

# Decision to Approve Rule Change C02/14R

Submitted by the Retail Energy Market Company

16 February 2015

**Economic Regulation Authority**

WESTERN AUSTRALIA

© Economic Regulation Authority 2015

This document is available from the Economic Regulation Authority's website at [www.erawa.com.au](http://www.erawa.com.au). For further information, contact:

Economic Regulation Authority  
Perth, Western Australia  
Phone: (08) 6557 7900

## Contents

1.1	DECISION	2
1.2	REASONS	2
1.2.1	Background	2
1.2.2	Discussion	2
1.3	CONCLUSION	4

## 1.1 DECISION

1. Pursuant to section 11ZOM of the *Energy Coordination Act 1994 (Act)*, the Economic Regulation Authority (**Authority**) approves the proposed amendments in Rule Change C02/14R, submitted by the Retail Energy Market Company (**REMCo**) on 12 December 2014. The Rule Change amends Rule 171A of the Retail Market Rules (**Rules**) to enable REMCo to calculate Unaccounted for Gas (**UAFG**) under Rule 230 for all sub-networks (i.e., covered and uncovered), if requested to do so by the network operator, and subject to the network operator agreeing to pay for all costs incurred in making these calculations.
2. This Rule Change was *gazetted* on 13 February 2015, to take effect from 16 February 2015.

## 1.2 REASONS

### 1.2.1 Background

3. Under section 11ZOL of the Act, REMCo may prepare an amendment to its Retail Market Scheme (**Scheme**), which includes the Retail Market Rules (**Rules**)<sup>1</sup>, and submit the amendment to the Authority for approval.
4. On 12 December 2014, REMCo submitted Rule Change proposal C02/14R to the Authority, detailing the rationale for the proposed Rule Change and REMCo's assessment of whether the criteria for approval of an amendment to the Scheme under the Act had been met.

### 1.2.2 Discussion

#### 1.2.2.1 Legislative requirements for the Authority's approval

5. Section 11ZOM of the Act provides that where an amendment is submitted under section 11ZOL of the Act, the Authority is to, in accordance with section 11ZOO and section 11ZOP of the Act:
  - a) approve it;
  - b) request that it be changed and approve it in a changed form; or
  - c) refuse to approve it.
6. Under section 11ZOO(1)(a) of the Act, the Authority may approve an amendment to the Scheme, only if the Authority is satisfied that, if the amendment is made, the provisions of the Scheme:
  - a) will comply with the Act; and
  - b) be suitable for the purposes of section 11ZOB;

---

<sup>1</sup> The REMCo Retail Market Scheme also comprises the REMCo Constitution, the REMCo Specification Pack, and the FRC Hub Conditions.

7. Section 11ZOB of the Act indicates that the purpose of the Scheme for a distribution system is to ensure that the retail gas market that is supplied through that system is regulated and operates in a manner that is:
  - a) open and competitive;
  - b) efficient; and
  - c) fair to gas market participants and their customers.
8. Pursuant to section 11ZOO(1)(b) of the Act, the Authority may approve an amendment to a retail market scheme if it is satisfied that any other principle, criterion, or requirement that is prescribed for the purposes of this paragraph in the Act has been met.
9. Section 11ZOL(3) requires that an amendment to the Rules that is made as part of a scheme for a distribution system is not to be submitted unless the members of the scheme have consulted in relation to the amendment with any of the following who would be affected by the amendment if it is approved:
  - a) a gas transmission operator whose pipeline is used to transport gas into that system; and
  - b) a prescribed person within the meaning in 11ZOD(1)(b), which includes any Shipper, SSP or Self Contracting User.
10. Under 11ZOO(2), the Authority may approve an amendment to any retail Market Rule under section 11ZOM only if it is satisfied that the consultation required by section 11ZOL(3) has taken place and:
  - 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.
11. Additionally, under 11ZOP, when determining whether or not to give an approval under section 11ZOM, the matters to which the Authority is also to have regard include:
  - a) any principles, criteria, or requirements that are prescribed for the purposes of this paragraph; and
  - b) such other matters as the Authority considers relevant.

### 1.2.2.2 *Rule Change C02/14R – Calculating UAFG for Uncovered Sub-networks*

12. Currently, the gas balancing provisions in the REMCo Retail Market Rules apply to covered sub-networks, but not uncovered sub-networks.<sup>2</sup> Consequently, the

---

<sup>2</sup> An uncovered sub-network is not a 'covered pipeline' under the *National Gas Access (WA) Act 2009*, or subject to any other third party access regime under a law or under an instrument having effect under a law.

current network operator, ATCO Gas Australia (**ATCO**) must maintain its own gas balancing arrangements to calculate UAFG to meet the operational and market needs for its uncovered sub-networks.

13. At the request of ATCO, REMCo has proposed Rule Change C02/14R. Rule Change C02/14R recommends amendment to Rule 171A to enable REMCo to calculate UAFG under Rule 230 for all sub-networks, if requested to do so by the network operator, and subject to the network operator agreeing to pay for all costs incurred in making these calculations.
14. As noted by REMCo, the Act does not specify any distinction on how Schemes are to apply for covered or uncovered networks. The Authority thus considers that the Scheme will continue to comply with the Act if the proposed Rule Change is implemented. The Authority considers that the proposed Rule Change will create efficiencies and consistency in calculations by using the same systems to make UAFG calculations across all sub-networks. Additionally, the Authority notes that the proposal will reduce the long term costs for ATCO, whilst having no impact on costs to users. The Authority is therefore satisfied that the requirements under section 11ZOO(1)(a) of the Act have been met.
15. The Authority notes that REMCo submitted Rule Change proposal C02/14R to the Rule Change Committee, where it was unanimously agreed that the proposed change is a low impact Rule Change. The Rule Change proposal was circulated to a network operator, two pipeline operators (one of whom is also a swing service provider), two self-contracting users, and four retailers (all of whom are also shippers, and two of whom are also swing service providers). REMCo received two submissions supporting the Rule Change proposal, and no objections to the Rule Change proposal.
16. It is the Authority's view that each person required to be consulted has been consulted and can be deemed to have agreed to the amendments proposed under C02/14R. The Authority thus considers that the requirements under sections 11ZOL(3) and 11ZOO(2) of the Act have been satisfied.
17. The Authority is not aware of any other principle, criterion or requirement that is prescribed for the purposes of section 11ZOP of the Act that would prevent approval of the proposed amendments under section 11ZOM of the Act.

### 1.3 CONCLUSION

18. For the reasons outlined above, the Authority considers that the proposed amendments to the Rules in Rule Change C02/14R meet the requirements for approval, in accordance with sections 11ZOO and 11ZOP of the Act. Pursuant to section 11ZOM of the Act, the Authority therefore approves the amendments proposed in Rule Change C02/14R.