

Decision on Rule Changes C01/11S, C02/11S, C03/11S, C04/11R and C05/11R

Submitted by the Retail Energy Market Company

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Economic Regulation Authority

 WESTERN AUSTRALIA

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DECISION

1. The Economic Regulation Authority (**Authority**) has approved the Rule Changes C01/11S, C02/11S and C03/11S relating to amendments to Retail Energy Market Company's (**REMCo**) Specification Pack as proposed in REMCo's submission of 23 May 2011.
2. The Authority has also approved the Rule Changes C04/11R and C05/11R relating to amendments to REMCo's Retail Market Rules as proposed in REMCo's submissions dated 16 June 2011 and 8 July 2011.

REASONS

Background

3. REMCo was originally established in 2004 to develop and operate cost effective retail market arrangements to facilitate gas retail competition in Western Australia and South Australia. In October 2009, REMCo transferred responsibility for operation of the South Australian gas retail market to the Australian Energy Market Operator (**AEMO**). Consequently, REMCo now only has responsibility for operation of the gas retail market in Western Australia.
4. REMCo's Retail Market Scheme (**Scheme**) began operation on 31 May 2004 when gas full retail contestability reform commenced in Western Australia. The aim of the Scheme is to ensure that the retail gas market supplied through a distribution system was regulated and operated in a manner that was:
 - open and competitive;
 - efficient; and
 - fair to gas market participants and their customers.
5. Under Part 2B of the *Energy Coordination Act 1994* (**Act**), the Authority is responsible for the economic regulation of the Western Australian gas retail market scheme, which includes approval of amendments to the retail market scheme.
6. Under Section 11ZOL of the Act, REMCo has to submit any amendment to its Scheme to the Authority for approval. The Authority is to approve amendments to the Scheme under Section 11ZOM of the Act.
7. REMCo's Scheme is defined to include, amongst other things, the Retail Market Rules (**Rules**) – which govern the major interaction between gas retailers, pipeline operators, prescribed persons (under the Act) and REMCo in the gas retail market, the Specification Pack (**Specification Pack**) – which provides technical details of how REMCo, gas market participants, pipeline operators and prescribed persons are to build and operate the IT systems to implement the Rules, and the FRC Hub Terms and Conditions – which are conditions that the hub is to be operated under.
8. REMCo and AEMO operate the gas retail markets in Western Australia and South Australia, using a generic Specification Pack that applies to both jurisdictions.

9. The Specification Pack comprises a number of documents, including the Interface Control Document (**ICD**), the FRC B2M-B2B Hub System Specifications (**B2M-B2B Specifications**) and the Specification Pack Usage Guideline (**Usage Guidelines**).
10. On 23 May 2011, REMCo submitted to the Authority for approval three Rule Changes C01/11S, C02/11S and C03/11S, proposing amendments to the Specification Pack.
11. On 16 June 2011, REMCo submitted a fourth Rule Change C04/11R for approval, which proposes amendments to the Rules.
12. On 8 July 2011, REMCo submitted a fifth Rule Change C05/11R for approval, which also proposes amendments to the Rules.
13. Rule Changes C01/11S, C02/11S, C03/11S, C04/11R and C05/11R are available on the Authority's website www.erawa.com.au.
14. Section 11ZOO of the Act sets the prerequisites to the Authority's approval of amendments to a retail market scheme under Section 11AOM of the Act.

Discussion

Rule Change C01/11S – Amendments to the ICD

15. Rule Change C01/11S proposes to create a new Version 4.3 of the ICD to incorporate changes initiated by AEMO. The proposed changes only relate to the South Australian gas retail market and have no operational or systematic impacts for the gas retail market in Western Australia.
16. As the ICD is part of the Scheme, REMCo requires approval from the Authority to amend the ICD to give effect to a new Version 4.3 of the ICD. The main changes in this new version are modifications to existing reports and new validation checks for South Australia. A copy of the marked-up new Version 4.3 of the ICD is available on the Authority's website www.erawa.com.au.

REMCo's submission

17. REMCo has classified this rule change as 'non-substantial'. There will be no operational and systematic impacts for the retail market in Western Australia and no market participants are expected to be affected by this rule change.
18. REMCo has noted that it circulated the proposed rule change for consultation to market participants, including the network operator, two pipeline operators and four users.
19. No objections or submissions of support were received in relation to Rule Change C01/11S.

