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ENERGY CONSUMERS AUSTRALIA SUBMISSION TO INFRASTRUCTURE VICTORIA'S INTERIM REPORT

Dear [REDACTED]

Energy Consumer Australia appreciates the opportunity to provide a submission on Infrastructure Victoria's Interim Report *Towards 2050: Gas infrastructure in a zero-emissions economy* which will contribute to the advice given to the Victorian Government as they plan to transition away from natural gas. We are pleased to see that the Government has engaged Infrastructure Victoria to provide independent advice on an issue that will be a key part of Australia's energy transition.

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the then Council of Australian Governments Energy Council in 2015, our vision is that consumer values, expectations, and needs are realised through a modern, flexible and resilient energy system. We advocate for a future Australian energy system that works for and benefits the households and small businesses who use it.

Energy Consumers Australia is aware of the significant challenge that Victoria faces in transitioning away from natural gas. The jurisdiction accounts for the highest use of gas in the east coast market¹, the majority of which is consumed by residential and commercial customers. This challenge is made clear in the results of our latest *Energy Consumer Sentiment Survey (ECSS)*² released in June 2021, which found that 73% of Victorians had not yet given any thought to switching from natural gas to alternatives. This number is higher than the national average of 69%, suggesting Victorian consumers, who use more gas than any other jurisdiction, are currently less likely to consider switching compared to other jurisdictions. Such a significant transition, away from natural gas, will incur significant costs that are likely to be passed on to Victorian consumers, regardless of the path chosen. Which is why consumers' motivations, abilities, and opportunities within this transition must remain central considerations in any decision making.

Consumers are motivated to be a part of the energy transition but feel they currently lack the information to do so.

The ECSS released in June 2021 found that 40% of Australian energy consumers believe that transitioning to renewable energy sources to help prevent climate change is either the most or second most important issue facing the energy system today. Research on Consumer Expectations³ from 2020 reported that consumers want to be a part of this transition but feel that they require more information to do so. This research also found that most consumers felt powerless by their lack of

¹ https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/1716/2544/4975/Victorias_Gas_Substitution_Roadmap_Consultation_Paper.pdf

² <https://ecss.energyconsumersaustralia.com.au/>

³ <https://energyconsumersaustralia.com.au/wp-content/uploads/Future-Energy-Vision-Forethought-Household-Full-Report.pdf>



knowledge of the energy sector. Consumers need to be empowered through information and a platform to have their voices heard.

We are pleased to see that Infrastructure Victoria has drawn upon our Consumer Expectations Research within their Interim Report. As outlined on page 33 of the Interim Report the research revealed that consumers are looking to governments to provide this information. Consumers believe that governments are primarily responsible for leading change and for constructing a long-term plan. The advice Infrastructure Victoria provides to the Victorian Government needs to include these results, as consumers want to be a part of the transition, they currently feel they lack the information to do so and are looking to governments to provide it.

What are the opportunities and barriers of the gas transition for Victorian consumers?

It is important to understand the barriers and opportunities different segments of consumers may face as Victoria moves away from natural gas. Currently, there is limited knowledge on consumer preferences and attitudes towards natural gas. We are pleased to see that Infrastructure Victoria has identified gaps in current knowledge about consumer gas preferences and attitudes. While we acknowledge that the question posed on page 33 of the interim report are all important, we also encourage Infrastructure Victoria to further investigate specific barriers such as low-income and different living contexts.

Low-income consumers may face disproportion barriers in electrification, upgrading of appliances for alternative gas, or energy-efficient upgrades. This may prevent them from participating in the transition early on and potentially expose them to increasing gas network costs over time. For consumers who rent, they may not have the authority to make household or business premises updates. Similar barriers may also exist for consumers who live in apartments or embedded networks. Understanding how consumers may be prevented from participating in the transition will help to ensure that all consumers have an equal opportunity to become involved and are not left behind.

