt to manipulate the price of products traded on the gas trading exchange.
  - Manipulation threatens to increase the traded price of gas and increase the cost of gas delivered to end users.

## ○ Provisions relating to system security

- **Rule 418(3)** - Shippers must ensure that the gas that they supply meets quality specifications for each STTM hub, unless agreed in writing with a distributor or specifically authorised under a law.
  - Gas must meet technical specifications for safe usage.
- **Rule 435(4)** - A contingency gas offer must be submitted in good faith and represent the Trading Participant's best estimate of the quantity of contingency gas it expects to be able to provide.
  - AEMO procures emergency gas to meet potential supply shortfalls during emergency events. AEMO relies on the availability of the volumes it has procured to effectively manage emergency events.
- **Rule 436(4)** - A contingency gas bid must be submitted in good faith and represent the Trading Participant's best estimate of the quantity of contingency gas it expects to be able to provide at the hub on that gas day should AEMO schedule that contingency gas.
  - AEMO procures emergency gas to meet potential supply shortfalls during emergency events. AEMO relies on the availability of the volumes it has procured to effectively manage emergency events.
- **Rule 440(2)** - A Trading Participant, STTM distributor or STTM facility operator must notify AEMO as soon as practicable after becoming aware that a contingency gas trigger event has occurred, and update AEMO, as soon as practicable, if that information materially changes.
  - This is an emergency event that potentially threatens supply to consumers and public safety. The market operator requires all relevant information to perform its functions and help mitigate against risks associated with the event.
- **Rule 445(3)** - A Trading Participant providing certain information to AEMO in relation to contingency gas bids or offers must do so in good faith.
  - AEMO procures emergency gas to meet potential supply shortfalls during emergency events. AEMO relies on the availability of the volumes it has procured to effectively manage emergency events.
- **Rule 446(4)** - A Trading Participant that has made a contingency gas offer must use all reasonable endeavours to provide that quantity of contingency gas when AEMO requests it.
  - AEMO procures emergency gas to meet potential supply shortfalls during emergency events. AEMO relies on the availability of the volumes it has procured to effectively manage emergency events.

## National Energy Retail Law/Rules

- **Rule 124(1)** - Retailer obligations re life support equipment – Obligations on retailers where a customer provides confirmation from a registered medical practitioner that a person residing at the customer's premises requires life support equipment.
  - Failure to appropriately register a life support customer could result in inadvertent disconnection and death.
- **Rule 125(2)** - life support – distributor obligations – Obligations on distributors with respect to life support customers, including with respect to the register of life support customers.
  - Failure to appropriately register a life support customer and provide sufficient notice of planned interruptions could result in inadvertent disconnection and death.
- **Rule 107(2)** - de-energisation of small customer premises – A retailer must not arrange de-energisation of a customer's premises except in accordance with Part 6, Division 2 of the National Energy Retail Rules.
  - De-energisation except in accordance with Division 2 of Part 6 of the National Energy Retail Rules can have significant detrimental impacts on consumers, in particular life support customers and vulnerable customers.
- **Rule 107(3)** - de-energisation of small customer premises - A distributor must not de-energise a customer's premises except in accordance with Part 6, Division 3 of the National Energy Retail Rules.

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- De-energisation except in accordance with Division 3 of Part 6 of the National Energy Retail Rules can have significant detrimental impacts on consumers, in particular life support customers and vulnerable customers.
  - **Section 43(2)** - National Energy Retail Law – Customer hardship policies - Requirement for retailer to – within 3 months of obtaining retailer authorisation – to develop, publish, maintain and implement a hardship policy.
    - Breaches of this provision could have serious financial impact on customers experiencing financial hardship.
  - **Section 38 National Energy Retail Law** - Requirement for explicit informed consent for certain transactions - A retailer must obtain the explicit informed consent of a small customer for certain transactions (customer transfers, entry into a market retail contract, entry into a prepayment meter market retail contract, other transactions specified in the Law/Rules eg retailer-led smart meter rollouts).
    - Systemic non-compliance has potential for significant consumer harm and impacts on the efficient operation of the market.