### Rosemary Sinclair CEO Energy Consumers Australia

March 2016

### **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

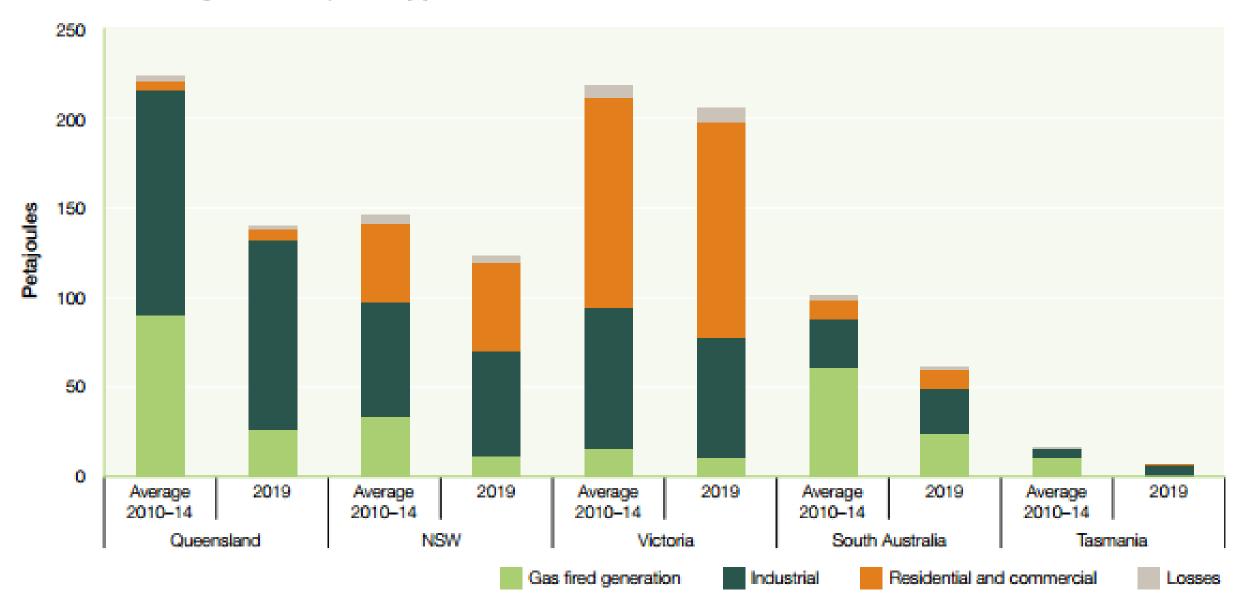
# **Object of the company**

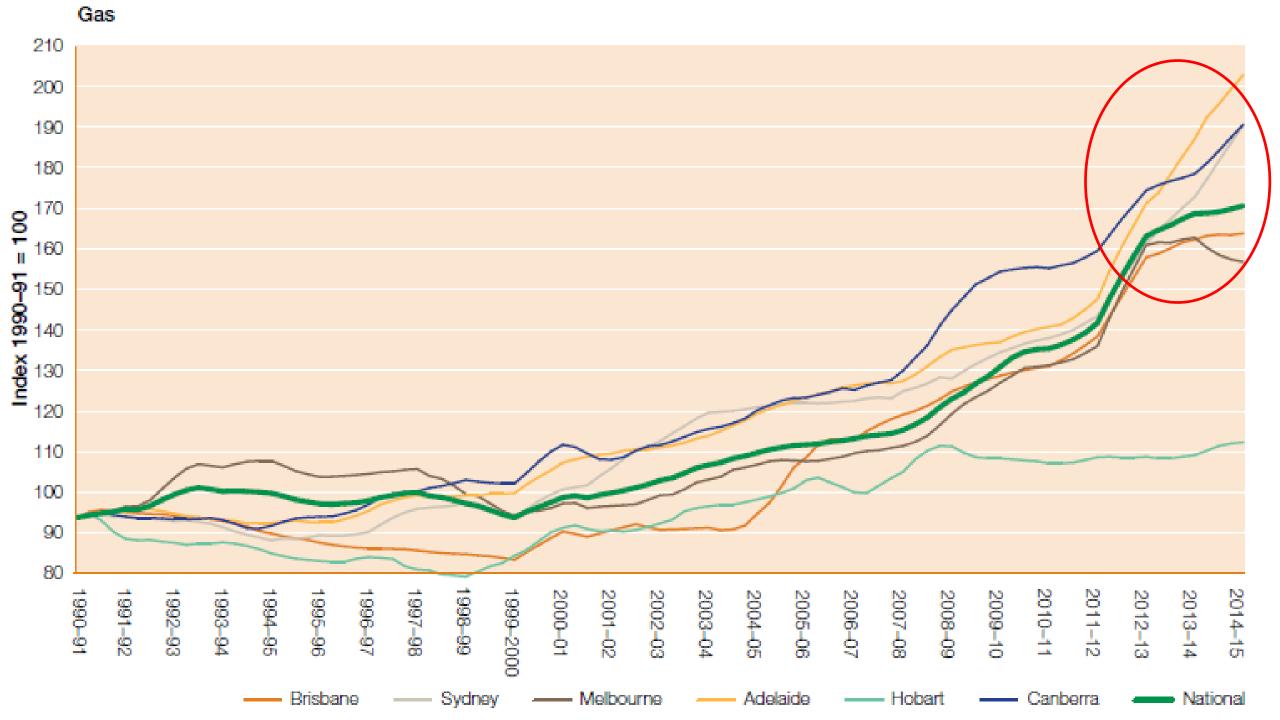
- To promote the long-term interests of consumers of energy with respect to the:
  - Price
  - Quality
  - Safety
  - Reliability, and
  - Security of supply of energy services

