



16 June 2017

Secretariat

Review of Victoria's Gas Network Safety Framework

delwp.secretariat@delwp.vic.gov.au

Multinet Gas

6 Nexus Court

Mulgrave VIC3170

PO Box 449

Mt Waverley VIC 3149

T 03 8846 9900

F 03 8846 9999

www.multinetgas.com.au

Dear Dr Grimes,

RE: Review of Victoria's Gas Network Safety Framework

Thank you for the opportunity to make this submission in response to the Review of Victoria's Gas Network Safety Framework Issues Paper.

Multinet Gas is one of three privately owned Gas Distribution networks operating in Victoria. We provide safe and reliable gas supply to almost 700,000 customers in Melbourne's eastern suburbs and South Gippsland.

The safety of the community, our contract service providers and Multinet Gas employees is the highest priority for our business. We are proud of our safety record and we are committed to continuous improvement in work practices and culture. Our commitment is underpinned by governance and reporting requirements which flow from our field crews to senior management and up to our Board.

Should you require any further information, please contact Troy Praag, Network Strategy and Performance manager on 03 8846 9473 or via email troy.praag@ue.com.au.

Yours sincerely,

Mark Beech

General Manager, Network Operations

Review of Victoria's Gas Network Safety Framework

Issues for consideration – June 2017

1. Safety legislation and approach to safety regulation:

Submissions to the review may seek to comment on the legislative framework underpinning the Victorian Gas Network Safety Framework:

- Are there opportunities to improve the efficiency and the effectiveness of the Gas Safety Act, Pipelines Act and associated regulations?
- Should there be a change in the degree of prescription provided in the current framework? If so, what would be the justification for any proposed changes?
- Are there examples of 'better practice' gas safety and risk management frameworks from other jurisdictions (nationally or internationally) or from other industry sectors that should be considered?

In general, legislation should be outcome focused. It is Multinet Gas' experience that prescriptive legislation can stifle innovation and is generally less efficient and less effective than a risk management framework.

Prescriptive legislation is input focused and therefore tends to concentrate on compliance rather than safety outcomes. This approach leads to universal solutions being imposed across the industry without due regard to specific circumstances or cost, and tends to result in higher than necessary cost being passed on to consumers.

Gas networks in Victoria are comprised of a wide variety of materials and equipment installed in areas ranging from sparsely populated rural areas to high density urban environments covering in excess of two million connections and around 30,000 km of gas mains. Gas materials and equipment range in installation date from the early 1900's to the current day and operate in many different configurations and pressure ranges. The extensive spread of gas assets and the diversity of configuration and environments lends itself naturally to a risk management approach.

There is a risk that applying prescriptive regulations with strict compliance requirements to Victorian gas distribution networks would result in inefficient costs for little benefit. The current risk management approach has delivered exceptional safety performance since its inception in the late 1990's. We contend that there is no evidence of a safety problem that requires a regulatory intervention to fix.

Unlike electricity supply, gas is not an essential service and gas networks have to work hard to maintain gas as a competitive option for consumers.

Prescriptive legislation can however be effective in certain situations such as setting requirements for customer installations and establishing minimum incident response times by Gas Distribution businesses. Gas network safety performance has been driven by managing to internal standards under Safety Cases and compliance to Australian Standards (AS-2885 and AS-4645) which are periodically refreshed by industry stakeholders to remain best practice.

As a whole, Multinet Gas considers the current safety framework to be appropriate. Multinet Gas supports the risk based approach adopted by industry. Gas Distribution businesses are best placed to manage the risks posed by their networks. The safety case framework promotes this objective.

2. Safety culture and engagement of the workforce:

Submissions to the review may wish to comment on the extent to which the current framework promotes strong and effective safety cultures within gas transmission and distribution network businesses:

- Does the framework effectively promote the engagement of the workforce in promoting safety? Are there opportunities for improvement?
- Are there opportunities to further promote strong safety leadership cultures?

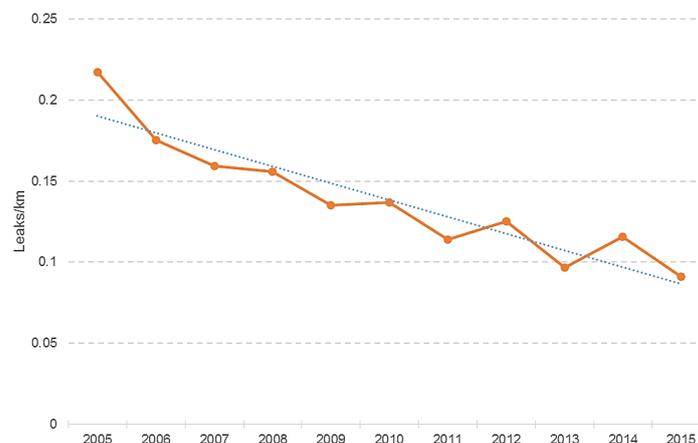
Multinet Gas believes the current framework is effective in promoting a strong safety culture. This extends to Multinet's management of Occupational Health and Safety (OH&S) aspects of network field operations and its efforts to continuously improve the efficiency and effectiveness of its management systems.

