

OFFICIAL



Gas

Issues paper

Australian Gas Networks regulatory framework review 2026 – 2031

March 2024

OFFICIAL

Request for submissions

The Essential Services Commission (**Commission**) invites written submissions by **12 April 2024**.

It is the Commission's policy to make all submissions publicly available via its website (www.escosa.sa.gov.au), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to: Australian Gas Networks regulatory framework review 2026 – 2031.

It is preferred that submissions are sent electronically to: reviews@escosa.sa.gov.au

Alternatively, submissions can be sent to:

Essential Services Commission

GPO Box 2605

ADELAIDE SA 5001

Telephone: (08) 8463 4444

Freecall: 1800 633 592 (SA and mobiles only)

E-mail: reviews@escosa.sa.gov.au

Website: www.escosa.sa.gov.au

Contact Officer: Rowan McKeown, Senior Policy Officer

Table of contents

- Glossary of terms 4
- 1 Introduction 5
- 2 Aim and scope 7
 - 2.1 Emerging risks to gas distribution consumers..... 7
- 3 Focus areas 9
 - 3.1 Minimum service standards..... 9
 - 3.1.1 Service reliability standards..... 9
 - 3.1.2 Disconnection and abolishment service standards..... 11
 - 3.1.3 Removing or disabling any part of the distribution network 13
 - 3.1.4 Preconditions to connection..... 14
 - 3.2 Consistency with broader regulatory framework..... 15
 - 3.3 Reporting requirements 16
- 4 Next steps 18
- 5 Further information 18
- Appendix 1 – Legal framework 19
- Appendix 2 – Energy transition: risks to gas distribution consumers 20

Glossary of terms

AER	Australian Energy Regulator
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
ESC Act	<i>Essential Services Commission Act 2002</i>
EWOSA	Energy and Water Ombudsman SA
Gas Act	Gas Act 1997
Gas Distribution Code	Gas Distribution Code GDC/07
Gas Industry Guideline No. 1	Gas Industry Guideline No.1 GIG 1.8
Gas Metering Code	Gas Metering Code GMC/05
Gas Regulations	Gas Regulations 2012
Treasurer	Treasurer for the South Australian Government
Minister	Minister for Energy and Mining
TR	Technical Regulator
NECF	National Energy Customer Framework
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NGL	National Gas Law
NGR	National Gas Rules
Review	Australian Gas Networks regulatory framework review 2026-2031

1 Introduction

The Essential Services Commission (**Commission**) is undertaking a review of the South Australian regulatory instruments that apply to Australian Gas Networks (**AGN**). This includes: AGN's gas distribution licence, the Gas Distribution Code GDC/07 (**Gas Distribution Code**), Gas Metering Code GMC/05 (**Gas Metering Code**), and Gas Industry Guideline No. 1 GIG 1.8 (**Gas Industry Guideline No. 1**).

The purpose of this Issues Paper is to seek feedback on the effectiveness of these regulatory instruments with respect to consumers' long-term interests with respect to the price, quality and reliability of gas distribution services (refer Box 1).

AGN is one of Australia's largest natural gas distribution companies. In South Australia, AGN supplies natural gas through over 8400km of distribution networks to more than 476,000 customers.¹

As a monopoly essential services provider, AGN is subject to obligations set by regulators including the Commission, the Australian Energy Regulator (**AER**) and the Technical Regulator (**TR**).

The Commission's AGN regulatory instruments complement the protections established in the broader regulatory framework, including the National Gas Rules (**NGR**) and National Energy Customer Framework (**NECF**) (see Appendix 1).

The AER is responsible for the economic regulation of gas distribution services. It makes a revenue determination for AGN every five years which forms part of AGN's Access Arrangement. The next regulatory control period is from 1 July 2026 – 30 June 2031. The revenue determination must provide for jurisdictional regulatory requirements to be met.

The Commission reviews the regulatory framework it applies to AGN every five years, ahead of the regulatory control period administered by the AER.

The Commission is seeking stakeholder feedback on the issues highlighted in this paper by 12 April 2024 and plans to publish a draft decision on any proposed changes in July 2024 ahead of a final decision in January 2025.

¹ As at 30 June 2023, Australian Gas Networks reporting to the Commission.

Box 1: Jurisdictional regulatory instruments applying to AGN

The following regulatory instruments, issued by the Commission, establish the jurisdictional requirements for AGN's gas distribution services.

AGN's gas distribution licence – AGN's gas distribution licence sets out terms and conditions for operation of its distribution system, including requirements to:

- ▶ monitor and report to the Commission on compliance with applicable regulatory instruments
- ▶ comply with good gas industry practice
- ▶ undertake periodic audits of its operations and compliance with its regulatory obligations
- ▶ provide financial, technical and other information relevant to its ability to continue operations
- ▶ prepare, maintain and revise a Safety, Reliability, Maintenance and Technical Management Plan, and obtain approval of that plan from the Technical Regulator
- ▶ comply with Ministerial concession and community service obligations, and
- ▶ comply with obligations regarding the retention, use and disclosure of customer information.

