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Ms Rowan McKeown
Senior Policy Officer
Essential Services Commission of South Australia
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By email reviews@escosa.sa.gov.au

10 April 2024

Dear Ms McKeown,

**Submission to the Essential Services Commission of South Australia (Commission):
Issues Paper – Australian Gas Networks Regulatory Framework Review 2026-2031**

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit to the Commission on the Issues Paper into the Australian Gas Networks Regulatory Framework Review 2026-2031.

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

The submission provides comments on most of the questions posed in the Issues Paper and highlights two concerns with the Gas Metering Code.

Question 1 – Do you support the proposed aim and scope for the review? If not, why not?

EWOSA supports the proposed aim and scope of the Commission's review.

Given the energy transition underway, it is very important that the regulatory framework and instruments that apply to Australian Gas Networks (AGN) keep up with the changes taking place and therefore remain relevant and effective. New challenges and opportunities are emerging for energy providers and consumers alike and the regulatory approach needs to ensure that consumers are protected appropriately, while at the same time not stifling investment and innovation.

Question 2 – Are there emerging risks to gas distribution customers that the Commission has not identified? What is the nature of timing of these risks and how might they be controlled?

EWOSA believes that the Commission has identified many of the risks facing gas customers over the next regulatory period.

A risk related to those already identified – such as fewer gas distribution customers, the provision of disconnection services and removing or disabling part of the gas network – is the coordination that may be required if there is a significant increase in the number of energy consumers electrifying their premises and shifting away from gas. Such an increase could occur during the 2026-2031 regulatory period.

Converting a house that uses both gas and electricity to one that uses only electricity is not a simple process. It requires coordination between several parties to ensure that a household can transition from using gas for cooking, space heating and heating water to using electricity for those purposes. In practice, most households won't convert all of their appliances from gas to electricity in one go, due to the costs involved and the fact that some appliances will need replacing when they break. This will mean more visits to each house and interrupting the supply of electricity and gas numerous times to make the conversions safely. There may also be rewiring issues or gas pipe or water pipe issues that need resolving. When the house becomes fully electrified, there is also the issue of disconnecting from the gas network versus permanently abolishing a gas connection.

In a joint submission with other Energy and Water Ombudsman to a Senate Inquiry into Residential Electrification, EWOSA provided recommendations which included:

- That an energy market body, such as the AEMC, conduct a review into what changes are necessary to the national energy rules, regulations and guidelines, to ensure that households can convert their appliances from gas to electricity smoothly and without unexpected interruptions to their energy supply.
- That an energy market body, such as the AEMC, conduct a review into what changes may be necessary to the national energy rules and regulations, including AER guidelines, to ensure that appropriate planning is in place to avoid or minimise the possible negative impacts of the exit of the gas network.

While the Commission is not the body to conduct such reviews, in the absence of such reviews and changes to national energy rules and regulations, it may be necessary for the Commission to consider the role of AGN in the coordination process required for residential electrification. As part of this, the Commission could review any changes that could be made to the regulatory instruments it oversees to ensure that such coordination can take place as smoothly as possible, so as to minimise any unintended consequences for customers, such as unexpected interruptions to their energy supplies, when they convert their homes from gas to electricity.

