



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

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Energy Reform Division
Essential Services Commission
Level 8, 570 Bourke Street
MELBOURNE VIC 3000

Sent via email: energyreform@esc.vic.gov.au

Gas Distribution System Code of Practice Review

AGL Energy (AGL) welcomes the opportunity to provide feedback to the Essential Services Commission (the Commission) Gas Distribution System Code of Practice (GDSCoP) Review, dated 21 March 2023.

AGL supports the Commission's review and update of the GDSCoP to bring it in line with recent legislative reforms to the enforcement framework and align the Code to the national regulatory framework. While the broader government policy objectives, including the Victorian Government's Gas Substitution Roadmap and policy direction at the Federal level, reflect a shift away from reliance on natural gas in Australia, during the Victorian transition towards renewable energy sources, it is important that the GDSCoP continues to be a fit for purpose regulatory instrument.

AGL's feedback to the GDSCoP Review Issues Paper is based on our experience servicing over 1,500,000 gas retail customers across the East and West coast.

[Matters raised in the GDSCoP Review Issues Paper](#)

Connection and connection charges: AGL considers that the current framework is appropriate, and we do not recommend material changes to the existing method of costs recovery for new gas connection charges. While we understand that electrification strategy may see less gas connections over time, the proposal to change or introduce new connection charge methodology may create additional barriers for customers who need a gas connection to their premises.

Provision of information about changes in the type of gas supplies: AGL supports the proposed gas distributor obligation to provide customers with information about any potential changes in the type of gas supplied, including by writing directly to customers at least 20 business days before the change takes effect, and by publishing the information on their website. Gas distributors are best placed to communicate and explain this type of information to customers as they have visibility over the process and have postal details to contact customers directly. At a minimum, the notice to customers should specify:

- The type of gas blend proposed to be injected;
- The date that the changes will take effect;
- The geographic region affected by changes;
- Explanation of the potential impact to customers' gas appliances and fittings, if any, as a result of the change to the gas blend, and how customers can mitigate any adverse outcomes; and



- Customer service and gas faults and emergencies contact details for that distributor.

Declared and non-declared distribution networks: The Commission should streamline the regulatory framework for gas metering and remove duplicative obligations. We support removing the overlapping metering obligations from the GDSCoP and requiring non-declared distribution networks to comply with the Declared Wholesale Gas Market metering requirements, consistent with the requirements for declared distribution networks.

Introducing minimum customer obligations: As we understand, gas distributors may already be operating in accordance with these principles, including those outlined under the Gas Industry Act. 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. While we support the introduction of deemed gas distribution contracts, it should be carried out in the least costs approach for customers and there should be minimal work involved in making these customer obligations explicit.

Disconnection & Service line abolishment: AGL supports amendment to the GDSCoP to create two distinct definitions for gas disconnections and service line abolishment services. The reliance on the single term 'disconnections' in the current version of the Code is not sufficiently clear to differentiate between the various customer or retailer-initiated services available to prevent the withdrawal of gas from the connection point. AGL recommends that the GDSCoP should define:

- *Gas disconnections* as the fitting of locks or plugs to the customer's gas meter for non-payment of arrears, to prevent unknown energy consumers who have not established an account with their retailer from continuing to draw gas, or where the customer has moved-out and it is appropriate to disconnect the gas supply; and
- *Abolishment services* as the complete gas meter and gas service line removal, being a single service, applicable in circumstances where the customer is demolishing their house or where they no longer need gas supply to their premises.

Guaranteed Service Levels: AGL supports the introduction of consistent timeframes for all gas distributors operating in Victoria for the application of payments to affected customers. AGL recommends that this occur by the next network bill issued by distributors to retailers after the identification of the GSL failure (where reasonably practicable to do so). While customers are billed for their gas consumption on a bimonthly basis in Victoria, retailers receive monthly invoices from distributors.

Reference to Heating Values in the GDSCoP: AGL supports the removal of Part D of Schedule 1 from the Code to allow the Australian Energy Market Operator to implement zonal heating values for small customers in Victoria.

Reference to Technical Standards in GDSCoP: AGL supports the removal of Schedule 3 from the GDSCoP, to avoid duplication with the National Gas Rules and the *Gas Safety Act 1997* provided that, where relevant, references to technical standards throughout the Code are retained and updated.



