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CEO
Energy Consumers Australia

Energy Consumers Australia:

- established by COAG Energy Council
- Company Limited by Guarantee
- aims to enhance consumer Advocacy
on National Energy market matters...
of Strategic Importance or Material Consequence for energy
consumers...
in particular residential and small business consumers

Object of the company

- To promote the long-term interests of consumers of energy with respect to the:
 - Price
 - Quality
 - Safety
 - Reliability, and
 - Security of supply of energy services

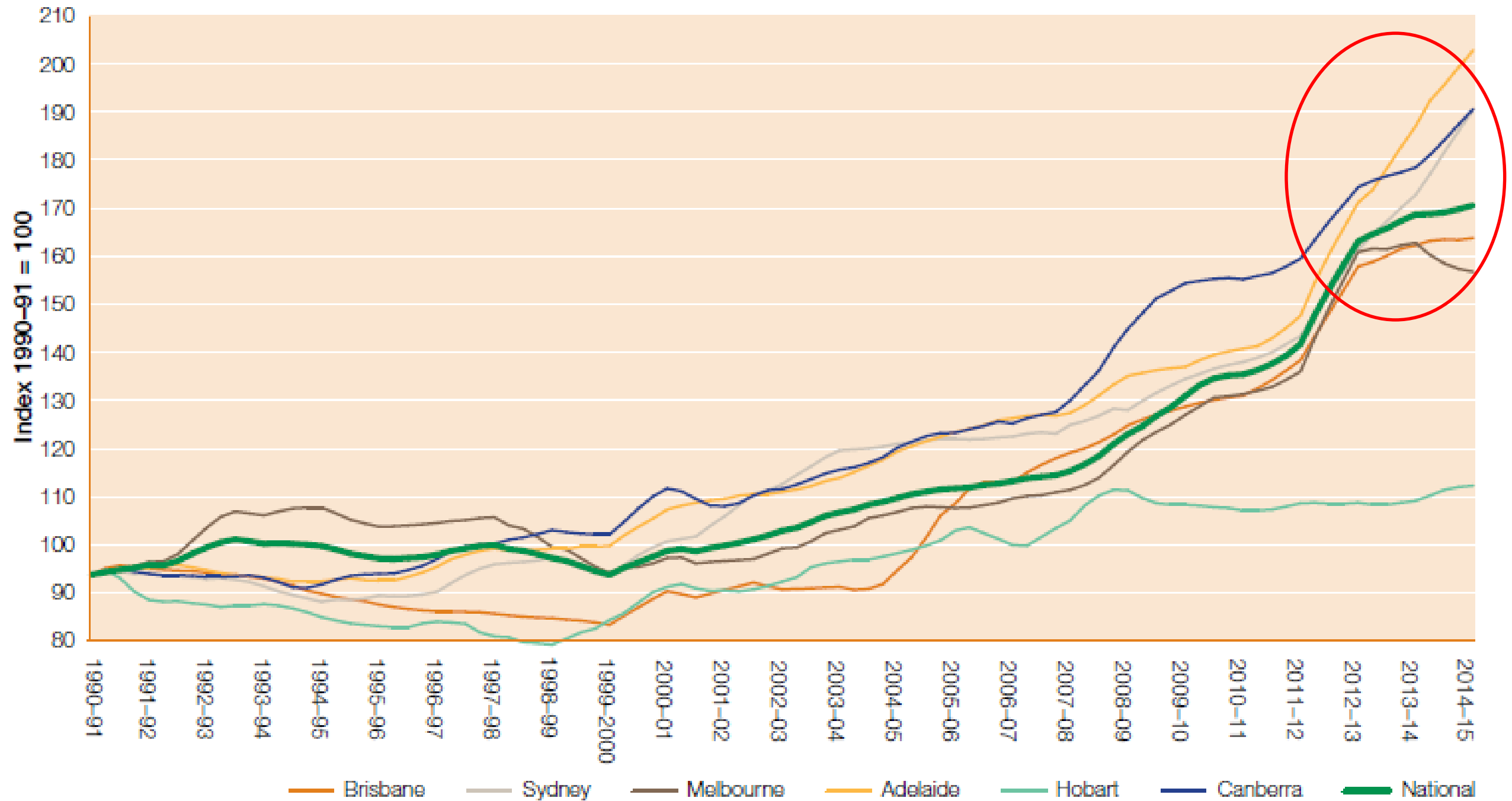
ECA will do this by....

providing and enabling
strong, coordinated, collegiate
evidence-based consumer advocacy
on National Energy Market matters of strategic
importance or material consequence.

Annual domestic gas consumption, by jurisdiction



Gas



ECA supports gas research and advocacy

St Vincent de Paul Society

- **Tariff tracker** follows changing energy costs over time

Major Energy Users Inc.