### 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





# ECA supports gas research and advocacy

Energy Consumers Australia

St Vincent de Paul Society

• Tariff tracker follows changing energy costs over time

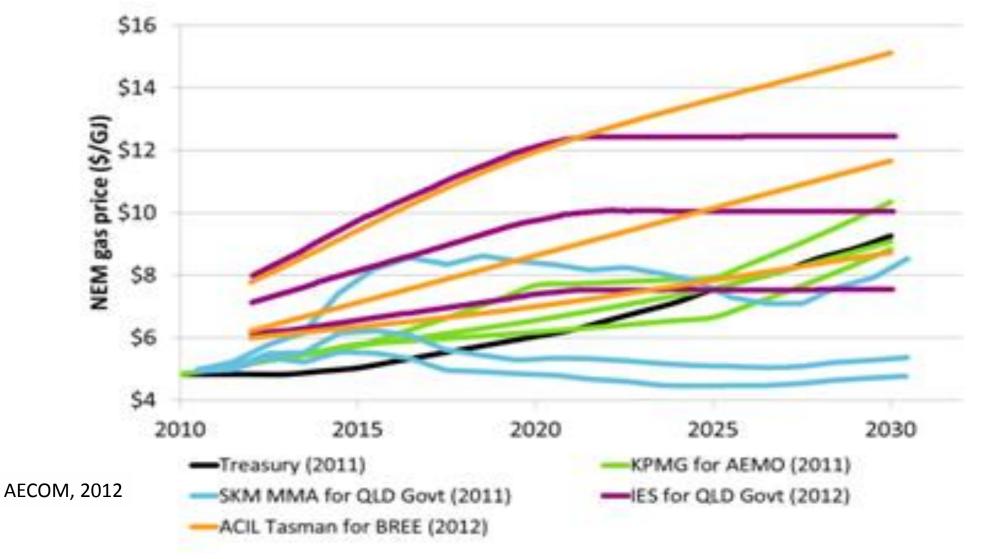
### Major Energy Users Inc.

• 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 Consumers Australia



### The biggest impact is on large users...

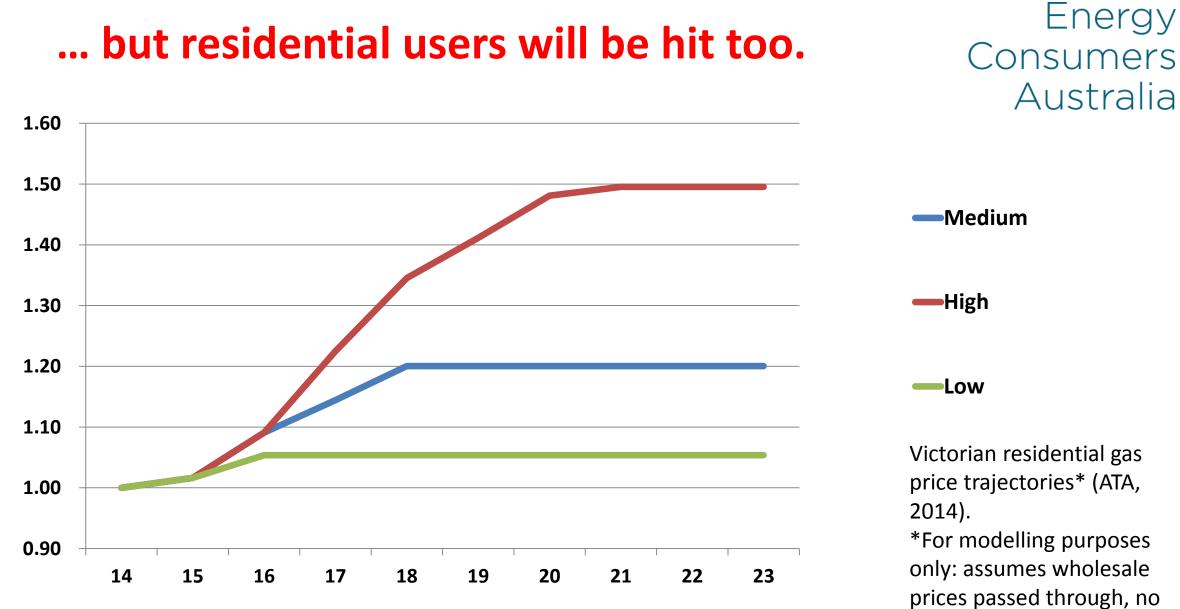
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Wholesale price is the bulk of the bill for large users

