



3 July 2013

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 Changes C01/13S, C02/13R, C03/13C, and C04/13S

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:

- the REMCo Retail Market Rules (the “Rules”);
- the Specification Pack (the “Spec Pack”);
- the FRC Hub Terms and Conditions (the “Hub T&Cs”); and
- the REMCo Constitution.

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

- C01/13S – Notification Period for New GBO ids and Hub ids;
- C02/13R – Verification of Shipper on Sub-Network;
- C03/13C – Amendments to the FRC Hub Operational Terms and Conditions;¹ and
- C04/13S – Clarification to the REMCo Constitution.

The subject matter and Rule Change development process for these four Rule Changes are summarised as follows:

C01/13S Notification Period for New GBO ids and Hub ids

This proposal is to amend the Connectivity Testing and Technical Certification document, which is part of the Spec Pack, to include an obligation on REMCo to notify gas retail market participants at least ten business days prior to the effective date of any new gas business operator identifiers (“GBO ids”) for REMCo’s Gas Retail Market Systems (“GRMS”) and any new FRC Hub identifiers (“Hub ids”) for the FRC Hub operated by the Australian Energy Market Operator’s (“AEMO”).

¹ Note that Rule Change C03/13C was previously referred to as Rule Change C03/13S. The proper numbering for this change is C03/13C because it involves changes to both the Rules and the Spec Pack.

The REMCo Rule Change Committee (the “Committee”) unanimously approved C01/13S as a non-consequential Rule Change at its meeting on 24 April 2013.

Since the Committee unanimously approved C01/13S as a non-consequential Rule, no further consultation is required for this Rule Change. Under Rule 396A, the Committee is required to recommend to REMCo that it submit C01/13S to the Authority for approval.

C02/13R Verification of Shipper on Sub-Network

This proposal is to:

- amend Rules 67 and 83 to enable the GRMS to validate that the Incoming User specified in a new connection confirmation notice or a transfer request has valid Shipper arrangements for the delivery of gas to that sub-network; and
- modify the GRMS by adding a validation check to the Change of User (“CoU”) and Commissioning of Delivery Point (“COM-DP”) transactions.

The Committee unanimously approved C02/13R as a low-impact Rule Change on 24 April 2013.

REMCo published a notice of consultation on the low-impact Rule Change on 29 April 2013, inviting market participants to lodge a submission to C02/13R. The consultation window closed on 14 May 2013; from which REMCo received one submission in support of the Rule Change, and no objections.

As per Rule 399A(3), since REMCo did not received any objections to Rule Change C02/13R, REMCo is required to treat the Rule Change as a low-impact change and to submit it to the Authority for approval.

C03/13C Amendments to the FRC Hub Operational Terms and Conditions

This proposal is to:

- replace all references to “FRC Hub Conditions” with “FRC Hub Operational Terms and Conditions”;
- amend Rule 14(2) to remove the Hub T&Cs from the Rule Change process under Chapter 9 of the Rules;
- insert a new Rule 14(4) that requires REMCo to publish new versions of the Spec Pack, as amended from time to time; and
- implement a new version 6 of the Hub T&Cs that applies consistently across WA, SA, Victoria, and Queensland.

The Committee unanimously approved C03/13C as a high-impact Rule Change on 24 April 2013.

In accordance with Rule 398(2), REMCo published a notice of consultation and an Impact and Implementation Report (“I&IR”) on 3 May 2013 inviting market participants to lodge a submission to C03/13C. The consultation window closed on 17 May 2013; from which REMCo received no objections, and one submission in support of the Rule Change and seeking a clarification.

- The submission was from Kleenheat, who identified that the proposed change to Rule 14(2) was based on version 6.3 of the Rules, not the current version 6.4; and so it did not include the reference to excluding SA-only Spec Pack changes from the Rule Change process under Chapter 9 of the Rules. REMCo has amended the proposed change to reflect the current version of the Rules.

