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20 May 2011

Access – Dampier to Bunbury Natural Gas Pipeline  
Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

Dear Mr Rowe

**Re: Dampier to Bunbury Natural Gas Pipeline – Proposed Revisions to the Access Arrangement**

Retail Energy Market Company Limited ("REMC") is pleased to make the following submission to the Economic Regulation Authority (the "Authority") regarding the proposed revisions to the Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline ("DBNGP").

REMC is the retail market operator for the Western Australian gas retail market. REMC's role is to administer the business processes between the gas retail market participants in Western Australia that enable gas retailers to compete in a cost effective manner for the supply of gas to customers.

REMC operates the Western Australian gas retail market in accordance with the Retail Market Rules (the "RMR"), which were approved by the Minister for Energy in 2004 under the *Energy Coordination Act 1994* (the "Act"). The Authority now oversees the REMC retail market scheme, including approval of any amendments to the RMR.

As the Authority would be aware, Pipeline Operators have certain requirements under the RMR, and are required to comply with the RMR by Section 11ZOD(1)(a) of the Act.

The only current requirements on Pipeline Operators under the RMR relate to provision of data, as specified by RMR 210. However, Pipeline Operators may face additional obligations if the RMR are amended to add any further obligations on them, noting that REMC is not currently considering any RMR changes to add any such new obligations.

As the operator of the DBNGP, DBNGP (WA) Transmission ("DBP") is required to provide data to REMC under RMR 210.

REMC previously had a "Data Services Agreement" with DBP so that DBP could recover the costs of providing data to REMC. REMC agreed to the Data Services Agreement despite that none of the National Gas Law, DBP's Access Arrangement, or the RMR entitle DBP to charge REMC for the provision of the data required under RMR 210.

REMC agreed to the Data Services Agreement based on the general principle that the DBP should not be out of pocket for costs it incurs in complying with the RMR, given that the REMC retail market scheme was put in place at a time when DBP would not be able to recover these costs via its Access Arrangement (it was between review periods).

However, REMCo notes that:

- the Data Services Agreement expired in March 2010;
- REMCo has paid DBP for the costs it incurred to establish its systems to provide data to REMCo and paid an additional fee for providing the data on an annual basis;
- DBP already collects the data that it provides to REMCo for other purposes;
- the data provision requirements on DBP have not changed since the commencement of the RMR; and
- DBP is currently undergoing a process before the Authority for revisions to its Access Arrangement.

REMCo's position is that there is no need for another Data Services Agreement because the DBP is required to provide data to REMCo as a matter of compliance with the Act. REMCo considers there are two options for dealing with the DBP's costs associated with providing data in accordance its legislative obligations:

- (1) DBP can recover the costs of providing services that it is required to provide as a result of legislative obligations within its Access Arrangement proposed revisions.

Providing the DBP's costs are demonstrated to be to be efficient, in accordance with accepted good industry practice, to achieve the lowest sustainable cost; these costs can form part of the building blocks for the determination of DBP's total revenue, in accordance with National Gas Rule 76. The total revenue can then be recovered through the reference tariffs determined for reference services provided by the covered pipeline.

DBP can also be given the opportunity to recover via its tariff variation mechanism any reasonable increases in regulatory fees and charges, such as the provision of data to REMCo to meet the requirements of RMR 210 or any new obligations imposed on the DBP from changes to the RMR.

- (2) Alternatively, REMCo requests that the service of providing data, as required by RMR 210 should be a reference service with an appropriate reference tariff that complies with the requirements determined for meeting this regulatory obligation.

This reference service should be determined in accordance with National Gas Rule 91, providing that the associated costs can be demonstrated to be efficient, in accordance with accepted good industry practice, to achieve the lowest sustainable cost.

REMCo is of the opinion that Option (1) is the most appropriate solution since the data service is a legislative requirement. REMCO notes that the Network Operator's costs of complying with the RMR form part of the Network Operator's operating and capital expenditure and the costs are recovered through reference tariffs.

If you have any questions concerning this submission, please contact me on 6212 1829 or at [stephen.eliot@remco.net.au](mailto:stephen.eliot@remco.net.au).

Yours sincerely



STEPHEN ELIOT  
Chief Executive Officer