

**IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION**
*(For AEMO to complete and administer)*

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| <b>Issue Number</b>                           | IN029/16   |  |                   |
| <b>Impacted Jurisdiction (s)</b>              | VIC, QLD, SA and NSW/ACT   |  |                   |
| <b>Proponent</b>                              | Danny McGowan  | <b>Company</b>   | AEMO              |
| <b>Affected Gas Markets(s)</b>                | Retail   | <b>Consultation process (Ordinary or Expedited)</b>              | Expedited         |
| <b>Industry Consultative forum(s) used</b>    | GRCF   | <b>Date Industry Consultative forum(s)consultation concluded</b> | 22 August 2016    |
| <b>Short Description of change(s)</b>         | Documentation changes only to FRC HUB Terms and Conditions to support REMCo to AEMO transition.  |  |                   |
| <b>Procedure(s) or Documentation impacted</b> | Refer to artefacts listed in section 2 of this Impact and Implementation Report (IIR).   |  |                   |
| <b>Summary of the change(s)</b>               | The current FRC HUB Terms and Conditions applies in VIC, SA, QLD and NSW/ACT. This documents contain references to Gas Market Rules (WA) that will no longer apply after the transition therefore the FRC HUB Terms and Conditions document will need minor amendments to remove such references from the documentation. |  |                   |
| <b>I&amp;IR Prepared By</b>                   | Danny McGowan  | <b>Approved By</b>   | Alicia Volvricht  |
| <b>Date I&amp;IR published</b>                | 9 September 2016   | <b>Date Consultation under 135EE or 135EF concludes</b>          | 30 September 2016 |
| <b>Contact address for written responses</b>  | Danny McGowan, Australian Energy Market Operator, GPO Box 2008, Melbourne VIC 3001   |  |                   |
| <b>Email Address for Responses</b>            | <a href="mailto:grcf@aemo.com.au">grcf@aemo.com.au</a>   |  |                   |
| <b>Other key contact information</b>          | <a href="mailto:daniel.mcgowan@aemo.com.au">daniel.mcgowan@aemo.com.au</a>   |  |                   |

## IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

### CRITICAL EXAMINATION OF PROPOSAL

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| <p>1. Description of change(s) and reasons for change(s)</p>   | <p>The Retail Energy Market Company (REMCo) Board and the AEMO Board have agreed that REMCo and the WA gas retail market are to be transitioned into AEMO (the “Transition”). The preferred timeline for the Transition to be completed is 31 October 2016.</p> <p>The FRC Hub is a communication infrastructure operated for REMCo by AEMO under contract. The FRC Hub provides a gateway through which gas retail market participants can deliver and receive structured business-to-business (“B2B”) and business-to-market (“B2M”) messages utilising defined protocols and formats.</p> <p>The FRC HUB Terms and Conditions document will need to be updated to remove references to Retail Market Rules as these will be replaced with the term Retail Market Procedures.</p> |
| <p>2. Reference documentation</p> <ul style="list-style-type: none"> <li>• Procedure Reference</li> <li>• GIP/Specification Pack Reference</li> <li>• Other Reference</li> </ul>   | <p>The FRC HUB Terms and Conditions</p>   |
| <p>3. The high level details of the change(s) to the existing Procedures</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures</li> <li>• A marked up version of the Procedure change</li> </ul> | <p>AEMO and REMCo have reviewed and updated the FRC HUB Terms and Conditions to reflect the redundant WA references. Only administrative changes will be made to the FRC HUB Terms and Conditions; and therefore the Victoria (VIC), South Australia (SA), Queensland (QLD) and New South Wales/ Australian Capital Territory (NSW/ACT) gas retail market technical protocols, systems, and interfaces will not change. This will ensure that the Transition will not have any implications for gas retail market participants or gas consumers operating in these jurisdictions.</p> <p>The changes have been marked up and attachment A includes a table that summarises all of the changes that are to be made to the FRC HUB Term and Conditions to enable the Transition.</p>  |
| <p>4. Explanation regarding the order of magnitude of the change (eg: material, non-material or non-substantial)</p>   | <p>AEMO considers that the proposed changes in this proposal are non-material for the following reasons:</p> <ul style="list-style-type: none"> <li>• this is a documentation change only and no systematic changes are required to the WA Gas Retail Market System (GRMS) to implement these changes</li> <li>• Market Participants will not be required to modify their systems as a result of the proposed changes</li> <li>• no amendments are required to any jurisdiction’s Retail Market Procedures.</li> </ul>  |

## ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

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| <p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>  | <p>As prescribed in the “Approved Process”, registered participants and interested stakeholders were invited to make submissions to the Proposed Procedure Change (PPC). Submissions closed on 22 August 2016. AEMO received submissions from APA/AGN/Allgas, AGL, Lumo and Origin.</p> <p>In terms of costs, AEMO did not receive feedback from participants that raised any concerns in relation to any cost impacts to industry. AEMO has therefore concluded that there are no participant costs for implementing any of the proposed changes.</p> <p>For AEMO, these are documentation changes only and therefore there are no costs to implement.</p> <p>Whilst none of the submission noted any benefits, AEMO is of the view that the likely benefits of updating the FRC HUB Terms and Conditions is that redundant terminology is removed.</p>   |
| <p>6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users)</p>   | <p>There are not expected to be any process or implementation impacts as a result of the proposed changes to the FRC HUB Terms and Conditions.</p> <p>This is a documentation change only. As such, AEMO, REMCo or any of the Market Participants will not be required to make any modifications to their existing systems or business processes.</p>  |
| <p>7. Testing requirements</p>   | <p>None required.</p>  |
| <p>8. AEMO's preliminary assessment of the proposal's compliance with section 135EB:</p> <ul style="list-style-type: none"> <li>- consistency with NGL and NGR,</li> <li>- regard to national gas objective</li> <li>- regard to any applicable access arrangements</li> </ul> | <p><u>Consistency with NGL and NGR:</u></p> <p>AEMO’s view is that the proposed changes for IN029/16 are consistent with the NGL and NGR.</p> <p><u>National gas objective</u></p> <p><i>"Promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."</i></p> <p>It is AEMO's view that the proposed changes for IN029/16 will assist to facilitate the efficient operation of each of the retail gas markets, and are in the long-term interests of consumers as it promotes clarity and consistency.</p> <p><u>Applicable access arrangements</u></p> <p>AEMO’s view is that the proposed changes for IN029/16 are not in conflict with existing Access Arrangements. Any of the Distributors did not raise concerns with the proposed amendments in relation to their Access Arrangement.</p> |
| <p>9. Consultation Forum Outcomes (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>  | <p>On 8 August 2016 AEMO published on its website a Proposed Procedure Change (PPC) that recommended minor documentation changes to FRC HUB Terms and Conditions to support REMCo to AEMO transition. Registered participants and interested stakeholders were invited to make a submissions which closed on 22 August 2016.</p> <p>AEMO received submissions from APA/AGN/Allgas, AGL, Lumo and Origin Energy and none of those submissions opposed the changes.</p>  |

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|  | <p>Origin Energy's (OE) submission noted that two further reference to the term "Gas Market Rules" were contained in the FRC HUB Terms and Condition and proposed that these should be removed. AEMO supports OE's proposal and has subsequently updated the FRC HUB Terms and Conditions accordingly. (See attachment A items 3 and 4 for further details).</p> |
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| <b>RECOMMENDATION(S)</b>   |  |
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| <p>10. Should the proposed Procedures be made, (with or without amendments)?</p>   | <p>AEMO recommends that the changes be made as drafted for the procedure change for IN029/16 (FRC HUB Terms and Conditions document change to support REMCo to AEMO transition).</p>   |
| <p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p> | <p>AEMO proposes an effective date of 31 October 2016 for the proposed changes for IN029/16 (FRC HUB Terms and Conditions document change to support REMCo to AEMO transition).<br/>The rationale for this timeline is it reflects the targeted timeline put forward by REMCo in its application to the WA Economic Regulation Authority (ERA) that if approved by the ERA will transition the WA gas retail market operations from REMCo to AEMO.</p> |