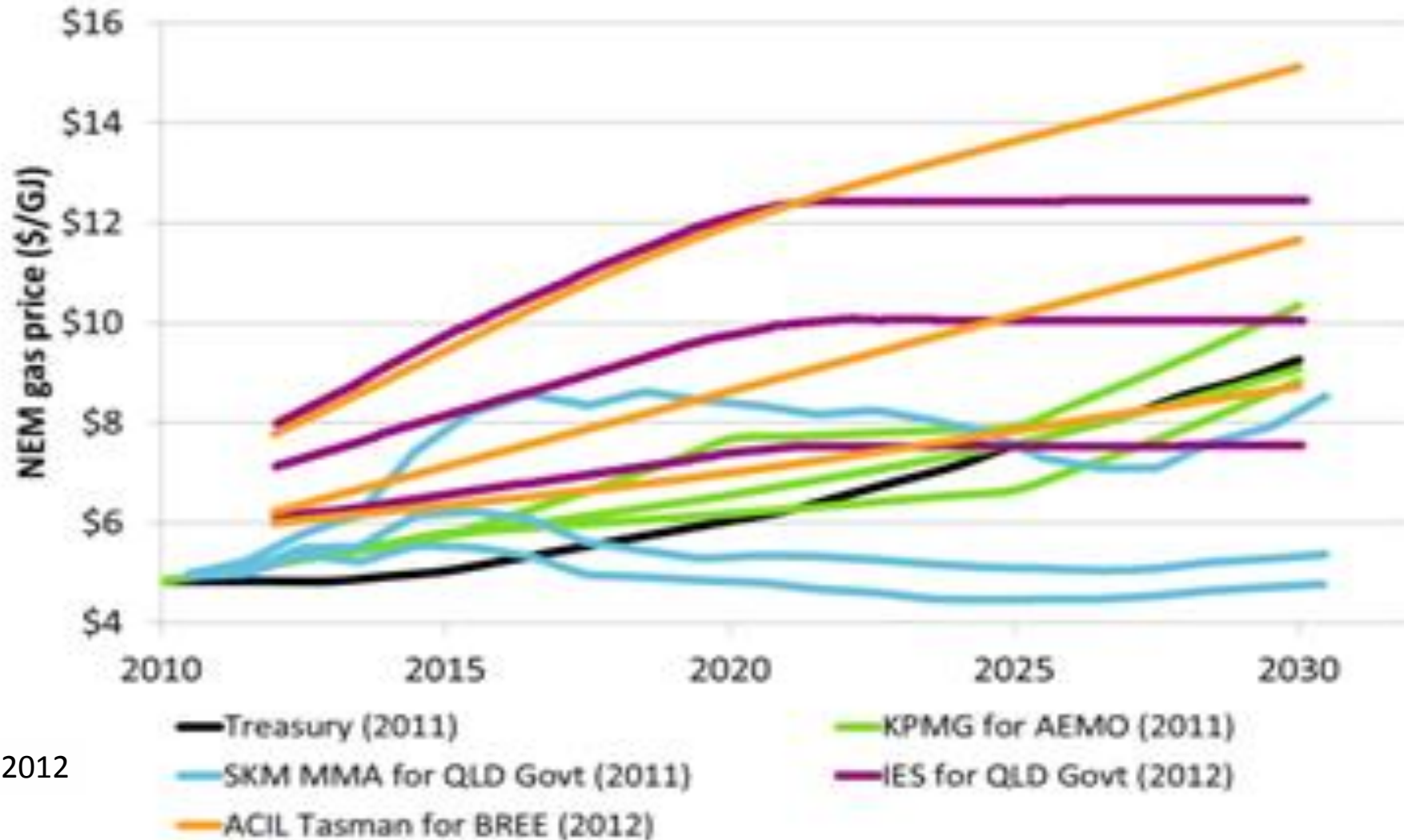
- **Advocacy** for gas users, particularly large consumers

Alternative Technology Association

- **Research** of economics of fuel choice and consumer preferences

Wholesale gas prices are rising steeply

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AECOM, 2012

The biggest impact is on large users...

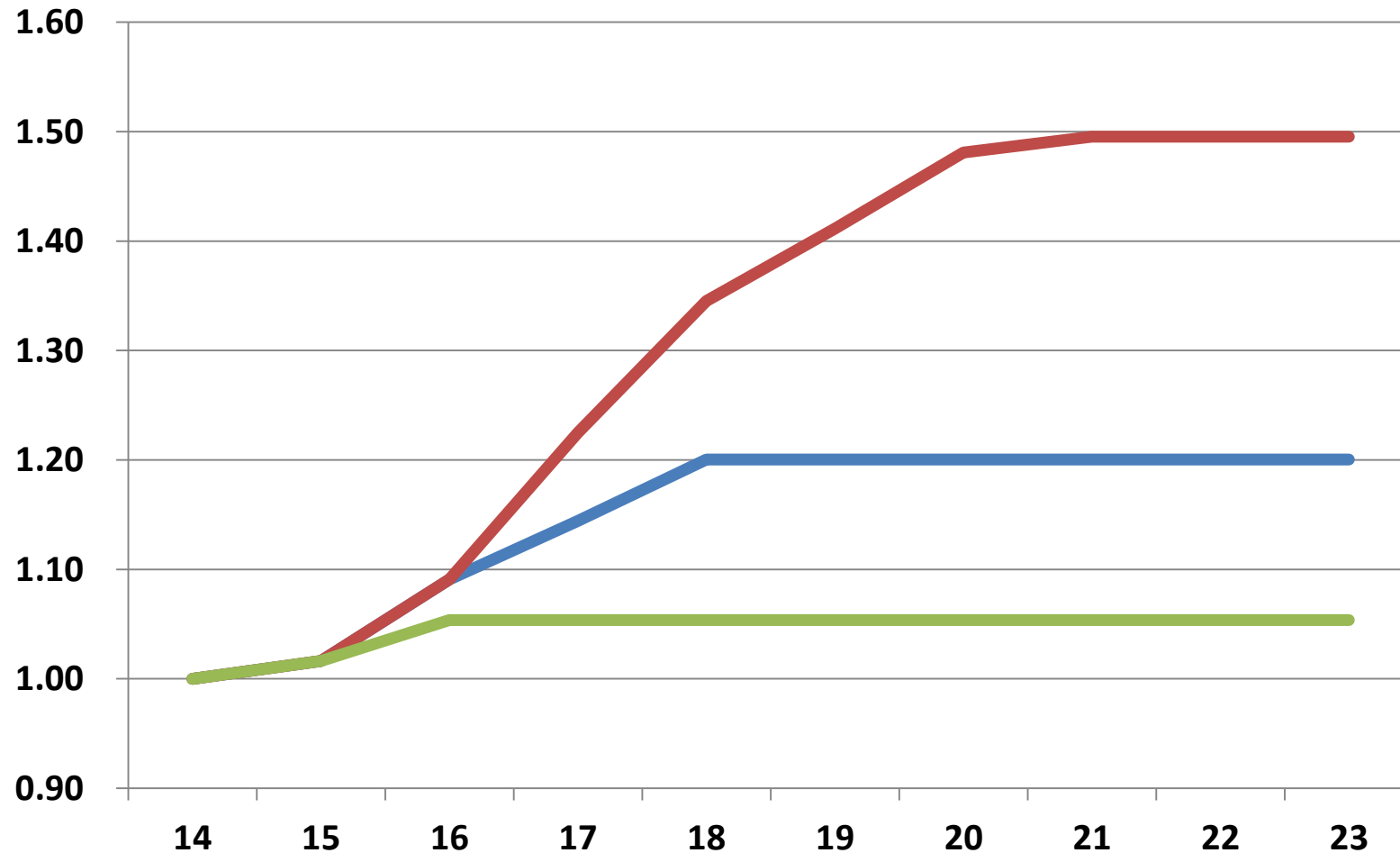
Wholesale price is the bulk of the bill for large users

Fuel substitution is rarely a viable option

Large users report dearth of long term supply offers

- A lot of contracts for cheap gas are ending
- Freshly inked contracts for gas at **\$7-8/MJ**
- No competitive gas contracts being offered past 2019

... but residential users will be hit too.



Medium

High

Low

Victorian residential gas price trajectories* (ATA, 2014).

*For modelling purposes only: assumes wholesale prices passed through, no change to network prices.

Households gas prices already climbing...

