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AGL Energy (**AGL**) welcomes the opportunity to make a submission in response to the Essential Services Commission's (**ESC**) draft decision in their review of the Gas Distribution System Code of Practice (**Draft decision**).

AGL is a leading integrated essential service provider, delivering 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio and have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion in renewable and firming generation over the past 20 years and added more than 2,350 MW of new generation capacity to the grid since 2003.

We are also a retailer of gas to over 1.5 million customers across all mainland Australian states. As announced in our 2022 Climate Transition Action Plan, AGL is committed to pursuing its decarbonisation roadmap and delivering a safe and responsible energy transition for our customers.<sup>1</sup> As AGL continues to support and expand decarbonisation and electrification opportunities for its customers, it also remains a critical priority for AGL to deliver secure, reliable, and affordable energy options to its existing customers.

### **A new framework for new connections and connection charges**

AGL supports the intent of the ESC reviewing the obligation on gas distributors to connect a customer to the gas network when requested to do so, provided certain requirements are met. The use of the gas network is changing, and recent Victorian Government regulatory and expenditure decisions have set out a pathway for electrification. This requires a review of the new gas connection and charges framework.

In considering recent government regulatory developments, we found the draft decision to introduce upfront charges to customers for new connections unsurprising. Yet, we urge the ESC to balance the view that gas distributors should be granted greater discretion when assessing connection requests alongside the customer experience. Measures should be introduced that require distributors to provide standardised publicly available information on how they calculate the costs of a new connection as an upfront charge.

AGL recommends the ESC look to replicate the experience of customers in the electricity sector where they have a set price range listed publicly for new connections. The ESC utilised a comparison of new connection costs in the gas sector with those customers have in the electricity and water sectors. The way the draft decision currently reads, it seems that for each new connection, each gas distributor will be able to calculate a bespoke charge. If that is the case, this could substantially delay and complicate the customer experience of getting connected. Additionally, we also recommend the ESC look to an implementation date of 1 July 2025 to align with the financial years and internal system processes to minimise implementation burden on industry and allow for existing construction contracts.

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<sup>1</sup> <https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/sustainability/ctap.pdf>



## **Distinguishing temporary disconnections and permanent abolishments**

In our previous submission, AGL supported the ESC in providing further clarification between temporary disconnections and permanent abolishments in the code.<sup>2</sup> Recent regulatory and funding changes set out in the Gas Substitution Roadmap, as well as pushes toward electrification increase, these are likely to increase the number of customers who are seeking to permanently disconnecting from gas networks. As such, an increasing number of customers permanently disconnecting from gas networks required a review of the current regulatory framework. We support the ESC's draft decision to distinguish and define what a disconnection and an abolishment is in the code. These definitions reflect current practices and will bring the code up to date with the latest access arrangements.

AGL also supports that longer-term reforms are likely needed to achieve better outcomes for customers, particularly if there are increasing numbers of customers permanently disconnecting from gas networks. A key risk we currently see is in the delivery and/or transition from a disconnection to an abolishment of a gas connection. For example, if a gas connection has been disconnected, the associated financially responsible market participant (**FRMP**) remains responsible from a retail market perspective for that connection. Some customers who are choosing to move away from gas are avoiding the higher charge by seeking temporary disconnection measures designed for short term pause of supply over the safer, permanent removal of connection assets. Over time, changes in property ownership will further increase the risk, as the new owners may be unaware of the live gas assets within the premises, but a FRMP remains responsible for the associated network charges.

Measures such as those in the Victorian access arrangements for gas distributors have allowed for the customer costs of abolishments to be kept low and for the network charges to be paused while gas connections are disconnected. We understand that this may not be a thorough long term solution. AGL is keen to help in finding sustainable solutions to these issues, and to further engage on future reforms to improve outcomes for Victorian consumers.

## **Provision of information requirements**

AGL supports the introduction of the new requirements for the provision of information as set out in the draft decision. As the draft decision currently reads, this new information requirement could apply to temporary excursions to changes in gas, rather than just longer term alterations. We recommend that the information on changes to gas blends is more explicitly outlined as high level permanent changes to the blend of gas.

## **Other matters**

We support that with the reduction in customers expected to remain in the gas network, the code should have a proportionate approach to gas life-support obligations and a reduced burden of regulatory obligations for gas retailers. AGL recognises that the ESC's draft decision is to not make any amendments to life-support equipment provisions. However, we recommend the ESC look to the rule change process that is planned to be initiated by the Energy Charter and adopt similar provisions. In principle, we support the Energy Charter's draft Better Protections for Life Support Customers Rule Change Proposal. Specifically, we'd welcome a move toward targeted definition of life support equipment based on the advice from the Life Support Medical Advisory Group.

Additionally, AGL recommends that the ESC implement a two-year post implementation review of the change from a statewide heating value to zonal heating values for unaccounted for gas. This will allow for a

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<sup>2</sup> <https://www.agl.com.au/thehub/articles/2023/05/review-of-the-victorian-gas-distribution-system-code-of-practice>



better understanding of the impact the change will have, especially when translating that amount back onto customers gas bills.

We look forward to continuing to work closely together on regulatory changes to address electrification and how the gas sector can help achieve net zero emissions. If you have any questions in relation to this submission, please contact Emily Gadaleta on [REDACTED]

Yours sincerely,

Chris Streets  
General Manager, Policy and Market Regulation