

Decision on Gas Retail Market Procedure Change Proposals IN001- 16W, IN002-16W, IN034-16W and IN040-16W

Submitted by the Australian Energy Market Operator

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Decision

1. In accordance with section 11ZOM of the *Energy Coordination Act 1994 (Act)*, the Economic Regulation Authority (**ERA**) approves the amendments in procedure change proposals IN001-16W, IN002-16W, IN034-16W and IN040-16W, as submitted to the ERA by the Australian Energy Market Operator (**AEMO**) on 17 February 2017. These amendments will be effective from 31 March 2017.

Reasons

Background

2. Section 11ZOL of the Act specifies that members of an approved retail market scheme may prepare an amendment to the scheme and submit the amendment to the ERA for approval under section 11ZOM of the Act.
3. The scheme includes AEMO, the Western Australian Retail Market Agreement and the market rules. AEMO is the formal entity responsible for the operation of the scheme.¹ The Western Australian Retail Market Agreement is the main agreement between gas market participants², binding all members to comply with the market rules. The market rules include:
 - the retail market procedures,³ governing the major interactions between gas market participants in the WA gas retail market;
 - the Specification Pack, which is a suite of documents that supports the operation of the market procedures; and
 - the FRC Hub Operational Terms and Conditions governing the communication protocol within the FRC Hub, which is the information system provided by AEMO.
4. On 17 February 2017 the ERA received a submission from AEMO seeking approval of four amendments to the scheme:
 - IN001-16W - Move in Transfer when an Error Correction Notice has been raised;
 - IN002-16W - Clause 255 Special Circumstances Notice;
 - IN034-16W - Self Service Initiative to FRC Hub Certification; and
 - IN040-16W - Add Further Clarity to the FRC Hub Terms and Conditions.

¹ The formal entity responsible for the administration of the scheme has been the Retail Energy Market Company (REMCo) since 31 May 2004. On 21 October 2016, the ERA approved an amendment to the scheme to transfer responsibility for operation of the scheme from REMCo to AEMO, effective from 31 October 2016.

² Participants include users (i.e. retailers) and network operators.

³ Prior to the transition of operation of the scheme by AEMO, the procedures were referred to as the retail market rules.

5. A change to the procedures has a non-substantial impact if it has no effect on the operations of AEMO, participants, interested persons or prescribed persons and merely corrects administrative errors.⁴
6. A change to the procedures has a low impact if it does not have a material effect on:
 - the information technology systems of AEMO, market participants, pipeline operators or prescribed persons;
 - consumer protection mechanisms under the retail market rules; or
 - AEMO, participants, pipeline operators or prescribed persons.
7. A change to the procedures has a high impact if it does not have a non-substantial impact or a low impact.

Discussion

Legislative Requirements for the ERA's Approval

8. Consistent with section 11ZOM of the Act, where an amendment to the scheme is submitted to the ERA, the ERA, in accordance with section 11ZOO and section 11ZOP of the Act, is to:
 - a. approve it;
 - b. request that it be changed and approve it in a changed form; or
 - c. refuse to approve it.
9. In accordance with 11ZOO(1)(a) of the Act, the ERA may approve an amendment to the scheme if it is satisfied that:
 - a. if the amendment is made the scheme will:
 - i. comply with the Act; and
 - ii. be suitable for the purposes of ensuring that the retail gas market supplied through a distribution 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.⁵
 - b. any other principle, criterion, or requirement that is prescribed for the purposes of this paragraph in the Act has been met.

⁴ These include typographical errors, grammatical errors, cross-referencing errors and other similar trivial defects.

⁵ Section 11ZOB of the Act

10. The Act⁶ requires that rule amendments for a distribution system scheme are not to be submitted without consulting potentially affected scheme members, including:
 - a. a gas transmission operator whose pipeline is used to transport gas into that system; and
 - b. a prescribed person, including any shipper, swing service provider or self-contracting user.
11. The ERA may only approve retail market rule amendments if it is satisfied that such consultation 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.
12. Section 11ZOP of the Act requires that, when determining whether or not to give an approval, the ERA is to have regard to:
 - a. any principles, criteria, or requirements that are prescribed for the purposes of this paragraph in the Act; and
 - b. such other matters as the ERA considers relevant.

