

# REPORT



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## *Impact and Implementation*

C14/04R: SBA=|UPNA|

Date of Rule Change Committee Meeting: 19 August 2004



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## *Document Management*

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## *Introduction*

A Retail Market Rules (**RMR**) Rule Change Request was raised by Western Power (**proponent**) on 26 July 2004 in relation to the calculation of a user's swing base amount (**SBA**) in **Rule 259(1)** which is applicable to Western Australian only.

As required under Rule 393(b) REMCo has prepared this Impact and Implementation Report in relation to the proposed change for the consideration of the Rule Change Committee (**Committee**).

The Committee is requested to consider whether to:

- reject the proposed Rule change; or
- accept the proposed Rule change.

Should the Committee decide to accept the proposed Rule change, the Committee must consider whether the proposed Rule change is a low impact or high impact change as required under Rule 396.

Alternatively, the Committee may request REMCo to provide additional information on this matter if the Committee determines that this report does not contain sufficient information.

## *Summary*

### **a) Summary of Change Requested**

The nature of the Rule change request is to modify the existing (WA Only) **Rule 259(1)** by making the term, **UPNA**, an **absolute value** (where UPNA is defined as the user's pipeline nomination amount for the gate point for the gas day calculated under Rule 197).

That is, the proposal is to modify the existing **Rule 259(1)**:

$$\text{SBA} = \text{UPNA}$$

such that the new **Rule 259(1)** becomes:

$$\text{SBA} = |\text{UPNA}|$$

### **b) Original Rule Change Request**

The original Rule change request was raised by Western Power on 26 July 2004 by completing a Rule Change Request Form, which has been enclosed as **Attachment 1**.

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## *Proposed Rule Drafting*

### a) **Proposed Rule Drafting**

Proposed Rule Drafting is provided at **Attachment 2**.

## *Impact of Proposed Change*

### a) **Impact on Proponent**

The user's swing base amount (SBA) for a gate point and gas day is used in Rule 261 to calculate the user's "user-specific swing error" (USSE) for the gate point for the gas day, which represents the 'user-specific' portion of the user's swing error (SE).

In Western Australia, if the UPNA (the user's pipeline nomination amount for the gate point for the gas day calculated under Rule 197) in Rule 259(1) is a negative value for a gate point and gas day, then the SBA will also be negative, resulting in  $USSE > SE$ . This is clearly not the intention as USSE is meant to represent a part of SE and, thus, should always be  $0 \leq USSE \leq SE$ .

USSE is used in Rule 263 to calculate USA (the user's "user-specific amount" of swing service for the gate point for the gas day). If  $USSE > SE$  for a gate point and gas day, then this will result in  $|USA| > |USS|$  (where USS the user's total (pre-procurement) swing service for the gate point for the gas day calculated under Rule 262).

Rule 266 will then calculate a NUSA value (where  $NUSA = USS - USA$ ) with the opposite sign to the USA and USS. This can lead to anomalous results. In particular, the creation of spurious contract notes and incorrect swing service repayment quantities.

Forcing SBA to be a non-negative value in Rule 259(1) will ensure that  $0 \leq USSE \leq SE$  and, at the same time, retain the intention of Rule 261 (to determine the user-specific swing error by assessing the magnitude of the user's swing error in relation to the magnitude of their nomination amount).

The proponent notes that the existing Rule 259(1) should be changed as quickly as possible, as the current rules are resulting in the generation of incorrect swing service repayment quantities in WA.

### b) **Impact on Other Participants/Interested Persons**

In reply to REMCo's request for information to participants (28 July 2004) regarding this Rule change request, feedback was received from AlintaGas Networks (2 August 2004). The proposed Rule change request is supported by AlintaGas Networks on the basis that it reflects the intention of the Rules and, as far as AlintaGas Networks could ascertain, there are no adverse impacts on any participant, other than the SSP/SSPOLR who will lose the

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benefit of additional sales. However, it would avoid the present incorrect allocation of swing gas which can have a substantive detrimental effect on WA participants. In addition, AlintaGas Networks was of the view that the cost of introducing this Rule change request into the GRMS was likely to be minor.

REMCo also received feedback from Alinta Sales (4 August 2004). Alinta Sales noted that it had no objection nor any further comment on the proposed Rule change request.

No other impacts on other participants or interested persons have been identified at this stage. Potential impacts may be clarified at the RCC meeting scheduled for 19 August 2004.

