


# Gas Supply (Safety and Network Management) Amendment Regulation 2025

Regulatory Impact Statement

July 2025



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The Department of Climate Change, Energy, the Environment and Water acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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# Executive summary

This Regulatory Impact Statement (RIS) has been prepared covering the proposed regulatory amendments outlined in the Gas Supply (Safety and Network Management) Amendment Regulation 2025 (Gas Supply Regulation) July 2025 Consultation Paper (Consultation Paper). This RIS demonstrates compliance of the proposed Gas Supply Regulation amendments with the principles outlined in the Better Regulation Office's *Guide to Better Regulation January 2019* (TPP19-01) and with the provisions applying to a RIS under the *Subordinate Legislation Act 1989* (Subordinate Legislation Act).

This RIS outlines the need for Government action to:

- ensure the safety of the community and gas industry workers who come into contact with gas networks and related infrastructure
- ensure that the regulatory framework overseeing NSW gas networks remains fit for purpose and responsive to industry change and
- ensure the reliability of gas supply.

The options considered in this RIS are:

- Option 1. Do nothing and leave the Regulation unchanged.
- Option 2. Amend the Regulation to strengthen the regulatory framework.

The costs and benefits for each of these options are considered under this RIS.

The NSW Department of Climate Change, Energy, the Environment and Water (the Department), proposes to amend the Gas Supply Regulation – Option 2.

Option 2 is preferred because strengthening the gas supply regulatory framework to maintain the safety and reliability of gas network operations and its related infrastructure in NSW, which is both an essential service and critical infrastructure, provides the greatest net public benefit. The *Energy Amendment (Pipelines and Gas Safety) Act 2025* (Energy Amendment Act), which passed Parliament on 28 March 2025, amended the *Pipelines Act 1967* and *Gas Supply Act 1996* (Gas Supply Act) to

enhance governance, safety, and operational efficiency. Option 2 would allow the Gas Supply Regulation to be updated in line with updates made to its parent legislation, the Gas Supply Act.

The RIS provides a basis for public consultation on the proposed approach and sets out the rationale, justification and objectives of the proposed Regulation, including alternatives. An assessment of the costs and benefits of each option considered are summarised below.

Option	Likely costs	Likely benefits
<b>Option 1 – Do nothing and leave the Regulation unchanged, that is, maintain the status quo.</b>	Although there would be no change in financial costs under this option, there would be an opportunity cost by failing to modernise the gas network regulatory framework, improve safety and operating outcomes and aligning updates to the Regulation with amendments to the parent legislation made via the Energy Amendment Act.	Low – Since the Regulation would not be updated, there would be no additional benefits. However, there would also be no new regulatory obligations on network operators and authorisation holders.
<b>Option 2 – Amend the Regulation to strengthen the regulatory framework</b>	<p>Network operators (either a holder of a reticulator’s authorisation or a distributor’s licence, or both) incur new responsibilities and may be subject to higher penalties in the event of non-compliance.</p> <p>Network operators will be required to effectively manage the lifecycle of their infrastructure, including to prepare plans and procedures covering suspension and abandonment of gas network infrastructure, to mitigate risks and ensure environmental and public safety. This may impose additional administrative burden and costs on network operators.</p>	<p>High – the new provisions would provide the NSW Government with improved powers and oversight to regulate effectively and to maintain a safe and robust gas network regulatory framework. The net outcome provides improved public safety and reliability outcomes.</p> <p>The trend towards electrification of energy systems is expected to increase the retirement or suspension of outdated pipeline and gas infrastructure. As more renewable energy sources and electrified technologies displace conventional gas-based systems, there will be a growing need to safely retire infrastructure. This transition requires a regulatory framework that effectively manages the lifecycle of infrastructure, including processes to mitigate risk and ensure environmental and public safety.</p>

# 1. Objectives and rationale for change

The purpose and function of the Gas Supply Act and its Regulation is outlined in the Consultation Paper, along with an overview of the regulatory framework.

The proposed Regulation amendments are intended to enhance and improve the efficacy and operation of the gas regulatory framework by:

- introducing requirements on end-of-life gas network infrastructure and its management, including through obligations around gas network abandonment and suspension processes and procedures
- updating penalty units in the Regulation to bring them into line with other relevant NSW regulations and provide an enhanced deterrent to breaches, particularly for breaches that create safety risk
- introducing continuing offence penalties with accumulating fines for certain offences to prevent incidences of ongoing non-compliance
- introducing penalty notice offences to align with comparable energy legislation
- including further refinements and improvements to the Regulations, such as notification requirements for changes to network operating pressure and improved governance around the appointment of external auditors.

