

10 April 2018



Ms Nicola Cusworth
Economic Regulation Authority
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Dear Ms Cusworth

Approval of amendment to the Retail Market Scheme – Procedure Changes IN004/17 (Economic Regulation Authority (ERA) Fee).

Under section 11ZOL of the *Energy Coordination Act 1994* (the “Act”), the members of an approved retail market scheme may prepare an amendment to its Retail Market Scheme (the “Scheme”), and submit the amendment to the Economic Regulation Authority (ERA) for approval. ERA is to approve amendments to the Scheme under section 11ZOM of the Act. The Scheme is defined to include, amongst other things, the AEMO Retail Market Procedures (RMP), the AEMO Specification Pack and the FRC Hub Operational Terms and Conditions. The Australian Energy Market Operation (AEMO) as the formal entity for the Scheme is applying to the ERA on behalf of the members for one amendment to the Scheme as described in attachment A.

Background.

The RMP sets out the procedure change process that AEMO must follow before submitting changes to the ERA. AEMO has applied this process to help AEMO, stakeholders and the Public Utilities Office (PUO) develop the amendment proposed in this application culminating in AEMO publishing final Impact and Implementation Reports (IIR) for each amendment on its website on 7 March 2018.

The consultation that underpins the procedure change process determined that the two amendments are “low impact” in that they (i) do not have a material impact on the information technology systems of AEMO, participants, pipeline operators or prescribed persons; or (ii) do not materially alter consumer protection mechanisms under the RMP; or (iii) do not have a material commercial impact on AEMO, participants, pipeline operators or prescribed persons.

As per clause 399A each participant, pipeline operator, prescribed person and interested person was invited to lodge an objection to the proposed amendments. Submissions closed on 23 March 2018 with AEMO receiving a submission from AGL supporting the change and a submission from Agora Retail (AR) objecting to the change. The reasons for objecting to the changes are set out in AR letter as described in attachment B. As required under clause 399A the Procedure Change Committee (PCC) met on 28 March to consider AR’s objection. It was noted at this meeting that all the issues raised by AR were previously considered by the PCC. The PCC were unanimous on recommending the procedure change to AEMO despite the objection.

Having considered the proposed change and the PCC recommendation, AEMO has decided to submit the amendments to the ERA for approval as endorsed procedure changes. The changes set out in this application remain unchanged from the changes contained in the final IIR.

APPLICATION TO ERA RE PROCEDURE CHANGES (IN004-17W)

Amendments to the Scheme for ERA consideration.

Attachment A contains the final IIR which proposes adding a new clause 362B to the RMP to provide a mechanism for the ERA to recover the costs of its gas retail market-related administration functions from gas retail market participants via a 'Regulator Fee'. The IIR describes the matters that AEMO, ERA and Public Utilities Office (PUO) took into account when developing the amendments, consultation outcomes and other information. The IIR also includes the artefact under the Scheme that is changing and the actual change (in "track change" mode). The marked-up changes in the attachment A of the IIR contain the changes to the Scheme that require ERA approval.

Section 11ZOO (1) and (2) of the Act specifies the criteria that the ERA is to consider in determining whether to approve an amendment to the Scheme. AEMO believes the content contained in this application and the final IIR satisfies the criteria and allows the ERA to properly consider the amendments.

In accordance with clause 400A (3) of the RMP, AEMO must provide information to stakeholders about how to make submissions to the ERA on these endorsed procedure changes including a closing date for any ERA submissions. Dr Natalie Robins from the ERA has provided AEMO with this information which includes advice that submissions to the ERA will close **23 May 2018**. Upon sending this application, AEMO will publish on its website this application and the information about making submissions to the ERA.

Should the ERA approve the endorsed procedure change AEMO would like to implement this change to take effect on **1 June 2018**. This date meets the timing desired by PUO and the ERA. AEMO request that the ERA consider, approve, and publish the approval for these changes in the *Gazette* by this date.

If you require any further information or if have any questions in relation to this application, please contact Danny McGowan on 03 9609 8447.

Yours sincerely



Mr Peter Geers
Executive General Manager Markets
Australian Energy Market Operator

Note:
Attachment A and B is enclosed.