



# Victorian community organisations' submission to gas distributors' initial proposals: 2023–2028 Access Arrangements

## 1 Introduction

Our organisations represent a diverse range of Victorian households, including those on low incomes or at risk of experiencing energy-related disadvantage. We thank the AER for the opportunity to provide a response to the Victorian gas distributors' access arrangements and the issues raised by the current process.

We make the following recommendations:

- The AER's consideration of the distributors' proposals should emphasise energy affordability for Victorian households, both in the near term and through the transition away from fossil gas.
- While we welcome the work to explore a Priority Service Program, we don't support additional revenue in this revenue period to fund this proposal.
- Consumers should not be charged for the distributors' proposed information campaign about alternative gases.
- Expenditure to accommodate a hydrogen blend in the network should not be funded.

## 2 Affordability

Access to affordable energy is critical for households: for many households in Victoria, gas currently fuels services essential for health and wellbeing.

Decisions made in the current access arrangement will determine prices over the next five years, and will also have implications for network costs into the future. Both short term and long-term price considerations are particularly important for the current access arrangements.

Higher prices in the near term will affect households dealing with a cost-of-living crisis, inflation, real wage decreases and rising interest rates, in an economy impacted by the disruptions of the pandemic. Consumers engaging through our organisations' frontline services are aware of and anxious about the prospect of continued increases in energy costs, driven by global fuel prices.

Over the medium and long term, increased network investment could increase the challenge of the transition away from fossil gas, and add to an asset base that is at risk of becoming stranded.

Both of these considerations mean that, efficient and careful network planning is particularly important for this access arrangement. A high standard of evidence should be required for increased capex or opex expenditure.

**Recommendation: The AER's consideration of the distributors' proposals should emphasise energy affordability for Victorian households, both in the near term and through the transition away from fossil gas.**

### 3 Priority Service Program

Victorian distributors ran a useful consultation process with stakeholders from the community energy advocacy sector, to explore the best design for a program to support vulnerable gas consumers. We appreciate their initiative, and the opportunity to comment on the proposal.

However, we don't support allocating additional funds for this program at this time. We feel that the consultation identified many improvements that could be incorporated within BAU, without additional funds. We are concerned about the impact of raising operational costs for all consumers.

**We therefore recommend the development of a zero-net-cost program that focuses on improved BAU services.**

Avoiding expanding the distributors' operations is appropriate given the networks' own identification of a stranding risk – and given the broad impact of the current cost-of-living crisis on many Victorian households.

During direct distributor consultation with consumers, consumers qualified their potential support of the proposal for a Priority Service Program, pending the outcome of engagement with the community sector.

Our advice, after engaging with the detail of the proposed program, is that there is not a demonstrated need for this step change.

In coming to this view, we note the potential challenges with the self-identification (and/or 'labelling') required for the proposed underlying Priority Service Register. Indeed, such a register appears to conflict with more recent approaches in policy, regulation and service approaches to engaging with vulnerability. These trends, illustrated by the ESC's [current Getting to Fair strategy](#), generally emphasise the need to reduce barriers to support. The proposed register would be put an onus on people to proactively register their needs.

Finally, we note that the distributors' Initial Proposals do not fully reflect the input we have made already through the process.

AGIG's Customer and Stakeholder Feedback Summary Tables have stated 'Most stakeholders support our proposal to introduce a Priority Service Program in Victoria. A few expressed the need to ensure effective safeguards are established when developing the Priority Service Register', and 'some question[ed] whether these activities should be funded through a step change'.

This statement does not accurately reflect the level of agreement from community organisations participating through the Priority Service Panel. After engaging with the detail of the proposal, the community sector organisations that have endorsed this submission were unanimous in their view that additional funding should not be allowed for the proposal.

AGIG also cites the participation of the Priority Service Panel in engagement regarding their proposal. However, our organisations were clear at the time of this engagement that our participation did not constitute endorsement – and we were in agreement at the end of this engagement that we did not support the proposal for a funded program.

**Recommendation: While we welcome the work to explore a Priority Service Program this proposal, we don't support providing additional revenue to fund this proposal.**

## 4 Renewable Gas Education Fund

AGIG networks have proposed a combined \$6m fund to educate consumers about renewable gases.

We don't support the allocation of additional funds for this purpose.

It is important for the Victorian community to have access to clear and unbiased information to inform the ongoing planning process that will be needed to manage a successful transition away from fossil gas.

The networks' proposed education program will detract from not contribute to this purpose, because they are not disinterested parties.

There is no equivalent funding for marketing of the alternative pathway of electrification.

This step change should not be funded.

**Recommendation: Consumers should not be charged for the distributors' proposed information campaign about alternative gases.**

## 5 Hydrogen expenditure

AGIG has proposed \$19m of expenditure to prepare the network to accept a hydrogen blend in 2030, while Ausnet Services has withdrawn the proposed hydrogen expenditure that was initially included in their draft plan, in line with consumer feedback.

The introduction of hydrogen blends was first proposed in the 2019 Australian Hydrogen Strategy<sup>1</sup>, as a means to increase local demand with the intention of driving down production prices for green hydrogen.

AEMC initiated a rule change review in 2021, to accommodate hydrogen blends and other alternative gases in the networks. However, this process makes it clear that the decision on the gases to be included in the network rest with jurisdictional governments. Victoria has not yet decided this, as was made clear in the Victorian Gas Substitution Roadmap.<sup>2</sup>

The proposal to invest to adapt the network for the broadscale transport of hydrogen is in opposition to the opportunity for residential loads to be electrified. The recently released Victorian Gas Substitution Roadmap<sup>3</sup> highlighted the advantages and opportunities of this pathway for households. If a substantial number of consumers do choose to leave the gas network, this risks increasing network prices for the remaining customers as the network becomes underused. In these circumstances, consumers do not benefit from measures to increase the asset base, by pursuing new and competing projects, such as hydrogen transport.

In addition, it is premature to invest in adapting the network to accommodate the introduction of hydrogen blends, while:

- there is no clear plan to manage Victoria's transition away from gas
- hydrogen development is in its early stages – and many proposed modes of hydrogen delivery would not require transport via the existing network (such as through fuel cells, or through local, small industrial networks.)
- the full network cost of the upgrades required to transport hydrogen blends, and 100% hydrogen, isn't known
- the assumed benefits of introducing hydrogen (to drive down green hydrogen production costs) have not been evaluated in any detail, or otherwise demonstrated

**Recommendation: Expenditure to accommodate a hydrogen blend in the network should not be funded.**

This submission has been prepared at the Brotherhood of St. Laurence on behalf of community organisations. For further information please contact:

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<sup>1</sup> DISER 2019, *National Hydrogen Strategy*, <https://www.industry.gov.au/data-and-publications/australias-national-hydrogen-strategy>

<sup>2</sup> DELWP 2022, *Victorian Gas Substitution Roadmap*, <https://www.energy.vic.gov.au/gas/victorias-gas-substitution-roadmap>

<sup>3</sup> DELWP 2022, *Victorian Gas Substitution Roadmap*, <https://www.energy.vic.gov.au/gas/victorias-gas-substitution-roadmap>

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