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Gas

# AGN regulatory framework review 2026 - 2031

DRAFT Decision

July 2024

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## Request for submissions

The Essential Services Commission (**Commission**) invites written submissions on this paper by **13 September 2024**.

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

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## Glossary of terms

AER	Australian Energy Regulator
AEMA	Australian Energy Market Agreement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
DEM	Department for Energy and Mining
DSCC	Deemed Standard Connection Contract
ESC Act	<i>Essential Services Commission Act 2002</i>
EWOSA	Energy and Water Ombudsman SA
Gas Act	<i>Gas Act 1997</i>
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
kPa	Kilopascal
LMP	Leak Management Plan
LPG	Liquified Petroleum Gas
Minister	Minister for Energy and Mining
MIRN	Meter Identification Reference Number
NECF	National Energy Customer Framework
NERL	National Energy Retail Law
NERL Local Provisions	<i>NERL (Local Provisions) Regulations 2013</i>
NERR	National Energy Retail Rules
NGL	National Gas Law
NGR	National Gas Rules

RSP	Reference Service Proposal
Review	Australian Gas Networks regulatory framework review 2026 – 2031
RMP	Retail Market Procedures South Australia
SACAT	South Australian Civil and Administrative Tribunal
SACOSS	South Australian Council of Social Service
Service standards	standards for network security and reliability
SRMTMP	Safety, Reliability, Maintenance and Technical Management Plan
TR	Technical Regulator

# 1 Executive summary

The Essential Services Commission (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (**ESC Act**). The Commission is undertaking the Australian Gas Networks (**AGN**) regulatory framework review 2026 – 2031 (the **review**).

AGN is one of Australia's largest natural gas distribution companies. In South Australia, AGN supplies gas through over 8,400km of distribution networks to more than 476,000 customers.

The Commission regulates AGN's gas distribution operations through the provision, administration and enforcement of a licensing regime, which is supported by industry codes and guidelines. It is empowered to do so through provisions in the *Gas Act 1997* (**Gas Act**) and ESC Act.

The Commission's regulatory instruments that apply to AGN and are under review include: the AGN 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 Commission's AGN regulatory instruments complement protections established in the broader regulatory framework. These include technical and safety requirements of the Gas Act which are administered and enforced by the Technical Regulator (**TR**). They also include the requirements of the National Gas Law (**NGL**), National Gas Regulations, National Gas Rules (**NGR**) and the National Energy Customer Framework (**NECF**), which are administered and enforced by the Australian Energy Regulator (**AER**).

The AER is responsible for the economic regulation of AGN. It makes a regulatory determination for AGN every five years which forms part of AGN's Access Arrangement. The Access Arrangement includes a decision on the type of revenue control that will apply to AGN (currently a price cap for each reference service) and determines prices for AGN's services. The regulatory determination must allow for jurisdictional regulatory requirements, including those of the Commission, to be met.

Responsibilities within the gas legislative and regulatory framework are illustrated in Figure 1.

## 1.1 Aim and scope

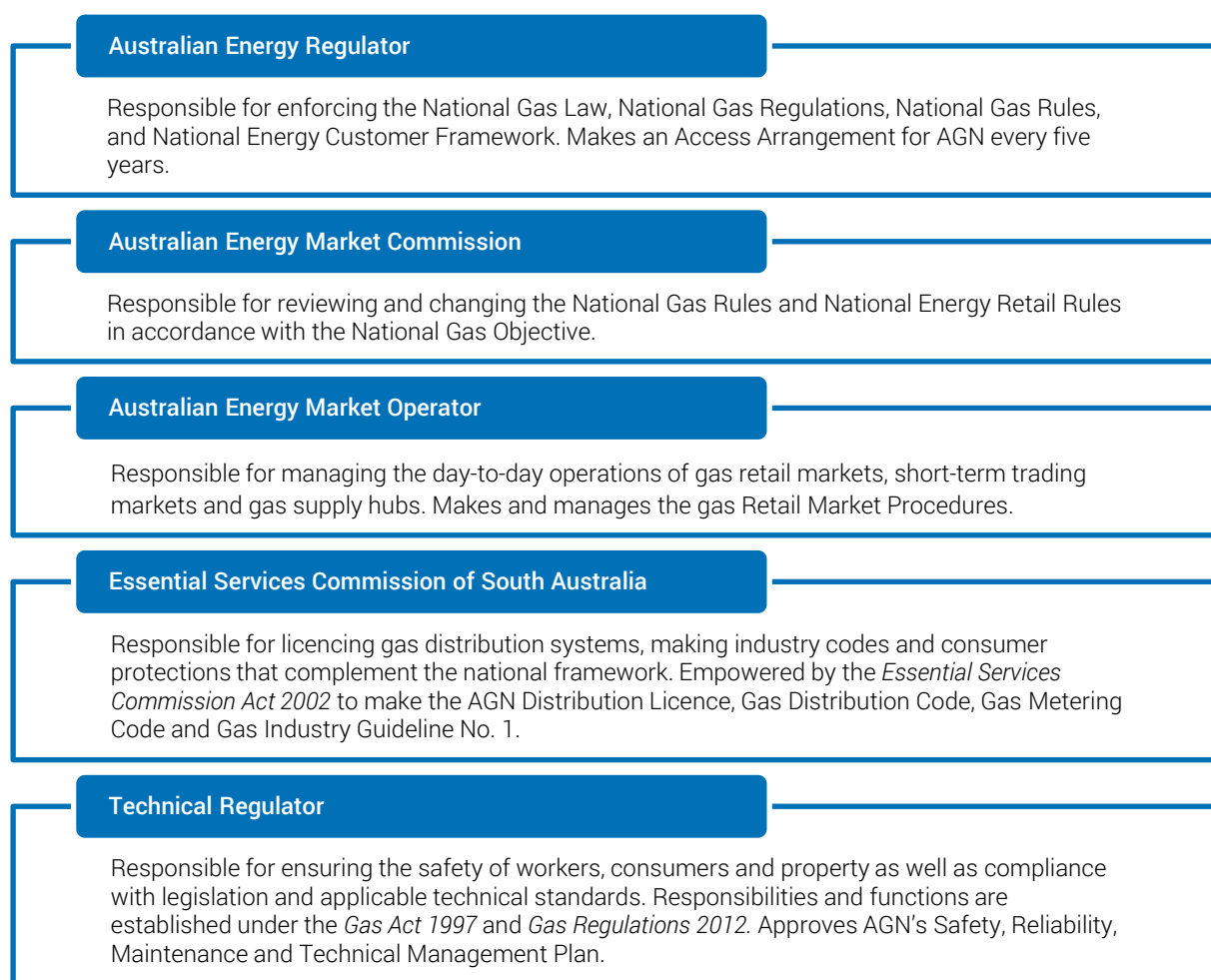
The purpose of the review is to ensure the Commission's AGN regulatory instruments continue to satisfy the Commission's primary statutory objective under the ESC Act, which is to protect the long-term interests of consumers with respect to the price, quality and reliability of essential services.

This involves an assessment of the extent to which the AGN regulatory instruments are 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.

The Commission has considered risks to gas distribution consumers, including risks that are emerging because of the energy transition. This draft decision proposes a range of measures designed to protect the interests of consumers as the operational environment for gas distribution changes.

It is important to note that the Commission does not have a role in developing or taking a position on the long-term role of gas and gas distribution networks in South Australia's energy transition. That is the responsibility of the South Australian Government.

Figure 1: Responsibilities under the gas legislative and regulatory framework



## 1.2 Timing and process

The Commission reviews the AGN regulatory framework every five years, ahead of each regulatory control period administered by the AER. The next regulatory control period is from 1 July 2026 to 30 June 2031.

The Commission published an Issues paper for consultation between 4 March and 12 April 2024. Six submissions and nineteen YourSAy survey responses were received. These have informed this draft decision. The six submissions have been published on the review project page.

A summary of the main points in this draft decision is presented in Table 2. Proposed amendments to the AGN regulatory instruments are highlighted in the draft revised versions published alongside this draft decision.

The review is considering updates to Gas Industry Guideline No. 1 to ensure consistency with amendments proposed in this draft decision. The Commission will consult on those changes directly with AGN.

## 1.3 Emerging risks to gas distribution consumers

As the energy sector decarbonises, the operational environment for AGN is changing. This presents risks to gas distribution consumers related to:

- ▶ the blending of hydrogen and other renewable gases in the distribution network
- ▶ correct and timely provision of disconnection services
- ▶ coordination of electric appliance conversions and network connections, and
- ▶ potential changes in the number of gas distribution customers.

The Commission expects AGN to respond to emerging short and longer-term risks as part of its 2026 – 2031 Access Arrangement proposal, and for that work to be informed by its consumer engagement.

The Commission has worked with the Australian Energy Regulator (**AER**), Australian Energy Market Commission (**AEMC**), Department for Energy and Mining (**DEM**) and TR to document these risks, their potential impact, timing and extent and current and possible controls. Each party has responsibilities relating to these risks and is working to address them.

The Commission will continue to engage with Government and other regulators on the risks to gas consumers that sit within their areas of responsibility and potential refinements to consumer protections to address those risks.

Based on its analysis of emerging risks to gas distribution consumers, the Commission has made draft decisions to:

- ▶ extend the application of the AGN Distribution Licence so it also applies to distribution of hydrogen and other renewable gases
- ▶ continue to monitor network reliability (which may be affected by changes in the operational environment) and introduce service standards if necessary
- ▶ ensure AGN provides information to consumers and retailers about its disconnection services (that is based on clear definition of each type of disconnection service)
- ▶ monitor the timely provision of disconnection services and introduce service standards if necessary, and
- ▶ extend the current requirement that proposals to disable any part of the gas distribution network require the approval of the Commission.

The draft decision proposes changes to each of the AGN regulatory instruments.

## 1.4 AGN Gas Distribution Licence

The AGN Gas Distribution Licence sets out terms and conditions for operation of the AGN distribution system.

The recent change to the definition of 'gas' in the Gas Act means the Commission's responsibility to licence gas distribution now extends to licensing distribution of hydrogen and gas blends. The draft decision defines 'gas' in the AGN Gas Distribution Licence using the same meaning as the Gas Act, to ensure it applies to operations that use hydrogen and other renewable gases.

For consistency with the approach taken in other distribution licences issued by the Commission, the draft decision amends the AGN Gas Distribution Licence to include a detailed description of licensed operations (with maps). The Commission will consult with AGN to ensure the description of licensed operations is flexible enough that routine change within the described areas (including network extensions within those areas) will not require a licence variation.

The draft decision amends the licence to separately describe the AGN gas distribution network and the AGN Liquefied Petroleum Gas (**LPG**) distribution network at the Glenlea Estate in Mount Barker. It



specifies which industry codes apply to those networks. (Noting that the AGN LPG distribution network is subject to the Small-scale Gas Networks Code because use of LPG is not subject to the NGR and NECF). With these amendments, the separate existing Commission approval for the AGN LPG distribution network will be superseded.

## 1.5 Gas Distribution Code

The Gas Distribution Code establishes obligations related to operation of the AGN gas distribution system. The draft decision amends the application of the Gas Distribution Code to clarify that it does not apply to retailers or small-scale gas distribution systems.

The Commission has a legislative requirement to monitor and report on indicators of AGN's service performance and is empowered to set service standards at its discretion.<sup>1</sup> Evidence suggests that AGN is delivering the service levels that customers value. Therefore, the Commission does not currently set service standards.

The draft decision is to not introduce service standards for the 2026 – 2031 regulatory period and continue to monitor service levels using the performance monitoring regime and by engaging with other regulators and the Energy and Water Ombudsman of SA (EWOSA). The Commission retains the power to establish service standards and will intervene if necessary to do so, for example, in response to declining performance.

The draft decision is to enhance the current performance monitoring regime, including by making improvements to monitoring of potential gas leaks reported by the public. These improvements involve renaming the existing leak repair metric and adding one new metric – attendance within two hours of the leak being reported.

New requirements for reporting on disconnection services are proposed. These are based on clear definitions of each type of disconnection service. They include reporting on the number of disconnection services provided and their timely delivery, using AGN's current business timeframes of three business days for disconnections (meter not removed), two business days for disconnections (meter removed) and ten business days for abolishments.

This draft decision proposes that AGN will be required to report its customer numbers by region. This will inform analysis of shifting customer numbers in the 2026 – 2031 regulatory period.

Direct public reporting has the potential to improve transparency of and accountability for performance. For that reason, the draft decision is to introduce a requirement for AGN to report directly to the public on aspects of its operational performance that are part of the Commission's performance monitoring regime.

Information about the types of disconnection services AGN provides, how much they cost and how long it will take AGN to deliver those services is not readily available. To inform this review, the Commission has worked with AGN to identify and describe its range of disconnection services. The draft decision requires AGN to provide and make available similar information, as well as information about associated customer responsibilities and dispute resolution options, available for customers and retailers.

The Gas Distribution Code requires AGN to have approval from the Commission if it proposes to remove or disable part of its distribution system on the grounds of insufficient financial return. While evidence suggests that such a proposal is unlikely to be received in the 2026 – 2031 regulatory period, this requirement is an important protection for South Australian gas consumers.

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<sup>1</sup> This requirement is established by section 5(b) of the Essential Services Commission Act, and sections 26(1)(e) and 26(2) of the Gas Act.

The draft decision extends this requirement so approval from the Commission is needed to disable part of the distribution system for any reason. The proposed requirement excludes removing or disabling a part of a distribution system for customer-requested abolishment, for safety reasons as permitted by the Gas Act or as otherwise directed by the Technical Regulator.

The Gas Distribution Code requires that AGN use its best endeavours to reconnect customers after disconnection within sufficient time for a retailer to meet its obligations under the NERL. It does not create specific timeframes for reconnection after disconnection. While AGN currently performs reconnections in a timely manner, the draft decision specifies timeframes that are based on retailers' NERL obligations. It also clarifies that these timeframes apply only where AGN is obliged to reconnect customers under the National Energy Retail Rules (**NERR**). This will provide certainty and clarity for retailers and customers and is consistent with the Commission's approach in relation to electricity distribution.

The Gas Distribution Code specifies the operating pressure of medium-pressure and high-pressure gas mains, as a best endeavours obligation. This is important, but is a technical matter best addressed by the TR. The draft decision is to write to the TR to recommend that this matter is addressed elsewhere in the State regulatory framework.

## 1.6 Gas Metering Code

The Gas Metering Code sets retailer and distributor obligations that apply to gas metering. The draft decision is to amend its application to clarify that it does not apply to distributors and retailers that are subject to the Small-scale Gas Networks Code.

Obligations relating to gas metering in South Australia are also made by the Retail Market Procedures South Australia (**RMP**) (managed by the Australian Energy Market Operator, **AEMO**), the NGR and the NERR. This review of the Gas Metering Code has focused on changes required to ensure provisions are up-to-date and consistent with these other regulatory instruments.

The draft decision proposes changes to improve consistency, for example, to align the code and RMP in relation to the information that must be retained in metering installation databases. Further, the draft decision improves presentation of obligations relating to validation, substitution and estimation of metering data and identifies the associated methodologies as those required by the RMP.

AGN is conducting a trial of 400 digital gas meters in the Mitchell Park area. Digital meters offer potential benefits to AGN, customers and retailers and may be available outside the trial area in the 2026 – 2031 regulatory period. The draft decision responds to this possibility by requiring that the cost of installing a different meter (like a digital meter) is either: paid by the customer, if the customer requests the different meter; or, paid by the distributor or retailer, if they request the different meter (in which case the costs are ultimately passed on to and spread across all customers). The draft decision proposes that AGN must provide the retailer and customer 15 business days' notice before it installs a different meter.

The Gas Metering Code contains methodologies for estimating and substituting metering data when actual data is not available. Currently, these do not accommodate the possibility that the composition of gas may have changed to include hydrogen or other renewable gases since actual metered data was last available. This is important because hydrogen and hydrogen blends have a lower heating value per unit of volume than natural gas. The draft decision requires AGN to consider changes in the composition of gas before estimating or substituting metering data.

The draft decision makes other changes to metering-related protections. In relation to broken gas meter seals, it requires AGN to replace a broken seal at the time of testing, if testing is required. In relation to meter readings to facilitate transfer of a customer from one retailer to another, it requires the

reading to be carried out by the date requested by the retailer. The Code also clarifies the type of reading that is required.

The Commission's review of the Gas Metering Code has been informed by advice provided by ACIL Allen which is published alongside this draft decision.

## 1.7 Next steps

The Commission is seeking stakeholder feedback on this draft decision by 13 September 2024 and plans to publish a final decision in January 2025. Key dates for the remainder of the review are shown in Table 1.

Table 1: Key dates for the remainder of the review

Stage	Timing
Consultation on Draft Decision	13 September 2024
Final Decision published	January 2025
AGN submits Access Arrangement proposal to AER	July 2025
New regulatory period begins	1 July 2026

The Commission thanks those who made submissions to the Issues paper and engaged with the Commission to provide evidence and comment, all of which have been carefully considered and have provided valuable information and insights to the draft decision.

Table 2: Summary of main draft decision points

Topic	Section of draft decision	Current provisions	Draft decision	Regulatory instrument amendment
<b>AGN Gas Distribution Licence</b>				
Definition of gas	Section 5.1	Licence applies to the distribution of natural gas.	Licence will apply to the distribution of gas (defined as per the Gas Act to include hydrogen and other renewable gas blends).	AGN Gas Distribution Licence, definition of gas
Licensed operations	Section 5.2	Licensed operations are the distribution system used at the commencement of the licence, any extension to that distribution system and any new distribution system approved by the Commission.	Licensed operations will be the AGN gas distribution network and the AGN LPG distribution network at Mount Barker. The description will be flexible enough that routine changes (including network extensions within defined areas) will not require a licence variation.	AGN Gas Distribution Licence, Schedule 3  Separate approval for AGN LPG distribution network at Mount Barker superseded.
<b>Gas Distribution Code</b>				
Application	Section 6.1	Gas Distribution Code includes distributors and retailers in its application clause (GDC/07 section 1.4), but only makes obligations for distributors.	Gas Distribution Code will not apply to retailers or to gas distribution systems that are subject to the Small-scale Gas Networks Code.	GDC/08 clauses 1.4.2 and 1.4.4
Service standards	Section 6.2	No service standards for network security and reliability.	No change.	n/a
Performance monitoring regime	Section 6.3	Monitoring of telephone responsiveness, leaks and interruptions.	Current regime will be retained with some refinements: rename leak repair metric, add one new leak responsiveness metric, new disconnection services monitoring (including against certain timeframes) and add reporting on customer numbers by region.	GDC/08 section 2.7  GIG 1/9

Topic	Section of draft decision	Current provisions	Draft decision	Regulatory instrument amendment
Disconnection and abolishment services	Section 6.4	-	Definition of different types of disconnection service, and requirements to make information about disconnection services available for customers. New requirements for monitoring will inform assessment of the need for future disconnection service standards.	GDC/08 section 2.5
Public reporting requirements	Section 6.5	-	New requirements for AGN to report directly to the public on operational performance metrics.	GDC/08 section 2.8
Timeframes for reconnection after disconnection	Section 6.6	Best endeavours requirement to reconnect in time for retailers to meet National Energy Retail Law obligations (GDC/07 clause 2.4.2)	Timeframes for reconnections after disconnection that are based on retailer's obligations in the National Energy Retail Law (Local Provisions) Regulations, with a best endeavours obligation on AGN to meet timeframes. These apply where AGN is obliged to reconnect customers under the NERR.	GDC/08 section 2.6
Disabling any part of the distribution system	Section 6.7	Approval required to remove or disable any part of the distribution system because of insufficient financial return (GDC/07 clause 2.2.2)	Approval to remove or disable any part of the distribution system will be required for any reason it is proposed, not only insufficient financial return. Excludes customer-requested abolishment and changes made for safety reasons or directed by the Technical Regulator.	GDC/08 clause 2.3.2
Preconditions to connection	Section 6.8	Distributor must connect customer subject to preconditions to connection (GDC/07 section 2.3)	No change.	GDC/08 clause 2.4
Requirements for medium and high-pressure gas mains	Section 6.9	Best endeavours requirement for pressure to be maintained within specified range (GDC/07 2.1.1(b))	To recommend to the Technical Regulator that matter is addressed elsewhere in the State regulatory framework.	n/a

Topic	Section of draft decision	Current provisions	Draft decision	Regulatory instrument amendment
<b>Gas Metering Code</b>				
Application	Section 7.1	Gas Metering Code applies to distributors registered as Network Operators under the National Gas Rules and retailers (GMC/05 clause 1.4.2).	Gas Metering Code will not apply to gas distribution systems that are subject to the Small-scale Gas Networks Code.	GMC/06 clause 1.4.2 and 1.4.3 and definitions
Digital metering	Section 7.2	Provisions that if a retailer requests a metering installation that is different to what is already installed, the distributor must not unreasonably withhold consent. Any additional cost must be met by the retailer (GMC/05, clauses 2.1.2 and 2.1.3).	Change requirement so any additional cost is paid by, in the first instance, the party that initiates the change. New requirement for the distributor to inform the customer and retailer at least 15 business days before installing a different type of meter.	GMC/06, clauses 2.1.2, 2.1.3 and 2.1.4
Metering installation databases	Section 7.3	Gas Metering Code contains provisions for information that must be in metering installation databases and maintaining information (GMC/05 section 2.5).	Align requirements with those in the Retail Market Procedures South Australia and simplify remaining requirements.	GMC/06 clauses 2.5.2, 2.5.3, and definitions.
Sealing of gas meters	Section 7.4	Timeframes for replacing a broken seal (70 business days, or when meter next read), timeframes for testing a metering installation where accuracy may have been affected (15 business days) and timeframes for replacing a non-compliant metering installation (5 or 10 business days) (GMC/05, clauses 2.7.3 and 2.7.5).	To clarify the actions and timeframes that apply when a seal is broken, which vary depending on the level of risk. Obligations remain the same, except that the distributor needs to replace the broken seal at the time of testing, if testing is required.	GMC/06, clause 2.7.3
Meter reading on customer transfer	Section 7.5	Distributor must use best endeavours to carry out an actual meter read to enable transfer of a customer to another retailer within a reasonable time of request (GMC/05 clause 4.2.1).	Distributor must undertake an actual meter read by the date requested by the retailer. An actual meter reading may include a deemed meter reading where permitted by the Retail Market Procedures South Australia.	GMC/06 clause 4.2.1
Validation, substitution and	Section 7.6	Provisions for validating, substituting and estimating metering data, including requirements to notify	Combine and more clearly express existing requirements and explain that methodologies are	GMC/06 sections 4.4 and 4.5, and Schedules 2 and 3

Topic	Section of draft decision	Current provisions	Draft decision	Regulatory instrument amendment
estimation of metering data		retailers and methodologies (GMC/05 sections 4.4. and 4.5, Schedules 1 and 2).	approved for the purposes of the Retail Market Procedures. No material change to obligations.	
Accommodating change in gas composition	Section 7.7	Methodologies for estimating and substituting metering data do not accommodate the possibility that the composition of gas may have changed since the last available metered data.	Create an additional obligation on the distributor to take into consideration changes in the composition of gas that may have occurred before estimating or substituting metering data.	GMC/06 Schedule 2 clause 4 (g) and Schedule 2 clauses 4 (c) and (d)

## 2 Introduction

The Essential Services Commission (**Commission**) is undertaking the Australian Gas Networks (**AGN**) regulatory framework review 2026 – 2031 (the **review**).

Under review are the Commission's regulatory instruments that apply to AGN which include: the AGN 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**). These are introduced in Box 1.

The purpose of the review is to ensure the effectiveness of these regulatory instruments in protecting the long-term interests of consumers with respect to the price, quality and reliability of gas distribution services.

AGN is one of Australia's largest natural gas distribution companies. In South Australia, AGN supplies natural gas through over 8,400km of distribution networks to more than 476,000 customers.<sup>2</sup> 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 regulates the Australian Gas Networks (**AGN**) gas distribution operations through the provision, administration and enforcement of a licensing regime, supported by industry codes and guidelines.

The Commission's AGN regulatory instruments complement the protections established in the broader regulatory framework, including the National Gas Law (**NGL**), National Gas Regulations, National Gas Rules (**NGR**) and the National Energy Customer Framework (**NECF**). The broader legislative and regulatory framework that applies to AGN is detailed in Appendix 1.

