

26 April 2023

Ms Kate Symons  
Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale Street,  
Melbourne VIC 3000.

Submitted via website: [www.engage.vic.gov.au](http://www.engage.vic.gov.au)

Dear Ms. Symons

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

Thank-you for the opportunity to provide a submission in response to the Gas Distribution System Code of Practice Review Issues Paper (The Paper).

Momentum Energy Pty Ltd (Momentum) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest producer of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers. We aim to offer competitive rates to both residential and business customers along with a range of innovative energy products and services.

#### **1. Overview**

Momentum believes that a review of this code is timely considering the significant changes that consumers and the gas industry will need to undertake to comply with the Victorian government's Gas Substitution Roadmap and with the prospect of hydrogen and other renewable gases being blended with natural gas, to support emissions reduction targets. Victoria's gas distribution businesses can no longer justify and promote growth in gas consumption, mains extensions and augmentation of their networks as they approach this new paradigm. Moreover, they need to consider how they can economically support consumers choosing to exit their gas use without causing an increased burden on the remaining users of gas. Gas distribution businesses will require a new approach to their operation focusing on efficiency, lower costs and innovation that will support the transition to more environmentally friendly energy sources.

## 2. Specific Responses to Questions Raised in the Review

### Question 1

Do you support the scope of our proposed review of the code?

We support the proposed scope of the review particularly in view of the Gas Substitution Roadmap published by the Victoria government in July 2022.

The current arrangements for new gas connections are incongruous with the Gas Substitution Roadmap and create a cross subsidy whereby existing gas customers are largely funding the connection costs of new gas customers which can no longer be tolerated, with the uncertainty surrounding the future of reticulated gas in Victoria.

### Question 2

Are the proposed criteria in our assessment framework appropriate?

Momentum supports the assessment framework criteria especially with the inclusion of decarbonisation which is now an important consideration. However, we believe that the minimalisation of cross subsidies between new and existing gas users should also be added as a criterion. Currently, new gas customer connection costs are determined using the economic feasibility test<sup>1</sup> which results in most new residential connections being installed free of charge. These arrangements were established to encourage the use of natural gas and utilise a recovery period of 20 years under the economic analysis. It is our view that the economic feasibility test should be removed as the future of gas reticulation is unknown and it is highly likely (under the existing economic feasibility test) that the cost to supply new gas users would largely be funded by existing gas users. New connections to gas should bear the full cost together with any capacity reinforcement that may be required as this will minimise costs for existing gas users.

### Questions 3 & 4

Do you consider the current connections framework for gas retail customers appropriate? Why or why not?

What options should we consider when reviewing the connections framework for gas retail customers?

The current approach to new gas connections is not appropriate as it is not aligned to the Gas Substitution Roadmap. Moreover, the life of existing gas reticulations are uncertain causing new gas connections to impose a cost burden on existing gas users. It is our view that new gas connections should pay the full cost of both the connection costs and any upstream augmentation that may be required to support the additional load. Furthermore, we believe the distributor obligation under the existing Gas Distribution System Code (the Code) to extend the reticulated network up to one kilometer<sup>2</sup> upon request should be deleted as it is inconsistent with the Gas Substitution Roadmap objectives.

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<sup>1</sup> ESC Gas Distribution System Code of Practice Schedule 2 Economic Feasibility Test [Gas Distribution System Code of Practice \(esc.vic.gov.au\)](https://www.esc.vic.gov.au/gas-distribution-system-code-of-practice)

<sup>2</sup> ESC Gas Distribution System Code of Practice clause 3.1 page 8 [Gas Distribution System Code of Practice \(esc.vic.gov.au\)](https://www.esc.vic.gov.au/gas-distribution-system-code-of-practice)

There is also contention regarding the existing gas connection abolishment fees charged by gas distributors. These fees appear excessive and are a strong disincentive for consumers to move away from gas to avoid ongoing daily gas supply charges. We are of the view that the Code should limit these charges to encourage distributors to develop a more efficient method for gas abolishments.

**Questions 5 & 6**

Do you agree with the introduction of obligations to provide information to customers about changes in the type of gas supplied?

6. Are there other options to introducing equivalent obligations proposed for the National Energy Retail Rules that we should consider?

Momentum does not support the mandatory notification to customers by distributors of changes in the type of gas supplied. It is our understanding that any comingling of hydrogen or other renewable gases will need to be tested and comply with Energy Safe Victoria (ESV) gas specifications before a distributor is allowed to inject new gases. Customers will be unnecessarily disturbed by these notifications and are not likely to understand the implications of these changes. It is the responsibility of the ESV and distributors to ensure that the gas injected into a distribution system is safe and within the approved standard.

