

Gas distributors Access Arrangement 2023-2028

Public forum: Initial proposals

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This project was funded by Energy Consumers Australia (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

Overview

- Stakeholder engagement
- Accelerated depreciation
- Capex
- Hydrogen expenditure
- Opex step changes

Stakeholder engagement

- Coordinated approach supported stakeholder engagement
- Knowledge sharing and information supported informed engagement
- Did not reach a consensus regarding proposals

Accelerated depreciation

1. Victoria's Roadmap has not caused the stranding risk
2. Can't be relied on to manage future consumers' risk
3. Planning is needed to address the challenge of the transition

Vic Gas Roadmap has not caused stranding risk

‘the Roadmap narrative is strongly biased towards electrification, for at least the medium term.’

‘The stranding risk that our gas network faces has materially increased under the Roadmap. The scenarios where the network would not end up stranded are now less likely to occur.’







ASG post-GSR Proposal Addendum



Vic Gas Roadmap is not to blame

1. Primary drivers of stranding risk:
 - a) Gas has become uncompetitive for many customers (cost)
 - b) Electrification offers emissions reductions
 - c) Forecast possible gas supply shortages
2. Measures to support consumers to electrify are not 'biased' against a hydrogen pathway, given the urgent need to address issues facing Victoria associated with natural gas
3. Roadmap can't be assumed to be the 'cause' of rapidly changing consumer sentiment recorded by networks – the energy crisis also a likely cause

The substitution roadmap is not to blame

Current challenges associated with natural gas:	Timescale:	Does electrification assist on this timescale?	Does reticulated gas assist on this timescale? (Networks anticipate hydrogen readiness by 2050 , or by 2040 as a stretch)
Possible peak day shortfalls	2023 – 2026 (2022 GSOO)	 'Step Change' electrification rate avoids near term shortfalls	
Risk of high gas wholesale costs	Ongoing		
Emissions – energy sector must decarbonise by:	2020s (for 1.5°C) Australia is net zero by 2035 under a 1.5°C scenario 2020s - 2030s (for 2°C) Australia is net zero by 2050 under a 2°C scenario, but energy is prioritised to decarbonise first	 Electrification prioritised as a favourable opportunity in most decarbonisation models	

We can't rely on accelerated depreciation to reduce future consumers' risk

Figure 3.1: Residential distribution (volumetric) price per GJ Growth Index

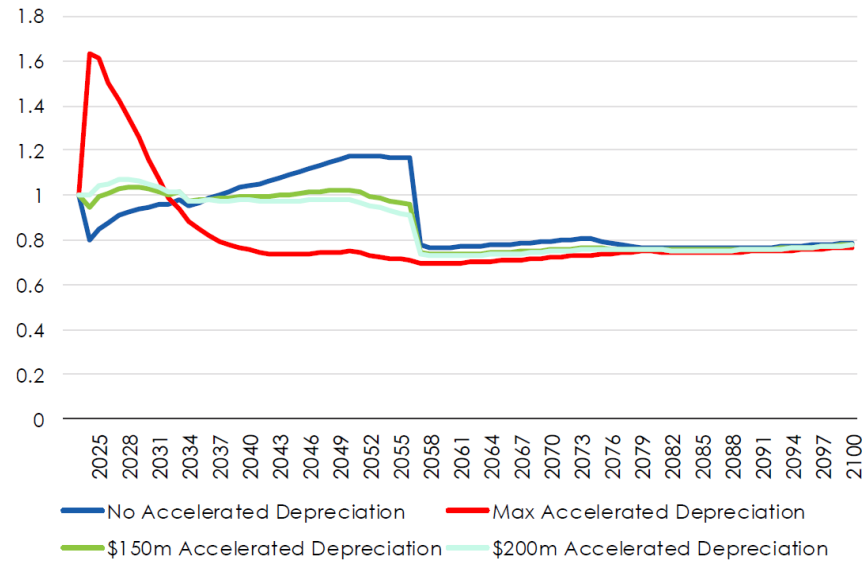
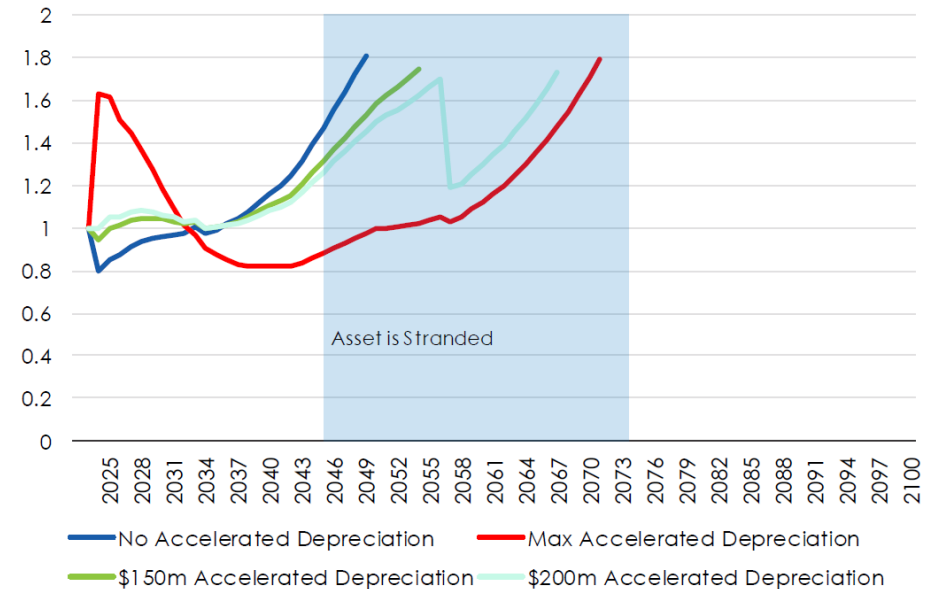


Figure 3.2: Residential distribution (volumetric) price per GJ Growth Index



Proposed expenditure

- BAU approach to capex
 - minor augex reductions post GSR, based on revised demand forecast only
- Substantial mains replacement: MGN - \$408m, ASG \$134m
- AGIG – retained hydrogen readiness expenditure
- New opex programs proposed

Proposed abolishment fees

- AGN has proposed \$950 for new abolishment fee, compared to their meter removal fee of \$124m
- Multinet has proposed \$950 new abolishment fee, compared to their meter removal fee of \$72

New abolishment service:

Cut and cap of the service within the street and removal of all above ground assets (meter etc).

- Ausnet has proposed \$825 for their meter removal fee (including abolishment), compared to a disconnections fee of \$65

We do not support hydrogen readiness expenditure

1. Undemonstrated benefits
2. Total costs (including H2 production, total distribution, transmission network costs) are unclear
3. Limited emissions reductions of blends proposal

Renewable gas education shouldn't be funded

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Industry experts agree that this is the decade that our homes will be defined by

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Priority Services Program should not be funded

We appreciate the network's initiative in exploring the possibility for a Priority Services Program, but encourage them to establish a program that does not require additional funding

Conclusion



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