



Overview of the Retail Market Rules

Disclaimer

The Retail Market Rules (the “Rules”) are the final word!

- This presentation has been prepared to assist participants and stakeholders with their understanding of the operation of the WA gas retail market
- The information presented here is a guide only
- Participants should refer to the Rules to ensure that they have a full understanding of the risks associated with operating in the market, and that they are operating in accordance with its obligations

Topics Covered

1. REMCo overview
2. WA gas retail market
3. Regulatory arrangements
4. The Rules
5. Chapter 1 – Administration of the Rules
6. Chapter 2 – The Database
7. Chapter 3 – MIRN transactions
8. Chapter 4 – Metering
9. Chapter 5 – Allocation, Reconciliation and Swing
10. Chapter 6 – Compliance and interpretation
11. Chapter 7 – Reporting and Audits
12. Chapter 8 - Administration
13. Chapter 9 – Rule change process
14. The Specification Pack and FRC Hub Terms and Conditions

REMCo Overview

- REMCo provides retail market services to gas industry participants in WA
- REMCo delivers the infrastructure that:
 - Gives gas consumers with the ability to contract for gas supply from their retailer of choice
 - Facilitates the interactions between gas market participants to support efficient operation of the market

REMCo Overview

REMCo's primary functions

- **Delivery Point Management**
 - Managing the transfer of customer and the associated market data between users (retailers) and the network operator
- **Balancing, Allocation and Reconciliation Management**
 - Managing the daily allocation of gas usage to retailers to enable settlement of gas supply and transmission contracts.
- **Rule Change Management**
 - Managing further development and improvement of the Rules
- **Compliance Management**
 - Managing and enforcing compliance with the Rules

WA Gas Retail Market

- Full retail contestability started in 2004
- WA has >620,000 contestable customers
- Covers WA Gas Networks' distribution systems
 - Mid-west/South-West
 - Includes the Perth metropolitan area
 - Fed by the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline
 - Kalgoorlie-Boulder
 - Fed by the Goldfields Gas Transmission Pipeline
 - Albany
 - LPG system



Regulatory Arrangements

- The main pieces of legislation that govern gas distribution and retail sales in WA
 - Energy Coordination Act 1994
 - National Gas Access (WA) Act 2009
 - Gas Standards Act 1972
- The regulator – the Economic Regulation Authority (ERA)
 - Responsible for the economic regulation of the WA gas market, including the REMCo Scheme

The Retail Market Rules

- Govern the interactions between participants, pipeline operators, prescribed persons and REMCo
- Previously covered both WA and SA gas retail markets:
 - The Australian Energy Market Operator (AEMO) took over operation of the SA gas retail market on 1 October 2009
- Other related instruments include
 - the REMCo Specification Pack
 - the FRC Hub Terms and Conditions

Chapter 1 – Administration of the Rules

- Provides legal clarity and identifies who the Rules apply to
- Defines terms used in the Rules
- Sets out the requirements for effective notices
- Requires compliance with the Specification Pack and FRC Hub Terms and Conditions
- Requires a review of the Rules to be conducted in March 2015

Chapter 2 – Databases

- Two databases
 - The REMCo Registry
 - Contains REMCo standing data and information for each delivery point
 - Maintained and administered by REMCo
 - The MIRN Database
 - Contains all active MIRNs and their meter standing data
 - Maintained by the Network Operator (WA Gas Networks)
- Requirements for updating and changing REMCo standing data
 - Obligations to keep the REMCo registry accurate
 - Data change notices and error correction notices
- WA gas retail market participants must be certified with
 - FRC Hub requirements
 - Participant readiness

Chapter 3 – MIRN Transactions

- Defines the obligations regarding
 - New connections
 - Customer transfers
 - Disconnection and reconnection of delivery points
 - Retailer of Last Resort arrangements
- The MIRN discovery process
 - Enables retailers request and receive information from the network operator regarding a delivery point
 - Sets out the requirements on retailers to obtain “explicit informed consent” from customers

Chapter 4 – Metering

- Meter types
 - Interval Meters – for large customers (consumption $>10\text{TJ/a}$), are remote read, and can record flow on $\frac{1}{2}$ hour intervals
 - Basic Meters – for small customers (consumption $\leq 10\text{TJ/a}$), are read periodically, and record total gas flow
- Defines the obligations regarding basic and interval meters, including
 - Installation
 - Upgrades
 - Meter reading
 - Requirements on network operators to provide meter data to REMCo
- Gate point meters
 - Located on gate points and read daily by the relevant pipeline operator
 - Gate point metering data is provided to the network operator

