

4 May 2023

Sarah Sheppard  
Executive Director, Energy  
Essential Services Commission  
Gas Distribution System Code of Practice Review  
Via online submission

Dear Sarah,

### **Gas Distribution System Code of Practice Review**

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to respond to the issues paper as part of the Gas Distribution System Code of Practice Review.

AGIG is the largest gas distribution business in Australia, serving more than two million customers through our networks in Victoria, Queensland, South Australia, and several regional networks in New South Wales and the Northern Territory. In Victoria we deliver natural gas to more than 1.5 million customers through Australian Gas Networks (AGN) and Multinet Gas Networks (MGN).

We are a significant contributor to Victoria's energy mix today and are committed to being a part of the state's clean energy transformation into the future, specifically through the provision of renewable gases to homes, businesses and industry. Our Low Carbon Vision targets 10% renewable gas (hydrogen and biomethane) in networks by no later than 2030, with full decarbonisation of our networks by 2040 as a stretch target and by no later than 2050.

As the energy sector undergoes a rapid transformation, it is important that Victoria's gas distribution system can change. While there is uncertainty as to the exact role Victoria's gas distribution system will play in the future, the regulatory framework including the Code of Practice needs to adapt and remain flexible such that it can effectively operate across a range of potential future scenarios.

Detailed responses to the questions in the issues paper are included in Attachment A. This letter will address key issues – the definition of natural gas, connections, and disconnections and reconnections.

It is particularly important that the *Gas Industry Act 2001 (Vic)* and Code of Practice be amended to be consistent with the agreed changes to *National Gas Law* (NGL). Changes to the definition of natural gas (to cover hydrogen, biomethane and blends of gases) in the NGL were agreed by all Ministers, including the Victorian Minister, in October 2022; and, once passed by the South Australian parliament, will apply in Victoria under the *National Gas (Victoria) Act*.



## Attachment A – Responses to the consultation questions

Topic	Questions for stakeholders	Response
Scope of our review	<p>1. Overall, do you support the scope of our proposed review of the code?</p> <p>2. Are the proposed criteria in our assessment framework appropriate?</p>	<p>1. Yes</p> <p>2. Agree but the approach to decarbonisation in the Code should be technology neutral</p>
Gas connections	<p>3. Do you consider the current connections framework for gas retail customers appropriate? Why or why not?</p> <p>4. What options should we consider when reviewing the connections framework for gas retail customers?</p>	<p>3. We consider the current framework is appropriate but note misunderstandings in some elements of the discussion on connections. All customers who connect are economic – existing customers do not subsidise new customers. Rather the National Gas Rules require a new connection to meet the new capital expenditure criteria particularly the criteria that the economic value be positive. Customer ease of connection – greater ability to liaise directly with network</p> <p>4. The connection process in Victoria can be complex, leading to inefficiencies, higher customer effort and complaints. As part of this code review, we would like to explore the opportunity for a direct customer connection process, consistent with other NEM jurisdictions. We expect this will lead to positive outcomes for customers through a more efficient connection process.</p>
Information about changes in the type of gas supplied	<p>5. Do you agree with the introduction of obligations to provide information to customers about changes in the type of gas supplied?</p> <p>6. Are there other options to introducing equivalent obligations proposed for the National Energy Retail Rules that we should consider?</p>	<p>5. We have been engaged as part of the AEMC’s reforms to the national gas regulatory framework, including on the requirement to provide notice to customers prior to changes being made to the type of gas supplied in a pipeline.</p> <p>We support alignment between the Code and the obligations recently recommended to the National Energy Retail Rules through the AEMC’s review.</p> <p>Any introduction of obligations should therefore be limited to those instances where there is a change in gas supplied ie hydrogen. Biomethane should not require notification because it makes no substantive change to the customer’s experience.</p> <p>6. Should apply same obligations as required under NERR.</p>

