



## Submission to the Essential Services Commission

# Gas Distribution System Code of Practice - Review 2023

Prepared for Darebin Climate Action Now (DCAN)

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We thank you for the opportunity to contribute to the review of the Code of Practice for the Gas Distribution System (cited as Essential Services Commission, *Gas Distribution System Code of Practice review: Issues Paper*, 21 March 2023).

**Background.** Darebin Climate Action Now (DCAN) is a local not-for-profit organisation of City of Darebin residents of diverse ages and backgrounds who are concerned about the climate emergency. We work to educate ourselves and members of our local community about its causes and the required responses, and actively encourage all three levels of government to adopt the policy changes that are now urgently needed to ensure a safe climate future. Over 4,500 DCAN supporters have taken action in support of a stronger and speedier Government response to the climate crisis.

DCAN is committed to a socially just transition to a zero carbon economy. As examples of our recent work, we recently led the formation of the Darebin Climate Alliance, which includes 25 local groups concerned about achieving a safe climate future for everyone. These groups include community houses, community gardens, 'Friends' of parks and creeks, and sustainability groups. DCAN was a stakeholder partner in the Metropolitan Community Power Hub which worked to facilitate the uptake of renewable energy and energy efficiency measures by local households and businesses. We recently convened a meeting with Darebin Council officers and the Earthworker Smart Energy Cooperative on promoting energy efficiency measures for low income households.

### Key submission points

- The emphasis in the review on distributor obligations is very important as Victoria moves off gas.
- The scope of the review should explicitly refer to the emission reduction target of 75% by 2030 of the Victorian Government.
- New connections should be charged at market rates, and not subsidised.
- Transparency about new gas blends is vital and ESC should do more than facilitate nationally agreed changes on injecting them into the gas distribution network.
- Unaccounted-for gas is a significant matter given the amount of methane leakage that occurs and the massively higher warming potential of methane compared to carbon dioxide. Accurate assessments based on surveys of leaks are required.

- Households and businesses should be able to end their connection to the gas system in simple and cheap ways.
- Penalties, compliance and performance reporting all need ramping up, especially given Victoria's emissions targets and customers' long-term interests in a speedy retirement of the gas network.
- We recommend consulting experts like Alan Pears AM and John Godfrey on technical matters beyond our capabilities.

Comments against each section and set of questions follow.

### **Scope of ESC review**

1. *Overall, do you support the scope of our proposed review of the code?*
2. *Are the proposed criteria in our assessment framework appropriate?*

#### **DCAN comments**

- The emphasis in the review on distributor obligations is very important as Victoria moves off gas. Distributors need to be given strong signals from the ESC that the Code will align with Government targets and the Gas Substitution Roadmap, as well as community expectations.
- The scope of the review should explicitly refer to the emission reduction target of 75% by 2030 of the Victorian Government. The assessment criteria (pp.13-14) should explicitly include this.
- We welcome the statement that ESC seeks to "remove barriers to the aims of the Roadmap in the code, and to align it with the expectations and long-term interests of Victorian consumers."
- The expectations of Victorian consumers are increasingly aligned with government policy on gas substitution, as expressed in the Roadmap. A [recent survey](#) by the Australia Institute and Newgate found 55% of people across Australia have a positive view towards electrifying their homes. This will surely grow as electrification gathers pace, and the awareness of its benefits grows.
- In making the above points, we take the scope of the review to be:
  - a. "... to improve clarity and remove any regulatory duplication, so that the obligations on gas distributors are clear and enforceable."
  - b. To address "existing obligations that may not be aligned with current community expectations, government policies, and updated national regulations." P.15
- With a focus on the key issues of:
  - a. distributor obligations to connect new customers and inform customers of changes to the gas mix, and
  - b. metering requirements and customer obligations p.15

### **Gas connections**

3. *Do you consider the current connections framework for gas retail customers appropriate? Why or why not?*
4. *What options should we consider when reviewing the connections framework for gas retail customers?*

#### **DCAN comments**

- The current framework is not appropriate. Those wishing to be connected should pay at market rates, as for electricity connections, and not be subsidised by the whole gas customer base. Footnote 25 indirectly shows the multimillion dollar subsidies currently occurring. Costs recovered should include "the full incremental operating and maintenance costs and overhead rates" (p.17).

