



Gas Distribution System Code of Practice review

Online information session

20 April 2023



Acknowledgement of country



Barring Djinang artwork by Jade Kennedy.
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Welcome



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Use the chat or 'raise hand' for questions

Our approach today

We're keen to hear from you

We will present a summary
of our review

Please make submissions
via Engage Victoria:
Due date – 4th May



Agenda

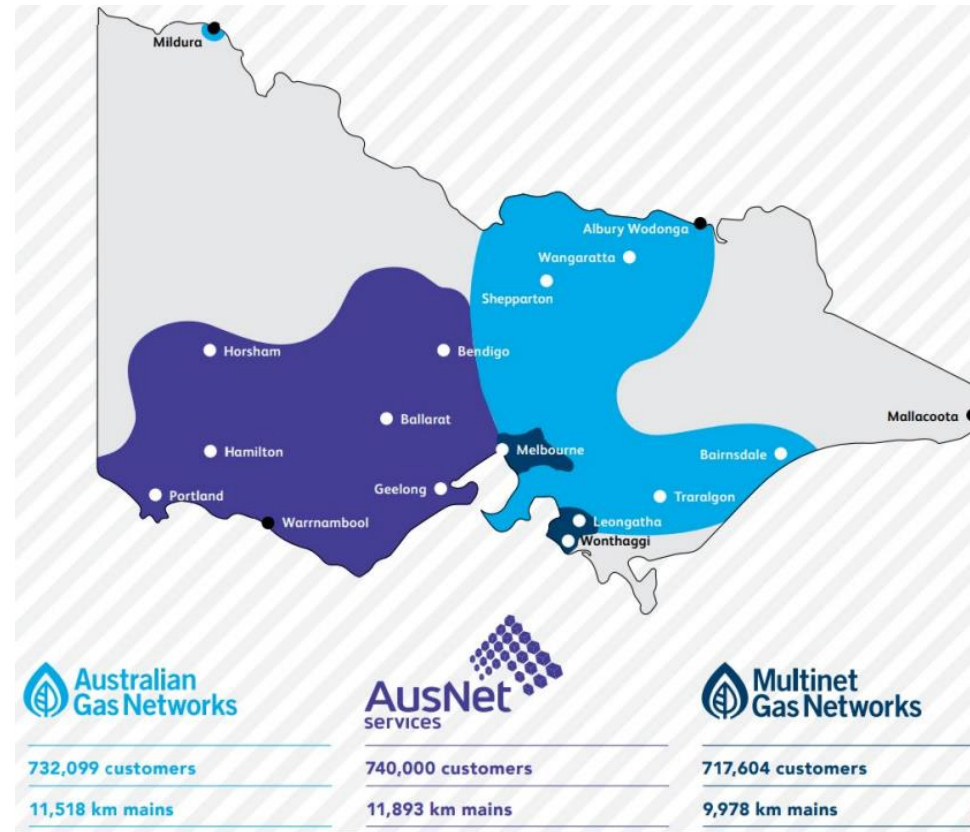
3:00 pm	Introductions Aaron Yuen, Director Analysis & Reform
3:05 pm	Information session Luis Bogliolo, Manager Regulatory Reform Jess Manahan, Regulatory Analyst
3:35 pm	Q&A
4:00 pm	Closing Aaron Yuen, Director Analysis & Reform

Gas distribution in Victoria

Gas distribution companies own and manage the pipelines which deliver gas to homes and businesses.

Currently, the following companies hold a gas distribution licence:

- AusNet Services
- Australian Gas Networks
- Multinet Gas Networks
- Gas Networks Victoria.



Source: AGIG, Victorian Gas Networks Stakeholder Roundtable slides, March 2022.

What is the Gas Distribution System Code of Practice?

The code sets out consumer protections and obligations gas distributors must follow in operating gas distribution networks in Victoria. The code regulates:

- the operation of the distribution system
- connections, disconnection and reconnection
- curtailment and interruptions
- metering requirements
- life-support equipment obligations
- deemed distribution contract requirements
- guaranteed service levels
- customer complaint handling.

Why are we reviewing the code?

The purpose of our review and to remake the Gas Distribution System Code of Practice is to:

- make obligations fit for purpose, allowing effective compliance monitoring and enforcement
- align the code with recent changes to the National Gas Rules and remove duplication and inconsistencies
- support policy developments.

Key considerations

- Our new enforcement framework (requires us to review the code and specify civil penalty requirements).
- Victoria's Gas Substitution Roadmap.
- Recent changes to the national regulatory framework:
 - distribution connected facilities rule change
 - review into extending regulatory frameworks to hydrogen and renewable gases.
- Victorian gas distributors' access arrangements for the 2023–2028 period.

Our proposed approach

Our focus in remaking the code will be to:

- review the connections framework for retail customers
- consider introducing a requirement for distributors to provide information to customers about changes to the type of gas supplied
- remove inconsistencies, redundant provisions and duplication with other instruments
- update definitions, terminology and improve the code's structure
- specify civil penalty requirements for the application of our new enforcement framework.

