

Consultation summary

Gas Distribution System Code of Practice review: draft decision

Introduction

In its draft decision in November 2023, the Essential Services Commission proposed a new Gas Distribution Code of Practice which will provide a fairer and clearer framework for gas network customers. The proposed new code addresses some key risks posed by the energy transition to achieve climate action targets and enables us to better monitor compliance and enforce obligations on gas distributors. We sought feedback from the public and stakeholders to understand their views on our draft decision. Stakeholder feedback will help inform us in finalising a new code of practice and updated gas distribution licences.

Consultation process

We released an Issues Paper on 21 March 2023 to seek stakeholder feedback on key issues in this review. Twenty stakeholders responded to our issues paper by written submission and by responses to the survey on Engage Victoria. We had regard to these submissions in making our draft decision.

On 15 November 2023 we released our draft decision and invited the public and stakeholders to answer questions covering the key matters in the review of the code. The five-week consultation period closed on 21 December 2023.

We received a total of 136 submissions to the draft decision, including 126 submissions via Engage Victoria. Written submissions were received from gas distribution companies, gas retail companies, consumer and climate action groups, industry peak bodies and individuals.

Next steps

We are reviewing feedback received through this draft decision consultation process and finalising amendments to the draft code. We will also finalise variations to gas distribution licences in consultation with gas distributors. Our indicative timeline for a final decision is March/April 2024. However, this is indicative only, subject to the matters raised in stakeholder feedback and our consideration of timeframes and requirements necessary to implement the new code.

Snapshot of stakeholder feedback

Most submissions largely support our draft decision on these key issues:

- setting out minimum customer obligations
- new requirements to provide information to consumers
- new requirements on compliance and performance reporting
- streamlining regulation and removing duplication.

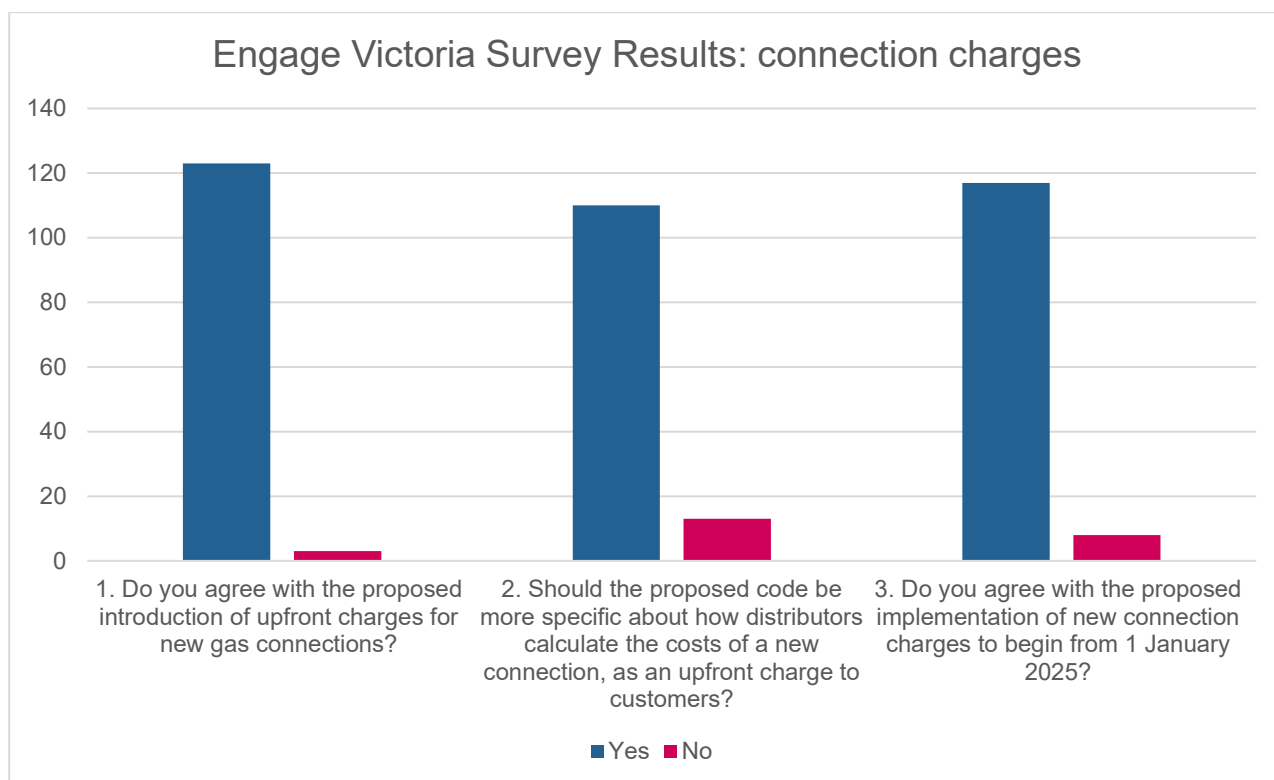
There were differences of views among stakeholders on:

