

Consultation summary

Gas Distribution System Code of Practice review: Issues Paper

Introduction

The purpose of the *Gas Distribution System Code of Practice: Issues Paper* was to seek input from the public and stakeholders to understand their key concerns and to identify areas for potential reform. Stakeholder feedback will help inform a draft new code of practice and updated gas distribution licences.

Consultation process

In March 2023 we released an issues paper and invited the public and stakeholders to answer questions covering the key matters in the review of the code. The six-week consultation period closed on 4 May 2023.

We received 20 submissions to the issues paper. Three submissions were received from gas distribution companies; four submissions were received from gas retail companies; two submissions were received industry peak bodies; seven submissions were received from community and climate action groups; one submission was received from an individual; and three submissions were received from anonymous persons.

Submissions have been summarised below highlighting the key issues which received the attention of stakeholders. These are:

- Updating the framework for new gas connections and connection charges
- Clarifying obligations related to disconnections and abolishments
- Setting out minimum customer obligations
- Providing information to consumers about changes in the type of gas supplied
- Reviewing obligations related to unaccounted for gas benchmarks.

Next steps

We are reviewing feedback received through this consultation process and preparing options for reform for each key area of the code. We will engage with stakeholders to further refine potential

options for reform. We will conduct impact assessments proportional to the complexity of each issue and present preferred options for reform together with a draft new Gas Distribution Code of Practice. We will also propose variations to gas distribution licences.

Snapshot of feedback

Most submissions largely support the scope of the review and indicate support for some level of reform to update the code.

Stakeholders also expressed broad support for our proposed assessment framework. Community climate action groups stated that the assessment framework should refer more explicitly to the emissions reduction targets commitments of the Victorian government.

Most stakeholders noted the importance of updating the code to support Victoria’s Gas Substitution Roadmap and of aligning the code with recent changes to the National Gas Rules. There is also broad support to update definitions and to clarify the differences between gas disconnections and gas connection abolishments.

Several stakeholders raised the need to review the rules on new gas connections and the methodology for calculating new customer contributions.

Other themes raised by stakeholders related to the potential of clarifying customer obligations in the code and of establishing direct relationships between customers and gas distributors. Some stakeholders also raised concerns about the need for additional reporting by gas distributors of unaccounted for gas, and in particular of gas leaks in distribution networks.

A snapshot of issues and opportunities identified for key themes is listed in the table below, followed by more details of feedback from each category of stakeholder.

Topic	Issues	Opportunities
Updating the framework for new gas connections and connection charges	The code contains obligations for distributors to connect new customers which assume the continuous expansion of gas networks. It also contains an outdated methodology for calculating customer contributions to new connections.	Many stakeholders suggested that these obligations need to be reviewed to align them with Victoria’s Gas Substitution Roadmap. Gas distributors requested more flexibility when assessing requests for new connections. Community and climate action groups highlighted that customers who choose to connect should bear

		the full cost of a new gas connection.
Clarifying obligations related to disconnections and abolishments	The code does not define or differentiate between disconnections and abolishments. The new access arrangements for Victorian gas distributors separate these services.	Stakeholders strongly support defining and differentiating disconnections and abolishments in the code. There is also an opportunity for clarifying procedures for the abolishment of gas connections and for requiring distributors to plan for the permanent disconnection of parts of the network.
Setting out minimum customer obligations	The code does not contain minimum obligations for customers and there are currently no deemed distribution contracts between gas distributors and customers in Victoria. This may create problems when customers use the gas network inappropriately.	There is an opportunity to state minimum customer obligations in the code to clarify regulatory requirements, or to require gas distributors to propose terms and conditions for deemed distribution contracts. Stakeholders disagree as to the level of harm posed by the current framework.
Providing information to consumers about changes in the type of gas supplied	The Australian Energy Market Commission (AEMC) has proposed new rules for informing customers of changes in the type of gas supplied. These new rules would not apply in Victoria. The Hydrogen Park Murray Valley is expected to begin production and blending of hydrogen (up to 10%) in distribution networks in 2025.	There is an opportunity to align obligations on gas distributors to inform customers of changes in the type of gas supplied with those proposed for the national framework.