Unaccounted for Gas Benchmarks: In AGL's response to the Commission's Unaccounted for Gas Benchmarks (UAFG) Review 2022¹, we raised that the following matters should be taken into consideration when determining the benchmarks:

- *Zonal Heating Values:* The move from a State-Wide Average Heating Value (HV) to a Zonal Heating Value as part of the introduction Distribution Connected Facilities is expected to provide more granularity to Tariff V customers. AGL anticipates that the introduction of Zonal HV will impact UAFG and this will need to be considered when evaluating UAFG in the next period; and
- The *injection of hydrogen and other renewable gases* will have some degree of impact on the UAFG benchmarks. The Commission should start to consider how/when it will procure and assess data from gas distributors and Distribution Connected Facilities. This will be particularly relevant if the Commission can no longer rely on nine years of historical data from gas distributors to calculate UAFG as the introduction of gas blends into the mix could substantively change the actual performance of the UAFG and the associated benchmarking requirements.

Other Matters

Reconciliation process: In response to the UAFG Benchmark Review 2022, we raised issues relating to the financial reconciliation aspects of the UAFG which make the process unnecessarily cumbersome and drawn out. AGL recommends amendments to the GDSCoP to overcome these barriers by addressing:

- *Reconciliation process between gas Distributors and transmission network businesses:* While the GDSCoP includes financial reconciliation obligations between distributors and retailers, it does not extend to the reconciliation process between gas distributors and gas transmission businesses, which ultimately impacts on the process between retailers and distributors. We have previously raised AGL's past experience where we encountered substantial delays with this process resulting in AGL receiving 10 years' worth of UAFG settlements data which took significant time, effort and resources to reconcile and resolve. To address inefficiencies in the current UAFG reconciliation process, AGL recommends that the Commission should introduce a new obligation under Clause 2.4 – *Unaccounted for gas* of the GDSCoP that requires gas distributors to periodically communicate with gas transmission networks for the purposes of reconciling the gas received at transfer points into the distribution system outside of the DTS. Changes to other instruments may also be needed to allow the gas transmission businesses to provide that data to the gas distributors.²
- *Timeframes for Reconciliation:* There are currently no fixed timelines for settling the UAFG, creating a significant delay for stakeholders as to when the data is received and ultimately reconciled. We recommend that the Commission consider implementing clear timeframes for when the UAFG data must be reviewed and settled by for all retailers. AGL recommends that a period of 10 weeks is appropriate.

Distributor Obligations – Link to the GDSCoP: We recommend an insertion under Clause 2.1(f) of the GDSCoP that requires distributors to publish a copy of the GDSCoP on their website, or a include a link

¹ AGL Energy, Response to the Essential Services Commission '[Unaccounted for Gas Benchmarks Review – Draft Determination](#)', 25 November 2022.

² Ibid.



to the GDSCoP on their website to allow customers to easily access and view the gas distributor's regulatory obligations.

Disconnection: Subclause 4.1(b) of the GDSCoP specifies that: "*Where a Retailer directs a Distributor to disconnect a customer pursuant to clause 4.1(a)(i), the Distributor must not disconnect the customer unless the Retailer certifies in writing that it is entitled to disconnect the customer under the Gas Industry Act or the applicable contract with the customer.*" The wording "certifies in writing" is outdated. We recommend this reference be updated to reflect current industry practices to use the appropriate B2B transaction that conforms with the relevant schema in order to proceed with the customer disconnection, rather than providing certification in writing.

Life Support - Distributor obligations when advised by customer: It is AGL's recommendation that the gas distributor obligations when advised of life support equipment at the premises are amended so that the responsibility to provide the customer with the medical confirmation form and other requirements under subclause 4A.3.1.(c) revert to the customer's retailer to initiate and action. Gas distributors have limited interactions with customers, and we believe that retailers are the most appropriate party to engage directly with the customer about their life support needs, including by providing the customer a medical confirmation.

We recommend that the Electricity Distribution, Energy Retail and Gas Distribution System Codes of Practice are all subsequently amended to facilitate this change. While we understand that the other two Codes of Practice are outside of the scope of this review, feedback from industry participants indicates that handing over engagement to retailers, as they own the direct relationship with the customer, is a desirable change that will streamline the process, avoid duplicative effort with respect to the medical confirmation forms on the part of the customer and ultimately improve the customer experience.

Futureproofing the Code: With recent technological developments in gas smart metering and ongoing pilots across a number of distributors in Victoria, the Commission should review the relevant provisions of the GDSCoP to ensure that they are fit for purpose and do not unnecessarily hamper the implementation of remote services and electronic storage and security of gas meters.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at vkalpakidis@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'C. Hristodoulidis', with a horizontal line underneath.

Con Hristodoulidis

Senior Manager Regulatory Strategy

AGL Energy