The AER is responsible for the economic regulation of gas distribution services. It makes a regulatory determination for AGN every five years which forms part of AGN's Access Arrangement. The Access Arrangement includes a decision on the type of revenue control that will apply to AGN (currently a price cap for each reference service) and determines prices for AGN's services. The next regulatory control period is from 1 July 2026 to 30 June 2031. The regulatory 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 each regulatory control period administered by the AER.

The Commission published an Issues paper on the review for consultation between 4 March and 12 April 2024. Six submissions and nineteen YourSAy survey responses were received. These have informed this draft decision and the Commission thanks stakeholders for their input.

This draft decision is presented in four main sections. First, it addresses the Commission's role in responding to risks to gas distribution consumers that are emerging because of the energy transition. It then addresses changes to the AGN Gas Distribution Licence, Gas Distribution Code and Gas Metering Code. Draft revised versions of each instrument are published for consultation alongside this draft decision.

The review has also considered updates to Gas Industry Guideline No. 1 to ensure its provisions are up-to-date, consistent with other regulatory instruments and consistent with amendments proposed in this draft decision. The Commission will consult directly with AGN on a draft revised Gas Industry Guideline No. 1.

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<sup>2</sup> As at 30 June 2023, Australian Gas Networks reporting to the Commission.



The Commission is seeking stakeholder feedback on this draft decision by 13 September 2024 and plans to publish a final decision in January 2025.

#### Box 1: Commission regulatory instruments that apply to AGN

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

**AGN 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 the AGN Gas Distribution 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 the AGN Gas Distribution 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).

### 3 Aim and scope

The purpose of the review is to ensure the Commission's regulation of Australian Gas Networks (**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 has assessed and made a draft decision 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, and
- ▶ suitability of the Commission's performance monitoring and reporting framework.

The draft decision is based on an assessment of the extent to which the AGN regulatory instruments are 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.<sup>3</sup>

While the Commission has a role in helping to manage risks to consumers associated with the energy transition, several regulators have responsibilities in this area. In particular, the Australian Energy Regulator (**AER**), which has responsibility for economic regulation of AGN and the consumer protections contained in the national framework and the Technical Regulator (**TR**), which is responsible for safety and technical issues.

The Commission's 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.<sup>4</sup> The Commission is consulting with the Department for Energy and Mining during the review to better understand how the Government's energy transition policy might affect gas distribution in the future.

The Commission must keep its regulatory instruments under review with a view to ensuring their continued effectiveness.<sup>5</sup> During the 2026 – 2031 regulatory period, the Commission will continue its practice of actively monitoring changes in the operating environment for gas distribution (including changes in Government policy) and consider whether there is a need to respond.

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<sup>3</sup> 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* (**Gas Act**) section 6A(4), and section 26B establishes this requirement.

<sup>4</sup> 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](#). Its next step is to develop and publish a White Paper.

<sup>5</sup> *Essential Services Commission Act 2002*, section 28(8).

## 4 Emerging risks to gas distribution consumers

As the energy sector decarbonises, the operational environment for Australian Gas Networks (AGN) is changing. This changing operational environment brings associated risks for consumers related to the price, quality, and reliability of gas distribution. There is a role for the Commission in managing those risks.

The draft decision is to:

- ▶ continue engagement with Government and other regulators on the risks to gas consumers that sit within their areas of responsibility and potential refinements to consumer protections to address those risks.
- ▶ extend the application of the AGN Gas Distribution Licence so it also applies to distribution of hydrogen and other renewable gases (see section 5.2)
- ▶ continue to monitor network reliability (which may be affected by changes in the operational environment) and introduce service standards if necessary (see section 6.2)
- ▶ monitor the timely provision of disconnection services and introduce service standards if necessary (see section 6.4.3)
- ▶ ensure provision of information for consumers and retailers about disconnection services (see section 6.4.3) and,
- ▶ require any proposals to disable any part of the gas distribution network to require the approval of the Commission (see section 6.7).

As the energy sector decarbonises and transitions away from using fossil fuels, the operating environment for AGN is changing.

Consideration of greenhouse gas emissions has become embedded in the broader regulatory framework. In 2023, the National Gas Objective was amended to incorporate an emissions reduction objective.<sup>6</sup> Now Commonwealth entities including the AEMC, AEMO and AER must consider Commonwealth and State emissions reduction targets in their decision-making. South Australia's State targets are to reduce greenhouse gas emissions by 50 percent reduction on 2005 levels by 2030 and achieve net zero greenhouse gas emissions by 2050.<sup>7</sup>

While South Australia has emissions reduction targets, there are currently no policies in South Australia that encourage or incentivise customers to reduce or discontinue using gas, which differs from eastern States.

In South Australia, any change in the number of customers using gas is likely to be customer-driven and there is uncertainty about what changes might occur during the 2026 – 2031 regulatory period. Currently, AGN customer numbers continue to increase while per customer use of natural gas is declining slightly.

AGN will include forecasts of customer numbers in its 2026 – 2031 Access Arrangement proposal, due to be submitted to the AER by 1 July 2025. There is some indication that customer preferences for gas

<sup>6</sup> Australian Energy Market Commission, [National Energy Objectives](#).

<sup>7</sup> Australian Energy Market Commission, June 2024, [Emissions targets statement under the national energy laws](#).

are shifting. In 2023, 10 percent of South Australian households had seriously considered cancelling their gas supply and converting to electricity only.<sup>8</sup>

At the start of its 2021 – 2026 regulatory period, AGN acknowledged the uncertainty around the future of gas and indicated it supported using a risk-based approach to respond to any changes. It committed to explore the future of hydrogen with a view to being more informed about its possibilities ahead of the 2026 – 2031 regulatory period.<sup>9</sup>

While AGN has ambitions for widespread use of renewable gas, the extent to which there may be expanded blending of renewable and natural gas within the distribution network before the end of the 2026 – 2031 regulatory period is still uncertain. AGN is trialling the use of hydrogen in the gas distribution network at Hydrogen Park at the Tonsley Innovation District, where a 10 percent renewable gas blend is supplied to 4000 customers.<sup>10</sup> Larger projects are proposed.<sup>11</sup>

This changing operational environment brings associated risks for gas distribution consumers related to:

- ▶ the blending of hydrogen and other renewable gases in the distribution network
- ▶ correct and timely provision of disconnection services
- ▶ coordination of electric appliance conversions and network connections, and
- ▶ potential changes in the number of gas distribution customers.

These risks are discussed further in section 4.1.2 below.

#### 4.1.1 Submissions to Issues paper

The Issues paper presented an initial analysis of emerging risks to gas distribution consumers and identified responsible regulators. It invited submissions on whether there were risks the Commission had not identified and how these might be controlled.

AGN submitted that there will be minimal risks to gas consumers related to the energy transition in the 2026 – 2031 regulatory period, given that the energy policy environment in South Australia supports ongoing gas demand and that AGN is committed to transitioning from supplying natural gas to supplying renewable gas.<sup>12</sup>

The Technical Regulator (TR) noted that the South Australian Government '*remains committed to a fully operational gas network for residential, commercial and industrial [sectors]*' and that a change in this policy is highly unlikely in the 2026 – 2031 regulatory period. It noted that there is less certainty about whether that policy will remain in future regulatory periods and identified uncertainty about the longer-term availability of gas for distribution networks.<sup>13</sup>

The Energy and Water Ombudsman of SA (EWOSA) considered that the Commission had identified many of the risks facing gas consumers over the next regulatory period and noted a related risk to existing consumers seeking to electrify their premises and shift away from gas. EWOSA considered

<sup>8</sup> Operational reporting to the Commission, Energy Consumers Australia Behaviour Survey 2023, [Household results](#), 'Removing mains gas supply'.

<sup>9</sup> Australian Gas Networks, July 2020, [Five-year plan for our South Australian network](#), pp. 28-29, 104.

<sup>10</sup> Australian Gas Infrastructure Group, [Hydrogen Park South Australia](#).

<sup>11</sup> For example, the AGN Hydrogen Park at Bolivar (planned to supply a 20 percent hydrogen blend to 350,000 customers), see Australian Gas Infrastructure Group, [Hydrogen Park Bolivar](#). This project is at feasibility stage, with targeted commercial operations in January 2027.

<sup>12</sup> Australian Gas Networks submission to Issues paper, p. 2.

<sup>13</sup> Technical Regulator submission to Issues paper, p. 2.

there is a risk of unnecessary site visits or unnecessary energy interruptions to make conversions safely if electrification is not well coordinated.<sup>14</sup>

The South Australian Council of Social Service (**SACOSS**) provided further evidence of the risks presented in the Issues paper, including evidence of how residential gas use compromises energy affordability and how the costs for remaining customers may increase as people leave the network. It considered that escalating unaffordability may disproportionately affect people who face barriers leaving the gas network, such as low-income households and tenants.<sup>15</sup>

SACOSS pointed to the lack of detail about the economic and technical viability of blending high percentages of hydrogen in gas distribution networks. It stated that pursuing hydrogen instead of electrification '*risks delaying the energy transition and driving up costs for consumers*'.<sup>16</sup>

SACOSS considered that the risks presented in the Issues paper justify the need for a long-term policy and plan for retreating away from gas distribution networks. Its view was that the plan should involve capping disconnection fees, limiting new connections and banning connections in new developments.

#### 4.1.2 Analysis

The Commission has continued to document risks to gas distribution consumers, their potential impact, timing and extent and current and possible controls. In doing so, it has engaged other regulators responsible for managing those risks, including the Australian Energy Regulator (**AER**), Australian Energy Market Commission (**AEMC**), Department for Energy and Mining (**DEM**) and TR.

This work, detailed in Appendix 2, shows emerging risks to gas distribution consumers which relate to seven main issues:

1. *Renewable gases - hydrogen or other renewable gases may be blended with natural gas in the distribution network.*

The related risks are that this may affect the safety or reliability of gas appliances or distribution services, that hydrogen may be more expensive than its alternatives and that customers may face additional costs converting appliances to use hydrogen.

2. *Fewer gas distribution customers - customers may choose to disconnect from gas and potential new customers may choose not to connect.*

The related risks are that network tariffs may rise if costs are shared across fewer customers. This may in turn cause more customers to leave the network, requiring further network tariff rises and so on. Remaining customers may be those less able or unable to leave the network (for example, due to the initial capital cost or property tenure).

Safety, reliability and quality risks might arise if insufficient investment is made to maintain the network.

3. *Strategic use of subsidies, tariff structures or prices – the distributor may strategically use subsidies, tariff structures or prices to attract new customers or dissuade customers from electrification.*

The related risks include that existing customers may bear the cost of subsidies that are used to attract new customers. Further, customers seeking to partially electrify and/or customers with low gas use may be subject to unnecessarily high prices.

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<sup>14</sup> Energy and Water Ombudsman of SA submission to Issues paper, p. 2.

<sup>15</sup> South Australian Council of Social Service submission to Issues paper.

<sup>16</sup> South Australian Council of Social Service submission to Issues paper, p. 10.

4. *Incorrect provision of disconnection services - customers leaving the gas network (temporarily or permanently) may not ask for or receive the correct service.*

The related risks are that gas pipes in dwellings or businesses that contain gas but are unused (dormant connections) may present a safety risk. Dormant connections may also need to be inspected and maintained, which has an associated cost.

5. *Delayed provision of disconnection services - the distributor may not provide disconnection services in a timely manner.*

The related risks are that delays in removing or managing gas pipes that are no longer required may present a safety risk (which depends on the length of delay) and that customers may continue to pay daily supply charges when they no longer use gas.

6. *Limited coordination of appliance conversions and leaving the gas network.*

The related risks are that multiple visits to replace appliances, for gas fitting and wiring and for network disconnection may mean delays, unnecessary interruptions to energy supply or costs and the possibility that safety issues are overlooked.

7. *Removing or disabling a part of the gas distribution network –the distributor may decide to discontinue part of the network for financial or technical reasons.*

The related risks are that acceptable gas substitutes may not be available or accessible to remaining customers and that some customers may have specific requirements that need to be considered.

The Commission expects that AGN will respond to emerging short and longer-term risks as part of its 2026 – 2031 Access Arrangement proposal and for that work to be informed by its consumer engagement.

Regulators are working to address these risks. For example, the AER has led discussion about uncertainty around future natural gas demand, the implications for consumers and businesses and the range of possible responses.<sup>17</sup> The AEMC has progressed changes to the national framework to ensure it extends to hydrogen and other renewable gases.<sup>18</sup> The TR has oversight of the use of hydrogen blends in the AGN distribution network and is engaged in considering safety requirements relating to disconnection services and dormant connections.

#### 4.1.3 Draft decision

The analysis of emerging risks to gas distribution consumers confirms a role for the Commission to:

- ▶ continue engagement with Government and other regulators on the risks to gas consumers that sit within their areas of responsibility and potential refinements to consumer protections to address those risks.
- ▶ extend the application of the AGN Distribution Licence so it also applies to distribution of hydrogen and other renewable gases (see section 5.1)
- ▶ continue to monitor network reliability (which may be affected by these changes) and introduce service standards if necessary (see section 6.2)

<sup>17</sup> For example, Australian Energy Regulator, 2021, [Regulating Gas Pipelines Under Uncertainty - Information Paper](#), Australian Energy Regulator, 2023, [AER decision supports Victorian gas consumers in energy transition](#).

<sup>18</sup> Australian Energy Market Commission, 2022, [Review into extending the regulatory frameworks to hydrogen and renewable gases](#).

- ▶ ensure information for consumers and retailers about disconnection services (see section 6.4.3)
- ▶ monitor the timely provision of disconnection services and introduce service standards if necessary (see section 6.4.3)
- ▶ extend the current requirement that proposals to disable any part of the gas distribution network require the approval of the Commission (see section 6.7).

## 5 AGN Gas Distribution Licence

The Australian Gas Networks (**AGN**) Gas Distribution Licence sets out terms and conditions for operation of the AGN distribution system. Part of the AGN Gas Distribution Licence is a separate approval for the AGN Liquefied Petroleum Gas (**LPG**) distribution network at the Glenlea Estate in Mount Barker.<sup>19</sup>

This review of the AGN Gas Distribution Licence has focused on changes required to ensure its provisions reflect changes in the operational environment for gas distribution, are up-to-date and consistent with other regulatory instruments.

The associated amendments are highlighted in the draft revised AGN Distribution Licence which is published alongside this draft decision.

### 5.1 Definition of gas

#### Draft decision

The Commission's responsibilities to licence gas distribution now include licensing distribution of hydrogen and gas blends. Therefore, the draft decision is to:

- ▶ define 'gas' using the same meaning as the Gas Act, to ensure it applies to operations that use hydrogen and other renewable gases, and
- ▶ remove the reference to 'natural gas' in the current description of licensed operations.

The Gas Distribution Code and Gas Metering Code already refer to 'gas' rather than 'natural gas' and do not require similar changes.

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

Amendments to the national framework have extended the National Gas Law (**NGL**) to apply to 'covered gases' (which include natural gas, hydrogen, biomethane, synthetic methane and gas blends).<sup>20</sup>

Amendments to National Energy Retail Law (**NERL**) apply to 'natural gas' and 'natural gas equivalents' (which can be used in natural gas appliances) and 'prescribed covered gases' (which may require changes to appliances or networks).<sup>21</sup> This allows different consumer protections to be made for each type. Gas produced and supplied by AGN's Hydrogen Park SA project is a natural gas equivalent.<sup>22</sup>

Similar amendments to the State framework have extended the definition of gas in the *Gas Act 1997* (**Gas Act**) to include hydrogen and gas blends with a high level of hydrogen (noting that biomethane and synthetic methane are already captured).<sup>23</sup> One impact of this change is that the Commission's

<sup>19</sup> See Essential Services Commission of South Australia, 2020, [AGN Distribution Licence](#) and 2017, [Notice of Approved Liquefied Petroleum Gas Distribution Network](#).

<sup>20</sup> See: [National Gas \(South Australia\) Act 2008](#), version 7.3.2024. The National Gas Law is in a schedule to this Act. Relevant definitions are: 'covered gas', 'primary gas', 'gas blend' and 'natural gas'.

<sup>21</sup> See: [National Energy Retail Law \(South Australia\) Act 2011](#), version 7.3.2024. The National Energy Retail Law is in a schedule to this Act. As per section 2A, a covered gas is a natural gas equivalent if it is suitable for use as a natural gas and has been prescribed by a local instrument for use in a jurisdiction or a specified area in the jurisdiction as a natural gas equivalent, or the gas is supplied through an existing distribution system or an extension of an existing distribution system.

<sup>22</sup> See: [National Energy Retail Law \(Local Provisions\) Regulations 2013](#), version 7.3.2024, section 5A.

<sup>23</sup> See Gas Act, 'gas' definition and Part 5A.



responsibilities to licence gas distribution under the Gas Act now extend to distribution networks that use hydrogen and gas blends.

The Gas Act definition of gas also includes LPG. This is why the Commission's licensing responsibilities include, as they always have done, licensing of reticulated LPG distribution systems. This has not been affected by recent changes to the definition of gas.

The definitions of gas in NGL and NERL do not include LPG. Therefore, the National Gas Rules (**NGR**) and National Energy Retail Rules (**NERR**), with their associated consumer protections and metering requirements, do not apply to reticulated LPG distribution systems.

In South Australia, the Commission's set of consumer protections in the Small-scale Gas Networks Code apply to gas licensees with fewer than 50,000 connections. Currently, these are four reticulated LPG distribution systems and the CPE Tonsley gas distribution system.<sup>24</sup>

### 5.1.1 Submissions to Issues paper

The Commission sought feedback on whether regulatory instruments may need to be adjusted to provide for the use of hydrogen and renewable gases in the distribution network in response to its Issues paper.

Noting recent changes to the national and State frameworks, AGN submitted that it does not consider the regulatory instruments need adjustment to provide for the use of hydrogen and renewable gases. The Technical Regulator (**TR**) considered that the changes did not result in inconsistencies with regulatory instruments.

The Energy and Water Ombudsman SA (**EWOSA**) noted the need to update references to 'natural gas' in the AGN Gas Distribution Licence to reflect the revised broader definition of gas in the State and national frameworks.

### 5.1.2 Analysis

The AGN Gas Distribution Licence currently applies to the distribution of natural gas. There are two specific references to 'natural gas' in the AGN Gas Distribution Licence:

- ▶ an erroneous reference to the 'Natural Gas (South Australia) Act 2008' in clause 4.1, which should be a reference to the *National Gas (South Australia) Act 2008*.
- ▶ the description of licensed operations in Schedule 3, which refers to 'the distribution system used by the licensee to carry on the business of transporting natural gas ...'.

This is now inconsistent with the new requirements of the broader national and State regulatory framework. As the Commission's responsibilities to licence gas distribution under the Gas Act now extend to distribution networks that use hydrogen and gas blends, there is a need to update the AGN Gas Distribution Licence.

### 5.1.3 Draft decision

To ensure the AGN Gas Distribution Licence extends to use of hydrogen and gas blends, the draft decision is to:

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<sup>24</sup> The National Gas Law and National Energy Retail Law do not apply to reticulated LPG distribution systems. They do apply to the CPE Tonsley gas distribution system, which holds an individual exemption from the requirement to hold a retailer authorisation.

- ▶ define 'gas' using the same meaning as the Gas Act, to ensure it applies to operations that use hydrogen and other renewable gases
- ▶ correct the erroneous reference to the 'Natural Gas (South Australia) Act 2008' in clause 4.1, and
- ▶ remove the current description of licensed operations in Schedule 3 (including its reference to natural gas) and replace it with a more detailed description as discussed in section 5.2.

The Gas Distribution Code and Gas Metering Code already refer to 'gas' rather than 'natural gas' and do not require similar changes. Minor revisions are required to the Gas Metering Code to accommodate changes to the composition of gas, these are discussed in section 7.2.4.

## 5.2 Licensed operations

For consistency with the approach taken in other distribution licences issued by the Commission, the draft decision is to amend the description of licensed operations in the AGN Gas Distribution Licence to:

- ▶ include a description of the AGN gas distribution network and a description of the AGN LPG distribution network (with maps), and
- ▶ remove the references to extensions to the distribution system and new distribution systems.

The Commission will consult with AGN to ensure the description of licensed operations is flexible enough that routine change within the described areas (including network extensions within those areas) do not require a licence variation.

As a result of these changes, the separate Commission approval for the AGN LPG distribution network will be superseded.

The AGN Gas Distribution Licence describes the operations to which the licence applies. Currently, those operations are described as: the distribution system used at the commencement of the licence, any extension to that distribution system and any new distribution system (that does not extend from that system) approved by the Commission.<sup>25</sup>

### 5.2.1 Submissions to Issues paper

The Commission sought feedback on the regulatory instruments that apply to AGN, including the AGN Gas Distribution Licence, in response to its Issues paper. Submissions did not address this matter.

### 5.2.2 Analysis

#### 5.2.2.1 Approach in other distribution licences issued by the Commission

The Commission's other gas distribution licences (which all relate to small-scale networks) apply to the gas distribution system used at the commencement of the licence and include a short description of that system, focusing on its location. In some instances, this is a written description.<sup>26</sup> In others, the description also includes a map.<sup>27</sup>

<sup>25</sup> See Essential Services Commission of South Australia, 2020, [AGN Gas Distribution Licence](#), Schedule 3.

<sup>26</sup> Essential Services Commission of South Australia, 2013, [Elgas Limited Gas Distribution Licence](#), p. 8.

<sup>27</sup> Essential Services Commission of South Australia, 2013, [Environmental Land Services \(Aust\) Pty Ltd Gas Distribution Licence](#), p. 8.

A similar approach is taken in the Commission's electricity distribution licences. In some instances, licensed operations are defined using a written description.<sup>28</sup> The SA Power Networks Electricity Distribution Licence describes the licenced operations using only maps (of the metropolitan and non-metropolitan areas).<sup>29</sup>

Variations of the Commission's other licences are required where an extension beyond the described area is contemplated, or for the licence to apply to any new distribution system. Changes within the described areas do not require licence variation.

### 5.2.2.2 Description of licensed operations

AGN includes a detailed physical description of its distribution network in Part 3 of its Safety, Reliability, Maintenance and Technical Management Plan (**SRMTMP**). This includes separate descriptions of its natural gas network, renewable gas blend network and LPG network.

#### *Natural gas network*

AGN's SA natural gas distribution network comprises these sub-networks: Adelaide Metropolitan Area, Whyalla, Port Pirie, Mount Gambier, Peterborough, Berri, Murray Bridge, Angaston, Nuriootpa, Tanunda, Freeling, Virginia, Two Wells, Waterloo Corner, Burra, McLaren Vale, Snuggery, the Tonsley Innovation District and a portion of the suburb of Mitchell Park (Renewable Gas Blend).

The location of these sub-networks is shown in maps in Appendix C of the SRMTMP (South Australia) and Appendix D of the SRMTMP (Adelaide metropolitan area).

#### *Renewable gas blend*

AGN's renewable gas blend distribution network is supplied with a blend of hydrogen and natural gas from a facility within the Tonsley Innovation District.

AGN's renewable gas blend distribution network comprises a feeder main through the Tonsley Innovation District and an isolated sub-network in a defined section of Mitchell Park. The location of this network is shown on the map in Appendix D of the SRMTMP and in detail in a map in Appendix O of the SRMTMP.

#### *LPG network*

AGN's LPG distribution network comprises LPG tanks, distribution mains and inlet services at the Glenlea Estate in Mount Barker. Its location is shown on the maps in Appendix C and Appendix D of the SRMTMP.

### 5.2.2.3 Application of Codes

AGN's Gas Distribution Licence requires compliance with all applicable regulatory instruments, which include industry codes made by the Commission.

AGN's LPG distribution network at the Glenlea Estate in Mount Barker is subject to the Commission's Small-scale Gas Networks Code. This requirement is a condition of the Commission's 2017 approval of that distribution network.<sup>30</sup>

<sup>28</sup> Essential Services Commission of South Australia, 2022, [Enerven Energy Infrastructure Pty Ltd Electricity Distribution Licence](#), p. 16.

<sup>29</sup> Essential Services Commission of South Australia, 2022, [SA Power Networks Electricity Distribution Licence](#), pp. 10 and 11.

