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10 January 2012

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Mr Rowe

Re: Approval of Amendments to the REMCo Retail Market Scheme – Rule Change C06/11R

Under section 11ZOL of the *Energy Coordination Act 1994* (the “Act”), Retail Energy Market Company Ltd (“REMCo”) may prepare an amendment to its Retail Market Scheme (the “Scheme”), and submit the amendment to the Economic Regulation Authority (the “Authority”) for approval. The Authority is to approve amendments to the Scheme under section 11ZOM of the Act.

The Scheme is defined to include, amongst other things, the REMCo Retail Market Rules (the “Rules”) and the Specification Pack (the “Spec Pack”).

REMCo is applying to the Authority for the following amendment to the Scheme:

C06/11R Retail Market Scheme Definition

This Rule change proposes to amend Rule 14 of the Rules to exclude:

- (a) the need to comply with any clauses of the Spec Pack that apply only in South Australia (“SA”); and
- (b) the application of Chapter 9 to any clauses of the Spec Pack that apply only in SA.

The Rule Change Committee (the “Committee”) discussed the proposed Rule change at its meeting on 9 November 2011, where the Committee unanimously agreed to endorse the proposed change as a “low impact” Rule change.

REMCo subsequently undertook a consultation process regarding Rule Change C06/11R with all gas retail market participants and other affected parties. The consultation process closed on 15 December 2011, and no objections or submissions of support were received for this Rule change.

Under Rule 399A(3), if by the end of the consultation period REMCo has not received any objections, then the Committee must recommend to REMCo that it treat the Rule change as a low impact Rule change, and submit it for approval to the Authority, as if it were made under Rule 396A.

REMCo would like to implement the revised Version 6.3 of the Rules on 1 March 2012. As a result, REMCo would appreciate it if the Authority could consider, approve, and publish the approvals for Rule Change C06/11R in the Gazette by this date.

Once the Authority approves Rule Change C06/11R, REMCo will post the revised version of the Rules on its website; including both a clean copy and a copy with the changes marked.

Section 11ZOO of the Act specifies the criteria that the Authority is to consider in determining whether to approve an amendment to the Scheme. A table is provided in Attachment 1 to this letter that lays out the requirements that the Authority is to consider under section 11ZOO for Rule Change C06/11R. This table also provides REMCo's commentary as to why it believes these criteria have been met.

In addition, the following documents are enclosed for the information of the Authority:

- the Impact and Implementation Report for Rule Change C06/11R that was used for the consultation process indicated above; and
- the Rule Change Recommendation Report for Rule Change C06/11R that was drafted following completion of the consultation process.

I am available on (08) 6212 1829 or on 0421 093 598 if you would like set up a meeting to discuss this application, or if have any questions or need any further information.

Yours sincerely

STEPHEN ELIOT
Chief Executive Officer

Copy: Ms Wana Yang, Assistant Director, Markets

Attachment 1 – Rationale for Rule Change C06/11R Meeting the Requirements for Rule Change under the Act

Section	Requirement	REMCo Comment
11ZOO(1)	The Authority may approve an amendment to the Scheme if it is satisfied that:	
	(a) if the amendment is made, the provisions of the Scheme:	
	(i) will comply with the Act; and	<p>In accordance with the Scheme definition, the Rule change process in Chapter 9 of the Rules applies to all of the Spec Pack, including the parts of the Spec Pack that apply only in SA. As a result, approval of the Authority is required for changes to the Spec Pack, including changes to the clauses that apply only in SA. The changes in Rule Change C06/11R will exclude:</p> <ul style="list-style-type: none"> • the need to comply with any clauses of the Spec Pack that apply only in SA; and • the application of Chapter 9 to any clauses of the Spec Pack that apply only in SA. <p>These changes will not impact the administration of the WA gas retail market except to simplify the Rule change process by removing the need for the Committee and the Authority to consider matters unrelated to WA.</p> <p>As such, since the Scheme currently complies with the Act, REMCo submits that the Scheme will continue to comply with the Act if the Authority approves these changes.</p>
	(ii) be suitable for the purposes of section 11ZOB;	<p>Section 11ZOB indicates that the purpose of the Scheme is to ensure that the retail gas market is regulated and is operated in a manner that is:</p> <ul style="list-style-type: none"> (a) open and competitive; (b) efficient; and (c) fair to gas market participants and their customers. <p>REMCo submits that the amendments to the Scheme under C06/11R will simplify the Rule change process by removing the need for the Committee and the Authority to consider matters unrelated to WA. As a result, implementing C06/11R will make the Scheme more efficient and will reduce costs, which will make the Scheme better meet the criteria in section 11ZOB.</p>
(b) any other principle, criterion, or requirement that is prescribed for the purposes of this paragraph has been met.	REMCo is not aware of any regulations under section 11ZOO(b), so this section of the Act is not applicable.	

