



Retail Energy Market Company

### Risk Assessment

<b>Prepared by:</b>	REMCo (dated 11 February 2013)
<b>Details of Risk:</b>	<p>The FRC Hub Operational Terms and Conditions (“Hub T&amp;Cs”) is a document that specifies subscribers’ obligations for the use of the FRC Hub and AEMO’s obligations for delivering services for the FRC Hub which is an interface system provided to REMCo by AEMO. Currently SA and WA operate under version 4 of the Hub T&amp;Cs, whereas VIC and QLD operate under version 5 of the Hub T&amp;Cs.</p> <p>The main change in version 6 of the Hub T&amp;Cs relates to the management process defined in section 2.1 of the document, whereby AEMO will be required to consult on any changes to the Hub T&amp;Cs with market participants in each jurisdiction that use the FRC Hub. Currently in WA, any amendments to the Hub T&amp;Cs are subjected to the Rule Change Process in Chapter 9 of the Retail Market Rules and are approved by the Economic Regulation Authority (“ERA”). This level of regulatory oversight is not required in VIC, QLD and SA where AEMO is responsible for approving any amendments to the Hub T&amp;Cs.</p> <p>The Rule Change Committee (“RCC”) has raised a question as to whether this change may have the potential to negatively impact WA market participants and force RCC Members to make changes to their systems and/or gateway to the FRC Hub that are developed exclusively for market participants in other States and do not have a net benefit to WA market participants.</p>

INHERENT RISK				REVISED RISK			
Risk Event	Likelihood	Impact	Rating	Preventative Controls	Likelihood	Impact	Rating
WA market participants may be required to make changes to their systems and/or gateway to the FRC Hub that have been developed exclusively for market participants in other States and do not have a net benefit to WA market participants.	Rare	Minor	L	AEMO is required to consult with all market participants (including RCC Members) on any proposed changes to the FRC Hub.  <i>Note: since the start of FRC in WA in 2004, no changes have been made to the FRC Hub or</i>	Rare	Minor	L



Retail Energy Market Company

				<p><i>the Hub T&amp;Cs that did not have a net benefit to WA market participants. The service provided under the Hub T&amp;Cs is a "postal service" that treats all subscribers with the same level of service, and expects a common level of subscriber support. The only changes that could be contemplated are ones that provide improved operational reliability to all subscribers. This is because the system does not make any distinction in the level of service provided on a jurisdictional or market basis.</i></p>			
<p>If a change is made to the FRC Hub that is not implemented for WA, then WA Participants may be exposed to the full cost of support for a separate FRC Hub that provides a different level of service to that of other jurisdictions.</p>	Rare	Major	H	None.	Rare	Major	H



Retail Energy Market Company

### Risk Rating Matrix

The following table is used as a guideline for assessing the rating of a risk event.

LIKELIHOOD	IMPACT				
	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Extreme
1. Rare	L	L	M	H	H
2. Unlikely	L	L	M	H	E
3. Moderate	L	M	H	E	E
4. Likely	M	H	H	E	E
5. Almost Certain	H	H	E	E	E

### Assessing Likelihood

The following table provides a guideline for assessing the likelihood or probability of a risk event occurring.

LIKELIHOOD	GUIDELINES
1. Rare	<ul style="list-style-type: none"> <li>Will only occur in exceptional circumstances, no history of occurrence.</li> <li>Probability of &lt;1%.</li> </ul>
2. Unlikely	<ul style="list-style-type: none"> <li>Conceivable but unlikely to occur, no history of occurrence.</li> <li>Probability of 1% - 10%</li> </ul>
3. Moderate	<ul style="list-style-type: none"> <li>May occur, but not expected in most circumstances.</li> <li>Statistical record of at least one occurrence.</li> <li>Probability of 11% - 50%.</li> </ul>
4. Likely	<ul style="list-style-type: none"> <li>Can be expected to occur in most circumstances.</li> <li>Statistical record of some occurrence.</li> <li>Probability of 51% - 90%.</li> </ul>
5. Almost Certain	<ul style="list-style-type: none"> <li>Will occur at least once per month.</li> <li>Probability of &gt;90%.</li> </ul>

### Assessing Impact

The following table provides a guideline for assessing the impact or materiality of a risk event.

IMPACT	GUIDELINES
1. Insignificant	<ul style="list-style-type: none"> <li>By default, any impact that does not correspond to any of the following guidelines will likely be insignificant.</li> </ul>
2. Minor	<ul style="list-style-type: none"> <li>Minor reduction in service levels to a client.</li> <li>Financial impact \$50,000 to \$250,000.</li> </ul>
3. Moderate	<ul style="list-style-type: none"> <li>Moderate reduction in service levels to a market participant.</li> <li>Financial impact \$250,000 to \$1 million.</li> <li>Reduced standing with regulatory authority.</li> <li>Incident attracts wide publicity with detrimental effect on reputation across a market</li> </ul>



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	participant
4. Major	<ul style="list-style-type: none"><li>• Major reduction in service levels to a market participant or moderate reduction in service levels to all market participants.</li><li>• Financial impact \$1 million to \$5 million.</li><li>• Reduced standing with regulatory authority.</li><li>• Incident attracts wide publicity with detrimental effect on reputation across a market participant.</li></ul>
5. Extreme	<ul style="list-style-type: none"><li>• Major reduction in service levels to all market participants.</li><li>• Financial impact &gt;\$5 million.</li><li>• Official censure by regulatory authority.</li><li>• Incident attracts wide publicity with detrimental effect on reputation across all market participants.</li></ul>