Gas Distribution Code – the Gas Distribution Code (GDC/07) establishes obligations requiring AGN to:

- ▶ report annually on performance against the obligations in the Code
- ▶ deliver gas in accordance with defined safety, technical and operational requirements
- ▶ maintain the capability of its distribution system
- ▶ connect customers to the distribution system where defined preconditions are met, and
- ▶ meet obligations relating to reconnecting customers following disconnection.

Compliance with the Code (GDC/07) is a condition of AGN's licence.

Gas Metering Code – the Gas Metering Code (GMC/05) establishes obligations on AGN regarding:

- ▶ the provision of metering installations
- ▶ metering installation testing
- ▶ meter reading and data collection, and
- ▶ the annual preparation, submission and review of a Gas Measurement Management Plan.

It also sets out validation, substitution and estimation methodologies. Compliance with the Code (GMC/05) is a condition of AGN's licence.

Gas Industry Guideline No. 1 – the Gas Industry Guideline No.1 (GIG 1.8) sets out the manner and form, timing and requirements for the collection, allocation, recording and reporting of business data (including performance indicators).

2 Aim and scope

The aim of the review is to ensure the Commission’s regulation of AGN continues to meet the Commission’s statutory objective of protecting the long-term interests of consumers with respect to the price, quality and reliability of essential services, as established by the *Essential Services Commission Act 2002 (ESC Act)*.

The review will assess and propose changes (if required) regarding the:

- ▶ effectiveness of the regulatory instruments applying to AGN
- ▶ consistency of instruments within the broader State and national gas regulatory framework
- ▶ need for jurisdictional service standards to ensure gas network reliability, and
- ▶ suitability of the Commission’s performance monitoring and reporting framework.

The review will ensure the Code is focused on matters for which the Commission has primary responsibility, and there is a clear need for regulation. This includes matters clearly defined in legislation and matters important to the long-term interests of South Australian consumers, which are not dealt with elsewhere in relevant State or national regulatory frameworks.²

2.1 Emerging risks to gas distribution consumers

As the energy sector decarbonises and transitions away from using fossil fuels, the operational environment for AGN is changing. Before the end of the next regulatory control period, customer demand for natural gas may change materially, and there may be expanded blending of renewable and natural gas within the distribution network.

There are associated risks for consumers related to the price, quality, and reliability of gas distribution. Central amongst these is the risk that there may be fewer customers to pay for the costs of the network. This risk may be exacerbated if the network continues to expand, and new connections continue to be made, in the immediate future.

The Commission will document the potential impact of these risks on consumers, engage with other regulators involved in managing those risks, and identify where there is a role for it. An initial analysis of risks and responsibilities is included as Appendix 2.

Regulators are already working to address these risks. The AER has led discussion about uncertainty around future natural gas demand, the implications for consumers and businesses, and the range of possible responses.³ Its 2023 Access Arrangements for Victorian gas distributors addressed some of these risks, including by allowing for slightly accelerated network depreciation and a cap on the charge for permanent disconnections.⁴

² The Commission should have regard to the national framework and the need to avoid duplication of, or inconsistency with, regulatory requirements under these instruments. The *Gas Act 1997*, section 6A(4), and section 26B establishes this requirement.

³ See Australian Energy Regulator, 2021, *Regulating Gas Pipelines Under Uncertainty - Information Paper*, Chapter 2 Increasing Uncertainty in Future Natural Gas Demand, pp. 3 – 11, available at: [AER Information Paper - Regulating gas pipelines under uncertainty - 15 November 2021.pdf](#)

⁴ See Australian Energy Regulator, 2023, *Australian Energy Regulator decision supports Victorian gas consumers in energy transition*, available at: [AER decision supports Victorian gas consumers in energy transition | Australian Energy Regulator \(AER\)](#)

In Victoria, the Essential Services Commission Victoria's 2023 draft Gas Distribution System Code of Practice has also sought to address some of these risks. It provides for cost-reflective upfront connection charges, and clearly distinguishes different types of disconnection services.^{5,6}

Gas distribution businesses themselves are cognisant of these risks. The Commission expects AGN to document and include a response as part of its 2026 – 2031 Access Arrangement proposal, and for that work to be informed by consumer engagement.

While the Commission has a role in helping to manage risks to consumers associated with the energy transition, its responsibility does not extend to having a position on the long-term role of gas and gas distribution networks in South Australia's energy transition. The South Australian Government is considering this matter as it develops its comprehensive energy transition policy for the next three decades.⁷ Commission staff will consult with the Department for Energy and Mining during this process to understand emerging issues and possible responses.

Questions for stakeholders

1. Do you support the proposed aim and scope for the review? If not, why not?
2. Are there emerging risks to gas distribution consumers that the Commission has not identified? What is the nature and timing of these risks, and how might they be controlled?

⁵ Note that Victoria operates in a unique regulatory environment, where the National Energy Customer Framework and Part 19 of the National Gas Rules do not apply.

