

# Decision on Rule Change C03/12R

Submitted by the Retail Energy Market Company

10 October 2012

**Economic Regulation Authority**

WESTERN AUSTRALIA

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## DECISION

1. The Economic Regulation Authority (**Authority**) has approved Rule Change C03/12R proposing to include a new Rule 14A in the Retail Market Rules (**Rules**), as submitted by the Retail Energy Market Company (**REMCo**).

## REASONS

### Background

2. 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.
3. The WA gas retail market operated by REMCo (**REMCo Scheme**) began operation on 31 May 2004. The aim of the REMCo Scheme, consistent with section 11ZOB of the Act, is to ensure that the contestable 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.
4. The Authority is responsible for the economic regulation of retail market schemes in WA, which includes the approval to amendments to the schemes, under Part 2B of the *Energy Coordination Act 1994* (**Act**).
5. 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 required to approve amendments to the Scheme under section 11ZOM of the Act.
6. 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.
7. The REMCo Scheme includes, inter alia, the Rules and the Specification Pack (**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).
8. On 29 August 2012, REMCo submitted its application to the Authority for approval of Rule Change C03/12R, proposing to include a new Rule 14A in the Rules that

enables REMCo to grant an exemption for a Self Contracting User (**SCU**)<sup>1</sup> from the requirements under the Spec Pack for sending and/or receiving of communications via the FRC Hub.

9. REMCo's submission for Rule Change C03/12R is available on the Authority's website.

## Discussion

### REMCo's submission

10. REMCo has classified Rule Change C03/12R 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.
11. REMCo has noted that it circulated the proposed amendments to market participants for consultation, including the network operator, two pipeline operators, and five users.
12. REMCo reported that at the end of consultation process, it had received no objections or submissions in support of Rule Change C03/12R.

### Authority's Assessment

13. Pursuant to Section 11ZOO(1) of the Act, the Authority may approve an amendment to a 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.
14. The Authority notes that the proposed amendment under Rule Change C03/12R will allow REMCo to grant an exemption for a SCU from the requirements under the Spec Pack for sending and/or receiving of communications via the FRC Hub. The amendment will simplify the communications process for SCUs, which will remove a potential barrier to entry for SCUs.
15. Since the amendment proposed under Rule Change C03/12R will better provide for SCUs, the Authority believes that, if the rule change is approved, the REMCo Scheme will continue to comply with the Act and be suitable for the purpose of section 11ZOB of the Act.
16. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to a scheme if it is satisfied that the consultation required under section

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<sup>1</sup> A Self Contracting User (SCU) in the REMCo scheme is a user that withdraws gas from a sub-network for the sole purpose of supply to itself or a related body corporate. The primary communication between a SCU and the Network Operator is in relation to nomination and invoicing and the volume of communication is expected to be relatively low compared to other users.

11ZOL(3) of the Act 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.

17. The Authority notes that in its submission, REMCo has stated that the rule change was distributed to market participants for consultation and no objections or submissions in support were received.
18. 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 amendment proposed under Rule Change C03/12R.

## CONCLUSION

19. For the reasons provided above, the Authority considers that Rule Change C03/12R meets the prerequisites to approval of amendments that are required under the Act. Accordingly, the Authority approves Rule Change C03/12R as submitted by REMCo.