### **Information about changes in the type of gas supplied**

5. *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?*

#### **DCAN comments**

- We oppose the introduction of new gases such as hydrogen as it provides a way for the distributors to prolong the life of gas and therefore emissions.
- As there are plans to introduce new gases across networks incrementally (as is happening in the Wodonga region), the Code should include strong obligations on distributors.
- The Code should specify that each gas distributor is required to undertake public consultation in each area before plans are put in place.
- Each customer should be informed directly by post, not only electronically, about pending changes. The proposed change should also be prominent on the gas bill prior to the change, and included thereafter on all gas bills. We are concerned that the AEMC recommended change allows wriggle-room for gas distributors and retailers to avoid their responsibilities to provide full transparency and timely information.
- The Code can be later amended if the Victorian Government makes regulatory decisions about new gases that differ from the Code.

### **Metering obligations**

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

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

#### **DCAN comments**

- These questions are beyond the technical capability of DCAN members.
- We encourage ESC to further consult with John Godfrey who has previously made submissions on this matter.

### **Customer obligations**

9. *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?*

10. *Should we include customer obligations and prohibitions in the code?*

#### **DCAN comments**

- DCAN has no direct interest in these questions.

### **Removing duplication with other regulatory instruments**

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

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

#### **DCAN comments**

- We encourage ESC to further consult with John Godfrey who has previously made submissions on heating values and technical standards.
- DCAN cautions against changes that might indirectly prolong the life of the gas network.

### **Disconnections and reconnections**

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

#### **DCAN comments**

- Customers, both residential and business, should be able to exit the gas system easily - in line with Victoria's emissions reduction target. Charges for disconnection and abolishment should reflect this.
- Alternatives for customers need to be found that do not require paying nearly \$1,000 for 'service abolishment – residential' as proposed by AGN, Multinet and Ausnet as part of their Access Arrangements (footnote 41).
- ESC should commission research on technical options for simple and safe means for customers to leave the gas system. We encourage you to consult with experts like Alan Pears AM and John Godfrey who are considering fast, safe and cheap ways that do not require ripping up pipelines.
- DCAN cautions against allowing distributors to make changes that might indirectly prolong the life of the gas network.

### **Guaranteed Service Levels**

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

#### **DCAN comments**

- Yes, prompt payment is essential to ensure that distributors do not profit from delay. There are a growing number of households struggling financially. They deserve prompt payment. Low income people are more likely to find it difficult to make a complaint about delay. Their rights should be clear.
- This is also important to help ensure that service levels are maintained during the retirement of the gas system.

### **Distribution connected facilities**

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?*

#### **DCAN comments**

- We do not accept that there is any case for injecting hydrogen into the gas distribution system. It prolongs high emissions, increases the likelihood of more leaks and entails safety risks. As [a UK study](#) indicates, it is likely to cost consumers much more
- It is not enough to simply make changes that facilitate the NGR Rules that are aimed at supporting introduction of hydrogen and biogases into the distribution system.
- This is a major change that shifts responsibility away from the ESC to national gas market authorities.
- ESC should ensure that it retains a role in the injection of hydrogen and other blended gases.
- At a minimum, ESC should require gas distributors to report, in a publicly accessible way, information about gas quantity and composition entering the system at each 'injection point' and leaving it at each 'transfer point'.

