



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

<b>Rule Change Number</b>	<b>C03/13R</b>		
<b>Impacted jurisdiction(s)</b>	Western Australia		
<b>Proponent</b>	Stephen Eliot	Company	REMCo
<b>Industry consultative forum(s) used</b>	RCC	Date concluded by Rule Change Committee (“RCC”)	24/04/13
<b>Rule change ranking (as per Chapter 9):</b> <ul style="list-style-type: none"> <li>▪ Non-substantial</li> <li>▪ Low impact</li> <li>▪ High impact</li> </ul>	High impact		
<b>Short description of change(s)</b>	Amendments to FRC Hub Operational Terms and Conditions		
<b>Rule(s) or documentation impacted</b>	Rules 2 and 14 of the Retail Market Rules; and the FRC Hub Operational Terms and Conditions.		
<b>Summary of the change(s)</b>	<ul style="list-style-type: none"> <li>• Replacing all references to “FRC Hub Conditions” with “FRC Hub Operational Terms and Conditions”;</li> <li>• Amending Rule 14(2) to remove the Hub T&amp;Cs from the Rule change process under Chapter 9 of the Retail Market Rules (the “Rules”);</li> <li>• Inserting a new Rule 14(4) that requires REMCo to publish new versions of the Specification Pack, as amended from time to time; and</li> <li>• Developing a new version 6 of the FRC Hub Operational Terms and Conditions that applies consistently across WA, SA, VIC and QLD.</li> </ul>		
<b>I&amp;IR prepared by</b>	Tim Sheridan	Approved by	Stephen Eliot
<b>Date I&amp;IR published</b>	03/05/12	Date consultation concludes	17/05/13
<b>Contact address for written responses</b>	REMCo Rule Change C/- AEMO GPO Box 2008 Melbourne VIC 3001		
<b>Email address for responses</b>	remco_adminstration@aemo.com.au		
<b>Other key contact information</b>	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 (“**I&IR**”) has been developed by REMCo in accordance with Rule 398, and is raised for consideration by gas retail market participants as a High Impact Rule Change (**C03/13R**).

The proposed amendments in this I&IR were initially raised for discussion as a Gas Market Issue (“**GMI**”) by REMCo at the Rule Change Committee (“**RCC**”) on 29/08/12 and were endorsed by the RCC as a High Impact Rule Change at the RCC meeting on 24/04/13.

In summary, this Rule Change proposes:

- replacing all references to “FRC Hub Conditions” with “FRC Hub Operational Terms and Conditions” to be consistent with the correct title of the document;
- amending Rule 14(2) to remove the FRC Hub Operational Terms and Conditions (“Hub T&Cs”) from the Rule change process under Chapter 9 of the Rules;
- inserting a new Rule 14(4) that requires REMCo to publish new versions of the Specification Pack, as amended from time to time. This is consistent with a proposed amendment to the SA Procedures; and
- developing a new version 6 of the Hub T&Cs that applies consistently across WA, SA, VIC and QLD.

The effective date for Rule Change C03/13R is targeted for 01/10/13.

The drafting amendments to the Rules are detailed in **Attachment A**, and a marked-up copy of the draft version 6.0 of the Hub T&Cs is detailed in **Attachment B**.

#### **Background**

The proposed amendments in this Rule Change have been discussed at the RCC since August 2012, and in addition to Attachments A and B, REMCo has provided the RCC with the following information:

- a risk assessment of the impact of the proposed changes on WA gas retail market participants; and
- an extract of the relevant provisions under the FRC Hub Services Agreement between REMCo and AEMO.

At the meeting on 24/04/13, the RCC noted that the FRC Hub Services Agreement contains appropriate provisions for REMCo to accept or reject any proposed changes to the services provided by AEMO under the Hub T&Cs.

Based on this, the RCC agreed that, while there the risk that changes could be made to the Hub T&Cs that may have a negative impact on WA participants, this risk is very low; and is outweighed by the benefits of making this change.

Therefore, in accordance with Rule 398 of the Rules, the RCC determined REMCo should commence consultation on the proposed changes as a High Impact Rule Change.

