

DCAN response

ESC draft decisions on Gas Distribution System Code of Practice

<https://engage.vic.gov.au/gas-distribution-system-code-of-practice-review-2022>

To Energy Reform Team
Essential Services Commission

Copies to:

Kat Theophanous MP, Member for Northcote
Nathan Lambert MP, Member for Preston

DCAN thanks you for the opportunity to once again make a submission, this time on ESC's draft decisions.

We are pleased that ESC has retained the strong focus on distributor obligations. In our earlier submission, DCAN wrote: "The emphasis in the review on distributor obligations is very important as Victoria moves off gas. Distributors need to be given strong signals from the ESC that the Code will align with Government targets and the Gas Substitution Roadmap, as well as community expectations."

2. A new framework for new connections and connection charges

ESC questions

1. Do you agree with the proposed introduction of upfront charges for new gas connections? Are there any implementation costs, advantages or disadvantages to the options considered that we should take into account? Please discuss.
2. Should the proposed code be more specific about how distributors calculate the costs of a new connection, as an upfront charge to customers? If so, how?
3. Do you agree with the proposed implementation of new connection charges to begin from 1 January 2025? Please discuss

DCAN reiterates our strong support for introducing upfront charges for new gas connections. We note some industry support, but also that some major industry players were lukewarm in defence of their vested interests: "AGIG considers the current framework appropriate", "AGL considers the framework appropriate", "EnergyAustralia ... a user-pays principle ... although not all costs as this might discourage connections". The following points from the draft decision are an effective rebuttal of these perspectives:

- "The obligation may also clash with **upcoming changes to the Victorian Planning Provisions which will require new homes and subdivisions to be all-electric.**
- "Removing the obligation to connect customers in the minor or infill extension area means **there will no longer be a presumption that gas networks will continue to expand indefinitely.**

- “... we are proposing that gas distributors will have an obligation to connect a customer who requests a connection **only if the connection would involve minimal or no extension or augmentation** of the distribution system”

DCAN notes that the draft decision is based on a careful analysis of benefits and costs of the three options for charging (economic feasibility test, upfront, hybrid).

On the calculation method, whether or not ESC specifies aspects of the method, ESC should:

- a) require distributors to publish their method to ensure that the distributor is not indirectly subsidising new connections by absorbing some of the cost or passing it onto other customers
- b) reserve the power to prescribe the method.

New connection charges should ideally begin from the beginning of the next financial year - 1 July 2024. In our view, distributors have in effect been given notice of the changes. The sooner that a reduction in costs for all customers is realised the better (via AER processes to forecast demand and adjust distributors' approved revenue p.35).

3. Distinguishing temporary disconnections and permanent abolishments

ESC questions

Do you agree with the proposed definitions and processes for disconnection and abolishment? Please discuss.

DCAN supports the proposed definitions and processes. Noting the role of AER in setting costs, we commend the ESC emphasis on ensuring that consumers have clear information about costs of disconnection and abolishment. Emphasis needs to be on the growing desire of households to stop using gas entirely.

4. Provision of information requirements

ESC questions

4. Do you agree with the proposed new provision of information obligations for gas distributors? Please discuss.

DCAN supports the requirements in full - especially relating to UAFG, abolishment of gas connections, and matching AER requirements on reporting changes in gas composition for the NERR.

On UAFG, DCAN supports the draft decision to drop the current approach in 2028 and work towards a better management system with other authorities

We note the low cost of publishing existing data on the websites of distributors.

DCAN asks that the ESC requires publication of data by distributors so that classes of users by consumption level can be identified, down to postcode level. This is clearly important information to guide the energy transition off gas, and also to support low income households struggling with large gas bills because they cannot afford electric appliances or energy efficiency measures in their old leaky dwellings. We understand that this information is readily available to the ESC. The need for this information is reinforced by a major study just released by ClimateWorks into the potential energy (and financial) savings of house renovations -

<https://www.climateworkscentre.org/resource/climate-ready-homes-building-the-case-for-a-renovation-wave-in-australia/>

5. Updating the code and streamlining regulation

ESC questions

5. Do you agree with our proposed amendments to remove duplication with other regulatory instruments and to streamline the code? Please discuss.
6. Do you agree with the removal of the overlap of metering requirements between our code and the National Gas Rules? Should we retain the requirements in clause 7 on meter accreditation, certification and testing? Please discuss.

While recognising the need to avoid duplication in relation to regulation of gas blending, we believe that the ESC should be involved in three ways - information provision (as covered above), on-going public consultations to ensure consumer views are truly heard, and importantly keeping a watching brief even if the regulatory role shifts to national authorities. The issue of blending hydrogen in the pipelines is too important, and there is a risk that it will slip under the radar.

6. Other matters

ESC - no questions, but a draft decision on UAFG p.81

7. Enforcement, compliance and reporting obligations

ESC questions

7. Do you have any feedback on our proposed compliance and performance reporting requirements? Please discuss.

DCAN supports the decision to specify the majority of obligations on gas distributors as civil penalty requirements, in line with the Electricity Distribution Code of Practice or the Energy Retail Code of Practice.

DCAN strongly supports an additional performance-reporting obligation in the proposed schedule of the new code. It should include a requirement that distributors report on gas usage by consumption level down to postcode level. This information will be critical to the Victorian Government in implementing the *Gas Substitution Roadmap* and meeting Victoria's emissions targets. We agree with the proposal to include UAFG, guaranteed service levels and abolishments.

In support of the above, we strongly agree with the information provision requirements proposed for licences (outlined in Annex D – Draft template gas distribution licence)

12.1 Except where expressly provided to the contrary in a Code of Practice, the Licensee must maintain comprehensive records regarding any activities undertaken pursuant to this Licence for a period of at least seven years.

12.2 The Licensee must provide to the Commission, in the manner and form decided by the Commission, such information as the Commission may from time to time require.

8. Updating gas distribution licences

ESC questions

8. Do you have any feedback on our proposed variations to gas distribution licences? Please discuss.

DCAN strongly supports the requirements to maintain comprehensive records, and to provide information as required by ESC.

9. Changes to other instruments

ESC questions

9. Can you identify any other changes to codes of practice, guidelines, licences or other instruments we may need to make as a consequence of the proposed Gas Distribution Code of Practice?
10. Are there any issues with implementing the proposed Gas Distribution Code of Practice that we should consider?
11. Do you have other comments, feedback or suggestions about our draft decision or the proposed new code?

DCAN is concerned that repeal of the current Gas Industry Guideline 17 might lead to loss of critical information relevant to future policy decisions about the gas networks. In the process of repealing the Guideline, we urge ESC to ensure that relevant information is not lost or can be required in other ways.

DCAN applauds the way in which ESC has gone about this review.

About DCAN

DCAN comprises a large group of local residents of diverse ages and backgrounds who meet regularly, and work together to seek a safe climate future. We actively interact with all three levels of government encouraging each of them to adopt the policy changes now urgently needed. We have over 5,000 supporters. DCAN networks with climate groups across Australia.

Yours sincerely



Dr Jim Crosthwaite and Prof. Ann Sanson, DCAN Convenor

on behalf of DCAN

Contacts: Jim  / Ann 