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



change to network prices.

# Households gas prices already climbing...

Energy Consumers Australia

"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.

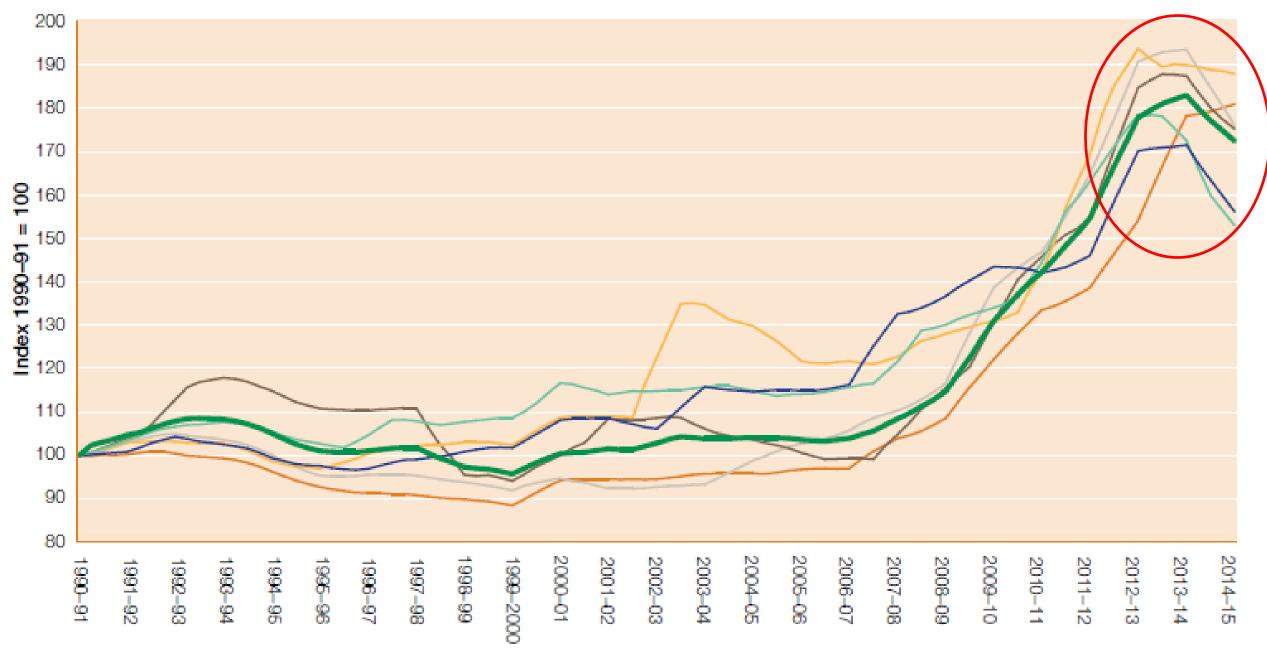
Energy Consumers Australia

*"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

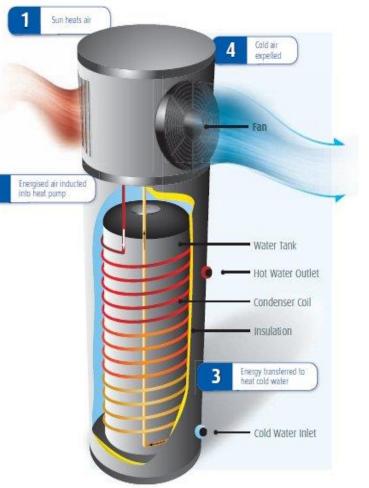
#### Electricity



### What else has changed?







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

### **Findings: New homes and gas**

### Energy Consumers Australia



- 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**

Energy Consumers Australia

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**

Energy Consumers Australia

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 ...