IN001-16W – Move in Transfer when an Error Correction Notice has been raised

13. Clause 78 of the market procedures defines a “move in” as occurring when a small use customer ‘commences occupation of a premises’; and there is an associated change of user for the delivery point that supplies gas to the premises.
14. Occasionally, an incoming user has lodged a transfer request for a move in customer but the user has lodged the incorrect Meter Installation Registration Number (**MIRN**)⁷ resulting in the transferal of the wrong customer.⁸
15. This error may not be realized until some months later and an error correction notice is issued.⁹ The incoming user has then sought to transfer the correct customer as a “move in,” even though an extended period has lapsed since the correct customer commenced occupation of the premises, and is no longer a move-in. Incorrect

⁶ Section 11ZOL(3) of the Act

⁷ A Meter Installation Registration Number (MIRN) is a unique 10-digit number assigned by a Network Operator to each delivery point in its gas distribution system.

⁸ Often, customers can give the wrong address to a user. This issue occurs in all other jurisdictions. Users may be alerted to the mistake when the incorrect customer receives a bill from another user.

⁹ Under clause 32.

classification as a “move-in” can affect the type and timing of meter reading that is undertaken.¹⁰

16. Procedure change IN001-16W proposes adding a note to clause 78 to remind users that when lodging a transfer request in the event that a correction notice has been raised, the correct transfer request should not be specified as a “move in” unless the definition of a “move in” actually applies to the correct transfer request.

{Note: In the event that a *current user* becomes aware of an error as the result of lodging an incorrect *transfer request* with AEMO and an *error correction notice* is raised per clause 32, the new *transfer request* should not be specified as a *move in* per clause 81(2) unless the definition of a *move in* per clause 78 would apply to that new *transfer request*}.¹¹

17. The ERA considers that the Scheme will continue to comply with the Act following implementation of the proposed procedure change. The ERA considers that the amendment under IN001-16W will increase the clarity of the procedures. It will also serve to remind users that when lodging a transfer request in the event that a correction notice has been raised, the correct transfer request should not be specified as a “move in” unless the definition of a “move in” per rule 78 applies to the correct transfer request.
18. The ERA notes that prior to the AEMO transition, on 28 September 2016, the Retail Energy Market Company (REMCo) submitted the proposed rule change to the REMCo Rule Change Committee for consideration, and it unanimously agreed that the proposed change is a low impact proposal.¹²
19. Following the transition, AEMO invited each participant, pipeline operator, prescribed person and interested person to lodge an objection to the proposed amendment.¹³ Submissions closed on 14 February 2017, with no objections received.
20. AEMO notified each participant, pipeline operator, prescribed person and interested person of its intention to submit the endorsed procedure change proposal to the ERA and invited these stakeholders to lodge a submission with the ERA by 10 March 2017. The ERA received no submissions for rule change proposal IN001-16W.
21. It is the ERA’s view that the required consultation occurred with each person and that there has not been any dissent to the amendments. The ERA therefore considers that each person has agreed to the amendments proposed under IN001-16W.

¹⁰ For a move-in customer, clause 99 and 148 permit a deemed meter reading (i.e. a meter reading deemed to have occurred on the day of the move in) for a basic meter if an actual value was obtained no more than 10 days before the date of move in. Under clause 83(i) of the procedures, which outlines the requirements for a valid transfer request, the earliest transfer day for a customer that is a move-in is the lodgement day of the transfer request. If no deemed meter reading is available, clause 99(1) requires the network operator to undertake a special meter reading on the earliest transfer day or within two business days if less than two business days’ notice is given. For a customer that is not a move in, unless a special meter reading is requested, the transfer of a basic-metered delivery point will take effect under clause 103(1)(c) at the next scheduled meter read. Under clause 83(i), the earliest transfer day is no earlier than five business days after the date of lodgement of the transfer request.

¹¹ Refer to page 6 of AEMO’s Impact and Implementation Report for this procedure change proposal <https://www.erawa.com.au/gas/gas-markets/gas-retail-market-scheme/retail-market-scheme-changes>

¹² Prior to the transition, the REMCo Rule Change Committee acted as the decision making body involved in the development and approval of rule change proposals.

¹³ Consistent with clause 399A of the procedures.

