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New energy products and services
Australian Energy Market Commission (AEMC)
Via online submission

To whom it may concern

Consumer protections in an evolving market: new energy products and services – 2020 retail energy competition review

Australian Gas Infrastructure Group (AGIG) is pleased to provide a response to the discussion paper on new energy products and services as part of the retail energy completion.

In particular we wish to emphasise that the *National Energy Retail Law* (NERL) provides consumer protections for the sale of energy, and therefore needs to evolve in response to innovation across all forms of retail energy, not merely for electricity. We note that innovation is already occurring in the retail of natural gas, including increasing use of embedded networks, and a rapidly growing range of hydrogen and renewable gas projects.

After briefly introducing AGIG our responses will focus on the evolving energy market, specifically the need to allow innovation within gas markets, products and services, and the application of consumer protections to embedded networks.

About AGIG

AGIG is one of Australia's largest gas infrastructure businesses and combines the operations of Multinet Gas Networks (MGN), Australian Gas Networks (AGN) and Dampier Bunbury Pipeline (DBP). We have over two million customers across every Australian mainland state and the Northern Territory. Our assets include 34,000km of gas distribution networks, over 4,000km of gas transmission pipelines and 57PJ of storage capacity.

We are also at the forefront of the emerging hydrogen industry in Australia. At Hydrogen Park South Australia (HyP SA), we expect to deliver a 5% green hydrogen gas blend (by volume) to around 700 customers in the Adelaide suburb of Mitchell Park by mid-2020.

Through the Australian Hydrogen Centre (AHC) we are developing blueprints to decarbonise gas distribution networks in Victoria and South Australia including feasibility studies for 10% blending and 100% hydrogen networks in each state.

Evolving energy market

We note that the discussion on the evolving energy market is largely limited to existing developments in electricity markets. We believe it is important that reviews of this type consider issues related to broader energy market as regulated under the NERL, including gas markets.

The gas sector is undergoing a significant transformation driven by technology, emissions policy and customer preferences. Within Australia the National Hydrogen Strategy, CSIRO Hydrogen Roadmap and various other reports have noted the significant potential for hydrogen to play a substantial role in domestic energy markets.

In the initial stages, the emergence of renewable gases of various types is likely to occur as an alternative to natural gas delivered through gas distribution networks and sold by retailers. Renewable hydrogen, as an energy storage medium and additional source of revenue for renewable electricity, is likely to one of those. However, the products, markets and services for renewable gases is evolving, with the long term outcome likely to result in greater integration of electricity and gas markets. For

example hydrogen powered fuel cell vehicles, and fuel cells embedded within local distribution networks and buildings, will produce electricity to sell into the electricity market or provide network stability and reliability services.

This vision is already coming to fruition through projects like HyP SA which will provide a blend of hydrogen and natural gas to customers on our SA distribution network. In order to meet ambitious emissions reduction targets adopted by state and territory governments across the country we anticipate this type of activity will accelerate rapidly.

Renewable gases will benefit from many of the innovations already occurring within the electricity sector, including power-purchasing agreement (PPAs) and to some extent the treatment for battery storage. Nonetheless the business models, products and services that will emerge are undefined. Therefore, it is vitally important that as consumer protections evolve an appropriate balance continue to be struck that protects consumers while enabling innovation.

For hydrogen and other renewable gases, we believe that the National Hydrogen Strategy's recommendation to review the application of hydrogen under the *National Gas Law* should form the sole mechanism through which consumer protections for hydrogen are considered. This review will allow for detailed consideration of hydrogen's potential development over time to achieve a balance between innovation and consumer protections.

Nonetheless, this current AEMC review should be explicitly cognisant of emerging energy products and services outside of the electricity sector. Given that the NERL does not provide a definition for the "sale of energy", any final recommendations must consider any potential adverse consequences to innovation outside of electricity retail markets.

Application of consumer protections – embedded networks

Embedded networks are one area of innovation where gas customers do not have equivalent protections to those currently in place or proposed for electricity customers. Gas embedded networks are becoming increasingly common and present various risks to consumers. Despite their growing importance, customers on gas embedded networks are subject to varying state based protections – from limited exemption arrangements in some states, to more fulsome retail competition in others.

Gas embedded networks were not considered in detail in the AEMC's review updating the framework for embedded networks – with the AEMC to review the framework at some point in the future. As noted in our submission to the embedded network review, we support the principle that embedded gas networks and on-selling retailers be registered so that customers "be provided the same protections, access to retail market competition and regulatory oversight as standard supply customers".

On this basis we supported the AEMC's recommendation to review the arrangements for gas networks. We suggest this happen as soon as possible so that gas customers on embedded networks are afforded the same or equivalent protections as customers on embedded electricity networks.

Once again, we thank you for the opportunity to respond to the discussion paper. We would welcome any further opportunity to discuss any aspect of our submission.

Should you have any queries about the information provided in this submission please contact Drew Pearman, Manager Policy and Government Relations (drew.pearman@agig.com.au, 0417 544 731).

Yours sincerely,

Craig de Laine

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