### **Unaccounted for gas benchmarks**

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

#### **DCAN comments**

We summarise here points from our previous submission (dated 15/11/22), and re-emphasise this issue in the context of Victoria's emission reduction targets. We also urge

ESC to measure gas leaks behind the gas meter, and address distributor obligations for accounting for leaks (in gas bills and reporting) and addressing these leaks in the code:

- **Effects of methane emissions.** ESC should not rely on measurements of methane over 100 years. When the release of CH<sub>4</sub> is measured over 20 years, it has a warming effect that is 80+ times higher than CO<sub>2</sub>. This is the critical timeframe for addressing climate change.
- **Extent of methane leaks as a component of UAFG calculations.** Fugitive leaks account for 40% or more of UAFG. If the quantity of fugitive leaks is multiplied by their warming effect over 20 years, we hazard a guess that emissions from CH<sub>4</sub> leaks are approaching all the CO<sub>2</sub> emissions from gas use by domestic and industrial consumers in Victoria.
- **Targets and data collection.** Current UAFG targets are too weak to have any significant effect on reducing fugitive emissions. Either the targets should be dramatically tightened, or separate mandatory targets should be established for fugitive emissions.
- ESC should commit to ongoing review of the targets and independently collecting evidence about the actual level of fugitive emissions. Given the imperative of monitoring fugitive emissions, active sampling based on sound statistical practice is required. The Revealed Cost method adopted by ESC to allocate costs between gas retailers and distributors for UAFG is not designed to do this, and so needs to be modified or replaced.

### **Civil penalty requirements**

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

#### **DCAN comments**

- Civil penalties should be broadened to apply to breaches of the code relating to ‘... the operation of distribution systems, metering, connections and disconnections’.
- Strong penalties should apply across these obligations - especially to avoid unanticipated actions by distributors in the face of a declining customer base and government policies favouring electrification, and growing numbers of customers wishing to leave the gas network.

### **Compliance and performance reporting**

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

#### **DCAN comments**

- We support the approach, noting the new enforcement framework established in 2021 with “potential for infringement notices, enforceable undertakings and civil litigation. Remedies available as part of civil litigation may include monetary penalties, as well as compliance orders, injunctions, enforceable undertakings, and adverse costs orders.”

### **Consequential changes**

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

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

#### **DCAN comments**

- **Review scope - interruptions to supply.** The scope of this review of the Code does not explicitly include obligations of distributors for planned and unplanned interruptions of supply. The current Code covers this extensively, and Schedule 1 includes penalties for breaches of the Code. This matter should be part of the Review to ensure that Distributor’s obligations during a wind-down of the gas system are clear. Penalties need to be strong enough to ensure compliance.

- **Retirement of the gas network over time.** The retirement of the gas network should be anticipated by ESC as part of this review. The likely responsibilities of ESC in ensuring that it occurs in a way that is orderly, rapid and equitable should be identified, and as appropriate, incorporated into the code.
- **Burden of responsibility.** Gas companies have the resources to apply uniform approaches to issues concerning customers. Customers by and large act on behalf of a single households. There is thus a huge information asymmetry at play. The code should be reviewed in this light.
- Energy customers, especially vulnerable ones, are burdened by issues that could be more easily addressed if the code is explicit on the obligations of distributors.
- The review of the code should take account of feedback during the [community sector roundtables](#) conducted by ESC. Media releases about these roundtables highlight the big issues for customers - they include ability to pay household bills, disconnections, informed consent, and level of support to vulnerable groups.
- Many customers of gas companies are tenants. The review of the code should account for specific problems that tenants face if landlords are not responsive to their needs.
- **Targets and monitoring - addition of hydrogen to gas blends.** It is well-known that higher pressure will be required to deliver hydrogen blends in Victoria's current pipeline network. We anticipate that leakage will be enormous if hydrogen is introduced without a massive infrastructure upgrade. While we reject hydrogen blends, any consideration of its introduction must entail clear targets and independent monitoring, specifically relating to fugitive emissions rather than UAFG as a whole. (adapted from DCAN's previous submission).



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