Multinet Gas has established and maintains a strong safety culture within its internal workforce and positively influences its service providers to achieve similar "beyond compliance" expectations.

During the last few years Multinet Gas' strong leadership and management commitment has introduced leading Health, Safety and Environment (HSE) metrics where success is recognised, built strong partnerships and trust - clearly defining its expectations, promoted no-blame reporting where we learn from mistakes and implemented actions to stop reoccurrence, and supported leadership and cultural programs. As a result Multinet Gas has not incurred a Lost Time Injury (LTI) since October 2014 and has seen a downward trend in reportable injuries.

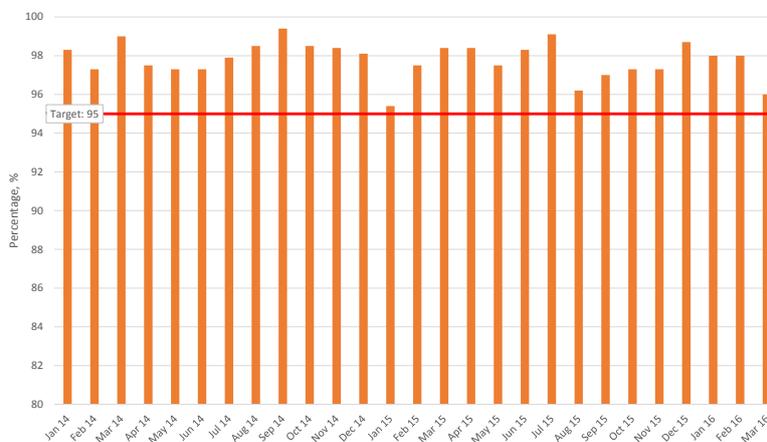
Network safety has also seen improvement. A core safety measure of network leaks has seen a long-term declining trend as highlighted in Figure 1.

Figure 1: Leaks per km of distribution mains – Multinet Gas.



Multinet Gas continues to exceed its emergency response benchmarks, as defined by ESV.

Figure 2: Emergency Response – Percentage of priority incidents responded to within 1 hour.



Multinet Gas will continue to seek a collaborative working relationship with legislators and ESV. We are supportive of the collaborative approach adopted by ESV over the past 6-12 months which better aims to partner with industry and deliver on better safety objectives.

3. DELWP and ESV roles in gas network safety:

Submissions to the review may wish to comment on the respective roles of DELWP and ESV and on the broader government programs and activities to promote gas network safety:

- Are the respective roles of ESV and DELWP clear and well-coordinated? Should any changes be considered to the allocation of responsibilities between ESV and DELWP?
- Are there further matters that should be considered in relation to issues associated with planning around gas pipelines to ensure public safety?

The defined or theoretical relationship between DELWP and ESV is well understood in industry. In summary,

- DELWP develops the legislation that ESV administers.
- DELWP is responsible for the licencing of network assets (i.e. transmission pipelines) while ESV oversees their operations.

In reality, this relationship is less clear. Example areas of overlap include:

- DELWP’s reliance on ESV for the technical expertise required to assess new licence applications and modifications (i.e. DELWP’s obligation). Correspondence is often received from ESV on behalf of DELWP; and
- ESV’s development of industry guidelines which seek to interpret obligations which are the responsibility of DELWP (e.g. the annual environmental management report submission).

Further work could be undertaken to practically clarify the boundaries between the two departments.

4. ESV's capabilities and governance:

Submissions to the review may wish to comment on ESV's governance arrangements and capabilities to regulate and promote gas network safety.

- Does ESV have the right mix of capabilities — people, skills and systems?
- Are there capabilities, including in new and emerging areas that should receive greater attention and investment?
- Are there existing capabilities that could be scaled back or managed more efficiently by ESV?

ESV capabilities appear to be satisfactory in terms of skills and resource levels.

In the gas network and pipelines areas opportunities may exist for less experienced ESV personnel to spend time with industry partners (on a secondment arrangement) to accelerate their understanding of systems and industry challenges. Multinet would consider participating in such a partnership.

5. ESV's approach to regulation

Submissions to the review may wish to comment on ESV's approach to gas regulation:

- Does ESV strike an effective balance in its compliance and enforcement activities? (That is, a balance between an approach that could be seen as too 'light touch', where regulatory interventions could be stronger, and one that could be seen as too 'heavy handed', where regulatory interventions might be seen as disproportionate to the risks involved).
- Does ESV communicate its requirements effectively? Are there any aspects that could be improved?