Reviewing obligations related to unaccounted for gas benchmarks

While the Australian Energy Market Operator (AEMO) is responsible for calculating unaccounted for gas and for the reconciliation between distributors and retailers, we need to calculate benchmarks every five years as an input for the reconciliation process.

Community climate action groups have asked for more active reviews of the benchmarks, independent evidence on fugitive emissions, and additional reporting obligations by gas distributors related to unaccounted for gas.

There is an opportunity for reviewing our role in setting these benchmarks and for streamlining the regulatory framework by transferring this role to the economic regulator or to the market operator.

Gas distributors

Key themes

- Expectation of no major policy changes
- The regulatory burden should be reduced
- Support for removing duplication with the National Gas Rules

Scope of the review

Overall, distributors agree with the scope of our review and with the proposed criteria in our assessment framework.

- Australian Gas Infrastructure Group (AGIG – owner of Australian Gas Networks and Multinet Gas Networks) supports the assessment criteria but states that the approach to decarbonisation should be technology neutral.
- AusNet supports administrative changes in the code and expects no major policy changes. It expects changes will create a regulatory environment that promotes implementation of the Victorian Government’s Gas Substitution Roadmap. It also requests that the scope include a review of current life support obligations and whether new civil penalty obligations are justified.

- Gas Networks Victoria (GNV) explains that it is a non-declared small network and while it supports the code review, it is concerned that code changes might be costly and complex for a small network.

Gas connections

- AGIG considers the current framework appropriate, but states that the code could give distributors broader grounds for assessing a connection request.
- AusNet states that the economic feasibility test assumptions (opex, overheads, and period of analysis) should be changed and aligned with access arrangements.
- GNV supports a user-pays framework, which prevents cross-subsidy and provides distributors with certainty on forecasting expenditure.

Disconnections and reconnections

- AGIG states that definitions and processes should be clarified, amendments should not be prescriptive (different options for particular customers), and changes should be discussed with industry and regulators.
- AusNet states that the code should have definitions for disconnection and abolishment, and amendments to allow distributors to abolish connections unused for years.
- GNV submits that the code should clarify disconnection vs abolishment, including process and procedures, on customer obligations when disconnected by the distributor, and on the ability for distributors to charge disconnection fees.

Customer obligations

Distributors have different views on whether the current arrangements are uncertain or harmful.

- AGIG does not consider these uncertain/harmful because the industry has not used deemed distribution contracts. However, it considers that obligations being included in the code will provide a clear legal framework for customers and give distributors legal basis to stop illegal use of energy, or to disconnect a customer.
- AusNet considers these uncertain/harmful because under current rules the distributor has no direct relationship with the customer, and no mechanism to enforce its rights or obligations on customers. It recommends setting out obligations in the code, similar to the obligations in the EDCoP. Ausnet also recognises that deemed distribution contracts are important to the gas regulatory framework and seeks to maintain provisions in the code to support the operation of section 48 of the Gas Industry Act.

Unaccounted for gas (UAFG) benchmarks

- AGIG suggests no change. It is aware that benchmark setting in Victoria is unique and integrated in AEMO's Market Procedures.

- AusNet cautions against including climate change mitigation objectives in setting the UAFG benchmarks. Fugitive emissions are already considered in the federal government's Safeguard Mechanism and double counting will penalise distributors and add to consumer prices.

Information about changes in the type of gas supplied

- AGIG supports alignment of the code with National Energy Retail Rules (NERR) changes proposed by the AEMC. Biomethane blends should not require notification. The obligation should be limited to hydrogen blends.
- AusNet states that at low levels of gas blend (less than 10%), appliances are not impacted and not noticeable by customers. Customers may perceive notices negatively. Therefore, AusNet recommends notification only for blended gas greater than 10%.

Metering obligations

Distributors have different views on removing metering obligations from the code.

- AGIG submits that current elements of the code are restrictive and do not allow industry to bring new types of meters into the market. It supports removing duplication with Part 19 of the National Gas Rules (NGR).
- AusNet agrees with removing the overlap with the NGR. It suggests a code Schedule of metering requirements for non-declared networks in Victoria.
- GNV argues that metering provisions should be retained in the code but only applicable to non-declared distribution networks not covered by Part 19 of the NGR.