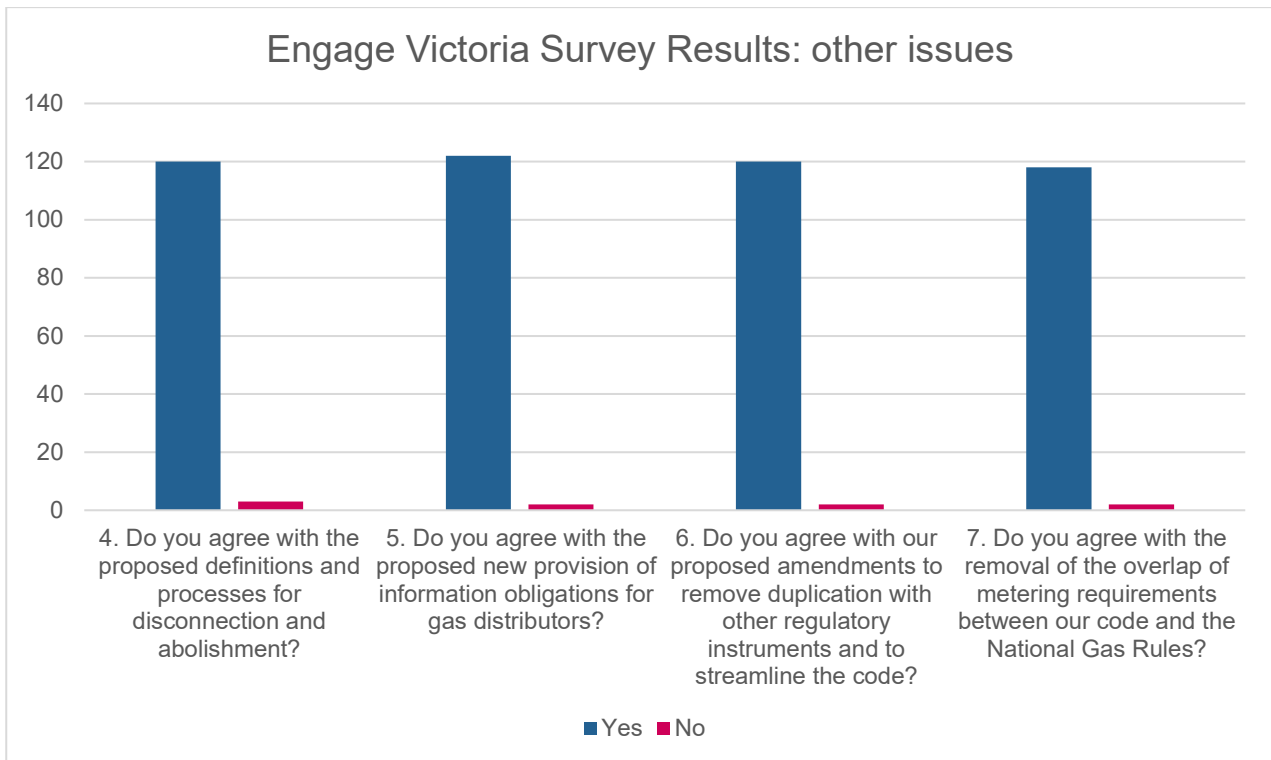
- updating the framework for new gas connections and connection charges
- clarifying obligations related to disconnections and abolishments.