In accordance with Rule 400(1), REMCo published a second notice of consultation and a revised I&IR on 24 May 2013, inviting market participants to lodge a submission to C03/13C. The consultation window closed on 21 June 2013; from which REMCo received no submissions.

Under Rule 400(7), if by the end of the consultation period REMCo has not received any objections, then the Committee must recommend to REMCo that it submit the Rule Change to the Authority for approval, as if it were made under Rule 396A.

C04/13S Clarifications to the REMCo Constitution

REMCo applied to the Authority on 4 July 2012 for some changes to the REMCo Constitution. These changes were to address issues with the approval of Self Contracting Users (“SCUs”) as Associate Members of REMCo, as approved by the Members at the Extraordinary General Meeting on 21 June 2012.

The Authority approved the requested changes, which have now been implemented. However, the Authority also determined that they want an additional change to the Constitution, which they believe is required for clarity purposes. The Authority want to insert an additional clause 7A.2(e) into the Constitution, as follows:

7A.2 Application for Associate Membership

- (a) The Board must (subject to clause 8.3) accept an application for Associate Membership if the applicant is, or is likely to be, in the reasonable opinion of the Board, a Self-Contracting User.
- (b) The Board may accept, reject or defer consideration of an application for Associate Membership if, in the reasonable opinion of the Board, the applicant is likely to become a Self-Contracting User.
- (c) If the Board is not satisfied, acting reasonably, that an applicant is, or is likely to become a Self-Contracting User, it must reject or defer consideration of an application by that applicant.
- (d) If accepted, the applicant is taken to be an Associate Member from the date of acceptance, or such other date determined by the Board.
- (e) The applicant must become and maintain being a Self-Contracting User before the date of acceptance to be an Associate Member, or such other date determined by the Board.

REMCo and the Committee considered the additional change requested by the Authority, and were not convinced the further change is absolutely necessary because the wording that had been endorsed by the REMCo Members had been:

- drafted by, and subject to legal review by Jackson McDonald; and
- reviewed by the Committee (noting that the Authority is an observer on the Committee, and did not previously raise any questions with the drafting).

Having said this, REMCo and the Committee acknowledged that the Authority’s proposed further change may add clarity to the approval process for SCUs to become Associate Members, and do not believe that the change would cause any problems.

Under the *Energy Coordination Act 1994*, the Authority has the power to direct changes to the REMCo Scheme, but decided that they would prefer the additional change to go through the normal approval process.

As a result, REMCo and the Committee agreed to move forward with the Authority’s proposed change when the next changes are made to the REMCo Scheme.

On 10 June 2013, REMCo sought agreement from the Members to amend the Constitution by circular resolution. Responses on the circular resolution were due 1 July 2013, but responses were received from all Members by 13 June 2013. The Members unanimously approved the changes in C04/13S.

The Board has delegated authority to the REMCo CEO to exercise REMCo's authority to submit Rule Changes to the Authority when, after consultation has been completed in accordance with the requirements of the Rules, there are no unresolved objections.

Having fulfilled all of the requirements for a Rule Change under the Rules, REMCo requests that the Authority:

- accept this letter and its attachments as a submission for amendments to the Scheme under section 11ZOL of the Act; and
- consider and approve the proposed amendments to the Scheme under section 11ZOM of the Act, to take effect on 1 October 2013.

1 October 2013 was selected as the implementation date because the new version of the Hub T&Cs are scheduled to become operational in SA, Victoria, and Queensland on this date; and it is sensible to concurrently commence C03/13C in WA. It is proposed to manage the changes under Rule Changes C01/13S, C02/13R, and C04/13S concurrent with C03/13C to make best use of the resources of REMCo and the Authority.

REMCo would appreciate it if the Authority could consider, approve, and publish the approvals for Rule Changes C01/13S, C02/13R, C03/13C, and C04/13S in the *Gazette* by 1 October 2013.