Attachment 3 – Rationale for Rule Change C06/11R Meeting the Requirements for Rule Change under the Act

Section	Requirement	REMCo Comment
11Z00(2)	<p>The Authority may approve an amendment to the Scheme under section 11Z0M only if it is satisfied that the consultation required by section 11Z0L(3) has taken place and:</p> <p>(a) each person required to be consulted has agreed to the amendment; or</p> <p>(b) if any person required to be consulted has not so agreed, that person has been given a reasonable opportunity in the course of consultation to provide reasons for not agreeing, and any reasons so provided have been considered.</p>	<p>REMCo submitted C06/11R to the Committee for consideration on 9 November 2011, and the Committee unanimously agreed that it is a low impact Rule change because it does not:</p> <ul style="list-style-type: none"> • materially impact the information technology systems of REMCo, participants, pipeline operators or prescribed persons; • materially alter consumer protection mechanisms under the Rules; or • have a material commercial impact on REMCo, participants, pipeline operators or prescribed persons. <p>Following this determination, REMCo commenced a consultation process on 1 December 2011, in accordance with the requirements of Rule 399A(1)(a). This consultation process concluded on 15 December 2011, and REMCo received no objections or submissions of support in relation to Rule Change C06/11R</p> <p>Under Rule 399A(3), if by the end of the consultation period REMCo has not received any objections, then the Committee must recommend to REMCo that it treat the Rule change as a low impact Rule change, and REMCo is to submit the Rule change to the Authority for approval once it received the Rule Change Recommendation Report.</p> <p>As a result, REMCo submits that it has met all of the consultation requirements for the amendments proposed in C06/11R, and that each person required to be consulted has agreed to the amendment.</p>



Retail Energy Market Company

**IMPACT & IMPLEMENTATION REPORT
(INCORPORATING THE PROPOSED RULE CHANGE) – SUMMARY SECTION**
(For REMCo to complete and administer)

Rule Change Number	C06/11R		
Impacted jurisdiction(s)	Western Australia		
Proponent	Tim Sheridan	Company	REMCo
Industry consultative forum(s) used	RCC	Date concluded by Rule Change Committee ("RCC")	09/11/11
Rule change ranking (as per Chapter 9): <ul style="list-style-type: none"> ▪ Non-substantial ▪ Low impact ▪ High impact 	Low impact		
Short description of change(s)	Retail Market Scheme Definition		
Rule(s) or documentation impacted	Rule 14 of the Retail Market Rules (the "Rules")		
Summary of the change(s)	Amend Rule 14 (Other instruments) of the Rules to exclude: (a) the need to comply with any clauses of the Specification Pack ("Spec Pack") that apply only in South Australia ("SA"); and (b) the application of Chapter 9 to any clauses of the Spec Pack that apply only in SA.		
I&IR prepared by	Tim Sheridan	Approved by	Stephen Eliot
Date I&IR published	01/12/11	Date consultation concludes	15/12/11
Contact address for written responses	REMCo Rule Change C/- AEMO GPO Box 2008 Melbourne VIC 3001		
Email address for responses	remco_adminstration@aemo.com.au		
Other key contact information	Tim Sheridan, (03) 9609-8417		

IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

<p>1. Description of change(s) and reasons for change(s)</p>	<p>This Impact and Implementation Report (“I&IR”) has been developed by REMCo in accordance with Rule 397 of the Rules, and is raised for consideration by gas retail market participants as a low impact Rule change (C06/11R).</p> <p>The proposed changes in this I&IR have been developed by REMCo and were initially raised for discussion as a Gas Market Issue (“GMI”) at the RCC meeting on 09/11/11. At the meeting, the RCC endorsed the proposed amendments as a low impact Rule change.</p> <p>In summary, the proposed changes in this I&IR are to amend Rule 14 (other instruments) of the Rules to exclude:</p> <ul style="list-style-type: none"> (a) the need to comply with any clauses of the Spec Pack that apply only in SA; and (b) the application of Chapter 9 to any clauses of the Spec Pack that apply only in SA. <p>The proposed amendments are to be published in a new version 6.3 of the Rules that is targeted for an effective date of 01/03/12.</p> <p>Background</p> <p>REMCo initially operated both the Western Australian (“WA”) and SA gas retail markets, and the retail market scheme was defined to include the Rules and the Spec Pack.</p> <p>However, in October 2009, responsibility for operating the SA gas retail market was transitioned to the Australian Energy Market Operator (“AEMO”), at which stage the Rules were amended to delete Rules that apply only in SA.</p> <p>REMCo and AEMO have agreed to continue to operate the WA and SA gas retail markets using a generic Spec Pack that applies in both jurisdictions, as this drives operational efficiencies in both markets and helps maintain consistency across both jurisdictions.</p> <p>Given the definition of the retail market scheme, the Rule change process in Chapter 9 of the Rules applies to the Rules and the Spec Pack (including the parts of the Spec Pack that apply only in SA). As a result, approval of the Economic Regulation Authority (“ERA”) is required for changes to the Spec Pack, including changes to the clauses that apply only in SA.</p> <p>The precise amendments which form part of this Rule change are detailed in Attachment A to this I&IR.</p>
<p>2. Reference documentation</p> <ul style="list-style-type: none"> ▪ Retail Market Rules (the “Rules”); ▪ Business/Information/ Specification Pack Reference; and/or ▪ Other Reference. 	<p>The reference documentation includes:</p> <ul style="list-style-type: none"> • The Retail Market Rules – Version 6.2.

<p>3. The high-level details of the change(s) to the existing Rules.</p> <p>This includes:</p> <ul style="list-style-type: none"> ▪ a comparison of the existing operation of the Rules to the proposed change to the operation of the Rules; and ▪ a marked up version of the proposed Rule changes (see Attachment A) 	<p>As indicated in section 1, the proposed changes in this I&IR are to amend Rule 14 (other instruments) of the Rules to exclude:</p> <ul style="list-style-type: none"> (a) the need to comply with any clauses of the Spec Pack that apply only in SA; and (b) the application of Chapter 9 of the Rules to any clauses of the Spec Pack that apply only in SA. <p>These amendments are to be published in a new version 6.3 of the Rules and are detailed in Attachment A.</p>
<p>4. Explanation regarding the order of magnitude of the change (e.g. material, non-material or non-substantial)</p>	<p>The impact of the proposed amendments as described in this I&IR are considered to be 'low impact' as the amendments:</p> <ul style="list-style-type: none"> (a) do not materially impact the information technology systems of REMCo, participants, pipeline operators or prescribed persons; (b) do not materially alter consumer protection mechanisms under the Rules; and (c) do not have a material commercial impact on REMCo, participants, pipeline operators or prescribed persons.
<p>5. Overall Industry cost/benefit analysis (tangible / intangible / risk) and/or cost estimates</p>	<p>Cost</p> <p>REMCo has not incurred any costs in the development of this Rule change and has not received any information from other gas retail market participants on the cost or impact of this Rule change on their business.</p> <p>Benefits</p> <p>REMCo considers that the benefits of this Rule change include:</p> <ul style="list-style-type: none"> • simplified a Rule change process; and • reduced workloads for the RCC, REMCo, and the ERA by removing the need for the REMCo and the RCC to discuss and endorse changes to the Spec Pack that impact only SA.
<p>6. The likely effect of the change(s) on stakeholders (e.g. industry or end-users)</p>	<p>REMCo does not consider that the proposed amendments as described in this I&IR will have any effects on stakeholders or their systems.</p>
<p>7. Testing requirements</p>	<p>There are no testing requirements.</p>