A snapshot of stakeholders' feedback on key themes is set out below. We note that all stakeholder submissions can be found on our [project page](#).

Engage Victoria survey results

We received 126 submissions through our survey on Engage Victoria. The graphs below show the quantitative results of responses to key questions asked in our survey.





We set out below in more detail specific feedback on those key topics.

Connections framework and connection charges

Gas distributors

- AusNet* considers the current economic feasibility test and existing regulatory framework are efficient and align with access arrangements. *AusNet* considers the draft decision approach may increase the stranding risk for existing and vulnerable customers, is not consistent with electricity connection charging, and results in unfair charging of new customers. *AusNet* finds the proposed non-specific connection charge calculation is generally acceptable. However, there is a risk of unfair outcomes for customers due to lack of clarity on whether charges are customer-specific or average charges. If upfront charges are maintained in the final decision, *AusNet* suggests averaging of costs or charges. *AusNet* does not support the proposed start date of 1 January 2025 and suggests that proposed timing should consider the AER price review processes.
- Australian Gas Infrastructure Group (AGIG)* does not support the proposal to introduce upfront charges for new gas connections for various reasons, including that the new charges would result in inefficiencies and higher prices, as well as have unintended consequences such as a higher risk of asset stranding. *AGIG* submitted that the introduction of new charges would require a reopening of access arrangements and changes to tariff structures and will require significant investment of time by networks, regulators and customer groups. *AGIG* supports giving distributors broad flexibility to determine the actual costs of connection, rather than specifying how distributors calculate connection costs. *AGIG* stated that starting the new

charges on 1 January 2025 will be challenging as it needs time to make changes to IT systems and to vary access arrangements.

- *Gas Networks Victoria (GNV)* supports the principles-based charges for new gas connections so that distributors have flexibility to include all relevant costs of connection and different types of connections (e.g., residential vs commercial) can be considered.

Gas retailers

- *Momentum* supports the introduction of upfront charges which include full costs including augmentation costs. Momentum understands individual connections will vary in costs required, and therefore a specific or average uniform cost for all connections would not be appropriate and would not discourage new connections. Momentum supports a start date of 1 January 2025 to give customers adequate notice and allow them to prepare or order appropriate new appliances/equipment.
- *EnergyAustralia (EA)* supports the proposed introduction of upfront charges for new gas connections. As the proposed code does not propose a specific charge or methodology, EA recommends that most connection services be considered as negotiated services rather than standard services. Distributors would incur varied costs for each connection based on factors such as length of the service line, ease of connection, and size of connection, and negotiated services costs can be estimated appropriately and can limit passing on some costs to non-connecting customers. EA supports the start date of 1 January 2025 which can provide ample time for preparation for customers.
- *AGL* urges the commission to balance the distributors' discretion in assessing connection requests against the customer experience. AGL recommends the commission replicate the electricity sector where there is a set price listed publicly for new connections rather than distributors being able to calculate a bespoke charge, which may cause delay or complicate the customer experience of being connected. AGL recommends an implementation date of 1 July 2025.
- *Origin Energy* supports the proposed changes to connection obligations and introduction of new connection charges because these are consistent with the objectives of the Gas Substitution Roadmap and decarbonisation objectives. Origin suggests that the code should also include guidance on what is defined as a 'minimal' extension or augmentation of the network, details of the process involved in calculating a connection charge, and the circumstances or process for abolishing a connection. Origin agrees with the proposed delayed introduction of new connection charges to give time to stakeholders and distributors to plan and develop appropriate processes.

Other stakeholders

- *Energy Consumers Australia* supports upfront charges for new connections. It suggests that the impact on small businesses (that may find it harder to go all-electric) should be assessed

further, as distinct from residential customers, and suggests additional thinking should be taken with small-business advocates such as the Australian Business Council.

