

28 November 2018

Energy Security Board

Via email: info@esb.org.au

Response to Consultation on Proposed Metrics for Strategic Energy Plan

To Whom It May Concern:

I thank the Energy Security Board (ESB) for the opportunity to comment on the proposed metrics for the strategic energy plan.

Australian Gas Infrastructure Group (AGIG) is one of Australia's largest utility businesses. Our assets include gas distribution networks in Queensland, Victoria, South Australia and New South Wales, and gas transmission pipelines and gas storage facilities located in most states and territories in Australia. We serve almost 2 million customers, with 34,000km of distribution networks and over 3,500km of transmission pipelines.

The strategic energy plan represents an important step towards further improving Australia's energy markets. The Government has in recent years taken a number of steps in this direction. For gas transmission pipelines and distribution networks this includes a range of reforms which have seen greater transparency, customer protections and regulatory oversight.

We support further efforts to understand the effect of, and improve on, recent reforms, particularly with a focus on improving customer outcomes, achieving emissions reductions across the economy, and improving liquidity and transparency in gas markets. Therefore, we support the overarching approach outlined in the consultation paper. Specific comments on a number of the proposed metrics are included in Attachment A. In this letter I will briefly address some overarching concerns.

It is important the metrics adopted reflect the differences between electricity and gas markets. Problems of transparency and liquidity in wholesale gas markets have been recognised in the Australian Competition and Consumer Commission's ongoing gas market inquiry and require a distinct approach to that which is applied to electricity markets. The focus of metrics in this area should be on forward markets rather than spot prices. In this regard, AGIG has proposed a market making mechanism, which would impose obligations on large gas sellers to help improve transparency and liquidity in gas markets. The metrics adopted need to provide further information to help improve these issues.

There are also more limited opportunities in gas markets for retailers to provide customers with data on their gas usage because of the costs associated with gas smart meter technology. The metrics for gas markets therefore need to reflect these differences and avoid simply replicating those for electricity.

On the other hand, electricity and gas sector emissions are closely interrelated. Choices within households, for example choosing gas space and water heating over electric, can in many cases reduce emissions today. In the future, hydrogen produced using renewable electricity and stored in gas networks, will be highly integrated with electricity networks, providing a key source of interseasonal storage. Therefore, the targeting and measurement of emissions reductions should enable electricity and gas sector emissions to be considered in aggregate or we risk locking in inefficient solutions.

Furthermore, the metrics adopted should maximise the use of existing data. This includes a significant amount of material reported on customer issues, safety, reliability and network regulation. This includes extensive new disclosures for gas pipelines and networks under recent reforms to National Gas Law and National Gas Rules. The ESB should work closely with the Australian Energy Regulator (and Economic Regulation Authority in WA) as well as state-based regulators to limit any duplication and maximise the consistency with existing disclosures.

Once again, I thank the ESB for the opportunity to comment on the proposed metrics for the strategic energy plan. 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'.

Craig de Laine

General Manager People & Strategy