

Annex C – Proposed variations to gas distribution licences (standard licence conditions)

Table 1 lists current standard gas distribution licence conditions and a summary of our initial proposals to update them. Where we indicate our intention to retain licence conditions, we may need to redraft and simplify these provisions without altering the substantive obligations. The focus of this review is to update licences conditions so they will be consistent with our new enforcement framework and with the new proposed Gas Distribution Code of Practice. Note: we do not intend to address licence conditions which are specific to individual gas distributors as part of this review.

Table 1. Proposed variation to standard gas distribution licence conditions

Condition	Proposal
1. Grant of Licence	No material change. Clause 1 is now reflected in new clauses 3.1 and 3.2 which state that the licensee is authorised to distribute gas on the terms and conditions set out in the licence. The distribution area for each licence is proposed to remain unchanged and will be reflected in Schedule 1.
2. Term	No material change. For record keeping purposes proposed new clause 3.3 identifies the first date the licence was granted. The existing description of variations will be retained in Schedule 2.
3. Variation and revocation	We propose simplifying clauses 3(a) to 3(c) by referring to the commission's power to vary the licence in accordance with sections 38 and 38A of the Gas Industry Act, reflected in new clause 4. We propose updating the revocation clauses 3(d) and 3(e), to remove references to compliance with an enforcement order or an undertaking, and to the commission's policy objectives. In its place, we propose adding

new clause 6 which refers to the revocation of a licence in accordance with section 38(3) of the Gas Industry Act (in accordance with the procedures specified in licence conditions). We note that [Guideline 5 \(2022\): Revocation of electricity or gas licences](#) describes the commission's approach to exercising its revocation powers.

4. Compliance with Codes, Rules and other Requirements

This condition requires compliance by a licensee with various regulatory instruments. New clause 10 addresses compliance with regulatory instruments but is materially different to current clause 4(a) on account of the following. As codes have transitioned to 'codes of practice' made under Part 6 of the *Essential Services Commission Act 2001*, they are no longer enforced as licence conditions and have therefore been removed from this clause. Therefore, we propose to simplify clause 4(a) in two new clauses (10.1 and 10.2) to be consistent with the recently updated electricity distribution licences, as well clauses 6.1 of Standard Electricity Retail Licences and 7.1 of Standard Gas Retail Licences.

This clause also specifies the process by which the commission may issue customer-related standards and procedures to the licensee. We propose to retain clauses 4(b) and 4(c) as new clauses 10.3 and 10.4.

We propose to remove clauses 4(d) and 4(e) on the basis that distributors' reporting obligations will be addressed in the new Gas Distribution Code of Practice.

5. Deemed Distribution Contacts

This clause is an obligation for distributors to prepare and submit their deemed distribution contract terms and conditions for the commission's approval, upon the commission's written request or at any other time. We propose to retain this condition as new clause 11.

6. Provision of Information and Maintenance of Separate Accounts

This clause requires the licensee to provide information required by the commission and to prepare separate accounts for its distribution business in accordance with any applicable commission guidelines. We propose retaining clauses 6(a) and 6(b) as new clauses 12.2 and 12.3.

We propose adding new clause 12.1, which requires a licensee to maintain comprehensive records regarding activities undertaken pursuant to the licence for at least seven years, which is consistent with clause 12.1 of recently updated electricity distribution licences.

We propose to introduce an updated version of clause 6(c) of Australian Gas Networks (Vic) Pty Ltd and of AusNet Gas Services Pty Ltd licences as new standard licence condition 12.4. This clause would require a licensee, upon becoming aware of any circumstances that may reasonably result in the licensee seeking a variation to change its distribution area, to notify the commission and provide complete details of such circumstances as soon as practicable and within 30 business days of becoming aware of the circumstances. The aim is to ensure that the commission is provided with timely information on proposed expansions of the gas network which would require a variation to a licensee's distribution area.

7. Dispute Resolution

This clause requires distributors to submit to the commission and implement a scheme for the fair, reasonable and effective investigation and resolution of disputes. We propose to simplify clauses 7(a) and 7(b) and refer to the provisions of section 36 of the Gas Industry Act. These conditions are addressed in new clause 13. We also propose to remove clause 7(c), which contains specific terms and conditions that an ombudsman scheme implemented by the distributor must contain.

8. Payment of License Fees

We propose to retain a simplified version of this clause as new clause 8, which states that the licensee must pay a licence fee and charges as determined by the Minister in accordance with the provisions of section 30 of the Gas Industry Act.

9. Compliance with Laws

We propose to remove this clause, noting the retention of the obligation to comply with relevant instruments in new clause 10.

10. Operational and Compliance Audits	This clause requires licensees to undertake independent compliance audits as requested by the commission. We propose to remove this clause on the basis that independent reviews (including operational and compliance audits) are proposed to be addressed in the new Gas Distribution Code of Practice.
11.1 Definitions	We propose to make consequential changes to defined terms. Defined terms are found in new clause 1.1 of the proposed template licence.
11.2 Interpretations	We propose to make consequential changes to the interpretation of terms. Interpretation is found in new clause 1.2 of the proposed template licence.
Notices	We propose to introduce a new clause 2 on notices, similar to clause 2 in electricity distribution licences and to clauses on notices in energy retail licences. We propose minor updates to this clause, as drafted in other commission licences, to add a notification requirement for when the licensee's physical or email address changes.
Transfer	We propose adding new clause 5 to address transfer of licenses in accordance with section 40 of the Gas Industry Act.
Change of control	We propose to introduce a new clause 9 on 'change of control', similar to clause 9 in electricity distribution licences.