- *The Victorian Council of Social Services (VCOSS)* supports upfront charges for new gas connections as it aligns the regulatory framework with the updated Gas Substitution Roadmap. Reducing shared costs of new connections would reduce the burden on households remaining on the gas network. If there is an upfront charge VCOSS expects that regulations will ensure customers receive adequate and precise information about costs. VCOSS supports implementing new connections charges as soon as possible to reduce future stranded assets.
- *Brotherhood of St. Laurence (BSL)* supports upfront user-pays charges for new connections to reduce the risk of rising gas network prices due to rising regulated asset bases (RAB). Upfront charges should include full costs including augmentation. BSL supports the commission's suggestion that growth capital expenditure included in distributors' revenue be returned via a negative cost pass-through. BSL supports coordination among regulatory bodies and stakeholders to address the current regulatory framework. BSL supports implementation of the new framework as early as possible.
- *Darebin Climate Action Now (DCAN)* supports the introduction of upfront charges for new gas connections. On the calculation method, they recommend the commission require distributors to publish their method to ensure new connections are not subsidised, and that the commission reserves the power to prescribe the method. They also argue new charges should begin on 1 July 2024 as distributors have been given notice.
- *Bass Coast Climate Action Network (BCCAN)* supports the introduction of upfront charges for new connections. They argue that a minimum new connection charge should be considered to prevent distributors from encouraging new connections. BCCAN suggests starting the new connection charge on 1 July 2024, but only a 'statutory minimum charge'.
- *Lighter Footprints* suggests the cost methodology should be more specific by using unit rates approved in access arrangements, which would be charged upfront and not capitalised, and which should be reported every year.
- *Friends of the Earth Melbourne (FoE)* supports new connection charges and suggests details of the cost calculation/methodology be posted on distributors' websites and linked to retailers' websites. FoE thinks the start date for new charges should be immediate to prevent more new connections.
- *Master Plumbers* supports many of the proposals. However, because of the potential to shrink the gas network and therefore stymie opportunity for the burgeoning renewable gas sector, they do not support the introduction of upfront connection charges. They believe that the new approach's perceived benefit is outweighed by the costs or negative outcome. They argue that the suitability of distributed renewable gas is still being tested and to close gas connections is short sighted.
- *The Housing Industry Association (HIA)* considers the current pricing framework is appropriate and does not recommend material changes to the existing method for new connection charges. HIA states that the commission acknowledges many new gas connections could still proceed

over the next few years, and the proposed new connection charge methodology may create additional barriers for customers who need gas connections. Further, high connection charges would add to the cost of building new homes.

Disconnections, abolishments and reconnection

Gas distributors

- *AusNet* supports the retailer-customer process for an abolishment but does not agree with a distributor-customer process as there is no such relationship. AusNet reiterates its proposal to allow distributors to abolish unused connections for safety reasons and regards this matter as urgent.
- *AGIG* does not support the requirement that a 'distributor must abolish a connection where a customer requests the distributor to do so' since there is no relationship and this is a significant departure from current practice. AGIG encourages the commission to work and collaborate with all stakeholders in addressing distributor-initiated abolishments of unused connections and related safety issues. AGIG suggests more clarity on the process of confirmation of ownership for a disconnection.
- *GNV* supports the definition of abolishment, but clarity is needed on the abolishment process where the property is rented. It also supports more discussions on abolishment initiated by the distributor where the connection is unused.

Gas retailers

- *Momentum* supports the definitions of disconnections and abolishments as they align with access arrangements, the requirements for abolishment, and the future review of the connections framework as the gas transition progresses.
- *EnergyAustralia* supports the definitions of disconnections and abolishments. However, EA does not support changes to its existing processes/systems. For abolishments, EA does not support placing the obligation on retailers of checking whether the customer is the property owner, as retailers would incur unreasonable costs for something that is not their responsibility. Further, if an abolishment does not have a standard service charge or set fee and needs a negotiated charge (the charge being dependent on the specific work), EA suggests this should be dealt with directly by the customer and distributor.
- *AGL* supports distinguishing and defining temporary disconnections and permanent abolishments. AGL supports that longer-term reforms needed to achieve better outcomes for customers and notes the key risk in the delivery and/or transition from a disconnection to an abolishment. Customers may seek cheaper temporary disconnections over safer permanent abolishments. Changes in property will increase the risk as new owners may be unaware of live gas assets within the premises, but a financially responsible market participant will be responsible for the charges. AGL notes that keeping abolishment costs low in access arrangements may not be a thorough long-term solution.

