

Friday, 13 December 2019

Tamsyn Hinksman
Senior Policy Officer
Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Dear Tamsyn,

Re: Australian Gas Networks Regulatory Framework Review Draft Decision

Australian Gas Networks Limited (AGN) is pleased to provide a submission in relation to the Essential Services Commission of South Australia's (Commission's) Draft Decision on AGN's Regulatory Framework Review 2021-2026, released on 6 December 2019.

Our South Australian distribution network delivers natural gas to more than 450,000 homes and business across the state. The network consists of more than 8,100km of pipes serving residential, commercial and industrial business customers in Adelaide (from Two Wells to Aldinga) and regional centres in the Upper North, Barossa, Riverland and the south east of the state.

We support the three main elements of the Commission's Draft Decision, which are to:

- Continue the current arrangement of not setting jurisdictional service reliability standards in the form of performance targets for the 2021 – 2026 regulatory period;
- Maintain the current monitoring and reporting regime, which includes three performance indicators:
 - Responsiveness to the leaks and emergencies telephone number;
 - Responsiveness to public reporting of gas leaks; and
 - Trends in unplanned interruptions.
- Make minor amendments to the Commission's key regulatory instruments (being the Gas Distribution Licence, Gas Distribution Code, Gas Metering Code and Gas Industry Guideline No. 1) to improve clarity and alignment with the national gas framework (including the National Gas Rules, National Gas Law, National Energy Consumer Framework and South Australian Market Procedures).

As part of our revised South Australian Access Arrangement (AA) proposal, we are undertaking an extensive four-stage stakeholder engagement program. We are near the completion of stage 2, which has included conducting customer workshops and co-design sessions across regional and metropolitan Adelaide.¹ The primary findings from these workshops include:

- Customers value our track record in safety and reliability and expect this to continue;
- There is a high level of customer support for our proposed approach to maintaining our current safety service levels; and
- There is a high level of customer support for our proposed approach to maintaining current reliability levels.

We believe these findings support the Commission's Draft Decision of not introducing jurisdictional service reliability standards, maintaining the current monitoring, and reporting regime for AGN for the 2021-2026 regulatory period.

¹ For further information on our engagement program please visit gasmatters.agig.com.au

As stated in our earlier submission we support the Commission's aim for the review to ensure that the regulatory instruments established by the Commission are clear and do not duplicate, or contain inconsistencies with regulatory requirements. With this in mind we believe the Commission should remove Clause 2.1.1 (b) of the proposed Gas Distribution Code (GDC/07) as the wording is largely a duplication of Clause 38 (1) (c) of the *Gas Regulation 2012* (SA) (Regulations), as detailed below.

| Gas Distribution Code (GDC/07) | Gas Regulations 2012 |
|--|---|
| <p>2.1.1 In operating the distribution system, the distributor must:</p> <p>(b) ensure that at all time gas is supplied so that:</p> <p>(i) the operating pressure of the gas at the outlet of each meter set for recording a customer's consumption of gas is 1 kPa or more but less than 3 kPa for all mains (subject to any written requirement of the customer or agreement between the Technical Regulator and the distributor for gas to be supplied at more than 3 kPa); and</p> <p>(ii) the pressure of the gas at each such meter set is within the meter set manufacturer's designated pressure operating range</p> | <p>38 (1) A distribution system operator must ensure that the following requirements are complied with in relation to gas distributed by the system:</p> <p>(c) the gas must be supplied so that—</p> <p>(i) the operating pressure of the gas at the outlet of each meter set for recording a customer's consumption of gas is 1 kPa or more but less than 3 kPa subject to any written requirement of the customer or agreement between the Technical Regulator and the operator for gas to be supplied at more than 3 kPa; and</p> <p>(ii) the pressure of the gas at each such meter set is within the meter set manufacturer's designated pressure operating range</p> |

We also believe the proposed amendment to include the wording of "at all time" in Clause 2.1.1 (b) is inconsistent with the wording of Clause 2.2.1 of the Gas Distribution Code (GDC/07) which states:

"The distributor must use best endeavours to maintain the capability of its distribution system".

The intent of the Clause 38 (1) (c) in the Regulations relates to the supply of gas to a connection, not that there must be a flow of gas at all times. As highlighted above "at all time" is not included in the wording of the Regulations, and as such, at a minimum should be removed from Clause 2.1.1 (b) of the Gas Distribution Code (GDC/07).

Our network is extremely reliable, with on average only 0.3% of our distribution customers experiencing an unplanned interruption every year. However, we cannot prevent all loss of supply events to all customers at all times. For example we cannot prevent third party damages, which include vehicles hitting our assets. It should be noted that other regulated entities in South Australia such as SA Power Networks and ElectraNet have "best endeavour" obligations relating to electricity supply and interruptions, not that they must ensure at all time electricity is supplied to customers.

We would like to thank the Commission for the open engagement process and their commitment to engaging genuinely with all stakeholders. We are happy to meet with the Commission and the South Australian Office of the Technical Regulator (Technical Regulator) to discuss any issues raised. Should you have any queries about the information provided in this letter please contact Vicky Knighton, Head of Compliance (0417 133 361, vicky.knighton@agig.com.au).

Yours sincerely,



Craig de Laine
General Manager People and Strategy