



darebin climate action now
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Submission to the Australian Energy Regulator

Gas Tariff Review

(Full title): *Review of gas distribution network reference tariff variation mechanism and declining block tariffs*

Prepared for Darebin Climate Action Now (DCAN)

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Background

Darebin Climate Action Now (DCAN) is a local not-for-profit organisation of City of Darebin residents of diverse ages and backgrounds who are concerned about the climate emergency. We work to educate ourselves and members of our local community about its causes and the required responses, and actively encourage all three levels of government to adopt the policy changes that are now urgently needed to ensure a safe climate future. Over 4,500 DCAN supporters have taken action in support of a stronger Government response to this crisis.

DCAN is committed to a socially just transition to a zero carbon economy. We recently led the formation of the Darebin Climate Alliance, which includes 25 local groups concerned about achieving a safe climate future for everyone. These groups include community houses, community gardens, 'Friends' of parks and creeks, and sustainability groups. DCAN was a stakeholder partner in the Metropolitan Community Power Hub which worked to facilitate the uptake of renewable energy and energy efficiency measures by local households and businesses. We recently convened a meeting with Darebin Council officers and the Earthworker Smart Energy Cooperative on promoting energy efficiency measures for low income households.

Our submission responding to the Issues Paper for stakeholder feedback

DCAN acknowledges the responsiveness of AER to stakeholders concerned about the gas distribution system and its relationship to social justice and the climate emergency.

We note also that AER is focused on designing a regulatory framework that is consistent with the energy and climate objectives of Commonwealth and State Governments.

It is unfortunate that AER does not yet have an official mandate to make these objectives, including the National Gas Objective (NGO), central to its deliberations. The discussion paper arguably would be stronger if it was able to do so. The objectives are diminished in practice because AER has to deal with them under 'any other relevant factor' under guidelines in clause 97 of the National Gas Rules (NGR) because the agreed changes to the NGO that have not yet been legislated.

We argue that Clause 97, amongst others, in the NGR needs a root-and-branch review in light of the proposed change to the NGO. The available options for setting the reference tariff mechanism, the variation mechanism and the matters to be considered for variations were designed for a different era. We cannot anticipate how the options might change - but they surely will need to do so in order to support a rapid energy transition.

DCAN recommendations

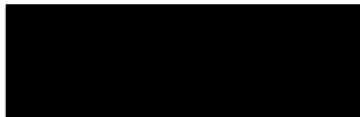
DCAN proposes that the ruling of AER on distribution tariffs be specifically recognised as being for the short-term, pending a more thorough review of tariff setting in light of the new NGO, and the likely rapid decline of gas use in the next few years.

On the matters on which AER is seeking input, DCAN reiterates our opposition to declining block tariffs and any mechanism that has the potential to increase demand.

In principle, we support higher charges for greater gas use i.e. inclining block tariffs, above any other measure, but only if accompanied by measures to protect low-income people who cannot easily reduce their gas use. Many such people are renters or low-income owners of old energy-inefficient houses.

We urge AER to investigate the potential to use the tariff mechanism to incentivise distributors to work assiduously to lower gas bills, especially for the vulnerable. We note that AGL now has schemes in place to help owner-occupiers to electrify - they and other gas distributors and retailers should also be targeting landlords and owner-occupiers for energy efficiency upgrades. There is little point in electrifying an old leaky house!

DCAN is also concerned about any shift in regulating gas distributors away from price caps to volume controls on gas. This is a means for distributors to shift risk away from themselves in a declining market. In this regard, we encourage AER to press for a root-and-branch review of the revenue and pricing principles in the National Gas Law - they are not fit for purpose.



Prof Ann Sanson
Convenor, Darebin Climate Action Now

