

Decision to Approve Rule Change C02/15S

Submitted by the Retail Energy Market Company

June 2015

Economic Regulation Authority

WESTERN AUSTRALIA

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Decision

1. Pursuant to section 11ZOM of the *Energy Coordination Act 1994 (Act)*, the Economic Regulation Authority (**ERA**) approves the proposed amendments in Rule Change C02/15S, submitted to the ERA by the Retail Energy Market Company (**REMCo**) on 20 May 2015.

Reasons

Background

2. Under section 11ZOL of the Act, REMCo may prepare an amendment to its Retail Market Scheme (**Scheme**) and submit the amendment to the ERA for approval under section 11ZOM of the Act.
3. The REMCo Scheme includes the Retail Market Rules (**Rules**), the Specification Pack (**Spec Pack**)¹, the REMCo Constitution, and the FRC Hub Operational Conditions.²
4. On 20 May 2015, the ERA received a submission from REMCo seeking approval of amendments to the Spec Pack. The submission details the rationale for the changes, and REMCo's assessment of the amendments in meeting the prerequisites for approval under the Act.

Discussion

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. Pursuant to section 11ZOO(1)(a) 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:
 - i. comply with the Act; and

¹ The Spec Pack is a suite of documents that supports the operation of the Rules. It defines how Participants interact with Market systems (i.e., Business to Market; B2M) and other Participants (i.e., Business to Business; B2B).

² The FRC Hub is the information system provided by REMCo for the transmission of aseXML messages under the Rules. The FRC Hub Operational terms and conditions govern the communication protocol within the FRC Hub. Whilst the ERA is required to approve amendments to the Rules, Specification Pack and the Constitution, it is not required to approve amendments to the FRC Hub Operational terms and conditions.

- ii. be suitable for the purposes of section 11ZOB of the Act.
7. Section 11ZOB of the Act states 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) of the Act 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) of the Act, which includes any Shipper, Swing Service Provider or Self Contracting User.
10. Pursuant to section 11ZOO(2) of the Act, the Authority may approve an amendment to any retail market rules under section 11ZOM of the Act only if the Authority is satisfied that the consultation required by section 11ZOL(3) of the Act 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 the consultation to provide reasons for not agreeing and any reasons so provided have been considered.
11. Additionally, under 11ZOP of the Act, when determining whether or not to give an approval under section 11ZOM of the Act, 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.

Rule Change C02/15S – Specification Pack Changes for FRC Hub Update

12. On 27 February 2015, the Australian Energy Market Operator (**AEMO**) approved upgrades to its FRC Hub information system, access to which is provided to REMCo under a contractual agreement. REMCo uses the FRC Hub to provide

- communication services to WA gas retail market participants via the FRC Hub Terms and Conditions, which is an envelope agreement within the Rules.
13. Rule Change C02/15S proposes updating the Spec Pack Documentation, to align with the documentation changes made during the FRC Hub Upgrade, primarily to the FRC Hub Operational Terms and Conditions (version 7.0).
 14. In particular, Rule Change C02/15S proposes the following changes:
 - **Specification Pack Usage Guide** - Updated to reflect new versions of FRC B2M-B2B Hub System Specifications and System Architecture documents.
 - **FRC B2B Hub System Architecture** - Removal of references to Hansen's network and associated Hansen documents.
 - **FRC B2M-B2B Hub System Specifications:**
 - Updated references to "test environment" to "preproduction environment";
 - Changes to aseXML schema validation sections to move from FBS to FRC Hub; and
 - Created a default maximum transaction size of 2 MB.
 15. The Authority notes that the 'FRC B2B Hub System Architecture' document still contains one reference to Hansen's Network, and that REMCo has earmarked this reference for amendment the next time that a process to change the Spec Packs is run.
 16. In relation to all other proposed changes, the Authority considers that the amendments will remove redundant provisions, improve clarity, and provide updated documentation that more accurately reflects the services provided by the Hub. The Authority considers that the Scheme will continue to comply with the Act if the proposed Rule Change is implemented. The Authority is therefore satisfied that the requirements under section 11ZOO(1)(a) of the Act have been met.
 17. The Authority notes that the documentation changes will not require any changes to participant systems or gateways, and will not materially impact on the Scheme meeting the criteria of Section 11ZOB of the Act.
 18. The ERA notes that REMCo submitted Rule Change C02/15S to the Rule Change Committee (**Committee**) for consideration, and the Committee unanimously agreed that the proposed change is a non-substantial Rule Change, as it has no effect on the operations of REMCo, Users and the Network Operator. Under the provisions of Rule 396A, where the Committee unanimously agrees that a Rule Change is non-substantial, the Committee must recommend that REMCo submits the Rule Change to the Authority for approval. The Authority therefore considers that the consultation requirements have been met and that each person required to be consulted has been consulted and can be deemed to have agreed to the amendments proposed under Rule Change C02/15S.
 19. 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.

Conclusion

20. The ERA considers that the proposed amendments to the REMCo Scheme in Rule Change C02/15S meet the requirements for approval, in accordance with sections 11ZOO and 11ZOP of the Act. Thus, pursuant to section 11ZOM of the Act, the ERA approves the amendments proposed in Rule Change C02/15S.