



EnergyAustralia

LIGHT THE WAY

12 October 2022

Ms Anna Collyer
Ms Sally McMahon
Mr Tim Jordan
Mr Charles Popple
Ms Michelle Shepherd
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 9060 0000
Facsimile +61 3 9060 0006

enq@energyaustralia.com.au
energyaustralia.com.au

Submitted electronically: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Commissioners

AEMC review into extending the regulatory frameworks to hydrogen and renewable gases

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory, of which around 22k customers are supported under our hardship program (EnergyAssist). EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia supports and is leading in efforts to enable deep decarbonisation pathways, particularly projects that test the prospects of hydrogen and biomethane for applications dependent on the ongoing use of gaseous fuels, where electrification is not feasible. We are developing the 300MW Tallawarra B power station expansion which involves a commitment to buy 200,000kg of hydrogen per year from 2025 to offset the plant's residual scope one emissions. We have also partnered with AGIG in its HyP SA project where a small number of our customers will be supplied a gas blend of up to 5 per cent renewable hydrogen.

EnergyAustralia welcomes the opportunity to comment on the draft rules, while we accept the AEMC's desire to seek views solely on the draft rules, we strongly believe there is merit in the AEMC considering our response to the final decision, and for subsequent amendments to be considered.

The AEMC's final decision created the following requirements for customer notification regarding the inclusion of hydrogen and renewable gases:

- *require a distributor to notify retailers and AEMO prior to a change to the type of gas that may be supplied to customers in a pipeline or part of a pipeline;*
- *require a retailer, following receipt of a transition notice from a distributor, to notify their small customers in the relevant pipeline that the type of gas that may be supplied to those customers is changing;*

- *amend the model terms and conditions for standard retail contracts and market retail contracts to require retailers to specify the type of gas that may be sold and supplied by retailers under the contract; and,*
- *require retailers to indicate, in historical billing information provided to a customer in relation to gas, whether the gas sold and supplied to the customer has changed in the historical billing period.*

These requirements were primarily supported by the AEMC as a safeguard to ensure customers are adequately protected following the inclusion of hydrogen and renewable gas. The development of new markets and offerings to facilitate the energy transition and a blended gas future will require new and updated customer protections; however, EnergyAustralia does not believe the final decision's customer notification requirements are the ideal format for providing these protections, and we do not support these changes for the following reasons:

1. The AEMC expressed throughout the review that changes to gas specification and liability, heating values, settlements, unaccounted for gas, and metering, were not necessary/required as the review was considering the inclusion of hydrogen and renewable gas as a 'natural gas equivalent'. The AEMC's final decision specifies that *'It has not considered the changes to the NERR that might be required if the NERL was extended to covered gases that are not suitable for use in customers' existing appliances'*, this position seems to contradict the notification requirements, which have been imposed to ensure customers are safeguarded from any potential negative impact from the inclusion of hydrogen or renewable gases.

EnergyAustralia is unsure how the AEMC can be assured the regulations for gas specifications and liability, heating values, settlement, unaccounted for gas, and metering, remain fit for purpose due to hydrogen and renewable gas being a 'natural gas equivalent' yet requires notification to customers to safeguard against a potential risk from this inclusion of this blended gas. EnergyAustralia believes the AEMC should not have made a final decision on the changes to the regulatory framework if it was unsure about the actual impacts of blended gases, as any potential risk that requires notification to customers (billing or appliance implications) would also impact the regulations of gas specification and liability, heating values, settlements, unaccounted for gas, and metering.

2. The Commission's final decision considered retailers are *'best placed to communicate with customers as they manage the customer relationship'*. While we provided support for retailers being a conduit for this information in our submission, and we agree that customers mainly interact with retailers regarding their energy, we have since developed a more realistic understand of who will be responsible for the inclusion of renewable gases (particularly within the timeframe these notifications will be provided to customers), and the party that will be best placed to address any concerns or queries that arise. As such, we do not believe we are, or should be, the source of this information to customers.

Currently, retailers are not the only source of energy related information to customers, distribution networks provide outage notification directly to customers, as they are responsible for the outage and best placed to handle any queries or complaints that customers may have. We believe notifying customers regarding the inclusion of hydrogen and renewable gases should be the remit of the distribution networks, as they will be the responsible party for the inclusion of blended gases through the trials they are conducting, and they are the only party able to address any concerns raised by customers.

