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Ms Anthea Harris
Deputy Secretary Energy
Department of Environment, Land, Water and Planning
8 Nicholson Street
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07 February 2022

Dear Ms Harris

REGULATORY IMPACT ASSESSMENT FOR THE GAS SAFETY (GAS INSTALLATION) AMENDMENT (TYPE A APPLIANCES) REGULATIONS 2022

I would like to thank your staff at the Department of Environment, Land, Water and Planning (the Department) for working with the team at Better Regulation Victoria on the preparation of a Regulatory Impact Assessment (RIS) for the Gas Safety (Gas Installation) Amendment (Type A Appliances) Regulations 2022 (the proposed Regulations).

As you know, the Commissioner for Better Regulation provides independent advice on the adequacy of the analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be written clearly so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 04 February 2022 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

Background and Problems

Natural gas (gas) is an important energy source for Victorians. More than 2 million Victorian homes are connected to gas (about 76 per cent of homes), the highest proportion of all Australian jurisdictions. Gas appliances are used for space heating, water heating and cooking. It is estimated that about 65 per cent of domestic gas usage is for heating. While gas is an important energy source, using gas has risks

including deaths and injuries from exposure to carbon monoxide as well as fires and explosions.

Inadequately serviced Type A gas appliances¹ can result in health risks to household occupants, such as exposure to dangerous levels of carbon monoxide or fires and explosions. According to data supplied by Energy Safe Victoria (ESV), since 2009-10, there have been seven deaths as a result of Type A appliances, of which three were associated with fire/explosion.

Risks from exposure to carbon monoxide relate primarily to open flued gas space heaters (OFGSHs). The Department estimates that there were about 287,000 in Victorian homes at the end of 2020.

Open-flue gas appliances, including OFGSHs, draw air from the room for combustion and direct combustion products outside via a flue (e.g. duct, pipe or chimney). Inadequate ventilation and use of exhaust fans can draw carbon monoxide (and other exhaust gases) back into the room, which can lead to serious injury or death. The risk of inadequate ventilation is heightened because homes are made increasingly airtight, for the purpose of energy efficiency or thermal comfort. To address risks associated with carbon monoxide, new sales of OFGSHs are being phased out via fast-tracked amendments to the relevant Australian Standards (AS).

In Victoria, there is currently no mandated standard for the servicing of Type A gas appliances (domestic and light commercial type appliances including open-flue appliances). The Department explains that the lack of a mandated standard leads to leads to two key problems.

1. Significant inconsistency in how Type A appliances are serviced, which puts households at risk.
2. Regulatory oversight is hampered by limited data on gas appliance servicing. There is limited capacity for the Victorian Building Authority (VBA) to apply existing audit, compliance and enforcement processes.

Australian Standard 4575 was published on 9 August 2019 by Standards Australia to provide a minimum set of technical requirements for the servicing, repair, conversion, testing and management of type A gas appliances (e.g. gas heaters, stoves and hot water services). AS 4575 was revised in 2019 due to the age of the standard. The revision incorporated a recommendation made by the Victorian Coroner following the death of Ms Sonia Sofianopoulos from CO poisoning from an OFGSH.

In the RIS, the Department analyses options for reducing risks by amendments to the Gas Safety (Gas Installation) Regulations 2018 (the Regulations), which mandate

¹ Type A appliances include domestic and light commercial type appliances such as cookers, space heaters (including OFGSHs), central heaters, water heaters, catering equipment and leisure appliances.

standards for gas fitting work and detail requirements for gas installations. The Regulations sit under the *Gas Safety Act 1997* (the Act).

Options and Impact Analysis

In the RIS, the Department explains that amendments to the Gas Safety (Gas Installation) Regulations 2018 (the Regulations) are necessary to mandate AS 4575 in Victoria to address the problems identified above. The Department analyses whether to mandate AS 4575 for all Type A gas appliances or just for open-flued appliances. It also analyses whether to mandate reporting requirements on top of record keeping requirements for gasfitters. The four options analysed in the RIS are:

- Option 1a: mandate AS 4575 for all Type A gas appliances as well as mandating record keeping requirements;
- Option 1b: mandate AS 4575 for all Type A gas appliances as well as mandating record keeping requirements and reporting requirements (preferred option);
- Option 2a: mandate AS 4575 for open flued appliances only as well as mandating record keeping requirements; and
- Option 2b: mandate AS 4575 for open flued appliances only as well as mandating record keeping requirements and reporting requirements.

The Department undertakes a multi-criteria analysis (MCA) to assess the impacts of these options. The criteria and weightings in the MCA are.

- Costs (50 per cent)
- Improved health outcomes (30 per cent)
- Improved regulator information and industry transparency (10 per cent)
- Increased consumer confidence/peace of mind (5 per cent)
- Improved appliance performance and efficiency (5 per cent).

The Department estimates that the preferred option will cost \$47 million over 10 years, which includes:

- \$7 million incurred by industry due to additional servicing time;
- \$7 million incurred by industry due to record keeping requirements;
- \$28 million incurred by industry due to reporting requirements; and
- \$4 million incurred by government for additional compliance and monitoring.

A key assumption in the analysis is that most servicing in the private rental and public housing sectors already meets AS 4575, which reduces the estimated cost of the preferred option. The Department explains that it has made this assumption because, from 29 March 2021, rental providers have been required to provide gas safety checks every two years for new rental agreements. The same requirement has applied to public housing properties through maintenance contracts with Homes Victoria. Further to this, extensive consultation with industry, government and

community stakeholders in the development of the RIS has validated this assumption.

The preferred option is more than three times as costly as alternative options because it applies to all Type A gas appliances and includes reporting requirements. The Department explains that while the costs of the preferred option are significantly higher, benefits are also significantly higher and more than offset higher costs. It explains that because of its broader scope and reporting requirements the preferred option:

- performs much better than alternative options on improving regulator information and industry transparency; and
- performs better on improving health outcomes, consumer confidence/peace of mind and appliance performance and efficiency.

The Department also undertakes a break-even analysis for the preferred option and explains that for the benefits to break even with these costs, at least 9.1 deaths or 25.7 serious injuries would need to be avoided over 10 years (using the value of a statistical life concept).. The Department notes that the benefits of the preferred option are likely to exceed the costs, particularly as the break-even analysis only assesses direct health benefits.

Implementation and Evaluation

In the RIS, the Department explains that it will be responsible for managing the overall implementation of the proposed Regulations including communicating with affected stakeholders. It anticipates that the proposed Regulations will commence by June 2022. The Victorian Building Authority (VBA) will be responsible for establishing a compliance and enforcement regime as well as developing or integrating an existing IT platform to enable gasfitters to provide gas service reporting to the VBA. Both the VBA and Energy Safe Victoria (ESV) will provide education and information on compliance to industry.

In the RIS, the Department explains that the proposed Regulations will be evaluated after three years to see whether their objectives have been met, including:

- improving safety for households;
- supporting an effective compliance and enforcement regime informed by appropriate information; and
- improving consumer confidence in Type A appliance servicing.

A baseline will be developed to ensure an understanding of the current fatalities and injuries related to Type A appliances as well as to assess the impacts of the preferred option. The baseline will be constructed with a mixture of stakeholder consultation and data currently available from ESV.

Since data related to servicing work will be collected by the VBA and, where required, shared with ESV, both agencies will support the Department with initial evaluation of the proposed Regulations.

Yours sincerely



Anna Cronin

Commissioner for Better Regulation