



29 August 2012

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Mr Rowe

Re: Approval of Amendments to the REMCo Retail Market Scheme – Rule Change C03/12R

Under section 11ZOL of the *Energy Coordination Act 1994* (the “Act”), Retail Energy Market Company Ltd (“REMC”) 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”).

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

C03/12R Exemption of Self Contracting Users (“SCUs”) from FRC Hub Requirements under the Spec Pack

Rule Change C03/12R proposes to include a new Rule 14A in the Rules that enables REMC to grant an exemption for a SCU from the requirements under the Spec Pack for the sending and/or receiving of communications via the FRC Hub.

The Rule Change Committee (the “Committee”) discussed the proposed Rule Change at its meeting on 27/06/12, where the Committee unanimously agreed that the proposed change is a “low impact” Rule Change, and asked for some additional clarifications to the drafting of the proposed Rule Change.

The additional clarifications were made to the proposed Rule Change, and the updated Gas Market Issues (“GMI”) paper was sent to the Committee for consideration on 26/07/12. On 03/08/12, the Committee endorsed the proposed amendments as a low impact Rule Change via circular resolution, and determined that consultation for the Rule Change should commence.

On 07/08/12, REMC published a notice of consultation on the low impact Rule Change, inviting gas market participants to lodge a submission to the low impact Rule change. The consultation window closed on 21/08/12, 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, and submit it for approval to the Authority, as if it were made under Rule 396A.

REMCo would like to implement this Rule Change in the new Version 6.4 of the Rules on 01/10/12. As a result, REMCo would appreciate it if the Authority could consider, approve, and publish the approvals for Rule Change C03/12R in the *Gazette* by this date.

Once the Authority approves Rule Change C03/12R, 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 C03/12R. 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 C03/12R that was used for the consultation process indicated above; and
- the Rule Change Recommendation Report for Rule Change C03/12R 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 C03/12R 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>The Scheme, in its initial form, was approved by the Minister for Energy; and all amendments to the Scheme since its initial approval have been approved by the Authority, in accordance with the Act. As a result, the Scheme, in its current form, clearly complies with the Act.</p> <p>The amendments to the Rules proposed under Rule Change C03/12R will allow REMCo to grant an exemption for a SCU from the requirements under the Spec Pack for the sending and/or receiving of communications via the FRC Hub. Granting such an exemption will simplify the communications processes for SCUs, which will remove a potential barrier to entry for SCUs.</p> <p>SCUs are clearly contemplated by the Act and its subsidiary legislation (the <i>Energy Coordination (Retail Market Scheme) Regulations 2004</i>).</p> <p>Therefore, since the Scheme currently complies with the Act, and the amendment proposed by Rule Change C03/12R will better provide for SCUs, 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> <p>(a) open and competitive;</p> <p>(b) efficient; and</p> <p>(c) fair to gas market participants and their customers.</p> <p>SCUs are gas market participants contemplated by the Act, and the amendments to the Scheme under C03/12R will simplify the communications process for SCUs, which will remove a potential barrier to entry for SCUs. As a result, REMCo submits that the amendments proposed under C03/12R will help ensure criteria (a) and (c).</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 1 – Rationale for Rule Change C03/12R Meeting the Requirements for Rule Change under the Act

Section	Requirement	REMCo Comment
11ZOO(2)	<p>The Authority may approve an amendment to the Scheme under section 11ZOM only if it is satisfied that the consultation required by section 11ZOL(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 C03/12R to the Committee for consideration on 27/06/12; and after making some amendments to C03/12R requested by the Committee, the Committee unanimously agreed by circular resolution on 03/08/12 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 07/08/12, in accordance with the requirements of Rule 399A(1)(a). This consultation process concluded on 21/08/12, and REMCo received no objections or submissions of support in relation to Rule Change C03/12R</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 C03/12R, 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	C03/12R		
Impacted jurisdiction(s)	Western Australia		
Proponent	Tim Sheridan	Company	REMCo
Industry consultative forum(s) used	RCC	Date concluded by Rule Change Committee ("RCC")	27/06/12
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)	Exemption of Self Contract Users ("SCUs") from FRC Hub Requirements under the Specification Pack (the "Spec Pack")		
Rule(s) or documentation impacted	New Rule 14A of the Retail Market Rules (the "Rules")		
Summary of the change(s)	The inclusion of a new Rule 14A to the Rules that enables REMCo to grant an exemption for a SCU from the requirements under the Spec Pack for the sending and/or receiving of communications via the FRC Hub.		
I&IR prepared by	Tim Sheridan	Approved by	Stephen Eliot
Date I&IR published	7/08/12	Date consultation concludes	21/08/12
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

1. Description of change(s) and reasons for change(s)

This Impact and Implementation Report (“**IIR**”) has been developed by REMCo in accordance with Rule 397, and is raised for consideration by gas retail market participants as a low impact Rule change (C03/12R).