Once the Authority approves Rule Changes C01/13S, C02/13R, C03/13C, and C04/13S; REMCo will post the revised version of the Rules, Spec Pack, and Constitution on its website; including both clean copies and copies 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. Table are provided in Attachments 1 to 4 to this letter that lay out the requirements that the Authority is to consider under section 11ZOO for Rule Changes C01/13S, C02/13R, C03/13C and C04/13S respectively. These table provide REMCo's commentary as to why the legislated criteria have been met for each of the four Rule Changes.

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

- Attachment 5 C01/13S – Proposed Rule Change (“PRC”);
- Attachment 6 C02/13R – Notice of Consultation;
- Attachment 7 C02/13R – PRC;
- Attachment 8 C02/13R – I&IR;
- Attachment 9 C03/13C – Notice of Consultation (Rule 398);
- Attachment 10 C03/13C – Notice of Consultation (Rule 400);
- Attachment 11 C03/13C – I&IR;
- Attachment 12 C03/13C – I&IR (Attachment B)
- Attachment 13 C03/13C – Extract of the FRC Hub Services Contract;
- Attachment 14 C03/13C – Risk Assessment; and
- Attachment 15 C04/13S – Notice of EGM.

I am available on (08) 6212 1829 or 0421 093 598, or by e-mail on stephen.eliot@remco.net.au 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

Attachments:	Attachment 1	Rationale for Rule Change C01/13S Meeting the Requirements for Rule Change under the Act
	Attachment 2	Rationale for Rule Change C02/13R Meeting the Requirements for Rule Change under the Act
	Attachment 3	Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act
	Attachment 4	Rationale for Rule Change C04/13S Meeting the Requirements for Rule Change under the Act
	Attachment 5	C01/13S –PRC
	Attachment 6	C02/13R – Notice of Consultation
	Attachment 7	C02/13R – PRC
	Attachment 8	C02/13R – I&IR
	Attachment 9	C03/13C – Notice of Consultation (Rule 398)
	Attachment 10	C03/13C – Notice of Consultation (Rule 400)
	Attachment 11	C03/13C – I&IR
	Attachment 12	C03/13C – I&IR (Attachment B)
	Attachment 13	C03/13C – Extract of the FRC Hub Services Contract
	Attachment 14	C03/13C – Risk Matrix
	Attachment 15	C04/13S – Notice of EGM

Attachment 1 – Rationale for Rule Change C01/13S Meeting the Requirements for Rule Change under the Act

Attachment 1 – Rationale for Rule Change C01/13S 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 was initially approved by the Minister for Energy; and all Scheme amendments have been approved by the Authority, in accordance with the Act. As a result, the Scheme clearly currently complies with the Act.</p> <p>The amendments to the Spec Pack proposed under Rule Change C01/13S will require REMCo to notify gas retail market participants at least ten business days prior to the effective date of any new GBO ids for the GRMS and any new Hub ids for the FRC Hub. This change will:</p> <ul style="list-style-type: none"> • remove any confusion that may currently exist in relation to the notification period for the activation of any new GBO ids and Hub ids; • clarify and specify REMCo's current practices; and • ensure consistency with other jurisdictions, whereby AEMO must notify gas retail market participants in Victoria, Queensland, and SA at least ten business days prior to the effective date of any new GBO ids or Hub ids. <p>REMCo submits that the Scheme will continue to comply with the Act if the Authority approves Rule Change C01/13S because this change will clarify and specify REMCo's current practices.</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>The additional clarity that will be provided by Rule Change C01/13S will help avoid confusion or unforeseen delays when issuing new GBO ids or Hub ids. As a result, REMCo submits that the amendments proposed under C01/13SR will help ensure that the Scheme meets criteria (b) and (c), and in particular, will increase market efficiency and fairness to market participants.</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 C01/13S Meeting the Requirements for Rule Change under the Act

