

9 September 2016

**Department of Environment, Land, Water and Planning**

PO Box 500  
MELBOURNE VIC 8002

Via email: [renewable.energy@delwp.vic.gov.au](mailto:renewable.energy@delwp.vic.gov.au)

**Re: Victorian Renewable Energy Auction Scheme – Consultation Paper**

**To Whom It May Concern:**

Australian Gas Networks Limited (AGN) is one of Australia's largest natural gas distribution companies. AGN owns approximately 23,000 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving over 1.2 million consumers in Victoria, South Australia, Queensland, New South Wales and the Northern Territory.

AGN welcomes the opportunity to make a submission to the Department of Environment, Land, Water and Planning (the Department) regarding the "*Victorian Renewable Energy Auction Scheme*" consultation paper (the Paper). AGN is aware that the Energy Networks Association (ENA) has also submitted a response to this Paper and we note our support for the ENA's key messages.

AGN understands that the Victorian government announced the establishment of renewable energy targets in mid-2016 and in order to support the achievement of these targets, has committed to implementing a Renewable Energy Auction Scheme to incentivise renewable energy investment in Victoria.

Whilst AGN agrees that renewable energies have a key role to play in Australia's future energy supply, AGN notes that there is also an important role for other low carbon fuel sources (such as natural gas) in Australia's transition to a low carbon economy.

AGN continues to encourage the Department to advocate for technology neutral policy that does not attempt to 'pick winners' by adversely impacting on particular energy sources. AGN considers that technology-neutrality as a policy principle is important because:

- It ensures market forces are able to determine the future energy mix, rather than government policy supporting the development of particular technologies; and
- It enables least cost carbon abatement for energy users as we move toward a low carbon future.

As the Queensland Productivity Commission (QPC) states in its "*Solar Feed-In Tariff Pricing in Queensland*" Issues Paper:

*"Policy frameworks typically include a principle that policies should be technologically neutral. The idea is that what is important is the quality and price of the service, not the specific platform, technology or approach to delivering the service. The focus is on the long-term interests of consumers and not the industry or the development of a specific technology."<sup>1</sup>*

The QPC also goes on in its Draft Report to state that:

*"Evidence presented to this inquiry suggests the Queensland Government should ensure... Future policy design does not provide rooftop solar PV with an unfavourable advantage over other sources of generation including, but not limited to, commercial and large-scale solar/renewables, community solar and other low-emissions technologies, such as gas."<sup>2</sup>*

Consistent with this view, AGN considers that a key policy principle of the Department should be technology neutrality.

As further evidence of the benefits of technology-neutral policy, AGN (through the ENA) has worked with Jacobs to develop a further understanding of least cost carbon abatement policy options Australia-wide. Jacobs' findings indicate that technology neutral policy would achieve lower cost carbon abatement than the current policy mix.

In particular, Jacobs conducted analysis to understand the least cost abatement path for Australia under three policy scenarios:

- *"Business as usual"*: a continuation of the diverse range of various State and Federal abatement initiatives (which frequently prescribe specific technologies or scale, such as solar feed-in-tariffs);
- *"Technology neutral"*: adjusting current initiatives to become technology neutral while introducing a baseline and credit scheme; and
- *"Carbon price mechanism"*: all other policies are removed and replaced by a carbon price on all emissions.

Importantly, Jacobs found that more cost-effective abatement outcomes can be achieved through technology-neutral policy (i.e. the "technology neutral" option), rather than technology-specific abatement programs that seek to encourage the up-take of renewable energies (i.e. "business as usual"), for example.

Additionally, Jacobs developed forecasts of the typical residential bill under each of these three scenarios and has found the following:

*"Household bills are affected by changes to the wholesale electricity or gas price and/or by the additional impost from trading, where it can occur. The lowest household bills occur in the technology-neutral scenario... The technology-neutral scenario saves an average of \$216 per year on electricity bills compared to business-as-usual and does not impact on gas bills as there are no changes to whole sale gas prices between the scenarios."<sup>3</sup>*

For further information regarding the analysis developed by Jacobs, please refer to Attachments A and B of this submission. AGN encourages the Department to actively

---

<sup>1</sup> Queensland Productivity Commission, *"Issues Paper – Solar Feed-In Tariff Pricing in Queensland"*, pg. 12.

<sup>2</sup> Queensland Productivity Commission, *"Solar Feed-in Pricing in Queensland Draft Report"*, March 2016, pg. xiii-xiv.

<sup>3</sup> Energy Networks Association, *"Enabling Australia's Cleaner Energy Transition"*, August 2016, pg. 1.

consider the analysis undertaken by Jacobs and AGN would be pleased to discuss Jacobs' findings further with the Department.

Jacobs' work indicates that policies that do not maintain technology-neutrality can cause higher cost emission abatement than a technology-neutral policy, as well as creating perverse outcomes in the appliance markets for competing low emission technologies. This is not in the long term interests of energy consumers in Victoria.

The Department has asked for feedback on:

- What proportion of scheme generation should be dedicated to solar projects?
- Are there any other matters the State should consider when setting the scheme's technology split?

As outlined in this submission, AGN encourages the Department to pursue technology-neutral policy, including having consideration for other low-carbon fuel sources. These low-carbon fuel sources, such as natural gas, can work with renewable technologies to achieve a low-carbon future whilst also achieving the other objectives targeted by the Department such as minimising scheme costs and driving industry development and jobs in the State.

Please contact either \_\_\_\_\_ or \_\_\_\_\_ if you would like to discuss the matters raised in this submission, further.

Yours sincerely,



**Craig de Laine**  
**General Manager - Regulation**