*“Household gas prices have **already risen 33 per cent** in real terms since 2008-09, largely unnoticed because all the attention has been on the more rapid growth in electricity prices over the same period (53 per cent).”*

Victorian Council of Social Service, **2014**

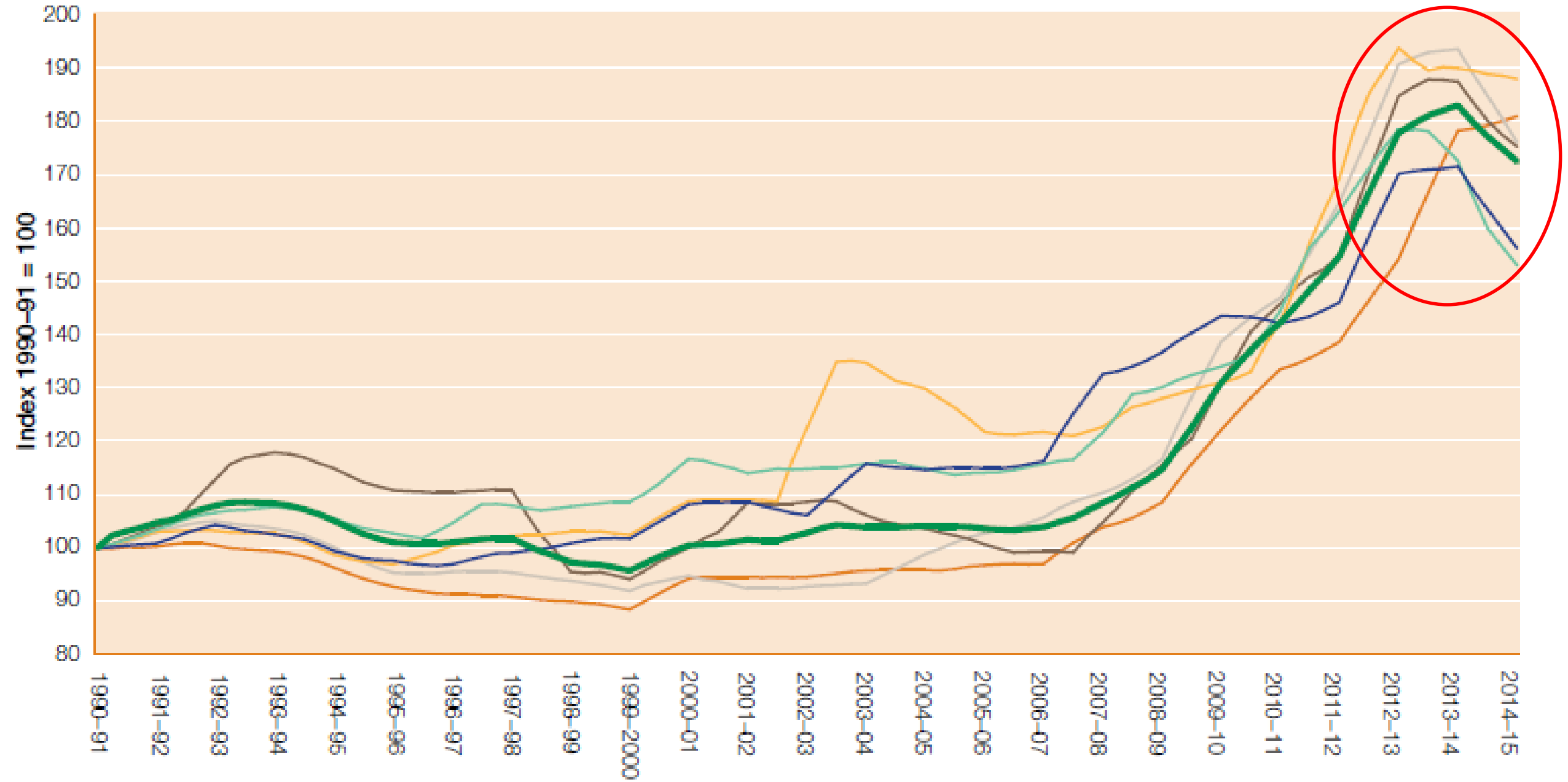
**... and continue to rise ...
... while electricity prices stabilise.**

*“Many [Victorian] **electricity consumers will receive price decreases** in January/February 2016 while most **gas consumers will experience a price increase**...”*

*...AGL has increased its gas rate by **5-7%** ...Origin by **5-13.5%** and Energy Australia by **1.5-10%**.”*

St Vincent de Paul Society, **2016**

Electricity



What else has changed?



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...electric technologies are
have become cheaper and
more efficient

Findings: New homes and gas



1. In Australia, it is **not cost effective to connect any new home (or existing all-electric home) to mains gas if the efficient electric appliances are an option**: most houses.
2. It's **sometimes still cost effective to connect a home to gas when efficient electric options can't be installed**: many apartments.

Findings: Existing Dual Fuel Homes

- 1. It's very cost effective to replace gas heaters - regardless of condition - with multiple RCACs**
- 2. Switching from gas to heat pump hot water is cost effective where the relative price of gas is higher or where the climate is warmer**
- 3. Switching from gas to induction cook tops/electric ovens is cost effective if the outcome is avoiding a fix access charges**

Findings: Existing Dual Fuel Homes

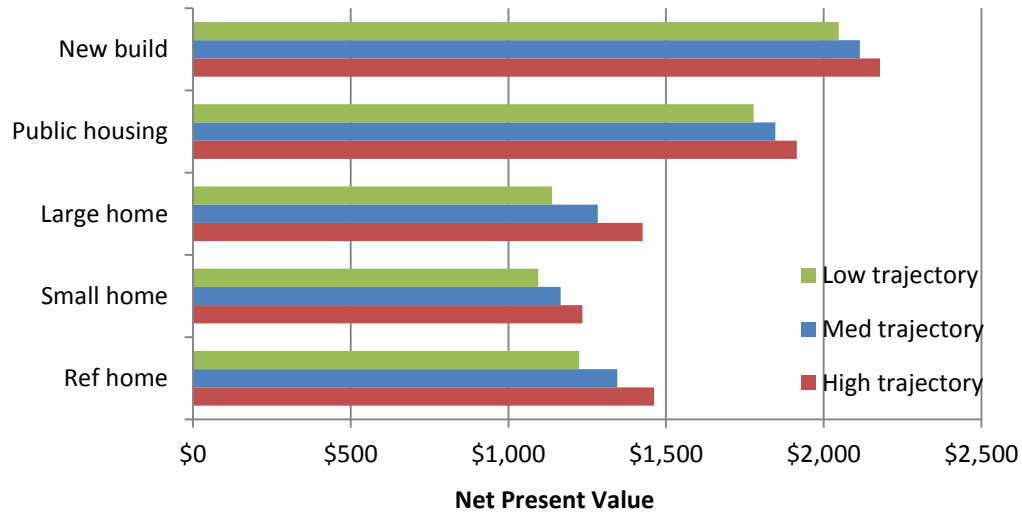
The case for dual-fuel homes to replace some / all their appliances with efficient electric is dependent on multiple factors:

