

21 December 2023

Ms Kate Symons  
Chairperson  
Essential Services Commission  
Level 8/570 Bourke St  
Melbourne VIC 3000

Submitted via website: [www.engage.vic.gov.au](http://www.engage.vic.gov.au)

Dear Ms Symons

## Essential Services Commission (ESC) Gas Distribution System Code Review - Draft Decision

Thank-you for the opportunity to provide a submission in response to the ESC Gas Distribution System Code Review - Draft Decision (the **Draft Decision**).

Momentum Energy Pty Ltd (**Momentum, our or we**) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest generator of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers.

### 1. Overview

With the release of the Victorian Government's Gas Substitution Roadmap there was a consequential need to make substantial changes to the Victorian Gas Distribution System Code of Practice (the **Code**) and we generally support the approach taken by the ESC with the Draft Decision. The proposed changes will economically support the transition of existing gas customers towards more environmentally friendly energy sources and also deter the ongoing burden of new gas connections to existing gas customers. No longer should the gas connection costs of new customers be subsidised by existing gas customers on the expectation of future gas loads over the following 20-30 years.

### 2. Specific Responses to the Questions Raised in the Draft Decision

#### Question 1.

Do you agree with the proposed introduction of upfront charges for new gas connections? Are there any implementation costs, advantages or disadvantages to the options considered that we should take into account? Please discuss.

The Draft Decision has provided a thorough assessment of the options to charge for new gas connections and we believe the proposal to introduce upfront charges is the most appropriate option. Upfront charges ensure new gas customers pay the full connection costs and any associated augmentation cost that may be required to support the additional gas load.

**Question 2.**

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

Momentum understands that the upfront costs for new gas connections are likely to vary considerably for each connection, as some will be relatively simple and others may require upstream augmentation to supply the additional gas load. The objectives of the approach to charge the full cost is to deter the take up of new gas connections and to ensure that existing gas customers do not subsidise new customer loads by increased gas network charges going forward. If these costs were averaged out to provide a uniform cost for all new gas connections, this would not act as a deterrence for new gas connections. We support the ESC's Draft Decision to pass through the full cost of all new connections, including any augmentation.

**Question 3.**

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

Momentum supports the implementation date of 1 January 2025 for the proposed new connection charging regime. Consumers need adequate notice of the new charging regime before they commit to gas appliances and gas connections for their new and existing properties and businesses. This is particularly important for industrial and commercial properties which may decide to source alternative non-gas equipment which may have extended delivery lead times. There is little value in implementing this sooner as the savings in additional gas connection costs to existing consumers will be minimal and it allows industry time to adjust their processes and procedures to manage the change.

**Question 4.**

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

The proposal to reflect the same definitions for “abolishment” and “disconnection” in the Gas Distribution Code of Practice as those recently approved by the Australian Energy Regulator (AER) in the distributors' Access Arrangements is a pragmatic and sensible approach. We agree with the following definitions:

- disconnection - the temporary closing of a connection to prevent the withdrawal of gas through the use of locks or plugs or the removal of the meter; and

- abolishment - the permanent removal of a connection by cutting and capping the service within the street and removal of all above ground assets (including the meter) or by removing the meter and service line to prevent the withdrawal of gas.

We also support the basic framework for when distributors must abolish a connection as set out below:

- at the written direction of a retailer;
- where the customer requests the distributor to do so; or
- where the distributor is directed to do so under the Gas Safety Act.

Furthermore, we agree with the suggestion that longer-term reforms will be required to achieve better outcomes for customers, particularly as disconnections from the gas networks significantly increase over time. A progressively declining number of gas customers should not be required to fund the regulated returns mandated by gas distribution regulatory arrangements. In our view, some form of government intervention is required to address this issue, which has been largely created by the transition to renewable energy.

#### **Question 5**

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

Momentum agrees with the proposal for distributors to provide information on their websites regarding the following:

- New connections and connection charges;
- Disconnection, reconnection and abolishment;
- Customer complaint handling;
- Information on the type of gas supplied; and
- Unaccounted for gas.

The application of the Victorian Government's Gas Substitution Roadmap will result in gas customers requiring access to this information more readily as they progressively transition their appliances in homes and businesses to alternative energy sources.

However, the additional obligation to notify small customers of any potential future changes to the type of gas supplied via their networks requires careful consideration as this may create unnecessary concern for consumers. Most small gas customers have no means of controlling or adapting their appliances for changes in gas composition. The gas composition is appropriately specified and regulated by Energy Safe Victoria (ESV) and managed by gas distributors in their pipelines. Nevertheless, as a similar requirement for distributors to advise small customers is also proposed for the National Energy Retail Rules (NERR), we also support this change for the Vic Gas Distribution Code of Practice to assist with achieving nationally consistent gas regulation .

Momentum supports the request by various parties for more information and publication of the current and historic levels of unaccounted for gas for each distribution system. A large proportion of unaccounted for gas is caused by metering error (estimated at 2-3%) rather than fugitive emissions (system leakage), and we suggest that this fact should accompany publications of unaccounted for gas. Otherwise, the perception of the amount of fugitive emissions released to the atmosphere is over emphasised and could result in the acceptance of excessive expenditure on gas pipeline repairs and replacements going forward. Gas distribution systems should be managed safely but cost effectively to ensure gas remains affordable for the declining number of gas users that remain connected to the distribution system.

**Question 6.**

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

Momentum agrees with the proposed amendments to remove duplication with other regulatory instruments to streamline the Code. These include:

- specify timeframes for when Guaranteed Service Levels (GSL) payments must be made;
- set minimum customer obligations when using gas networks in the Code;
- remove the overlap of metering requirements between the Code and the National Gas Rules;
- update provisions on customer complaint handling;
- update definitions to align them with the distribution connected facilities rule change;
- remove Part D of Schedule 1 (heating values); and
- remove Schedule 3 (technical standards).

Should you require any further information regarding this submission, please do not hesitate to contact me on [REDACTED] or email [REDACTED]

Yours sincerely

[REDACTED]  
Randall Brown  
Regulatory Manager