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APGA Submission to the ESB

Consultation on Proposed SEP Metrics

28/11/2018

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Introduction

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to comment on the ESB's draft metrics to assess the outcomes and objectives of the Strategic Energy Plan.

APGA is the peak body representing the owners and operators of Australasia's gas pipeline infrastructure. Our member businesses deliver all of the gas used in Australia.

APGA's comments will be limited to general high-level aspects of the metrics, with a specific focus on those of relevance to gas.

Key Issues

Consultation question: What are stakeholders' views on the proposed metrics outlined in Attachment A? Are there more preferable metrics, and why?

- The metrics used should be clear and achievable. They should not be open-ended or dependent on variables that are beyond the control of the energy sector.
 - However, many of the proposed metrics are directional in nature (and therefore open-ended) and, as such, may not be achievable on an ongoing basis. They are also dependent on variables that are beyond the control of the energy sector.
 - For example, *Reduction in energy spend as a % of household income* is problematic in this regard. In practice, a point will be reached from which further improvement is no longer possible or practicable.
 - Also, variables like 'household income' depend primarily on economic factors beyond the scope of the energy sector. A change in the ratio of energy spend vs household income could be unrelated to the performance of the energy system.
- Other proposed metrics that are too open-ended / directional include:
 - *Market concentration continues to decline across all regions;*
 - *Increase in new market participants year on year.*
- Where applicable, the metrics used should also be technology neutral.
 - For example, *Energy efficiency, solar and/or storage programs implemented in public housing where cost efficient* specifies a preference for solar technology. A better phrase than "solar" might be "low carbon" or "zero carbon" to ensure new and emerging energy technologies (e.g. hydrogen) also fall within the purview of this aspect of the Strategic Energy Plan.
- APGA supports the proposed metric *Gas system operates securely within technical operational parameters.*
- More detail is needed with regard to the proposed metric *Electricity and gas sector emissions reduce in line with the sectors' share of national emission reduction targets.*

- APGA supports the need for robust climate change policies. However, we note that greenhouse gas emissions from natural gas (for direct household use and power generation) are already significantly lower than those from other energy sources such as coal fired electricity generation. It is important that such relativities are taken into account.
- Proposed metric: *Retail and wholesale prices over time (contract and average spot) reflect the long-run marginal cost of producing electricity and gas*
 - More detail is needed. As written, the proposed metric does not appear to allow for a reasonable rate of return on investment.
- Proposed metric: *Increase in gas secondary trading volumes, for commodity and transportation*
 - APGA notes that provision for secondary pipeline capacity trading is already being made in the Capacity Trading Reform Package currently being implemented by AEMO. However, whether this ultimately leads to an increase in secondary trading volumes depends on the level of market demand for this service.
- Proposed metric: *Increased transparency in gas transport costs*
 - The implementation of comprehensive new information disclosure obligations for non-scheme pipelines by the AER was completed at the end of October this year. Further increases in the transparency of gas transport costs in Australia are therefore likely to be impractical.

Summary and conclusion

APGA again thanks the ESB for the opportunity to comment on the proposed metrics.

However, we are concerned that many of the proposed metrics are directional / open-ended and may depend on variables over which the energy sector has no control. In some cases, the proposed metrics are also confusing and will require additional detail.

In our view, it would be beneficial for the ESB to revise the proposed metrics in collaboration with industry and other stakeholders to ensure that the end result is a set of metrics which are broadly understood and stakeholders can work positively towards achieving. We note that the Energy Charter could play a strong role in this regard as a key vehicle for a group of businesses focussed on driving positive, customer-focused change in the energy sector.