Attachment 1 – Rationale for Rule Change C01/13S 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 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 C01/13S to the Committee for consideration on 24 April 2013; where the Committee unanimously agreed that it is a non-consequential Rule Change because the amendments are:</p> <ul style="list-style-type: none"> • consistent with REMCo's current process for notifying gas retail market participants of any new GBO ids or Hub ids; and • documentation changes only, and do not require any participant system changes or any modifications to the GRMS. <p>Under the provisions of Rule 396A, since the Committee unanimously recommended this Rule Change as a non-consequential change, then REMCo can submit the Rule Change to the Authority for approval.</p> <p>As a result, REMCo submits that it has met all of the consultation requirements for the amendments proposed in C01/13S, and that each person required to be consulted has agreed to the amendment.</p>

Attachment 2 – Rationale for Rule Change C02/13R Meeting the Requirements for Rule Change under the Act

Attachment 2 – Rationale for Rule Change C02/13R Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
11Z00(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 was initially approved by the Minister for Energy; and all Scheme amendments have been approved by the Authority, in accordance with the Act. As a result, the Scheme clearly currently complies with the Act.</p> <p>The amendments to the Rules proposed under Rule Change C02/13R will:</p> <ul style="list-style-type: none"> • amend Rules 67 and 83 to require validation that a User submitting a new connection notice or a transfer request has valid Shipper arrangements on the relevant sub-network; and • modify the GRMS by adding a validation check to the CoU and COM-DP transactions. <p>This change is required because:</p> <ul style="list-style-type: none"> • the balancing, allocation and reconciliation (“BAR”) calculations will be delayed if a User submits a new connection notice or transfer request on a sub-network where it does not have a valid Shipper arrangement; and • there are currently no error codes in place to notify Users of an invalid new connection notice or transfer request. <p>REMCo submits that the Scheme will continue to comply with the Act if the Authority approves Rule Change C02/13R because this change will:</p> <ul style="list-style-type: none"> • ensure that the REMCo can operate the GRMS in a more robust manner, in accordance with the timelines in the Rules, now that there is increased retail competition with the entry of Kleenheat Gas; and • protect Users and customers by ensuring that a User is notified if it submits an invalid new connection notice or transfer request.
(ii) be suitable for the purposes of section 11Z0B;	<p>Section 11Z0B 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. 	

Attachment 2 – Rationale for Rule Change C02/13R Meeting the Requirements for Rule Change under the Act

Attachment 2 – Rationale for Rule Change C02/13R Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
		<p>REMCo submits that the amendments proposed under C02/13R will help ensure the Scheme meets the criteria under Section 11ZOB of the Act as follows:</p> <ul style="list-style-type: none"> (a) delays in BAR calculations may impose costs on Users, which would make the market less competitive, and the changes in C02/13R will help ensure these delays will not occur; (b) delays in BAR calculations would make the market less efficient, and the changes in C02/13R will help ensure these delays will not occur; and (c) providing Users with a notice that they have submitted an invalid new connection notice or transfer request is more fair, as it allows them to take action to correct the error, and will protect customers by preventing delays to new connections or transfers.
	(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.
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> <ul style="list-style-type: none"> (a) each person required to be consulted has agreed to the amendment; or (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>REMCo submitted C02/13R to the Committee for consideration on 24 April 2013; where the Committee unanimously agreed that it is a low-impact Rule Change because:</p> <ul style="list-style-type: none"> • while the deployment of the new validation checks require some changes to the GRMS, the changes are not significant, and have already been implemented in SA; • the new error codes will be sent to gas retail market participants in CSV file format via the FRC Hub; and • the estimated cost for implementing the proposed change to the GRMS is low (between \$5,965 and \$7,218). <p>REMCo commenced a consultation process on 29 April 2013, in accordance with the requirements of Rule 399A(1)(a). The consultation process concluded on 14 May 2013, and REMCo received one submission in support of the Rule Change, and no objections.</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 C02/13R, and that each person required to be consulted has agreed to the amendment.</p>