<p>2. Reference documentation</p> <ul style="list-style-type: none"> <li>▪ Retail Market Rules (the “Rules”);</li> <li>▪ Business/Information/ Specification Pack Reference; and/or</li> <li>▪ Other Reference.</li> </ul>	<p>The reference documentation includes:</p> <ul style="list-style-type: none"> <li>• the Retail Market Rules – Version 6.4;</li> <li>• FRC Hub Terms and Conditions (SA/WA) – Version 4.0; and</li> <li>• FRC Hub Operation Terms and Conditions (VIC/QLD) – Version 5.0.</li> </ul>
<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"> <li>▪ a comparison of the existing operation of the Rules to the proposed change to the operation of the Rules; and</li> <li>▪ a marked up version of the proposed Rule changes (see Attachment A)</li> </ul>	<p>In summary, this Rule Change C03/13R proposes:</p> <ul style="list-style-type: none"> <li>• replacing all references to “FRC Hub Conditions” with “FRC Hub Operational Terms and Conditions” to be consistent with the correct title of the document;</li> <li>• amending Rule 14(2) to remove the Hub T&amp;Cs from the Rule change process under Chapter 9 of the Rules;</li> <li>• inserting a new Rule 14(4) that requires REMCo to publish new versions of the Specification Pack, as amended from time to time. This is consistent with a proposed amendment to the SA Procedures;</li> <li>• developing a new version 6 of the Hub T&amp;Cs that applies consistently across WA, SA, VIC and QLD.</li> </ul> <p>The drafting changes for the proposed Rule changes are detailed in <b>Attachment A</b>, and a marked-up copy of the draft version 6.0 of the Hub T&amp;Cs is detailed in <b>Attachment B</b>.</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&amp;IR are considered to be ‘high impact’ because the proposed changes could have a material commercial impact on REMCo, participants, pipeline operators, or prescribed persons. That is:</p> <ul style="list-style-type: none"> <li>• there will no longer be regulatory oversight of changes to the Hub T&amp;Cs by the Economic Regulation Authority (“ERA”); and</li> <li>• changes could be made to the Hub T&amp;Cs that are to the benefit of the eastern States’ markets that are not to the benefit of the WA market.</li> </ul> <p>However, a mechanism is in place under the Hub Services Agreement between REMCo and AEMO that allows REMCo to manage this risk under contract, rather than via regulatory oversight by the ERA, which is a more appropriate mechanism given the nature of the FRC Hub services. This contractual mechanism minimises the potential for this risk to arise, and mitigates the impact of this risk should it arise.</p>
<p>5. Overall Industry cost/benefit analysis (tangible / intangible / risk) and/or cost estimates</p>	<p><b>Cost</b></p> <p>This is a documentation change only, and REMCo has not identified any costs in the implementation of this Rule Change. REMCo has not received any information from other gas retail market participants on the cost of this Rule Change on their business.</p> <p><b>Benefits</b></p> <p>REMCo considers that the likely benefit for industry as a whole are:</p> <ul style="list-style-type: none"> <li>• efficiency gains in maintaining and administering a single version of the Hub T&amp;Cs across all applicable</li> </ul>