Guaranteed service levels (GSL)

- AGIG states that there is no need to specify clearer timeframes. Multinet and Australian Gas Networks already pay customers on the month following the GSL event. It suggests retailers should pay customers on the next bill after they receive the distributor's notice.
- AusNet states that gas GSL timeframes should align with electricity GSL timeframes. It does not support civil penalty requirements on obligations for GSL payments.

Civil penalty requirements

- AGIG submits that the commission should consider whether the consequence of non-compliance will (i) cause major damage, loss or disruption to customers or (ii) will endanger or threaten to endanger the safety or health of a person. If obligations are operations-related, breaches of obligations should be considered in GSL payments rather than as civil penalties.
- AusNet states that, considering the expected decline of gas usage, the regulatory burden on gas should be reduced and there is no need for more civil penalty obligations.

Compliance and performance reporting

- AGIG and GNV agree with reporting obligations, but AusNet cautions that considering the expected decline of gas usage, the regulatory burden on gas should be reduced.

Other issues

- AGIG submits that the code should provide for a connection process where the distributor can engage directly with the customer. Further, the definition of 'natural gas' should be amended in relevant laws and regulations to align with proposed changes to the national framework to extend regulatory frameworks to hydrogen and renewable gases.
- AusNet submits that customers experience less severe hardship due to interruptions for gas compared to electricity; the code should have a lighter regulatory burden on gas networks given the forecast of declining gas usage; and code provisions on gas life support obligations and processes should be reviewed.
- GNV states that the code should be clear on obligations that do or do not apply to GNV as a non-covered pipeline and non-declared distribution system.

Retailers

Key themes

- Support for updating the code based on anticipated industry change and the Gas Substitution Roadmap
- Support for clarifying the difference between disconnections and abolishments
- Mixed views on the connections framework, setting out minimum obligations for customers, unaccounted for gas benchmarks and provision of information on changes to the type of gas supplied

Scope of the review

Overall, retailers support the scope of the review.

- AGL states the review aligns with the national regulatory framework and government policies on shifting away from gas. EnergyAustralia agrees that the review is based on anticipated industry change. Momentum notes that the review is in line with the Roadmap and forecast decline in gas use and could remove cross subsidies in connection costs, and agrees with including decarbonisation in the assessment criteria. Red & Lumo support the review in light of the Roadmap and agree that the code should align with the NERR.

Gas connections

- AGL considers the framework appropriate and state that there is no need for changes.
- EnergyAustralia submits that the methodology should result in a user-pays principle, which would result in more relevant costs being presented to customers for their consideration, although not all costs as this might discourage connections.
- Momentum states that the framework is not appropriate because it is not aligned with the Roadmap and forecast decline in gas usage; the obligation to connect customers in the infill area should be removed; and the code should limit abolishment charges.

Disconnections and reconnections

- AGL states that the code should define gas disconnections and abolishment services, and the notification to disconnect in writing should be updated to current industry practice of B2B transactions.
- Momentum agrees with the intention to define disconnection types in the code as this will ensure consistent definitions across all distributors providing clarity for retailers and customers.

Customer obligations

- AGL states that customer obligations should be included in the code, but changes should be at least cost to consumers. It notes that there is an implicit expectation or understanding that consumers must not act in a way that endangers or damages the gas supply network and third parties.
- EnergyAustralia does not consider the current arrangements uncertain/harmful. It supports including customer obligations in the code but questions the need for these considering the forecast decline of gas usage.
- Momentum states that more explanation is needed why deemed distribution contracts have not been submitted by distributors. It believes that further research is required before introducing customer obligations and prohibitions.
- Red & Lumo are unconvinced that there is a strong case for customer obligations in the code at this stage. They recommend that the commission should further examine the impact of this change.

Unaccounted for gas (UAFG) benchmarks

- AGL proposes the following to be considered in determining the benchmarks: (a) zonal heating values, (b) injection of hydrogen and renewable gases, (c) reconciliation process between gas distributors and transmission networks, and (d) timeframes for reconciliation.
- EnergyAustralia submits that (a) lowering the UAFG benchmark should not require capex over and above that approved in access arrangements, (b) most UAFG results from meter reading inaccuracies and not from degraded pipes, and (c) capex for pipelines should reduce leaks and the UAFG benchmark should be lower.