⁶ Essential Services Commission of Victoria, Gas Distribution System Code of Practice Draft Decision, 2023, p. 4, available at: [Reviewing the Gas Distribution System Code of Practice | Essential Services Commission](#)

⁷ The South Australian Government recently consulted on South Australia's Green Paper on the Energy Transition. See Department for Energy and Mining, 2023, South Australia's Green Paper on the Energy Transition, available at: [South Australia's Green Paper on the energy transition | Energy & Mining \(energymining.sa.gov.au\)](#). Its next step is to develop and publish a White Paper.

3 Focus areas

This paper sets out proposed focus areas for the review, which have been identified through early scoping work. The Commission is seeking input on these and any other areas stakeholders consider to be important.

The focus areas are:

- ▶ **Service reliability standards.** The review will consider whether to establish gas distribution service reliability standards or if monitoring reliability performance continues to be an effective tool for ensuring reliable supply for customers.
- ▶ **Disconnection and abolishment service standards.** The review will consider whether there is a need for the Commission to define disconnection and abolishment services, establish monitoring and reporting requirements, or set associated service standards.
- ▶ **Maintaining the extent of the distribution network.** The review will consider the likelihood that AGN could request approval to discontinue part of the distribution network during the next regulatory period and if it did, what criteria the Commission could use to determine whether to grant that approval.
- ▶ **Preconditions to connection.** The review will consider whether the current preconditions to connection established in the Gas Distribution Code remain appropriate.
- ▶ **Consistency with broader regulatory framework.** The review will consider changes in the broader regulatory framework that have occurred since the last review and whether corresponding amendments to the Commission's AGN regulatory instruments are needed to reduce duplication or avoid inconsistency.
- ▶ **Reporting requirements.** The review will consider whether the Commission's reporting requirements continue to be appropriate and whether customers would benefit from AGN reporting directly to the public.

3.1 Minimum service standards

The Gas Distribution Code sets minimum service standards for new connections and reconnection after disconnection. These complement the consumer protections established by the NGR and NECF.

While there are no minimum service standards related to reliability, the Gas Distribution Code and Gas Industry Guideline No. 1 establish reporting requirements that allow for the Commission to monitor service reliability performance.

3.1.1 Service reliability standards

Proposed focus for the review

Currently, the Commission does not establish service reliability standards for gas distribution. Instead, it uses a performance monitoring regime to ensure reliable supply for customers. The review will consider whether to continue this approach.

The Australian Energy Market Agreement, which sets out how energy policy will be developed across the jurisdictions, provides for States to retain the function of setting service reliability standards.⁸ Currently, the Commission's AGN regulatory instruments do not establish service reliability standards for gas distribution.

In previous reviews, the Commission has considered and decided against establishing standards that relate to the frequency and duration of unplanned interruptions, responsiveness to gas leaks, and responsiveness to customer service enquiries. It has done so on the basis that AGN has been delivering service that customers value without such standards. There is evidence this continues to be the case, as explained below.

AGN's operational reporting to the Commission includes the following indicators of service reliability:

- ▶ number of customers experiencing long or multiple interruptions, both of which are consistently low⁹
- ▶ number of gas leaks reported by members of the public, which fell from 9518 in 2018-19 to 6363 in 2022-23, with 99 per cent repaired within the timeframes set out in AGN's Leak Management Plan,¹⁰ and
- ▶ responsiveness to customer telephone calls to AGN's leaks and emergencies telephone number, which has remained consistent at around 95 per cent answered within 30 seconds since 2018-19.¹¹

A summary of AGN's performance is published on the Commission's website.¹²

AGN's operational performance can be in part attributed to the progress of AGN's mains replacement program.¹³ Customer satisfaction with AGN's service is reflected in the low number of complaints made to the Energy and Water Ombudsman of SA (EWOSA)¹⁴ and that most complaints received by EWOSA were resolved by AGN after referral to its customer service area without need for further investigation.¹⁵

⁸ Australian Energy Market Agreement (as amended 2013), Annexure 2, available at: [Australian Energy Market Agreement - Dec 2013.pdf \(archive.org.au\)](#)

⁹ 73 customers experienced interruptions longer than 12 hours in 2021-22 and 76 customers experienced interruptions longer than 12 hours in 2022-23. This performance was similar in the three years from 2018-19 to 2020-21. 57 customers experienced two or more unplanned interruptions in 2021-22 and 40 customers experienced two or more unplanned interruptions in 2022-23. This performance was similar in the three years from 2018-19 to 2020-21.

¹⁰ The Leakage Management Plan is included in the Safety, Reliability, Maintenance and Technical Management Plan that Australian Gas Networks submits to the Technical Regulator for approval.

¹¹ This has coincided with a drop in the number of calls made to the Leaks and Emergencies telephone number, which fell from 13,060 in 2019-20 to 6875 in 2022-23. This drop in call volume is associated with the Australian Gas Networks mains replacement program and replacement of older gas meters.