As the proposed amendments above are occurring concurrently with consultations on Pipelines Regulation proposed amendments, harmonising gas supply and pipelines regulations will benefit both the Department and gas supply operators by delivering regulatory efficiencies.

## 2. Options evaluated

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### 2.1 Option 1 – Do nothing and leave the Regulation unchanged

This option would maintain the status quo by leaving the Regulation unchanged until the Regulation is due for repeal under the Subordinate Legislation Act.

Although the impact of leaving the Regulation unchanged is minimal, there would be an opportunity cost associated with not aligning updates to the Regulation with amendments made to the Gas Supply Act via the Energy Amendment Act. Furthermore, benefits from modernising the gas supply regulatory framework to provide for better safety outcomes would not be realised.

#### 2.1.1 No update to penalties for non-compliance

The NSW Government has identified that there is a risk that some penalties stipulated under the Regulation do not adequately provide sufficient deterrence to prevent non-compliance, particularly for offences that should be treated with a higher degree of severity due to risks to public safety.

For example, supplying non-compliant natural gas through a distribution pipeline is proposed to have a maximum penalty of 10,000 penalty units<sup>1</sup> for corporations (up from 2,000 penalty units), and 2,000 penalty units for individuals (up from 100 penalty units) for breaching this provision. Passing non-compliant natural gas through distribution pipelines increases the risks of gas explosions due to possible increased flammability of substances, adverse impact on pipeline integrity and damage to consumer gas appliances.

Further, there are no continuing offence penalties in the Gas Supply Regulation to deter ongoing and systemic incidences of non-compliance.

In contrast to other jurisdictions (Victoria and Queensland, for instance) NSW also does not index penalties for inflation, requiring manual penalty updates through revision of the Regulation.

In terms of regulatory impact, Option 1 would overlook the opportunity to ensure penalties remain up-to-date and effective in promoting a culture of compliance with flow on effects to public safety.

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<sup>1</sup> In NSW one penalty unit equates to \$110.

## 2.1.2 Impact on competition

There are no foreseeable impacts on competition in the gas network industry from amending the Gas Supply Regulation, as proposed new obligations are focussed on the key objectives of enhancing governance and safety of managing and operating gas network infrastructure in NSW.

## 2.1.3 Social and environmental impacts

While the current Regulation contains mechanisms intended to support the safe operation of gas networks and associated infrastructure, the Department, as the technical Regulator, has identified improvements to the Gas Supply Regulation that should be made.

If the Regulation were not amended, social and environmental outcomes would be adversely affected in the absence of newly identified provisions that should be implemented. For example, the need for clarified gas network suspension and abandonment requirements has been identified in response to increasing rates of electrification, which is expected to increase the risk of retiring network and gas infrastructure being left in-situ with both social and environmental implications.

## 2.1.4 Benefits

Option 1 enables the Regulation to continue to operate as is, and gas network operators would be required to continue to meet the existing safety and technical requirements for their assets under the Regulation. This continuity would provide regulatory consistency and certainty for network operators.

## 2.1.5 Conclusion

Option 1 would maintain the Regulation in its current form, however, it would be continuing under a regulatory regime that does not appropriately impose effective costs for non-compliance and would not be optimal for public safety. For consumers and the public, it ensures that safety standards and quality controls are rigorously enforced, protecting them from risks associated with unsafe or substandard products, services and work processes.



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## 2.2 Option 2 – Amend the Regulation to strengthen the regulatory framework

This option would amend the existing Regulation with changes to strengthen the regulatory framework. In summary, the proposed amendments to the Regulation include:

- A requirement to lodge, implement and obtain approval for gas network Suspension and Abandonment Plans, when needed
- Updates to penalties for both corporations and individuals, across a range of provisions
- Introduction of a schedule of penalty notice offences for issuance of penalty notices. For these select offences, penalties are proposed to be set at 10% of the maximum penalty of the respective provisions
- Designating certain offences as ‘continuing offences’ that will attract further accumulating penalties while they remain in breach
- Extension of the ‘Person in Charge’ definition to ensure this person has a sufficient level of delegated financial authority to make executive decisions
- Enhancing governance around the appointments of independent auditors, giving the Secretary the ability to require the appointment of a specified replacement auditor if needed to uphold objectivity and integrity
- Additional notification requirements on operators for changes to their network operational characteristics, such as alterations to network operating pressures or the addition of gas injection points.

