

Introduction

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to respond to the Interim Report of the Review of Victoria's Electricity and Gas Network Safety Framework

APGA is the peak body representing Australasia's pipeline infrastructure, with a focus on gas transmission, but also including transportation of other products, such as oil, water and slurry. Our members include constructors, owners, operators, advisers, engineering companies and suppliers of pipeline products and services.

APGA's members build, own and operate the gas transmission infrastructure connecting the disparate gas supply basins and demand centres of Australia, offering a wide range of services to gas producers, retailers and users. The replacement value of Australia's gas transmission infrastructure is estimated to be \$50 billion.

The gas industry has a proud safety record. The interim report does note that, in the case of gas transportation infrastructure, there have been only five reportable incidents in the last decade in Victoria. It points to a highly skilled and knowledgeable workforce, a meaningful safety culture within industry.

The industry's safety record is not surprising. It is in a business's commercial and reputational interests to operate its infrastructure safely and reliably. Australia gas pipeline owners and operators have a well-deserved reputation across the world for:

- safe operation of infrastructure;
- safety and technical innovation; and
- cooperation on maintaining and improving the Australian standard' AS2885.

APGA is concerned that the report has little recognition of the safety culture of Australian energy network owners and operators. APGA's members have been advocating for Dial Before You Dig to become compulsory for some time and our members have also been working closely with ESV to deliver improvements to ensure the safety of land developments around pipelines.

In APGA's reading of the interim report, there is no recognition of a business's own drivers to ensure safety. Rather, there is a sentiment throughout the interim report that only the regulator can be trusted to deliver the safety outcomes required to meet community expectations.

Given the industry's exceptional track record, it is not clear that the expansive increase in regulatory capability, and its associated expense, recommended in the Interim Report will deliver a meaningful increase in public safety.

APGA is also concerned that the approach to safety regulation outlined in the Interim Report is inconsistent with the approach taken in other jurisdictions. This is in direct opposition to

the resolve of the Council of Australian Governments to harmonise regulatory approaches across the country.

APGA will respond to issues in the report in the order they are raised in the Executive Summary.

ESV's regulatory and corporate governance

The Interim Report sets out the desirability of an independent, three-person commission to ensure that strong decision making, free from commercial or political interests, can be made.

APGA is not aware of any evidence to suggest that Energy Safe Victoria's (ESV) decision making has been impacted by undue or detrimental interests.

APGA is concerned that the establishment of an independent commission for energy safety in Victoria sends a signal to Victorian consumers that there is something fundamentally flawed with existing arrangements. Given the current safety record across Australia, this is clearly not the case.

Strengthening ESV's network safety regulation capabilities

The Interim Report sets out the case for a substantial increase in ESV's audit and inspection resources. This comes at a substantial direct and indirect cost, which will be borne by industry and ultimately passed on, largely through regulatory arrangements, to Victorian energy consumers.

APGA has two concerns:

1. Given the safety track record of energy networks, it is not clear that these new, substantial costs will deliver substantial benefits.
2. There has been no assessment of ESV's use of existing resources. It is appropriate that industry and the community have confidence in ESV's effective use of resources before further resources are provided.

APGA notes that there is a relatively small pool of expertise that industry and regulators can draw from to manage safety in the energy network sector.

The balance between statutory prescription and outcomes-based regulation

APGA agrees with the Review's finding that the longer-term aspiration should be to reduce the level of statutory prescription.

APGA is concerned with the Review's view that:

This is because a major shift towards a greater reliance on the outcomes-based safety case approach should only occur when there can be deep confidence in the capabilities and capacity of the regulator to strongly enforce such a system. International experience has

clearly shown that such a system relies on a highly active and engaged regulator implementing a visible, and rigorous, program of audits and inspections.

APGA considers that, with the outstanding safety record of the Australian industry, the Review should be less concerned with international experience. The Australian experience is that outstanding outcomes have been achieved under the safety case approach without such high intervention from the regulator.

In particular, the Review should consider the experience of New South Wales, which relies on an independent audit scheme, as opposed to a regulator-led scheme, to produce outstanding safety outcomes. The use of an independent scheme is highly efficient as the regulator is not in constant competition with industry for skilled personnel, a competition the regulator is unlikely to be successful in.

Integrating safety regulation with economic regulation

APGA recognises the challenges in maintaining alignment between safety regulation and economic regulation, and supports efforts to ensure that economic regulators understand better the safety aspects of expenditure decisions.

APGA does not understand the requirements recommended in draft recommendations 23 & 24 that the Australian Energy Market Commission develop reliability standards for gas supply to ensure sufficient and efficient investment occurs. The Australian Energy Market Operator already imposes reliability standards on gas transmission pipelines and networks.

Regulating underground energy assets

APGA strongly supports draft recommendations 30 and 31. The importance of the Land Development Around Pipelines Working Group and Dial Before You Dig in achieving improved safety outcomes is demonstrably high.

APGA welcomes the opportunity to discuss these issues directly with the Review team. Please contact me on (02) 6273 0577 or at sdavies@apga.org.au to discuss further.

Yours sincerely

STEVE DAVIES

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