

Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016

Explanatory notes for SL 2016 No. 196

made under the

Petroleum and Gas (Production and Safety) Act 2004

General Outline

Short title

Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016.

Authorising law

Sections 620, 669 and 859(1) of the *Petroleum and Gas (Production and Safety) Act 2004*

Policy objectives and the reasons for them

The policy objective of the *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* is to amend the *Petroleum and Gas (Production and Safety) Regulation 2004* to:

- adjust requirements for supplying fuel gas to better align with safety risks;
- reduce vertical well accuracy requirements; and
- update provisions which reference redundant and outdated documents.

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* also corrects a wrong section reference in the *Petroleum and Gas (Production and Safety) Regulation 2004*.

Supplying fuel gas

Section 92 of the *Petroleum and Gas (Production and Safety) Regulation 2004* sets out safety requirements for fuel gas network operators before they supply fuel gas to a gas system for the first time. In the case of liquefied petroleum gas (LPG) supply, the requirements also apply whenever a different person (e.g. a new supplier) first supplies the gas (e.g. retail churn).

The safety requirements include ensuring that a test point is installed; fuel gas is supplied at the correct pressure; and the gas system is checked for any significant gas leak by a licensed gasfitter undertaking a pressure test in accordance with *Australian/New Zealand Standard 5601 Gas Installations 2013* (AS/NZS 5601).

The application of these requirements to the LPG retail churn scenario is inconsistent with requirements for natural gas, for LPG suppliers in other jurisdictions and for LPG cylinder exchange where the supplier does not change. These requirements have been assessed as onerous for low risk scenarios in which the gas supply is not interrupted but the cylinder exchange is undertaken by a new supplier.

The prescribed method for checking gas systems for significant gas leaks was also assessed. This assessment was done in view of other methods demonstrating they can achieve the intended safety outcome associated with undertaking checks for gas leaks.

Vertical well survey accuracy

The *Petroleum and Gas (Production and Safety) Regulation 2004* requires certain wells and bores that intersect a coal seam to have a downhole survey that meets certain levels of accuracy. The downhole survey requirements aim to ensure sufficient information is recorded so that the estimated location of the intersection of the prescribed well or bore with the coal seam can easily be determined at a later date. The current downhole vertical well survey accuracy requirement is set at plus or minus one degree in azimuth.

In 2013, the Queensland Government directed the Queensland Competition Authority to conduct a review into the regulation of the coal seam gas industry. In response to a stakeholder submission, the January 2014 final report recommended that “*the Petroleum and Gas Regulation 2004 be amended to provide for an appropriate accuracy requirement (plus or minus two degrees in azimuth) for surveying vertical wells with fewer than six degrees in inclination, subject to there being no safety-related concerns.*”

References to outdated documents

Section 8 of the *Petroleum and Gas (Production and Safety) Regulation 2004* prescribes the quality for fuel gas that is supplied to consumers.

Section 8(1)(a) of the *Petroleum and Gas (Production and Safety) Regulation 2004* provides for the quality of LPG for use as an engine fuel (autogas) and references a document published in 2000 by the Australian Liquefied Petroleum Gas Association. This provision is redundant as the Commonwealth Government sets the quality of fuel for engine use in the Fuel Standard (Autogas) Determination 2003 made under the *Fuel Quality Standards Act 2000* (Cth).

Section 8(1)(b) of the *Petroleum and Gas (Production and Safety) Regulation 2004* provides for the quality of LPG for heating use and references a document published in 2000 by the Australian Liquefied Petroleum Gas Association. The successor of Australian Liquefied Petroleum Gas Association, Gas Energy Australia has advised

that the document referenced in section 8(1)(b) of the *Petroleum and Gas (Production and Safety) Regulation 2004* has been withdrawn and is no longer supported. An alternative provision is required to prescribe the quality of LPG for heating purposes.

Achievement of policy objectives

Simplify requirements for supplying fuel gas

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* amends section 92 of the *Petroleum and Gas (Production and Safety) Regulation 2004* to simplify regulatory obligations for fuel gas network operators to be proportionate to the level of risk. The amendments also remove unnecessary requirements that would increase compliance costs and possibly affect consumer choice of the LPG supplier.

The amendments provide more flexibility to fuel gas network operators for checking for leaks in gas systems by allowing them to develop an alternative method under their safety management system. The relevant safety management system for the fuel gas delivery network could detail how such a gas leak check is validated and how it is to be conducted. If the fuel gas network operator elects to take this approach, amendments to section 88 of the *Petroleum and Gas (Production and Safety) Regulation 2004* require records to be kept about the method used to check the gas system and the result of the gas leak check. The option for checking a gas system by undertaking a pressure test in accordance with AS/NZS 5601 continues.