<p>8. Consideration of the recommended Rule change by REMCo under Rule 399. REMCo must either:</p> <ul style="list-style-type: none"> ▪ endorse the recommended rule change; or ▪ reject the recommended rule change 	<p>In accordance with Rule 399, REMCo endorses the low impact Rule change as previously determined by the RCC under Rule 397.</p>
<p>9. Consultation forum outcomes (e.g. the conclusions made on the change(s), whether there was unanimous approval, any dissenting views)</p>	<p>REMCo developed a Proposed Rule Change ("PRC") which outlined the proposed amendments and circulated this PRC on 3/05/11 to the following market participants:</p> <ol style="list-style-type: none"> a. ATCO Gas Australia, as the network operator; b. Alinta Sales, as a user, shipper and swing service provider; c. APT, as a pipeline operator and swing service provider; d. DBP, as a pipeline operator; e. Premier Power Sales, as a user; f. Synergy, as a user and swing service provider; and g. Perth Energy as a user, shipper and swing service provider. <p>The GMI for the proposed changes was discussed at the RCC meeting on 09/11/11 where the RCC endorsed the proposed amendments as a low impact rule change.</p>
<p>10. Legal review:</p> <ul style="list-style-type: none"> ▪ does this rule change impact the ACCC authorisation? ▪ is an external legal review required? 	<p>The ACCC authorisation is for Chapters 5 and 6, and Appendices 7 to 10 of the Rules. As a result, the Rule change does not impact the ACCC authorisation; and no external legal review is required.</p>
<p>11. Should the proposed Rule change be made, (with or without amendments)?</p>	<p>REMCo recommends that the proposed amendments as described in this I&IR should be made without further amendments.</p>
<p>12. If applicable, a proposed effective date for the proposed Rule change(s) to take effect and justification for that timeline.</p>	<p>The effective date for this Rule change and version 6.3 of the Rules is targeted for 01/03/12.</p>

ATTACHMENT A – Amendments to the Retail Market Rules

All amendments to the Rules are change marked, where underlining (blue) represents an addition, and strike (red) through represents a deletion.

Amend Rule 14 as follows:

14. Other instruments

- (1) Each person required to comply with these rules, must also comply with the following documents (as applicable):
 - (a) the REMCo Specification Pack, but not the portions of the REMCo Specification Pack that apply only in South Australia; and
 - (b) FRC Hub Conditions.
- (2) For the avoidance of doubt, Chapter 9 and the rule change procedure under these rules do apply to any amendment made to the documents listed in rule 14(1), but not to the portions of the REMCo Specification Pack that apply only in South Australia.

Rule Change Final Recommendation Report**Retail Market Scheme Definition (C06/11R)****Date of Rule Change Committee Meeting: 9 November 2011**

Prepared By	Tim Sheridan
Approved By	Stephen Eliot

Executive Summary

As required under Rule 399A(1)(a), REMCo published the following endorsed low impact Rule change for consultation on 01/12/11:

- C06/11R – Retail Market Scheme Definition.

The consultation for the Rule change closed on 15/12/11, and no objections or submissions of support were received for this Rule change.

Under Rule 399A(3), if by the end of the consultation period REMCo has not received any objections, then the Rule Change Committee (the “Committee”) must recommend to REMCo that it treat the Rule change as a low impact Rule change, and submit it for approval to the Economic Regulation Authority (the “Authority”), as if it were made under Rule 396A.

REMCo has prepared a draft of such a report on behalf of the Committee for its endorsement as set out in **Attachment 1**.