22. The ERA is satisfied that through the amendments proposed under IN001-16W, the provisions of the scheme will continue to ensure regulation of the market and that market operation is open and competitive, efficient, and fair to gas market participants and their customers.

IN002-16W - Clause 255 Special Circumstances Notice

23. Procedure change IN002-16W (Clause 255 Special Circumstances) aims to add clarity to the procedures regarding the process of sending special circumstance notices described in clause 255, which is required when pipeline operators are prevented from injecting gas in accordance with shipper nominations.¹⁴
24. Clause 255(1) is currently silent on the criteria for what constitutes a special circumstance, and leaves it to the pipeline operator to determine when to submit a notice. AEMO's procedure change proposal aims to add a note to clause 255(1) as a guide to assist pipeline operators in determining the materiality of special circumstances and whether to send a notice under this clause.
25. Clause 255(1) does not specify the AEMO's contact information where the pipeline operator is to send the notice. Accordingly, AEMO has proposed to add a note to clause 255(1) noting that the Information Pack¹⁵ prescribes the email address pipeline operators are to use when sending a notice.

{Note: The following is a guide to assist the *pipeline operator* in assessing whether it should provide a notice to *AEMO* under clause 255(1). The *pipeline operator* should consider:

The materiality of the special circumstances. That is, how material was the difference between what the *pipeline operator* injected vs. what *shippers* nominated for *injection* and/or the *swing service providers* requested for repayment. As a guide, a difference of greater than 15% of the gate station nameplate capacity should generally be considered material. Alternatively the pipeline operator should consider whether deliveries of gas into a sub-network have been either partially or fully curtailed.

The information Pack document "Non-IT RMP Communications"¹⁶ prescribes the e-mail address where notices under clause 255(1) should be sent.¹⁷

26. Related to this, AEMO has proposed an update to the Information Pack and the Non-IT RMP Communications document specifying the email address for pipeline operators to use, a sample email to which to attach the special circumstance notice,

¹⁴ Pipeline Operators operate a transmission pipeline, which transports gas from the gas source to the gas distribution system. Current Pipeline Operators supplying gas to ATCO Gas Australia's networks include DBP Transmission on the Dampier to Bunbury Natural Gas Pipeline ("DBNGP"), and APA Group in the Parmelia and Goldfields Gas Pipelines. A Shipper is a person who has a gas transportation agreement with a Pipeline Operator to transport gas along a transmission pipeline for the delivery of gas at a gate point to a retailer. An allocation instruction is a notice from a user to AEMO specifying how the user's injections into a sub-network are to be allocated between the shippers injecting gas into the sub-network on the user's behalf for a gas day.

¹⁵ The Information Pack includes documents that provide guidance to participants in relation to 'business to market operator' and 'business to business' systems and processes.

¹⁶ The Non-IT RMP Communications document (i.e. Non-IT Retail Market Procedure Communications) provides a table of procedures (e.g. allocating MIRNS to network operators), descriptions of procedures and the interface employed (e.g., telephone or unstructured email) for that type of communication.

¹⁷ Refer to page 6 of AEMO's Impact and Implementation Report for this procedure change proposal <https://www.erawa.com.au/gas/gas-markets/gas-retail-market-scheme/retail-market-scheme-changes>

and a template for the attached special circumstance notice. Changes to the Information Pack do not require approval by the ERA.

27. Clause 255(2) is unclear regarding the timeframe by which AEMO is to notify market participants after it receives a special circumstance notice from pipeline operators. In particular, clause 255(2) requires that AEMO must, within one hour after receiving the information, promptly provide information to relevant users. The requirement to provide information “within one hour” conflicts with the requirement to provide the information “promptly,” which is a term defined under clause 11(2)(b) as “the next business day.” In light of this, AEMO has proposed removing the term “promptly” from this clause.
28. Additionally, AEMO proposed that the electronic address prescribed in the Gas Business Operator identification¹⁸ table (published on AEMO’s website) be used as the “record of source” to disseminate the special circumstance notice. Previously, REMCo was required to send the information to each user that gave an allocation instruction allocating gas to a shipper in the pipeline for the gas day, and each shipper named in each such allocation instruction. To meet this requirement, REMCo distributed the information to the representatives on the REMCo Rule Change Committee, who then distributed the information to their traders. The Gas Business Operator identification (GBO identification) table includes the email address for the relevant traders, as well as the network operator.
29. The ERA considers that the scheme will continue to comply with the Act following implementation of the proposed procedure change. The ERA considers that the amendment under IN002-16W will increase the clarity of the procedures regarding the process of sending special circumstance notices, required under clause 255.
30. On 7 December 2016, the AEMO submitted the procedure change proposal to the Pipeline Operators and the Procedure Change Committee¹⁹ for consideration, who unanimously agreed that the proposed change is a low impact proposal.
31. AEMO invited each participant, pipeline operator, prescribed person and interested person to lodge an objection to the proposed amendment. Submissions closed on 14 February 2017, with no objections received.
32. AEMO notified each participant, pipeline operator, prescribed person and interested person of its intention to submit the endorsed procedure change proposal to the ERA and invited these stakeholders to lodge a submission with the ERA by 10 March 2017. The ERA received no submissions for rule change proposal IN002-16W.