<sup>30</sup> Essential Services Commission of South Australia, 1 February 2017, [Approved LPG Distribution Network](#).

Part of this draft decision (see sections 6.1 and 7.1.2) is to limit application of the Gas Distribution Code GDC/07 (**Gas Distribution Code**) and Gas Metering Code GMC/05 (**Gas Metering Code**) to clarify that they do not apply to small-scale gas distribution systems, including the AGN LPG distribution network at Mount Barker.

There is further information about why the Commission applies different codes to LPG distribution systems in section 5.1.

### 5.2.3 Draft decision

Other distribution licences issued by the Commission include a description of operations to which the licence applies and require that extensions beyond the described area require a licence variation. Changes within described areas do not require licence variation.

For consistency with the approach taken in other distribution licences issued by the Commission, the draft decision is to amend the description of licensed operations in the AGN Distribution Licence to:

- ▶ include a description of the AGN gas distribution network and a description of the AGN LPG distribution network (with maps), and
- ▶ remove the references to extensions to the distribution system and new distribution systems.

Changes within the described areas (including network extensions within the described areas) will not require a licence variation. The Commission will consult with AGN to ensure the description of licensed operations is flexible enough that routine changes will not require a licence variation.

This, together with amendments to the application of the Gas Distribution Code and Gas Metering Code to clarify that they do not apply to small-scale gas distribution systems, means that the separate Commission approval for the AGN LPG Distribution Network will now be superseded.

This requires changes to Schedule 3 of the AGN Distribution Licence and addition of definitions of 'sub-network' and 'LPG', which are shown in the draft revised AGN Distribution Licence published alongside this draft decision. It also requires removal of the separate approval for the AGN LPG distribution network.

## 5.3 Other amendments

Other amendments are proposed to the AGN Gas Distribution Licence as follows:

- ▶ The reference to the Gas Act at clause 3.1(b) has been changed to be a reference to the Act.
- ▶ Section 4 - Compliance with laws and industry codes – this has been revised for clarity by using standard wording included in the Commission's more contemporary licences. Consequentially, definitions of 'applicable regulatory instrument', 'local regulatory instrument' and 'national regulatory instrument' have been deleted<sup>31</sup> and, a definition of 'National Gas Procedures (South Australia)' has been added.
- ▶ A new clause 7.2 has been added, which contains a condition that, if required, AGN monitor and report on indicators of service performance determined by the Commission. Inclusion of this condition is a requirement of the Gas Act.<sup>32</sup>

<sup>31</sup> This also fulfills the requirement of the Gas Act, section 26(1)(a), that the Commission impose a licence condition requiring compliance with the National Gas Procedures (South Australia).

<sup>32</sup> Gas Act, section 26(1)(e).

- ▶ A new section 11 (Ombudsman and disputes) has been added which requires AGN to participate in an Ombudsman scheme and implement and comply with dispute resolution procedures. Inclusion of this condition is a requirement of the Gas Act.<sup>33</sup> This is the same as the condition included in the CPE Tonsley Gas Distribution Licence issued by the Commission.<sup>34</sup>
- ▶ A new section 12 (Accounts and separate business) has been added, requiring AGN to, if directed by the Commission, maintain accounting records in a specified manner. Inclusion of this condition is a requirement of the Gas Act.<sup>35</sup>
- ▶ A new section 13 (Disconnection) has been added, requiring that AGN must comply with the conditions of any applicable industry codes when undertaking disconnections. Inclusion of this condition is a requirement of the Gas Act.<sup>36</sup>
- ▶ The definition of 'business day' has been amended to simplify the expression of the definition, consistent with the Small-scale Gas Networks Code.
- ▶ The definition of 'customer' has been changed to refer only to the Act without replicating the definition in the Act, consistent with the Small-scale Gas Networks Code.
- ▶ The definition of 'National Gas Rules' has been amended to be more precise and as a consequence a definition of 'National Gas Law' has been added.
- ▶ Clause (c) of Schedule 2 – Interpretation has been amended to include a person of intersex status.

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<sup>33</sup> Gas Act, section 26(1)(d).

<sup>34</sup> Essential Services Commission of South Australia, 15 May 2019, [CPE Tonsley Gas Distribution Licence](#), section 10.

<sup>35</sup> Gas Act, section 26(1)(c).

<sup>36</sup> Gas Act, section 26(1)(f).

## 6 Gas Distribution Code

The Commission's review of the Gas Distribution Code GDC/07 (**Gas Distribution Code**) has focused on changes required to ensure provisions respond to changes in the operational environment for gas distribution and are up-to-date and consistent with other regulatory instruments.

The associated amendments to the Code are highlighted in the draft revised Gas Distribution Code GDC/08 (**Gas Distribution Code**) which is published alongside this draft decision.

### 6.1 Application

#### Draft decision

The Gas Distribution Code only contains obligations for large-scale gas distributors. It currently includes retailers in its application clause but does not make obligations for retailers. Obligations for small-scale gas distribution systems are made separately under the Commission's Small-scale Gas Networks Code.

The draft decision is to amend the application of the Gas Distribution Code to clarify that it does not apply to retailers or small-scale gas distribution systems.

Currently, the Gas Distribution Code includes both distributors and retailers in its application clause.<sup>37</sup> It defines a distributor as a person holding a licence under the *Gas Act 1997* (**Gas Act**) to operate a distribution system and a retailer as a person holding a licence under the Gas Act or a retailer authorisation under the National Energy Retail Law (**NERL**) for the sale and supply of gas.

#### 6.1.1 Analysis

The Gas Distribution Code's application to retailers is redundant. None of its clauses make obligations for retailers. It only creates obligations for distributors.

Obligations for small-scale gas distribution systems are made in the Commission's Small-scale Gas Networks Code, which commenced in 2023. The Small-scale Gas Networks Code applies to gas distribution licensees and gas retail licensees with fewer than 50,000 connections. It also applies to the AGN LPG distribution system (see discussion about the AGN Distribution Licence in section 5).

The Commission currently licenses five small-scale gas distribution systems. These are four reticulated LPG distribution systems and the CPE Tonsley gas distribution system.<sup>38</sup>

#### 6.1.2 Draft decision

The draft decision is to amend the application of the Gas Distribution Code to clarify that it does not apply to retailers, or to gas distribution systems that are subject to the Small-scale Gas Networks Code.

This requires an amendment to clauses 1.4.2 and 1.4.4 and addition of the definition of 'Network Operator' as highlighted in the draft revised Gas Distribution Code GDC/08 which is published alongside this draft decision.

<sup>37</sup> Gas Distribution Code, clause 1.4.

<sup>38</sup> The small-scale gas network licensees are four reticulated LPG distribution systems (AGN - Mount Barker LPG network, Environmental Land Services Pty Ltd - Mount Barker new growth area LPG network, Elgas Pty Ltd - Clare and Port Lincoln LPG networks and Origin Energy LPG Limited - Roxby Downs, Victor Harbour, Remark, Port Lincoln, Wallaroo and Cape Jaffa LPG networks) and the CPE Tonsley Pty Ltd - Tonsley Innovation District.

## 6.2 Minimum reliability and service standards

### Draft decision

There is evidence that Australian Gas Networks (**AGN**) is delivering the service levels that consumers value without the Commission establishing service standards.

The draft decision is:

- ▶ to not introduce service standards for the 2026 – 2031 regulatory period
- ▶ to monitor service levels using the performance monitoring regime and by engaging with other regulators and the Energy and Water Ombudsman of SA (**EWOSA**), and
- ▶ to encourage AGN to develop its use of SMS to enhance communication with consumers.

The Commission retains the power to establish service standards and will intervene to do so if necessary, for example, in response to declining performance.

Currently, the Commission's AGN regulatory instruments do not establish standards for network security and reliability (**service standards**) for gas distribution.

The function of setting service standards is retained by States under the Australian Energy Market Agreement (**AEMA**) and in South Australia is delegated non-exclusively to the Commission.<sup>39</sup>

The Gas Act requires that the conditions of the AGN Distribution Licence must include monitoring and reporting on indicators of service performance determined by the Commission,<sup>40</sup> and provides that further licence terms and conditions may be added at the discretion of the Commission.<sup>41</sup> These requirements are supported by the ESC Act, which establishes monitoring and enforcing compliance with and promoting improvement in standards and conditions of service and supply under relevant industry Acts as a function of the Commission.<sup>42</sup>

In previous reviews of the AGN regulatory instruments, the Commission has considered and decided against establishing service standards. These decisions have been based on evidence that AGN is delivering the service levels that consumers value without service standards, largely as a result of complying with safety and technical requirements.<sup>43</sup>

Instead, the Commission uses a performance monitoring regime to inform its oversight of reliability and service outcomes. The regime monitors: responsiveness to the Leaks and Emergencies telephone number; responsiveness to gas leaks reported by the public; and the number of customers experiencing long or multiple interruptions (discussed further in section 5.3).

<sup>39</sup> Council of Australian Governments Energy Council, 2013, [Australian Energy Market Agreement](#), Annexure 2. This agreement sets out which activities form part of the national distribution and retail regulatory framework and which areas of responsibility are retained by States and Territories (which include standard for network security and reliability).

<sup>40</sup> Gas Act, section 26(1)(e).

<sup>41</sup> Gas Act, section 26(2).

<sup>42</sup> Essential Services Commission Act, section 5(b).

<sup>43</sup> See: Essential Services Commission of South Australia, 2021, [Australian Gas Networks Regulatory Framework Review 2021 – 2016 Final Decision](#), pp. 6-7. Essential Services Commission of South Australia, 2016, [Australian Gas Networks Jurisdictional Service Standards for the 2016 – 2021 Regulatory Period](#), p. 12.

### 6.2.1 Submissions to Issues paper

In the Issues paper, the Commission sought feedback on whether, from a consumer's perspective, there are concerns with AGN's performance in relation to unplanned interruptions, gas leaks, responsiveness to customer enquiries, or other areas of service reliability.

Submissions from AGN, EWOSA, the SA Business Chamber and the Technical Regulator (TR) did not raise concerns with performance and did not see a need to establish service standards for the 2026 – 2031 regulatory period.

The TR stated that given high service levels and that complaints are rare, service standards are unnecessary at this point.<sup>44</sup> It stated that the number of leaks reported by the public and unplanned interruptions have continued to trend downward and that in the rare instances the TR was involved in complaints, these were ultimately resolved by AGN.

EWOSA stated that it did not have concerns about AGN's performance and that it considers the safety and reliability standards established by the TR are sufficient to deliver the service levels expected by consumers.<sup>45</sup>

To inform its submission, the SA Business Chamber surveyed members reliant on gas for manufacturing. They reported a positive experience with AGN, with no issues regarding service interruptions or leaks.<sup>46</sup> The SA Business Chamber stated that AGN has been responsive on the odd occasion when an incorrect meter reading was provided.

AGN stated that it does not consider minimum standards are required given its high level of performance.<sup>47</sup>

The South Australian Federation of Residents and Ratepayers Associations (SAFRRA) recommended the Commission establish minimum service reliability standards.<sup>48</sup> It stated that it was concerned about AGN's unplanned interruptions, gas leaks and responsiveness to customer enquiries, although it did not point to specific evidence or provide additional details.

### 6.2.2 Analysis

#### 6.2.2.1 Customer and consumer satisfaction

Complaint and customer satisfaction data suggests that AGN continues to provide a reliable and satisfactory service to its customers, an outcome driven by the TR's safety and reliability requirements.

There are a low number of complaints about AGN's service made to EWOSA and AGN resolves most of those complaints after referral to its customer service area without need for further investigation.<sup>49</sup>

Satisfaction with AGN's service is reflected in the results of the Energy Consumers Australia 2023 energy consumer sentiment survey,<sup>50</sup> which found:

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<sup>44</sup> Technical Regulator, Submission to Issues Paper, p. 2.

<sup>45</sup> Energy and Water Ombudsman SA, Submission to Issues Paper, p. 3

<sup>46</sup> SA Business Chamber, Submission to Issues Paper, p. 1.

<sup>47</sup> Australian Gas Networks, Submission to Issues Paper, p. 2.

<sup>48</sup> South Australian Federation of Residents and Ratepayers, Submission to Issues Paper, p. 2.

<sup>49</sup> Complaints made to the Energy and Water Ombudsman SA 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.

<sup>50</sup> Energy Consumers Australia, [Sentiment Survey](#), December 2023.



- ▶ 78 percent of South Australian consumers described that they had a 'positive' experience with the provision of their gas service, 18 percent of consumers rated their experience as 'neutral' and four percent of consumers rated their experience as 'negative'.
- ▶ 84 percent of South Australian consumers described that they had a 'positive' experience with the reliability of their gas service, 15 percent of consumers had a 'neutral' experience and one percent of consumers had a 'negative' experience.<sup>51</sup>

This level of satisfaction is similar to that of consumers in other Australian States.

### 6.2.2.2 Service responsiveness and reliability

AGN's operational reporting<sup>52</sup> to the Commission includes the following indicators of service reliability:

- ▶ Number of customers experiencing interruptions longer than 12 hours: this has been stable since 2018-19 (ranging from 63 to 83 customers per year).
- ▶ Number of customers experiencing two or more unplanned interruptions: this has been stable since 2019-20 (ranging from 35 - 57 customers per year), after dropping from 88 customers in 2018-19.
- ▶ Number of gas leaks reported by members of the public: this has decreased from 9,518 in 2018-19 to 6,363 in 2022-23 (and 4,439 in the first three quarters of 2023-24) and is associated with the progress of AGN's mains replacement program.<sup>53</sup>
- ▶ Proportion of leaks repaired within the timeframes set out in AGN's Leak Management Plan, which has remained at more than 99 percent since 2018-19.<sup>54</sup>
- ▶ Responsiveness to customer telephone calls to AGN's leaks and emergencies telephone number, which has remained at around 95 percent answered within 30 seconds since 2018-19.<sup>55</sup>

In South Australia, AGN customers experience fewer service interruptions than other Australian gas distributors. As shown in Figure 2, on a per customer basis, AGN has fewer unplanned outages than the five other gas distributors included in AER reporting.<sup>56</sup>

<sup>51</sup> These responses were to the question 'How satisfied are you with the following aspects of your gas retailer in the past six months?'. In relation to reliability, customer experience reflects the level of service provided by the distributor.

<sup>52</sup> Essential Services Commission of South Australia, 2023, [Australian Gas Networks regulatory performance](#).

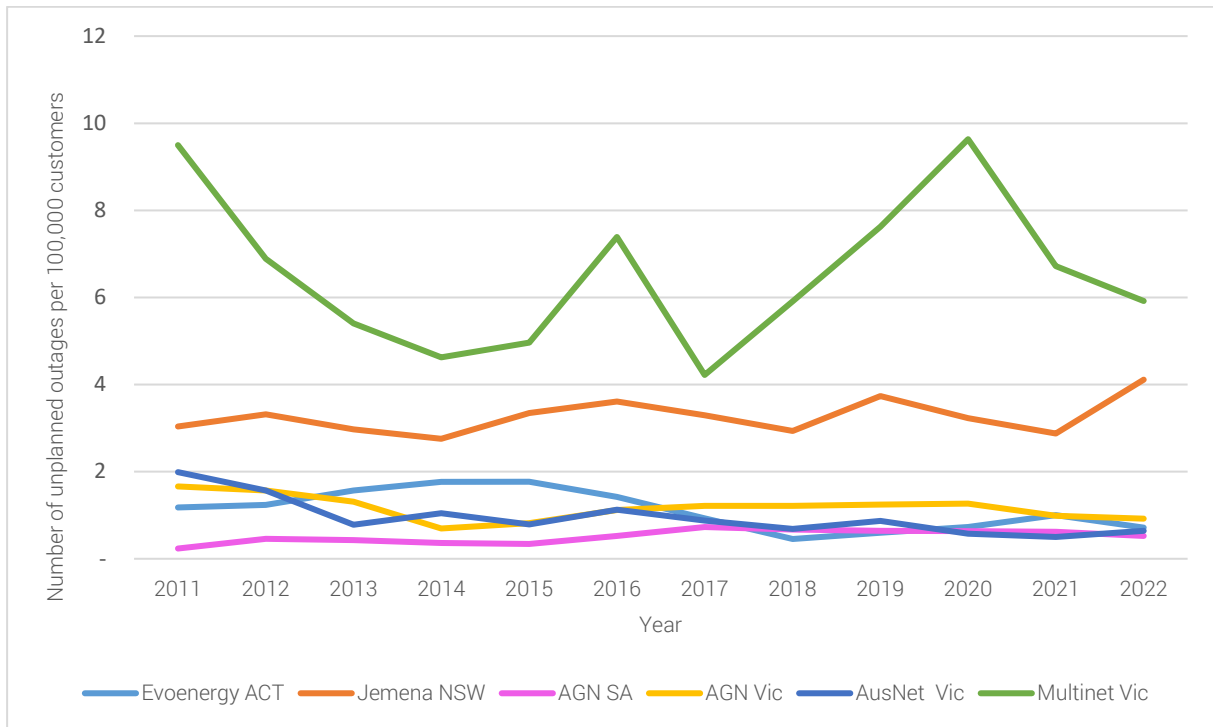
<sup>53</sup> See Department for Energy and Mining, [Technical Regulator Annual Report 2022-23](#), section 6.3.5.

<sup>54</sup> The Leak Management Plan is included in the Safety, Reliability, Maintenance and Technical Management Plan that Australian Gas Networks submits annually to the Technical Regulator for approval.

<sup>55</sup> This has coincided with a drop in the number of calls made to the Leaks and Emergencies telephone number, from 13,060 in 2019-20 to 6875 in 2022-23 (and 4,444 in the first three quarters of 2023-24). This drop in call volume is associated with the mains replacement program and replacement of older gas meters.

<sup>56</sup> Australian Energy Regulator, 2023, [Gas distribution – Operational performance data 2023](#).

Figure 2 : Unplanned outages per 100,000 customers - Gas Distribution Network Service Providers 2011 - 2022



Source: Commission analysis based on operational performance reporting to the AER (number of unplanned outages and customer numbers).<sup>57</sup>

**6.2.2.3 Use of new communication channels**

The NERR establishes most of the requirements relating to how AGN communicates with its customers. The Commission’s role relates to the need for and design of customer communication service standards.

The Commission expects AGN to provide its customers with a variety of communication channels and the opportunity to choose their preferred mode of communication. Contemporary communication methods are evolving and will continue to do so in the 2026 – 2031 regulatory period.

In reviewing the need for service standards in the 2026 – 2031 regulatory period, the Commission has considered AGN’s use of newer communication channels. In addition to traditional communication channels (such as telephone), SMS and social media provide other communication options and the possibility for communication to be more timely, accurate and detailed.

SMS can be used to communicate with customers more often and more effectively. For example, proactive use of SMS messaging during a service interruption may negate the need for a customer to call the faults and emergencies phone line and enhance trust in AGN managing the issue. Use of SMS has the potential to reduce operating costs by reducing the number of telephone calls.

AGN has advised the Commission that it has used SMS during major outages to notify customers and provide updates about restoration of supply and to notify customers about upcoming meter replacements. AGN is investigating the costs and benefits of expanding its use of SMS notifications, based on survey results that indicate its customers would value improvements in communication.

<sup>57</sup> Australian Energy Regulator, 2023, [Gas Distribution – Operational Performance data](#).

### 6.2.3 Draft Decision

AGN is continuing to deliver service levels that consumers value without the Commission establishing service standards.

The draft decision is:

- ▶ not to introduce service standards for the 2026 – 2031 regulatory period
- ▶ to monitor service levels using the performance monitoring regime and by engaging with other regulators (particularly the AER and TR) and EWOSA, and
- ▶ to encourage AGN to develop its use of SMS messaging to enhance communication with its customers.

The Commission retains the power to establish service standards and will intervene to do so if necessary, for example, in response to declining performance.

The performance monitoring regime, together with engagement with other regulators and EWOSA, is sufficient to give the Commission oversight of AGN's performance. The Commission considers that this is a proportionate response to the general concern about reliability and service (for example, as raised in the SAFRRA submission to the Issues paper<sup>58</sup>).

The performance monitoring regime provides for monitoring of any impacts on reliability arising from changes in the operational environment for gas distribution which, as noted in section 4, may present risks related to network reliability. The Commission is proposing some enhancements to the performance monitoring regime as discussed in sections 6.3, 6.4 and 6.5.

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<sup>58</sup> South Australian Federation of Resident and Ratepayer Associations, Submission to Issues paper, p. 2.

### 6.3 Performance monitoring regime

#### Draft decision

With some refinements and when used in combination with information from other regulators and EWOSA, the current performance monitoring regime is sufficient for ensuring oversight of the outcomes AGN delivers.

The draft decision is to:

- ▶ retain the current performance monitoring regime, with some refinements
- ▶ rename the leak responsiveness metric ‘percentage of leaks reported by the public repaired within timeframes in the AGN Leak Management Plan’ as ‘percentage of leaks reported by the public managed in accordance with the Leak Management Plan’, to describe it more accurately
- ▶ introduce a further leak responsiveness metric, ‘percentage of publicly reported leaks attended on site within two hours from the time of leak report’, to give insight to responsiveness to publicly reported gas leaks
- ▶ introduce reporting on number of customers by region, which may provide insight on shifting customer numbers in the 2026 – 2031 regulatory period
- ▶ introduce new reporting requirements in relation to disconnection services (discussed further in section 6.4), and
- ▶ not introduce new reporting requirements relating to complaints or timeliness of new connections.

The performance monitoring regime provides the Commission with oversight of the outcomes AGN delivers and changes in performance over time.

The performance monitoring regime informs the Commission’s reviews of its regulatory framework. It provides consumers with information about the service provided to them. For AGN, it highlights areas of interest for the Commission and consumers.

Currently, the performance monitoring regime examines:

- ▶ responsiveness to the Leaks and Emergencies telephone number (proportion of calls answered within 30 seconds)
- ▶ responsiveness to public reporting of gas leaks (number of publicly reported gas leaks and proportion of gas leaks reported by the public repaired within timeframes in the AGN Leak Management Plan, **LMP**)
- ▶ numbers of customers experiencing long interruptions (12 hours or more) or multiple interruptions (more than two per year).

The Commission publishes information about AGN’s performance outcomes on its website, annually.<sup>59</sup> As required, the Commission will assess and report on significant performance events. To date, it has not done so for any aspects of AGN’s performance.

<sup>59</sup> Essential Services Commission of South Australia, 2023, [Australian Gas Networks regulatory performance, Performance Outcomes](#).

The Commission also collects statistical information<sup>60</sup> and a responsibility statement to verify the accuracy of the information submitted under the performance monitoring regime. Reporting requirements for the performance monitoring regime are set out in Gas Industry Guideline No. 1 (GIG 1/8) (**Gas Industry Guideline No. 1**)

The Commission has reduced the scope of its performance monitoring regime over time, as the TR has increased its reporting requirements on technical and safety matters. Amendments have reduced duplication with reporting to the AER and the TR.

### 6.3.1 Submissions to Issues paper

In the Issues paper, the Commission sought feedback on the performance monitoring regime. AGN, EWOSA, SAFRRA and the TR stated that the regime provides sufficient information for consumers.

The TR suggested that consideration be given to including information on the timeliness of resolving leaks, connections and disconnections. The TR highlighted the potential to streamline reporting and flagged an upcoming project to align gas performance reporting key performance indicators across other jurisdictions.<sup>61</sup>

EWOSA suggested introducing reporting on the number of complaints AGN receives, to allow analysis of the proportion escalated to EWOSA.<sup>62</sup> A YourSay submission suggested introducing reporting on the number of customers in each region, as an indicator of changing energy requirements. Another YourSay submission suggested introducing reporting on the number of each disconnection service provided and the timeliness of service provision.

### 6.3.2 Analysis

#### 6.3.2.1 Purpose and adequacy of regime

As discussed in section 6.2, AGN is continuing to deliver the outcomes that consumers value without the Commission establishing service standards. The current scope of the performance monitoring regime is proportionate to this level of satisfaction.

Changes in the operational environment for gas distribution may impact customers and shape the type of service they require (as discussed in section 4). For example, customers may choose to leave the gas network and therefore require timely provision of disconnection services. Blending hydrogen with natural gas may impact the safety or reliability of gas appliances or distribution services. The cost of maintaining the network for fewer customers may impact safety, reliability and quality requirements.