- **Age or condition of the existing gas appliance**
- **Whether the replacement allows the customer to disconnect from gas**
- **Whether the household is able to install efficient electric appliances**
- **Whether the existing gas supply is mains or bottled gas**
- **The marginal cost of gas on a declining block tariff**
- **Climate**
- **Ratio of gas to electricity price**

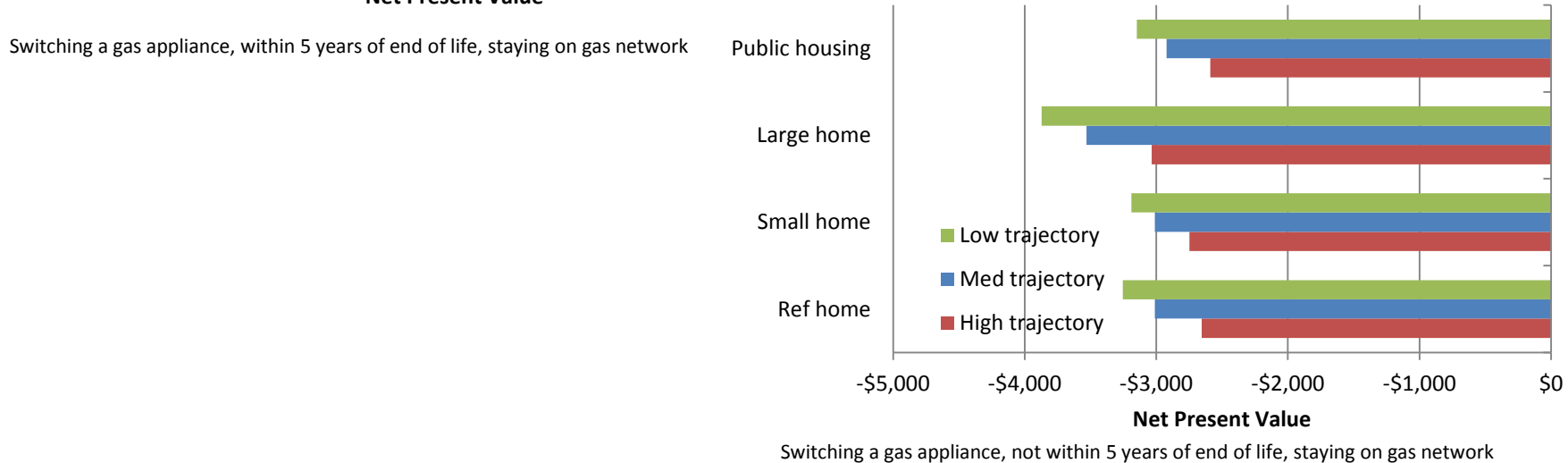


Gas price trajectory has minor impact on fuel choice economics ...

Hurstville, Syd - Space Heating

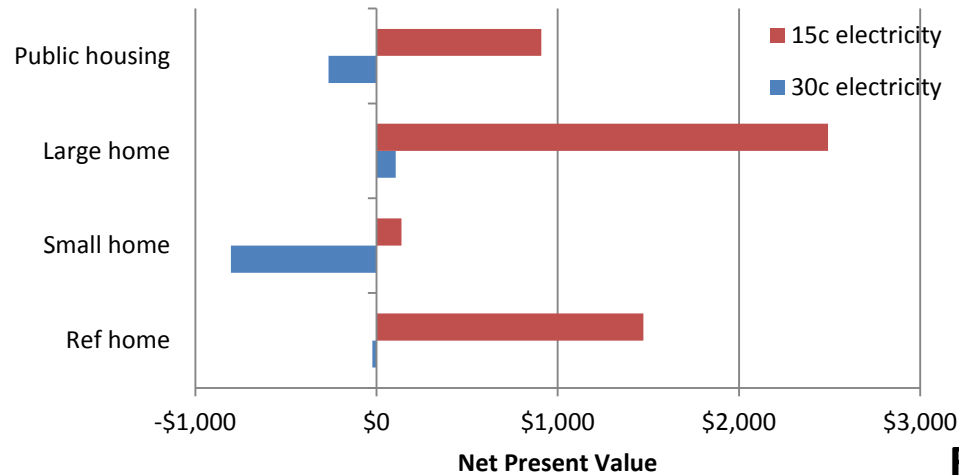


Richmond, Melb - Hot Water



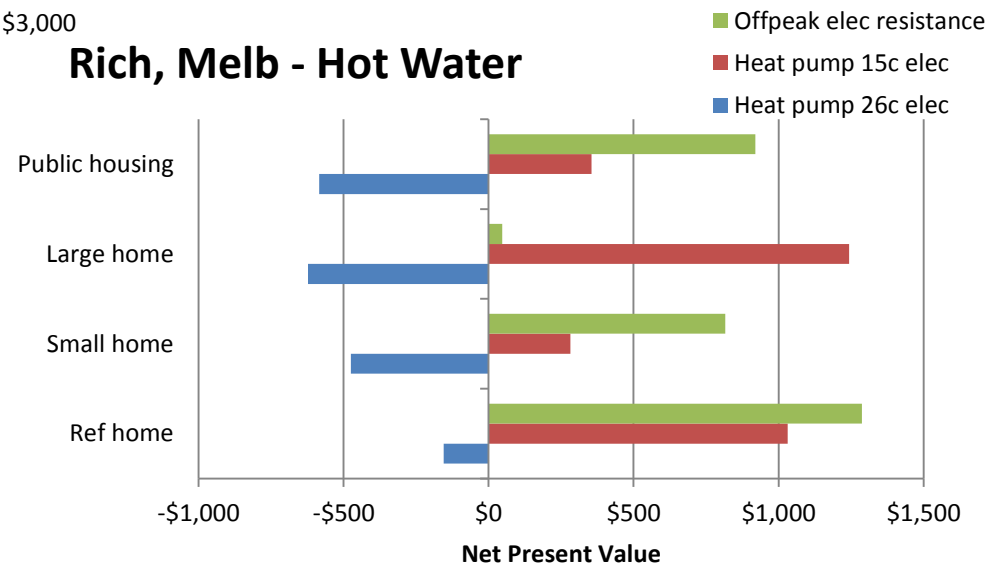
... but cost reflective electricity pricing has major impact