¹² Essential Services Commission of South Australia, Australian Gas Networks' regulatory performance, 2023, available at: [ESCOSA - Australian Gas Networks' regulatory performance](#)

¹³ As documented in Department for Energy and Mining, Technical Regulator Annual Report 2022-23, available at: [Technical Regulator Annual Report 2022-23 | Energy & Mining \(energymining.sa.gov.au\)](#), section 6.3.5.

¹⁴ Complaints fell from 182 in 2021-22 to 120 in 2022-23. The complaint rate of three per 10,000 customers compares well with other South Australian entities with distribution services - SA Water and SA Power Networks received four and three complaints per 10,000 customers respectively in 2022-23. See Energy and Water Ombudsman SA, Annual Report 2022-23, p. 36.

¹⁵ In 2022-23, 87.5 percent of complaints were resolved after they were referred to Australian Gas Networks by the Energy and Water Ombudsman SA. A further 10 percent were resolved after referral to Australian Gas Networks' higher-level dispute resolution service (escalated referral).

Based on this initial evidence, the Commission considers that service reliability continues to be satisfactory and there appears to be no need to establish service reliability standards for the 2026 – 2031 regulatory control period.

The Commission is seeking further evidence and views from stakeholders. An important strand of evidence will be customer satisfaction with performance as tested through AGN's consumer engagement program conducted ahead of its Access Arrangement proposal.

Questions for stakeholders

3. From a consumer's perspective, are there concerns with AGN's performance in relation to unplanned interruptions, gas leaks, responsiveness to customer enquiries, or other areas of service reliability?
4. Do you think there is a need for the Commission to establish minimum service reliability standards for the 2026 -2031 period?
5. Does AGN's regulatory performance reporting contain the right type of information about service delivery and performance? What other information could be useful to customers?

3.1.2 Disconnection and abolishment service standards

Proposed focus for the review

The energy transition may result in more customers seeking to disconnect from the gas distribution network. It is important that customers leaving the gas network are able to select the correct service, which may be a temporary service disconnection or a permanent connection abolishment.

The review will consider the role of the Commission in defining disconnection and abolishment services and consider related consumer protections which may include establishing monitoring and reporting requirements and setting associated service standards.

Before the end of the 2026 – 2031 regulatory control period, changes in consumer demand for natural gas may occur as a result of the energy transition.^{16,17} In October 2023, Energy Consumers Australia found that 10 percent of South Australian households were seriously considering cancelling their gas supply and converting their home to run on electricity only.¹⁸ A further 15 percent had thought about converting to electricity only, but not seriously.

If a consumer wishes to stop using gas, potential actions include:

- ▶ closing the account with their retailer, which does not involve physical disconnection (this is what typically occurs when a customer moves house)

¹⁶ See Australian Energy Regulator, 2021, Regulating Gas Pipelines Under Uncertainty - Information Paper, Chapter 2 Increasing Uncertainty in Future Natural Gas Demand, pp. 3 – 11, available at: [AER Information Paper - Regulating gas pipelines under uncertainty - 15 November 2021.pdf](#)

¹⁷ Since 2017-18, the number of domestic, industrial and commercial distribution customers with consumption below 10 terajoules has increased from 448,093 to 476,769 in 2022-23. The amount of gas they collectively consume has remained fairly constant (10,401 terajoules in 2017-18 and 10,991 in 2022-23), reflecting a slight decrease per customer in gas consumption.

¹⁸ See: Energy Consumers Australia, October 2023, Behaviour Survey, Household Results, Removing Mains Gas Supply, available at: [ecss.energyconsumersaustralia.com.au/behaviour-survey-oct-2023/how-people-use-energy-2023/](#)

- ▶ temporary disconnection, which involves physically closing supply to prevent withdrawal of gas by capping supply at the meter; the pipes connecting a customer’s premises to the mains pipeline remain intact, and the meter may or may not be removed, and
- ▶ service abolishment, which involves removal of the meter and the pipes connecting a customer’s premises to the mains pipeline and sealing the mains pipeline.

Once any charges and the balance of the account are paid, each of these actions ends the direct financial relationship between the customer and their retailer, and the indirect relationship with AGN.

The appropriate action depends on why the customer wishes to stop using gas. Charged gas pipes on customers’ premises when gas is not being used may present safety risks, and ongoing network maintenance costs must be recovered from other remaining gas customers.

To manage safety risks and cost impacts for other consumers, customers leaving the gas network must be able to ask for and receive the correct service in a timely manner. Readily accessible information should be available to customers so that they can make an informed decision about seeking the relevant service.

Several regulators are responsible for managing these risks. There is a role for the TR in defining the appropriate actions for customers leaving the network and practices relating to connections that are unused but have not been abolished (ie dormant connections).

There is a role for the AER in managing the immediate and future costs of customers leaving the network. As the economic regulator, the AER is responsible for approving tariffs for disconnection services such as abolishment, temporary disconnection, and meter removal.^{19 20} The AER is also responsible for establishing the minimum consumer protections that retailers must deliver, which can include provision of information.