- *Origin* supports the treatment of disconnections and abolishments as distinct services, agreeing that this approach is aligned with access arrangements. *Origin* supports the clarification of distributors' obligations in abolishing a connection, given the expected increase in abolishments in response to regulatory changes.

Other stakeholders

- *VCOSS* supports the proposed definitions and processes for disconnections and abolishments reflecting that more households will request abolishments. *VCOSS* urges continued consideration of accelerating abolishments including on a neighbourhood scale and agrees the current framework may not be compatible with ongoing migration of customers off the gas network.
- *BSL* supports the definitions disconnections and abolishments as consistent with recent access arrangements. However, *BSL* thinks there is a risk that the definition may become prescriptive and prevent alternative abolishment methods.
- *DCAN* supports the proposed definitions and processes. It commends the commission's focus on ensuring consumers understand the costs of disconnections and abolishments while noting the AER's role in cost-setting. It argues that support should be provided to consumers who want to switch off gas.
- *BCCAN* supports distinguishing between temporary disconnections and permanent abolishments. More clarity should be provided on situations where a tenant requests for disconnection without involving the landlord and whether fixed network charges will continue in this case, and the time period from a tenant ceasing to use gas to when it becomes a de facto abolishment, in circumstances where the owner does not want an abolishment.
- *Lighter Footprints* supports the definitions and processes for disconnections and abolishments. There should be more discussion on safety issues regarding abolishments in a period when gas customer connections will be reduced, and how long a disconnection should be allowed before an abolishment is necessary for safety reasons.

Provision of information

Gas distributors

- *AusNet* agrees in principle with the new provision of information obligations, particularly about changes to the type of gas provided and complaint handling. *AusNet* requests a later implementation date to implement changes and reporting requirements, especially in relation to reporting obligations for unaccounted for gas (UAFG) and abolishments.
- *AG/G* comments on the requirement to report on UAFG by 31 December following the end of that financial year, stating this will be unsettled UAFG data only, as settlement can take much longer. They also stated it should also be clarified to stakeholders that UAFG consists of not only fugitive emissions but also metering inaccuracies and theft.

- *GNV* supports the proposed changes but suggests standard industry wording on customer obligations to be included in its website and providing information only to customers at risk of serious harm. *GNV* is concerned about *UAFG* reporting due to the different nature of its business.

Gas retailers

- *AGL* supports the introduction of new requirements for the provision of information. *AGL* suggests more clarity to specify that the requirements to provide information on the type of gas supplied refer to permanent changes (not temporary changes) to the blend of gas.
- *Momentum* supports the provision of information on distributors' websites. There is some concern about the requirement to inform customers of changes in gas type as customers are unable to change their appliances due to changes in gas type. However, *Momentum* understands this aligns with the National Energy Retail Rules (NERR) and therefore supports the draft code. *Momentum* supports more information on *UAFG*, but emphasises that metering error is a bigger source of *UAFG* rather than fugitive emissions or system leakage. If system leakage is perceived as the bigger source this would encourage overspending on pipes replacement capital expenditure.
- *EnergyAustralia* supports the new provision of information obligations and alignment with the information requirements proposed under the Australian Energy Market Commission's (AEMC) review of extending the regulatory framework to hydrogen and renewable gas.
- *Origin* supports the new provision on distributors' information obligations, stating that more public information would improve consumer engagement and it would not be a high burden since proposed new information would be based on already existing data.

Other stakeholders

- *Energy Consumers Australia* supports reporting on the number of disconnections and abolishments and related data. It suggests the commission consider other ways of information provision aside from distributors' websites, such as through the retailer, since the retailer is the customer's contact point and not the distributor.
- *The Energy and Water Ombudsman Victoria (EWOV)* supports new provision of information obligations, particularly on clarifying the process and cost of disconnections and abolishments, including for tenants, and encouraging proactive communication by distributors to customers regarding disconnections and abolishments. *EWOV* recommends the code to consider how distributors will engage with culturally and linguistically diverse (CALD) customers. *EWOV* recommends alignment of disconnections and abolishments processes among distributors. Where customers choose to connect to gas, *EWOV* recommends additional communication/information to the customer regarding viability and cost of the new gas connection compared to electricity.
- *BSL* supports the new provision of information obligations.

