

# National Gas (Queensland) Regulation 2014

Explanatory notes for SL 2014 No. 340

made under the

*National Gas (Queensland) Act 2008*

## General Outline

### Short title

*National Gas (Queensland) Regulation 2014*

### Authorising law

Sections 7A and 16 of the *National Gas (Queensland) Act 2008* and section 8A of the *National Gas (Queensland) Law*.

### Policy objectives and the reasons for them

The policy objectives are to:

- apply the national gas connections framework in the National Gas Rules to the Envestra Limited Wide Bay network to increase efficiency for the business and to improve transparency of the connections process for retail customers; and
- transition covered distribution pipelines to the national gas connections framework in the National Gas Rules in a way that does not disturb existing access arrangements for Queensland gas distribution businesses.

### Achievement of policy objectives

The policy objective of applying the national gas connections framework in the National Gas Rules to the distribution systems known as the ‘Wide Bay network’ will be achieved by nominating Envestra Limited as an entity to which section 8A of the National Gas (Queensland) Law applies in respect of that network, which comprises the Maryborough – Hervey Bay and Bundaberg distribution networks.

This will give prospective customers wishing to connect to this network equivalent customer connection rights as prospective customers wishing to connect to economically regulated distribution pipelines in Queensland; (the national gas connections framework would not apply in respect of the Wide Bay network if Envestra were not nominated for that network).

These arrangements will increase transparency of the connections process for customers, while also representing an efficient approach for Envestra, as it will be able to deal with customers connecting to the Wide Bay network in more-or-less the same manner as its other customers across Queensland and in other states.

To ensure the arrangements operate effectively, the regulation varies how the connection services arrangements for the network operate, particularly in relation to connection charging. This is because the connection charging arrangements in the National Gas Rules are linked to economic regulation, which does not apply in relation to the Wide Bay network. Accordingly, alternative arrangements reflecting the charging arrangements that apply to the Wide Bay network are included to replace those sections in the rules that relate to economic regulation.

The policy objective of transitioning covered distribution pipelines to the national gas connections framework in the National Gas Rules in a way that does not disturb existing access arrangements will be achieved by replacing aspects of the connections framework that relate to economic regulation with references to existing access arrangements. The full framework will commence when new access arrangements start on 1 July 2016.

## **Consistency with policy objectives of authorising law**

The regulation is consistent with the main objectives of the *National Gas (Queensland) Law*, that is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

The regulation is consistent with these aims by applying a broadly consistent set of rules for gas connections which increase transparency for customers and encourage efficient investment in the network.

## **Inconsistency with policy objectives of other legislation**

The regulation is not inconsistent with the policy objectives of other legislation. It provides transparent customer rights consistent with other State laws relating to the provision of services by monopoly service providers.

## **Alternative ways of achieving policy objectives**

An alternative way to achieve the policy objective for the Wide Bay network would be to apply provisions for new connections in the *Gas Supply Act 2003*, or simply not specify obligations and instead rely on commercial incentives on the Envestra network to treat Wide Bay customers in the same manner as other customers on its distribution network.

However, the former approach would not be efficient because in order to maintain consistency (and reduce operating costs for Envestra), the *Gas Supply Act 2003* would need to be updated whenever a change to the connections framework in the National Gas Rules is made. This would be inefficient from a government perspective and would create uncertainty for Envestra. The approach in the regulation overcomes these difficulties.

Relying on commercial incentives for Envestra to treat Wide Bay customers consistently with other customers may function effectively, as it is unlikely that Envestra would create separate processes for a small subset of its customer base. However, in the event of a dispute, customers would not have clear rights to rely on. The approach in the regulation ensures efficiency for Envestra while also protecting customer rights.

An alternative approach to transitioning covered pipelines to the new connections framework would be to delay application of the new framework entirely to align with the commencement of new access arrangements. However, this would also unnecessarily delay customer benefits of the new framework, including clear response timeframes and rights to full information before costs are incurred.

## **Benefits and costs of implementation**

The cost of implementing the framework for Envestra's Wide Bay network is negligible as it will be able to use the same systems and operational procedures used for the rest of its network. Envestra has supported the application of the framework to the Wide Bay network as an efficient approach.

The transitional provisions for covered gas pipelines are aimed at minimising implementation costs (e.g. avoiding re-opening of access arrangements) and as such are supported by the gas distribution businesses. Given the distribution businesses also operate in other states that have already applied the gas connections framework (including connection timeframes and processes), implementation of the non-economic elements of the framework in the first year in Queensland will not be onerous and may generate efficiencies for the businesses.

## **Consistency with fundamental legislative principles**

The regulation has been drafted having regard to the Fundamental Legislative Principles (FLPs) outlined in the *Legislative Standards Act 1992* and there are no matters that are inconsistent with the FLPs.

## **Consultation**

The Department of Energy and Water Supply (DEWS) undertook targeted consultation on the regulation with the Commonwealth Department of Industry, the Australian Government Solicitors Office and the Australian Energy Regulator. DEWS also undertook broad energy industry and consumer stakeholder consultation on the basis of a consultation draft. Gas industry stakeholder comment resulted in minor changes in the regulation to correct drafting errors and clarify the policy intent of certain provisions applying to gas distributor Envestra Limited.