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Secretariat  
Review of Victoria's Gas Network Safety Framework  
Department of Environment, Land, Water and Planning

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## **To Whom it may Concern**

### **Review of Victoria's Gas Network Safety Framework**

This submission is provided on behalf of Enwave Australia (Enwave) in response to the Review of Victoria's Electricity and Gas Network Safety Framework dated May 2017 (Framework Review). We thank you for the opportunity to respond.

#### **Background**

Under the Energy for the Regions project instigated by the Victorian Government, Enwave Australia Pty Limited (ABN 17 133 427 022) (**Enwave Australia**) has 4 wholly owned subsidiary companies (set out below) who operate in rural Victoria. These companies collectively provide natural gas to customers who would not otherwise have the opportunity to choose natural gas. The project comprises of a virtual gas network whereby natural gas is compressed at a "mother station" and is trucked to each town where it is decompressed and injected into a local reticulated network

Construction commenced in 2016 and reticulated networks have been built in 11 regional towns each with a receiving station where compressed natural gas is stored and injected into the network via a pressure reduction skid.

The supply of natural gas commenced in May this year to properties in the first two towns to be completed.

In addition to supplying gas to the reticulated networks there are also opportunities to deliver CNG to industrial "off Pipe-line" customers elsewhere in Victoria.

The companies involved in the project are:

- Enwave Victorian Networks Pty Ltd (ABN 69 163 231 696) a licensed network distributor (**EVN**);
- Tas Gas Retail Pty Ltd (ABN 90 110 370 726) a licensed natural gas retailer (**TGR**);
- Enwave Energy Pty Ltd (ABN 37 147 370 527) an "off Pipeline" compressed natural gas retailer (**EE**); and
- Enwave Regional Energy Pty Ltd (ABN 93 163 232 166) an "off Pipeline" compressed natural gas distributor (**ERE**).

In addition, EE has contracted NGV Group Pty Ltd (ABN 11 163 139 053) (**NGV**) for the transportation of the compressed natural gas.

Whilst the Enwave companies are relatively new to the Victorian natural gas market they also have operations in other States including Tasmania and New South Wales. We have 3 provisionally approved safety cases and during the construction phase Enwave have had significant interaction with the ESV. We have already established an excellent working relationship with them. However given our unique situation we do have some observations in relation to the application of the existing safety framework on our business particularly as we transition into the operational phase.

We have the following comments to make on the questions posed in the Issues paper:

1. **Issue for Consideration:** Are there opportunities to improve the efficiency and effectiveness of the *Gas Safety Act*, *Pipelines Act* and associated regulations.

**Response:** The Act requires natural gas retailers to have a safety case despite the fact that retailers have no physical access to the natural gas or the natural gas network. Under the Act a retailer has certain obligations including in relation to supply, gas quality and to ensure gas installations are safe. In relation to gas quality it would seem more appropriate for the onus to be on the gas wholesaler rather than the retailer. In any case all of these obligations have to be contracted to a 3<sup>rd</sup> party (i.e. gas supplier, gas distributor or a customer via their gas fitter) and are never directly carried out by the retailer. It makes no sense therefore that they have to have a safety case.

Retailers are regulated by the Essential Services Commission and are required to have an approved Compliance Management System in place. Under the licence granted to the retailer by the ESC regulator there are compliance reporting and regular audits requirements to ensure compliance. This should be sufficient to satisfy the Government that all obligations including those required under the Safety Act are being met. If necessary the Safety Act could be amended to allow the retailer to submit their ESC approved compliance plan to the ESV in lieu of a safety case thus enabling them to have one document.

2. **Issue for Consideration:** Does the ESV strike an effective balance in its compliance and enforcement activities?

**Response:** In relation to complex gas installations Enwave understands that it is ESV's policy to inspect 100% of complex gas installations which include commercial kitchens and 70% of all complex installation regardless of the size and nature of the installation and regardless of the prior record of the gas installer. This could cause an unnecessary and significant delay and a poor customer experience for small commercial consumers having to wait for an ESV inspection before their gas can be turned on and we do not believe this approach strikes an effective balance.

We believe that delays are particularly likely where those businesses are situated in rural Victoria and ESV inspectors have to travel several hours from Melbourne to say, installations in Swan Hill or Robinvale. In addition to the impact on customers who have already applied for natural gas, any significant delay is also likely to have an adverse impact on future sales to commercial customers in these towns.

We also note that even after the inspection is completed the customer has to wait for the ESV to send a Gas Supply Approval letter to the gas distributor before gas can be supplied.

There appears to be no recourse for either the customer, or the distributor on the customer's behalf, to take steps to ensure the ESV is reasonable in its approach to the number of site inspections or that they are carried out and approval issued within an acceptable time frame.

Given that the installations will be carried out by qualified and licensed gas fitters and that the ESV can conduct random audits on their work at any time the aforementioned "blanket approach" seems to be an unnecessary impost, particularly if there is no history of non-compliance or previously identified issues. The regulations give the ESV discretion as to whether or not a site inspection is required for approval to be given and surely each installation should be considered on its merit rather than a policy to inspect all or most installations.

**3. Issue for Consideration:** Interactions between economic and safety regulation

**Response:** In addition to the submission set out in point 1 above Enwave submits that in the case of retailers it would be preferable if they were regulated solely by the economic regulator and that, where appropriate, the economic regulator's powers should be extended to encompass the Safety Act in relation to any obligations imposed upon retailers. While this may require some interaction between economic and safety regulators it would be much more efficient than the current dual regimes which cross over.

**4. Issue for Consideration:** Emerging Trends

**Response:** In relation to the compression, transportation and decompression of natural gas Enwave is governed by the *Dangerous Goods Act 1995* and our compliance is monitored and audited by WorkSafe Victoria. In addition the ESV monitors and audits our activities at the compression and decompression facilities under the *Gas Safety Act 1997* and our Safety Case includes those facilities. On the face of it this would appear to be over regulation and could lead to conflicting direction from the two regulatory bodies and additional cost and overheads associated with multiple audit programs. Whilst Enwave does not wish in any way to derogate its responsibilities and fully supports an appropriately regulated safety framework it would prefer to have only one regulatory body to work with. A clear delineation marking the end of Work Safe's jurisdiction and the start of ESV's jurisdiction would be desirable (for example the inlet flange to a pressure reduction skid).

Thank you once again for the opportunity to respond to your issues paper. If you have any further queries in relation to this please contact Carol Morley, Compliance Officer on (03) 6336 9358 [carol.morley@tasgas.com.au](mailto:carol.morley@tasgas.com.au) or myself on (03) 6208 6432 [ted.bell@tasgas.com.au](mailto:ted.bell@tasgas.com.au) .

Yours sincerely

Ted Bell  
**Safety and Compliance Manager**