- *DCAN* supports the information requirements, especially for UAFG, abolished connections, and changes in gas type. It supports the UAFG benchmark-setting from 2028 to be changed. It notes the low cost of publishing data on distributors' websites and recommends the commission require publication of data by distributor, by class of users, and by postcode. The data will support the transition from gas and help low-income households who cannot afford new electric appliances.
- *BCCAN* supports the new provision on information obligations, especially on UAFG.
- *VCOSS* supports the new provision of information obligations for gas distributors. *VCOSS* encourages ensuring that distributors provide adequate information publicly.
- *Lighter Footprints* supports the provision of information but have some suggested improvements, such as reporting on customer connection capital expenditure, annual reporting on emissions, gas leaks, and pipework replacement expenditure, and disconnections and abolishments data by distributor, class of user, consumption level, and postcode. It recommends a review of Energy Retail Code of Practice to place obligations on retailers to provide information on disconnections and abolishments to customers.

Streamlining obligations and removing duplication

Gas distributors

- *AusNet* supports removing duplication and encourage limiting duplication with other obligations in the existing Australian Energy Regulator's (AER) framework, such as the AER Pipeline Information Disclosure obligations.
- *AGIG* supports the draft decision's enabling of renewable gas and heating values as consistent with the Victorian government's renewable gases paper. *AGIG* also supports the removal of heating values from the code given the shift to zonal heating values.
- *GNV* supports the draft decision but is concerned that non-declared networks might have obligations that will be costly and welcomes more discussion with the commission for alternative compliance such as through amendments to its licence.

Other stakeholders

- *Momentum* supports the removal of duplication with other instruments.
- *EnergyAustralia* supports the removal of duplication with other instruments. *EA* suggests that for family violence cases, retailers should not be required to provide contact information to distributors to mirror Electricity Distribution Code of Practice requirements.
- *Origin* supports measures to align the code with other regulatory instruments to reduce duplication and conflicts.
- *DCAN* supports removing duplication but supports the commission remaining involved in the provision of information, public consultations with consumers, and keeping a watching brief if regulation shifts to national authorities. *DCAN* states hydrogen blending/distribution is an important issue and this should not be neglected.

- *Lighter Footprints* supports the approach that where national requirements apply, Victoria should not have separate or duplicate requirements.

Metering requirements

- *AusNet* supports removing the overlap of metering obligations with Part 19 of the National Gas Rules.
- *AGIG* supports the removal of duplication of metering obligations. *AGIG* suggests the commission conduct a forum with distributors to further discuss issues in metering requirements.
- *GNV* supports the change but is concerned that non-declared networks might have costly obligations and welcomes more discussion with the commission for alternative compliance such as amendments to its licence.
- *EnergyAustralia* supports the removal of overlapping metering requirements.
- *BCCAN* supports the removal of duplication and metering requirements being nationally consistent.

Compliance and performance reporting

- *AusNet* considers the draft decision is unclear regarding the weight given to the decreasing role of gas and the costs/benefits of increasing regulatory requirements in the current environment.
- *GNV* argues that the commission should show restraint on penalties and obligations.
- *VCOSS* supports the draft decision to specify the majority of obligations on gas distributors as civil penalty requirements as it brings regulatory frameworks into line with the Electricity Distribution Code of Practice. They argued strong penalties will deter unanticipated actions by distributors due to a declining customer base.
- *DCAN* supports new civil penalty requirements on distributors. It supports reporting on UAFG, guaranteed service levels (GSLs) and gas abolishments, and recommends additional reporting on gas usage by consumption and postcode. It supports information provision requirements for licences.
- *BCCAN* supports the new civil penalty requirements.

Variations to licences

- *AusNet* estimates it would take 6 to 12 months to establish a deemed distribution contract and suggests consulting with industry and consumers on the nature and scope of these obligations in relation to deemed distribution contracts.
- *GNV* suggests consideration should be given to the unique nature of its network and more consultation with it regarding variations to its licence.
- *DCAN* supports requirements to maintain comprehensive records and to provide information to the commission.