Recent research released by the Digital Energy Future Lab at Monash University⁴ found that consumers were often reluctant to replace gas appliances before the end of their life. This was one of the key barriers to electrification. Often consumers who are considering upgrades or are currently making large energy investments are in specific phases of life. Our Consumer Expectations research from 2020, tracks consumers' relationship to energy as they go through life phases. We believe that energy policies and initiatives can be better targeted by understanding the impact that different life stages might have, such as prioritizing family needs over managing energy usage or what appliances to buy for a newly renovated home. These are times when consumers are more likely to be considering energy upgrades and initiatives are likely to be effective.

As mentioned above, education and access to information remain a barrier for consumers within the transition. This applies to the various transition pathways, such as electrification and alternative gases, suggested in Infrastructure Victoria's Interim Report. Electrification is a transition pathway well known to consumers, however, less information is available on alternatives such as biogas or renewable hydrogen. Consumers are making decisions now and need clear and unbiased information on the various pathways and how they will help Victoria achieve net zero by 2050.

How will the costs of the transition be spread equally?

Infrastructure Victoria's Interim Report calls for clear direction from the Victorian Government for gas network businesses to enable them to recover the costs of their investment in a shorter time frame if

⁴ https://www.monash.edu/__data/assets/pdf_file/0011/2617157/DEF-Future-Home-Life-Full-Report.pdf



need be. We would like to further emphasise this in the context of consumer costs. Victorian gas networks are currently commencing the process for their determination and access arrangements for the 2023-2027 period, due on January 1st, 2022. The AER State of the Energy Market report released in 2021 states that the current regulatory asset base for both transmission and distribution networks in Victoria is \$5.7 billion⁵. If the number of gas users starts to drop, how will this remaining cost be spread equally? Those who can afford the upfront costs of electrification may do so early on, leaving more vulnerable consumers burdened by the cost of the remaining gas network. The nature of the network determination and access arrangement process calls for action to be taken immediately to prepare and plan for the equal distribution of this cost.

As mentioned in [our submission](#) to the Victorian Governments Gas Substitution Roadmap Consultation Paper any decisions regarding the gas network must not be made in isolation of the electricity network. As the Interim Report details, space heating accounts for more than half of Victoria's household energy use. This means that gas usage is three times higher in winter. If the Victorian Government encourages consumers to electrify now how will this impact current electricity network infrastructure and consumer bills? We encourage Infrastructure Victoria to consider how this challenge can be planned for and managed by the government to prevent the risk of consumers burdened by both remaining gas infrastructure costs and increasing electricity bills.

The challenges raised above highlight the need to establish a social licence. Research commissioned by Energy Consumers Australia in 2020 developed a social licence framework⁶ in the context of the energy transition. A social license is the informal permission granted by stakeholders for government or institutions to undertake decision making on behalf of the energy consumer. Establishing a social licence is critical in the context of the gas transition in Victoria, where consumers will bear the burden of private costs from appliance or network upgrades. As Infrastructure Victoria acknowledges in the Interim Report, changing consumer behavior and social practices take time and we must start bringing consumers on this journey from the outset. There is still far to go as according to Energy Consumers Australia's ECSS June 2021 less than half of Victorians feel that the overall energy market is working in their long-term interests.

Thank you again for the invitation to make a submission to Infrastructure Victoria's Interim Report *Towards 2050: Gas infrastructure in a zero emissions economy*. Energy Consumers Australia is focused on working towards a future Victorian energy system that will benefit all energy consumers and we would be pleased to continue to engage with Infrastructure Victoria on this issue in the future. We look forward to the release of the final report in December. If you would like to discuss this submission further, please do not hesitate to contact [REDACTED] via email, [REDACTED]

Yours sincerely,

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⁵ <https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202021%20-%20Chapter%205%20-%20Regulated%20gas%20pipelines.pdf>

⁶ <https://energyconsumersaustralia.com.au/wp-content/uploads/Social-License-for-DER-Control.pdf>