Our proposed approach (continued)

We are also proposing to:

- update gas distribution licences
- review gas distributors' reporting requirements
- repeal outdated instruments.

What is outside the scope of our review

- Network charges and tariffs for specific services regulated by access arrangements approved by the Australian Energy Regulator (AER).

For example: who should pay for gas connection abolishment.

- Government policy related to gas production, supply and gas substitution.
- Gas wholesale markets and gas retail prices.

What is our role in regulating gas distribution?

The Essential Services Commission regulates gas distribution in Victoria under the *Gas Industry Act 2001*.

We regulate gas distribution businesses and their operation of Victoria's gas distribution networks in accordance with certain operational requirements and with an emphasis on consumer protection.

Other regulators

Other regulators that oversee functions related to gas distribution in Victoria:

- **Australian Energy Regulator**
Economic regulation of distribution pipeline services.
- **Australian Energy Market Commission**
Rule-making relating to access to gas transmission and distribution pipelines.
- **Australian Energy Market Operator**
Management and operation of the gas transmission system and scheduling of Victoria's wholesale gas market.
- **Energy Safe Victoria**
Safety regulation of gas distribution networks.

Key issues

Sections of the code	Topic
3 + Schedule 2	Connections and connection charges
-	Information about changes in the type of gas
5 to 8	Metering requirements
11	Customer obligations and deemed distribution contracts
4	Disconnection and reconnection
2.2 + Schedule 1 Part E	Guaranteed service levels
Schedule 1 Part D	Heating values
Schedule 3	Technical standards
2.4 + Schedule 1 Part C	Unaccounted for gas benchmarks

Connections and connection charges

In Victoria, the main connections requirements are found in clause 3 of the Gas Distribution System Code of Practice.

Distributors are required to connect new customers who reside within 1km of the network and who request a connection.

Customers contribute to the costs of new connections only where these costs are higher than the revenue expected through future tariffs.

- In practice, most new residential gas connections occur without any charges to the customer.

Schedule 2 of the code sets out guidance on connection charges (the method for calculating how much customers are to contribute for new connections).

- Is the current connections framework appropriate?
- What options should we consider when reviewing the connections framework?

Provision of information about changes in the type of gas supplied

We are proposing to introduce obligations for gas distributors to provide information to customers about any potential changes in the type of gas supplied.

- The aim is to provide transparency to customers on the type of gas they are consuming.
- This would align consumer protections in Victoria with those proposed for the national regulatory framework by the AEMC.

- Do you agree with the introduction of obligations for gas distributors to provide information to customers about changes in the type of gas supplied?
- Are there other options we should consider?

Metering requirements for non-declared parts of the Victorian gas distribution network

There may be benefit in removing the overlap between metering requirements in the code and in the National Gas Rules.

However, the relevant section of the National Gas Rules only applies to declared parts of the Victorian gas distribution network.

The Gas Distribution System Code of Practice applies to all licensed gas distributors.

- Should we remove the overlap of metering requirements with the National Gas Rules?
- What options should we consider for non-declared distribution systems?

Declared and non-declared distribution networks

'Declared distribution networks' after DWGM rule change (from 1 May 2024)	'Non-declared distribution networks' after DWGM rule change (from 1 May 2024)
AGN's main distribution network	AGN's East Gippsland network (Bairnsdale and Paynesville)
Multinet's main distribution network	Multinet's South Gippsland network (Korumburra, Leongatha, Inverloch and Wonthaggi)
AusNet's main distribution network	AusNet's Grampians network (Ararat, Avoca, Stawell and Horsham)
	AGN's Mildura network
	Gas Networks Victoria's regional networks (Robinvale, Swan Hill, Kerang, Nathalia, Maron, Maldon, Heathcote, Invermay, Terang, Lakes Entrance, Orbost)

Customer obligations and deemed distribution contracts

Customer obligations are currently referred to in code as terms and conditions which can be included in deemed distribution contracts.

There are currently no deemed distribution contracts between gas distributors and customers in Victoria.

Customer obligations refer to wrongful or inappropriate uses of the gas network such as:

- endangering the safety of gas supply
- taking gas without appropriate measurement or payment
- causing damage to the gas network and to third parties.

Similar customer obligations exist in the Electricity Distribution Code of Practice.

- Should we include customer obligations and prohibitions in the code?

Clarifying gas distributors' obligations

Disconnection and reconnection

The code currently does not address the difference between disconnections and abolishments (service line and meter removal).

- Are any clarifications needed in relation to disconnection and reconnection obligations?

Guaranteed Service Levels

- Should we specify clearer timeframes for when Guaranteed Service Levels payments must be made?

This could provide more clarity for both distributors and customers.

Removing duplication with other regulatory instruments

Heating values

- Should we remove the reference to heating values in the code?

This would streamline the implementation by AEMO of zonal heating values in Victoria for small and residential customers.