There is also a potential role for the Commission to define different types of disconnection services, and consider the need for suitable consumer protections.²¹

These may include:

- ▶ establishing a monitoring and reporting regime, to understand customer requests for disconnection and abolishment services, the reasons they are made, and the services provided in response

¹⁹ Defined tariffs for each type of disconnection service provide clarity for customers who are leaving the network. For the current 2021 – 2026 period, the AER has approved AGN tariffs for temporary disconnection and meter removal, but not service abolishment. AGN’s current practice is to price abolishment services and costs for individual customers. Reference services and pricing will be reset as part of the AGN 2026 – 2031 Access Arrangement process.

²⁰ One consideration in setting tariffs for disconnection services is whether the typically high costs of abolishment should be wholly reflected in tariffs and paid for by the customer leaving the network or spread across all customers to avoid creating an incentive for a customer to request lower-cost temporary disconnection or account closure where those may not be suitable. The Australian Energy Regulator’s recent Access Arrangement decisions for Victorian distributors capped the small customer abolishment tariff at \$220 and socialised the balance of small customer abolishment costs (up to \$950) across haulage tariffs. See Australian Energy Regulator, 2023, Australian Energy Regulator decision supports Victorian gas consumers in energy transition, available at: [AER decision supports Victorian gas consumers in energy transition | Australian Energy Regulator \(AER\)](#)

²¹ Other jurisdictions are designing consumer protections for disconnection services. For example, draft changes to Victoria’s Gas Distribution Code of Practice set related obligations for temporary disconnection and service abolishment. See Essential Services Commission of Victoria, Gas Distribution System Code of Practice Draft Decision, 2023, p. 4, available at: [Reviewing the Gas Distribution System Code of Practice | Essential Services Commission](#)

- ▶ establishing obligations that define when each type of disconnection services should be provided (for example, when requested by a customer or retailer, or if directed to for safety or technical reasons), and
- ▶ service standards (for example, around the timeliness of providing disconnection).

Questions for stakeholders

6. What are customer’s experiences in seeking disconnection or abolishment services from AGN? Have the options available to customers been clear and understandable? Has AGN delivered those services in a satisfactory and timely manner?
7. Do you support the proposal to define disconnection and abolishment services in the regulatory framework? What types of services should be defined?
8. What types of consumer protections should be considered when AGN provides disconnection or abolishment services?

3.1.3 Removing or disabling any part of the distribution network

Proposed focus for the review

Currently, the Gas Distribution Code requires that AGN must have approval from the Commission to discontinue part of the gas distribution network that supplies one or more customers on the grounds that financial return from those customers is insufficient.

The review will consider the likelihood that AGN might request this type of approval in the next regulatory period and whether the Commission should establish criteria about how it would decide whether to grant that approval.

Currently, the Gas Distribution Code requires that AGN must not remove or disable any part of the gas distribution network that supplies gas to one or more customers on the grounds that the financial return from supplying those customers is insufficient, unless approved by the Commission (at clause 2.2.2).

Historically, AGN has not approached the Commission for approval to discontinue any part of the distribution network. If this were to occur in the future, the Commission is interested in stakeholder views on:

- ▶ criteria for assessing any future proposals to discontinue any part of the distribution network (such as the availability and acceptability of gas substitutes for remaining customers, the level of support provided by AGN to its remaining customers to access those substitutes), and/or
- ▶ consumer protections to apply where part of the distribution network is to be discontinued (such as provision of information or compensation).

Questions for stakeholders

9. If AGN seeks approval from the Commission to discontinue part of the gas distribution network on the grounds of insufficient financial return during the 2026 – 2031 period, what criteria should the Commission use to decide whether to grant the approval?
 - a. Would some specific types of customers and their requirements need to be considered, such as residential customers who use gas for life-support equipment (equipment that a registered medical practitioner certifies is required for a person residing at the customer’s premises for life support)?
 - b. In a scenario where AGN plans to discontinue part of the gas distribution network, how should customers be protected or supported to avoid being adversely impacted?

3.1.4 Preconditions to connection

Proposed focus for the review

The review will consider whether the current preconditions to connection established in the Gas Distribution Code remain appropriate.

The current Gas Distribution Code requires that AGN must connect a customer to the gas distribution network on request, on fair and reasonable terms, so long as several conditions are met.

The preconditions complement the requirements of the national framework. The national framework requires gas distributors to provide basic connection services to retail customers on request and establishes some related terms and conditions, which include limitations on charging for new connections.²²

The national framework provides for jurisdictional requirements, in South Australia the Gas Distribution Code’s preconditions to connection, to be incorporated into the distributor’s standing offer for basic connection services.

The preconditions established in the Gas Distribution Code are that:

- ▶ there are contracts in place for gas purchase, that adequate gas supply is available at the property boundary, that required extensions or expansions have been completed (2.3.1.c, h, and i)
- ▶ safety, technical, and maintenance requirements relating to gas installations are met (2.3.1.a, b, d, e, and g), and
- ▶ the customer supplies the retailer with details of the owner (or agent) for the property, where it is rented (2.3.1.f)

The Commission’s initial view is that the requirements at clause 2.3.1 establish important consumer protections and continue to be necessary.

