

Decision on Rule Changes C06/11R, C01/12R and C02/12R

Submitted by the Retail Energy Market Company

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Economic Regulation Authority

WESTERN AUSTRALIA

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Contents

DECISION	3
REASONS	3
Background	3
Discussion	4
Rule Change C06/11R – Amendments to the REMCo Retail Market Scheme Definition	4
Rule Change C01/12R – Removal of Farm Tap Sub-Networks	5
Rule Change C02/12R – Non-Consequential Amendments to V.6.2 of the Rules	6
CONCLUSION	7

DECISION

1. The Economic Regulation Authority (**Authority**) has approved Rule Change C06/11R amending Rule 14 of the Retail Market Rules (**Rules**) with regard to the application of the Specification Pack (**Spec Pack**), as proposed in Retail Energy Market Company's (**REMC**O) submission on 10 January 2012.
2. The Authority has also approved Rule Changes C01/12R and C02/12R with regard to the removal of farm tap sub-networks from the Rules and several non-substantial amendments to the Rules, as proposed in REMCo's submission on 30 April 2012.

REASONS

Background

3. REMCo was established in 2004 in order to develop and operate cost effective retail market arrangements and to facilitate gas retail competition in both Western Australia (**WA**) and South Australia (**SA**). REMCo transferred responsibility for the operations of the SA gas retail market to the Australian Energy Market Operator (**AEMO**) in October 2009 and consequently, now only has responsibility for operation of the WA gas retail market.
4. The Authority is responsible for the economic regulation of the WA Scheme, which includes the approval to amendments to this Scheme, under Part 2B of the *Energy Coordination Act 1994* (**Act**).
5. Under section 11ZOB of the Act, the purpose of the REMCo Scheme, which began operation on 31 May 2004, is to ensure that the retail gas market that is supplied through the distribution system is regulated and operated in a manner that is:
 - open and competitive;
 - efficient; and
 - fair to gas Market Participants and their customers.
6. Pursuant to section 11ZOL of the Act, REMCo is required to submit any amendment to the Scheme to the Authority for approval, and the Authority is to approve to the Scheme under Section 11ZOM of the Act.
7. Section 11ZOO of the Act provides the prerequisites to the Authority's approval of amendments to a retail market scheme under Section 11ZOM of the Act.
8. The REMCo Scheme includes, inter alia, the Rules and the Spec Pack. The Rules govern the interactions between gas market participants, including gas retailers, pipeline operators, and prescribed persons (under the Act). The Spec Pack provides technical details of how REMCo and gas market participants are to build and operate the IT systems to implement the Rules, and the FRC Hub Terms and Conditions (i.e., the conditions under which the hub is to be operated).
9. REMCo and AEMO operate the gas retail markets in WA and SA using a generic Spec Pack that applies to both jurisdictions.

10. On 10 January 2012, REMCo made a submission to the Authority for approval of Rule Change C06/11R, proposing amendments to Rule 14 of the Rules with regard to the application of the Spec Pack to be implemented by 1 March 2012.
11. However, with the development of Rule Changes C01/12R and C02/12R occurring early in 2012, REMCo and the Authority agreed to seek approval and commencement of Rule Change C06/11R concurrently with Rule Changes C01/12R and C02/12R.
12. On 30 April 2012, REMCo submitted Rule Changes C01/12R and C02/12R proposing the removal of Farm Tap Sub-Networks from the Rules and several non-substantial amendments to the Rules for approval.
13. REMCo's submissions for Rule Changes C06/11R, C01/12R and C02/12R are available on the Authority's website.¹

Discussion

Rule Change C06/11R – Amendments to the Scheme Definition

14. Responsibility for operating the SA gas retail market was transitioned to the AEMO in October 2009, at which time the Rules were amended to delete clauses in the Rules that apply only in SA.
15. REMCo and AEMO continue to operate the WA and SA gas retail markets using a generic Spec Pack that applies to both jurisdictions. Approval by the Authority is required for changes to the Spec Pack, including changes to the clauses that apply only in SA.
16. Rule Change C06/11R proposes to amend Rule 14 (other instruments) of the Rules to exclude the need to comply with any clauses of the Spec Pack that apply only in SA; and the application of Chapter 9 of the rules to any clauses of the Spec Pack that apply only in SA.

REMCo's submission

17. REMCo has classified Rule Change C06/11R as a 'low impact' Rule Change because it does not:
 - a) materially impact the information technology systems of REMCo, participants, pipeline operators or prescribed persons;
 - b) materially alter consumer protection mechanisms under the Rules; or
 - c) have a material commercial impact on REMCo, participants, pipeline operators or prescribed persons.
18. REMCo has noted that it circulated the proposed changes to market participants, including the network operator, two pipeline operators, and four users.