3. Changes to our historical billing systems to reflect the initial date of blended gas inclusion and the increased OPEX for mail out requirements and the handling of customer queries and complaints, will create significant costs imposed on retailers. This additional expense incurred by retailers will not be driven by a retailer desire to be the shipper of hydrogen or renewable gas, as this is not expected to occur until the hydrogen price becomes economically viable (2030 at a minimum). EnergyAustralia believes it is inequitable that in a competitive market, monopoly distribution networks exploring a new business model, will result in retailers incurring additional expenses and customers the associated price increases.
4. *'The Commission recommends that the commencement of the rules to implement the final recommendations above should be delayed by three months from the date the rule is made (the effective date)'. While we commend the AEMC for considering the implementation requirements of retailers in their final decision, we are disappointed a timeframe was determined without any information being sought from retailers on what implementation timeframe was plausible.*

Changes to billing systems to reflect the inclusion of blended gases, communication methods between networks and retailers to notify of the inclusion, internal process changes, updates to terms and conditions, and training requirements are complex changes, and EnergyAustralia does not believe implementation will be possible unless 18-months is provided following the publication of the final rules. This is due to retailer's IT and project management workforce involvement in existing regulatory reforms (CDR, Better Bills, ESB 2025, etc), and the timeframe required to develop the communication methods and format for networks to provide this information to retailers (particularly if this information is to be shared via AEMO's B2B framework).

5. The requirement to include an indicator in historical billing information, to reflect when a customer initially received a blended gas, will not provide any information as to whether they are continuing to receive a blended gas, how much they were/are currently receiving, and/or the types of blended gas they have received. As such, EnergyAustralia believes this indicator will provide no benefit to customers, and therefore there is no justification for its cost to implement or the likely increase in concerns/complaints that will arise from its inclusion.

Drafting issues

1. The drafting of *Part 8B 147F (2) (a)* requires a retailer to advise a customer >5 business days before the transition to a blended gas; however, *Schedule 3 (4) (1)* removes the obligation for networks to notify a retailer if a customer was receiving a blended gas before the effective date. This clause would create compliance issues as it is unclear how customers that are receiving a blended gas, which are not always aware of this (e.g. not part of a trial), will be notified.

4 Transition notices

- (1) A distributor is not required to provide a notice under new subrule 147D(1) in relation to a change of gas type that occurred before the effective date.

(2) A notice under subrule (1) must:

- (a) be provided not less than 5 business days before the transition date specified in the notice from the distributor under subrule 147D(1); and

2. *Division 7 49B (1) (a) & (b)* requires retailers to update our terms and conditions to notify customers regarding the type or gas and the primary gas in a composition of blended gases. As the composition of the blend of gases in the distribution network will change frequently, this would require retailers to update their terms and conditions at an unreasonable frequency; likely daily. Furthermore, retailers are not aware of which is the primary gas in a gas blend, as this information isn't available at a specific customer/address level or clear at a distribution network level.

Retailers are only able to know how much they have contracted/shipped hydrogen or renewable gases, and they are, in most cases, unable to confirm which of their customers are receiving a blend and the composition of it. EnergyAustralia believes this clause should be limited to advising that a natural gas equivalent blended gas may be received, and that there should be no requirement to update the terms and conditions following fluctuations in the composition of the gases received.

49B Notification of gas type (gas only)

- (1) Subject to subrule (2), a retailer must include, as a minimum requirement in relation to the terms and conditions of a market retail contract, the following information:
- (a) the type of gas that may be supplied under the market retail contract; and
- (b) if the type of gas that may be supplied under the market retail contract is a gas blend, the primary gases that are blended together to make the gas blend.

Note:

The type of gas that may be supplied through a distribution system could be a primary gas (for example, biomethane) or a gas blend made up of two or more primary gases (for example, a blend of natural gas and hydrogen).

- (2) Subrule (1) does not apply if the only type of gas that may be supplied under a market retail contract is natural gas.

If you would like to discuss this submission, please contact me on 03 9060 1361 or Travis.Worsteling@energyaustralia.com.au.

Regards

Travis Worsteling

Regulatory Affairs Lead