

19 June 2018

Department of Environment, Land, Water and Planning
Via online submission

To whom it may concern

Regulatory Impact Statement: Victoria Energy Efficiency Target Regulations 2018

I am writing in response to the *Regulatory Impact Statement (RIS): Victoria Energy Efficiency Target (VEET) Regulations 2018* and thank the Department for the opportunity to respond.

Australian Gas Infrastructure Group (AGIG) is one of Australia's largest utility businesses. Our assets include gas distribution networks in Victoria, South Australia and Queensland, and gas transmission pipelines and gas storage facilities located in most states and territories in Australia.

In Victoria, we reliably distribute gas to over 1.3 million customers through over 20,000 kilometres of distribution network. Our network serves the Melbourne CBD, the eastern and south-eastern suburbs, and much of eastern and central Victoria extending north to Wodonga.

Natural gas (or methane) has long been a part of Australia's low carbon energy solution, providing a safe and reliable source of energy to homes and businesses at only one-quarter-to-one-sixth the emissions of the same energy sourced from the electricity grid. We do however acknowledge that over the long term our networks will need to decarbonise in order to meet emissions targets.

Gas Vision 2050¹ describes the important role that gas plays today in the energy mix and describes the technologies and processes by which we will decarbonise gas supply. Consistent with Gas Vision 2050, governments and businesses across Australia are investing in a range of hydrogen, biogas and other projects aimed at decarbonising gas supply. These investments will be key for decarbonising household and business gas use, and for decarbonising both transport and electricity networks.

For example, in South Australia (SA), we are building Australia's largest Polymer Electrolyte Membrane (PEM) electrolyser at the Tonsley Innovation District with close to \$5 million in funding from the SA Government's Renewable Technology Fund. Overtime, programmes like the VEET need to evolve to recognise the new technologies and appliances that can play a role in reducing emissions. This will likely include hydrogen appliances in coming years.

We welcome the RIS and many of the changes it outlines as part of the proposed renewal of the VEET Regulations. In particular, we agree with the conclusion that there is a significant net benefit as a result of the program and agree with the approach that recognises the role a range of technologies can play in energy efficiency and reducing emissions.

¹ Gas Vision 2050 outlines the complementary role gas can play in decarbonising energy. Gas Vision 2050 is a key document released by all parts of the gas supply chain (from gas exploration and production, to transmission and distribution networks, to gas appliance manufacturers).

This letter briefly raises three key issues:

- RIS options;
- proposed activity changes; and
- state and Commonwealth policy coordination.

Annex A includes specific responses to the online questionnaire.

Options within the RIS

We strongly support Option 3—continue all current activities plus more energy efficiency upgrades. As stated in the RIS, “all energy customers will benefit from the introduction of the proposed regulations, through reduced pressures on the energy system as a whole...”. In particular, expanding the deemed approach to incorporate gas-fired boilers for small and medium businesses, will make the scheme more attractive and simpler to access for these businesses, while expanding the benefits to Victorian customers as a whole.

Gas appliances have an ongoing role to play in improving energy efficiency and reducing emissions. As noted above, gas delivers significantly lower emissions than electricity generated on the grid, at a lower cost and a higher level of reliability. We therefore consider that expanding the scheme to include more appliances will benefit Victorian energy customers.

Proposed activity changes

Overall, we do not have substantive concerns with the proposed activity changes. More efficient gas appliances for heating and hot water continue to be recognised, albeit with changes to the number of certificates received for particular activities.

We are supportive of the proposal, incorporated into Option 3 of the RIS, to allow upgrades of gas-fired boilers for small and medium businesses to be eligible under the VEET. As the RIS makes clear, expanding the range of opportunities increases the benefits to all Victorian energy users, as well as the individual customers upgrading their appliances.

However, we are disappointed that the proposed activities would remove gas-fired clothes dryers. While gas-fired clothes dryers have not been taken up in the scheme, they remain a customer option for improving energy efficiency and reducing emissions. We believe this benefit should continue to be recognised through a deemed activity under the scheme.

State and Commonwealth policy coordination

We remain concerned that the VEET provides incentives to appliances that are also included in the Commonwealth Government’s renewable energy target (RET), adding unnecessary costs to customers. We consider the VEET should only incentivise activities that are in addition to those incentivised by another scheme, and thereby avoid a misallocation of resources.

For example, electric heat pumps benefit from a double incentive by receiving both small-scale certificates under the RET and VEET certificates. This puts gas appliances at a disadvantage despite offering lower cost, higher reliability and better environmental outcomes, and effectively encourages customers to install appliances that are not in their long term interests.

Once again, I thank you for the opportunity to comment on the RIS on the VEET Regulations. We look forward to continuing to work with the Department in supporting the scheme, and encouraging the uptake of appliances that improve energy efficiency for customers, and reduce emissions for all Victorians.

Should you require any additional information please contact Drew Pearman, Manager Policy and Government Relations on 08 9223 4341 or email drew.pearman@agig.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Craig de Laine". The signature is fluid and cursive, with a period at the end.

Craig de Laine
General Manager People and Strategy