

12 April 2024

Mr Adam Wilson

Chief Executive Officer

Essential Services Commission of South Australia

Level 1 151 Pirie Street

Adelaide SA 5000

## **Australian Gas Networks Regulatory Framework Review 2026 – 2031**

Dear Adam,

Thank you for the opportunity to respond to the Issues Paper on Australian Gas Networks (AGN) Regulatory Framework Review 2026-2031. Our responses to the questions asked in the Issues Paper form an attachment to this letter.

We note that the current policy and regulatory environment towards natural gas within South Australia remains stable, and our response to the questions raised in the Issues Paper reflects this fact. The current regulatory framework is fit for purpose, is serving customers well and should continue into the 2026-2031 period. The existing framework affords the appropriate protections, and visibility of our network performance.

AGIG is committed to decarbonisation and leading the transition from natural gas to renewable gases such as hydrogen and biomethane. We are investing in renewable gas projects - today we have three projects operating or under construction, and a pipeline of several projects at earlier stages which will provide confidence in the deliverability of renewable gas to customers.

Should you wish to discuss our response please contact Peter Bucki, Head of Regulation

[REDACTED]

Yours sincerely,



Roxanne Smith

Executive General Manager Corporate and Regulation

# AGN Response to Questions

## 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?

We agree with the aim and scope of the review. We do not consider there are emerging risk for gas distribution customers in South Australia. We remain committed to providing our services affordably, reliably and safely.

We note that the energy policy environment within South Australia is quite distinct from other states. This largely reflects the fact South Australia has led the nation in decarbonising its electricity supply, and understands the critical role natural gas plays today and the potential of renewable gas in the future. As noted by ESCOSA, a consideration of any emerging risks will be considered as part of the upcoming AGN SA 2026/27 to 2030/31 Access Arrangement Review conducted by the Australian Energy Regulator (AER).

## 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?

The South Australian gas distribution network reliability is high and only a small number of customers are generally impacted by gas supply interruptions when they occur. Our response to gas leaks and interruptions is timely. Importantly, our key metrics of public reports repaired, loss of supply, emergency response, network integrity, loss of containment and call centre response are reported to technical regulator.

Given the high level of performance currently being achieved we do not consider minimum service reliability standard are required. Any potential benefit from service reliability standards would likely be minimal given the current high level of performance with any benefit outweighed by the cost of implementation. Further, we consider the information made available to customers about our service delivery and performance is sufficient.

### 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?

In respect of disconnection and abolishment services, we consider the current timelines being achieved by AGN are acceptable, being within 2 days for meter plug or lock, 2 days for meter removal and 10 days for service abolishment are consistent with good industry practice.

We consider the approach to defining disconnections and abolishments should be consistent with that applied in our quarterly connection reporting to the AER, which in turn is consistent with how we have defined and provided these services to customers historically.

To be clear, customers who choose to leave the gas network should have their gas service abolished. Due to safety concerns, we don't accept that the option of a temporary disconnection (ie plugging) is appropriate where a customer is permanently leaving the network

If there is a significant cost difference (which there is) between temporary disconnection and abolishment there will be an incentive for customers permanently leaving the network to select the lowest cost option. In the long-run this will result in high numbers of live gas services in premises with no gas connection which is undesirable from a safety and liability perspective.

### 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?

We consider it very unlikely that we would request approval in the next regulatory period to discontinue part of the gas distribution system that continues to supply customers. For this scenario to occur in the next period it requires an extremely (implausibly) high concentration of customer loss in a particular area of the network which can practically be cut off without unduly impacting the capacity or security of the remaining network.

Even with a large number of customers disconnecting in such an area, many customers would remain connected due to choice and or other practicality reasons. Despite the plausibility of some reduction in customer numbers for the reasons stated, there is no evidence that this is occurring at a rate or in a common location where this issue is likely to arise over the timeframe of the next period. Our net customers connections continue to grow, and there is no policy likely to be enacted over the next AA period to actively dissuade connection and promote mass disconnection.

#### 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?

Existing preconditions are appropriate and continue to serve new and existing customers appropriately. Any extension of network required to facilitate connections is assessed must pass an economic evaluation, including requiring an upfront contribution if required.

#### 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?

We do not consider ESCOSA's current regulatory instruments require adjustment to facilitate the use of hydrogen and renewable gases.

We are not currently aware of any instances of duplication or inconsistencies.

#### 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?

We do not consider current reporting indicators are insufficient to monitor AGN's service delivery and reliability outcomes.

We also do not consider any information reported to ESCOSA is no longer required or relevant.