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Metering obligations	<p>7. Should we remove the overlap of metering obligations in the code and in Part 19 of the National Gas Rules?</p> <p>8. What options to the regulation of metering requirements for non-declared distribution systems should we consider?</p>	<p>7.</p> <p>a) As a general principle, we agree that where possible duplication of metering obligations between the Code and Part 19 of the NGR should be removed from the Code, unless it is required for reasons of clarity or market operation</p> <p>b) A detailed review of Part 19 and the Code would be required to ensure only the duplicated sections are removed (if they are to be removed) as there are parts of the Code that are not covered by Part 19 eg basic metering obligations do not appear in Part 19 of the NGR</p> <p>c) We do consider that current elements of the code are restrictive and do not allow industry to bring new types of meters into the market</p> <p>d) We suggest that the ESC have a forum with distributors/operators to further discuss the matters raised above</p> <p>8. We will operate in the same manner irrespective of whether the distribution system is part of the declared (or not ) distribution system</p>
Customer obligations	<p>9. Do you consider that the current arrangements for deemed distribution contracts and customer obligations results in uncertainty for customers and industry that is burdensome or harmful?</p> <p>10. Should we include customer obligations and prohibitions in the code?</p>	<p>9. AGN and Multinet do not consider that the current arrangements result in uncertainty for customers or industry, that is burdensome or harmful, because industry has not used deemed distribution contracts.</p> <p>10. Yes. The Gas Distribution Code should be amended so the statements in clause 11.1(a) and (b) of the Code are expressed as customer obligations.</p> <p>This is desirable because these obligations are, or should be, self-evident and customers should comply with them. If the obligations are included in the Code, this will provide a clear legal framework for customers.</p> <p>So, AGN and Multinet suggest that clause 11.1(a) and (b) are reworded as follows:</p> <p>"11.1 Customer obligations</p>

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		<p>(a) A customer must not:</p> <p>(i) allow gas supplied by the Distributor to the customer's supply address to be used at another supply address;</p> <p>(ii) take at the customer's supply address gas supplied to another supply address;</p> <p>(iii) supply gas to any other person unless permitted by regulatory requirements or agreed by the Distributor;</p> <p>(iv) tamper with, or permit tampering with, the meter or associated equipment;</p> <p>(v) bypass, or allow gas supplied to the supply address to bypass the meter;</p> <p>(vi) allow gas supplied under a residential tariff to be used for non-residential purposes other than home offices;</p> <p>(vii) allow gas supplied under a specific purpose tariff to be used for another purpose;</p> <p>(viii) allow a person, other than a person who is (to the best of the customer's knowledge) a gas installer, to perform any work on the gas installation;</p> <p>(ix) use the gas supply in a manner that may:</p> <p>A. interfere with the Distributor's distribution system or with supply to any other gas installation; or</p>

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		<p>B. cause damage or interference to any third party; or</p> <p>(x) interfere, or knowingly allow interference, with the Distributor's distribution system or any metering equipment at the supply address, except as may be permitted by law,</p> <p>unless specifically authorised or permitted by the Distributor or agreed between a customer and the Distributor.</p> <p>(b) A customer must:</p> <p>(i) provide the Distributor and its equipment safe, convenient and unhindered access to the customer's supply address for:</p> <p>A. connection or disconnection of supply;</p> <p>B. inspection or testing of gas installations or metering installations;</p> <p>C. undertaking inspection, repairs, testing or maintenance of the distribution system; and</p> <p>D. collection of metering data,</p> <p>in accordance with the provisions of the Gas Distribution System Code of Practice;</p> <p>(ii) maintain the gas installation at the customer's supply address in a safe condition;</p>

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		<p>(iii) protect the Distributor’s equipment at the customer’s supply address from damage and interference;</p> <p>(iv) inform the Distributor as soon as possible if there is any:</p> <ul style="list-style-type: none"> <li>A. change to the major gas usage purpose of the Customer’s supply address;</li> <li>B. change affecting access to metering equipment;</li> <li>C. quality or safety of the supply of gas to the customer or any other person; or</li> <li>D. gas leak or other problem with the Distributor’s distribution system.</li> </ul> <p>(v) take reasonable precautions to minimise the risk of loss or damage to any equipment, premises or business of the customer which may result from poor quality or reliability of gas supply.”</p> <p>These proposed obligations are substantially the same as existing clauses 11.1(a) and (b) of the Gas Distribution Code. They are reasonable obligations.</p> <p>AGN and Multinet are aware that people have been tampering with meters, bypassing meters and diverting gas. If the customer obligations are included in the Code, this will give distribution companies a legal basis to stop this conduct.</p>