The proposed change in this IIR has been developed by REMCo and was endorsed by the Rule Change Committee (“**RCC**”) via circular resolution on 03/08/12.

The proposed change is to include a new Rule 14A in the Rules that enables REMCo to grant an exemption for SCUs from the requirements under the Spec Pack for the sending and/or receiving of communications via the FRC Hub.

The proposed Rule amendments are to be published in a new version 6.4 of the Rules with a target effective date of 01/10/12.

Background

On 01/06/12, Geraldton Brickworks (“**GBW**”) became the first SCU to enter into the WA gas retail market. While working on GBW’s market entry, it was recognised that SCUs do not need access to the FRC Hub as:

- Rule 13 allows REMCo to initiate a customer transfer on behalf of SCUs;
- minimal B2B transactions are sent between SCUs and the Network Operator each year; and
- the costs of certification and compliance with the FRC Hub would likely be a barrier to entry for SCUs.

In March 2012, GBW and ATCO Gas Australia (“**ATCO**”) entered into a commercial arrangement for all prescribed business-to-business (“**B2B**”) transactions between the two parties to be communicated via a separate gateway, outside of the FRC Hub.

It was recognised that, while the Spec Pack lays out how market communications are to work, it does not specify that SCUs must have access to the FRC Hub; so it is not clear whether the commercial arrangement between GBW and ATCO is in accordance with the Rules and the Spec Pack.

It was also noted that a SCU and the Network Operator in SA are party to a commercial arrangement whereby all B2B communications are sent and received outside the FRC Hub.

REMCo indicated to GBW, ATCO, and the Economic Regulatory Authority (“**ERA**”) that it would not object to the commercial arrangement between GBW and ATCO; and that it would develop a Rule change to clarify the treatment of SCU communications under the REMCo Scheme.

REMCo invites comments from gas retail market participants to the proposed low impact Rule change (C03/12R) and requests that all comments be e-mailed to REMCo at remco_adminstration@aemo.com.au by 21/08/12.

<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 6.3.
<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>The proposed change in this IIR is to insert a new Rule 14A into the Rules that enables REMCo to grant an exemption for a SCU from the requirements under the Spec Pack for the sending and/or receiving of communications via the FRC Hub.</p> <p>The proposed drafting changes to the Rules are detailed in Attachment A.</p>
<p>4. Explanation regarding the order of magnitude of the change (e.g. high impact, low impact or non-substantial)</p>	<p>The impact of the proposed amendments described in this IIR 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>The amendments described in this IIR will ensure that the system requirements for FRC Hub communications for some prescribed persons (specifically SCUs) do not act as a barrier to entry.</p>
<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 developing 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 the benefits of this Rule change are:</p> <ul style="list-style-type: none"> • increased flexibility in how SCU interactions are conducted with REMCo's market systems. • reduced costs and reduced potential barriers to entry for SCUs.
<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 described in this IIR 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.</p> <p>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 399A, 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 Gas Market Issue (“GMI”) which detailed the proposed changes that were discussed at the RCC meeting on 27/06/12 and circulated to 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; g. Perth Energy as a User, Shipper and Swing Service Provider; and h. Geraldton Brickworks as a Self Contract User. <p>On 26/07/12, after incorporating some further changes recommended by ATCO, the GMI was resent by REMCo to RCC Members for endorsement as a low impact rule change via circular resolution.</p> <p>On 03/08/12, REMCo advised the RCC that it had received endorsement from all RCC Members to the proposed low impact rule change via circular resolution.</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 IIR 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 6.4 of the Rules is targeted for 01/10/12.</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.

Insert the following new rule 14A as follows:

14A. REMCo Specification Pack

- (1) All communications must comply with the requirements of, and be submitted in the form and manner, and by the time, specified in the *REMCo Specification Pack* for the relevant type of communication, unless:
 - (a) expressly stated in these rules; or
 - (b) permitted by *REMCo* with regard to a *self-contracting user*.
- (2) *REMCo* cannot provide a release to a *self-contracting user* under rule 14A(1)(b) from the requirements in the *REMCo Specification Pack* relating to the format of communications.
- (3) Where *REMCo* provides a release to a *self-contracting user* from an obligation specified in the *REMCo Specification Pack* under rule 14A(1)(b), *REMCo* must advise the *network operator* of its decision.
- (4) *REMCo* may reject any communication that does not comply with the requirements of rule 14A(1).