Recommendation

It is recommended that the Committee pass the following decision:

That under Rule 399(A)(3), the Committee endorses the draft report set out in Attachment 1 for submission to REMCo in relation to the following low impact Rule change:

- C06/11R – Retail Market Scheme Definition.

Introduction

a) Final Report

This report has been prepared by REMCo under Rule 399A(3) on behalf of the Committee following its meeting on 09/11/11.

b) Purpose of Report

The purpose of this report is to enable REMCo to determine, in respect of Rule change C06/11R, whether to adopt the endorsed rule change for approval by the Authority.

Information relating to Rule Change C06/11R is set out in **Schedule A**.

c) Consultation

In accordance with Rule 399A(1)(a), participants, pipeline operators, prescribed persons and interested persons were invited to make submissions on the endorsed Rule change.

REMCo received no objections or submissions of support in relation to Rule Change C06/11R.

C06/11R – Retail Market Scheme Definition

Rule Change Description	<p>This Rule change proposes to amend Rule 14 of the Retail Market Rules (the “Rules”) to exclude:</p> <ul style="list-style-type: none">(a) the need to comply with any clauses of the Specification Pack (“Spec Pack”) that apply only in South Australia (“SA”); and(b) the application of Chapter 9 to any clauses of the Spec Pack that apply only in SA. <p>The precise changes that form part of this Rule change are detailed in Attachment A.</p>
Rule Change Development	<p>The proposed changes contained in this Rule change were raised for consideration of the Committee at its meeting on 09/11/11. It was recommended that the Committee consider Rule Change C06/11R to be low impact as the amendments do not:</p> <ul style="list-style-type: none">(a) materially impact the information technology systems of REMCo, participants, pipeline operators or prescribed persons;(b) materially alter consumer protection mechanisms under the Rules; and(c) have a material commercial impact on REMCo, participants, pipeline operators or prescribed persons.
Market Participants Affected	<p>This Rule change is not considered to have any material effect on the operations of REMCo, participants, interested persons or prescribed persons.</p>
Market Participants Consultation	<p>REMCo circulated a Gas Market Issue (“GMI”) on the proposed changes to the following participants on the 03/11/11:</p> <ul style="list-style-type: none">a. ATCO Gas Australia, as the network operator;b. Alinta Sales, as a user, shipper and swing service provider;c. APA, as a pipeline operator and swing service provider;d. DBP, as a pipeline operator;e. Premier Power Sales, as a user;f. Synergy, as a user, shipper and swing service provider; andg. Perth Energy, as a user; shipper and swing service provider.
Consultation Outcomes	<p>At its meeting on 9/11/11, the Committee reviewed the GMI and endorsed the proposed as a low impact Rule change.</p>
Legal Review	<p>The ACCC authorisation is for Chapters 5 and 6, and Appendices 7 to 10 of the Rules. As a result, the Rule change does not impact the ACCC authorisation; and no external legal review is required.</p>
Implementation Considerations	<p>The proposed amendments in this Rule change do not have any impact on REMCo’s Gas Retail Market Systems (“GRMS”), so there are no system costs to implement these changes</p> <p>Subject to Authority approval, Rule Change C06/11R is targeted for an effective date of 01/03/12.</p>

Schedule A – Endorsed Rule Change for Submission

Details of
Change

The details of the changes are provided in Attachment A.

Attachment A

REMCo Rule Change C06/11R

All amendments to the Rules are change marked, where underlining (blue) represents an addition, and strike (red) through represents a deletion.

Amend Rule 14 as follows:

14. Other instruments

- (1) Each person required to comply with these rules, must also comply with the following documents (as applicable):
 - (a) the REMCo Specification Pack, but not the portions of the REMCo Specification Pack that apply only in South Australia; and
 - (b) FRC Hub Conditions.
- (2) For the avoidance of doubt, Chapter 9 and the rule change procedure under these rules do apply to any amendment made to the documents listed in rule 14(1), but not to the portions of the REMCo Specification Pack that apply only in South Australia.