- Momentum states that lowering the UAFG benchmark will require additional capital investment by gas networks and may increase consumer prices. This does not align with a forecast decline in gas usage.

Information about changes in the type of gas supplied

Retailers have different views on whether obligations should be introduced.

- AGL supports this proposed distributor obligation, and states that distributors should write directly to customers and publish the information on their website.
- EnergyAustralia believes it is warranted for distributors to advise their customers regarding the gas blends that they are transporting through their networks. For blended gas, the NERR will require changes to model terms and conditions for retail contracts (standard and market) and the code should align with these.
- Momentum disagrees. Blended gas is assumed to be approved by safety regulators, and consumers are unlikely to understand the information.
- Red & Lumo also disagree. Blended gas is assumed to be approved by safety regulators and it is unclear what action consumers should take with the information. Any consumer education should be part of a wider education program by governments. If the commission considers notification necessary, information provided should align with NERR obligations.

Metering obligations

- AGL supports removing the overlap. Both declared and non-declared networks should comply with metering obligations under the Declared Wholesale Gas Market procedures.
- EnergyAustralia agrees. Code metering obligations should align with NGR Part 19, and requirements for declared and non-declared networks should be the same.
- Momentum disagrees. It supports national regulation applying to all jurisdictions, but the code should not add obligations to Victorian networks considering the forecast decline in gas use under the Roadmap.
- Red & Lumo encourage alignment with the national regulations but submit that the code should clarify the metering installation requirements for non-declared networks.

Guaranteed service levels (GSL)

- AGL states clearer timeframes are needed. EnergyAustralia agrees, considering the higher gas usage in Victoria compared to other jurisdictions.
- Momentum disagrees, stating it is comfortable with current timeframes.

Other issues

- AGL submits the code should require distributors to publish a copy of the code on their websites; clarify the coordination process between distributors and retailers regarding life support obligations; and be made future-proof through reviewing relevant provisions to address

gas smart metering, implementing remote services, and electronic storage and security of gas meters.

Community and climate action groups

Key themes

- The review should acknowledge the stranding risk gas networks are facing
- Current requirements to connect new customers should be removed
- More oversight and reporting are needed on fugitive emissions and unaccounted for gas

Scope of the review

- Bass Coast Climate Action Network and Darebin Climate Action Now state that the scope of the review should explicitly include the Victorian Government's emissions reduction target of 75% by 2030, and it should address any existing obligations that are not in line with current community expectations, government policies and national regulations.
- Environment Victoria highlights the changing sentiment towards gas in Victoria, driven by the increasing shift towards renewable energy, and states that the code should align with Roadmap objectives and eliminate any regulations that incentivise new gas connections or discourage disconnections, and should go beyond providing a clear framework for distributors and clients during the energy transition.
- Friends of the Earth Melbourne states that the review by the commission should explicitly incorporate the consideration of climate impacts of energy provision, use, and administration, and ensure better reporting and assessment of the climate burden in different options and models.
- Lighter Footprints considers that the current scope of the code review only partially addresses support for policy developments and the Roadmap. They propose expanding the scope to include providing customers access to choice of energy source without penalties, utilising the UAFG benchmarks mechanism to reduce emissions, funding an independent body to provide factual information on fossil gas issues, and implementing new reporting requirements for UAFG to enhance understanding of network emissions by the government and consumers.
- Brotherhood of St Laurence recommends that an overarching consideration for the review should be the Australian Energy Regulator's (AER) decision on accelerated depreciation of Victorian gas networks and the acknowledgement of a stranding risk facing the networks.