More detail on the proposed amendments above is contained in the Consultation Paper, including a detailed list of the proposed changes to the penalty regime and abandonment and suspension requirements.

### 2.2.1 Compliance costs

It is anticipated that Option 2 will involve an increase in compliance costs for both the Department and network operators compared with Option 1.

Given existing network operators should be following relevant industry standards and best practices for the safe operation of their networks, the costs associated with compliance with these proposed amendments are not expected to be significant or burdensome. Where regulatory obligations have been expanded for notification requirements, gas network operators should be able to adapt their current practices to meet these new requirements with relative ease and minimal cost.

Moreover, any increase in compliance costs from these new obligations are offset by the safety and operational benefits, as well as increased stakeholder certainty and improved community confidence in the NSW gas network infrastructure and regulatory framework.

### **2.2.2 Administrative costs**

Similarly, the costs incurred under Option 2 are outweighed by the benefits of an improved, modernised gas network regulatory regime. The proposed changes are not expected to significantly increase the NSW Government's administrative costs.

Although the proposed gas network Suspension and Abandonment Plans will need to be reviewed by the Secretary as these matters arise, the respective lead times in the proposed process is expected to be adequate for the anticipated volume of Plans to be received. Meanwhile, continued adherence to industry best practice will improve the functioning and safety of the gas network.

Some of these costs will be reduced by the NSW Government developing and publishing guidelines that will assist network operators in meeting these obligations. These guidelines will be of particular value for assisting a network operator's understanding of the newly introduced concepts around the content and implementation of Abandonment and Suspension Plans.

### **2.2.3 Impact on competition**

It is not envisaged that the proposed changes will create barriers to competition. The purpose of the proposed changes is primarily to ensure the safety and reliability of gas networks in NSW.

### **2.2.4 Social and environmental impacts**

Option 2 positively impacts the environment by decreasing the likelihood of occurrence of gas network incidents that could harm ecosystems and natural resources through the proposed amendments. As described above, the Department has identified improvements to the Gas Supply Regulation that should be made, particularly in relation to clarified gas network suspension and abandonment requirements that would mitigate adverse social and environmental implications in instances of gas works being temporarily suspended or left in-situ.

### **2.2.5 Benefits**

By implementing Option 2, the proposed changes would improve governance and safety of gas network infrastructure and operations, the administration of the gas network regulatory framework and ensure the Regulation is modernised.

The proposed amendments to the Regulation would assist in achieving policy outcomes. For example, the update in penalties across a range of obligations will reduce the incidence of non-

compliance. This amendment would also improve overall safety as the proposed increases to the penalty provisions would ensure appropriate and proportionate incentives are in place to support compliance with the Regulation.

## 2.2.6 Conclusion

Overall, Option 2 has the greatest net benefits. The proposed changes would increase the ability of the Regulation to support the Gas Supply Act, especially recent amendments enacted through the Energy Amendment Act. The Energy Amendment Act amended the *Pipelines Act* and *Gas Supply Act* to enhance governance, safety, and operational efficiency. Many of these amendments require consequent changes to their Act's regulations and new guidelines to take effect.

There are benefits in updating the Regulation with the proposed changes, including increased certainty for the industry while ensuring the NSW Government retains existing powers to regulate and manage the energy transition and maintain safety and technical standards.

There would likely be some minor administrative costs arising out of the changes under Option 2, such as the need to manage and plan for gas network suspension or abandonment. However, it is considered that the costs under Option 2 are offset by the benefits from the continued safe operation of NSW's gas network.

Many of the existing provisions in the Regulation would be retained, but unlike Option 1, Option 2 would also introduce amendments to improve the efficacy and operation of the network regulatory framework, modernise and update the penalty provisions, and introduce additional regulatory requirements for network operators in light of further identified improvements from a safety and technical perspective. This will improve the safe operation and regulatory oversight of essential infrastructure in NSW.

