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## Environment Victoria submission on **the Gas Distribution System Code of Practice review**

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

To the Essential Services Commission,

Environment Victoria welcomes the opportunity to make a submission on the Gas Distribution System Code of Practice review.

Environment Victoria (EV) is an independent and not for profit organisation that has been campaigning to look after Victoria's environment since 1969. With more than 40-grassroots member groups and 200,000 individual supporters, Environment Victoria is a growing community of Victorians standing up for a safe climate, healthy rivers and a sustainable future.

As the issues paper acknowledges, sentiment towards gas in Victoria is rapidly changing. For a long time, gas in Victoria was a cleaner and cheaper alternative to brown coal generated electricity. But that is no longer the case, and as the percentage of renewable generation increases, transitioning away from gas becomes increasingly urgent to achieve net zero emissions.

The Gas Substitution Roadmap (GSR) provides a clear signal about the Government's commitment to support the gas transition. The new Gas Distribution System Code of Practice needs to go beyond providing a clear framework for distributors and clients: it should be consistent with the objectives stated in the GSR and support a smooth transition away from gas, eliminating any remnant regulations which incentivised new gas connections or disincentives disconnections from the network.

Our submission focuses on new gas connections and disconnections as these topics are central in an energy transition.

### **I. New gas connections**

Adding new gas connections while simultaneously trying to reduce gas consumption in Victoria is counterproductive and will delay the much-needed transition away from gas. From both a climate and a cost-of-living perspective, expansion of the gas network is no longer in the best interest of residential customers. As the Issues Paper acknowledges, demand for new gas connections is likely to change as household electrification increases, and in response to the GSR all Victorian gas distributors reduced their proposed growth capital expenditure.

Ideally the GSR would introduce a timed phase-out of new connections. We note, however, that prevention of new connections is beyond the scope of this review.

Nevertheless, the current connections framework for gas retail customers is not appropriate. It operates under outdated assumptions regarding average consumption levels of new customers and about the number of new connections per year.

Once the GSR is fully implemented connections will decrease on a yearly basis. Maintaining an obligation for gas distributors to connect new customers at their request will be counterproductive both for new customers and for the existing customer base. New customers will enter a network with a shrinking user base and rising costs, and existing customers, who might be looking to electrify in the future, would have to bear the costs of connecting new users to the gas network.

In consideration of this we recommend the following:

- A distributor may refuse to connect a customer if the customer's property is in an area where gas is not currently available, too far from the network to make a new connection economically viable, or in an area where a diminishing customer base is impacting the distributor's ability to remain economically viable in said area.
- Amend clauses 3.1(c) and 3.1(f)(i) of the Gas Distribution System Code of Practice to eliminate the requirement of distributors to connect customers requesting a new connection who live within one kilometre from the nearest main pipeline. Distributors shall be allowed to refuse new connections based on the criteria stated above.
- Customers that decide to connect to the gas network shall be required to bear the full cost of connecting to the network.

## II. Disconnections

As disconnections are projected to increase over the following decade,<sup>1</sup> it is crucial to define the different services associated with clients ceasing gas usage such as disconnection, meter removal and abolishment. The definitions for disconnection, meter removal and service abolishment adopted by the distributors in their Access arrangement proposals<sup>2 3 4</sup> seem adequate.

Nevertheless, the power to decide which cessation of supply service apply in a particular case must be always a prerogative of customers.

Distributors should be prevented from being the ultimate decisionmakers regarding which cessation of supply service is applicable as it could present a clear or perceived conflict of interest for the distributor. In effect, while a disconnection service is currently priced at \$81, a service abolishment for residential customers is priced at \$950 by AGN and Multinet. If distributors were allowed to force customers to go

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<sup>1</sup> <https://aemo.com.au/en/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-gsoo>

<sup>2</sup> <https://www.aer.gov.au/system/files/AGN%20-%20Revised%20Final%20Plan%202023-28%20-%20Access%20Arrangement%20-%20Clean%20v%20current%20AA%20-%20with%20credit%20support.pdf>

<sup>3</sup> <https://www.aer.gov.au/system/files/AGN%20-%20Revised%20Final%20Plan%202023-28%20-%20Access%20Arrangement%20-%20Clean%20v%20current%20AA%20-%20with%20credit%20support.pdf>

<sup>4</sup> <https://www.aer.gov.au/system/files/AGN%20-%20Revised%20Final%20Plan%202023-28%20-%20Access%20Arrangement%20-%20Clean%20v%20current%20AA%20-%20with%20credit%20support.pdf>

through abolishment rather than disconnection they would create a strong disincentive against home electrification and the objectives of the GSR.

We therefore recommend that:

- When a disconnection from the network is the result of a client's decision, the client shall be entitled to make the final decision on what end of supply service will be applied in their particular case. Under no circumstances distributors shall compel clients to undergo an end of supply service against the will of customer.