{Note: For clarity, *REMCo* can permit a *self-contracting user* an exemption from the requirement to send its communications via the *FRC Hub*, but cannot exempt the *self-contracting user* from the formatting requirements for its communications.}

Rule Change Final Recommendation Report**Exemption of Self Contracting Users from FRC Hub Requirements under the Specification Pack (C03/12R)****Date of Rule Change Committee Meeting: 27 June 2012**

Prepared By	Tim Sheridan
Approved By	Stephen Eliot

Executive Summary

As required under Rule 399A(1)(a) of the Retail Market Rules (the "Rules"), REMCo published the following endorsed low impact Rule Change for consultation on 07/08/12:

- C03/12R – Exemption of Self Contracting Users from FRC Hub Requirements under the Specification Pack.

The consultation for the Rule change closed on 21/08/12, 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:

- C03/12R – Exemption of Self Contracting Users from FRC Hub Requirements under the Specification Pack.

Attachment 1 – Report to REMCo

Introduction

a) Final Report

This report has been prepared by REMCo under Rule 399A(3) on behalf of the Committee.

b) Purpose of Report

The purpose of this report is to enable REMCo to determine, in respect of Rule Change C03/12R, whether to adopt the endorsed Rule Change for approval by the Authority.

Information relating to Rule Change C03/12R 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 C03/12R.

Schedule A – Endorsed Rule Change for Submission

C03/12R – Removal of Farm-Tap Sub-Networks

Rule Change Description	<p>This Rule Change proposes to include a new Rule 14A in the Rules that enables REMCo to grant an exemption for a Self Contracting User from the requirements under the Specification Pack for the sending and/or receiving of communications via the FRC Hub.</p> <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 by the Committee at its meeting on 27/06/12. It was recommended that the Committee consider Rule Change C03/12R 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 21/06/12:</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;g. Perth Energy, as a user; shipper and swing service provider; andh. Geraldton Bricks, as a self contracting user.
Consultation Outcomes	<p>On 26/07/12, after incorporating some further changes as recommended by ATCO Gas Australia, the GMI was resent by REMCo to the Committee for review and endorsement as a low impact Rule Change.</p> <p>On 03/08/12, the Committee endorsed the proposed amendments as a low impact Rule Change via circular resolution and determined that consultation for the Rule Change should commence.</p> <p>On 07/08/12, REMCo published a notice of consultation on the low impact Rule Change, inviting each participant, pipeline operator, prescribed person and interested person to lodge a submission to the low impact Rule change within the objection period (i.e. no later than 5pm AEST, on 21/08/12).</p> <p>On 22/08/12, REMCo notified market participants that consultation on the low impact Rule Change had closed and that no submissions had been received by REMCo.</p>

Schedule A – Endorsed Rule Change for Submission

Legal Review	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.
Implementation Considerations	<p>The proposed amendments in this Rule Change do not have any impact on REMCo's Gas Retail Market Systems, so there are no system costs to implement these changes</p> <p>Subject to the Authority for approval, Rule Change C03/12R is targeted for an effective date of 01/10/12.</p>
Details of Change	The details of the changes are provided in Attachment A.

Attachment A

REMCo Rule Change C03/12R

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

Insert new Rule 14A as follows:

14A. REMCo Specification Pack

- (1) All communications must comply with the requirements of, and be submitted in the form and manner, and by the time, specified in the REMCo Specification Pack for the relevant type of communication, unless:
 - (a) expressly stated in these rules; or
 - (b) permitted by REMCo with regard to a self-contracting user.
- (2) REMCo cannot provide a release to a self-contracting user under rule 14A(1)(b) from the requirements in the REMCo Specification Pack relating to the format of communications.
- (3) Where REMCo provides a release to a self-contracting user from an obligation specified in the REMCo Specification Pack under rule 14A(1)(b), REMCo must advise the network operator of its decision.
- (4) REMCo may reject any communication that does not comply with the requirements of rule 14A(1).

{Note: For clarity, REMCo can permit a self-contracting user an exemption from the requirement to send its communications via the FRC Hub, but cannot exempt the self-contracting user from the formatting requirements for its communications.}