27 June 2018

Department of Natural Resources, Mines and Energy
Via email energyreview@dnrme.qld.gov.au

To whom it may concern

I am writing in response to the *Review of Queensland Energy Legislation: Issues paper* and thank the Department for the opportunity to respond. This letter provides a brief introduction to our views, with answers to the specific questions in the issues paper included in Attachment A.

Australian Gas Infrastructure Group (AGIG) is one of Australia’s largest utility businesses. Our assets include gas distribution networks in Queensland, South Australia and Victoria, the Dampier to Bunbury Pipeline in Western Australia, and other gas transmission pipelines and gas storage facilities located in most states and territories in Australia.

In Queensland, we safely and reliably distribute gas to over 100,000 customers through approximately 3,000 kilometres of distribution network. Our network serves the Brisbane CBD and suburbs north of the Brisbane River, and towns and industry from Hervey Bay to Rockhampton.

The current review of energy legislation represents a good opportunity to ensure Queensland energy legislation is fit for purpose now and into the future.

Overall, we believe the approach taken to energy legislation in Queensland at present is appropriate and Queensland legislation is focused on areas not addressed in Commonwealth legislation – particularly safety and licensing.

That said, we do believe minor improvements can be made, particularly to the licensing process. In other states distribution network licences are defined by geographical area (eg, in South Australia), or by postcode (eg, in Victoria). This allows network owners and operators to undertake extensions within these areas and within existing safety procedures without applying for a licence amendment.

In Queensland, gas maps are more tightly defined and extensions and new pipelines often require licence amendments that in other states would proceed under existing licences. Aligning the approach with other states will streamline the administration of licences and ultimately reduce costs for customers.

More broadly, as the review notes “it is important that energy legislation continues to align with the contemporary expectations, interests and needs” of customers, industry and government. At present we do not believe any significant change is required to meet the changing needs of energy customers. However, we think it worth highlighting some of our own activities to address the future needs of energy customers, particularly *Gas Vision 2050* and Hydrogen Park SA.
In 2017 stakeholders from across the gas industry released *Gas Vision 2050*. It describes the important role that gas plays today in the energy mix and describes the technologies and processes by which we will decarbonise gas supply. Consistent with Gas Vision 2050, we are investing in Hydrogen Park SA, where we are building Australia’s largest Polymer Electrolyte Membrane (PEM) electrolyser at the Tonsley Innovation District.

These activities demonstrate our commitment to decarbonising gas networks and we would welcome the opportunity to discuss our progress with the Queensland Government and how we could work together to meet the Powering Queensland Plan.

Thank you again for the opportunity to comment on the Issues Paper. Should you require any additional information please contact Drew Pearman, Manager Policy and Government Relations on [redacted] or email [redacted].

Yours sincerely

Craig de Laine
General Manager People and Strategy

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1 The strategy outlined in Gas Vision 2050 outlines the complementary role gas can play in decarbonising energy. Gas Vision 2050 is a key document released by all parts of the gas supply chain (from gas exploration and production, to transmission and distribution networks, to gas appliance manufacturers).

Assessing state base legislation

Question 1.1: What objectives should guide the design and application of state-based energy legislation?

Question 1.2: How well does the state-based energy legislation align with other laws?

Question 1.3: What areas of overlap or duplication exist between state-based energy legislation and other laws? What are the benefits and disadvantages of these?

We note the primary role that the National Gas Objective (NGO) and National Energy Retail Objective (NERO), legislated through National Gas Law (NGL) and National Energy Retail Law (NERL) play, particularly regarding ensuring that businesses act in a manner that is consistent with the long term interests of their customers. The NGO needs to continue to provide the key guidance across all states.

We consider the current state-based energy legislation applying in Queensland appropriately focusses on dealing with matters not addressed by the national energy laws, particularly in respect of safety and licensing. There are no specific areas of overlap or duplication which present as obstacles to our operating effectively in Queensland.

Licensing

Question 2.1: What do you see as the key role and benefits of state-based licensing of energy businesses?

Question 2.2: What options exist to improve the efficiency and effectiveness of licensing arrangements?

Question 2.3: What entities should be licensed?

Question 2.4: Have risks changed in the market that warrant reconsideration of licensing and exemptions?

We consider the state-based licensing currently employed in Queensland is generally appropriate. However we believe the efficiency of licensing arrangements under the Gas Supply Act 2003 could be improved by reducing the need to apply for licence variations arriving from the normal course of business activity.

Network extensions and adding additional pipelines currently require a licence variation because the licences are generally for a specified “gas map” held by the Department of Natural Resources, Mines and Energy. This means that additions to the network, even those that run parallel to existing infrastructure, will result in a modification to the “gas map” and therefore require licence amendments.

Frequent amendments are costly, time consuming and inefficient for licensees and the Department. An example of this situation was the recent amendment to our Distribution
Authority in December 2017. Changes were required to the “gas map” for the Brisbane north area of DA-A-007 as a result of the construction of a new natural gas pipeline beneath the Brisbane River at Murarrie. Despite the pipeline being our second natural gas pipeline river crossing in the area (proposed to be constructed only 200-300 metres upstream of the existing natural gas pipeline river crossing), we were required to apply to have our licence varied due to a change to the “gas map”.

This approach differs from other states, where distribution network licences are defined by geographical area (eg, in South Australia), or by postcode (eg, in Victoria), as opposed to a specific “gas map”. This allows networks to undertake extensions within these areas without applying for a licence amendment. We encourage the Queensland Government to adopt a similar approach, which will ultimately reduce costs for gas customers and the Queensland government.

