

Occupants of multiple tenancy developments have similar rights to other users regarding the supply and sale of gas.

This information is to assist developers, owners' corporations (formerly known as body corporates) and property managers of multiple occupancy sites in connecting reticulated natural gas.

It is designed to help them understand their rights, obligations and options where they wish to sell natural gas directly to residential or business customers (collectively called 'Occupants' in this document), or where they are arranging for those Occupants to be connected to the gas distribution network.

Please note, this information applies only to gas being supplied to end-use customers. It does not apply to the supply of gas for bulk hot water services.

Why are natural gas networks regulated?

Natural gas is an important fuel for Occupants who rely on it for heating and / or cooking. Occupants are entitled to the benefit of the competitive retail gas market and the protections related to supply disruptions and service quality.

In order to operate an embedded network the developer, Owners Corporation or other party (collectively called 'Property Managers' in this document) must hold the relevant licence or statutory exemption and conform to the requirements of the *Gas Industry Act 2001*.

Suppliers (that is, both distributors and retailers) of natural gas are licensed by the Essential Services Commission to ensure they conform to the requirements of the *Gas Industry Act 2001*.

Licensing also enforces the requirements set out under the Gas Safety.

What is an embedded network?

An embedded network is any arrangement where an Occupant is supplied and sold gas through facilities of a person other than a licensed gas distribution network company. It usually involves the intermediary supply or

re-sale of gas by a customer of a licensed gas retailer to an Occupant.

Embedded networks typically involve a licensed gas distribution network operator providing supply to an entry point (or gateway) to a multi-tenanted building or similar property site, with individual pipes installed by a Property Manager that supply gas directly to the premises of individual Occupants.

Some Property Managers have in the past purchased gas in large volumes in order to on-sell to the Occupants at a price set by the Property Manager. The *Gas Industry Act 2001* however, does not authorise arrangements such as this, unless the Property Manager possesses the relevant licence(s).

How do I get a licence?

The *Gas Industry Act 2001* requires licensing for both the distribution of natural gas by pipeline and for the retail sale of natural gas to end users.

The first step is to discuss the licensing process with the Essential Services Commission of Victoria. Licensing involves compliance with conditions and Codes setting out requirements such as customer (ie Occupant) protections, customer services, access to an approved dispute resolution process, billing services and so on. These are comprehensive requirements and should not be underestimated.

Property Managers have the right to request licensed gas distribution businesses to install the relevant internal network of gas pipes and meters to each individual Occupant premises within multiple Occupancy sites. This would avoid the need for a licence to be sought by the Property Manager and ensures those Occupants enjoy the same benefits of a competitive retail gas market, as well as the same legal protections as customers directly connected to the natural gas network.

Property Managers who wish to operate an embedded network themselves often need to enter into agreements with third parties that can provide both the leasing of the meters and the reading and billing of the meters.

Consistent with the establishment since 2002 of competition in the Victorian retail gas market, Occupants have the right to choose their own retailer.

Embedded Gas Networks

It is important that Property Managers note that there are no statutory metrology procedures enabling the financial settlement of gas purchases to occur with embedded networks. This could make it impractical, if not impossible for the operator of the embedded network to comply with the conditions of their licences if they cannot agree on metrology procedures with the local gas distribution network operator.

More information on how to get a licence to distribute or sell gas can be obtained from the Commission's website at www.esc.vic.gov.au.

Can I obtain an exemption?

The *Gas Industry Act 2001* enables the Governor in Council, on the recommendation of the Minister for Energy, Environment and Climate Change, to exempt a network operator from the requirement to hold the relevant licence(s).

Generally, exemptions for the supply and sale of gas are considered only in relation to large or related-business transactions, and not where there are residential or small business customers involved.

What if I already operate a network that does not comply with the legal requirements?

If you are concerned about the legality of your network, you should obtain legal advice to bring your network into compliance

The maximum penalty for non-compliance is 1200 penalty units plus 120 penalty units for each day following the serving of a 'notice of contravention'.

The gas distribution company is telling me that they have to install piping and meters in compliance with the "Service and Installation Rules". What are they?

Some gas distribution network companies have internal documents setting out their preferred work practices. However, some of these rules may not have statutory backing and may be subordinate to the legal obligations with which the network companies have to comply.

If you believe that a connection offer is not 'fair and

reasonable, you have the right to have the matter independently assessed by the Australian Energy Regulator, who is responsible for the economic regulation of gas distribution network companies (see www.aer.gov.au).

Occupants of the property for which I am the Property Manager prefer to be connected directly to the natural gas network. As an alternative, the local gas distributor (or gas retailer) has offered me a 'single gateway' or 'group metering' solution. What is the best option?

A 'single gateway' is where supply to premises occurs at a single meter, and the Property Manager distributes or on-sells gas. Whilst this approach may appear have some benefits for customers, there are no regulatory arrangements that either authorise this or provide adequate service protections to Occupants.

"Group metering" is where multiple meters are co-located in a basement or utility room and is sometimes offered to enable meter readers to gain easy access to meters. Whilst this approach has some benefits, it typically results in additional installation costs to the Property Manager (typically the developer), in terms of providing separate gas piping to the individual premises of the site's Occupants.

'Single gateways' or 'group metering' however, are not the only potential metering approaches.

Under the licences held by distribution companies, connection offers (which are normally arranged with the assistance of your chosen gas retailer) must be fair and reasonable. Property Managers and Occupants have the right, for example, to request meters to be installed at or near individual Occupant premises; it would be wise for Property Managers to consider the costs and benefits involved in this approach.

If Property Managers (or Occupants) believe any connection offer they have been provided with by the relevant gas company is not 'fair and reasonable', you can have the matter independently assessed by the Australian Energy Regulator.

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