Mildura Hot Water - Single appliance



Switching a gas appliance, within 5 years of end of life, staying on gas network

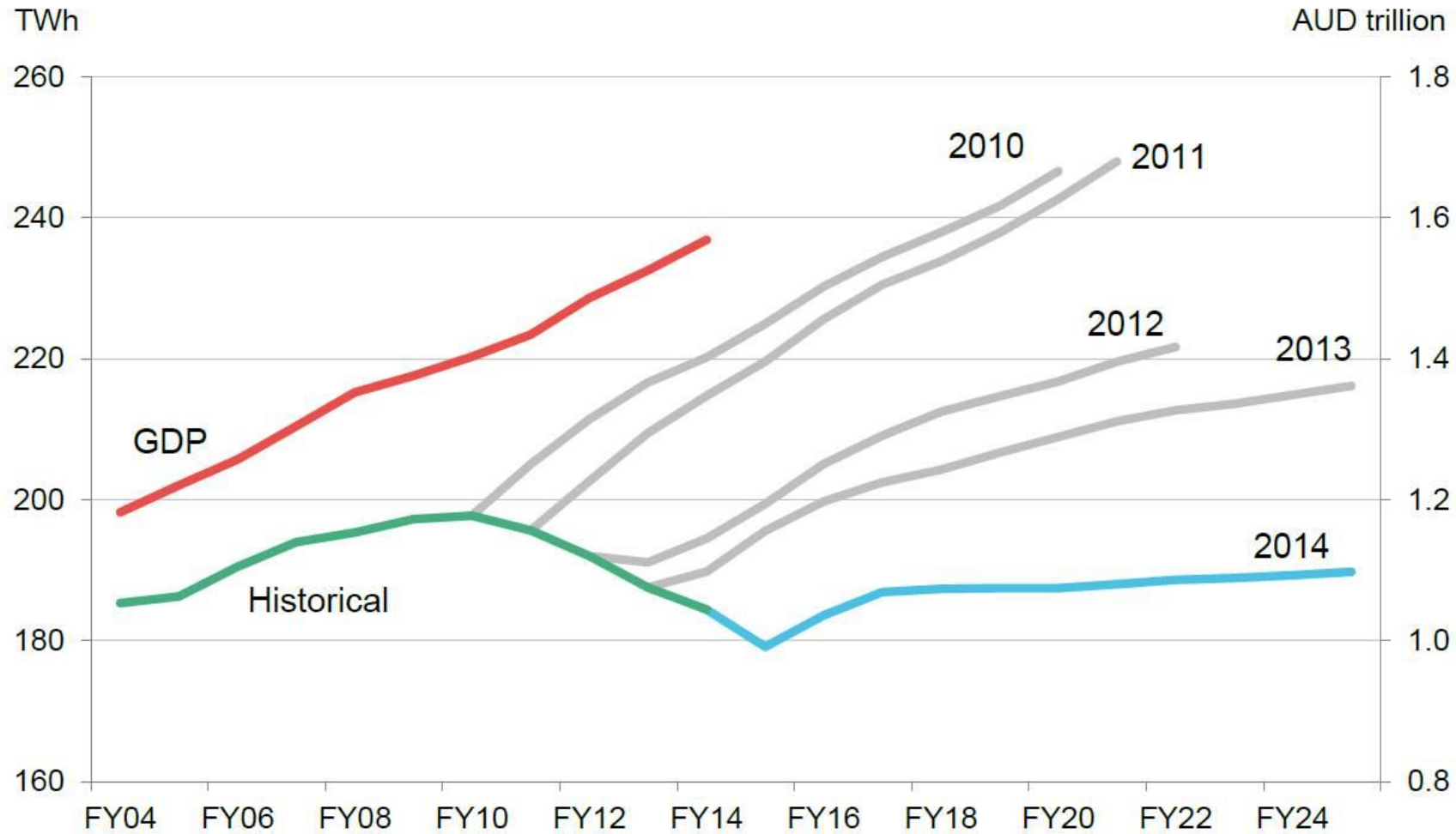
Rich, Melb - Hot Water



Switching one gas appliance, of any age, disconnecting from gas network

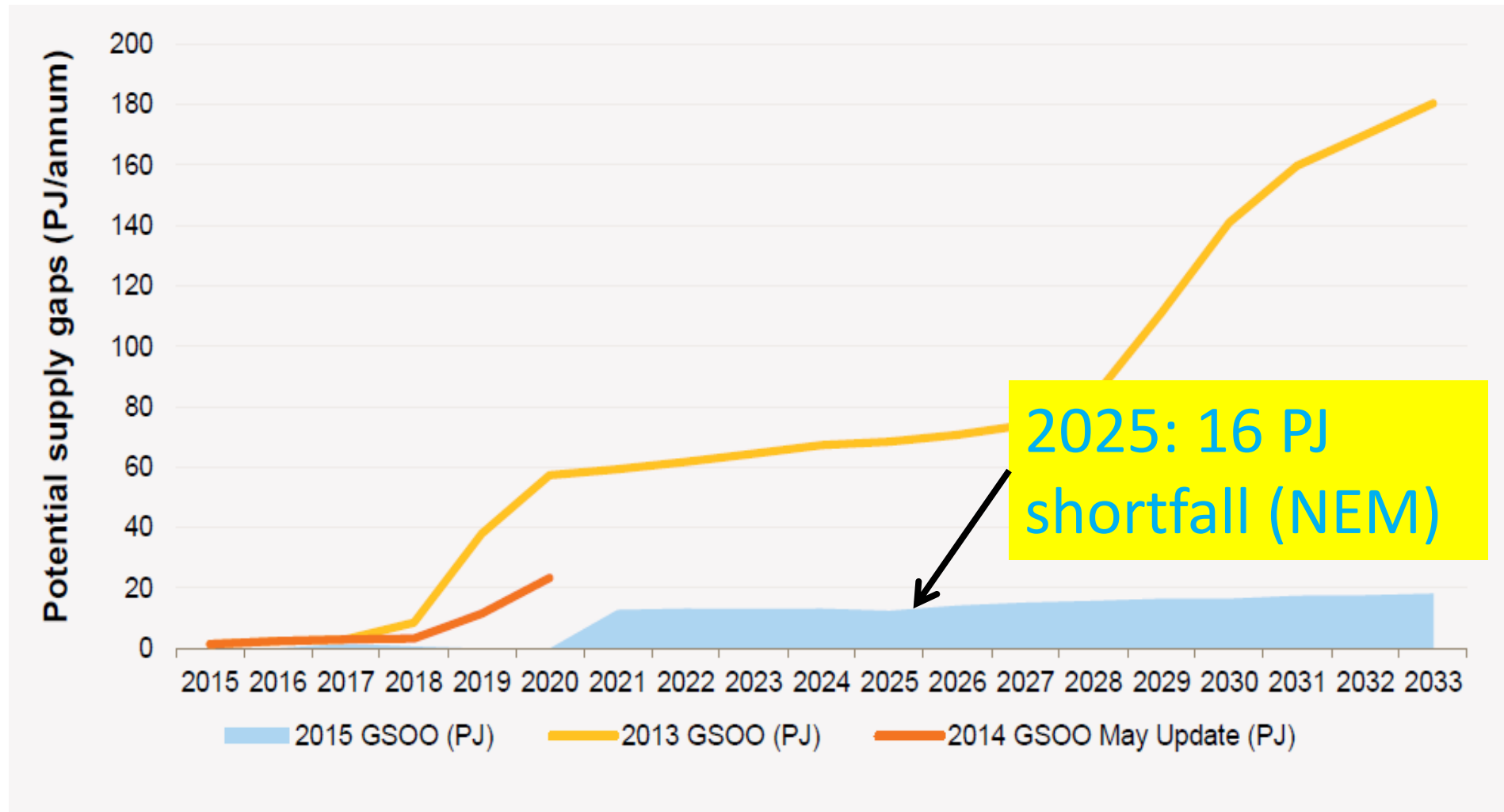
Q. Could gas demand go the way of electricity?