The Commission is proposing new performance monitoring requirements in relation to disconnection services (see section 6.4). The TR has primary responsibility for the safety and technical aspects of the gas distribution system, including the impacts of blending hydrogen with natural gas.

The Commission's own performance monitoring regime is one source of information about changes in the reliability of the gas distribution network. Information from other regulators and EWOSA is important for a complete impression of AGN's performance.

<sup>60</sup> Statistical information includes the length of mains in the distribution system; the quantity of gas entering the distribution system and supplied to customers; and the number of customers connected to the system.

<sup>61</sup> Office of the Technical Regulator, Submission to Issues paper, p. 2.

<sup>62</sup> Energy and Water Ombudsman SA, Submission to Issues paper.

### 6.3.2.2 Information available from other regulators and EWOSA

The AER requires reporting on network characteristics, customer numbers, network reliability, revenue, assets and expenditures. It publishes:

- ▶ annual non-confidential Regulatory Information Notice responses, which include supply quality, network reliability and network integrity metrics<sup>63</sup>
- ▶ annual information on AGN's operational performance (planned and unplanned outages) and revenue<sup>64</sup>
- ▶ annual gas network performance reports, which compare the performance of multiple gas distributors, including in relation to service outputs,<sup>65</sup> and
- ▶ quarterly gas disconnection reports, which include the number of disconnection services, new connections, reconnections and dormant connections (discussed further in section 6.4.2).<sup>66</sup>

The TR requires reporting on technical and safety matters. It publishes annual reporting on a prescribed set of key performance indicators that relate to:

- ▶ network and public safety
- ▶ accuracy and reliability of gas metering
- ▶ measurement of gas heating value
- ▶ gas quality
- ▶ reliability of gas supply and equipment, and
- ▶ safety and soundness of customer connections.<sup>67</sup>

The TR also requires (but does not publish) quarterly reporting on gas mains risk removal and leak reporting and repair<sup>68</sup> and one-off reporting on matters such as critical gas incidents. It engages regularly with AGN on compliance with its Safety, Reliability, Maintenance and Technical Management Plan (SRMTMP) and associated plans (including the LMP) and conducts an annual audit program.<sup>69</sup>

EWOSA publishes case data and information about systemic issues in its annual reports.<sup>70</sup> Under its memorandum of understanding with the Commission, EWOSA provides detailed information about cases and issues that support the Commission's understanding of AGN's performance.

### 6.3.2.3 Potential new reporting requirements

In determining operational reporting requirements, the Commission considers:

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<sup>63</sup> Australian Energy Regulator, 2023, [Australian Gas Networks \(SA\) 2022-23 - Annual Reporting Regulatory Information Notice](#).

<sup>64</sup> Australian Energy Regulator, 2023, [Gas Distribution – Operational Performance data](#).

<sup>65</sup> Australian Energy Regulator, 2023, [Gas Network Performance Report 2023](#).

<sup>66</sup> Australian Energy Regulator, February 2024, [Quarterly Gas Disconnection Reporting](#).

<sup>67</sup> The Key Performance Indicators are described in Table K3 of the Technical Regulator's annual report. See Technical Regulator, 2023, [Technical Regulator Annual Report 2022-23](#).

<sup>68</sup> Australian Gas Networks, Quarterly Operational Performance Information for submission to the Office of the Technical Regulator.

<sup>69</sup> See Technical Regulator, 2023, [Technical Regulator Annual Report 2022-23](#), p. 113.

<sup>70</sup> See for example Energy and Water Ombudsman SA, 2023, [Annual Report 2022-23](#), Essential Services Commission of South Australia and Energy and Water Ombudsman SA, 2017, [Memorandum of Understanding](#).

- ▶ what information is required to monitor the nature and levels of service provided
- ▶ what information is required to determine whether service standards need to be established, and
- ▶ whether the information is already being reported elsewhere.

In response to the Issues paper, EWOSA suggested introducing new reporting on the number of complaints AGN receives to allow analysis of the proportion escalated to EWOSA.

EWOSA currently reports on the number of AGN cases it receives, which was three per 10,000 customers in 2022-23. This is similar to the rates reported for other South Australian entities that provide distribution services. SA Water and SA Power Networks received four and three complaints per 10,000 customers respectively in 2022-23.<sup>71</sup>

In response to the Issues paper, the TR suggested that consideration be given to including information on the timeliness of resolving leaks.

The performance monitoring regime currently includes the number of leaks reported to AGN by members of the public and the proportion of those gas leaks that are repaired within timeframes in the LMP.<sup>72</sup> This has limited meaning because the LMP does not set out definitive timeframes for leak repair.

The LMP outlines protocols for managing gas leaks. The protocols vary depending on the level of risk associated with the leak. Based on the level of risk, leaks are classified from class 1 to 4 (with class 1 being highest risk). Associated actions include leak repair, reclassification and reinspection.

For class 1 leaks, repair crews must make the leak safe and not leave the site until it can be reclassified as a class 2 leak, or they are relieved by another crew. Leaks can be reclassified as the associated risk of harm is managed. There is a structured process for this, which also requires a documented risk assessment and management approval.

For class 2 leaks, there is a repair timeframe of seven business days, which can be extended to 30 business days if the leak is re-inspected at least every seven business days until repaired and if approved by the State Operations Manager. Class 2 leaks can be assigned different priorities for repair.

For class 3 leaks, there is a repair timeframe of 30 business days, which can be extended to 90 business days if the leak is re-inspected every 30 business days. Class 2 and 3 leaks can be reclassified, again by following a structured process of risk assessment and management approval.

Against the current performance monitoring requirement, AGN reports whether leaks are managed in accordance with the LMP, which it consistently does.<sup>73</sup> However, performance reporting against the current metric does not describe whether leaks are repaired within definitive timeframes.

Responsiveness to publicly reported gas leaks is not captured in the current performance monitoring regime. It is addressed in the LMP, which undertakes that all public leak reports shall be attended on site within 2 hours from the time of the leak report, or other such time limit as specified by State authorities.<sup>74</sup> Monitoring and compliance of this timeframe is the responsibility of the TR, but currently performance against this timeframe is not included in public reporting.

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<sup>71</sup> See Energy and Water Ombudsman SA, [Annual Report 2022-23](#), p. 36.

<sup>72</sup> The Leakage Management Plan is included in the Safety, Reliability, Maintenance and Technical Management Plan that Australian Gas Networks submits annually to the Technical Regulator for approval.

<sup>73</sup> The proportion of leaks repaired within the timeframes set out in AGN's Leak Management Plan has remained at more than 99 percent since 2018-19.

<sup>74</sup> Australian Gas Networks, 2023, Leak Management Plan, p. 13.

#### 6.3.2.4 Connections and disconnections

The TR suggested that consideration be given to including information on the timeliness of connections and disconnections in the performance monitoring regime. Reporting on the number of each disconnection services provided and the timeliness of service provision was also suggested by a YourSAy submission. Timeliness of disconnection services is addressed in section 6.4.

The number of new connections to the AGN distribution network is included in the AER quarterly disconnection reporting and timeliness of connections is addressed in the national regulatory framework.<sup>75</sup>

#### 6.3.2.5 Customer numbers by region

A YourSAy submission suggested introducing reporting on number of customers by region. Given the potential for shifting customer numbers in the 2026 – 2031 regulatory period. This will inform analysis of shifting customer numbers in the 2026 – 2031 regulatory period.

#### 6.3.2.6 Duplication of reporting

The current performance monitoring regime does not duplicate AER or TR reporting requirements. Reporting to other regulators (as described above) complements the Commission's requirements and is a useful resource to fully understand performance outcomes.

### 6.3.3 Draft Decision

The draft decision is to:

- ▶ Retain the current performance monitoring regime, with some refinements. The performance monitoring regime is sufficient for ensuring oversight of the outcomes AGN delivers when used in combination with information from other regulators and EWOSA.
- ▶ Rename the leak responsiveness metric to describe its meaning more accurately. The metric 'percentage of leaks reported by the public repaired within timeframes in the AGN LMP' will be renamed 'percentage of leaks reported by the public managed in accordance with the LMP'.

This will describe the current leak management performance monitoring metric (proportion of leaks reported by the public repaired within timeframes in the AGN LMP) more accurately. The LMP does not contain definitive timeframes for leak repair. Against the current performance monitoring metric, AGN currently reports whether leaks are managed in accordance with the LMP.

Performance data for this metric will be available to consumers because it is included in the new public reporting requirements (see section 6.5). This public reporting will require explanation of how the AGN LMP classifies and manages the risks associated with leaks. This will provide consumers and other stakeholders context to understand AGN's performance in this area.

- ▶ Introduce a further leak responsiveness metric, 'percentage of publicly reported leaks attended on site within two hours from the time of leak report'.

This metric better captures responsiveness to publicly reported gas leaks. It is focused on responding to public reports of leaks, rather than the technical matters of managing leak risk and conducting leak repairs. AGN already measures performance against this metric; it is part of its LMP.<sup>76</sup> However, its performance is not currently public reported.

<sup>75</sup> See National Gas Rules, Part 12A, Gas connection for retail customers.

<sup>76</sup> Australian Gas Networks, 2023, Leak Management Plan, p. 13.



Performance data for this metric will be available to consumers because it is included in the new public reporting requirements (see section 6.5).

- ▶ Introduce reporting on number of customers by region, which may provide insight on shifting customer numbers in the 2026 – 2031 regulatory period. This will also be included in the new public reporting requirements discussed in section 6.5.
- ▶ Introduce new reporting requirements in relation to disconnection services. These are discussed separately in section 6.4.
- ▶ Not introduce new reporting requirement relating to complaints (except in relation to disconnection services, discussed in section 6.4) or providing new connections.

The Commission considers that reporting on the number of AGN cases raised with EWOSA (included in the EWOSA annual report) is sufficient to monitor whether AGN handles complaints in a satisfactory manner. As discussed in section 6.4, while the Commission has made the draft decision not to introduce new overarching reporting on complaints, it is proposing to introduce limited reporting on complaints related to disconnection services.

Reporting on the number of new connections included in the AER quarterly reporting and requirements about timeliness in the national regulatory framework, provide sufficient assurance in this area. Note that some new reporting on complaints is required in relation to disconnection services, as discussed in section 6.4.3).

These changes require amendments to the Gas Industry Guideline No. 1 GIG 1/9.

## 6.4 Disconnection and abolishment services

### Draft decision

The energy transition may result in more customers seeking to disconnect from the gas distribution network. It is important that those customers are provided with the correct service, in a timely manner.

The draft decision is to:

- ▶ require AGN to provide and make available information for customers and retailers about disconnection services, associated customer responsibilities and dispute resolution options
- ▶ monitor the timely delivery AGN's disconnection services, using its current business timeframes of three business days for disconnections (meter not removed), two business days for disconnections (meter removed) and ten business days for abolishments, and
- ▶ continue working with other regulators to develop consumer protections relating to disconnection services.

There is genuine uncertainty about how consumer demand for natural gas may change in South Australia during AGN's 2026 – 2031 regulatory period.

Currently, AGN's customer numbers are increasing, while per customer use of natural gas is declining slightly.<sup>77</sup> There is no evidence of an increasing number of disconnections or abolishments.

<sup>77</sup> As reported to the Commission, the number of domestic, industrial and commercial distribution customers with consumption below 10 terajoules increased from 448,093 in 2017-18 to 476,769 in 2022-23. The amount of gas they collectively consume has remained fairly constant, reflecting a slight decrease per customer in gas consumption.

The Australian Energy Market Operator (**AEMO**), in its 2024 Gas Energy Statement of Opportunities, forecast a decline in residential and small commercial gas consumption for Australia as a whole, and found emerging indications of fuel switching from gas to electricity.<sup>78</sup>

Each State has different policy settings for gas connections and consumption. In South Australia there are currently no policies that encourage or incentivise customers to reduce or discontinue using gas. Here, any change in customer numbers is likely to be market rather than policy driven.

In October 2023, 10 percent of South Australian households reported that they were seriously considering cancelling their gas supply and converting their home to run on electricity only. A further 15 percent had thought about converting to electricity only, but not seriously.<sup>79</sup>

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

- ▶ ceasing use of gas and closing their retail account, which does not involve physical disconnection from the gas distribution network
- ▶ disconnection, which involves physically closing supply to prevent withdrawal of gas by plugging 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
- ▶ abolishment, which involves removal of the meter and permanent disconnection of the pipes connecting a customer's premises by sealing the mains pipeline.

The appropriate action depends on why the customer wishes to stop using gas. Gas pipes that contain gas on customers' premises when gas is not being used (dormant connections) may present safety risks and associated ongoing network maintenance costs must be recovered from remaining gas customers.

Several regulators are responsible for the risks associated with correct provision of disconnection services. The TR is responsible for safety and technical issues, including defining appropriate actions for customers leaving the network and managing dormant connections.

The Australian Energy Regulator (**AER**) is responsible for determining how AGN recovers the immediate and future costs of customers leaving the network. The AER approves prices for the core services AGN offers and its tariffs, including tariffs for disconnection services.<sup>80</sup>

There is a potential role for the Commission to establish service standards for specific disconnection services and consider associated consumer protections, where these are not made in the national framework.<sup>81</sup>

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<sup>78</sup> In all but its 'no electrification' scenario, the Australian Energy Market Operator forecast slight decline for residential and small commercial consumption in the short term (until 2027-2028) and more significant decline in the medium to long term (through until 2043). See: Australian Energy Market Operator, 2024, [Gas Energy Statement of Opportunities](#), Section 2.2.1 - Residential and commercial consumption.

<sup>79</sup> Energy Consumers Australia, October 2023, Behaviour Survey, [Household Results](#), Removing Mains Gas Supply.

<sup>80</sup> For the 2021 – 2026 period, the Australian Energy Regulator approved tariffs for disconnection with and without meter removal, but not service abolishment. See: AGN 2021, [Access Arrangement for AGN's South Australian Gas Distribution Network](#), 1 July 2021 – 30 June 2026.

<sup>81</sup> Other jurisdictions are designing consumer protections for disconnection services. For example, changes to Victoria's Gas Distribution Code of Practice set service standards for disconnection and abolishment and establish distributor and retailer obligations. See Essential Services Commission of Victoria, 2024, [Gas Distribution System Code of Practice Final Decision](#).

### 6.4.1 Submissions to Issues paper

The Commission sought feedback on the need for consumer protections for disconnection services and its role in establishing those protections in response to the Issues paper.

EWOSA, SA Business Chamber, SAFRRA, the TR and YourSAY submissions considered there would be value in establishing consumer protections for disconnection services.

The SA Business Chamber noted the need for quick and easy processes for businesses that want to cancel their gas supply due to electrification. YourSAY submissions commented on the lack of trusted information about disconnecting from the AGN network and the need for clearer options and processes.

EWOSA, SAFRRA and the TR supported the Issues paper's proposal to define disconnection services in the Gas Distribution Code. AGN and the TR submitted that definitions should be consistent with those used by the AER in its quarterly disconnection reporting.

AGN submitted that its current timeframes for delivering disconnection services are acceptable and consistent with good industry practice. This was supported by EWOSA, which noted a low and declining number of complaints about disconnection services.

AGN set out its position on appropriate disconnection services: *'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 (that is, plugging) is appropriate where a customer is permanently leaving the network.'*<sup>82</sup>

AGN submitted that high numbers of live gas services in premises with no gas connection are undesirable from a safety and reliability perspective. The TR noted that live dormant gas lines with no connection pose a liability and safety risk. It noted that providing the correct service to customers who no longer want to use gas is important to manage these risks.

AGN and the TR noted that care should be taken to avoid any incentive for customers to choose the incorrect service (such as low fees for temporary disconnection and much higher fees for abolishment, as was the case in Victoria until recent AER decisions<sup>83</sup>).

EWOSA suggested information be provided to consumers to enable correct decisions about disconnection or abolishment, depending on their circumstances. It suggested this could include information about options for disconnection, pricing, customer obligations (such as providing access), and complaint resolution (including customers having the right to raise unresolved complaints with EWOSA).

The TR noted it is unaware of existing information for customers about timeframes for providing disconnections. The TR noted that in cases where the customer is a tenant and requests disconnection or abolishment, it should be in some way referred to the dwelling owner for approval.

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<sup>82</sup> Australian Gas Networks, Submission to Issues paper, p. 3.

<sup>83</sup> 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. This avoids creating an incentive for a customer to request lower-cost temporary disconnection or account closure where they intend to permanently leave the gas network.

## 6.4.2 Analysis

### 6.4.2.1 Information for consumers

Information about the types of disconnection services AGN provides, how much they cost and how long it will take AGN to deliver those services is not readily available.

To inform this review, the Commission has worked with AGN to identify and describe the range of disconnection services (as shown in Table 3). Currently, AGN does not charge for service abolishment. This is different to the practice of other gas distributors, including AGN, in other jurisdictions.

Table 3: Disconnection services offered by AGN in the 2021 – 2026 regulatory period

Service (with business-to-business code)	Reasons why provided	Timeframe	Charges and costs (2024-25)	Corresponding definition from AER quarterly connection reporting
Disconnection (AML)  Lock or plug meter	AGN provides this service on request from a retailer.  Retailers may request this service for non-payment, unauthorised or illegal usage, breach of contract, when a customer moves out, or in response to a request from a customer. <sup>1</sup>	3 business days	\$88 <sup>2</sup>  Ongoing supply charge continues to apply after disconnection where a meter is locked or plugged. <sup>3</sup>	Disconnection – meter not removed: disconnection of supply to a delivery point (by wadding, capping or locking the meter), where the meter is not moved or removed, to prevent the withdrawal of gas at the delivery point.
Meter removal (MRM)  Physical disconnection and removal of the meter	AGN provides this service on request from a retailer, as described above.  If AGN attends a site and a safety concern is identified, it may take an alternative action to that requested by the retailer.	2 business days	\$88 <sup>2</sup>	Disconnection – meter removed: disconnection of supply to a delivery point by the removal of a meter to prevent the withdrawal of gas at the delivery point. <sup>4</sup>
Abolishment (MRM + SDR)  Meter removal and permanent service disconnection at the main. <sup>5</sup>	On request from retailer, as described above, or  On request directly from customer where the meter has been previously removed (acceptable to AGN to minimise safety risks), or  At discretion of AGN on safety grounds, as allowed under Gas Act.	10 business days	Fee for meter removal only: \$88 <sup>2</sup>  No additional charge for abolishment.  AGN recovers costs of abolishments through distribution tariffs.	Abolishment - Permanent decommissioning of a delivery point by sealing the main at T intersection, removing gas from connecting pipe, removing the meter and removing the service line/pipe where possible to prevent the withdrawal of gas at the delivery point from the pipeline at the street.

Notes

1. This service is not commonly used when a customer closes their account with a retailer (for example, moves out).
2. See AGN 2021, [SA Gas Distribution Network Access Arrangement 2021 – 2026](#), p.44. Ancillary reference tariffs are varied annually consistent with clause 4.4.2 of the Access Arrangement, see [AGN 2024-25 tariffs](#).
3. AGN charges the financially responsible retailer the daily supply charge if the customer has closed their retail account. AGN has indicated that it will propose to stop charging daily supply charges for plugged meters from 1 July 2026.
4. Meter removals that are performed as part of an abolishment are not captured in this definition.
5. AGN has advised the Commission that currently, this service is typically related to a building being demolished. It is also suitable when a customer is permanently leaving the gas network.
6. AGN provides an additional temporary disconnection service called Disconnection in Street for Debt. This is requested occasionally by retailers so that customers cannot tamper with a temporary disconnection. These are not included in Table 3 because it is not a service that customers can request.

It is important that information on the different type of services is available to customers so that they can make informed decisions about disconnection or abolishment. It is also important that this type of information is available to retailers (because they advise customers on disconnection services) and other regulators, particularly the TR (that may make requirements about where each type of service is necessary).

In July 2024, AGN submitted its Reference Service Proposal (**RSP**) to the AER. AGN's RSP sets out the range of services it will offer in the 2026 – 2031 regulatory period, and which will have prices set by the AER.<sup>84</sup>

For the 2026 – 2031 regulatory period, AGN is proposing to maintain its current set of services and to reclassify abolishment as a reference service. If the proposal to reclassify abolishment as a reference service is accepted, the price of abolishment will be regulated by the AER. This would provide certainty about the price of abolishment for customers and improve transparency about how the costs of abolishments are recovered. It is consistent with AGN's approach in its Victorian distribution networks.

AGN intends to engage further on how abolishment costs are recovered from customers. The AER will consider and consult on this matter through its Access Arrangement process.

Information about disconnection services is readily available in the Australian Capital Territory. There, the gas distributor Evoenergy publishes information about disconnection and abolishment on its website (with videos).<sup>85</sup> Information about types of disconnection services is also published by Government.<sup>86</sup>

In Victoria, similar information is made available by Government.<sup>87</sup> Information is not currently available on the websites of the three Victorian gas distributors, but the Essential Services Commission of Victoria has recently introduced requirements for gas distributors to publish information about disconnection, reconnection and abolishment (including processes, timeframes, applicable charges and the number of abolishments completed each year).<sup>88</sup>

#### 6.4.2.2 Timeframes

Timeframes for AGN conducting a customer-requested disconnection are not addressed in the regulatory framework. AGN has internal timeframes for providing disconnection services (shown in Table 3).

It is important that customers leaving the gas network receive disconnection services in a timely manner. Delays pose safety risks and have cost impacts, which depend on the extent of the delay.

AGN has advised the Commission that it meets its internal timeframes for providing disconnection services and considers its internal timeframes are consistent with good industry practice. AGN's timeframe for providing abolishment is 10 business days, less than the service standard of 20 business days recently introduced in Victoria.<sup>89</sup>

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<sup>84</sup> Australian Gas Networks South Australia, July 2024, Reference Service Proposal.

<sup>85</sup> Evoenergy, [Natural gas connection](#).

<sup>86</sup> Australian Capital Territory Government, [Switching off your Gas Factsheet](#).

<sup>87</sup> Victorian Department for Energy, Environment and Climate Action, [Disconnecting from Fossil Gas factsheet](#).

<sup>88</sup> Alongside information requirements relating to new connections and connection charges, unaccounted for gas, changes in the type of gas supplied and customer complaint handling. See Essential Services Commission of Victoria, 2024, [Gas Distribution System Code of Practice Final Decision](#).

<sup>89</sup> See Essential Services Commission of Victoria, 2024, [Gas Distribution System Code of Practice Final Decision](#).

### 6.4.2.3 AER definitions for disconnection services

The AER began public gas quarterly distribution disconnection reporting in March 2024.<sup>90</sup> The reporting includes data from July 2022 onwards. The AER began this reporting in response to interest about how gas customer numbers and demand is changing and to inform regulatory decision-making.

AER gas quarterly distribution disconnection reporting includes (for each distributor): customer numbers, dormant connection numbers and the monthly number of new connections, reconnections, disconnections and abolishments.<sup>91</sup> It does not include information about timeliness of service delivery or complaints. The AER includes the definitions it uses as the basis of this reporting in its publications.

Reporting data for AGN (in South Australia) is summarised in Table 4. Since July 2022, there has been a steady number of new connections – total customer numbers have increased. The number of dormant connections has remained relatively constant, as have monthly numbers of disconnections and abolishments and the number of reconnections.

Table 4: Customer numbers, connections and disconnections for AGN (12 months to March 2024)

Service	Number
Customer numbers (March 2024)	481,449
Dormant connections (December 2023) <sup>1</sup>	9,014
New connections	8,647
Disconnections – meter not removed	1,836
Disconnections – meter removed	229
Reconnections	1,323
Abolishments	1,868

Notes:

1. Dormant connections are as at December 2023. A number for March 2024 is not included in AER data. Here, dormant connections are those that have not been used for more than 12 months.

### 6.4.2.4 Role of retailers

Retailers have an important role in customer-requested disconnections. With some limited exceptions, requests for disconnection services must be made to a customer's retailer.<sup>92</sup> Retailers have the conversation with customers about why they want to disconnect and what services they will request.

Retailers send service requests to AGN, which provides services as requested unless a safety concern is identified in which case AGN may take an alternative action. In doing so, retailers use a series of codes that indicate why they are requesting a service. These reason codes are: non-payment, unauthorised usage, breach of contract, illegal usage, customer request or move out. Retailers can add free text description.