## **c) Impact on REMCo**

There is expected to be a small impact on the GRMS that would require modification as a result of the proposed Rule change. Such system modifications would need to be reflected in the GRMS Business Specification and Interface Control Document.

As a result, REMCo would need to manage its Service Provider, LogicaCMG, in implementing the associated system changes that would be required to implement this proposed Rule change in the GRMS.

It is also noted that, as the affected **Rule 259(1)** is part of RMR Chapter 5, the proposed Rule change may require external legal review to ascertain whether there are any ACCC Authorisation implications for REMCo.

## ***Implementation Considerations***

### **a) GRMS Implementation**

The proposed Rule change will require a relatively minor change to be implemented in the GRMS. The timing and costs of these changes may be affected by other GRMS changes under development. REMCo will seek to achieve a balance of minimising implementation costs and making the system changes within a reasonable timeframe.

### **b) Participant Implementation**

No participant implementation requirements have been identified at this stage. Any potential implementation requirements may be clarified at the RCC meeting scheduled for 19 August 2004.

### **c) REMCo Process Implementation**

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No REMCo process implementation requirements have been identified at this stage. Potential process implementation requirements may be clarified at the RCC meeting scheduled for 19 August 2004.

## d) Other Implementation Considerations

As the proposed change is to a provision of Chapter 5, REMCo will need to assess whether it impacts on the Draft Authorisation from the ACCC. Initial consideration by REMCo suggests that the proposed change would be within the scope of the Authorisation.

## *Cost Benefit Analysis*

### a) Costs

#### GRMS System Development Costs:

REMCo has sought and received a non-binding budgetary estimate from its Service Provider, LogicaCMG, to ascertain the estimated implementation costs of the proposed Rule change on the GRMS. The estimated cost of delivery of this GRMS change is **\$2,000 (plus GST)** and embodies:

- Changes to the BAR sub-system stored procedure(s) to accommodate the Rule change;
- Unit test of changed stored procedures;
- Update of internal technical documentation; and
- System test of changes.

The budgetary estimate is based on the following assumptions:

- The change will be deployed to both jurisdictions even though Rule 259(1) applies to WA only.
- The change will be incorporated into one of the scheduled release schedules. Deployment of changes in 'special builds' outside the normal release cycle will be subject to additional costs.
- The format of existing reports will remain unchanged and, as such, no effort to liaise with participants has been estimated.
- No aseXML changes are necessary.
- Costs associated with updates of the Interface Control Document and the Business Specification have not been costed and are additional.
- No additional ongoing operation effort is associated with this change

#### Participant Costs:

No costs to participants have been identified.

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Other Costs:

No other costs have been identified.

**b) Benefits**

The key benefit of the proposed Rule change request is that it would correct the currently mis-specified SBA equation in Rule 259(1) which, in its current form, may lead to anomalous results. In particular, the creation of spurious contract notes and incorrect swing service repayment quantities which can have a substantive detrimental effect on WA participants.

In addition, by forcing SBA to be a non-negative value in Rule 259(1), this will ensure that  $0 \leq USSE \leq SE$  and, at the same time, retain the intention of Rule 261 (to determine the user-specific swing error by assessing the magnitude of the user's swing error in relation to the magnitude of their nomination amount).

**c) Analysis**

The financial cost associated with implementing the proposed Rule change appears relatively minor compared to the expected benefits that are to be derived from the marketplace using an accurate mathematical formula for the calculation of the swing base amount in Rule 259(1).

The proposed Rule change has a positive impact, corrects a mis-specified equation in Rule 259(1), and retains the intention of Rule 261,

If this proposed Rule change was not implemented, then there would be detriment to the proponent and other WA market participants.

As a result, it is recommended that the proposed change to **Rule 259(1)** should be adopted.

## ***Recommendation***

The Committee is asked to recommend this proposed amendment as a Low Impact Rule change for the following reasons:

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- The Rule change does not appear to have a material impact on the information technology systems of REMCo, participants, pipeline operators or prescribed persons, based on information identified by REMCo to date;
  - The Rule change will not materially alter consumer protection mechanisms under the rules; and
  - The Rule change does not appear to have any adverse material commercial impact on REMCo, participants, pipeline operators or prescribed persons, based on information identified by REMCo to date.

If the Committee considers this proposed change to be a Low Impact change, REMCo will then prepare a Recommendation Report for submission to the next REMCo Board Meeting.