Authority's assessment

20. Pursuant to Section 11ZOO(1) 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 comply with the Act and be suitable for the purpose of the Section 11ZOB.

21. The Authority notes that the amendments proposed in Rule Change C01/11S only relate to the South Australian gas market and are required to allow REMCo and AEMO to maintain consistent documentation in the Specification Pack across both jurisdictions.
22. The Authority considers that the amendments are administrative in nature and will have no impact on the Scheme meeting the purposes of Section 11ZOB. Therefore, the Authority considers that the Scheme will continue to comply with the Act if the amendments in Rule Change C01/11S are approved.
23. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) 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 agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
24. REMCo has noted that Rule Change C01/11S was circulated for consultation and no objections or submissions of support were received. The Authority considers that the relevant consultation requirements have been met and there is no objection from any person in relation to the proposed amendments under Rule Change C01/11S.

Rule Change C02/11S – Amendments to the B2M-B2B Specification

25. Rule Change C02/11S proposes a new Version 3.5 of B2M-B2B Specifications with amendments to the definition of high priority transactions in section 2.6.1 of the B2M-B2B Specifications to be not defined because this will make the definition consistent with:
 - operational process, whereby high priority transactions are communicated via telephone rather than by “aseXML” transaction;¹ and
 - the definition of high priority transactions in other Australian gas market jurisdictions (i.e. Victoria and Queensland) where high priority transactions are not defined because these transactions are considered to be emergency services and require human interaction via telephone or equivalent.

REMCo’s submission

26. REMCo has classified this rule change as “non-substantial” and has stated that no market participants are expected to, or have indicated they will be materially affected by Rule Change C02/11S.
27. REMCo has noted that the proposed rule change was circulated to market participants, including the network operator, two pipeline operators and four users. No objections or submissions of support were received.

¹ “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). XML is used to define documents with a standard format that can be read by any XML-compatible application.

Authority's assessment

28. Pursuant to Section 11ZOO(1) 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 comply with the Act and be suitable for the purposes of Section 11ZOB.
29. The Authority notes that the changes in Rule Change C02/11S will only redefine the treatment of high-priority transaction in the B2M-B2B Specifications to align it with the current industry practice in South Australia, Victoria and Queensland.
30. The Authority's view is that the rule change will not result in any systematic changes, the changes proposed by Rule Change C02/11S are administrative in nature and will have no impact on the Scheme meeting the purposes of Section 11ZOB of the Act.
31. Therefore the Authority considers that the Scheme will continue to comply with the Act if Rule Change C02/11S is approved.
32. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) 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 agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
33. The Authority notes that REMCo has stated in its submission that Rule Change C02/11S was distributed to market participants for consultation and no objections or submissions of support were received.
34. 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 amendments proposed under Rule Change C02/11S.

Rule Change C03/11S – Amendments to the Usage Guidelines

35. Rule Change C03/11S proposes to create a new version 5.2 of the Specification Pack Usage Guidelines so that it refers to the correct version of several documents in the Specification Pack. Specifically:
 - Interface Control Document (from Version 4.2 to 4.3);
 - FRC B2M-B2B Hub System Specifications (from Version 3.4 to 3.5);
 - FRC CSV Data Specifications (from Version 3.1 to 3.2);
 - FRC B2B System Interface Definitions (from Version 3.1 to 3.3);
 - B2B Service Order Specifications, Part 1 (from Version 2.1 to 2.2); and
 - B2B Service Order Specifications, Part 2 (from Version 2.1 to 3.1)

REMCo's submission

36. REMCo has classified this rule change as "non-substantial" and has stated that no market participants are expected to, or have indicated they will be materially affected by Rule Change C03/11S.

37. REMCo has noted that the proposed rule change was circulated to market participants, including the network operator, two pipeline operators and four users. No objections or submissions of support were received.

Authority's assessment

38. Pursuant to Section 11ZOO(1) 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 comply with the Act and be suitable for the purposes of Section 11ZOB.
39. The Authority notes that the changes proposed in Rule Change C03/11S are intended only to ensure that the Usage Guidelines refer to the right versions of documents in the Specification Pack.
40. The Authority considers that the amendments to the Scheme proposed by Rule Change C03/11S are only referential in nature and that they will have no impact on the Scheme meeting the purposes of Section 11ZOB of the Act.
41. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) 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 agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
42. The Authority notes that REMCo has stated in its submission that Rule Change C03/11S was distributed to market participants for consultation and no objections or submissions of support were received.
43. 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 amendments proposed under Rule Change C03/11S.