	<p>jurisdictions;</p> <ul style="list-style-type: none"> <li>not making the changes would increase risk of needing to operate the WA gas retail market on different Hub T&amp;Cs than the eastern States jurisdictions, which has the potential to significantly increase costs and/or reduce quality of FRC Hub services; and</li> <li>consistency with the VIC, QLD and SA jurisdictions; and with the latest version of the Hub T&amp;Cs.</li> </ul>
6. The likely effect of the change(s) on stakeholders (e.g. industry or end-users)	<p>The proposed amendments described in this I&amp;IR could result in changes being made to the FRC Hub services that are not to the benefit of the WA gas retail market participants.</p> <p>However, a mechanism is in place under the Hub Services Agreement between REMCo and AEMO to minimise the potential for this risk to arise and to mitigate the impact of this risk should it arise.</p>
7. Testing requirements	There are no testing requirements.
8. Consideration of the recommended Rule change by REMCo under Rule 399. REMCo must either: <ul style="list-style-type: none"> <li>endorse the recommended rule change; or</li> <li>reject the recommended rule change</li> </ul>	<p>In accordance with Rule 398, the RCC has determined the proposed changes have the potential to have a high impact, and agreed that REMCo should commence consultation on the proposed changes as a High Impact Rule Change.</p>
9. Consultation forum outcomes (e.g. the conclusions made on the change(s), whether there was unanimous approval, any dissenting views)	<p>The GMI on the proposed amendments was also circulated to the following market participants:</p> <ol style="list-style-type: none"> <li>Alinta Sales as a User, Shipper and swing Service Provider;</li> <li>APT as a Pipeline Operator and Swing Service Provider;</li> <li>ATCO Gas Australia as the Network Operator;</li> <li>DBP as a Pipeline Operator;</li> <li>Kleenheat Gas as a User, Shipper, and Swing Service Provider;</li> <li>Perth Energy as a User, Shipper, and Swing Service Provider;</li> <li>Premier Power Sales, as a User; and</li> <li>Synergy as a User and Swing Service Provider.</li> </ol> <p>At the meeting on 24/04/13, the RCC and endorsed the proposed changes as a High Impact Rule Change (C03/13R).</p>
10. Legal review: <ul style="list-style-type: none"> <li>does this rule change impact the ACCC authorisation?</li> <li>is an external legal review required?</li> </ul>	<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>
11. Should the proposed Rule change be made, (with or	REMCo recommends that the proposed amendments as described in this I&IR should be made without further

without amendments)?	amendments.
12. If applicable, a proposed effective date for the proposed Rule change(s) to take effect and justification for that timeline.	The effective date for this Rule change and version 6.5 of the Rules is targeted for 01/10/13.

## 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.

### 1. Amend page 20 of the Rules as follows:

#### OTHER RELEVANT DOCUMENTS

These rules are one element of the retail market arrangements that REMCo operates for the Western Australian gas markets. These rules should be read in conjunction with:

- the following documents that relate to the governance of REMCo, the operation of the Gas Retail Market System that supports these rules; and the manner in which *participants, pipeline operators, prescribed persons* and REMCo interact in the gas markets:
  - the REMCo Constitution;
  - the REMCo Specification Pack; and
  - the User Guidelines for the REMCo Specification Pack; and
  - the FRC Hub Operational Terms and Conditions; and
- all applicable Western Australian laws. Whether or not a person is required to comply with a particular law will depend on that person's constitution, business and activities. Each person should obtain their own advice in relation to compliance with such laws.

### 2. Amend the definitions under Rule 2 as follows:

“FRC Hub certification process” means the testing process set out in the Connectivity Testing and Technical Certification document within the REMCo Specification Pack to ensure that a person's *information system* complies with the requirements of the FRC Hub Operational Terms and Conditions.

“FRC Hub Operational Terms and Conditions” means the terms and conditions published by the Australian Energy Market Operator under which that apply between REMCo, each user and network operator seek connection to and are obliged to operate under when connecting to and issuing or -and any business that sends or receives-receiving transactions on via the FRC Hub, ~~as amended from time to time under these rules.~~

“permitted down time” has the meaning given to that term in the FRC Hub Operational Terms and Conditions.

**3. Amend clause 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*; and

(b) *FRC Hub Operational Terms and Conditions*.

(2) For the avoidance of doubt, Chapter 9 and the rule change procedure under these rules apply to any amendment made to the document listed in rule 14(1)(a), but not to the document listed in 14(1)(b) or to the portions of the *REMCo Specification Pack* that apply only in South Australia.

(3) In the event of any inconsistency between the provisions of these rules and either of the documents listed in clause 14(1), the inconsistency is to be resolved by giving precedence to these rules and then each of the other documents shall be read in the order of precedence as listed in clause 14(1).

(4) *REMCo must publish the *REMCo Specification Pack*, as amended from time to time.*

**ATTACHMENT B - Amendments to the FRC Hub Operational and Conditions**

See the draft copy of version 6.0 of the FRC Hub Operational Terms and Conditions.