¹⁸ The Gas Business Operator (GBO) identification is a unique gas business operator identifier issued by AEMO under clause 22, to each person required to comply with the procedures. Under clause 8(2) each person required to have a GBO identification must provide AEMO with their nominated contact details prior to being issued a GBO identification and keep AEMO and all other persons with a GBO identification under these procedures, informed of any changes to these details. The GBO identification table comprises this information.

¹⁹ The Procedure Change Committee operates to ensure that the market is governed in a manner that is open and competitive, efficient and fair to participants and their customers; compliance with all applicable laws; and consultation with all participants, pipeline operators, prescribed persons and interested persons, as is reasonably required to meet the objectives set out in the procedure change process. The procedures require that the Procedure Change Committee recommend to AEMO whether the proposed procedure change is likely to have a non-substantial, low or high impact on affected parties.

33. It is the ERA's view that the required consultation occurred with each person and that there has not been any dissent to the amendments. The ERA therefore considers that each person has agreed to the amendments proposed under IN002-16W.
34. The ERA is satisfied that through the amendments proposed under IN002-16W, the provisions of the scheme will continue to ensure regulation of the market and that market operation is open and competitive, efficient, and fair to gas market participants and their customers.

IN034-16W - Self Service Initiative to FRC Hub Certification

35. Procedure change proposal IN034-16W (Self Service Initiative to FRC Hub Certification) aims to streamline the process of participant certification.
36. The FRC Hub is the information system provided by AEMO for the transmission of aseXML messages under the jurisdictional procedures.²⁰ The AEMO certification responder is an IT testing tool enabling AEMO and participants to test whether transactions are configured appropriately before deploying IT changes into production systems.
37. Constant handover between the participant and AEMO under the existing process for administering certification is time consuming and can cause delays in participants going live with systems changes. To address this, the AEMO has developed a new optional self-service process.
38. The ERA notes that the AEMO implemented this new self-service process, which is running in parallel with the existing certification process, prior to ERA approval. This is a breach of the market procedures, which require ERA approval prior to amendment of the scheme. Discussions with AEMO staff indicate that they are aware of the correct procedure change process and have taken steps to mitigate this situation reoccurring. The ERA considers that implementation of the process was non-consequential and produced no negative effects.
39. Proposed procedure change IN034-16W involves updating the AEMO Specification Pack documentation (i.e. the Connectivity Testing and Technical Certification (SA and WA) and Specification Pack Usage Guidelines) to reflect the new optional self-service process.²¹
40. The ERA considers that the scheme will continue to comply with the Act following implementation of the proposed procedure change. The ERA notes that the amendment under IN034-16W will remove a bottleneck in administration of the certification process and considers that the proposed change will increase the efficiency of this process.
41. On 7 December 2016, the AEMO submitted the procedure change proposal to the Pipeline Operators and the Procedure Change Committee for consideration, who unanimously agreed that the proposed change is a low impact proposal.

²⁰ AseXML is a standard developed by Australian energy industries to facilitate the exchange of information between participants of the energy industries using Extensible Markup Language (XML; which is similar to HTML).