Retailers will amend their customer terms and conditions to facilitate the changes to the definition of gas and this will provide the contractual right for both parties to deliver and accept any comingled gas. If there is any concern regarding the safety of comingled gas then it should not be injected into the gas distribution systems. Consumers should not be expected to monitor the impacts of any new gas, when it arrives and when it changes as they should have an expectation that it is fit for purpose. Will the proposed consumer notifications also require additional notifications when the comingling of the gas is ceased or when its proportions are amended? We believe that this would also be pointless and raise undue concern for consumers, who have no ability to manage any adverse effects. Risks to end users should not arise if the gas composition is maintained within its regulated specification.

**Questions 7 & 8**

Should we remove the overlap of metering obligations in the code and in Part 19 of the National Gas Rules?

What options to the regulation of metering requirements for non-declared distribution systems should we consider?

Where possible we generally support national regulation that avoids jurisdictional or sub network differences providing that this does not cause significant costs to the parties responsible for metering. With the introduction of the Gas Substitution Roadmap there does not appear to be any value in causing additional costs to gas networks for the sole purpose of consistent national regulation so maintaining the status quo would be the least cost preferred option.

**Questions 9 & 10.**

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?

Should we include customer obligations and prohibitions in the code

While we understand the concern that deemed gas distribution contracts do not exist when compared with the electricity market, we are unsure of the rationale for this paradigm. The Paper does not discuss the history of this arrangement and why it was allowed to continue when full retail competition (FRC) was introduced into Victoria in January 2002. At this time the Victorian energy legislative framework was significantly amended to facilitate FRC and it may be that while deemed distribution gas contracts were considered, the upstream gas contractual market did not accommodate downstream customer contracts of this nature. We believe that further investigation needs to be undertaken before any introduction of new consumer obligations and prohibitions into any relevant codes.

**Question 11**

Do you have any views on the removal of Part D of Schedule 1 from the code?

We note that Part D of Schedule 1 from the code specifies the heating value for both non-daily metered gas customers and daily metered gas customers. The heating value is a fundamental input into the retail billing of gas. It is understood that there is a move by the Australian Energy Market Operator (AEMO) to implement zonal heating values for all small and residential consumers and that this will be regulated by AEMO's Wholesale Market Metering Procedures.

We are concerned that with the prospect of comingled hydrogen and other renewable gases into gas distribution systems that there should also be a clear obligation on the distribution businesses to ensure that the gas heating value remains within the approved ranges. The Code would therefore have an increased role in regulating various zonal heating values. The Code is a more substantive regulatory instrument than the AEMO Procedures and therefore should continue to manage this important gas distributor obligation.

Therefore, we do not support the removal of Part D of the Schedule 1 from the Code.

**Question 12**

Do you have any views on the removal of Schedule 3 from the code?

We note from The Paper that Schedule 3 of the Code refers to the Australian Standard for various piping used in gas distribution networks. ESV is responsible for electricity, gas and pipeline safety and enforce compliance with technical safety. Therefore, we support the removal of Schedule 3 from the Code.

**Question 13**

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

The Paper stated that the Code does not define disconnection that suitably describes the difference between abolishment (removal of service line and meter) or meter plugging with locks. Distributors, in their new access arrangements, intend to define disconnection types. Momentum agrees with the intention of the ESC to also define disconnection types in the Code as this will ensure consistent definitions across all distributors providing clarity for retailers and customers.

**Question 14**

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

Momentum is comfortable with the current timing arrangements regarding Guaranteed Service Level payments.

**Question 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?

We agree with the comments made in The Paper that suggest that consequential changes to the Code are required due to the recent amendments to the national regulatory framework. It appears that Victorian gas distributors also intend to inject and blend hydrogen and renewable gases into their distribution systems so therefore a definition of “injection point” and or amendment to “transfer point” is also required.

We suggest that the Code should also define how these injection points can be operated including any additional obligations for distributors to comply with unless they are covered by ESV or AEMO regulations.

**Question 16**

What factors should we account for when considering our role in the framework for setting unaccounted for gas benchmarks in Victoria?

Momentum agrees with the comments made in the Paper regarding the proposal to lower the UAFG benchmarks. A lowering of the benchmarks will likely result in additional capital investment by gas networks to comply and consequential increased gas prices for consumers. This would not be efficient in the context of the Gas Substitution Roadmap whereby gas usage will be discouraged, and the future life of gas distribution networks is uncertain.

**Question 17 & 18**

What factors should we consider when assessing whether or not to assign obligations in the code as civil penalty requirements?

Do you have any views on our proposed approach in relation to compliance and performance reporting obligations?

Momentum has no comment regarding these questions.

**Questions 19 & 20**

Can you identify any other changes we may need to make as a consequence of remaking the Gas Distribution System Code of Practice?

Are there any other issues we should consider as part of this review?

Momentum has no comment regarding these questions.

Should you require any further information regarding this submission, please don't hesitate to contact me on [REDACTED]

Yours sincerely

[Signed]

Randall Brown

Head of Regulatory Affairs