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Dear Arek,

Ausgrid submission on Jemena Gas Networks (NSW) Ltd (JGN) access arrangement proposal from 1 July 2025 to 30 June 2030 (2025-30 period)

Ausgrid is pleased to provide this submission to the Australian Energy Regulator (**AER**) in response to JGN's access arrangement proposal for the 2025-30 period and the AER's *Issues Paper on Early Signal Pathway Expectations* (**Issues Paper**).

The timing of JGN's proposal coincides with a critical juncture in the energy transition. As the sector navigates these changes, there are interdependencies between gas and electricity that can impact the pace of decarbonisation and the total energy bill outcomes for customers. We encourage the AER to take a 'whole of energy system' approach to reviewing JGN's proposal that considers these interdependencies and the efficient substitution possibilities between gas and electricity.

Electrification brings down customer bills and lowers emissions

Fast, efficient electrification is in the long-term interest of all energy users in NSW. Greater utilisation of electricity grids, from customers switching from gas to electric appliances, lowers the average cost of electricity networks, with the savings passed onto customers through lower volumetric tariffs. It also unlocks emission reduction benefits in line with the recently amended National Energy Objectives (**NEOs**).

Energy Consumers Australia (**ECA**) has identified significant cost savings from electrification. In its 'Stepping Up' report the ECA concluded that 'overall, households that can invest in efficient, all-electric homes save significantly compared to households that can't or don't'.[1] ECA has projected household savings of up to $1,250 p.a. from solar-battery ownership, representing a gas 'substitution possibility'.

The bill savings and emission reduction benefits from electrification should be incorporated into the AER's assessment of JGN's proposal. In taking a 'whole of energy system' approach, we recommend that the AER considers the prudence and efficiency of new connections to JGN's network against the benefits of full electrification of homes and businesses in NSW. The substitution possibilities between gas and an electricity grid powered by 82% renewable generation by FY30[2] should also be considered when the AER assesses JGN's proposal to invest in renewable gas.

Scenarios and demand forecast for JGN's services must be linked to AEMO's ISP

The AER should consider how JGN's demand forecast links to the Australian Energy Market Operator's (**AEMO**) 2024 Integrated System Plan (**ISP**). JGN have described how they designed their own forecasts, but have not clearly articulated the rationale behind deviating from AEMO's scenarios.

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[1] ECA, Stepping Up: A smoother pathway to decarbonising homes, August 2023, p.14.
[2] Included in the AEMC's 'Target Statement' that the AER is required to consider under the amended NEO

Electrification inputs in the 2024 ISP are generated by a 'whole-of-economy' model called 'AusTIMES' that allows for cost-optimisation across power generation, transport, industry and buildings sectors to meet national decarbonisation objectives. AusTIMES can model electrification and renewable gas simultaneously when assessing least cost decarbonisation activities and this led to the following conclusions in the 2024 ISP:

- Natural gas use in the residential and commercial sectors approaches zero by 2050 in all ISP scenarios.
- Renewable gas sources of hydrogen and biomethane are modelled in low quantities for the majority of scenarios (typically less than 10% by volume for each).
- For hydrogen blends greater than 10%, the need for gas network upgrades and customer appliance upgrades increases.
- Despite the greater incentives for biomethane uptake in the most accommodative scenario, the economics of biomethane see it remain as a much smaller driver of the decline in natural gas demand when compared with electrification.

We consider the multi-sector energy modelling analysis which AEMO applied in its 2024 ISP would be the most appropriate resource to test JGN's forecasts and scenarios, including with respect to renewable gas. The impact of gas supply shortages from FY28,[3] as modelled by AEMO in its Gas Statement of Opportunities, should be considered as well. In particular, the AER should consider whether this supply crunch leads to higher gas prices that ultimately may drive more customers off JGN's network.

Customers seeking to exit gas should not face large financial barriers that risk safety

High gas abolishment fees could act as a financial barrier to electrification. They could also put safety at risk if they lead to a large proportion of customers avoiding full disconnection, even though they no longer use gas at their home or business. To address these issues, we support the AER's two-part cost recovery structure for abolishment fees that cap abolishment ancillary reference service tariff at about $220, and then socialises the balance of the associated costs across haulage tariffs.

We look forward to continued engagement with the AER on JGN's proposal and encourage the AER to seek the views of a broad range of stakeholders to identify the long-term interest of customers across gas and electricity. Please contact Shannon Moffitt, Regulatory Strategy Manager, on [redacted] or [redacted] if you would like to discuss this submission.

Regards,

[redacted]

Timothy Jarratt
Group Executive Market Development and Strategy

[3] AEMO, 2024 Gas Statement of Opportunities, March 2024, p. 4.