



Submission to the Essential Services Commission – Review of the draft Gas System Code of Practice

(close for submission 21 December 2023)

Lighter Footprints is a community-based group that aims to influence Australian local, state and national decision makers to take the action necessary to halt global warming as a matter of urgency. For over a decade, we have educated, advocated and brought people together in Boroondara and surrounding suburbs to inform the community and promote a clean energy future. We have 3,500 people on our mailing list.

Lighter Footprints welcomes the opportunity to provide feedback on the ESC's draft Gas System Code of Practice.

As a climate group we would like to see a rapid move away from the use of the gas networks for residential and commercial customers and would like swift action to resolve the many issues that block progress with this ambition. However, we understand that it is not for the ESC to legislate in that area and understand the balanced approach taken by the ESC.

Overall, we support the draft Gas System code of practice. We are aware of several significant issues remain unresolved at this time and understand the need for further consultation / research in these areas.

We have also made some minor recommendations regarding:

- Provision of information and reporting requirements
- Allowing customers to leave the network if they do not want hydrogen in their homes.
- The ESC undertaking a review of the Gas Retail Code of practice.

We have a number of comments to make on matters that are outside the control of the ESC. These matters are addressed under other comments in our responses to the ESC's questions.

Responses to the ESC's questions for stakeholders are set out below.

Do you agree with the proposed introduction of upfront charges for new gas connections?

Yes

Are there any implementation costs, advantages or disadvantages to the options considered that we should take into account?

Please discuss.

The customer should pay the full cost of connection. Ongoing charges will be the same as other similar customers on the network ensuring that there is no cross subsidy.

Should the proposed code be more specific about how distributors calculate the costs of a new connection, as an upfront charge to customers?

Yes

How? Required

The customer should pay the full cost of connection. Ongoing annual charges will be the same as other similar customers on the network ensuring that there is no cross subsidy.

The AER has agreed unit rates for connection assets with the Distribution Businesses as part of the current access arrangements. These sums are currently capitalised by the businesses. Following this change these amounts should be charged to customers. There is no justification to change the connection cost.

In addition, the changes should ensure that no part of the connection cost is borne by other customers. Distribution businesses should be required to demonstrate this by reporting net capex in the Residential connection and commercial connection categories each year.

Do you agree with the proposed implementation of new connection charges to begin from 1 January 2025?

Yes

Please discuss.

Ideally this would be earlier but this gives the businesses time to make changes to their financial systems (these should be minor).

Do you agree with the proposed definitions and processes for disconnection and abolishment?

Yes

Please discuss.

We agree with the proposed definitions and processes for disconnection and abolishment.

We believe that this may result in more customers opting for disconnection instead of abolishment and expect that Energy Safe Victoria may instruct Distribution businesses to abolish connections in certain circumstances.

We further believe that the issues of safety and abolishment of connections should be discussed openly in the light of a network with reducing customer numbers. An important matter to be determined would be how long a disconnection should be allowed before an abolishment has to take place if this is necessary for safety purposes.

Do you agree with the proposed new provision of information obligations for gas distributors?

Yes

Please discuss.

There is no clear information for customers in many areas and, overall, retailers / distributors should have the obligation to provide information.

We have a few suggested amendments / enhancements:

- we believe that customers should have the option to disconnect from the network at zero cost if the amount of hydrogen in the network rises above 10%. Customer did not sign up for hydrogen.
- We further recommend adding a provision requiring reporting on customer connection capex.
- We also ask that ESC requires publication of data by distributors so that classes of users by consumption level can be identified down to postcode level. This is clearly important information to guide the energy transition off gas, but also to support low-income households struggling with large gas bills because they cannot afford electric appliances or energy efficiency measure in their old leaky dwellings. We understand this information is readily available to ESC.
- We ask the Distribution businesses to report annually on emissions from the networks, gas leaks and spend on pipeworks replacement.

We recommend that the retail code of practice be reviewed to place obligations on retailers to supply connection, disconnection and abolishment information to customers.

Do you agree with our proposed amendments to remove duplication with other regulatory instruments and to streamline the code?

Yes

Please discuss.

Duplication can result in confusion.

Do you agree with the removal of the overlap of metering requirements between our code and the National Gas Rules?

Yes

Please discuss.

Where national requirements apply Victoria should not have separate requirements.

Should we retain the requirements in clause 7 on meter accreditation, certification and testing?

No

Please discuss.

We believe that a consistent approach nationally should result in the best outcome.

Please share any feedback you may have on our proposed compliance and performance reporting requirements.

Apart from the changes we proposed above we support the proposed compliance and performance reporting requirements.

Please share any feedback that you have on our proposed variations to gas distribution licences.

No comments

Can you identify any other changes to codes of practice, guidelines, licences or other instruments we may need to make as a consequence of

the proposed Gas Distribution Code of Practice?

Yes

We recommend that customers should have the right to disconnect at zero cost if more than 10% hydrogen is blended into the gas supplied.

If there are any issues with implementing the proposed Gas Distribution Code of Practice that we should consider, please outline these below.

We recommend tying the connection charges in with the AER's recent determinations.

Do you have other comments, feedback or suggestions about our draft decision or the proposed new code?

While we understand that final resolution of some of the matters raised is beyond the scope of this review we would encourage the Government to involve stakeholders (including consumers and climate groups) in the development of improvements in these areas. In particular, we would like to see planning and stakeholder consultation on the following areas:

- Managing the reduction in scope of a regulated distribution network
 - Regulatory changes.
 - Managing the distribution businesses.
 - Planning to safely disconnect customers – impacting abolishments.
 - Safety during periods of change
 - We recommend that the Victorian Government holds a review of the safety of the gas network, particularly with reference to disconnected services and services with infrequent use. It is important that safety is maintained as customers reduce gas consumption and disconnect from the network. We would like to see answers to the following questions:
 - Can the safety regulator quantify the risk associated with disconnected services?
 - How long can a service be disconnected before the risk increases materially?
 - Is there a risk associated with customers with low gas usage?
- Abolishments
 - A clear understanding of the need to abolish connections.
 - A program of consistent actions supporting the abolition program.
 - Ways to mitigate costs – suburbs or streets disconnection at the same time.
 - Low cost abolishments as an alternative to pipeline replacements.
 - Other alternative disconnection scenarios to reduce the cost to customers.
 - We reiterate our recommendation that Distribution Businesses fund an independent body to provide the analysis required to establish ways to:

- Reduce the costs of leaving the network; and
 - Manage the stranded asset risk in the distribution businesses.
 - Making information available
 - If we are to assist with the transition we need to be informed regarding high-use customers so that solutions can be developed.
 - Currently this information sits with the distributors and the retailers.
 - The information imbalance between those interested in prolonging the life of the gas network and those interested in helping customers off gas is too high.
 - In addition we understand that a large number of industry users cannot electrify based on a study conducted for the Roadmap. Some of our members find these conclusions difficult to believe however we have been told that the underlying information is confidential.
- The transition will be smoother if information is shared.
- UAFG
 - Improved analysis into the causes of UAFG.
 - The impact of hydrogen in the network.
 - Consistency across networks.
 - The impact of pipeworks replacement on UAFG.
 - Appropriate drivers to ensure the best outcomes.
 - Life-support
 - Establish consistency across electricity and gas consumers.
 - Greater clarity regarding what fuels are essential.

We hope that Government will consider these recommendations and we will write separately to the government on these matters.

We have no other issues to raise.

SUBMISSION BY:

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