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* also amends section 92 of the *Petroleum and Gas (Production and Safety) Regulation 2004* to ensure consistency of requirements for routine LPG cylinder exchanges (no interruption to supply) regardless of whether or not the supplier changes (retailer churn).

Prior to the amendments, if an LPG supplier provided LPG to a customer the requirements for the test point, fuel gas pressure confirmation and the leakage test did not apply for a routine cylinder exchange. However, these requirements did apply to a cylinder exchange where the customer elected to change from Supplier A to Supplier B.

The amendment to section 92 of the *Petroleum and Gas (Production and Safety) Regulation 2004* allows an LPG supplier to undertake cylinder exchange in either of the above scenarios with no obligation to meet the test point, fuel gas pressure and leakage check requirements. However, the requirements remain in place for situations where there is an interruption to supply and the gas system stops being pressurised (for example, a cylinder has been removed for a purpose other than exchanging the cylinder).

Vertical well survey accuracy requirements

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* amends section 57 of the *Petroleum and Gas (Production and Safety) Regulation 2004*

to reduce the downhole survey accuracy requirement for vertical wells (drilled less than six degrees in inclination) from plus or minus one degree to plus or minus two degrees in azimuth. The change accommodates standard industry downhole survey measurement techniques and does not adversely affect safety outcomes.

Redundant and outdated reference documents

Section 8(1)(a) of the *Petroleum and Gas (Production and Safety) Regulation 2004* will be repealed to remove the redundant provision for autogas.

Amendments to section 8(1)(b) of the *Petroleum and Gas (Production and Safety) Regulation 2004* repeal the outdated reference to the Australian Liquefied Petroleum Gas Association specification document and insert a reference to 'Australian Standard 4670 Commercial propane and commercial butane for heating purposes (2006)' (AS 4670). AS 4670 has equivalent technical specifications to the Australian Liquefied Petroleum Gas Association document being replaced and does not impose any additional requirements.

Consistency with policy objectives of authorising law

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* is consistent with the policy objectives of the *Petroleum and Gas (Production and Safety) Act 2004*.

Inconsistency with policy objectives of other legislation

Not applicable.

Benefits and costs of implementation

Simplifying requirements for supplying fuel gas

Allowing fuel gas network operators to determine how best to manage operations to ensure safe gas systems will maintain existing safety outcomes and compliance arrangements without increasing community costs. Operators will be able to determine whether they use existing arrangements or establish a relevant method under their safety management system which provides them with greater control of related compliance costs.

Changes to remove regulatory requirements for certain supply arrangements are expected to have a net positive effect, particularly for LPG delivery network operators and their customers. Lower compliance costs are anticipated where there is a change of supply associated with retailer churn which in turn supports consumer choice.

Vertical well survey accuracy requirements

The Queensland Competition Authority's final report concluded from an industry submission that the coal seam gas industry could benefit from savings of up to \$2.8 million per annum. The Coal Mining Safety and Health Advisory Committee did not consider that there were any safety impacts for coal mining.

Redundant and outdated reference documents

The changes in the *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* maintain application of equivalent technical and safety standards.

Consistency with fundamental legislative principles

The *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2016* is consistent with the fundamental legislative principles set out in section 4 of the *Legislative Standards Act 1992*.

Consultation

Consultation has occurred with key stakeholders, the Office of Best Practice Regulation within the Queensland Productivity Commission and the Office of the Queensland Parliamentary Counsel.

All parties consulted on the proposed amendments agree with them being made.

The Office of Best Practice Regulation was consulted regarding the Regulatory Impact Statement system and advised the proposals will not impose significant adverse impacts and as such, a Regulatory Impact Statement is not required.

The amendments to simplify requirements for supplying fuel gas to an existing gas system respond to a 2012 submission by Gas Energy Australia. Gas Energy Australia is the national peak body which represents the bulk of the downstream gaseous fuels industry which covers LPG, Liquefied Natural Gas and Compressed Natural Gas. Consultation undertaken with Gas Energy Australia, LPG and natural gas fuel gas network operators was ongoing throughout the development of the amendments.

The amendments to reduce vertical well survey accuracy requirements respond to a recommendation of the Queensland Competition Authority's January 2014 final report into the public review of the regulation of the coal seam gas industry in Queensland. Consultation about the safety consequences of the Queensland Competition Authority's recommendation was undertaken with the Coal Mining Safety and Health Advisory Committee to determine any impact on the coal mining sector.