



## Fact sheet

# On-selling of gas

## Information for customers and on-sellers in embedded networks

July 2022

**This fact sheet provides information for customers and on-sellers on minimum requirements for the sale of gas in embedded network arrangements.**

### What is an embedded gas network?

An embedded gas network will normally be a small privately-owned and operated gas distribution system that sits behind the main gas network. For example, in Western Australia, the main gas network is owned and operated by ATCO Gas Australia Pty Ltd and embedded networks are connected to this main network.

Embedded gas networks are found in multi-tenanted commercial buildings, such as shopping centres, and multi-tenanted residential developments.

Embedded gas networks may also be found in retirement villages and caravan parks, where the property owner operates the gas infrastructure on the premises.

### What is the on-supply of gas?

The on-supply of gas occurs where a person, known as the **on-seller**, purchases gas from a licensed retailer (such as Alinta Energy or Kleenheat) at a master meter and on-sells the gas to customers (usually tenants) in the embedded network controlled by the on-seller. Supply is usually through sub-meters.



In an on-supply arrangement, the customer does not have a direct billing relationship with a licensed gas retailer. The customer's gas retailer is the exempt on-seller.

### Who is an on-seller?

The on-seller is usually the property owner but can be someone who operates the embedded network on their behalf.

### What is the legislation that governs on-sellers?

Under the *Energy Coordination Act 1994*, anyone who sells gas to a **small-use customer** in Western Australia that is transported through a gas distribution system must hold a trading licence or a trading licence exemption.

A licence is also required to construct and/or operate a gas distribution system or transport gas through a distribution system.



On-sellers that on-supply gas in embedded networks are **exempt** from the requirement to hold a *trading and distribution* licence provided that they adhere to the conditions of the Exemption Order.

The licence exemptions that allow the on-supply of gas are in the [Energy Coordination Exemption Order 2009](#) (Exemption Order).

## Who is a small-use customer?

A small-use customer is a customer whose consumption of gas is less than one terajoule per year. This equates to an annual gas bill of between \$28,000 and \$43,000, depending on the location of the customer.

## What happens if an on-seller does not comply with the exemption conditions?

On-sellers who do not comply with the conditions of the Exemption Order will no longer be exempt from the requirement to hold a gas trading or distribution licence.



Without a licence or an exemption, an on-seller cannot legally on-sell gas.

## What obligations does an on-seller have to its customers?

Under the Exemption Order, on-sellers have obligations related to:

- **billing**; and
- **charging**.

## What are the on-sellers billing obligations?

The Exemption Order require on-sellers to provide their residential and commercial tenants a bill.

The bill must include, as a minimum:

- the quantity (volume) of gas supplied to the occupier of the property;
- the volumetric charge for the gas payable by the occupier (i.e. cents per unit); and
- the fees and charges payable by the occupier for the supply of gas **services** in relation to the property

The customer must be able to easily access this information.

In many cases, each unit or premises will have its own sub-meter that will be read for the purposes of issuing a bill for gas usage.

If there are no sub-meters, the amount paid is usually calculated on the basis of how much space each unit/premises takes up (e.g. a business occupying 25% of the floor space of a complex that is serviced by an embedded gas network might be responsible for 25% of the consumption charges for the embedded network).

## What are gas services?

A gas service is a service the on-seller provides that is attributable to the supply of gas for consumption. These services, for example, could include:

- maintenance of the on-seller's gas distribution system that transports the gas to the customer's premises;
- connection of a property to a gas system;
- meter readings; and
- the preparation and issuing of bills.

## How much can an on-seller charge for gas?

A gas pricing arrangement is typically divided into two parts: a consumption charge and a daily fixed supply charge.

The per unit consumption charge is to pay for the volume of gas that the customer consumes, while the daily fixed supply charge is to pay for gas services that are part of supplying gas to the customer.

If an on-seller supplies gas to a **residential** property, the amount they can charge the residential customer for the gas or gas service cannot be more than the amount the on-seller paid for the gas or gas service. Essentially, the on-seller can only pass on its costs to the customer.

If, for example, the exempt on-seller pays 15 cents for each unit of gas it purchases from its retailer, it cannot charge its customer more than 15 cents per unit when it on-sells the gas.



For commercial customers of an on-seller, the Exemption Order does not include any requirements relating to the amount the on-seller can charge for gas or gas services.

## Where can a customer of an on-seller go if they have a dispute or complaint?

On-sellers who operate embedded gas networks are not permitted to be members of the Western Australian Energy and Water Ombudsman Scheme, which is restricted to licensed retailers and distributors. This means that a customer of an on-seller does not have access to the Ombudsman's complaint and dispute resolution services if a problem arises.

In the first instance, if an on-seller and their customer have a dispute or complaint, they should try to resolve it between themselves.

However, if the dispute or complaint cannot be resolved the following agencies may be able to assist.

#### *Department of Mines, Industry Regulation and Safety – Consumer Protection Division*

The Consumer Protection Division of the Department of Mines, Industry Regulation and Safety provides advice and information to Western Australian consumers, businesses, landlords and tenants. It also provides a conciliation service to consumers with individual complaints about product or service suppliers.

Information on consumer rights, the complaint handling process and the conciliation service is available on the [Department of Mines, Industry Regulation and Safety website](#).

Consumer Protection is responsible for ensuring that traders in Western Australia comply with the Australian Consumer Law (ACL) and may take enforcement action against traders who breach the ACL.

Consumer Protection does not normally take complaints or conciliate in matters relating to business-to-business transactions. The Small Business Development Corporation (SBDC) provides a dispute resolution service where a business is in dispute with another business.

#### *Small Business Development Corporation*

In Western Australia, the SBDC offers free guidance and access to a low-cost mediation service to assist small businesses in resolving disputes with other businesses or government departments.

If you are a small business that requires advice or assistance to resolve a dispute with your gas on-seller, the SBDC may be able to help you.

Further information about the SBDC's 'Alternative Dispute Resolution' service can be found on the SBDC [website](#).

#### *Energy Policy WA*

Energy Policy WA administers licence exemptions and is responsible for this fact sheet. It is not a complaint handling body like the Consumer Protection Division, which has statutory powers to investigate complaints.

Energy Policy WA can provide information on licence exemptions and the regulatory framework that exempt persons operate within but cannot formally investigate complaints about a person operating under a licence exemption, such as a gas on-seller.

Energy Policy WA can be contacted by phone on (08) 6551 4600 or by email at [licence-exemptions@energy.wa.gov.au](mailto:licence-exemptions@energy.wa.gov.au).

#### **Energy Policy WA**

(08) 6551 4600 | [EPWA-info@dmirs.wa.gov.au](mailto:EPWA-info@dmirs.wa.gov.au)

[www.energy.wa.gov.au](http://www.energy.wa.gov.au) | [www.brighterenergyfuture.wa.gov.au](http://www.brighterenergyfuture.wa.gov.au)

**Disclaimer:** The material provided in this information sheet is general in nature and a guide only. It does not take your personal circumstances into account and so you cannot rely solely upon this material when deciding to act. Additional matters or factors may be relevant to you. Where appropriate, seek professional advice.