<sup>90</sup> Australian Energy Regulator, June 2024, [Quarterly Gas Disconnection Reporting](#).

<sup>91</sup> For residential, commercial and industrial customers, and for six gas distributors in South Australia, Victoria, New South Wales and the Australian Capital Territory.

<sup>92</sup> For example, where there is no retail account and the meter has previously been removed, in which case Australian Gas Networks will accept requests for abolishment directly.

Retailers may charge prices for disconnection services that are not necessarily the same as AGN's tariffs. Energy retailers set prices for various services that reflect their costs, of which distribution tariffs are one component.

The relationship between retailers and customers is addressed in the national framework and is outside the role of the Commission.

#### **6.4.2.5 Gas customers may be owners or tenants**

Gas retail customers may be property owners or tenants. Disconnection services involve making physical changes at a property. Residential tenancy laws limit tenants initiating physical changes at their rental home without authorisation from the owner.

AGN does not receive information about whether disconnection services have been requested by an owner or a tenant, or whether a tenant has owner's consent. There is an opportunity for a retailer to check and collect that information.<sup>93</sup>

### **6.4.3 Draft decision**

#### **6.4.3.1 Information about disconnection services**

The Commission's draft decision is to require AGN to provide information about disconnection services.

The draft decision proposes that AGN will need to provide information about:

- ▶ types of disconnection services that customers may request, where each type of disconnection service is appropriate (for example, abolishment is appropriate for customers permanently leaving the network), information about the disconnection process (both physical and administrative), timeframes and applicable charges (including information about how distributor's tariffs are applied at the discretion of each retailer)
- ▶ any associated customer responsibilities (such as provision of access) including those specific to owners and tenants, and
- ▶ options for dispute resolution (including raising disputes with AGN and having the right to raise unresolved complaints with EWOSA).

It is proposed that AGN will be required to provide this information in clear, simple and concise language, in a format that is easy for customers to understand and that it must keep the information up to date.

It is proposed that AGN will need to provide this information online, directly to customers on request, and to retailers. It is further proposed that it will be required to liaise with retailers to ensure that information and advice is delivered to customers.

This information will provide the basis for the Commission considering whether disconnection services are provided in a timely manner and introducing service standards if required.

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<sup>93</sup> In reviewing its Gas Distribution Code of Practice, the Essential Services Commission of Victoria made a draft decision requiring gas distributors not to abolish a connection unless the retailer provides confirmation in writing that the customer is the owner of the premises and has agreed to pay applicable charges. This was removed in the final decision, on consideration of feedback that this could complicate abolishment requests and required additional costs to implement. See Essential Services Commission of Victoria, 2024, [Gas Distribution Code of Practice Final Decision](#), p. 29.



The Commission will seek information about the cost of introducing this requirement from AGN in consultation on the draft decision.

This requires addition of a new clause 2.5, as highlighted in the draft revised Gas Distribution Code GDC/08.

#### **6.4.3.2 Disconnection services delivery timeframes**

The Commission's draft decision is to monitor AGN's timely delivery of disconnection services against its current internal timeframes. The Commission will not introduce disconnection service standards at this time.

To inform that monitoring, it is proposed that the Commission will require quarterly and annual reporting on:

- ▶ Disconnections – meter not removed. Number and proportion of total completed within three business days of request; number of complaints to AGN related to this service.
- ▶ Disconnections – meter removed. Number and proportion of total completed within two business days of request; number of complaints to AGN related to this service.
- ▶ Abolishment. Number and proportion completed within ten business days of request; number of complaints to AGN related to this service.

The Commission proposes to adopt the definitions the AER uses in its public gas quarterly distribution disconnection reporting<sup>94</sup> for: disconnection – meter not removed; disconnection – meter removed; and, abolishment. These definitions are included and highlighted in the draft revised Gas Distribution Code GDC/08.

The Commission will seek information about the cost of implementing this requirement from AGN in consultation on the draft decision.

Introduction of these new reporting requirements requires amendments to Gas Industry Guideline No. 1 GIG 1/9.

#### **6.4.3.3 Working with other regulators**

The Commission's draft decision is to continue working with other regulators to develop consumer protections for disconnection services, noting the following risks and primary areas of responsibility:

- ▶ lack of coordination between retailers and the distributor in matching customer needs with the correct disconnection service, which presents price and safety risks (AER, AEMC)
- ▶ that the number of dormant connections may increase if the correct disconnection services are not provided and that dormant connections present price and safety risks (TR)
- ▶ classification of abolishment as a reference service and its price – prices that are higher than fees for disconnection may lead customers to choose an inadequate service, and so exacerbate price and safety risks (AER)
- ▶ application of distributor's tariffs at the discretion of each retailer, which may confuse customers, cause confusion or delay in the correct provision of disconnection service, or cause them to select an inappropriate disconnection service (AER, DEM), and
- ▶ that tenants may request disconnection services as gas customers, but residential tenancy laws limit tenants initiating physical changes to their rental home. This presents a risk to tenants who

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<sup>94</sup> Australian Energy Regulator, June 2024, [Quarterly Gas Disconnection Reporting](#).

may be penalised for making changes. It also presents a risk to owners who may have physical changes made to their property that they do not want.

## 6.5 Public reporting requirements

### Draft decision

Direct public reporting has the potential to improve transparency of and accountability for performance.

The draft decision is to introduce a requirement for AGN to report directly to the public on aspects of its operational performance that are part of the Commission's performance monitoring regime, including:

- ▶ responsiveness to the Leaks and Emergencies telephone number
- ▶ responsiveness to public reporting of gas leaks (including attendance of potential gas leaks reported by the public and management of those leaks in accordance with AGN's Leak Management Plan)
- ▶ long and multiple customer interruptions,
- ▶ disconnection services, and
- ▶ customer numbers by region.

In addition, the draft decision is to introduce a requirement for AGN to report directly to the public on its performance during major service interruptions or significant performance events.

The Commission publishes detailed information about AGN's performance outcomes on its website, annually.<sup>95</sup> It does not require AGN to publicly report on its performance, and AGN does not do so.

Direct public reporting has the potential to improve transparency of and accountability for performance. It can enhance trust in the entity's performance, provide information to help customers and other stakeholders to assess performance and create a direct line of communication between AGN and its customers.

### 6.5.1 Submissions to Issues paper

The Issues paper asked whether customers and other stakeholders would value AGN reporting directly to the public, noting that the Commission currently requires both SA Power Networks and SA Water to publicly report on aspects of operational performance and service reliability.

In its submission to the Issues paper, AGN stated that the information currently available to customers about service delivery and performance is sufficient.<sup>96</sup>

EWOSA supported a requirement for AGN to publicly report on aspects of operational performance and service reliability.<sup>97</sup> It noted that this would be useful for consumers and stakeholders and be consistent with public reporting requirements for other essential providers in South Australia.

<sup>95</sup> Essential Services Commission of South Australia, 2023, [Australian Gas Networks regulatory performance outcomes](#).

<sup>96</sup> Australian Gas Networks, Submission to Issues paper, p. 2

<sup>97</sup> Energy and Water Ombudsman SA, Submission to Issues paper, p. 5

SAFRRA supported requiring AGN to publicly report on its performance and supported the Commission publishing performance summaries.<sup>98</sup>

### 6.5.2 Analysis

Currently, regulators publish some information about AGN's performance on its behalf. The Commission publishes a summary of AGN's performance on its website, annually.<sup>99</sup> This includes data (graphs) and commentary on AGN's performance related to telephone responsiveness, gas leaks and network interruptions. It includes historical performance.

As noted in section 5.3.2, the AER annually publishes information about AGN's performance including in relation to supply quality, planned and unplanned network outages, leaks and damage. The TR publishes some information on AGN's operational performance and technical and safety information in its annual report.<sup>100</sup>

The Commission requires other large-scale entities such as SA Water and SA Power Networks to provide reporting directly to the public.

SA Water is required to report publicly on the same set of consumer protection matters and operational performance metrics used in reporting to the Commission. SA Water is required to publish quarterly and annual service standard updates and will soon be required to publish time-series data to enable the public to understand performance trends over time. SA Water is also required to report directly to the public on its performance in relation to major service interruptions and significant performance events.

Similarly, SA Power Networks is required to publicly report on its performance against service standards, performance in certain regions and instances of non-compliance with service standards. It must provide a time-series dataset to allow public comparison and analysis of performance.<sup>101</sup>

### 6.5.3 Draft decision

Direct public reporting has the potential to improve transparency of and accountability for performance.

The draft decision is to introduce a requirement for AGN to report directly to the public on aspects of its operational performance that are part of the Commission's performance monitoring regime, including:

- ▶ responsiveness to the Leaks and Emergencies telephone number
- ▶ responsiveness to public reporting of gas leaks (including number of potential gas leaks reported by the public, percentage attended within two hours of report and percentage managed in accordance with AGN's Leak Management Plan).
- ▶ customer interruptions
- ▶ disconnection services, and
- ▶ customer numbers by region.

It is proposed that AGN will be required to publish annual public reports, which include description and explanation that makes operational performance meaningful to customers and in a manner that is easily accessible. AGN will be required to publish and keep updated a time-series dataset to enable the public to compare its performance over time.

<sup>98</sup> South Australian Federation of Residents and Ratepayers, Submission to Issues paper, p. 7

<sup>99</sup> Essential Services Commission of South Australia, 2023, [Australian Gas Networks regulatory performance](#).

<sup>100</sup> See Department for Energy and Mining, [Technical Regulator Annual Report 2022-23](#).

<sup>101</sup> See Essential Services Commission South Australia, [Electricity Distribution Code](#), clause 2.7.4 and 2.7.5.

In addition, it is proposed that AGN will be required to report directly to the public on its performance during major service interruptions or significant performance events within three months of the event being occurring.<sup>102</sup> (Noting that AGN will be required to advise the Commission of a significant performance event as soon as reasonably practicable and at least within three business days of the event being identified).

AGN will be required to report errors and omissions in its public reporting to the Commission within five business days and republish information within timeframes determined by the Commission.<sup>103</sup>

The Commission will seek information about the cost of implementing this requirement from AGN in consultation on the draft decision.

This requires addition of a new clause 2.8 as highlighted in the draft revised Gas Distribution Code GDC/08 and amendments to the Gas Industry Guideline No. 1 GIG 1/9.

## 6.6 Removing or disabling any part of distribution system

The requirement for AGN to have approval from the Commission to disable any part of its distribution system provides an important protection for South Australian gas consumers. Currently this requirement is limited to proposals made on the grounds of insufficient financial return.

The draft decision is to amend the Gas Distribution Code to require approval from the Commission if AGN seeks to remove or disable any part of its distribution system that supplies gas to one or more customers for any reason.

The requirement excludes removing or disabling a part of a distribution system for the purpose of abolishment of a particular customer as requested by that customer, for safety reasons as permitted by the Gas Act or as otherwise directed by the Technical Regulator.

Currently, the Gas Distribution Code requires that: 'Unless approved by the Commission, the distributor must not remove or disable any part of its distribution system that supplies gas to one or more customers on the grounds that the financial return to the distributor from supplying those customers is insufficient.'<sup>104</sup>

### 6.6.1 Submissions to Issues paper

In response to the Issues paper, the Commission sought feedback on consumer protections that could be applied if AGN requested the Commission's approval to discontinue part of its distribution network. There was a strong stakeholder response to this topic.

AGN and the TR considered that the likelihood that AGN will seek to remove or disable part of its distribution network in the next regulatory period is very low.

AGN noted: *'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.'*<sup>105</sup>

<sup>102</sup> This is consistent with the timeframe within which SA Water is required to report publicly when it experiences a significant performance event.

<sup>103</sup> This is consistent with the timeframe within which SA Water is required to notify the Commission when it identifies errors and/or omissions in public reports.

<sup>104</sup> Gas Distribution Code, clause 2.2.2

<sup>105</sup> Australian Gas Networks, Submission to Issues paper, p. 3

The TR noted: *'Given the connections to the network continue to grow by approximately 5000 connections per year the likelihood of areas of the gas network becoming non-commercial is very low.'* Further, the TR noted that the SA government *'remains committed to a fully operational gas network for residential, commercial and industrial [sectors]'* and that a change to this policy is highly unlikely in the 2026 – 2031 period.<sup>106</sup>

EWOSA, SAFRRA and YourSAy respondents suggested consumer protections including extensive consultation, a long notice period, rebates and interest-free loans for new electric appliances, removal of disconnection and abolishment fees, assistance in finding suppliers and installers and specific assistance for low-income customers, life support customers and tenants.

The TR recommended that the Commission seek advice from the TR if it receives a request to discontinue part of the AGN distribution network and that conditions on an approval should include removal of dormant connections, mains and meters.

### 6.6.2 Analysis

The main risks to consumers related to disabling part of the distribution system are that:

- ▶ acceptable gas substitutes may not be available or accessible to remaining customers, and
- ▶ there may not be substitutes for some specific requirements (for example, industrial heat generation for large commercial or industrial customers).<sup>107</sup>

Historically, AGN has not approached the Commission for approval to disable any part of its distribution network.

Reasons to disable part of a gas distribution network could include asset stranding. Assets may become physically stranded (because they are obsolete, damaged, or have failed) or economically stranded (if they unused or underutilised to the extent that a full return cannot be recovered).<sup>108</sup> Other reasons may include new technical limitations, or a change in Government policy.

The costs of gas distribution are spread across distribution customers. AGN's residential and commercial tariffs apply equally across the network. Customers pay the same price for each unit of gas regardless which part of the network they are connected to.<sup>109</sup>

This means it is not necessary for the costs of part of the distribution network to be recovered from the customers it directly supplies. The grounds for disabling part of the network mentioned in the Gas Distribution Code, *'that the financial return to the distributor from supplying [one or more] customers is insufficient'*, are unlikely to occur. If the number of customers on part of the distribution network declined substantially, it would not materially affect AGN's financial viability.

This situation is perhaps more likely to occur in a small network. For example, in 2021, the Esperance Gas Distribution Company in Western Australia lost the contract to supply the local gas power station and subsequently indicated that it would stop supplying reticulated gas to its 379 customers.<sup>110</sup> This was a case of insufficient financial return to the distributor leading to a proposal to disable the network.

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<sup>106</sup> Technical Regulator, Submission to Issues paper, p. 3.

<sup>107</sup> Another example may be specific types of life support equipment for residential customers, although the Commission has not identified any examples.

<sup>108</sup> Australian Energy Regulator, 2021, [Regulating gas pipelines under uncertainty](#), pp. 25-26.

<sup>109</sup> The demand tariff (Tariff D) varies according to network region. See Australian Gas Networks, 2023, [South Australia 2023-2024 prices](#) and Australian Gas Networks, 2021, [South Australia Gas Distribution Network access arrangement 2021-2026](#), p. 9.

<sup>110</sup> See Australian Broadcasting Corporation, 2023, [Shire of Esperance calls for supply assurances as gas network decommissioning looms](#).

Following negotiations with the Western Australian Government, the company continued operations during a government-funded transition to electricity and LPG gas.<sup>111</sup>

Any request to disable part of the AGN distribution network may be included in its Access Arrangement proposal and assessed by the AER under the National Gas Rules. Currently, the National Gas Rules (NGR) provide limited guidance on how to assess such a proposal.<sup>112</sup>

The requirement for AGN to also have approval from the Commission to disable part of its distribution system provides an important protection for South Australian gas consumers. It ensures an opportunity to assess any such proposal with regard to the objectives of the *Essential Services Commission Act (ESC Act)* (section 6 a and b) and Gas Act section 3 (Objects).

The Commission's Electricity Distribution Code makes a similar requirement of SA Power Networks in relation to parts of the distribution network that are in country areas. It requires that *'a distributor must not, without the Commission's prior written approval, discontinue or cease to operate, maintain or service those parts of its distribution network which are in country areas.'*<sup>113</sup> This requirement applies to discontinuing part of the network for any reason, not just insufficient financial return.

### 6.6.3 Draft decision

The draft decision is to amend the Gas Distribution Code to require approval from the Commission if the distributor seeks to remove or disable any part of its distribution system that supplies gas to one or more customers for any reason. This requirement excludes removing or disabling a part of a distribution system:

- ▶ for the purpose of abolishment of a particular customer, as requested by that customer
- ▶ for safety reasons as permitted by the Gas Act
- ▶ as otherwise directed by the Technical Regulator.

The requirement for AGN to have approval from the Commission to disable any part of its distribution system provides an important protection for South Australian gas consumers and should not be limited to proposals made on the grounds of insufficient financial return.

It is unlikely that the Commission would receive a proposal to discontinue part of the network in the next regulatory period. As such, further work to specify requirements for such proposal (such as projections and options analysis) or describe how the Commission would apply its objectives in decision-making, is not immediately required.

A provision to require Commission approval for a licensee to discontinue part of its network may also need to be considered in relation to the Small-scale Gas Network Code. This will be noted as an issue for a future review of that code.<sup>114</sup>

This requires amendments to clause 2.3.2 as highlighted in the draft revised Gas Distribution Code GDC/08 which is published alongside this draft decision.

<sup>111</sup> See Energy Consumers Australia, 2023, [Time for an orderly and fair exit plan](#), Horizon Power, 2023, [Esperance Energy Transition Plan - Customer hub](#).

<sup>112</sup> See Australian Energy Regulator, 2021, [Regulating gas pipelines under uncertainty](#), p. 60. There are some provisions in Rule 85 (which addresses capital redundancy and how the costs of redundant assets may be recovered) and Rule 86 (which addresses the re-use of redundant assets).

<sup>113</sup> Essential Services Commission of South Australia, [Electricity Distribution Code](#), clause 2.8.1.

<sup>114</sup> The Small-scale Gas Networks Code does not contain a provision that approval is necessary to discontinue part of a network. That Code was last reviewed in 2022-23.

## 6.7 Preconditions to connection

### Draft decision

The existing preconditions for connections provide important protections for new and existing gas distribution customers. The draft decision is to maintain the existing preconditions to connection for the 2021-26 regulatory period.

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 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 (clause 2.3.1.c, h and i)
- ▶ safety, technical, and maintenance requirements relating to gas installations are met (clause 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 the property is rented (clause 2.3.1.f).

The Code contains these preconditions because the national framework requires customer connection services to be provided in accordance with jurisdictional requirements.<sup>115</sup> These preconditions are in turn included in AGN's Standing Offer for Basic Connection Services.<sup>116</sup>

### 6.7.1 Submissions to Issues paper

The Issues paper sought stakeholder feedback on whether the preconditions remain appropriate for the 2026-31 regulatory period.

AGN, EWOSA and the OTR considered that existing preconditions are appropriate for new and existing customers. EWOSA considers that the existing preconditions to connection continue to be important and necessary and that none should be removed or added. SAFRRA added that new preconditions should be included to ensure AGN is obliged to make gas available and extend its networks.

### 6.7.2 Analysis

The current preconditions do not require extension of gas networks. Network expansions and extensions are addressed by the AER as part of its Access Arrangement process.<sup>117</sup>

As AGN noted in its submission, any network extension would be subject to an economic evaluation, including any upfront contribution, if required. AGN makes decisions about augmentation in accordance with the National Gas Rules connection charges criteria.<sup>118</sup>

<sup>115</sup> This is a requirement of National Energy Retail Rule 79(5), which requires that customer connection services are to be provided subject to and in accordance with any relevant requirements of the energy laws.

<sup>116</sup> See National Gas Rules, Part 12A, Rule 119D and 199F, which require model standing offers to have terms and conditions that comply with applicable requirements of the energy laws. See also Australian Gas Networks, 2014, [Model Standing Offer for a Basic Connection Service](#).

<sup>117</sup> See for example Australian Gas Networks, South Australian Access Arrangement April 2021, Section 8, [Network extensions and expansions](#).

<sup>118</sup> National Gas Rule 119M.

The Commission has not identified any duplication between the preconditions for connection and the model terms and conditions for deemed standard connection contracts in the NERR.<sup>119</sup>

The Commission is not able to consider and make requirements about connection charges, as connection charges are addressed in the national framework. Addressing connection charges in the Code would introduce duplication and risk inconsistency with the national framework.<sup>120</sup>

### 6.7.3 Draft decision

The Commission will maintain the current preconditions to connection in the Gas Distribution Code for the 2021-26 regulatory period. No changes to the Gas Distribution Code are required.

## 6.8 Timeframes for reconnection after disconnection

### Draft decision

The National Energy Retail Rules (**NERR**) specify instances where AGN is obliged to reconnect customers following disconnection.

Specifying timeframes for AGN to perform these reconnections is important to support provisions in the NEERL and NERR. It will provide certainty and clarity for customers.

The draft decision is to:

- ▶ simplify the description of where the distributor must apply timeframes for reconnection to remove duplication with the national framework
- ▶ specify timeframes for reconnections after disconnection in the Gas Distribution Code that are based on retailer's obligations in the *NEERL (Local Provisions) Regulations 2013 (NEERL Local Provisions)*
- ▶ include a timeframe for reconnection when requests are received on non-business days, which is not addressed in the national framework, and
- ▶ require compliance with these timeframes as a best endeavours obligation, which is the same as the standard of endeavour required in relation to the existing obligation.

The National Energy Retail Rules (**NERR**) specify instances where AGN is obliged to reconnect customers following disconnection.<sup>121</sup>

These include those instances described in the Gas Distribution Code which are reconnections where a distributor has disconnected a customer's supply address:

- ▶ after receiving a direction in writing from the retailer and the retailer has subsequently notified the distributor to reconnect the supply address
- ▶ for health or safety reasons and the circumstances giving rise to the disconnection no longer exist
- ▶ due to a customer using gas in breach of the NEERL, and the customer has remedied that breach, and has paid, or made an arrangement to pay, for the gas so obtained, or

<sup>119</sup> See National Energy Retail Rules, Schedule 2. As applied by Australian Gas Networks South Australia in its [Deemed Standard Connection Contract December 2018](#).

<sup>120</sup> See National Gas Rules, Part 12A, Rule 119D and 199F, which require that connection charges must be consistent with connection charges criteria. (Those criteria are in Rule 119M).

<sup>121</sup> National Energy Retail Rules, Rule 122.



- ▶ for any reason that the distributor is otherwise entitled to disconnect supply under the energy laws.<sup>122</sup>

The Gas Distribution Code requires that AGN use its best endeavours to reconnect customers after disconnection within sufficient time for a retailer to meet its obligations under the NERL.<sup>123</sup> The Gas Distribution Code does not create specific timeframes for reconnection after disconnection.

The Gas Distribution Code requires AGN perform reconnections under this clause in accordance with requirements of the NERL, subject to the retailer requesting the reconnection, and the retailer paying the distributor's reasonable charge for reconnection, if any.<sup>124</sup>

### 6.8.1 Submissions to Issues paper

The Issues paper noted that consistency between the Gas Distribution Code and other parts of the regulatory framework is within the scope of this review and noted timeframes for reconnection after disconnection as one area for examination.<sup>125</sup> Submissions to the Issues paper did not address this matter.

### 6.8.2 Analysis

The *NERL (Local Provisions) Regulations 2013 (NERL Local Provisions)*<sup>126</sup> set timeframes that retailers must achieve for re-energisation (that is, reconnection). These apply to reconnection of small customers where de-energisation (disconnection) has occurred for non-payment.<sup>127</sup> These timeframes are shown in Box 2.

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<sup>122</sup> Gas Distribution Code, clause 2.4.1.

<sup>123</sup> Gas Distribution Code, clause 2.4.2.

<sup>124</sup> Gas Distribution Code, clause 2.4.1.

<sup>125</sup> Issues paper, p. 16.

<sup>126</sup> [National Energy Retail Law \(Local Provisions\) Regulations 2013](#), regulation 9(3).

<sup>127</sup> Small customers are residential customers and small business customers consuming less than one terajoule of gas per annum. See [National Energy Retail Law \(South Australia\) 2011](#), section 5(2), 6(2) and [National Energy Retail Regulations](#), section 7(3).