Multinet notes the approach by ESV to their regulation of Gas Distribution Networks, which includes a level of collaboration and engagement with the business that is closely aligned to the approach taken for Electricity Distribution Businesses. Multinet Gas believes this approach will result in better safety outcomes for industry.

Guidelines

ESV has attempted to clarify its requirements through the issuing of guidelines to make clear its expectations on how Gas Distribution Network businesses are to comply with regulations.

The concept of guidelines is welcomed but care is needed in their development and application. Unlike regulations, "guidelines" are not subject to regulatory impact statements or evaluations of benefits or costs. The further development of guidelines would benefit from increased consultation with industry stakeholders and a flexible approach by ESV in assessing compliance against guidelines.

Audit framework

Recent ESV audits and incident investigations have been completed in a professional manner, specifically in the delivery of the Safety Case audit program. Most recent audits have been clear in their scope, the standard against which audit outcomes are being measured, and have been conducted professionally.

Safety Case

The Safety Case assessment process is considered an improvement opportunity for industry. To improve and streamline the process we suggest that the process or regulations be amended to require an independent third party validation of Safety Case submissions. Where validation of a Safety Case is confirmed by an independent third party and the process has been overseen by ESV (including validation scope, auditor selection etc.), the approval of the Safety Case should then be relatively straight forward. We understand this process is effective in other states.

6. Safety reporting and public information

Submissions to the review may wish to comment on the current reporting practices on Victoria's gas network safety performance and areas for improvement.

ESV collates the annual Gas and Pipeline Infrastructure Safety management Report, last produced for the 2015-16 period. Improvements in the structure and flow of this report has increased its effectiveness. Additional improvements could be made to the suite of KPI's reported (currently the report is focused on safety management documentation) which would better demonstrate the exceptional safety outcomes being achieved by industry over a long period of time.

Multinet welcomes the collaborative approach adopted by ESV for the development of leading indicators for Transmission Pipeline safety currently being developed with participation of all industry participants.

7. Interactions between economic and safety regulation

Submissions to the review may wish to comment on the relationship between the economic regulatory and safety regulatory frameworks.

There is an inherent tension between the economic and safety regulation of Gas Distribution Networks. In Victoria, the economic regulation of gas networks is administered by the Australian Energy Regulator (AER). Energy Safe Victoria (ESV) administers the technical / safety regulation.

Multinet Gas is encouraged by the interaction between the AER and ESV on their current review of Multinet's proposed Mains Replacement program for the 2018-22 Access Arrangement Period. Mains replacement contributes more than half of Multinet Gas' annual capital expenditure and is a key safety related program aimed at reducing leaks from the network.

ESV's role in assisting the AER in assessing Multinet Gas' proposal could be extended to include all safety and integrity related programs. It would be useful to codify this interaction so it is planned, well-resourced and Gas Distribution Networks have an opportunity to provide an explanation of safety related expenditure programs to ESV on a timeframe that allows ESV effective input to the Access Arrangement process.

8. Emerging trends

Submissions to the review may wish to comment on the capacity of the existing gas safety framework to effectively regulate emerging trends associated with the gas network.

- Will any changes to the safety framework be required as gas transmission and distribution networks evolve over time to adapt to changes in demand and with the adoption of emerging natural gas supply solutions?

Emerging technologies are both an opportunity and a risk for gas networks. Care needs to be taken to ensure that legislation does not impede the development and introduction of these technologies. Implementation of the new technology is best facilitated by the Gas Distribution Networks and ESV working closely together.

It is in the interest of consumers and the industry that we continue to adapt to the changing energy landscape to enable natural gas to continue as a reliable and cost effective form of energy, particularly as the national energy industry moves towards a low carbon future.

Energy Networks Australia (ENA), in its Gas Vision 2050 publication (www.energynetworks.com.au¹), outlined a number of low emission transformational technologies. The development and implementation of regulatory frameworks will need to allow for the growth of these technologies (and others) with Gas Distribution Networks and ESV working closely together for their safe development and implementation.

Technologies highlighted by ENA:

- **Biogas** is a term that covers gaseous fuels such as biomethane or biopropane recovered from renewable sources including wastewater, landfill, agricultural or forestry waste. This means there are net-zero emissions from its use. Feedstock sources for biogas are widely available and diverse, so biogas could be produced at many different locations close to users and injected into the existing gas network.
- **Carbon capture and storage (CCS)** combines a range of commercially available technologies – used widely by the oil and gas industry – to limit the amount of greenhouse gas emissions reaching the atmosphere.
- **Integration of natural gas and hydrogen.** Hydrogen is a clean burning fuel that only produces water vapour during combustion. Hydrogen can be used as a supplement, or as an alternative, to methane in gas networks or in fuel cells to generate heat or electricity. This is done by converting unused (or unneeded) renewable energy to hydrogen using electrolysis, then stored in the gas network for future use.

¹ http://www.energynetworks.com.au/sites/default/files/gasvision2050_march2017.pdf