Rule Change C04/11R – Amendments to a Notice of New or Changed Sub-Network Classification

44. Rule Change C04/11R proposes to make the following changes to Version 6.1 of the Rules:
- add a new definition to Rule 2 for “covered sub-network”;
 - amend Rule 15 to:
 - a) extend the lead-time for REMCo to convert sub-networks from one type of sub-network to another from 20 to 40 business days; and
 - b) add a new obligation on the Network Operator to validate that only one delivery point exists on any “farm tap sub-network”,²

² “Farm tap sub-network” means a delivery point which is connected to only one pipeline and is not connected by a gas distribution system or part of a gas distribution system to any other delivery point, and which a network operator identifies as a sub-network for contractual and operational purposes.

- amend Rule 171A by replacing “as soon as possible” with “at least 40 business days”; and
- amend Appendix 3 to remove a typographical error in the check sum calculation of MIRN 5500012357.

REMCo's submission

45. REMCo has classified this rule change as “low-impact”, and has circulated it to market participants, including the network operator, two pipeline operators and four users. REMCo has noted that, apart from the changes WA Gas Networks will need to make, this rule change will have no impact on stakeholders or their systems.
46. REMCo subsequently published Rule Change C04/11R for public consultation on 20 May 2011. The consultation for this rule change closed on 3 June 2011. No objections or submissions of support were received.

Authority's assessment

47. Pursuant to Section 11ZOO(1) 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 comply with the Act and be suitable for the purposes of Section 11ZOB.
48. The Authority notes that the changes in Rule Change C04/11R are intended to add clarity to the different types of sub-networks covered by the Rules, to oblige the network operator to monitor farm tap sub-networks, to allow REMCo 40 business days to convert a sub-network from one type to another, and to fix a typographical error.
49. The Authority considers that the changes proposed under Rule Change C04/11R are administrative in nature and will have no impact on the Scheme meeting the purposes of Section 11ZOB of the Act.
50. As this rule change will clarify the operation of the Scheme, the Authority's view is that the Scheme will continue to comply with the Act if the proposed changes are approved.
51. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) 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 agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
52. REMCo has noted that Rule Change C04/11R was circulated for consultation and no objections or submissions of support were received.
53. The Authority's view is that the consultation requirements have been met and each person required to be consulted can be deemed as having agreed to the amendments proposed under Rule Change C04/11R.

Rule Change C05/11R – Amendment to the Definition of Street/Suburb Combination

54. Rule Change C05/11R proposes to amend the definition of “street/suburb combination” in Rule 2 of the Rules. This proposed change seeks to facilitate the addition of two new columns to the Street/Suburb table to show the sub-network in name and in code form.

REMCo’s submission

55. REMCo has classified this rule change as “non-substantial” and has stated that no market participants are expected to, or have indicated they will be materially affected by Rule Change C05/11R.
56. REMCo has noted that the proposed rule change was circulated to market participants, including the network operator, two pipeline operators and four users. No objections or submissions of support were received.

Authority’s assessment

57. Pursuant to Section 11ZOO(1) 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 comply with the Act and be suitable for the purposes of Section 11ZOB.
58. The Authority notes that the changes proposed in Rule Change C05/11R are intended only to provide additional information to the market that will assist the users and the network operator to correctly identify the address of end-use customers.
59. The Authority considers that the amendments to the Scheme proposed by Rule Change C05/11R are only administrative in nature and that they will have no impact on the Scheme meeting the purposes of Section 11ZOB of the Act.
60. Pursuant to Section 11ZOO(2) of the Act, the Authority may approve an amendment to the Scheme if it is satisfied that the consultation required under Section 11ZOL(3) 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 agreed, that person has been given reasonable opportunity to provide reasons for not agreeing, and any reasons so provided have been considered.
61. The Authority notes that REMCo has stated in its submission that Rule Change C05/11R was distributed to market participants for consultation and no objections or submissions of support were received.
62. 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 amendments proposed under Rule Change C05/11R.

CONCLUSION

63. For the reasons outlined above, the Authority considers that Rule Changes C01/11S, C02/11S, C03/11S, C04/11R and C05/11R meet the prerequisites to approval of amendments as required under the Act. The Authority approves all five rule changes as submitted by REMCo.