## 3. Costs and benefits comparison summary

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### 3.1 Conclusion and preferred option

Option 1 would allow the Regulation to continue with no change. This option would represent a lost opportunity to update and modernise the NSW gas supply regulatory regime. It would also fail to respond to issues that have emerged since the last remake and that need to be addressed, as detailed extensively throughout the Consultation Paper.

Option 2 is the preferred option. It provides the greatest net benefit to the public, industry and government. This option maintains and adds to the benefits of the existing Regulation, with changes that support the administration and oversight of the Gas Supply Act to improve safety and operational efficiency of NSW's gas supply regulatory regime.

## 4. Background

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### 4.1 Purpose of this Regulatory Impact Statement

The primary purpose of a RIS is to ensure that the economic and social costs and benefits of regulatory proposals are examined fully, so that Ministers proposing the regulations, as well as members of the community, may assess whether the benefits of the regulations exceed their costs.

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### 4.2 Requirements of the Subordinate Legislation Act 1989

The Subordinate Legislation Act is the legal framework for regulatory process in NSW that aims for lawmakers and related parties to achieve best practice regulation.

The Subordinate Legislation Act requires the staged repeal of subordinate legislation after 5 years. Where a 'principal' statutory rule is made, the Subordinate Legislation Act sets out the procedural and policy-making requirements. These include the production and public exhibition of a RIS.

Although, in a strict regulatory sense these proposed amendments do not require the preparation of a RIS, the Department has decided to nevertheless complete a RIS. A decision has been made to prepare and release a RIS in the interests of adherence to the Guide to Better Regulation and espouse the principles of the Subordinate Legislation Act.

Section 5 and Schedule 2 of the Subordinate Legislation Act require a RIS to contain:

- the objectives sought to be achieved and the reasons for them
- the alternative options by which those objects can be achieved in whole or substantially an assessment of the costs and benefits of the proposed regulation, including the costs and benefits relating to resource allocation, administration and compliance
- a comparison of the costs and benefits of each alternative option against that of the proposed regulation (including the option of not proceeding with any action), including the costs and benefits relating to resource allocation, administration and compliance
- an assessment as to which alternative option has the greatest net benefit or least net cost to the community
- a statement of the consultation program being undertaken.

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## 4.3 Better regulation principles

The NSW Government's Guide to Better Regulation assists agencies in developing regulation that is required, reasonable and responsive to the economic, social, and environmental needs of NSW. The Guide provides details on how to apply the seven Better Regulation principles when designing and developing regulatory proposals.

NSW government agencies and departments must demonstrate that all new and amending regulatory proposals comply with the 'better regulation' principles as outlined in the January 2019 (TPP19-01) NSW Government's Guide to Better Regulation.

The Guide provides seven better regulation principles that the NSW Government has articulated to characterise good regulation and the minimisation of 'red tape'.

- **Principle 1:** The need for government action should be established. Government action should only occur where it is in the public interest, that is, where the benefits outweigh the costs
- **Principle 2:** The objective of government action should be clear
- **Principle 3:** The impact of government action should be properly understood, by considering the costs and benefits (using all available data) of a range of options, including non-regulatory options
- **Principle 4:** Government action should be effective and proportional
- **Principle 5:** Consultation with business, and the community, should inform regulatory development
- **Principle 6:** The simplification, repeal, reform, modernisation or consolidation of existing regulation should be considered
- **Principle 7:** Regulation should be periodically reviewed, and if necessary reformed, to ensure its continued efficiency and effectiveness

The Department's adherence and consideration of these principles are detailed below.

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### Principle 1 - Need for government action

There is a need for an ongoing government role in the regulation of gas network operations in NSW so that the Department can work to:

- ensure public safety in relation to NSW gas network infrastructure operations and management by safeguarding and promoting the technical integrity and reliability of the State's gas network infrastructure, operations and related activities

- provide the community with confidence and certainty in the continued operation of these assets
- ensure that gas suppliers comply with appropriate standards including relevant Australian Standards and industry best practices
- manage environmental and social impacts relating to the operation and management of gas network infrastructure.

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## Principle 2 - Objective of government action

Through these proposed amendments, the government aims to ensure:

- the safety of the public and those who come into contact with gas networks and associated infrastructure
- the technical integrity and reliability of gas networks and associated infrastructure
- recognition and proper management of gas infrastructure assets amidst the energy transition
- adequate mechanisms are in place to sufficiently deter non-compliant behaviour
- that gas networks are not operated or do not remain in operation where they pose unacceptable social or environmental risks.