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
11Z00(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 was initially approved by the Minister for Energy; and all Scheme amendments have been approved by the Authority, in accordance with the Act. As a result, the Scheme clearly currently complies with the Act.</p> <p>The amendments to the Scheme proposed under Rule Change C03/13C will:</p> <ol style="list-style-type: none"> (1) fix errors in references to Scheme documentation in the Rules; (2) amend Rule 14(2) to remove the Hub T&Cs from the “Scheme Change Process” (i.e. the process in Chapter 9 of the Rules, with approvals provided by the Authority); (3) insert a new Rule 14(4) to require REMCo to publish new versions of the Spec Pack as amended from time to time; and (4) develop a new set of Hub T&Cs that applies consistently across all jurisdictions. <p>The specific changes requested to the Rules and the Hub T&Cs under C03/13C are laid out in the I&R to this Rule Change (see Attachments 11 and 12).</p> <p>REMCo submits that the Scheme will continue to comply with the Act if the Authority approves Rule Change C03/13C because:</p> <ol style="list-style-type: none"> (1) Correcting referencing errors will make the Scheme easier to comprehend, but will not change its content. (2) Removing the Hub T&Cs from the Scheme Change Process will ensure that REMCo and AEMO can manage the Hub T&Cs in a consistent manner across all of the jurisdictions that use the FRC Hub (WA, SA, Victoria, and Queensland). <p>The FRC Hub is owned and operated by the AEMO, and provides a communications hub for gas retail market participants in the eastern States on a contractual basis (i.e. via the Hub T&Cs). AEMO also gives REMCo access to the FRC Hub via contract (the FRC Hub Services Agreement). REMCo then provides communications services to the WA gas retail market participants via the Hub T&Cs, which are defined as part of the REMCo Scheme, and are therefore covered by the Scheme Change Process.</p>

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
		<p>Since gas FRC was implemented in the eastern States and WA at different times and by different Market Operators; different Hub T&Cs are in effect in the various jurisdictions.</p> <p>There are currently two mechanisms governing changes to the Hub T&Cs in WA:</p> <ul style="list-style-type: none"> • the Scheme Change Process; and • the “Contract Change Mechanism” defined in the FRC Hub Services Agreement and the Hub T&Cs (an extract of the relevant parts of the FRC Hub Services Agreement is provided in Attachment 13). <p>This situation arose because:</p> <ul style="list-style-type: none"> • the REMCo Scheme was approved in 2004, when there was almost no experience with FRC in Australia, and so the Hub T&Cs were included in the Scheme Change Process as a precaution to ensure market risks were managed; and • the AEMO is not party of the REMCo Scheme and provides FRC Hub services to REMCo under contract, and so the Contractual Change Mechanism was needed to bind REMCo and AEMO to a common Hub T&Cs change process. <p>With market operations in the eastern States being consolidated under AEMO from October 2009, AEMO and REMCo now have the opportunity to consolidate and simplify the terms of the FRC Hub services under a single set of Hub T&Cs.</p> <p>This will add allow AEMO and REMCo to operate the FRC Hub:</p> <ul style="list-style-type: none"> • in a more clear way, which will benefit FRC Hub users and avoid risks to the market; and • in a more cost-effective way, which will reduce market operations costs. <p>AEMO, REMCo, and the Committee have concluded that:</p> <ul style="list-style-type: none"> • there are obvious benefits to simplifying and aligning the Hub T&Cs across all jurisdictions; • imposing multiple governance mechanisms on the Hub T&Cs change process creates risks going forward; and • the WA gas retail market (the market participants and end-use customers) will get sufficient input into Hub T&Cs changes via the Contract Change Mechanism, and that coverage of the Hub T&Cs under Scheme Change Process is no longer necessary.