Gas connections

- Strong agreement on the need to review the existing framework, which is considered inappropriate given its original rationale no longer applies (gas is no longer a cheap option for new homes).
- Strong support for removing obligations to connect new customers and for allowing distributors to refuse connections in areas where gas is unavailable, economically unviable, or where a diminishing customer base affects the distributor's viability.
- Support for customers who choose to connect bearing the full cost of the connection. The requirement to connect customers within the infill area should be removed.
- Agreement that free connections coupled with charges for disconnections incentivise gas usage despite the availability of cheaper and more environmentally friendly all-electric alternatives.
- Renew recommends the review should consider the cost of future disconnections when connecting new properties, as the current calculation of connection costs does not account for the expected transition away from residential gas and the associated costs of network decommissioning. Full accounting of future costs at the point of connection is important to protect households from being locked into future gas costs without adequate consumer information or agency over energy choices.

Disconnections and reconnections

- Support for providing customers with easy options to exit the gas system in alignment with Victoria's emissions reduction target, and adjusting charges for disconnection and abolishment accordingly. The commission should direct research to explore simple and safe alternatives for customers to leave the gas system and consult with experts investigating cost-effective methods that do not involve pipeline excavation.
- Customers should have the final say in choosing the type of cessation of supply service when ceasing gas usage. Distributors should not be able to force customers into more expensive services like abolishment instead of disconnection, which would hinder home electrification and go against the goals of the Roadmap.
- Renew proposes that customers should be provided with clearer information regarding disconnection and abolishment costs to address customer uncertainty, inadequate consumer protections or peer advice regarding 'gaming' the system.
- The current approach to gas connection abolishments is not an appropriate long-term solution. Disconnecting customers at the mains could add as much as \$1.7 billion to the cost of the expected transition off the network, without action to minimise these costs.

Unaccounted for gas (UAFG) benchmarks

- The focus should be on the impact of methane emissions and the need for accurate measurement, as methane has a higher warming effect compared to carbon dioxide. Stronger targets for fugitive emissions should be established, and the commission should actively review

these targets and collect independent evidence on fugitive emissions using robust statistical methods.

- The current rationale for UAFG benchmarks as a purely economic matter is inadequate in light of climate change concerns and emissions reduction targets recognised by Australian governments.
- Distributors should be obligated to produce an annual report containing information on the level of unaccounted for gas, the amount of unaccounted for gas representing leakage, the resulting emissions in methane and CO2 equivalent, and the capital investment in pipework replacement. Regular reporting would enable a better understanding of emissions and facilitate the establishment of reasonable UAFG benchmarks.

Industry Peak Bodies

Key themes

- Support for updating the code
- Need for greater clarity on the differences between disconnections and abolishments
- Support for informing consumers of changes to the gas network that may impact them

Scope of the review

- Energy Consumers Australia considers that the code review is an opportunity to progress toward a fair and safe transition from gas as discussed in the Roadmap.
- The Property Council of Australia also supports the scope of the review.

Gas connections

- The Property Council of Australia considers the current framework adequate, but welcomes continuous improvement.
- The Property Council of Australia notes that whereas gas has been heavily promoted in Victoria in previous decades, it is now not as sought after, particularly in dwellings. It also notes that families/small businesses under significant financial constraints should be subject to a more considered approach during the transition from gas to renewable energy.

Disconnections and reconnections

- Energy Consumers Australia submits that the code should make a distinction between disconnection and abolishment, in terms of physical and economic differences.
- The Property Council of Australia and Energy Consumers Australia both emphasise the need for clearer communication and direction from industry and government.

Customer obligations

- The Property Council of Australia considers that contracts are often difficult to decipher for a typical customer. However, as there are currently no deemed distribution contracts between gas distributors and customers in Victoria, it encourages more transparency. It agrees customer obligations should be included in the code.

List of stakeholder submissions	
Gas distributors	Australian Gas Infrastructure Group (AGIG)
	- Australian Gas Networks (AGN)
	- Multinet Gas Networks (MGN)
	AusNet Services
	Gas Networks Victoria
Retailers	AGL
	EnergyAustralia
	Momentum Energy
	Red Energy and Lumo Energy
Community and climate action groups	Brotherhood of St Laurence
	Bass Coast Climate Action Network (BCCAN)
	Darebin Climate Action Now (DCAN)
	Environment Victoria
	Friends of the Earth Melbourne
	Lighter Footprints
	Renew
Industry Peak Bodies	Property Council of Australia
	Energy Consumers Australia
Others	Alan Pears
	Anonymous x3