**ATTACHMENT A – Table Indicating the Changes to the Specification Pack (see section 3)**

The following table summarises all of the changes that are to be made to the FRC HUB Terms and Conditions to enable the Transition. AEMO will use the updated FRC HUB Terms and Conditions to operate all gas retail markets.

| Ref                      | Clause  | Current   | Change   |
|--------------------------|---|---|--|
| <b>General Changes</b>   |   |   |  |
| <b>FRC HUB T&amp;Cs.</b> |   |   |  |
| 1                        | Section 1   | <ul style="list-style-type: none"> <li>Section 1 makes reference to the <i>Retail Market Procedures</i> in all jurisdictions, and to the <i>Retail Market Rules</i> in Western Australia. The distinction for Western Australia can be deleted with the Retail Market Rules also being renamed as Retail Market Procedures.</li> </ul>    | <ul style="list-style-type: none"> <li>If there is any inconsistency between this document and the jurisdictional Retail Market Procedures (as applicable) <del>and the Retail Market Rules in Western Australia</del>, the Retail Market Procedures <del>and Retail Market Rules</del> will prevail to the extent of that inconsistency.</li> <li>Words and phrases in this document which appear in italics have the meaning given to them under the jurisdictional Retail Market Procedures (as applicable) and under the Retail Market Rules in Western Australia unless an intention to the contrary appears</li> </ul> |
| 2                        | Section 2 – Definitions                                       | <ul style="list-style-type: none"> <li>Section 2 makes reference to the <i>Retail Market Procedures</i> in all jurisdictions, and to the <i>Retail Market Rules</i> in Western Australia. The distinction for Western Australia can be deleted with the Retail Market Rules also being renamed as Retail Market Procedures.</li> </ul>    | <ul style="list-style-type: none"> <li>FRC HUB means the information system provided by AEMO for the transmission of aseXML messages under the jurisdictional Retail Market Procedures <del>and the Retail Market Rules in Western Australia</del></li> </ul>  |
| 3                        | Section 3 - AEMO responsibilities as FRC HUB service provider | <ul style="list-style-type: none"> <li>Section 3.6.4 makes reference to the <i>Retail Market Procedures</i> in all jurisdictions, and to the <i>Retail Market Rules</i> in Western Australia. The distinction for Western Australia can be deleted with the Retail Market Rules also being renamed as Retail Market Procedures</li> </ul> | <ul style="list-style-type: none"> <li>AEMO will configure the testing gateway to apply applicable business rules defined in the jurisdictional Retail Market Procedures <del>and Retail Market Rules for Western Australia</del> to incoming transactions</li> </ul>  |
| 4                        | Section 3 - AEMO  | <ul style="list-style-type: none"> <li>Section 3.10.1 makes reference to the <i>Retail Market Procedures</i> in all jurisdictions, and to</li> </ul>  | <ul style="list-style-type: none"> <li>AEMO will provide a certification gateway, to support the certification of Subscriber compliance with requirements</li> </ul>   |

| Ref | Clause                                       | Current   | Change  |
|-----|--|---|---|
|     | responsibilities as FRC HUB service provider | the <i>Retail Market Rules</i> in Western Australia. The distinction for Western Australia can be deleted with the Retail Market Rules also being renamed as Retail Market Procedures | specified in the Retail Market Procedures <del>and Retail Market Rules for Western Australia</del> , or its subordinate instruments (e.g. the Gas Interface Protocol or Specification Pack) applicable in a Subscriber's jurisdiction |