**Price control**

Question 3.1: What do you see as the key role, benefits and disadvantages of Schedule 8 price caps for electricity?

Question 3.2: What options exist to improve the efficiency and effectiveness of price protections?

Question 3.3: Should information gathering powers to inform regional price regulation be widened?

No comment.

**Powers of entry and resumption**

Question 4.1: In what circumstances should energy entities have a right to enter land or property to access their works/assets?

Question 4.2: Should rights and obligations differ between authority holders or activities?

Question 4.3: What safeguards should apply?

We support the existing powers of entry and resumption under the *Gas Supply Act 2003*. For AGIG, safe and unhindered access to our customer properties is essential for reading customer meters, and for the safe and reliable operation of our gas networks in Queensland. We consider the current provisions appropriate and do not require changes.

**Emergency powers**

Question 5.1: Is there a need for state-based energy legislation to address emergency powers?

Question 5.2: What do you see as the key role and benefits of emergency powers?

Question 5.3: What opportunities exist to improve the effectiveness and efficiency of emergency powers or security of supply provisions?
No comment.

**Energy efficiency and demand management**

Question 6.1: Is there a need for state-based energy legislation to address issues of energy efficiency and demand management?

Question 6.2: What opportunities exist to improve the effectiveness and efficiency of existing energy efficiency and demand management provisions in the Electricity Act?

A coordinated national approach needs to be the driver of a national transformation towards low and zero carbon energy. We therefore in principle support a national approach to improving energy efficiency.

However, we also encourage customer participation in state-level energy efficiency schemes which do not duplicate Commonwealth incentives, and allow high efficiency gas appliances to generate certificates. This includes the Victorian Energy Efficiency Target (VEET), and to a lesser extent the New South Wales Energy Savings Scheme (ESS).

The VEET in particular provides a range of deemed methodologies for gas appliances for residential customers, and proposals to expand these to small and medium enterprises. The VEET has been shown to represent a positive return on investment for individual customers participating in the scheme and for Victorian energy users as a whole.²

Gas appliances have an ongoing role to play in improving energy efficiency and reducing emissions. Gas delivers significantly lower emissions than electricity generated on the grid. Therefore, in the absence of national coordination, we support state-based schemes that remain technology neutral and recognise the important role gas can play in reducing emissions and improving energy efficiency.

That is, thought needs to be given to both gas and electricity when setting policy given the important role both need to play in meeting the decarbonisation challenge.

**Technical requirements**

Question 7.1: What key technical issues and risks should state-based energy legislation address?

Question 7.2: What opportunities exist to improve the effectiveness and efficiency of technical provisions?

Questions 7.3: How should these risks and opportunities be addressed by the legislation?

As a national business, AGIG operates in many jurisdictions where technical requirements differ. Aligning technical requirements with Australian Standards and removing them from state-based legislation, can help our business align procedures across jurisdictions, improve

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efficiency and ultimately will deliver a lower cost service to our customers, consistent with achieving the NGO.

**Offences and enforcement**

Question 8.1: How well do existing offence provisions align with community expectations?

Question 8.2: What opportunities exist to improve the effectiveness and efficiency of enforcement provisions?

No comment.

**Customer protection**

Question 9.1: What do you see as the key role and benefits of state-based energy legislation customer protection?

Question 9.2: What opportunities exist to improve the effectiveness and efficiency of customer protections?

We believe customer protections as applied through the NERR and NERL remain appropriate and no state-based legislation is required. Furthermore, the NGL and the coverage of pipelines are being reviewed through a number of parallel work streams. This includes work underway by the Gas Market Reform Group (GMRG) and the Australian Energy Market Commission (AEMC).

The issues paper raises a number of concerns that we believe have been addressed by the introduction of Part 23 of the NGR for non-scheme pipelines or are a focus for the Gas Market Reform Group (GMRG) and the Australian Energy Market Commission’s (AEMC) reviews.

For example, the Issues Paper notes that the NGL regulates only certain gas pipelines considered “covered” gas pipelines. However, with the introduction of Part 23 of the NGR, effectively all pipelines (“covered” and “uncovered”) now fall under some form of regulatory oversight, with transparency and access obligations.

These new provisions benefit customers by compelling “uncovered” pipeline owners to disclose information, which assists potential customers understand the appropriate terms and conditions for access to the pipeline. Further, the arbitration provisions have also been strengthened such that pipeline owners are now strongly incentivised to reach agreement with customers to avoid arbitration.

**Dispute resolution**

Question 10.1: How well do existing dispute resolution provisions align with community and industry expectations?

Question 10.2: What opportunities exist to improve the effectiveness and efficiency of state-based dispute resolution provisions?

No comment.
**Differential treatment of electricity and gas**

Question 11.1: What would be the benefits and risks of adopting an “Energy Act” covering both the electricity and gas industries in Queensland?

Question 11.2: What issues would need to be addressed?

We urge caution be taken in considering combining legislation for electricity and gas. The technical, administrative and customer requirements for electricity and gas are often very different. Our experience in other states suggests that these differences ultimately require unique provisions for gas and electricity respectively, whether within a single piece of legislation or separate.

This is reflected in many important differences between National Electricity Law and the NGL and ensures, for example, electricity solutions are not automatically applied to gas businesses. We therefore do not support combining the two sectors within a single piece of state-based legislation.