Chapter 5 – Allocation, Reconciliation and Swing

- Places an obligation on retailers to procure gas quantities equal to their customers' likely gas withdrawals for each gas day
- Sets out the detailed processes to calculate and reconcile gas injections and withdrawals for each gas day
- Sets out the Swing Service requirements
 - Swing Service is the means to balance the gas market when 2 pipelines inject gas into the sub-network
 - The Rules specify:
 - the calculation of Swing Service quantities
 - the obligations for Swing Service providers
 - off-market Swing Service procurement
 - allocating swing service in the bid stack
- Further information on Chapter 5 can be found on the Participant Training page on the REMCo website

Chapter 6 – Compliance and Interpretation

- REMCo has the ability to investigate compliance matters and alleged Rule breaches
- Establishes an independent Compliance Panel
 - Composed of
 - A chairperson with a legal background
 - 1 member with financial experience
 - 1 member with technical and gas industry experience
 - Has the power to make determinations on
 - Matters referred to it by REMCo or a participant regarding alleged Rule breaches
 - Interpretation of the Rules

Chapter 7 – Reporting and Audits

- Sets out auditing requirements, including
 - Frequency and extent of audits
 - Qualifications of the appointed auditor
- Negative assurance audit required for compliance with various parts of the Rules by
 - Retailers
 - Network operators
 - REMCo
- REMCo reports annually on all significant instances of non-compliance identified in the auditor's reports

Chapter 8 – Administration

- Sets out cost recovery requirements
 - Fees and charges set by REMCo
 - Registration fee
 - Service fee
 - Market share charge
 - Payments to REMCo and invoicing to REMCo members
 - Requirements for exiting the market
- Sets out confidentiality requirements
 - Disclosure of information by market participants
 - Limitation of liability
- REMCo determines whether a customer is a small use customer

Chapter 9 – Rule Change Process

- Establishes a Rule Change Committee (RCC) to oversee Rule changes
- RCC is responsible for design, development and implementation of Rule changes
 - Operation of the RCC is described in the RCC Charter
 - RCC membership consists of
 - one member representing REMCo (chairperson)
 - at least one member representing the network operators
 - one member that represents the user with a market share of at least 50%
 - at least one member representing the users that have less than 50% market share

Chapter 9 – Rule Change Process (continued)

- Rule changes proposals have 3 classifications
 1. Non-substantial
 - Changes that corrects typographical and grammatical errors; and have no effect on operations
 - Non-substantial Rule changes endorsed by the RCC can be submitted to the ERA for approval
 2. Low impact
 - Changes that do not have an effect on operations or consumer protection mechanism, or a material commercial impact
 - Require preparation of an “Impact an Implementation Report” and 10 days open consultation
 - RCC considers whether to endorse low impact Rule changes following consultation
 - If endorsed, the Rule change can be submitted to the ERA for approval

Chapter 9 – Rule Change Process (continued)

- Rule changes proposals have 3 classifications (continued)
 3. High impact
 - Change that are not non-substantial or low impact
 - Require preparation of an “Impact an Implementation Report” and 20 days open consultation
 - RCC considers whether to endorse high impact Rule changes following consultation
 - If endorsed, then the REMCo Board decides whether to submit the high impact Rule change to the ERA for approval
- REMCo must publish a new version of the Rules following ERA approval to give effect to the approved Rule changes

The Specification Pack and FRC Hub Conditions

- Persons required to comply with the Rules must also comply with the Specification Pack and the FRC Hub Terms and Conditions
 - Both located on the “Industry Only” section of the AEMO website (contact REMCo for access)
- Specification Pack
 - Set of documents approved by REMCo to support operation of the Rules
 - Contains technical information for accessing and using the FRC Hub and any other REMCo information systems
- FRC Hub Terms and Conditions
 - The FRC Hub is the information system provided by REMCo for the transmission of aseXML messages under the Rules
 - FRC Hub terms and conditions apply between REMCo and any business that sends or receives transactions via the FRC Hub

Further Information

- Further information on REMCo and the Rules can be obtained from:
 - “Basics of Chapter 5: Allocation, Reconciliation and Swing” slide pack
 - “Details of Chapter 5: Allocation, Reconciliation and Swing” slide pack
 - Western Australian Gas Retail Market Guide
 - Western Australian Gas Retail Market Technical Guide
- These documents are available on the Participant Training page on the REMCo website

www.remco.net.au

Questions?