²² See National Gas Rules section 12A, Gas connection for retail services. The distributor is required to prepare a model standing offer to provide basic connection services and have that approved by the Australian Energy Regulator, which must include jurisdictional requirements. The current model standing offer references the requirements for preconditions of connection. The National Gas Rules section 12A also establishes requirements for providing standard and negotiated connections.

The preconditions limit the obligation that AGN must connect a customer to situations where there are contracts in place, there is gas supply at the boundary, and extensions have been completed. They do not oblige AGN to ensure that gas is available or to extend its network. The preconditions allow for safety and technical requirements to be implemented that protect the public, individual customers and AGN.

Questions for stakeholders

10. Do you consider that the preconditions to connection set out in the Gas Distribution Code are reasonable? Should any preconditions be removed? Should any new preconditions be added?

3.2 Consistency with broader regulatory framework

Proposed focus for the review

There have been changes in the broader regulatory framework since the last review. This review will consider whether corresponding amendments to the Commission's regulatory instruments are needed to maintain consistency and avoid duplication.

Recent changes in the broader regulatory framework include amendments to the definition of gas to include hydrogen and other renewable gases, in both the national and State frameworks. These changes will ensure the regulatory frameworks operate as intended when those gases are used in the distribution network.

These changes respond to projects that aim to reduce emissions by introducing hydrogen and other renewable gases to the distribution network. There are currently a small number of such projects in South Australia, including Hydrogen Park at the Tonsley Innovation District, which delivers a five percent renewable gas blend to 4000 customers.²³

Amendments to the national framework will extend the National Gas Law to apply to 'covered gases' (which will include hydrogen, biomethane, synthetic methane and blends alongside natural gas). Amendments will extend the National Energy Retail Law to apply to 'natural gas equivalents' (which can be used in gas appliances) and 'prescribed covered gases' (which may require changes to appliances or networks).^{24,25}

Similar amendments to the State framework will extend the Gas Act to include hydrogen and gas blends with a high level of hydrogen (noting that biomethane and synthetic methane are already captured).²⁶ One impact of this change will be that the Commission's responsibilities to licence gas distribution will extend to operations that use hydrogen and gas blends.

²³ Australian Gas Infrastructure Group, Hydrogen Park South Australia, see: [Hydrogen Park South Australia | AGIG](#)

²⁴ See Energy and Climate Change Ministerial Council, July 2023, Extending the national gas regulatory framework to hydrogen and renewable gases, available at: [Extending the national gas regulatory framework to hydrogen and renewable gases | energy.gov.au](#)

²⁵ The legislation required to enable these changes was enacted by the South Australian parliament in November 2023, see Statutes Amendment (National Energy Laws)(Other Gases) Act 2023, available at: [Statutes Amendment \(National Energy Laws\) \(Other Gases\) Act 2023 | South Australian Legislation](#)

²⁶ At January 2024, the legislation required to enable these changes has passed both houses of the South Australian parliament but not yet been brought into operation, see Gas (Other Gases) Amendment Bill 2023, available at: [Gas \(Other Gases\) Amendment Bill 2023 | South Australian Legislation](#)

As part of this review, the Commission will consider whether:

- ▶ any associated amendments are needed to its AGN regulatory instruments for consistency with the legislative amendments
- ▶ other new consumer protections may be justified, such as a requirement that distributors inform consumers about changes to the type of gas being provided through the network,²⁷ and
- ▶ whether there are any areas of duplication and inconsistency between the AGN instruments and the other parts of the regulatory framework.

In doing so, it will have regard to the following matters:

- ▶ The national metering regulatory framework, including recent changes to the Retail Market Procedures administered by the Australian Energy Market Operator (AEMO).²⁸
- ▶ The *Gas Regulations 2012 (Gas Regulations)* and associated standards, for example, there may be some duplication of the requirements regarding gas pressure in section 38 of the Gas Regulations and clause 2.1.2(b) of the Gas Distribution Code.
- ▶ Timeframes for reconnection after disconnection that gas retailers are required to meet under the National Energy Retail Law local provisions.²⁹ Currently, the Gas Distribution Code (at clause 2.4.2) has a requirement that the distributor must perform reconnections within sufficient time for a retailer to meet its contractual obligations but does not specify those timeframes.

Questions for stakeholders

11. Are there instances where the Commission's regulatory instruments may need to be adjusted to provide for the use of hydrogen and renewable gases in the distribution network?
12. Are there instances of duplication or inconsistency between the Commission's AGN regulatory instruments and other parts of the regulatory framework?

3.3 Reporting requirements

Proposed focus for the review

The review will consider whether the Commission's reporting requirements continue to provide useful information and whether customers would benefit from AGN reporting directly to the public.