**Box 2: Retailers obligations for re-energisation for small customers after de-energisation for non-payment**

NERL (Local Provisions) Regulations 2013, regulation 9

(3) The following standards apply in relation to gas:

(a) where a retailer is required to arrange for the re-energisation of a small customer's premises in accordance with the National Energy Retail Rules and the customer makes a request for re-energisation before 3 p.m. on a business day, the retailer must arrange for the re-energisation on the day of the request

(b) where a retailer is required to arrange for the re-energisation of a small customer's premises in accordance with the National Energy Retail Rules and the customer makes a request for re-energisation at or after 3 p.m. and before 9 p.m. on a business day—

(i) if the customer pays any reasonable charge determined by the retailer or the distributor for after-hours re-energisation—the retailer must arrange for the re-energisation of the premises on the day requested by the customer, or

(ii) in any other case—the retailer must arrange for the re-energisation of the premises by the end of the next business day, and

(c) where a retailer is required to arrange for the re-energisation of a small customer's premises under the National Energy Retail Rules and the customer makes a request for re-energisation at or after 9 p.m. on a business day, the retailer must arrange for the re-energisation of the premises by the end of the next business day.

Retailers and distributors must work together to achieve those timeframes. This is a requirement of the NERR. Rule 106 requires that: *'if, in accordance with the energy laws, the retailer is required to arrange for the re-energisation of a customer's gas supply, the retailer and the distributor must deal with the requirement in accordance with those energy laws'*.

The NERR also makes separate requirements of retailers and distributors in relation to reconnection.

**6.8.2.1 Obligations of retailers**

The NERR (Rule 121) requires that retailers arrange re-energisations for small customers where de-energisation has occurred in the last 10 business days, the customer has resolved the matter that resulted in the de-energisation, made a request for re-energisation and paid any charge. In doing so, retailers must meet the requirements of energy laws (which include the timeframes of the NERL Local Provisions that relate specifically to non-payment).

Retailers must advise customers of these timeframes in the disconnection warning notice. Including timeframes in that notice is a requirement of the NERR Rule 110(2)(e).

Retailers must report any non-compliances with meeting the timeframes to the AER, quarterly.<sup>128</sup> The AER has advised that it has not identified any publicly reported enforceable undertaking or infringement notice in relation to reconnections in the last four years.

<sup>128</sup> As required by the [AER Compliance Procedures and Guidelines](#).

### 6.8.2.2 Obligations of distributors

The NERR (Rule 122) requires that distributors re-energise a small customer's premises where it has de-energised the premises at the request of a retailer and the retailer has requested re-energisation. The distributor must do so in accordance with the distributor service standards.

Where the de-energisation was not retailer-initiated, Rule 122 requires that the distributor re-energise a small customer's premises where de-energisation has occurred in the last 10 business days, the customer has resolved the matter that resulted in the de-energisation, made a request for re-energisation and paid any charge. The distributor must do so in accordance with the distributor service standards.

Distributors must also report any non-compliances with meeting the timeframes to the AER, quarterly.<sup>129</sup> The AER has advised that it has not identified any publicly reported enforceable undertaking or infringement notice in relation to reconnections in the last four years.

The NERR provides for each jurisdiction to set distributor service standards. Under the NERR, a Deemed Standard Connection Contract (DSCC) applies to the relationship between customers and distributors. Model terms and conditions for the DSCC are set out in NERR Schedule 2.

The DSCC addresses required timeframes for re-energisations in clause 13.2. It specifies conditions for reconnection, and that if these are met the distributor *"must re-energise the premises within [required alteration: insert the applicable service standard as to time for re-energisation], unless you request a later time."*<sup>130</sup> This clause does not just apply to reconnections following disconnection for non-payment (the scope of the NERL timeframes), it applies to retailer-requested disconnections more broader and disconnections for other matters (where requests are received within the last 10 business days).<sup>131</sup>

In this way, the NERR provides for the distributor to apply jurisdictional service standards. NERR Rule 80(1) also requires the distributor to publish on its website details of re-energisation timeframes.

The jurisdictional service standard is in the Gas Distribution Code. It is that AGN use its best endeavours to reconnect customers after disconnection within sufficient time for a retailer to meet its obligations under the National Energy Retail Law.<sup>132</sup>

However, AGN's current DSCC does not refer to the specific timeframes that retailers must achieve for re-energisation. Instead, AGN's DSCC uses a timeframe of two business days.<sup>133</sup> This does not have a basis in the regulatory framework.

### 6.8.2.3 AGN's current practice

In practice, AGN uses its best endeavours to perform re-energisations within sufficient time for retailers to meet their NERL obligations. In almost all cases, it performs re-energisations within timeframes set out in the NERL.

In 2023, 12 re-energisations were outside the NERL timeframes set (see Table 5). In these instances, either higher-priority (for example, safety-related) work was received on the same day or resources were not available to perform re-energisations.

<sup>129</sup> As required the of the [AER Compliance Procedures and Guidelines](#).

<sup>130</sup> Conditions for reconnection include payment of reconnection charges, compliance with requirements under energy laws, the necessary infrastructure being on place and that there is safe access. See National Energy Retail Rules, [Schedule 2](#), clause 13.2.

<sup>131</sup> See National Energy Retail Rules, [Schedule 2](#), clause 13.2.

<sup>132</sup> Gas Distribution Code clause 2.4.2.

<sup>133</sup> Australian Gas Networks South Australia, [Deemed Standard Connection Contract December 2018](#).

Table 5: AGN re-energisations after de-energisation in the previous 10 business days, 2023 data

Timing	Count of work orders	Percentage
Same day	2,118	88.9
Next business day	253	10.6
Two business days	12	0.5
Total	2,383	100

Source: AGN

#### 6.8.2.4 Approach in other Commission instruments

The NERL Local Provisions set similar timeframes for re-energisation in relation to electricity. The Commission uses those timeframes as the basis of the jurisdictional service standards it sets in the Electricity Distribution Code. These timeframes are shown in Table 6.

The Electricity Distribution Code links timeframes to whether the customer submits the request to the retailer or directly to the distributor. It also provides for requests that are submitted on non-business days, which is not dealt with in the NERL.

By setting timeframes in jurisdictional service standards, the Electricity Distribution Code creates a specific obligation for distributors which supports the more general obligation in NERR Rule 106 that retailers and distributors must work together to achieve NERL timeframes.

Table 6: Comparison of NERL retailer re-energisation timeframes and Electricity Distribution Code distributor re-energisation timeframes

Timing of when customer submits request	Retailer required to arrange re-energisation (NERL timeframe)	Distributor required to arrange re-energisation (Electricity Distribution Code timeframe)
Before 4pm on a business day	On day of request for Adelaide central or metropolitan areas  On day of request (best endeavours) and in any event by the end of the next business day for other premises	Distributor requirement - On day of request for Adelaide Business Area and Major Metropolitan Areas  On day of request (best endeavours) and in any event by the end of the next business day for other areas  Also applies if request submitted to the distributor before 5pm on a business day
At or after 4pm and before 9pm on a business day with payment of after-hours fee	On day requested by customer for Adelaide central or metropolitan areas if the customer pays any reasonable reconnection charge  On day requested by customer if reasonably practicable for other premises and in any event by end of next business day (and the fee does not apply)	On day of request for Adelaide Business Area and Major Metropolitan Areas  On day requested by customer (best endeavours) for other premises and in any event by end of next business day  Also applies if request submitted to the distributor after 5pm but before 10pm on a business day
At or after 9pm on business day (or to the distributor after 10pm)	By end of next business day	As soon as possible and in any event by the end of the next business day.  Also applies if request submitted to the distributor after 10pm business day
At any time on days that are not a business day	Not specified	As soon as possible on the next business day and in any event by the end of the next business day.

The Commission's Small-scale Gas Networks Code, which establishes requirements for small-scale gas licensees, sets timeframes for reconnection following disconnection for retailers that are based on, but not the same as, those in the NERL (at clause 5.7). For distributors, it creates a best endeavours obligation to reconnect within the time agreed with the retailer (at clause 5.7.2). This approach is more flexible than requiring specific times of the distributor, which is suitable for small-scale networks.

### 6.8.3 Draft decision

It is important to specify timeframes for AGN to perform reconnections following disconnections to support the general obligation in the NERR that AGN must support retailers to achieve NERL timeframes.

By specifying timeframes as jurisdictional service standards, AGN would be obliged to update its DSCC and website to include those timeframes (instead of the current 2 business days).<sup>134</sup> This would provide clarity and certainty for customers.

This would also have the effect of applying the NERL timeframes (which relate only to reconnection following disconnection for non-payment) to all instances where AGN is obliged to reconnect a customer's supply address under the NERR.

The draft decision is to:

- ▶ simplify the description of where the distributor must apply timeframes for reconnection (to instances where the distributor is obliged to reconnect a customer under the NERR) to remove duplication with the national framework
- ▶ include specific timeframes for reconnections after disconnection in the Gas Distribution Code that are based on retailer's obligations in the NERL Local Provisions regulation 9(3)
- ▶ include a timeframe for reconnection when requests are received on non-business days which is similar to that in the Electricity Distribution Code, and
- ▶ make the requirement to achieve these timeframes a best endeavours obligation, which is the same as the standard of endeavour required in the current Gas Distribution Code.

This requires amendments to clause 2.6 as highlighted in the draft revised Gas Distribution Code GDC/08 which is published alongside this draft decision.

The Commission will consult on any costs associated with this change as part of its consultation on this draft decision.

## 6.9 Requirements for medium and high-pressure gas mains

The operating pressure for medium and high-pressure gas mains is a technical matter. It remains important for it to be addressed in the gas distribution regulatory framework. Responsibility for technical regulation of the gas distribution network sits with the TR.

The draft decision is to write to the TR to recommend that this matter is addressed elsewhere in the State regulatory framework. When the matter is addressed elsewhere in the State regulatory framework, the Commission will remove the requirement from the Gas Distribution Code.

Clause 2.1.1(b) of the Gas Distribution Code requires AGN to use its best endeavours to ensure gas is supplied at an operating pressure of between 2.75 kPa and 3 kPa for medium-pressure mains and high-pressure mains.

### 6.9.1 Submissions to Issues paper

The Issues paper noted that consistency between the Gas Distribution Code and other parts of the regulatory framework is within the scope of this review. It noted that there may be some duplication of the requirements regarding gas pressure in section 38 of the *Gas Regulations 2012* (**Gas Regulations**) and the Gas Distribution Code.<sup>135</sup> Submissions to the Issues Paper did not address this matter.

<sup>134</sup> SA Power Networks includes the timeframes for reconnection listed in the Electricity Distribution Code in its [Deemed Standard Connection Contract](#) at clause 13.3.

<sup>135</sup> Issues paper, p. 16.

### 6.9.2 Analysis

AGN's licence requires it to comply with all applicable regulatory instruments, including any technical or safety requirements under the Gas Act and the National Gas (South Australia) Act 2008.

These applicable regulatory instruments include the Gas Regulations. The Gas Regulations address the pressure at which gas must be supplied in Regulation 38(1)(c)(i) and (ii). Its requirements are that a distribution system operator must ensure operating pressure of between 1 kPa and 3 kPa, subject to any agreement with the TR for gas to be supplied at more than 3 kPa. The requirements do not specify a narrower range for medium-pressure mains and high-pressure mains. The current Gas Regulations expire on 1 September 2024.

The Commission's previous review of the Gas Distribution Code revised this clause to remove some duplication and inconsistency with the Gas Regulations. The requirement for one subset of gas mains (medium- and high- pressure mains), which is not duplicated in the Gas Regulations, was retained.<sup>136</sup>

The Commission's previous review of the Gas Distribution Code noted that it is important that the operating pressure for medium- and high- pressure mains is specified in the regulatory framework.<sup>137</sup>

Responsibility for technical regulation of the gas distribution network sits with the TR. Under the Gas Act (section 8), the TR is responsible for the monitoring and regulation of safety and technical standards in the gas supply industry (the definition of which includes operation of a distribution system).<sup>138</sup> Further, the TR is responsible for approving and ensuring compliance with AGN's SRMTMP which AGN is required to have as a condition of its gas distribution licence condition.<sup>139</sup>

### 6.9.3 Draft decision

The operating pressure for medium and high- pressure gas mains is a technical matter. It remains important for it to be addressed in the gas distribution regulatory framework.

The draft decision is to:

- ▶ recommend to the TR to recommend that this technical matter is addressed elsewhere in the State regulatory framework. This could be achieved, for example, by an amendment to Gas Regulation 38(1)(c), and
- ▶ once this matter is addressed elsewhere in the State regulatory framework, remove the requirement for operating pressure of medium-pressure and high-pressure gas mains from the Gas Distribution Code.

### 6.10 Other amendments

The draft decision is to make other amendments to the Gas Distribution Code as follows:

- ▶ Clause 1.2.2 is added to explain that provisions in the Gas Distribution Code only apply where there is not duplication or inconsistency with the NGR and NEPL.
- ▶ Clause 1.4.3 has been added to include a commencement date in the Code.

<sup>136</sup> Essential Services Commission of South Australia, 2020, [Australian Gas Networks regulatory framework review 2021 – 2026](#), pp. 20-21.

<sup>137</sup> Essential Services Commission of South Australia, 2020, [Australian Gas Networks regulatory framework review 2021 – 2026](#), p. 11

<sup>138</sup> Gas Act, section 8.

<sup>139</sup> Gas Act, section 26(a)(b).

- ▶ Clause 1.5.1(b) has been amended to add 'National Gas Regulations' for completeness, and 'National Gas Regulations' has been added as a defined term. This clause previously referred only to the NGL and NGR.
- ▶ Definitions have been moved to clause 1.3 for ease of reference.
- ▶ Clause 2.1.1 (a), which currently requires the distributor to comply with the SRMTMP, is removed. It reflects other legal obligations already imposed under legislation and the AGN Gas Distribution Licence and is not also needed here.
- ▶ Clause 2.1.1 (c), which currently requires the distributor to deliver gas on terms and conditions set out in an Access Arrangement, or otherwise on fair and reasonable terms, is removed to avoid potential inconsistency with the requirements of the NGR.
- ▶ Headings have been changed to accurately reflect contents: 'Operation of a Distribution System' has been changed to 'Distributor Obligations. A subtitle has been added to clause 2.1 'Operating pressure' and to clause 2.2 'Protection and non-interference information', and 'Maintenance' has been changed to 'Maintenance of the network'.
- ▶ At clause 2.2.1(a), '10 business days' has been moved to a new line to make it clear that timeframe applies to the obligations in both (i) and (ii).
- ▶ Clauses on reporting to the Commission (currently in clause 1.7) have been moved to clause 2.7. Currently, these clauses require that the distributor report on its compliance with service standards set out in that clause. In the revised clause 2.7., those references are removed because the Gas Distribution Code does not set out any service standards.
- ▶ Clause 2.7 has been extended to require that AGN inform the Commission of any errors or omissions in reporting to the Commission within five business days (clause 2.6.4).
- ▶ Clause 2.7 has been extended to require that AGN notify the Commission of a significant performance event as soon as reasonably practical and at least within three business days of it being identified (clause 2.7.5) and provide further information about that event as required (clause 2.7.6).
- ▶ The definition of 'customer' has been changed to refer only to the Act without replicating the definition in the Act.
- ▶ The definition of 'business day' has been amended to simplify its expression of the definition, consistent with the Small-scale Gas Networks Code.
- ▶ The definition of 'retail market procedures' has been amended to specifically refer to the Retail Market Procedures (South Australia), and as a consequence a definition of AEMO has been added.
- ▶ The following definitions have been removed because they are no longer used in the Code: 'distribution services', 'metering installation', and 'prescribed standards of quality'.
- ▶ Clause (c) has been added to Schedule 1, which requires that words importing a gender include any gender and/or a person of intersex status.

This requires amendments as highlighted in the draft revised Gas Distribution Code GDC/08, which is published alongside this draft decision.



## 7 Gas Metering Code

The Gas Metering Code GMC/05 (**Gas Metering Code**) sets retailer and distributor obligations that apply to gas metering in South Australia.

Review of the Gas Metering Code has focused on changes required to ensure provisions are up-to-date and consistent with other regulatory instruments. It has also considered changes needed to ensure obligations recognise the introduction of hydrogen and other renewable gases to the distribution network.

The regulatory instruments relevant to gas metering in South Australia are the:

- ▶ **South Australian Gas Act 1997 (Gas Act) and Gas Regulations 2012 (Gas Regulations):** The Gas Act establishes responsibilities for both the Technical Regulator (**TR**) and the Commission. The Gas Act provides for the Commission to make obligations on retailers that relate to some aspects of gas metering.<sup>140</sup> Several definitions in the Gas Metering Code refer to the Gas Act.
- ▶ **National Gas Law (NGL):** Relevant elements of the NGL include regulation of retail gas markets in South Australia. Its definition of gas was recently extended to include hydrogen and other renewable gases.<sup>141</sup> This informs the definition of gas in the Gas Act and the Gas Metering Code.
- ▶ **National Gas Rules (NGR):** Relevant elements of the NGR include governance of wholesale and retail gas markets in South Australia and provision of services to retail customers. The NGR contain confidentiality provisions that apply to retailers and distributors.<sup>142</sup> Recently several changes were made to the NGR enable the use of hydrogen and renewable gases.<sup>143</sup>
- ▶ **Retail Market Procedures South Australia (RMP):** The RMP are made under the NGL and deal with matters specified in the NGR that relate to meters, metering data, transfer of customers, settlement and use of information in the retail gas market. The RMP for South Australia provide for the Commission to specify gas metering methodologies.<sup>144</sup>

In 2022, the Australian Energy Market Operator (**AEMO**) considered changes to its suite of retail market procedures (which it makes for each jurisdiction, including South Australia) to accommodate hydrogen and other renewable gases.<sup>145</sup> It found this could be achieved through minimal changes to definitions.<sup>146</sup>

AEMO is expected to consult on these changes to the RMP from August 2024, with its final decision due in early December.<sup>147</sup> The Commission will consider this in making its final decision on changes to the Gas Metering Code.

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<sup>140</sup> Gas Act, section 36A(a) and 59(A).

<sup>141</sup> [National Gas Act \(South Australia\) 2008](#), version 7.3.204, Energy Ministers, 2022, [Extending the national gas regulatory framework to hydrogen, biomethane and other renewable gases](#).

<sup>142</sup> National Gas Rules, Part 15. Gas metering provisions in Part 19 of the National Gas Rules apply only to the Victorian Declared Wholesale Gas Market.

<sup>143</sup> Australian Energy Market Commission, 2022, Final Report, [Review into Extending the Regulatory Frameworks to Hydrogen and Renewable Gases](#).

<sup>144</sup> The Retail Market Procedures (South Australia) are made under Chapter 2, Part 7, Division 2 of the NGL and deal with matters specified in the NGR (at Rule 135EA).

<sup>145</sup> Australian Energy Market Operator, 2022 Final Report, [Hydrogen Blends and Renewable Gases Procedures Review](#).

<sup>146</sup> Australian Energy Market Operator, 2022 Final Report, [Hydrogen Blends and Renewable Gases Procedures Review](#), p. 7.

<sup>147</sup> ACIL Allen 2024, Review of Gas Metering Code, Report to the Essential Services Commission of South Australia, p. 6.

- ▶ National Energy Retail Rules (**NERR**). Relevant elements of the NERR include provisions relating to the energy data used to bill retail customers, with the energy data derived from metering data and heating value. Its definitions of gas provide for the use of hydrogen and renewable gases.<sup>148</sup>
- ▶ Small-scale Gas Networks Code. The Commission's Small-scale Gas Networks Code contains obligations for small-scale gas networks including metering obligations.<sup>149</sup>

The Issues Paper asked stakeholders to consider if there are instances of duplication or inconsistency between the Commission's AGN regulatory instruments and other parts of the regulatory framework, including in relation to metering provisions. The submission from the Energy and Water Ombudsman SA (**EWOSA**) raised two issues, about sealing of meters and meter reading on customer transfer, which are addressed in sections 7.4 and 7.5 of this chapter.

The Commission's review has been informed by advice provided by ACIL Allen which is published alongside this draft decision.<sup>150</sup>

## 7.1 Application

### Draft decision

The draft decision is to amend application of the Gas Metering Code to clarify that it does not apply to distributors and retailers that are subject to the Small-scale Gas Networks Code.

The Gas Metering Code currently applies distributors who are registered as Network Operators under the National Gas Rules and retailers.

It defines a distributor as a person holding a licence under the Gas Act to operate a distribution system and retailer as a person holding a licence under the Gas Act or a retailer authorisation under the NERL for the sale and supply of gas.

### 7.1.1 Analysis

Metering obligations for small-scale gas distribution systems are made in the Commission's Small-scale Gas Networks Code. The Small-scale Gas Networks Code applies to gas distribution licensees and gas retail licensees with fewer than 50,000 connections. It also applies to the AGN LPG distribution system (see discussion about the AGN Distribution Licence in section 5).

Separate metering obligations are needed for reticulated LPG distribution systems because the definitions of gas in the NGL and NERL do not include LPG. This means that the NGR, NERR and the RMP, which apply to the AGN gas distribution system, do not apply to the AGN LPG distribution system.

It is important for the Gas Metering Code to continue to apply to retailers; it contains obligations which retailers must comply with and supports the implementation of the RMP.<sup>151</sup> The Commission is empowered to make and have gas retailers comply with obligations in relation to aspects of gas metering.<sup>152</sup>

<sup>148</sup> [National Energy Retail Law \(South Australia\) Act 2011](#), version 7.3.2024, Energy Ministers, 2022, [Extending the national gas regulatory framework to hydrogen, biomethane and other renewable gases](#).

<sup>149</sup> Essential Services Commission of South Australia, 2023, [Small-scale Gas Networks Code](#).

<sup>150</sup> ACIL Allen, 2024, Review of Gas Metering Code, Report to the Essential Services Commission of South Australia.

<sup>151</sup> For example, in relation minimum standards of accuracy at clause 2.6.2, the cost of replacing meter seals at clause 2.7.4(b) and charging for the collection of metering data at clause 4.3.3.

<sup>152</sup> Commencement of the National Energy Customer Framework limited the Commission's ability to impose obligations on retailers. The Gas Act provides for the Commission to oblige retailers to comply with

While the gas industry typically refers to delivery points rather than connections, the Commission's practice is to consistently refer to 'connections' across its gas and electricity regulatory instruments.

### 7.1.2 Draft decision

The draft decision is to:

- ▶ amend application of the Gas Metering Code to clarify that it does not apply to distributors and retailers that are subject to the Small-scale Gas Networks Code, and
- ▶ add a new definition of 'connection', which is the same as the definition of 'connection' in the Gas Distribution Code GDC/07 (**Gas Distribution Code**) and means the joining of a gas installation to a delivery point to allow the flow of gas. This captures the meaning of 'delivery point' as used in the RMP and NGR.

This requires amendments to clauses 1.4.2 and 1.4.3 and to definitions as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

## 7.2 Digital metering

Digital meters offer potential benefits to customers, the distributor and retailers. These include potential access to energy use data, more frequent billing, and remote meter reading. There are some associated costs and the potential for initial inconvenience to customers.

The draft decision is to amend the Gas Metering Code to:

- ▶ require that any additional cost of a metering installation that is different to what is already installed or required by regulation is paid for, in the first instance, by the party that initiates the change (and not limit this to the retailer), and
- ▶ require a distributor to inform the retailer and customer at least 15 business days prior to installing a metering installation that is different to that required by regulation or would ordinarily be installed by the distributor.

The Gas Metering Code addresses distributor's obligation to install meters.<sup>153</sup> It provides that if a retailer requests a metering installation that is different to that already installed, or that the distributor would otherwise install, the distributor must not unreasonably withhold its consent.<sup>154</sup> It requires that any additional cost would be met by the party that initiates the change (noting that retailers generally pass on their costs to customers).<sup>155</sup>

### 7.2.1 Analysis

Currently, the Gas Metering Code does not provide for a situation where the customer or the distributor requests a metering installation that is different to that already installed. This means that the Gas Metering Code does not ensure that the initiating party pays the incremental cost in all circumstances.

Currently, there are no requirements in the Gas Metering Code requiring a distributor to inform the retailer and customer prior to installing a metering installation that is different to that required by

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requirements relating to standards for, and installation of, meters relating to gas supply. See Gas Act section 59(a) and Gas Regulation 36A(1)(a).

<sup>153</sup> Gas Metering Code, clause 2.1.

<sup>154</sup> Gas Metering Code, clause 2.1.2.

<sup>155</sup> Gas Metering Code, clause 2.1.3.

regulation or would ordinarily be installed by the distributor. This means that the customer may not understand the proposed change and/or miss an opportunity to ask for a different metering installation.

