

DRAFT SECOND READING SPEECH

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Gas Industry Bill 2018

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Madam Speaker, I move that the Gas Industry Bill now be read a second time.

This Bill is mainly about administrative realignment and simplification of processes, rather than reflecting a major policy review.

Currently, the gas industry in Tasmania is regulated under the *Gas Act 2000* and the *Gas Pipelines Act 2000*. These two Acts provide a regulatory framework, which includes activities such as licensing, customer protection, construction of infrastructure, and regulation of safety. The Gas Act applies to retailing and the operation of distribution networks, which are dendritic, (meaning a branched form resembling a tree) while the Gas Pipelines Act applies to transmission pipelines, which are point-to-point.

When these two Acts originally commenced, both were administered within one Government Agency, and by one Minister. Both Acts commenced in advance of the development of the gas supply industry in Tasmania. This included the undersea gas transmission pipeline, the onshore transmission backbone, and the roll out of the dendritic distribution network in various cities and towns across the State.

Since that time, there have been changes in administrative arrangements that have resulted in parts of both Acts being administered by the Department of State Growth, with other parts of both Acts being administered by the Department of Justice. Further, there are a number of variations in provisions that apply to either dendritic or point-to-point pipelines. These differences are not based on any current needs. At times they are cumbersome and inefficient to administer.

The Bill currently before the House addresses these inefficiencies, and will reduce administrative costs and streamline licensing arrangements for the gas supply industry. It will be administered by the Department of State Growth.

The Gas Industry Bill's companion, the Gas Safety Bill, will provide for the safe operation of the gas supply industry, and broader gas safety matters. It will be administered by the Department of Justice.

This Gas Industry Bill covers licensing for gas retailing, and the building, operation, and maintenance of gas infrastructure. Gas infrastructure includes gas distribution, as well as transmission.

Madam Speaker, this Bill provides clearer administrative and legislative responsibilities for the Minister for Energy, the Department of State Growth, and the Regulator. In harmonising the provisions in the current Acts, we will eliminate some longstanding duplication and inconsistencies, and modernise the legislative arrangements.

An example of the way this Bill harmonises and streamlines arrangements for the gas supply industry is in the area of gas supply emergency management. Currently only the Gas Act provides express powers to manage gas supply in the event of a supply shortage or major disruption.

In the Bill before the House, there are now provisions that provide for a safe and efficient response to gas supply emergencies affecting customers, irrespective of whether they are supplied directly from a transmission pipeline or from the distribution system. These provisions have been developed in consultation with the gas supply industry, and in response to several gas supply emergency exercises over a number of years. These exercises, and industry feedback, identified the need to be able to manage gas supply across the entire network to ensure safe and equitable access to gas, especially for critical services. Harmonisation of the provisions will allow the Minister for Energy to assist the market in the event of a supply disruption.

The Gas Industry Bill provides for one significant new provision, which I will now outline.

This new provision is the creation of a head of power to enable the Minister for Energy to provide for an obligation to offer supply – which is not the same as an obligation to supply.

So what is the problem that we are seeking to solve?

There have previously been cases where some customers with high levels of debt, who were tenants of Housing Tasmania properties provided with gas hot water systems, were not able to get a supply contract with either TasGas or Aurora due to pre-existing debt or ongoing credit risk.

The Department of State Growth has discussed this with Housing Tasmania, and with both gas retailers. Aurora Energy has responded positively and has extended its hardship policy to its gas customers, which I welcome.

As long as the industry is demonstrating a willingness to consider and account for the needs of vulnerable customers, there may be no need to impose a legal obligation on a retailer. However in the event that this problem re-emerges, then the Government will have the power to take prompt action. This ensures that we can look after the interests of vulnerable customers without the matter needing to be brought back to Parliament. This issue is being actively monitored in collaboration with the Tasmanian Council of Social Services to ensure that any future problems can be identified and addressed promptly should they arise.

So how would the obligation to offer supply work?

The “obligation to offer supply” concept is fundamental in electricity retailing across the national market, and also in gas retailing in some jurisdictions.

What it means is that, for every small customer, there is a retailer who must offer a contract to supply energy, on standard terms and conditions. This is not an obligation to supply, but an offer to enter into the contract. The way the obligation is imposed on retailers has a little bit of variation across the national market, but it is generally imposed on either the retailer who last supplied energy to the premises, or, for new customers, a designated “local area retailer”. Once the contract has been entered into, the usual supply contract provisions apply.

A key feature of this Bill is that it represents a light-handed regulatory approach. This was, and remains, consistent with the concept that gas is, for the most part, a product of choice. As a

relatively new energy source for Tasmania, this means that the regulatory burden on the gas supply industry is kept low. The cost of compliance with a regulatory burden is eventually, and inevitably, passed on to customers. This means that it is important to ensure that the cost of compliance is commensurate with the benefits that the customer receives. The government will continue to keep compliance costs commensurate with the benefits.

Madam. Speaker, I will now take the time to address some issues that may be raised that are not included in this legislation.

First, the Bill does not regulate gas prices for Tasmanian customers. I recognise that the price of gas is an issue nationally. However as Tasmania does not have a gas resource of our own, we are not able to artificially constrain prices to customers. National issues need national solutions. And this has been recognized. Both the Australian Energy Market Commission, and the Australian Competition and Consumer Commission, have undertaken reviews into the gas supply industry. There is ongoing reform in this area, and some of the measures have already been implemented, and have worked well for Tasmanian customers. One such element is the introduction of the compulsory arbitration framework, which ensured that a fair and reasonable outcome was achieved earlier this year for gas customers in relation to gas transportation costs across the Tasmanian Gas Pipeline.

Secondly, the Bill does not directly expand the gas industry in Tasmania. It does, however, continue to provide an appropriately light-handed regulatory regime which will allow for organic growth in the distribution network as it becomes financially viable for this to occur.

In conclusion, I would just like to highlight that this Bill represents a streamlining of administration, and a harmonisation and simplification of licensing arrangements. This will reduce costs to the industry and to the community.

I am confident that this Bill will contemporise the legislative arrangements for the gas industry in Tasmania.

Madam Speaker, I commend the Bill to the House.