Technical standards

- Should we remove references to technical standards that are not associated with any obligations in the code (in Schedule 3)?

This would streamline regulation and avoid duplication with other regulatory frameworks (such as the energy safety framework).

Other issues

Unaccounted for gas benchmarks

We have recently set new benchmarks for 2023–2028.

We have heard concerns with the environmental and financial impacts of unaccounted for gas and the effects that the potential injection of hydrogen or other gas blends may have on current arrangements.

We are seeking feedback on what factors we should account for when considering our role in setting these benchmarks.

Reporting obligations

We intend to review gas distributors' compliance and performance reporting obligations and align them with provisions in the new code.

Other issues

Updating gas distribution licences

Last year we updated the:

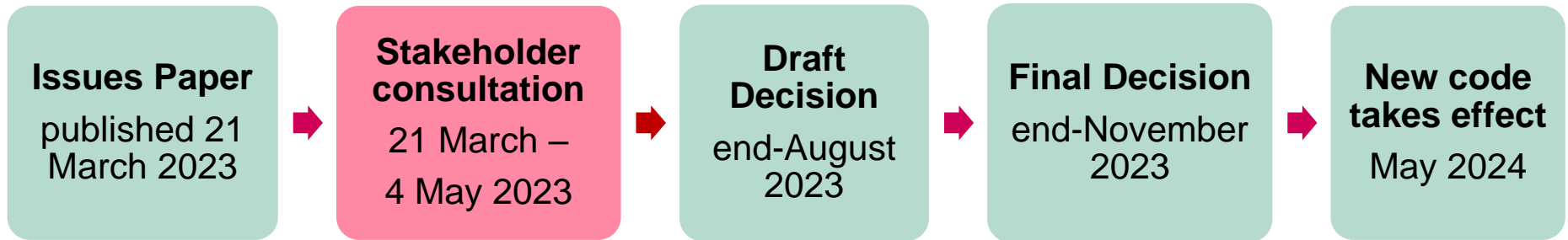
- electricity distribution licences
- energy retail licences.

We plan to review and update gas distribution licences in conjunction with the remaking of the code.

Repealing outdated instruments

We intend to repeal Gas Industry Guideline No. 17 (Regulatory Accounting Information Requirements).

Timeline



Questions



Use the chat or 'raise hand' for questions



Mute your microphone (when not speaking)



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Have your say

For submissions: [Engage Victoria](#)

Gas Distribution System Code of Practice review 2022

Have your say as the Essential Services Commission reviews the Gas Distribution System Code of Practice.

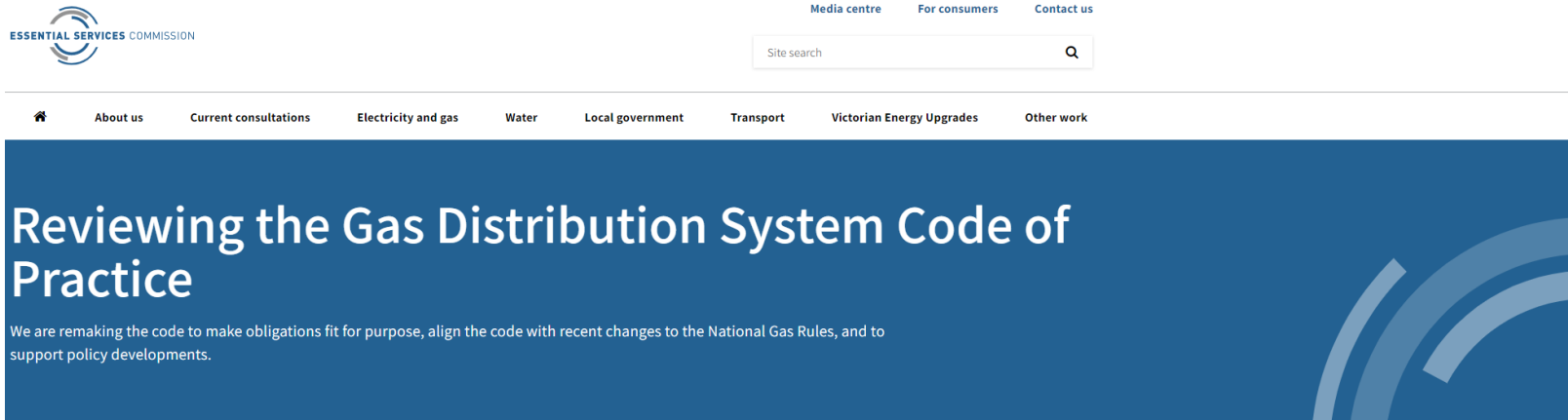
OPEN FOR FEEDBACK

🕒 CLOSING 04 MAY 2023



For more information

Visit the [Essential Services Commission](https://www.essential-services.com.au) website



Contact us: energyreform@esc.vic.gov.au

Thank you for joining us today

Submissions on the Gas Distribution System Code of Practice review are due: 4 May 2023

- You can provide written submissions or feedback via the Engage Victoria website:

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