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## *Attachment 1 – RMR Change Request Form*

### RMR CHANGE REQUEST FORM

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#### Introduction

Rule 378(1) of the Retail Market Rules (**RMR**) provides that any participant or interested party may lodge a rule change request with REMCo. Any rule change request must contain, as a minimum, the information specified by Rule 378(2). This change request form provides a template outlining the information to be provided.

If you wish to request a change to the RMR, you may do so by completing this form and submitting the completed form to REMCo at [rule.change@remco.net.au](mailto:rule.change@remco.net.au). REMCo will then initiate the Rule Change process through the Rule Change Committee (**Committee**) to assess the requested change as required under Rules 391 to 402 inclusive.

Please note that if you have an issue that you do not wish to raise as a formal Rule change, you may submit the issue to the Committee for further discussion and analysis. The "Rule Change Committee Issue Form" may be used for this purpose. The form may be downloaded from the REMCo website at [www.remco.net.au](http://www.remco.net.au).

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#### Change Requested By

<b>Name:</b>	Jenny Laidlaw	<b>Phone:</b>	(08) 9326 6323
<b>Email:</b>	<a href="mailto:jenny.laidlaw@westernpower.com.au">jenny.laidlaw@westernpower.com.au</a>		
<b>Organisation:</b>	Western Power		
<b>GBO ID:</b>	WPWR		
<b>Date Change Request Submitted to REMCo:</b>			
<b>CR Title:</b>	Modification of Rule 259 to avoid negative swing base amounts		
<b>Change Proposed To:</b>	RMR		
<b>Additional Impacts:</b>			
<b>Resolution:</b>	< to be completed upon resolution of issue >		

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#### Details of Rule Change Requested

Provide the information on the requested rule change as required below. REMCo will assess this proposal as required under Rule 391(1) and notify you of REMCo's decision within 5 business days.

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- 1. Provide the proposed Rule change (either as marked-up changes to the text of the rules or as a detailed summary of the proposed change to the rules) as required by Rule 378(2)(c):**

Modify Rule 259(1) to replace  
SBA = UPNA  
with  
SBA = |UPNA|

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**2. Provide the reason for the proposed Rule change (as required by Rule 378(2)(b)):**

The user's swing base amount (SBA) for a gatepoint and gas day is used in Rule 261 to calculate the user's user-specific swing error (USSE), the 'user-specific' portion of the user's swing error (SE). In WA, if the UPNA is negative for a gatepoint and gas day then the SBA will be negative, leading to  $USSE > SE$ . This is clearly not the intention; USSE is meant to represent a part of SE, and it should always be true that  $0 \leq USSE \leq SE$ .

USSE is used in Rule 263 to calculate USA. If  $USSE > SE$  for a gatepoint and gas day then this will result in  $|USA| > |USS|$ . Rule 266 will then calculate a NUSA value with the opposite sign to the USA and USS. This can lead to anomalous results, in particular the creation of spurious contract notes and incorrect swing service repayment quantities.

Forcing SBA to be a non-negative value in Rule 259 will ensure that  $0 \leq USSE \leq SE$ , while retaining the intention of Rule 261 (to determine the user-specific swing error by assessing the magnitude of the user's swing error in relation to the magnitude of their nomination amount).

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**3. Provide the anticipated impact of the proposed Rule change on affected persons as required by Rule 378(2)(d)):**

Minor change to the GRMS. No change to participant systems expected.

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**4. Provide the proposed timeframe for implementation of the proposed Rule change as required by Rule 378(2)(e)):**

**This change should be made as quickly as possible, as the current rules are resulting in the generation of incorrect swing service repayment quantities in WA.**

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**5. Provide any supporting information including any possible risks and constraints:**

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**REMCo use only**

Date Received: Monday 26 July 2004.

Date Response Required (date received + 5 Business days): Monday 2 August 2004.

REMCo decision:

I&I Report Due by:

Next Rule Change Committee meeting:

CRF No.: C14/04R

Registered on Rules Register: 26 July 2004

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## *Attachment 2 – Proposed Rule Drafting*

It is proposed that **Rule 259(1)** be amended to read as follows:

### **“259. Calculate swing base amount**

(1) In Western Australia, for each *gas day* for each *user* for each *gate point*, REMCo must calculate the *user's “swing base amount”* as follows:

$$SBA = \lfloor UPNA \rfloor$$

where:

*SBA* = the *user's swing base amount* for the *gate point* for the *gas day*; and

*UPNA* = the *user's pipeline nomination amount* for the *gate point* for the *gas day* calculated under rule 197.”

(For completeness, it is noted that there is no change to the existing **Rule 259(2)**, which is applicable to South Australia only.)