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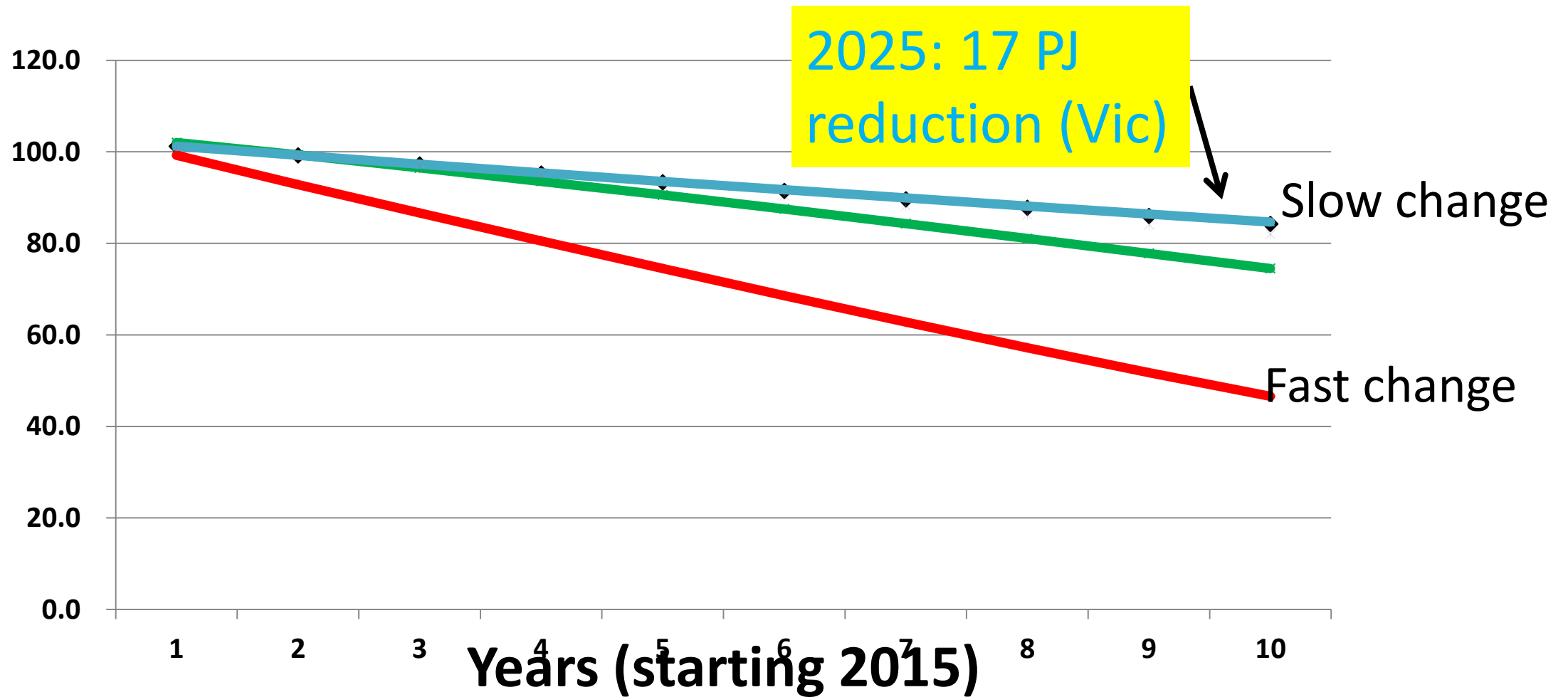
Source: Australian Energy Market Operator, Reserve Bank of Australia, Bloomberg New Energy Finance

A. It already is AEMO forecast gas shortfall



Victorian residential gas forecast (using bottom up approach)

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Key issues for households

How are they supposed to know what is best for them?