### 7.2.1.1 Digital meters in the AGN network

In AGN's South Australian network, small customers (homes and small businesses) have basic meters that are read manually. Large customers (that consume more than 10TJ of gas each year) must have interval meters that are read remotely.

AGN is conducting a trial of 400 digital gas meters for small customers in the Mitchell Park area. Through the trial, it aims to understand the functions, operation and benefits of digital gas meters and consider implementation on a larger scale.<sup>156</sup> Digital meters are not currently available to small customers outside of this trial. AGN may propose to make digital meters more widely available in the 2026 – 2031 regulatory period.

The main benefit of digital gas meters is that they can be read remotely. For AGN, this presents the opportunity to obtain actual meter reads from properties which are hard to access (noting the NERR requirement for an actual read at least every 12 months<sup>157</sup>) and reduce meter reading costs.

For retailers, digital meters present the potential to access detailed energy use data and offer more frequent billing. For customers, in addition to the potential for more frequent billing, digital gas meters offer the potential for faster transfer between retailers (addressed in section 7.5) and the potential to avoid the need for meter readers to attend their property.

Digital meters capture detailed data about customers' energy use patterns. Their use in the electricity sector enables time-of-use tariffs and supports the integration of consumer energy resources (such as photovoltaic panels, batteries and electric vehicles). This is not the case in gas. There are fewer benefits to using digital meters for gas and fewer risks to consumers (such as risks related to changing tariffs). There is limited impetus for widespread deployment of smart meters in gas.

AGN may propose targeted use of digital meters in its Access Arrangement proposal. Its Victorian Access Arrangement for 2023 – 2028 included installation of digital meters at 4,693 sites where the meter cannot be accessed for regular reads.<sup>158</sup> It also included installation of digital meters in new estates (which is not progressing given the Victorian ban on new gas connections) and an option for customers to request a digital meter at their expense (to enable monthly meter reading and billing).<sup>159</sup>

### 7.2.1.2 Notice period for digital meter installation

Customer impacts of gas meter replacement include inconvenience (supply is briefly interrupted and AGN staff attend the site) and possible costs (for example, there may be costs associated with addressing any safety issues identified during the replacement and costs of the meter itself depending on which party requested it). Suitable notice may help customers prepare for and manage these impacts. Suitable notice can support retailers to prepare for providing the option of more frequent billing and consider the potential to access more detailed energy use information.

<sup>156</sup> Australian Gas Networks, [Digital Gas Meter Program](#).

<sup>157</sup> National Energy Retail Rule 20(2).

<sup>158</sup> Australian Gas Networks, 2022, AGN Final Plan Victoria [Attachment 9.8 Meter Replacement Plan](#), p. 30.

<sup>159</sup> Australian Gas Networks, 2022, AGN Final Plan Victoria [Attachment 9.8 Meter Replacement Plan](#), p. 32 and p. 31. The cost of opt-in digital meters was proposed to be recovered directly from each customer over ten years, at a rate of \$36 per year.

In its Mitchell Park digital metering trial, AGN provides customers with notice by letter 'a few weeks' before changing the meter.<sup>160</sup> The NERR require that AGN provides at least four business days' notice of a planned interruption to supply (which is necessary for a changing a gas meter).<sup>161</sup>

In electricity, retailers are responsible for installing new and replacement meters for small customers. This is different for gas, where distributors are responsible for meter installation, and the role of retailers is limited to requesting changes.

The amount and type of notice retailers must provide customers when arranging the deployment of smart meters for electricity is addressed in the NERR. Two notices must be provided, the first no earlier than 60 business days before installation and the second no later than 25 business days before replacement.<sup>162</sup>

The notices must include information about the date and time of installation, any upfront charges the customer will incur under their retail contract because of the change, retailer contact details, and contact details of interpreter services. The notices must include information about how the customer may opt-out.<sup>163</sup>

These requirements may change. In April 2024, the AEMC made a draft rule change 'Accelerating Smart Meter Deployment'. A final rule change is expected in November 2024.

Proposed changes include that only one notice will be required, instead of two. That notice would need to be provided no earlier than 60 business days and no fewer than four business days before the installation.<sup>164</sup> The changes would expand the information that needs to be included in information notices,<sup>165</sup> and remove the provision for customers on standard retail contracts to opt-out of smart meter deployment.<sup>166</sup>

## 7.2.2 Draft decision

Digital meters offer potential benefits to customers, retailers and the distributor. In the 2026 – 2031 regulatory period, it is possible that customers, retailers or the distributor may request a metering installation that is different to that already installed.

Customer impacts of installing a different gas meter include inconvenience and possible costs. Retailer impacts of installing a different gas meter include the potential to change billing frequency. Given these impacts, it is important the distributor provides a reasonable notice period.

The Commission has considered aligning the notice period for installing a different meter with that required in electricity for deployment of smart meters. As discussed, that requirement is currently for two notices issued between 25 and 60 business days before installation. This may change to one notice issued between four and 60 business days before installation.

Installing a digital gas meter has a different customer impact to installing a digital electricity meter. The Commission considers that one notice is sufficient. However, the Commission considers that more than four business days' notice (the amount of time required for a planned interruption to supply, and

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<sup>160</sup> Australian Gas Networks, [Digital Gas Meter Program](#).

<sup>161</sup> National Energy Retail Rule 90(1B).

<sup>162</sup> National Energy Retail Rule 59A.

<sup>163</sup> National Energy Retail Rule 59A(3).

<sup>164</sup> Australian Energy Market Commission 2024, [Accelerating Smart Meter Deployment](#), Draft rule determination, pp. 22-23.

<sup>165</sup> Australian Energy Market Commission 2024, [Accelerating Smart Meter Deployment](#), Draft rule determination, Box 8.

<sup>166</sup> Australian Energy Market Commission 2024, [Accelerating Smart Meter Deployment](#), Draft rule determination, p. 26.

the proposed minimum notice period for installation of electricity smart meters) is required given the impact on customers, and notes AGN's current practice of providing customers with notice of installation by letter 'a few weeks' before meter installation in its digital meter trial.

The draft decision is to:

- ▶ amend the Gas Metering Code to require that any additional cost of a metering installation that is different to what is already installed or required by regulation is paid for, in the first instance, by the party that initiates the change (and not limit this to the retailer), and
- ▶ require a distributor to inform the retailer and customer at least 15 business days prior to installing a metering installation that is different to that required by regulation or would ordinarily be installed by the distributor.

This requires an amendment to clauses 2.1.2 and 2.1.3 and a new clause 2.1.4, as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

### 7.3 Information in metering installation databases

#### Draft decision

The draft decision is to amend requirements for the type of information that must be included in metering installation databases and requirements for maintaining that information to align with requirements of the RMP and simply remaining requirements.

The Gas Metering Code currently requires distributors to maintain a database for each metering installation, store certain information in that database and maintain the information in that database.<sup>167</sup>

#### 7.3.1 Analysis

Information that must be stored in metering installation databases and requirements for maintaining that information are also addressed in the RMP.<sup>168</sup> There are some slight differences between the Gas Metering Code and RMP requirements. These relate to:

- ▶ storage of the Meter Identification Reference Number (**MIRN**), location, make, model, year of manufacture, customer address and date of installation for each meter installation,<sup>169</sup> and
- ▶ requirements for retaining data.<sup>170</sup>

Further, the Gas Metering Code has some requirements for the data stored in the installation database that are not addressed in the RMP. These relate to storage of the next scheduled date for testing or replacement, performance of device, calibration records, testing records, dates and details of applied seals and labels, dates and details of maintenance and next scheduled date for maintenance.<sup>171</sup>

Some of these requirements are made in the AEMO installation database procedures, which apply only to gas distributors in Victoria.<sup>172</sup> The data requirements in those procedures are expressed simply and can guide improvements to the Gas Metering Code.

<sup>167</sup> Gas Metering Code section 2.5.

<sup>168</sup> Retail Market Procedures clause 2.2 and 2.4(b).

<sup>169</sup> Gas Metering Code 2.5.2 a – d and Retail Market Procedures clause 2.2 (b) and (c).

<sup>170</sup> Gas Metering Code 2.5.3 and Retail Market Procedures clause 2.4 (b) and (c).

<sup>171</sup> Gas Metering Code 2.5.2 e – k.

<sup>172</sup> Australian Energy Market Operator, Wholesale Market Metering Procedures (Victoria), Version 2.0, Chapter 5.

### 7.3.2 Draft decision

The draft decision is to:

- ▶ amend Gas Metering Code requirements about the type of information that must be included in metering installation databases to align with requirements in the RMP and to simplify those requirements that are not addressed in the RMP
- ▶ amend Gas Metering Code requirements for maintaining information in metering installation databases over time to align with the requirements in the RMP, and
- ▶ to support these changes, amend Gas Metering Code definitions of actual meter reading, estimated meter reading, meter, scheduled meter reading and telemetry to align with those in the RMP; and as a consequence amend the definition of metering installation, add new definitions (customer-own read, deemed meter reading, metering database, meter reading, meter reading schedule and substituted meter reading) and change the term estimated read to estimated meter reading.

This requires amendments to clauses 2.5.2 and 2.5.3 and to definitions as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

## 7.4 Sealing of gas meters

Gas meter seals are devices that prevent unauthorised meter access. The Gas Metering Code sets timeframes for replacing broken gas meter seals, which help protect consumers from the risk of inaccurate meter readings.

The draft decision is:

- ▶ to clarify the actions and timeframes that apply when a seal is broken (which vary depending on the level of risk) and
- ▶ recognise that the current longer timeframes for replacing broken meter seals where they have not affected meter accuracy are appropriate given the lower level of risk.

This has the effect that obligations remain the same, except that the distributor needs to replace the broken seal at the time of testing, if testing is required.

Gas meter seals are devices that prevent unauthorised meter access. They help ensure readings are accurate.

Currently, the Gas Metering Code sets a timeframe for replacing a broken seal, which is 70 business days or when the meter is next read, whichever is earlier.<sup>173</sup> It also sets timeframes for testing or replacing a metering installation where a broken seal may have affected accuracy. These are 15 business days for testing the metering installation<sup>174</sup> and 5 or 10 business days for replacing a non-compliant metering installation.<sup>175</sup> The Gas Metering Code also addresses who pays for replacing broken seals.<sup>176</sup>

<sup>173</sup> Gas Metering Code clause 2.7.3.

<sup>174</sup> Gas Metering Code clause 2.7.5.

<sup>175</sup> Gas Metering Code clause 3.6. The timeframes are 5 business days for consumption of 10 terajoules per annum or more and 10 business days for less than 10 terajoules per annum.

<sup>176</sup> Gas Metering Code clause 2.7.4.

### 7.4.1 Submissions to Issues paper

In its submission to the Issues paper, EWOSA noted concern with the timeframe for replacing broken meter seals. It considered that: *'Given the importance of security, we believe these timeframes for replacing a broken seal are too long and increase the risk of meter inaccuracies and possibly further damage.'* EWOSA suggested 15 business days as a reasonable timeframe, noting that timeframe is used for testing requirements elsewhere in the Gas Metering Code.<sup>177</sup>

### 7.4.2 Analysis

The distributor assesses whether broken seals have affected meter accuracy based on, for example, information in reports of broken meter seals by meter readers.

Cases where a broken meter may have affected meter accuracy present a risk of overcharging. The current response timeframes are 15 business days (where testing is required) and/or 5 or 10 business days where the metering installation needs to be replaced.

There is an opportunity to replace the broken seal at the time of testing if the meter does not need to be replaced (if the meter needs to be replaced it is not necessary to replace the broken seal). The Gas Metering Code does not currently require the distributor to use this opportunity to replace the broken seal.

Cases where broken seals have not affected meter accuracy present a lower risk. This is reflected in the current longer timeframes in the Gas Metering Code for responding to these cases (at the next meter read or 70 business days, whichever is earlier).

### 7.4.3 Draft decision

The draft decision is:

- ▶ that the current timeframes for replacing broken meter seals where they have not affected meter accuracy are appropriate, given the lower level of risk, and
- ▶ to clarify the actions and timeframes that apply when a seal is broken, which vary depending on the level of risk.

Under the revised clause 2.7.3:

- ▶ where the broken seal may have affected meter accuracy, the distributor must test the meter within 15 business days (followed by replacement if required), or replace the meter within 5 or 10 business days, and
- ▶ where the broken seal requires replacement, the distributor must replace the broken seal at the time of testing, or in any case at the time of the next meter read or within 70 business days.

This has the effect that obligations remain the same, except that the distributor needs to replace the broken seal at the time of testing, if testing is required.

This requires an amendment to clause 2.7.3 as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

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<sup>177</sup> Energy and Water Ombudsman of SA, Submission to Issues paper.



## 7.5 Meter reading on customer transfer

Meter readings when customers transfer from one retailer to another help ensure billing accuracy and avoid the cost of a special meter reading.

The draft decision is to:

- ▶ amend the requirement to facilitate the transfer of a customer so it must be carried out by the date requested by the retailer, and
- ▶ specify that that an actual meter reading may be a deemed meter reading for this purpose where permitted under the RMP.

The Gas Metering Code currently requires that 'on request by a retailer, the distributor must use its best endeavours to carry out an actual meter reading to enable the transfer of a customer to that retailer within a reasonable time of the request.'<sup>178</sup>

### 7.5.1 Submissions to Issues paper

In its submission to the Issues paper, the Energy and Water Ombudsman of SA (EWOSA) noted concerns with this timeframe. It considered that 'within a reasonable time of the request' is not specific enough and given that the meter reading is being done to facilitate a customer transfer, the timeframe should reflect the requirements for a customer transferring or switching gas retailers in the NERL.

### 7.5.2 Analysis

Timeframes for meter reading to enable transfer of a customer are not addressed in the NERL, or other parts of the State or national regulatory framework.

The desired outcome of this requirement is that an actual meter reading occurs by the date requested by the retailer, so that it may ensure billing accuracy and avoid the cost of a special meter reading. The date requested by the retailer may vary depending on the type of meter installed (and whether it can be read remotely, as is the case with digital meters), the customer transfer process, the next scheduled read date and the timeframe within which a deemed meter reading could be used.

Under the RMP, a distributor may use a deemed meter reading to enable the transfer of a customer if an actual meter reading was undertaken no more than 10 days before the date of move in.<sup>179</sup>

The proposed change to the definition of actual meter reading to align with that in the RMP (already discussed in section 7.1.3) means that the current clause will include deemed meter readings undertaken in this period.

### 7.5.3 Draft decision

Meter readings when customers transfer from one retailer to another help ensure billing accuracy and avoid the cost of a special meter reading.

The draft decision is to:

- ▶ amend the requirement to facilitate the transfer of a customer so it must be carried out by the date requested by the retailer, and

<sup>178</sup> Gas Metering Code, clause 4.2.1.

<sup>179</sup> Retail Market Procedures (South Australia), clause 3.1.3.

- ▶ specify that that an actual meter reading may be a deemed meter reading for this purpose where permitted under the RMP.

This requires an amendment to clause 4.2.1 as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

## 7.6 Validation, substitution and estimation of metering data

The draft decision is to combine and more clearly express obligations in the Gas Metering Code relating to validation, substitution and estimation of metering data. These include requirements to notify retailers when using substituted and estimated metering data.

The Gas Metering Code addresses the validation, substitution and estimation of metering data and establishes associated methodologies.<sup>180</sup>

### 7.6.1 Analysis

There is some duplication of provisions for validation, substitution and estimation of metering data within the Gas Metering Code.<sup>181</sup> There is opportunity to combine and more clearly express some requirements.<sup>182</sup>

The RMP requires use of the methodologies for validation of metering data and the substitution and estimation of metering data established in the Gas Metering Code.<sup>183</sup> However, the Gas Metering Code does not specify that its methodologies are those required by the RMP.

### 7.6.2 Draft decision

The draft decision is to:

- ▶ combine and more clearly express the requirements that apply when validating, substituting and estimating metering data (see revisions in section 4.4 and 4.5 and revisions to Schedules)
- ▶ more clearly express the notification requirements that apply when using substituted and estimated metering data (see revised clauses 4.4.5 and 4.5.2), and
- ▶ clarify that the Gas Metering Code contains approved validation, substitution and estimation methodologies for the purposes of the RMP (by creating defined terms for 'approved validation methodology', 'approved substitution methodology' and 'approved estimation methodology' and clearly identifying these in the Schedules).

This requires amendments as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

<sup>180</sup> Gas Metering Code, sections 4.4 and 4.5, Schedules 1 and 2.

<sup>181</sup> For example, clause 1 of each Schedule refers to clauses 4.4.1(a) and 4.4.2(b) but also repeats their contents. Clause 2 of each Schedule repeats the contents of clause 4.4.3. Clause 3 of each Schedule restates the provisions of clause 4.5.1.

<sup>182</sup> Such as the notification requirements that apply where substituted metering data is used, which are currently in clauses 4.4.3 – 4.4.5, clause 4(h) in Schedule 1 and clause 4(d) in Schedule 2.

<sup>183</sup> Through provisions in Retail Market Procedures South Australia clauses 3.4, and 3.5.4, 3.5.3(a) and the definitions of approved substitution methodology, approved validation methodology, and approved estimation methodology.

## 7.7 Accommodating change in the composition of gas

The Gas Metering Code's methodologies for estimating and substituting metering data do not accommodate the possibility that the composition of gas may have changed since the last available metered data.

The draft decision is to create an additional obligation on the distributor to take into consideration changes in the composition of gas that may have occurred before estimating or substituting metering data.

The Gas Metering Code requires that gas is metered by quantity and converted to units of energy for billing purposes using the heating value calculated by the distributor in accordance with a methodology approved by the TR.<sup>184</sup>

The Gas Metering Code requires that the Gas Management Plan prepared by the distributor and submitted to the TR must summarise the distributor's procedures for the measurement and calculation of heating value for the purpose of billing.<sup>185</sup> The distributor must comply with the plan as approved by the TR.<sup>186</sup>

### 7.7.1 Analysis

Hydrogen and hydrogen blends have a lower heating value per unit of volume than natural gas.<sup>187</sup> The heating value of gas will change as hydrogen and renewable gases are introduced into gas distribution networks. Therefore, a change to the heating value methodology would be required so that customers using hydrogen are billed correctly.

Generally, changes to heating values can be accommodated within existing regulatory instruments.<sup>188</sup> Changes to heating values can be addressed in the methodology developed by the distributor in the Gas Management Plan that is approved by the TR.

Currently, the approved substitution methodology and approved estimation methodology in the Gas Metering Code assume that the composition of gas remains relatively unchanged. They assume that metering data from similar days, or from a previous meter reading period, can be used as the basis for the estimation or substitution.

These assumptions are not valid if the composition of gas has changed since the last available metered data. Estimated or substituted metering data will need to be adjusted so that customers are charged correctly.

### 7.7.2 Draft decision

The Gas Metering Code's methodologies for estimating and substituting metering data do not accommodate the possibility that the composition of gas may have changed since the last available metered data.

The draft decision is to:

<sup>184</sup> Gas Metering Code, clause 4.1.1.

<sup>185</sup> Gas Metering Code, clause 5.1.1 and 5.1.2.

<sup>186</sup> Gas Metering Code, clause 5.1.4.

<sup>187</sup> Australian Hydrogen Centre, 2023, [10% Hydrogen Distribution Networks South Australia Feasibility Study](#), p. 43.

<sup>188</sup> In its 2022 [Review into Extending the Regulatory Frameworks to Hydrogen and Renewable Gases](#), p. 150, the Australian Energy Market Commission decided that current arrangements to metering arrangements for regulated retail markets do not need to be changed so that customers would be charged correctly. It noted that individual jurisdictions have oversight of heating values.

- ▶ create an additional obligation on the distributor to take into consideration changes in the composition of gas that may have occurred before estimating or substituting metering data, and
- ▶ make a minor edit to clarify that the TR approves the gas heating value methodology.

This requires an amendment to Schedule 2, clause 4 (g) and Schedule 3, clauses 4 (c) and (d) and clause 4.1.1 as highlighted in the draft revised Gas Metering Code GMC/06, which is published alongside this draft decision.

## 7.8 Other amendments

Other amendments to the Gas Metering Code are proposed, as set out in this section.

### 7.8.1 Introductory note

To understand obligations relating to gas metering in South Australia in their entirety, it is necessary to refer to several regulatory instruments. In particular, the Gas Metering Code should be read and understood in conjunction with the RMP, the NGR (confidentiality provisions) and NERR (billing requirements).<sup>189</sup>

The draft decision is to:

- ▶ add an introductory note to explain that other instruments should be referenced to fully understand these obligations.

This requires an amendment to clause 1.6.2 as highlighted in the draft revised Gas Metering Code GMC/06.

### 7.8.2 Alignment with the Small-scale Gas Networks Code

There are several minor differences between provisions in the Gas Metering Code and Small-scale Gas Networks Code.

The draft decision is to improve consistency between the two codes by amending the:

- ▶ provision that allows a distributor to impose a reasonable charge for subsequent requests for copies of the Gas Metering Code, to apply to subsequent requests within a 12-month period. This requires an amendment at clause 1.5.2
- ▶ provision relating to maintaining minimum standards of accuracy, to place a clear obligation on the distributor. This requires an amendment at clause 2.6
- ▶ the obligation to test metering installations, to permit the retailer to inspect and witness test metering installations. This requires an amendment at [clause 3.3.2(b), and
- ▶ the definitions of 'business day' and 'customer'. These require amendments in the definitions section.

These amendments are highlighted in the draft revised Gas Metering Code GMC/06.

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<sup>189</sup> See: Australian Energy Market Operator 2024, [Retail Market Procedures \(South Australia\) version 21.0](#), National Gas Rules, Part 16 (confidentiality provisions), and National Energy Retail Rules, Rule 20 (billing requirements).

### 7.8.3 Confidentiality of data

Confidentiality of data is addressed in the NGR.<sup>190</sup> Gas Metering Code obligations relating to the confidentiality of data duplicate these NGR provisions.<sup>191</sup> The RMP addresses confidentiality of data by referring to the NGR provisions.<sup>192</sup>

The draft decision is to:

- ▶ address duplication with the NRG, and improve consistency with the RMP, by removing existing confidentiality provisions and instead referring directly to the NGR provisions.

This requires an amendment to section 4.7 as highlighted in the draft revised Gas Metering Code GMC/06.

### 7.8.4 Role of the Technical Regulator

The TR is responsible for the monitoring and regulation of safety and technical standards in the gas supply industry (which includes operation of a distribution system).<sup>193</sup> It has oversight of AGN's Safety, Reliability, Maintenance and Technical Management Plan (SRMTMP).<sup>194</sup>

At the last review of the Gas Metering Code, the Commission transferred several technical and safety responsibilities from the Commission to the TR.<sup>195</sup>

However, responsibility for two of a distributor's technical obligations were not transferred. These are responsibility for reporting on instances where an interval metering installation has been replaced with a basic metering installation,<sup>196</sup> and responsibility for reporting on test results.<sup>197</sup>

The draft decision is to:

- ▶ require the distributor to report information on instances where an interval metering installation has been replaced with a basic metering installation and on test results, directly to the TR, which is responsible for monitoring technical matters, and
- ▶ make the requirements for reporting on instances where an interval metering installation has been replaced with a basic metering installation on request (rather than annual), to be consistent with reporting requirements for test results.

This requires amendments to clauses 2.2.2 and 3.5.1 as highlighted in the draft revised Gas Metering Code GMC/06.

### 7.8.5 Other amendments

The draft decision is to make other amendments to the Gas Metering Code as follows:

- ▶ Definitions have been moved to clause 1.3 for ease of reference.

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<sup>190</sup> National Gas Rules Part 16, particularly Rule 138A (General confidentiality obligation of Registered participant).

<sup>191</sup> Gas Metering Code, clause 4.7.

<sup>192</sup> Retail Market Procedures South Australia, clause 1.4.

<sup>193</sup> Gas Act, section 8(1).

<sup>194</sup> Australian Gas Networks must have its Safety, Reliability, Maintenance and Technical Management Plan approved by the Technical Regulator as a requirement of its distribution licence issued by the Commission.

<sup>195</sup> Essential Services Commission of South Australia, 2020, [Australian Gas Networks Regulatory Framework Review 2021-2026](#), Final Decision, p. 15, 17-18, 23-24, 26

<sup>196</sup> Gas Metering Code, clause 2.2.