Consequential changes to other instruments

- *AusNet* has concerns with the drafting of some clauses and is still considering the effect of other drafting amendments.
- *DCAN* is concerned about the repeal of Guideline 17, which could lead to the loss of critical information for future policy directions on gas. The commission should ensure the relevant information is not lost or can be obtained in other ways.

Implementation issues

- *AusNet* does not consider the changes achievable on 1 May 2024 and requests an effective implementation date of 1 January 2025. Areas to assess include civil penalty requirements, GSLs, UAFG, provision of information including abolishments and disconnections, registration of life support equipment, distributor obligations to remedy and report, and gas type clauses.
- *AGIG* is concerned about the timeframe to implement several new obligations as these new obligations will require changes to its IT systems, resources and procedures. *AGIG* suggests a transition period of 6 months before the new code takes effect.
- *AGL* recommends an implementation date of 1 July 2025 regarding the new connections framework and connections charges to align with the financial years and internal system processes, minimise implementation burden and allow for existing construction contracts.
- *EnergyAustralia* expects there will be costs for retailers of implementing the code changes, but accepts the changes are justified and are in the best interests of consumers.
- *BSL* supports further review of the regulatory framework as the gas transition progresses.

Other issues

- *AusNet* supports the suggestion around future work for decommissioning gas connections longer term. *AusNet* encourages considerations of customers exiting in an orderly and safe manner, meeting energy needs, accessibility, reliability, and affordability of energy during the transition.
- *AGIG* suggests some drafting changes in the proposed new code.
- *AGL* notes that the code should have a proportionate approach to gas life-support obligations and a reduced burden of regulatory obligations for gas retailers. It notes that while the draft decision will not make amendments to life-support obligations, the commission should look to the rule change process that is planned by the Energy Charter and adopt a targeted definition of life-support equipment. *AGL* recommends the commission implement a two-year post implementation review of the change from a statewide heating value to zonal heating values for UAFG, to understand the impact of the changes especially in relation to customer gas bills.
- *EWOV* supports new provisions on non-compliance by distributors similar to the ones in the Electricity Distribution Code of Practice. In notices to customers regarding non-compliance with their obligations, *EWOV* suggests adding a reference to dispute resolution and resort to the ombudsman. *EWOV* recommends consistency between electricity and gas GSLs and more

training of retail frontline staff to align retail and distribution functions. EWOV supports clarifying communication requirements for gas vs electricity outages. EWOV supports the commission or other parties explaining the roles of distributors, retailers and customers regarding disconnections and abolishments.

- *Lighter Footprints* recommends that customers should be able to disconnect at no cost to them if hydrogen blends supplied exceed 10% blend. It understands further review of the gas framework will be done with other regulators/stakeholders and suggests consultation on the following: (a) managing the reduction in scope of a regulated distribution network, (b) making information available, (c) UAFG analysis and (d) greater clarity on what fuels are essential for life support.

List of stakeholder submissions	
Gas distributors	Australian Gas Infrastructure Group (AGIG)
	AusNet Services
	Gas Networks Victoria (GNV)
Retailers	AGL Energy
	Origin Energy
	Energy Australia (EA)
	Momentum Energy
Consumer group and dispute resolution body	Energy Consumers Australia (ECA)
	Energy and Water Ombudsman Victoria (EWOV)
Community groups and climate action groups	Brotherhood of St Laurence (BSL)
	Victorian Council of Social Services (VCOSS)
	Bass Coast Climate Action Network (BCCAN)
	Darebin Climate Action Now (DCAN)
	Environment Victoria
	Lighter Footprints
Industry Peak Bodies	Master Plumbers and Mechanical Services Association of Australia
	Housing Industry Association (HIA)
Others	Homes Victoria (confidential)
	Individuals

Glossary	
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CALD	Culturally and linguistically diverse
CPR	Compliance and performance reporting
EDCoP	Electricity distribution code of practice
GSL	Guaranteed service levels
NERR	National Energy Retail Rules
NGR	National Gas Rules
RAB	Regulated asset base
UAFG	Unaccounted for gas
Guideline 17	The commission's guideline on regulatory accounting information requirements