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		<p>In particular, a distributor would be able to seek an injunction under section 54ZH of the Essential Services Commission Act 2001, where that is necessary.</p> <p>Clauses 11.1(c), (d) and (e) of the Code are already expressed as customer obligations. These clauses should be maintained.</p> <p>Clause 4.1 of the Code should also be amended so that a distributor can disconnect a customer where the customer has failed to comply with customer obligations under clause 11.1. In this regard, a new paragraph (vi) should be added to clause 4.1(a) as follows:</p> <p style="padding-left: 40px;">“(vi) where a customer is not complying with its obligations under clause 11.1 of this Code of Practice.</p> <p>This new paragraph (vi) is important because it gives a distributor a practical alternative to court proceedings against customers. Court proceedings are not necessarily a practical or efficient remedy because of the time and cost involved.</p>
Removing duplication with other regulatory instruments	<p>11. Do you have any views on the removal of Part D of Schedule 1 from the code?</p> <p>12. Do you have any views on the removal of Schedule 3 from the code?</p>	<p>11. No issue with this change although we would appreciate consultation on the drafting of any proposed changes within the Code</p> <p>12. No issue with this change although we would appreciate consultation on the drafting of any proposed changes within the Code</p>
Disconnections and reconnections	<p>13. Are any clarifications needed in relation to disconnection and reconnection obligations?</p>	<p>13. In principle yes however we consider that any proposed change needs to be considered in conjunction with other government agencies such as Energy Safe Victoria and industry more broadly. If the Code is changes, it should not be prescriptive such that it rules in or out any potential form of disconnection, reconnection or abolishment for any particular customer.</p>
Guaranteed Service Levels	<p>14. Should we specify clearer timeframes for when Guaranteed Service Levels payments must be made?</p>	<p>14. We do not feel there is any requirement for clearer timeframes on Distributors to process GSLs. At present MGN &amp; AGN pay monthly following the month when the GSL event occurs. AGN advise customers</p>



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		<p>that the GSL will be applied by their retailer not on their next bill, but on the following bill. If anything, we could include a timeframe guideline of, 'best endeavours" or "as soon as practical".</p> <p>Although Retailer obligations may be out of scope of this review, it would be useful for a timeframe to be stipulated on Retailers to pay customers the GSL on the next customer bill once they received notification from the Distributor.</p>
Distribution connected facilities	15. Are there any further consequential changes to the code required due to the recent amendments to the National Gas Rules relating to distribution connected facilities?	15. Note the change to the Gas Industry act
Unaccounted for gas benchmarks	16. What factors should we account for when considering our role in the framework for setting unaccounted for gas benchmarks in Victoria?	<p>16. The benchmark approach to managing UAFG is unique to Victoria and integrated in Market Procedures. The process for setting benchmarks by the ESC is mature, with Distributors required to demonstrate their effective and efficient management of UAFG to as low as practicable.</p> <p>As highlighted, measured UAFG is influenced by a combination of factors including fugitive emissions, metering errors, variations in heating values (noting the allocation of heating values to domestic customer is Victoria is subject to change from a state-wide average to smaller zonal allocations), data quality and theft. Not all are directly related to physical emissions and hence have an environmental impact; nor does the Distributor have direct control of each variable.</p> <p>We don't consider at this time there is sufficient evidence to suggest a change in approach to setting UAFG benchmarks.</p>
Civil penalty requirements	17. What factors should we consider when assessing whether or not to assign obligations in the code as civil penalty requirements	<p>17. The following factors should be considered for assessing whether or not to assign obligations in the code as civil penalty requirements:</p> <p>The consequence of non-compliance will</p>

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		<p>(a) cause major damage, loss or disruption to customers or  (b) will endanger or threaten to endanger the safety or health of a person</p> <p>For items which are related to operations then consideration could be given to these being more a service level payment (GSL) as opposed to a civil penalty</p>
Compliance and performance reporting	18. Do you have any views on proposed approach in relation to compliance and performance reporting obligations	<p>18. In general, support the streamlining of those obligations which are of the similar vein.</p> <p>The ESC should look to ensure that a regulatory reporting requirement is not duplicated or give rise to an unnecessary increase to the cost of compliance</p>
Consequential changes	<p>19. Can you identify any other changes we may need to make as a consequence of remaking the Gas Distribution System Code of Practice?</p> <p>20. Are there any other issues we should consider as part of this review?</p>	<p>19. None at this time</p> <p>20. As advised in response to question 5 above, the connection process for customers wishing to connect to the gas network should be reviewed with the potential for a customer to directly engage with the distributor when making a connection.</p>