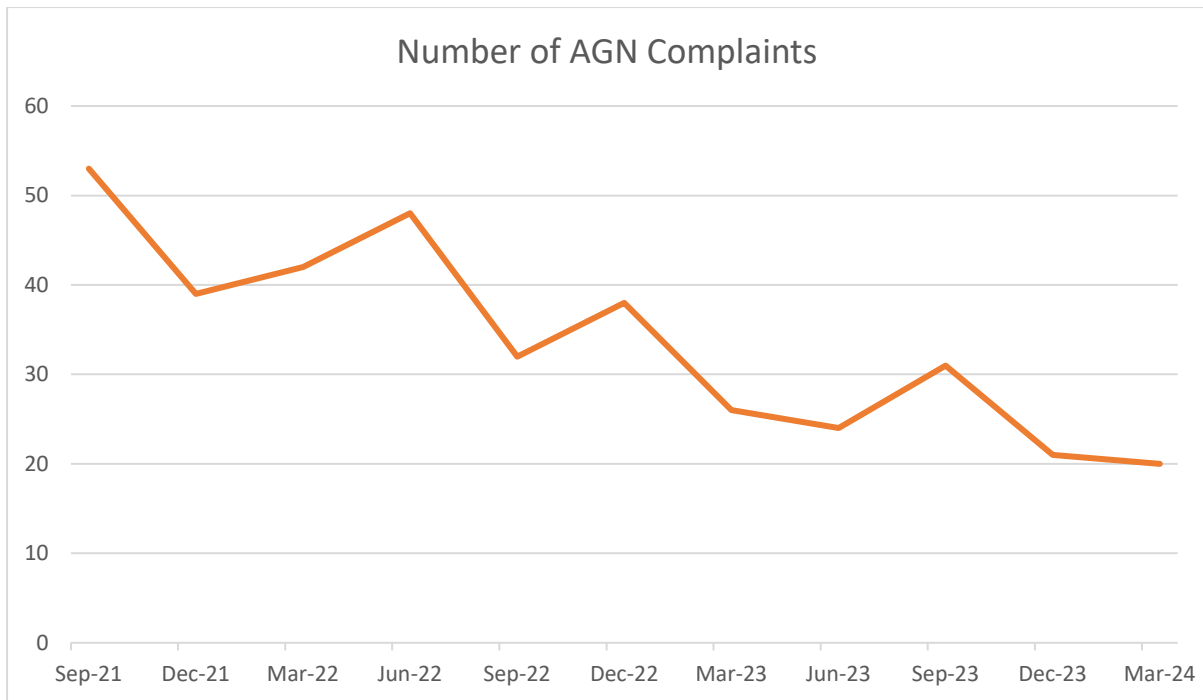
Question 3 – From a consumer's perspective, are there concerns with AGN's performance in relation to unplanned interruptions, gas leaks, responsiveness to customer enquiries, or other areas of service reliability?

As described in the Issues Paper, the number of complaints about AGN that EWOSA received fell in 2022-23 and many of the complaints are resolved before they reach investigation level. In 2023, EWOSA received 11 complaints about the duration of unplanned supply interruptions, down from 15 in 2022. There were only six complaints about gas leaks in 2023, down from seven the year before.

We therefore generally don't have concerns about AGN's performance regarding unplanned interruptions, gas leaks and responsiveness to customer enquiries.

In addition, the Commission's reporting on AGN's performance shows that standards are high in all of these areas.

In terms of total complaints about AGN received by EWOSA, the chart on the following page shows that complaints have trended down since the beginning of the current regulatory period.



Question 4 – Do you think there is a need for the Commission to establish minimum service reliability standards for the 2026-2031 period?

Given the above, EWOSA does not believe there is a need for the Commission to establish minimum service reliability standards for AGN for the 2026-2031 regulatory period. This is consistent with our view five years ago when a similar review was undertaken.

There is nothing to suggest in the AGN’s performance reporting, which is available on the Commission’s website, that their standards have deteriorated. Indeed, in some areas of service reliability, performance has improved, such as a reduction in the number of gas leaks reported by the public.

We also believe that the safety and reliability standards imposed by the Office of Technical Regulator are sufficient to deliver the level of services expected by customers.

Question 5 – Does AGN’s regulatory performance reporting contain the right type of information about service delivery and performance? What other information could be useful to customers?

EWOSA generally believes that the current regulatory performance reporting indicators are appropriate and provide sufficient information about AGN’s service delivery and performance. This is also consistent with our view five years ago when a similar review was undertaken. Our own complaints data does not suggest there are additional gaps in the monitoring and reporting regime.

However, EWOSA recommends that AGN be required to report on complaints they receive from customers. This would provide visibility on the number of complaints AGN receives and enable comparison with EWOSA’s own complaints data. This comparison would be useful in providing insights on how well AGN handles customer complaints and what proportion of complaints require referral to EWOSA for them to be resolved.

Question 6 – What are customer’s experiences in seeking disconnection and abolishment services from AGN? Have the options to customers been clear and understandable? Has AGN delivered those services in a satisfactory and timely manner?

In 2023, EWOSA received 15 complaints about disconnection services provided by AGN and just two complaints about abolishment. This is down from 20 complaints and 4 complaints respectively in 2022.

None of the complaints in 2023 required investigation by EWOSA and these complaints were resolved at either customer service level or by a higher-level resolution team at AGN.