²¹ Refer to AEMO's Impact and Implementation Report for this procedure change proposal

<https://www.erawa.com.au/gas/gas-markets/gas-retail-market-scheme/retail-market-scheme-changes>

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42. AEMO invited each participant, pipeline operator, prescribed person and interested person to lodge an objection to the proposed amendment. Submissions closed on 14 February 2017, with no objections received.
43. AEMO notified each participant, pipeline operator, prescribed person and interested person of its intention to submit the endorsed procedure change proposal to the ERA and invited these stakeholders to lodge a submission with the ERA by 10 March 2017. The ERA received no submissions for rule change proposal IN034-16W.
44. The ERA considers that the required consultation occurred with each person and that there has not been any dissent to the amendments. The ERA therefore considers that each person has agreed to the amendments proposed under IN034-16W.
45. The ERA is satisfied that through the amendments proposed under IN034-16W, the provisions of the scheme will continue to ensure regulation of the market and that market operation is open and competitive, efficient, and fair to gas market participants and their customers.

IN040-16W - Add Further Clarity to the FRC Hub Terms and Conditions

46. Procedure Change proposal IN040-16W (Add Further Clarity to the FRC Hub Terms and Conditions) aims to add clarity to the FRC Hub Terms and Conditions regarding subscribers response times for service interruptions during non-business hours if the next day is a Saturday, Sunday or Public holiday.
47. Table 4 of the FRC Hub Terms and Conditions outlines the timeframes within which a subscriber²² must send notification if it becomes aware of a service interruption associated with its gateway. The subscriber must deliver a notice identifying the issue via the FRC relay notification facility at the earliest opportunity but at least within the timeframes set out in Table 4.²³
48. For business hours on Monday to Friday (excluding public holidays), Table 4 indicates that the notification time is within one hour. For non-business hours on Monday to Friday, the response time is within one hour of the commencement of the next business day. For Saturday, Sunday (starting 0:00 Saturday and finishing 7:00 am Monday), and public holidays the response time is within four hours.
49. Thus, an interruption that is identified at 10pm on a Friday requires sending a notification prior to 7am on the Monday (assuming that it is not a public holiday), which is some 33 hours later. In contrast, an interruption identified at 2am on a Saturday would require sending a notification within four hours.
50. AEMO considers that the 33 hour lapsed time isn't in the spirit of keeping participants informed of any subscribers service interruptions, and therefore proposed a change to the FRC Hub Terms and Conditions to add clarity to the subscribers response

²² A Subscriber is any business that sends or receives transactions via the FRC HUB.

²³ Refer to pages 5 and 6 of AEMO's Impact and Implementation Report for this procedure change proposal <https://www.erawa.com.au/gas/gas-markets/gas-retail-market-scheme/retail-market-scheme-changes>

time for a service interruption during non-business hours if the next day is a Saturday, Sunday or Public Holiday.

51. The ERA considers that the scheme will continue to comply with the Act following implementation of the proposed procedure change. The ERA considers that the amendment under IN040-16W will resolve the response time anomaly that currently exists in the procedures.
52. On 7 December 2016, the AEMO submitted the procedure change proposal to the pipeline operators and the Procedure Change Committee for consideration, who unanimously agreed that the proposed change is a low impact proposal.
53. AEMO invited each participant, pipeline operator, prescribed person and interested person to lodge an objection to the proposed amendment. Submissions closed on 14 February 2017, with no objections received.
54. AEMO notified each participant, pipeline operator, prescribed person and interested person of its intention to submit the endorsed procedure change proposal to the ERA and invited these stakeholders to lodge a submission with the ERA by 10 March 2017. The ERA received no submissions for rule change proposal IN040-16W.
55. The ERA considers that the required consultation occurred with each person and there has not been any dissent to the amendments. The ERA therefore considers that each person has agreed to the amendments proposed under IN040-16W.
56. The ERA is satisfied that through the amendments proposed under IN040-16W, the provisions of the scheme will continue to ensure regulation of the market and that market operation is open and competitive, efficient, and fair to gas market participants and their customers.

Conclusion

57. The ERA considers that the proposed amendments to the scheme in procedure change proposals IN001-16W, IN002-16W, IN034-16W and IN040-16W meet the requirements for approval in accordance with sections 11ZOO and 11ZOP of the Act. In accordance with section 11ZOM of the Act, the ERA therefore approves the amendments proposed in procedure change proposals IN001-16W, IN002-16W, IN034-16W and IN040-16W.