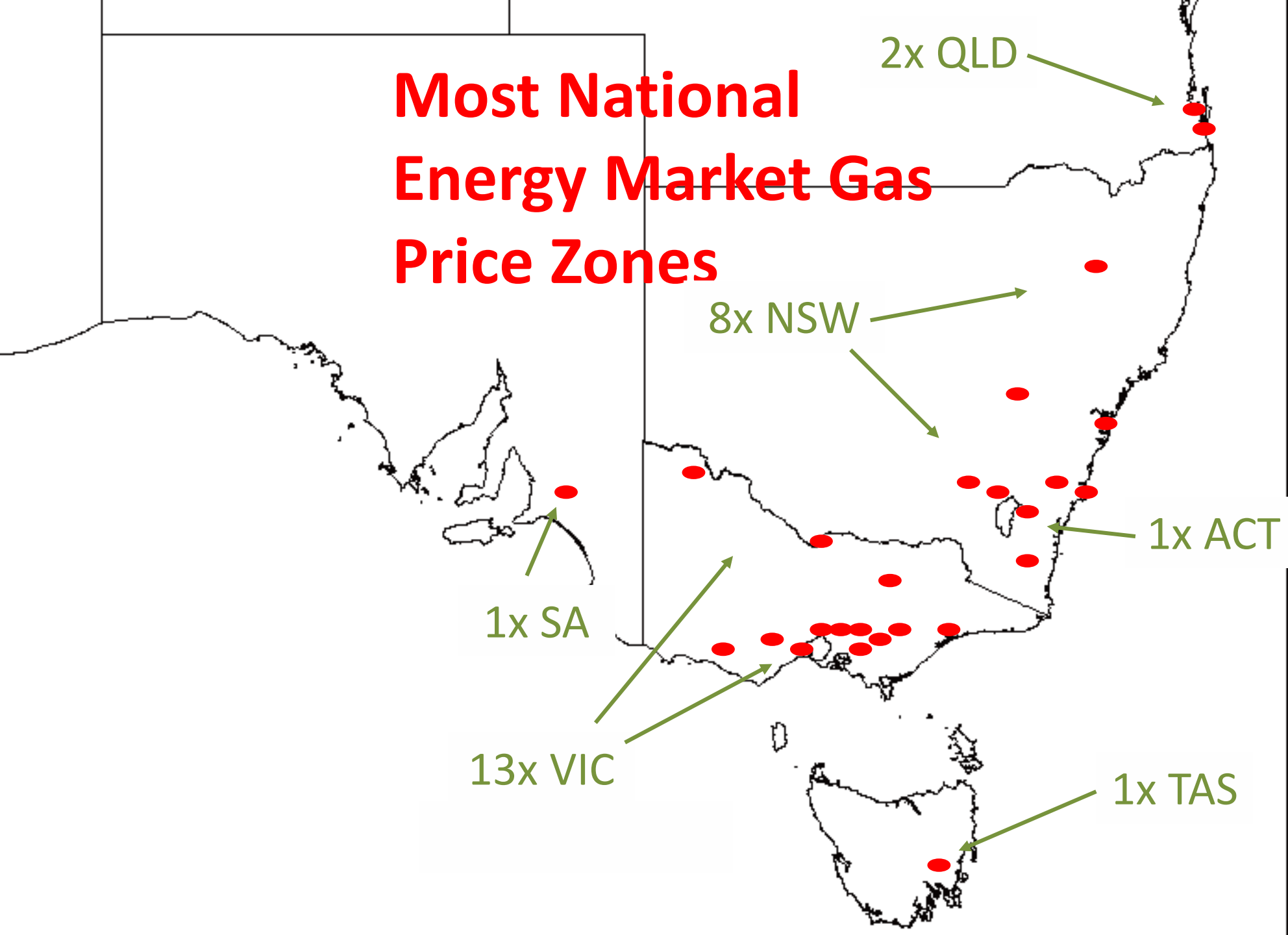
- **Dated conventional wisdom prevails that gas is cheaper.**
- **Marketing of gas and gas appliances reflects this**

Some consumers can't choose their appliances in any case

- **Renters**
- **Disadvantaged/low income**

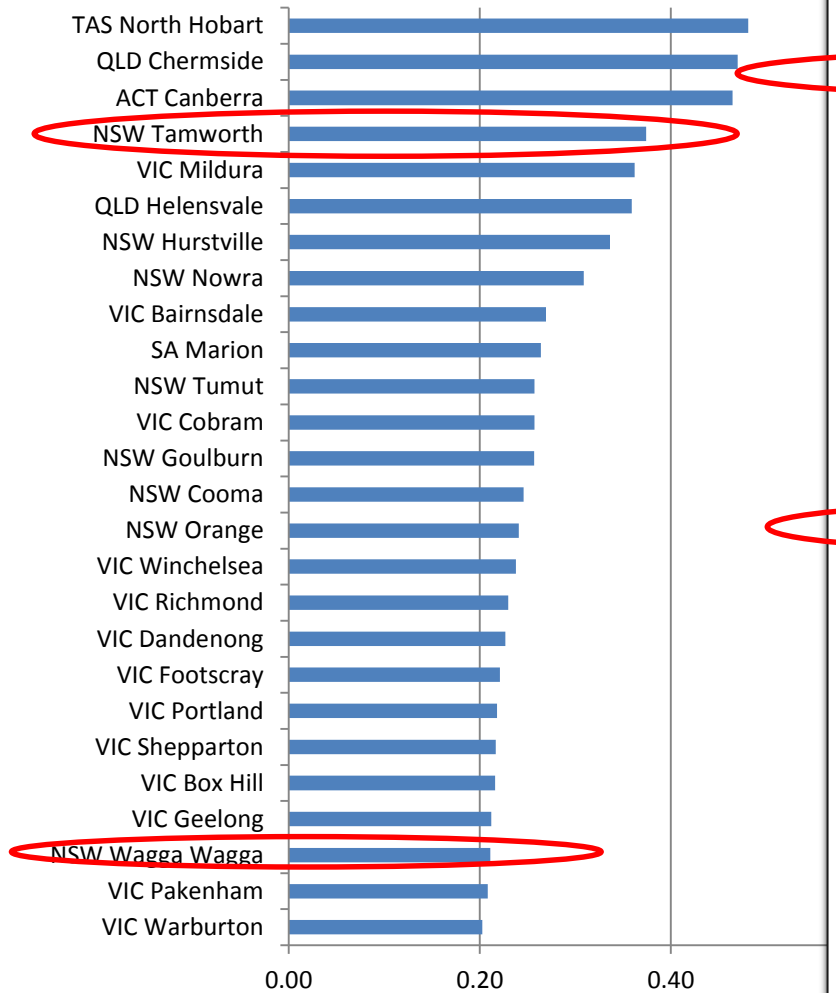
Most National Energy Market Gas Price Zones

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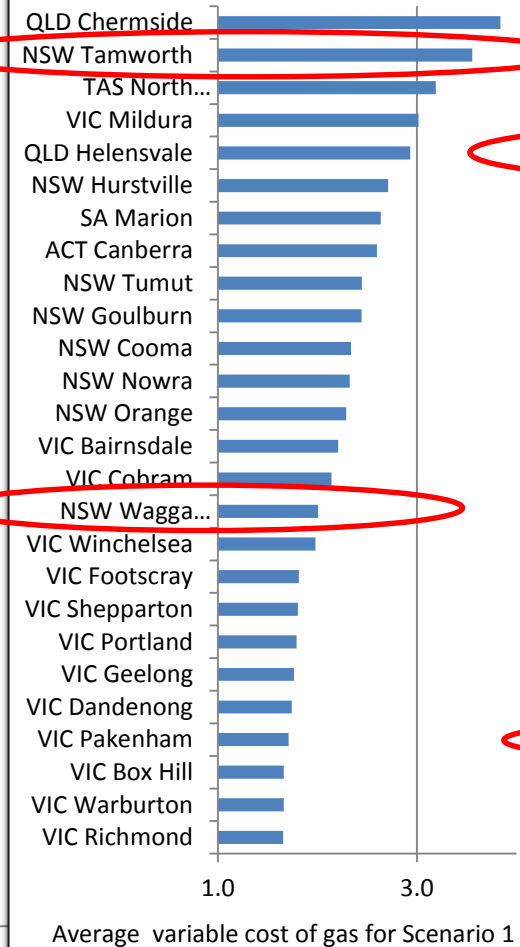


Location, location, location...