EWOSA therefore believes that most customers have a satisfactory experience with AGN’s disconnection and abolishment services and when customers do have problems, they are resolved reasonably well by AGN.

Question 7 – Do you support the proposal to define disconnection and abolishment services in the regulatory framework? What types of services should be defined?

EWOSA supports the proposal to define the range of disconnection and abolishment services in the regulatory framework.

Question 8 – What types of consumer protections should be considered when AGN provides disconnection or abolishment services?

There are a number of consumer protections that need to be considered when AGN provides disconnection or abolishment services. These include:

- Information provision – consumers should be provided with sufficient information to be able to make the correct decision for their circumstances and to know what they are required to do, such as providing access to AGN and others involved in the process if necessary
- Pricing – there needs to be transparency around pricing and how much a disconnection would cost the customer, relative to a full abolishment and other related services
- Dispute resolution – while EWOSA’s phone number is now on energy bills, a consumer receiving a disconnection or abolishment service from AGN may not know that they have the right to complain to EWOSA about any unresolved dispute they have with AGN, so this needs to be made clear to consumers accessing such services.

Question 9 – If AGN seeks approval from the Commission to discontinue part of the gas distribution network on the grounds of insufficient financial return during the 2026-2031 period, what criteria should the Commission use to decide whether to grant the approval?

a – Would some specific types of customers and their requirements need to be considered, such as residential customers who use gas for life-support equipment (equipment that a registered medical practitioner certifies is required for a person residing at the customer’s premises for life support)?

b – In a scenario where AGN plans to discontinue part of the gas distribution network, how should customers be protected or supported to avoid being adversely impacted?

With regards to Question 9 a, a potential solution to the issue of life-support customers would be for AGN to provide for the equivalent electrical equipment (if available) to be installed at the customer’s premises, before closing down the relevant part of the distribution network.

With regards to Question 9 b, at least some of the support for affected customers would need to come from State or Commonwealth Governments, such as rebates for the purchase of electric appliances to replace gas appliances. This is not something that the Commission has control over.

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

EWOSA considers the preconditions to connection contained in the Gas Distribution Code are reasonable and we support the Commission's initial view that they continue to be necessary and provide important consumer protections.

We don't believe that any preconditions should be removed, nor that any new preconditions should be added.

Question 11 – Are there instances where the Commission's regulatory instruments may need to be adjusted to provide for the use of hydrogen and renewable gases in the distribution network?

The only instance we identified within the Commission's regulatory instruments for AGN where there is reference to "natural gas" and not just "gas" is in AGN's Gas Distribution Licence, Schedule 3 (a):

"The distribution system used by the licensee to carry on the business of transporting *natural* gas at the commencement of this licence (in as far as that system constitutes a distribution system for the purposes of the Act) ..."

Given the change in the National Gas Law to refer to "covered gases" and the National Energy Retail Law to refer to "natural gas equivalents" and "prescribed covered gases", the word "natural" needs to be removed from the above paragraph in AGN's Gas Distribution Licence to provide for the use of hydrogen and renewable gases in the distribution network operated by AGN.

Question 13 – To what extent are current reporting indicators appropriate and sufficient to monitor AGN's service delivery and reliability outcomes? If further indicators are needed, what should they be?

Please refer to our answer to Question 5.

In addition, EWOSA would support a requirement on AGN to publicly report on aspects of their operational performance and service reliability. While this would add some costs for AGN, we believe this would be useful for consumers and other stakeholders. It would also provide consistency with reporting requirements on distributors of other essential services (electricity and water) in South Australia.

Gas Metering Code Issues

EWOSA has identified two areas of concern with the Gas Metering Code.

The first concern relates to 2.7.3:

"Following notification that a seal has been broken the distributor must replace a broken seal on the earlier of:

- (a) the first occasion the metering installation is visited to take a reading, or
- (b) 70 business days."

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. With testing requirements for metering installations often being 15 business days elsewhere in the Gas Metering Code, we consider 15 business days a reasonable timeframe for the replacement of a broken seal.

The second concern relates to 4.2 Meter reading for customer transfer:

“On request by a retailer, the distributor must use 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.”

EWOSA believes “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 in 4.2 should reflect the requirements for a customer transferring or switching gas retailers in the National Energy Retail Law and Regulations.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at antony.clarke@ewosa.com.au or on (08) 8216 1861.

Yours sincerely



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