¹ Economic Regulation Authority, www.erawa.com.au

19. REMCo reported that it received no objections or submissions in support of Rule Change C06/11R.

Authority's Assessment

20. Pursuant to Section 11ZOO(1) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that if the amendment is made, the Scheme will comply with the Act and be suitable for the purpose of Section 11ZOB.
21. The Authority notes that the changes proposed in Rule Change C06/11R will remove the need for REMCo's Rule Change Committee and the Authority to consider matters unrelated to WA.
22. The Authority considers that the amendments to the Scheme proposed by Rule Change C06/11R are administrative in nature and will have no impact on the Scheme meeting the criteria of Section 11ZOB. The Authority therefore considers that the Scheme will continue to comply with the Act if the amendments in Rule Change C06/11R are approved.
23. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) has taken place and each person required to be consulted has agreed to the amendment or, if any person required to be consulted has not so agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
24. REMCo has noted that the Rule Change was distributed to market participants for consultation and no objections or submissions of support were received. The Authority considers that the consultation requirements have been met and each person required to be consulted can be deemed as having agreed to the amendments proposed under Rule Change C06/11R.

Rule Change C01/12R – Removal of Farm Tap Sub-Networks

25. Rule Change C01/12R proposes to remove all redundant references to farm tap sub-networks from the Rules following the conversion of all remaining farm tap sub-networks to covered sub-networks on 17 November 2011.

REMCo's submission

26. REMCo has classified Rule Change C01/12R as a 'low impact' rule change because it does not:
 - 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.
27. REMCo has noted that it circulated the proposed changes to market participants, including the network operator, two pipeline operators, and four users.
28. REMCo reported that it received no objections or submissions in support of Rule Change C01/12R.

Authority's Assessment

29. Pursuant to Section 11ZOO(1) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that if the amendment is made, the Scheme will comply with the Act and be suitable for the purpose of Section 11ZOB.
30. The Authority notes that the changes proposed in Rule Change C01/12R will simplify the Rules and remove any potential future confusion about the purpose of farm tap sub-networks.
31. The Authority considers that the amendments to the Scheme proposed by Rule Change C01/12R are administrative in nature and will have no impact on the Scheme meeting the criteria of Section 11ZOB. Therefore, it is the Authority's view that the Scheme will continue to comply with the Act if the Authority approves the changes.
32. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) has taken place and each person required to be consulted has agreed to the amendment or, if any person required to be consulted has not so agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
33. The Authority notes that REMCo has stated that the Rule Change was circulated to market participants for consultation and no objections or submissions of support were received.
34. The Authority considers that the consultation requirements have been met and each person required to be consulted can be deemed as having agreed to the amendments proposed under Rule Change C01/12R.

Rule Change C02/12R – Non-Consequential Amendments to Version 6.2 of the Rules

35. Rule Change C02/12R proposes several non-consequential amendments to the Rules, including:
 - replacing all references to “WA Gas Network” and “Alinta” with “ATCO Gas Australia”;
 - for the definition of “negative assurance audit” under Rule 2, there is a redundant reference to Rule 350(1) which should be changed to Rule 350; and
 - under Rule 223(2)(b), there is a redundant reference to Rule 217, which should be changed to Rule 223.

REMCo's submission

36. REMCo has classified Rule Change C02/12R as a 'non-substantial' rule change and states that no market participants are expected to, or have indicated that they will be materially affected by the changes.
37. REMCo has noted that it circulated the proposed Rule Change to market participants, including the network operator, two pipeline operators, and four users. No objections or submissions of support were received.

Authority's Assessment

38. Pursuant to Section 11ZOO(1) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that if the amendment is made, the Scheme will comply with the Act and be suitable for the purpose of Section 11ZOB.
39. The Authority notes that the changes proposed in Rule Change C02/12R will update the Rules by replacing references to earlier network operators with reference to the current network operator (i.e., ATCO Gas Australia), and ensuring that references to redundant rules are amended to reflect the correct rules to which they apply.
40. The Authority considers that the amendments proposed by Rule Change C02/12R are administrative and referential in nature and will have no impact on the Scheme meeting the criteria of Section 11ZOB. Therefore the Authority considers that the Scheme will continue to comply with the Act if the Authority approves the changes.
41. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) has taken place and each person required to be consulted has agreed to the amendment or, if any person required to be consulted has not so agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
42. The Authority notes that REMCo has stated in its submission that the rule change was distributed to market participants for consultation and no objections or submissions of support were received.
43. The Authority considers that the consultation requirements have been met and each person required to be consulted can be deemed as having agreed to the amendments proposed under Rule Change C02/12R.

CONCLUSION

44. For the reasons provided above, the Authority considers that Rule Changes C06/11R, C01/12R and C02/12R meet the prerequisites to approval of amendments that are required under the Act. Accordingly, the Authority approves all three Rule Changes submitted by REMCo.