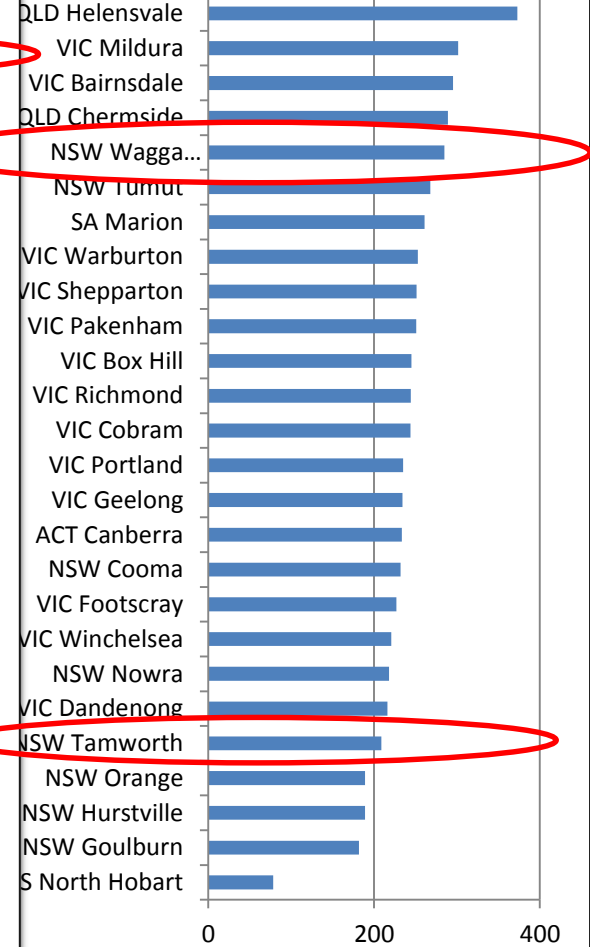
Cost of gas v/s electricity, 2014



Gas usage charge (Average c/MJ, 2014)



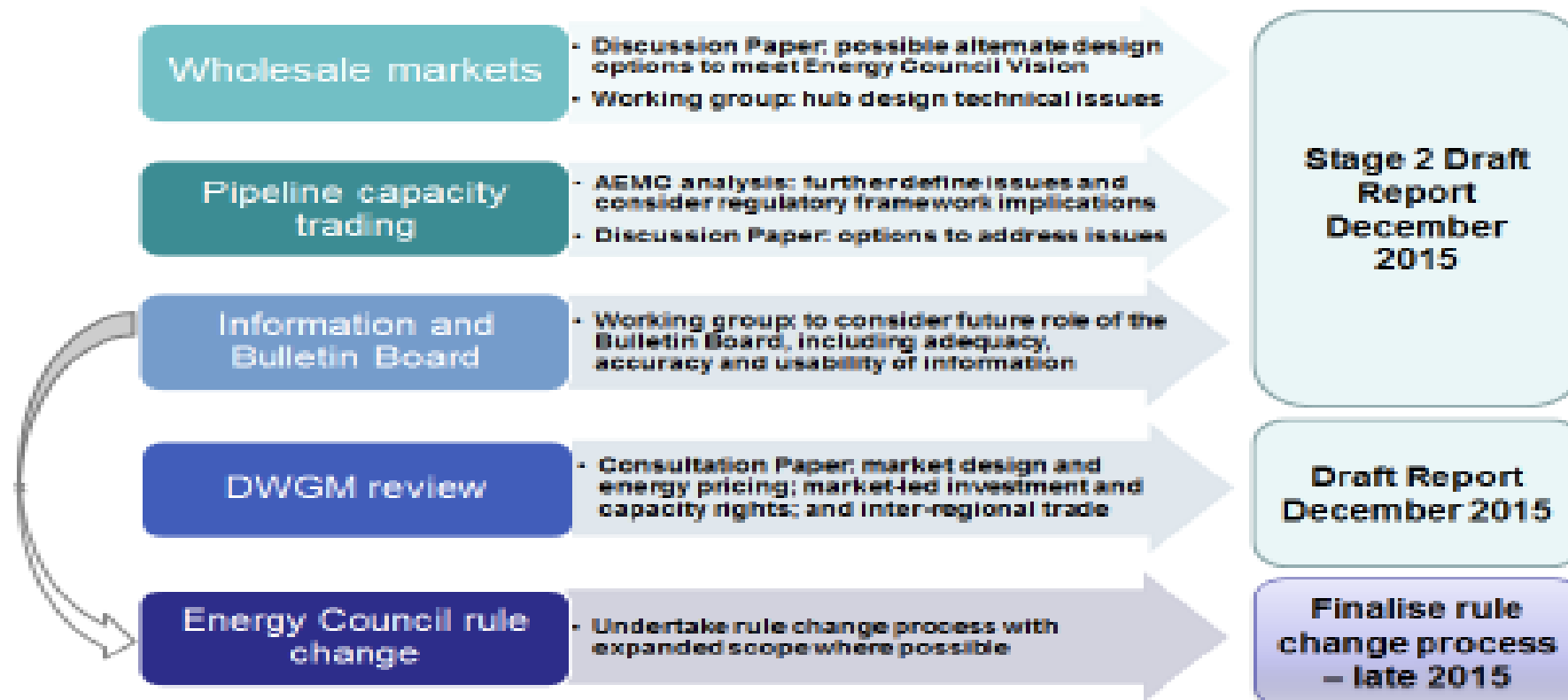
Gas fixed charge (\$/annum, 2014)



Variable cost of gas c/MJ * 3.6 (to kWh) / Variable cost of electricity c/kWh

AEMC Reviews: East Coast Wholesale Gas Markets and Pipeline Frameworks, and Victorian Declared Wholesale Gas Market

Figure 1 Stage 2 Workstreams



Next steps

Regulators

- **Retail market monitoring** (demand and price) to assess impact of supply side initiatives over time.
- Complements **supply side efficiency initiatives** (AEMC) and **competitive market mechanisms** (ACCC)

Industry

- Provide **better information for consumers** on the real cost of **purchasing and operating** both gas and electric appliances

Next steps

Jurisdiction governments

- Where subsidised gas network expansion policies were directed at **affordability** concerns, replace these with targeted **income support measures**
- Update **public housing energy policy** in line with cost-effective energy opportunities

ECA

- Continue grant funding to support work by consumer advocates to **monitor outcomes** for **residential and small business** consumers.
- To support work focused on **energy efficiency and affordability**

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Thank You