Gas Industry Guideline No. 1 sets out requirements for AGN's reporting to the Commission. It requires operational performance information including:

- ▶ responsiveness to the Leaks and Emergencies telephone number
- ▶ responsiveness to reports of gas leaks from the public, and
- ▶ the number of customers that experience long or multiple interruptions.

²⁷ This type of requirement has been included in the Essential Service Commission Victoria, 2023, Victorian Gas Distribution Code of Practice Draft Decision, available at: [Reviewing the Gas Distribution System Code of Practice | Essential Services Commission](#)

²⁸ See Australian Energy Market Operator, 2023, Retail Market Procedures SA, available at: [retail-market-procedures-sa-clean.pdf \(aemo.com.au\)](#)

²⁹ See National Energy Retail law (Local Provisions) Regulations, 2013, section 9(3), available at: [2013.3.auth.pdf \(legislation.sa.gov.au\)](#)

It also requires reporting of statistical information including customer numbers, length of gas pipeline and quantity of gas delivered. The Commission publishes summaries of AGN's performance annually.³⁰

In addition to reporting to the Commission, AGN reports on aspects of its performance to the AER and the TR.

The AER requires reporting on network characteristics, customer numbers, network reliability, income, capital and operating expenditures, revenue, and assets. It publishes non-confidential Regulatory Information Notice responses annually.^{31,32}

The TR requires detailed information about AGN's planning and performance as part of its Safety, Reliability, Maintenance and Technical Management Plan and supporting documents, as well as through the TR's program of technical auditing and meetings.³³ The TR publishes some information about AGN's performance in its annual reports.³⁴

This review will consider whether there is duplication between the reporting requirements of the Commission, the AER and the TR. It will consider if each of the Commission's reporting requirements continues to be necessary.

It will consider whether any additional reporting is needed to support other changes to the regulatory framework introduced as a result of the review. (Such as introducing of a monitoring and reporting regime, to understand customer requests for disconnection and abolishment services, the reasons they are made, and the services provided in response, as discussed in section 3.1.2).

The review will consider whether to require AGN to report directly to the public in the next regulatory period, noting that the Commission currently requires both SA Power Networks³⁵ and SA Water,³⁶ to publicly report on aspects of operational performance and service reliability. Reporting directly to the public has the potential to improve transparency and promote accountability.

Questions for stakeholders

13. To what extent are current reporting indicators appropriate and sufficient to monitor AGN's service delivery and reliability outcomes? If further indicators are needed, what should they be?
14. Given that information can be drawn from publicly available information or reporting to other regulators, is any information in reporting to the Commission no longer required or relevant?

³⁰ Essential Services Commission of South Australia, Australian Gas Networks' historical performance outcomes, available at: [ESCOSA - Australian Gas Networks' historical performance outcomes](#).

³¹ The Australian Energy Regulator uses Regulatory Information Notices to collect information about entities at the time it is making a regulatory determination and annually throughout each regulatory period. It publishes non-confidential information to support an effective and transparent regulatory process and ensure that stakeholders can access information on issues affecting their interests.

³² More information is available about AGN's reporting to the Australian Energy Regulator at: [Australian Gas Networks \(SA\) Gas pipeline information - RIN responses | Australian Energy Regulator \(AER\)](#)

³³ The Safety, Reliability, Maintenance and Technical Management Plan is supported by a detailed Leakage Management Plan, Asset Management Plan and Distribution Mains and Services Integrity Plan.

³⁴ The Technical Regulator's annual reports are available at: [Annual reports | Energy & Mining \(energymining.sa.gov.au\)](#)

³⁵ SA Power Networks, Regulatory information, 'Regulatory reporting', available at: <https://www.sapowernetworks.com.au/about-us/regulatory-information/>.

³⁶ SA Water, 'Our performance', available at: <https://www.sawater.com.au/about-us/our-publications/our-reports/our-performance-scorecard>.

4 Next steps

The Commission is seeking stakeholder feedback on the issues highlighted in this paper by 12 April 2024. The Commission plans to publish a draft decision on any proposed changes in July 2024, ahead of a final decision in January 2025. The timeline for the review is outlined below.

Table 1: Key dates for the remainder of the review

Stage	Timing
Consultation on Issues Paper	4 March 2024 – 12 April 2024
Draft Decision published	July 2024
Consultation on Draft Decision	July 2024 – 30 August 2024
Final Decision released	January 2025
AGN submits Access Arrangement proposal to AER	July 2025
New regulatory period begins	1 July 2026

5 Further information

Any queries relating to this consultation should be directed to:

- ▶ Rowan McKeown, Senior Policy Officer, at reviews@escosa.sa.gov.au

If you would like to keep up to date with the Commission's gas industry activities and the release of papers for consultation, subscribe at <http://www.escosa.sa.gov.au/subscribe.aspx>.

Appendix 1 – Legal framework

The Commission’s Australian Gas Networks (**AGN**) regulatory framework exists within the broader national energy market framework that is established by the provisions of the Australian Energy Market Agreement. That framework incorporates the National Gas Law (**NGL**), National Gas Rules (**NGR**) and the National Energy Customer Framework³⁷ (**NECF**).