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## Principle 3 – Impact of Government Action

The update of the Regulation is needed to ensure it remains fit for purpose and effectively operationalises and supports the objectives and requirements of the Gas Supply Act.

To sufficiently deter non-compliance, the Regulation should be remade to update penalties to remain appropriately dissuasive, including the introduction of penalty notices and continuing offences.

Furthermore, the proposed amendments will work to ensure:

- requirements for retiring of a network operator's gas infrastructure and if applicable, any remediation plans are followed
- the safety of gas networks and associated infrastructure
- the Department is kept appropriately informed about changes to a gas network's operating parameters including its operating pressure.

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## Principle 4 – Government action should be proportional

A review of the Regulation has also identified gaps in parts of the regulatory framework where increased clarity will improve safety, compliance and reporting outcomes.

This includes, for example, addressing that while the Gas Supply Act contemplates that an authorisation or licence may be cancelled, there is currently no provision dealing with the suspension or cessation of network operations. In these situations, operators should plan for major alterations to a network or related infrastructure resulting in suspension or abandonment and share these intended operations with the Secretary for transparency, objective review and ultimately, approval.

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## Principle 5 - Consultation should inform regulatory development

It is noted that some of the proposed changes have been foreshadowed in the consultation that happened for the Bill preceding the Energy Amendment Act that occurred in August and September 2024.

This RIS is published alongside the Consultation Paper and the Draft Exposure Gas Supply Regulation as part of a consultation program with industry and the public.

This consultation will be conducted through publication of the aforementioned documents on the NSW Government Have Your Say website for a six-week period and direct communications to current gas network operators and other relevant stakeholders (including and as identified in Appendix A).

In addition, the Department will undertake a targeted presentation to key industry participants as part of the consultation process.

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## Principle 6 - Simplify and modernise regulations

As noted extensively above, a core element behind these regulatory reforms is an intention to modernise the regulations governing the gas supply industry through recognition of the energy transition. As consumers move towards electrification, parts of the gas networks may in the future progressively become obsolete, or the composition of traditional gases that flow through the network may change – such as the introduction and increased use of hydrogen and renewable gases. These amendments are designed to plan and accommodate for this transition.



Further refinements to the regulatory framework have been proposed to simplify and clarify network operator obligations, for instance, prescribing 28 days for appointment of an auditor for safety and operating plans, compared to 1 month as is currently specified.

The NSW Government is also proposing amendments to the Gas Supply Regulation resulting from amendments to the Gas Supply Act from the Energy Amendment Act, such as prescribing penalty notice offences.

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## Principle 7 - Periodically review for effectiveness and reform

While the current Regulation contains mechanisms intended to support the safe operation of gas networks and associated infrastructure, the Department has identified improvements to the Gas Supply Regulation that should be made.

The proposed amendments are the result of ongoing review of the appropriateness of the Regulations in meeting objectives and identification of necessary reforms for continued efficiency and effectiveness to ensure the governance and the safe operation of NSW gas network infrastructure.

## 5. More information

The following documents or instruments were referred to in preparing this RIS:

- *Gas Supply Act 1996*
- *Gas Supply (Safety and Network Management) Regulation 2022*
- *Electricity Supply Act 1995*
- *Energy Legislation Amendment Act 2021*
- *Have your say website*
- *NSW Government's Guide to Better Regulation 2019*
- Gas Supply (Safety and Network Management) Amendment Regulation June 2025 Consultation Paper
- *Pipelines Act 1967*
- *Subordinate Legislation Act 1989*

# Appendix A – List of targeted stakeholders

The Department intends to undertake targeted consultation with the following stakeholders:

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## Gas network operators

- Allgas Energy Pty Ltd
- Australian Gas Networks (Albury) Ltd
- Australian Gas Networks (NSW) Ltd
- Central Ranges Pipeline Pty Ltd
- Evoenergy
- Jemena Gas Networks (NSW) Ltd
- Elgas Limited
- Elgas Reticulation Pty Ltd
- Origin Energy LPG Ltd

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## Other stakeholders

- Justice and Equity Centre
- Environmental Defenders Office (NSW)
- NSW Aboriginal Land Council (Hunter Local Land Services region)
- Before You Dig Australia