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
		<p>A “risk analysis” was undertaken as part of the Committee deliberations on this amendment – see Attachment 14. This risk analysis shows that:</p> <p>(a) Removing coverage of Hub T&Cs changes from Scheme Change Process and leaving it to the Contract Change Mechanism will create a risk that changes could be made to the Hub T&Cs for the benefit of eastern States’ gas retail market participants, but not for the benefit of (or even to the detriment to) WA gas retail market participants.</p> <p>(b) However, if this change is not made, then there is a risk that changes could be made to the Hub T&Cs in the eastern States that are not implemented in WA. If this were to occur, then the WA gas retail market would face the costs of AEMO having to operate the FRC Hub under different Hub T&Cs, and would face a risk that AEMO could no longer be willing to provide FRC Hub services to WA at all.</p> <p>Given the nature of what is covered by the Hub T&Cs, the coverage of the Contractual Change Mechanism, and the lack of incentive for AEMO and REMCo to allow these risks to arise; the Committee agreed that:</p> <p>(a) the chance of risk (a) occurring would be “rare”, and the impact of this risk would be “minor”; and</p> <p>(b) the chance of risk (b) occurring would also be “rare”; but the impact of this risk would be “major”.</p> <p>As a result, AEMO, REMCo, and the Committee have concluded that, on balance, the WA gas retail market will be best served by removal of coverage of changes to the Hub T&Cs from the Scheme Change Process; and that the Scheme would still comply with the Act, as the Act does not require the Hub T&Cs to be covered by Chapter 9 of the Rules.</p> <p>(3) Requiring REMCo to publish updates to the Spec Pack will ensure that market participants have access to the most up-to-date information on the scheme.</p> <p>(4) The new Hub T&Cs will align the definitions and usage of terms in the Hub T&Cs as they are applied in all of the jurisdictions that use the FRC Hub (WA, SA, Victoria, and Queensland). As indicated above, this will add allow REMCo and AEMO to operate the FRC Hub:</p> <ul style="list-style-type: none"> • in a more clear way, which will benefit FRC Hub users and avoid risks to the market; and • in a more cost-effective way, which will reduce market operations costs.

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
		The only change of substance in the new Hub T&Cs is the addition of clause 2.1, which requires the AEMO to consult with all users of the FRC Hub before making any changes to the Hub T&Cs. This change is necessary to ensure that removal of coverage of the Hub T&Cs from the Scheme Change Process.
	(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>As indicated above under row (i) of this table, the changes under C03/13C will:</p> <ul style="list-style-type: none"> • clarify and simplify the Hub T&Cs, and allow for consistent terms to be applied across Australia; • allow the market to be operated in a more efficient way, which will reduce costs to operate the market; and • reduce risks of increased costs to the market. <p>As a result, REMCo submits that the amendments proposed under C03/13C will help ensure the Scheme meets the criteria under Section 11ZOB of the Act by making it more open and competitive, efficient, and fair to gas market participants and their customers.</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.
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> <ul style="list-style-type: none"> (a) each person required to be consulted has agreed to the amendment; or (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>REMCo submitted C03/12C to the Committee for consideration on 24 April 2013; where the Committee unanimously agreed that it is a high-impact Rule Change because the changes could have a material commercial impact on REMCo, participants, pipeline operators, or prescribed persons. That is:</p> <ul style="list-style-type: none"> • there would no longer be regulatory oversight of changes to the Hub T&Cs by the Authority; and • changes could be made to the Hub T&Cs that are to the benefit of the eastern States' markets that are not to the benefit of the WA market. <p>However, a mechanism is in place under the Hub Services Agreement between REMCo and AMO that allows REMCo to manage this risk under contract, rather than via regulatory oversight by the</p>