Economic regulation of gas distribution was the responsibility of the Commission until 2008, and consumer protections for gas distribution and retail customers were the responsibility of the Commission until 2013. These matters are now addressed in national regulatory instruments administered by the AER.

The Australian Energy Regulator (**AER**) makes a revenue determination for AGN every five years which forms part of AGN’s Access Arrangement. The revenue determination must provide for jurisdictional regulatory requirements to be met, as per NGR 79(2)(c)(iii) and 91(1). The AER is also responsible for the majority of the consumer protections for gas distribution and gas retail customers.

The Commission’s regulatory instruments include AGN’s gas distribution licence, the Gas Distribution Code GDC/07, the Gas Metering Code GMC/05, and Gas Industry Guideline No. 1 GIG 1.8.

Currently, the Commission’s regulatory instruments:

- ▶ Fulfil the requirements of the Gas Act, which include that gas distribution entities be licenced and that licence conditions must include compliance with codes and rules, compliance with technical and safety requirements, and monitoring and reporting on indicators of service performance.³⁸
- ▶ Make specific jurisdictional requirements where the need is indicated in the national framework. For example, gas metering is addressed in the national framework (NGL and NGR), which in turn provides for the Australian Energy Market Operator (**AEMO**) to make and manage the Retail Market Procedures (South Australia). These provide for the Commission to specify gas metering methodologies.
- ▶ May address gaps in the national framework or matters unique to South Australian consumers.

The Commission’s powers to make, vary and amend industry codes are provided by the *Essential Services Commission Act 2002* (**ESC Act**). The Commission is required to keep industry codes under review, though the frequency and timing of those reviews are not prescribed by legislation.

³⁷ The National Gas (South Australia) 2008 Act applies the National Gas Law and National Gas Rules in South Australia. The National Energy Customer Framework consists of the National Energy Retail Law (including the National Energy Retail Law (Local Provisions) Regulations), National Energy Retail Rules, and National Energy Retail Regulations. It does not currently apply in the Northern Territory, Victoria or Western Australia. Further, Victoria has not adopted part 12A of the National Gas Rules which addresses gas connections for retail customers.

³⁸ See Gas Act 1997, section 26(1)(a)(ii)-(iv).

Appendix 2 – Energy transition: risks to gas distribution consumers

Issue	Risks to consumers	Responsible regulator(s) or bodies
<p>1 Fewer gas distribution customers</p> <p>To reduce fossil fuel use, customers may use less gas or disconnect from gas, and potential new customers may choose not to connect.</p>	<p>Price - network costs are borne by a smaller number of customers, who may be less able or unable to switch to electric appliances (for example, due to the initial capital cost or property tenure).</p>	<p>AER/AEMC</p>
	<p>Safety - cost of maintaining network for fewer customers may result in inadequate expenditure on safety, and increased risk that safety regulatory requirements will not be met.</p>	<p>TR/AER</p>
	<p>Quality, reliability - cost of maintaining network for fewer customers may result in inadequate expenditure on quality and reliability, and increased risk that regulatory requirements will not be met.</p>	<p>TR/AER Commission (reliability service standards)</p>
<p>2 Incorrect provision of disconnection services</p> <p>Customers leaving the gas network (temporarily or permanently) may not ask for or receive the correct service.</p>	<p>Price - gas connections that are unused but not physically removed may need to be inspected and maintained, which has an associated cost.</p>	<p>TR/AER AEMC/Commission (disconnection service standards)</p>
	<p>Safety - gas pipes in dwellings or businesses that remain charged but are unused (dormant connections) may present a safety risk.</p>	<p>TR AEMC/Commission (disconnection service standards)</p>
<p>3 Delayed provision of disconnection services</p> <p>The distributor may not provide disconnection services in a timely manner</p>	<p>Price – customers may continue to pay daily supply charges when they no longer use gas.</p>	<p>AEMC/Commission (disconnection service standards)</p>
	<p>Safety – delays in removing or managing gas pipes that remain charged but are unused may present a safety risk.</p>	<p>TR AEMC/Commission (disconnection service standards)</p>
<p>4 Renewable gases</p> <p>Hydrogen or other renewable gases be blended with natural gas in the distribution network</p>	<p>Safety, reliability - blending hydrogen with natural gas may affect safety or reliability of gas appliances or distribution services (including metering).</p>	<p>TR AER/AEMC</p>

Issue	Risks to consumers	Responsible regulator(s) or bodies	
5	Removing or disabling a part of the network AGN may remove or disable a part of the gas distribution network	Price, reliability – acceptable gas substitutes may not be available or accessible to remaining customers, who may not receive the required level of support from AGN to access those substitutes.	AER/AEMC
		Safety, reliability – Inadequate protections for consumers where part of the distribution network is to be discontinued.	Commission
		Reliability – Some specific types of customers (eg. residential customers who use gas for life-support equipment) may have specific requirements that need to be considered.	Commission



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au