<sup>197</sup> Gas Metering Code, clause 3.5.1.

- ▶ 'Email' is added to the definition of 'in writing'.
- ▶ The definitions of 'AER', 'demand delivery point' and 'volume delivery point' are removed because they are not used.
- ▶ The definition of 'network operator' is amended to clarify that this refers to a distributor, which is consistent with the definition of network operator in the RMP.
- ▶ The definition of 'MIRN' is amended to spell out the acronym.
- ▶ The definition of 'retail market procedures' is amended to specifically refer to the Retail Market Procedures (South Australia)
- ▶ Clause 1.6.1(b) has been amended for completeness to include a reference to the NGR.
- ▶ Clause 3.2.3, which requires the distributor to provide a retailer with test type certificates in its possession in relation to a meter, has been amended to require that the distributor provide those certificates on request and by the date requested by the retailer.
- ▶ Clause (c) of Schedule 1 – Interpretation has been amended to include a person of intersex status.
- ▶ Schedule 2, clause 5.2 has been amended to add symbols for Tuesday and Wednesday as per version GMC/04 of the Gas Metering Code - these were missing in version GMC/05 of the Gas Metering Code.

Minor editorial corrections including changing numbers written in full to numerals, including missing punctuation, removing capitalisation where not required and bolding defined terms where this was missing are highlighted in the draft revised Gas Metering Code GMC/06.

## 8 Next steps

The Commission is seeking stakeholder feedback on this draft decision by 13 September 2024. The Commission plans to publish a final decision on any proposed changes in January 2025. The timeline for the review is outlined in Table 7.

Table 7: Key dates for the remainder of the review

Stage	Timing
Consultation on Draft Decision	13 September 2024
Final Decision published	January 2025
AGN submits Access Arrangement proposal to AER	July 2025
New regulatory period begins	1 July 2026

## 9 Further information

Any queries relating to this consultation should be directed to:

- ▶ Rowan McKeown, Senior Policy Officer, at [reviews@escosa.sa.gov.au](mailto: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

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**).

### Gas legislative and regulatory framework

The Australian Energy Market Agreement (**AEMA**) is an agreement between jurisdictions (the Commonwealth, States and Territories) that establishes the legislative and regulatory framework for Australia's energy market.

The AEMA sets out which activities form part of the national distribution and retail regulatory framework for electricity and gas, which is regulated by the Australian Energy Market Commission (**AEMC**) and the AER and areas of responsibility retained by States and Territories.<sup>198</sup> It also establishes the role of the Australian Energy Market Operator (**AEMO**).

The national gas regulatory framework comprises the National Gas Law (**NGL**), National Gas Regulations and National Gas Rules (**NGR**) and the National Energy Customer Framework (**NECF**).

The NECF consists of the National Energy Retail Law (**NERL**, including its local provisions), National Energy Retail Rules (**NERR**) and National Energy Retail Regulations.<sup>199</sup> It establishes consumer protections for residential and small business gas customers.<sup>200</sup>

The South Australian jurisdictional gas regulatory framework comprises the *Gas Act 1997* (**Gas Act**), *Gas Regulations 2012* (**Gas Regulations**) and the Commission's gas regulatory instruments.

The Commission's gas regulatory instruments that apply to Australian Gas Networks (**AGN**) are the AGN 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**). These are described in Box 1 in section 2.

The Commission is empowered to make codes or rules relating to the conduct or operations of a regulated industry or regulated entities by the *Essential Services Commission Act 2002* (**ESC Act**).

This section describes the legislative and regulatory framework for gas distribution with reference to the responsibilities of the AER, AEMO, Commission and the Technical Regulator (**TR**).

### Australian Energy Regulator

The AER is responsible for the economic regulation of gas networks and most consumer protections for gas distribution and retail customers.

The AER regulates the gas industry in all jurisdictions except Western Australia by enforcing the NGL, National Gas Regulations, NGR and the NECF.<sup>201</sup>

The AER makes a regulatory determination (an Access Arrangement) for AGN every five years. The next regulatory control period is from 2026 – 2031. The Access Arrangement includes a decision on the type

<sup>198</sup> Council of Australian Governments Energy Council, 2013, [Australian Energy Market Agreement](#), Annexure 2.

<sup>199</sup> The [National Energy Retail Law \(South Australia\) Act 2011](#) applies the National Energy Customer Framework in South Australia. The National Energy Customer Framework does not currently apply in the Northern Territory, Victoria or Western Australia.

<sup>200</sup> These consumer protections apply only to residential customers and small business customers consuming less than one terajoule of gas per annum. See [National Energy Retail Law \(South Australia\) 2011](#), section 5(2), 6(2) and [National Energy Retail Regulations](#), section 7(3).

<sup>201</sup> The [National Gas \(South Australia\) 2008 Act](#) applies the National Gas Law in South Australia. Victoria has not adopted part 12A of the National Gas Rules which addresses gas connections for retail customers.

of revenue control that will apply to AGN (currently a price cap) and determines prices for AGN's services.

In making the Access Arrangement, the AER must assess the prudent and efficient level of expenditure AGN requires to deliver services to customers.<sup>202</sup> The AER must have regard to the cost of meeting AGN's regulatory requirements, including those established by the Commission.

Economic regulation of gas distribution was previously the responsibility of the Commission (until 2008) and consumer protections for gas distribution and retail customers were the responsibility of the Commission (until 2013).

The AEMC is responsible for reviewing and changing the NGR and NERR, in accordance with the National Gas Objective.<sup>203</sup>

### **Australian Energy Market Operator**

AEMO is the gas systems and market operator. It is responsible for managing the day-to-day operations of gas retail markets, short-term trading markets and gas supply hubs.

AEMO makes and manages the gas Retail Market Procedures (**RMP**) for South Australia as it does for each jurisdiction. These address matters set out by the NGR including in relation to meters, metering data, transfer of customers, settlement and use of information in the retail gas market.<sup>204</sup> The RMP for South Australia provide for the Commission to specify gas metering methodologies.

### **Technical Regulator**

The TR is responsible for ensuring the safety of workers, consumers and property as well as compliance with legislation and applicable technical standards in the gas industry.

Its responsibilities under the Gas Act are monitoring and regulation of safety and technical standards in the gas supply industry (including gas distribution systems and gas installations), providing advice in relation to safety or technical standards in the gas supply industry to the Commission and other functions prescribed by regulation.<sup>205</sup>

The TR is responsible for approving AGN's Safety, Reliability, Maintenance and Technical Management Plan (**SRMTMP**), any revisions of that plan and the results of AGN's audits of its compliance with the plan.<sup>206</sup> AGN must make that plan and obtain approval from the TR as a condition of its licence issued by the Commission.

### **Commission**

The Commission is responsible for licencing gas distribution systems, making industry codes related to the gas industry and for consumer protections that complement those established by the national framework. It has some specific responsibilities relating to gas metering.

#### ► Licensing

The Commission is the licensing authority for the operation of a gas distribution system.<sup>207</sup> AGN is required to hold a gas distribution licence. Licence conditions must include compliance with codes and

<sup>202</sup> As required by National Gas Rules 79(2)(c)(iii) and 91(1).

<sup>203</sup> National Gas Objective, see National Gas (South Australia) Act 2008, Section 23. The National Gas Objective has been extended to include achievement of jurisdictional greenhouse gas emission reduction targets.

<sup>204</sup> National Gas Rule, 135EA.

<sup>205</sup> Gas Act, section 8.

<sup>206</sup> Gas Act, section 26(1)(a)(ii)-(iv).

<sup>207</sup> Gas Act, section 6A.

rules and technical and safety requirements and monitoring and reporting on indicators of service performance.<sup>208</sup> The Commission has discretionary power to include additional licence terms and conditions.<sup>209</sup>

► Codes and Guidelines

The Commission is empowered to make codes or rules relating to the conduct or operations of a regulated industry or regulated entities.<sup>210</sup> The Commission has exercised this power in making the Gas Distribution Code and the Gas Metering Code. The Commission may make guidelines relating to the performance of its functions,<sup>211</sup> and has made the Gas Industry Guideline No. 1. Compliance with these instruments is a condition of the AGN Gas Distribution Licence.

The Gas Act provides for the Commission to oblige retailers to comply with code requirements relating to standards for, and installation of, meters relating to gas supply.<sup>212</sup>

► Jurisdictional consumer protections

The Commission is responsible for consumer protections that complement those established by the national framework:

- As indicated in the national framework

The Commission may make specific jurisdictional requirements where the need is indicated in the national framework. For example, in relation to preconditions to connection (discussed in section 6.8), timeframes for reconnection after disconnection<sup>213</sup> (discussed in section 6.6) and gas metering (discussed in section 7).

- Minimum standards of service

The Commission has the discretion to set minimum standards of service for AGN. The function of setting service standards is retained by States under the AEMA and in South Australia is delegated non-exclusively to the Commission.<sup>214</sup> This is in addition to the specific Gas Act requirement that licence conditions may require monitoring and reporting on indicators of service performance determined by the Commission,<sup>215</sup> as licence terms and conditions are not limited to monitoring and reporting.<sup>216</sup>

Monitoring and enforcing compliance with and promoting improvement in standards and conditions of service and supply under relevant industry Acts is a function of the Commission established by the ESC Act.<sup>217</sup>

- Matters unique to South Australian consumers

The Commission may address gaps in the national framework, or matters unique to South Australian consumers, so long as in doing so it does not create duplication or inconsistency.

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<sup>208</sup> Gas Act, section 25 and 26.

<sup>209</sup> Gas Act, section 25(2).

<sup>210</sup> Essential Services Commission Act, section 28.

<sup>211</sup> Essential Services Commission Act, section 8.

<sup>212</sup> Gas Act, section 59(a) and Gas Regulation 36A(1)(a).

<sup>213</sup> Gas Act, section 26(1)(f).

<sup>214</sup> Council of Australian Governments Energy Council, 2013, [Australian Energy Market Agreement](#), Annexure 2.

This agreement sets out which activities form part of the national distribution and retail regulatory framework and which areas of responsibility are retained by States and Territories (which include standard for network security and reliability).

<sup>215</sup> Gas Act, section 26(1)(e).

<sup>216</sup> Gas Act, section 26(2).

<sup>217</sup> Essential Services Commission Act, section 5(b).

The Gas Act establishes this responsibility to have regard to the provisions of the NGR and NERR and the need to avoid duplication of, or inconsistency with, regulatory requirements under those Rules.<sup>218</sup>

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<sup>218</sup> Gas Act, section 6A(4), section 26B.

## Appendix 2 – Risks to gas distribution consumers

As discussed in section 4, as the energy sector decarbonises and transitions away from using fossil fuels, the operational environment for Australian Gas Networks (**AGN**) is changing. This brings associated risks for consumers related to the price, quality and reliability of gas distribution.

The Commission has documented those risks, their potential impact and extent and current and possible controls for those risks. That work is presented in Table 7. In developing this analysis, the Commission has engaged with other regulators and policy makers, including the Australian Energy Regulator (**AER**), Australian Energy Market Commission (**AEMC**), Department for Energy and Mining (**DEM**) and Technical Regulator (**TR**).

Table 6 documents current controls as well as possible future controls that could be considered by regulators to manage these risks. Given that the extent and timing of risks is uncertain, it may not be necessary or appropriate to introduce all of the controls that have been identified. Regulators will need to be flexible and address risks as they emerge.

Table 8: Emerging risks to gas distribution consumers, their potential impact, controls and responsible regulators

Issue	Risks to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
<p>1</p> <p>Renewable gases</p> <p>Hydrogen or other renewable gases may be blended with natural gas in the distribution network.</p> <p>(Discussed further in section 5.2 and section 7.2.4)</p>	<p>Safety, reliability - blending hydrogen with natural gas may affect the safety or reliability of gas appliances or distribution services (including metering).</p> <p>Price – the price of hydrogen may be more than its alternatives and customers may face additional costs converting appliances to use with hydrogen.</p>	<p>In South Australia, the gas distribution network is generally compatible for use with 100 percent hydrogen.<sup>1</sup> Most domestic gas appliances are compatible with at least 10 percent hydrogen.<sup>2</sup></p> <p>At present, hydrogen costs more than natural gas or electricity and the range of possible future costs is wide.<sup>3</sup></p> <p>Appliances that operate on 100 percent hydrogen are in development and have been estimated to cost 30 percent more than appliances that use natural gas.<sup>4</sup></p>	<p><u>Current controls</u></p> <p>Technical approval for use of hydrogen blends and ongoing monitoring.</p> <p>Ongoing engagement with AGN, other regulators and Standards Australia.</p> <p>Trials of hydrogen, small-scale use in distribution networks.</p> <p>Extension of existing regulatory frameworks to hydrogen and other gases.</p> <p>Requirement for consumer notification of change in type of gas supplied.<sup>5</sup></p> <p><u>Possible future controls</u></p> <p>Safety and technical standards for hydrogen in gas networks, meters and appliances.</p> <p>Regulated phase-out of unsuitable appliances.</p> <p>Service standards for minimum network reliability.</p>	<p>TR</p> <p>AER/AEMC</p> <p>Commission</p>
<p>2</p> <p>Fewer gas distribution customers</p> <p>Customers may choose to disconnect from gas and potential</p>	<p>Price – network tariffs may rise if costs are shared across fewer customers. This may in turn cause more customers to leave the network, requiring further network tariffs rises and so on.<sup>6</sup> Remaining customers may be those less</p>	<p>There is limited evidence and genuine uncertainty about likely future customer numbers in South Australia (see further discussion in section 6.4).</p> <p>Currently, AGN customer numbers continue to increase and per customer</p>	<p><u>Current controls</u></p> <p>Adequate provision for safety, quality and reliability in Access Arrangements.</p> <p><u>Possible future controls</u></p> <p>Long-term Government policy on the ongoing use of gas in homes and businesses (to inform</p>	<p>AER/AEMC</p> <p>TR</p> <p>Commission</p>

Issue	Risks to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators
<p>new customers may choose not to connect.</p> <p>(Discussed further in section 6.4)</p>	<p>able or unable to switch to electric appliances (for example, due to the initial capital cost or property tenure).</p> <p>Safety, quality and reliability – the cost of maintaining the network for fewer customers presents an increased risk to safety, reliability and quality requirements.</p>	<p>use of natural gas is declining slightly.<sup>7</sup></p> <p>There are no policies in South Australia that encourage or incentivise customers to reduce or discontinue using gas. This differs from eastern States.</p> <p>There is some indication that customer preferences for gas are shifting.<sup>8</sup></p> <p>Demand for gas is influenced by its cost relative to electricity and the cost of converting to electric appliances, level of control over energy use (for example, whether customer is an owner-occupier or tenant) and disconnection fees.</p> <p>AGN offers financial incentives for customers with existing dwellings that connect to gas for the first time and install gas appliances.<sup>9</sup></p>	<p>asset planning, cost recovery and prices).</p> <p>Service standards for minimum network reliability.</p> <p>Economic regulation approaches:<sup>10</sup></p> <ol style="list-style-type: none"> <li>1) Controlling the extent and costs of new connections: careful consideration of new investment proposals; cost-reflective connection fees<sup>11</sup> or limitations on incentives for new connections.<sup>12</sup></li> <li>2) Bringing forward revenues to recover more costs while customer numbers are high (for example, though accelerated depreciation<sup>13</sup>).</li> <li>3) Cost-reflective disconnection fees (though this may exacerbate safety risks if consumers seek to avoid <sup>14</sup>).</li> <li>4) Charging less now to encourage customers to stay connected to the network, by sharing costs under capital redundancy provisions or revaluing the asset base.</li> <li>5) Revising price structures to avoid high fixed costs which make partial or progressive electrification uneconomic.</li> </ol>	

Issue	Risks to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators	
<p>3</p>	<p>Strategic use of subsidies, tariff structures and prices</p> <p>The distributor may strategically use subsidies to attract new customers, or design tariff structures and prices to dissuade customers from partial or full electrification.</p>	<p>Price – existing customers may bear the cost of subsidies that are used to attract new customers.</p> <p>Price – customers seeking to partially or fully electrify and/or customers with low gas use may be subject to unnecessarily high prices.</p>	<p>AGN offers financial incentives for customers with existing dwellings that connect to gas for the first time and install gas appliances.<sup>9</sup> The cost of these incentives is recovered from all customers through distribution tariffs.</p> <p>Connection charges are subject to National Gas Rules connection charges criteria and are not cost-reflective. The cost of new connections is recovered from customers over time.</p> <p>Tariff structures with a high daily supply component discourage partial electrification, as do declining block tariffs.</p> <p>Currently, abolishment is a non-reference service meaning its price is not set by the AER. This provides AGN with the flexibility to change its pricing within the regulatory period. It is noted that abolishment could be regulated in the future - AGN has proposed that abolishment be a reference service for the 2026 – 2031 period.</p>	<p><u>Possible future controls</u></p> <p>Requiring cost-reflective connection fees<sup>11</sup> or placing limitations on incentives for new connections.<sup>12</sup></p> <p>Setting price structures to avoid high fixed costs which make partial or progressive electrification uneconomic.</p> <p>Price of abolishment set by the AER, following classification as a reference service.</p>	<p>AER/AEMC</p>



Issue	Risks to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators	
<p>4</p>	<p>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>(Discussed further in section 6.4)</p>	<p>Safety - gas pipes in dwellings or businesses that remain charged but are unused (dormant connections) may present a safety risk.</p> <p>Price – dormant connections need to be inspected and maintained, which has an associated cost.</p>	<p>There are 8893 dormant connections in the AGN network.<sup>15</sup> Gas escape may occur as the result of damage or degradation, which poses risks to health and of ignition.</p> <p>There are no incident records of third-party strike on dormant connections in the last five years.</p> <p>Dormant connections are considered part of the network. As such they require the same level of maintenance as other connections.</p>	<p><u>Current controls</u></p> <p>Abolishment to be affordable, to minimise new dormant connections.</p> <p><u>Possible future controls</u></p> <p>Abolishment when connections are no longer required.</p> <p>Requirements for maintaining safety of dormant connections and/or requirements for removal.</p> <p>Information for retailers and customers about types of disconnection services and where they are appropriate.</p>	<p>TR</p> <p>AER</p> <p>Commission</p>
<p>5</p>	<p>Delayed provision of disconnection services</p> <p>The distributor may not provide disconnection services in a timely manner</p> <p>(Discussed further in section 6.4)</p>	<p>Safety – delays in removing or managing gas pipes that are no longer required may present a safety risk.</p> <p>Price – customers may continue to pay daily supply charges when they no longer use gas.</p>	<p>Safety risks are the same as those for dormant connections (see above) and depend on the length of delay.</p> <p>Ongoing supply charge continues where a meter is locked or plugged but stops if a connection is abolished.</p>	<p><u>Possible future controls</u></p> <p>Service standards for timely delivery of disconnection services.</p> <p>Timeframes for disconnection service provision that are based on safety risk.</p> <p>Required, routine abolishment when connections are no longer required.</p> <p>Change to practice of applying daily supply charge to temporary disconnections.</p>	<p>Commission</p> <p>TR</p> <p>AER</p>

Issue	Risks to consumers	Nature, extent and timing of risk	Current and possible future controls	Responsible regulators	
6	Limited coordination of appliance conversions and leaving the gas network	Price, safety – multiple visits may introduce risks of delays, unnecessary interruptions to energy supply or costs and the possibility that safety issues are overlooked.	There is not centralised, trusted information about how to coordinate or sequence appliance conversions, changes to plumbing and wiring and leaving the gas network where customers are installing all-electric appliances.	<p><u>Possible future control</u></p> <p>Information for consumers and gasfitters about sequencing conversions, plumbing and electrical work and leaving the gas network.</p>	<p>TR</p> <p>AER/AEMC</p>
7	<p>Removing or disabling a part of the gas distribution network</p> <p>(Discussed further in section 6.7)</p>	<p>Price, reliability – acceptable gas substitutes may not be available or accessible to remaining customers.</p> <p>Reliability – some customers may have specific requirements that need to be considered.</p> <p>Reliability – disabling a part of the gas distribution network may affect the potential for future use of hydrogen.</p>	<p>AGN and the TR consider that the likelihood that AGN will seek to remove or disable part of its distribution network in the next regulatory period is very low.</p> <p>Reasons for such a proposal may include asset stranding, technical limitations, or a change in Government policy.</p>	<p>Current control</p> <p>Assessment of any such proposal through Access Arrangement process.</p> <p>Approval of proposal with regard to the interests of South Australian consumers.</p> <p><u>Possible future control</u></p> <p>Extension of requirement for approval of proposal with regard to the interests of South Australian consumers.</p> <p>Application of additional consumer protections (such as long notice period, financial and practical assistance) as conditions of energy approval.</p>	<p>AER</p> <p>Commission</p> <p>TR</p>

Notes

1. Australian Hydrogen Centre, 2023, [100 percent South Australia Feasibility Study](#), p. 52. Note that it is anticipated that some materials in meters would need to be replaced for a 100 percent hydrogen supply, p. 57.
2. Australian Hydrogen Centre, 2023, [100 percent South Australia Feasibility Study](#), p. 52.
3. See Grattan Institute 2023, [Getting off gas: why, how and who should pay?](#). Its analysis compares the cost of hydrogen and natural gas (Figure 1.4, pp. 10-11). Comparison of costs for space and water heating is discussed at pp. 11-12.

4. See Frontier Economics, 2022, [Cost of switching from gas to electric appliances in the home](#), p. 15 and Australian Hydrogen Centre, 2023, [100 percent South Australia Feasibility Study](#), p. 63.
5. Included as part of changes following the Australian Energy Market Commission's 2022 [Review into extending the regulatory frameworks to hydrogen and renewable gases](#). These requirements are in Part 8B of the National Energy Retail Rules.
6. Sometimes referred to as a 'utility death spiral', see Australian Energy Regulator 2019, [Regulating gas pipelines under uncertainty information paper](#), p. 26.
7. Operational reporting to the Commission.
8. In 2023, 10 percent of South Australian households had seriously considered cancelling their gas supply and converting to electricity only. See Energy Consumers Australia Behaviour Survey 2023, [Household results](#), 'Removing mains gas supply'.
9. Australian Gas Networks, 2024, [South Australia Rebates and Promotions](#).
10. Economic regulation approaches are described in Energy Consumers Australia, 2022, [Risks to gas consumers of declining gas demand](#), pp. 22 – 23. See also Australian Energy Regulator, 2021, [Regulating gas pipelines under uncertainty information paper](#).
11. The Essential Services Commission of Victoria has decided to introduce cost-reflective connection charges from 1 January 2025, see Essential Services Commission of Victoria, 2024, [Gas Distribution Code of Practice review - Final decision](#), p. 16. In South Australia, the matter of connection charges is a responsibility of the Australian Energy Regulator because they are addressed by National Gas Rules connection charges criteria (Rule 119M).
12. Victoria has banned the use of incentives for new gas connections or appliances, see [Victorian Government Gazette No. S 184 Thursday 18 April 2024](#), Gas Industry Act 2001 Order under section 40A.
13. In its Access Arrangement proposal for the 2021-26 regulatory period, Australian Gas Networks did not seek accelerated depreciation (See Australian Gas Networks, 2020, [Five year plan for our South Australian Network](#), pp. 32-33). This was supported by the Australian Energy Regulator (see Australian Energy Regulator 2020, [Draft decision – Australian Gas Networks \(SA\) Access Arrangement 2021 – 2026 Overview](#), pp. 9-10). The Australian Energy Regulator 2023 decision for the three Victorian gas distributors allows for a small start to the accelerated depreciation of networks (see Australian Energy Regulator, 2023, [AER decision supports Victorian gas consumers in energy transition](#)). In Western Australia, the Economic Regulation Authority's recent draft decision on its Access Arrangement for gas distributor ATCO does not allow accelerated depreciation (see Economic Regulation Authority, 2024, [Draft decision on revisions to the access arrangement for the Mid-West and South-West Gas Distribution Systems - Overview](#), p. v).
14. 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. This avoids creating an incentive for a customer to request lower-cost temporary disconnection or account closure where they intend to permanently leave the gas network.
15. As at September 2023. See Australian Energy Regulator, February 2024, [Quarterly Gas Disconnection Reporting](#).



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