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act

Attachment 3 – Rationale for Rule Change C03/13C Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
		<p>Authority, which is a more appropriate mechanism given the nature of the FRC Hub services. This mechanism minimises the potential for this risk to arise, and mitigates the impact should it arise.</p> <p>Following this determination, REMCo commenced a consultation process on C03/13C with the publication of an I&IR on 3 May 2013, where participants were invited to lodge a submission to C03/13C. The consultation window closed on 17 May 2013; from which REMCo received no objections, and one submission in support of the Rule Change and seeking a clarification.</p> <ul style="list-style-type: none"> The submission was from Kleenheat, who identified that the proposed change to Rule 14(2) was based on version 6.3 of the Rules, not the current version 6.4; and so it did not include the reference to excluding SA-only Spec Pack changes from the Rule Change process under Chapter 9 of the Rules. REMCo has amended the proposed change to reflect the current version of the Rules. <p>In accordance with Rule 400(1), REMCo published a second notice of consultation and a revised I&IR on 24 May 2013, inviting market participants to lodge a submission to C03/13C. The consultation window closed on 21 June 2013; from which REMCo received no submissions.</p> <p>Under Rule 400(7), if by the end of the consultation period REMCo has not received any objections, then the Committee must recommend to REMCo that it submit the Rule Change to the Authority for approval, as if it were made under Rule 396A.</p> <p>As a result, REMCo submits that it has met all of the consultation requirements for the amendments proposed in C03/13C, and that each person required to be consulted has agreed to the amendment.</p>

Attachment 4 – Rationale for Rule Change C04/13S Meeting the Requirements for Rule Change under the Act

Attachment 4 – Rationale for Rule Change C04/13S Meeting the Requirements for Rule Change under the Act		
Section	Requirement	REMCo Comment
11Z00(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 was initially approved by the Minister for Energy; and all Scheme amendments have been approved by the Authority, in accordance with the Act. As a result, the Scheme clearly currently complies with the Act.</p> <p>REMCo submits that the Scheme will continue to comply with the Act if the Authority approves Rule Change C04/13S because:</p> <ul style="list-style-type: none"> • this change will add a clause to the REMCo Constitution that will add clarity to the process for approving SCUs as Associate Members of REMCo; and • the Authority asked for this change to be made.
	(ii) be suitable for the purposes of section 11Z0B;	<p>Section 11Z0B 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 proposed under C04/13S will help ensure the Scheme meets the criteria under Section 11Z0B of the Act because it will add clarity to the process for approving SCUs as Associate Members of REMCo, and this clarity will:</p> <ul style="list-style-type: none"> (a) make it easier for SCUs to enter the market, which will increase competition and make the market more open and competitive; (b) make the process for approval of Associate Memberships more efficient; and (c) be more fair to potential new SCUs.
(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 11Z00(b), so this section of the Act is not applicable.	

Attachment 4 – Rationale for Rule Change C04/13S Meeting the Requirements for Rule Change under the Act

Attachment 4 – Rationale for Rule Change C04/13S 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 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 applied to the Authority on 4 July 2012 for some changes to the REMCo Constitution. These changes were to address some issues with approval of SCUs as Associate Members of REMCo, as approved by the Members at the Extraordinary General Meeting on 21 June 2012.</p> <p>The Authority approved these amendments, which shows that the original changes to the Constitution to address issues with approval of SCUs as Associate Members met all of the necessary consultation requirements.</p> <p>The additional changes to address issues with approval of SCUs as Associate Members under C04/13S was requested by the Authority, who decided it did not want to direct REMCo to make the changes under C04/13S.</p> <p>REMCo and the Committee considered the additional change requested by the Authority, and were not convinced the further change is absolutely necessary because the wording that had been endorsed by the REMCo Members had been:</p> <ul style="list-style-type: none"> • drafted by, and subject to legal review by Jackson McDonald; and • reviewed by the Committee (noting that the Authority is an observer on the Committee, and did not previously raise any questions with the drafting). <p>Nevertheless, REMCo and the Committee acknowledged that the Authority’s proposed further change may add clarity to the approval process for SCUs to become Associate Members, and do not believe that the change would cause any problems.</p> <p>As a result, REMCo and the Committee agreed to move forward with the Authority’s proposed change when the next changes are made to the REMCo Scheme.</p> <p>On 10 June 2013, REMCo sought agreement from the Members to amend the Constitution by circular resolution. Responses on the circular resolution were due 1 July 2013, but responses were received from all Members by 13 June 2013. The Members unanimously approved the changes in C04/13S.</p> <p>As a result, REMCo submits that it has met all of the consultation requirements for the amendments proposed in C04/13S, and that each person required to be consulted has agreed to the amendment.</p>