#### New build Public housing Large home Low trajectory Small home Med trajectory Ref home High trajectory \$500 \$1,000 \$1,500 \$2,000 \$2,500 \$0 **Net Present Value** Switching a gas appliance, within 5 years of end of life, staying on gas network Public housing Large home Small home Low trajectory Med trajectory Ref home High trajectory

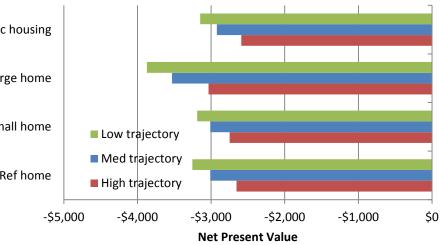
Hurstville, Syd - Space Heating

#### **Richmond, Melb - Hot Water**

Energy

Consumers

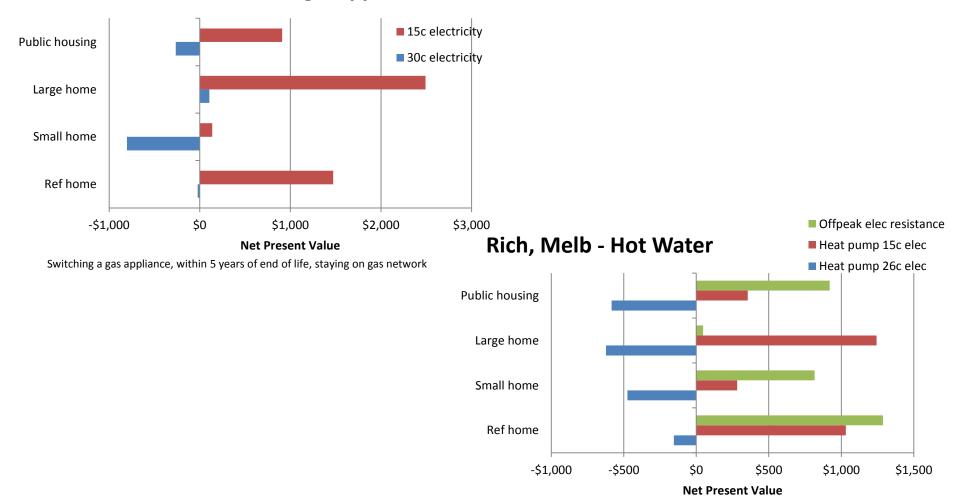
Australia



Switching a gas appliance, not within 5 years of end of life, staying on gas network

# ... but cost reflective electricity pricing has major impact

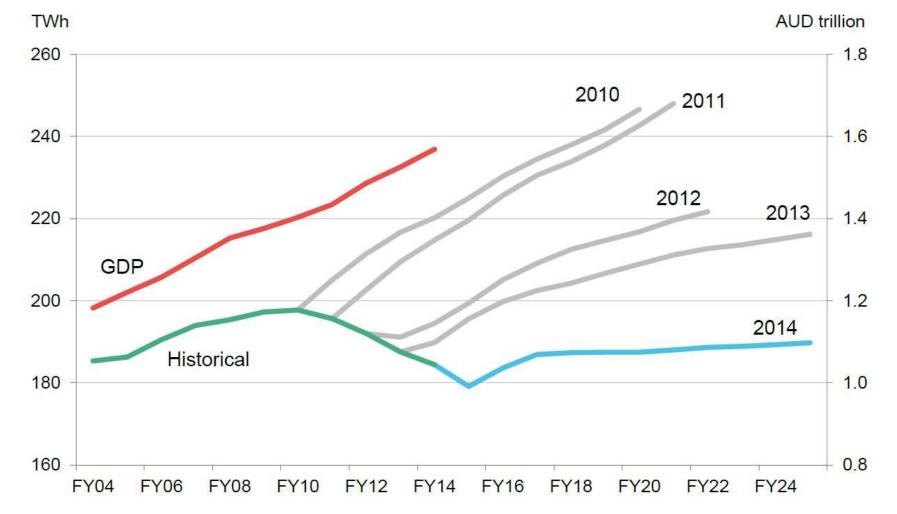
### Energy Consumers Australia



Mildura Hot Water - Single appliance

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

# Q. Could gas demand go the way of electricity? Consumers Australia

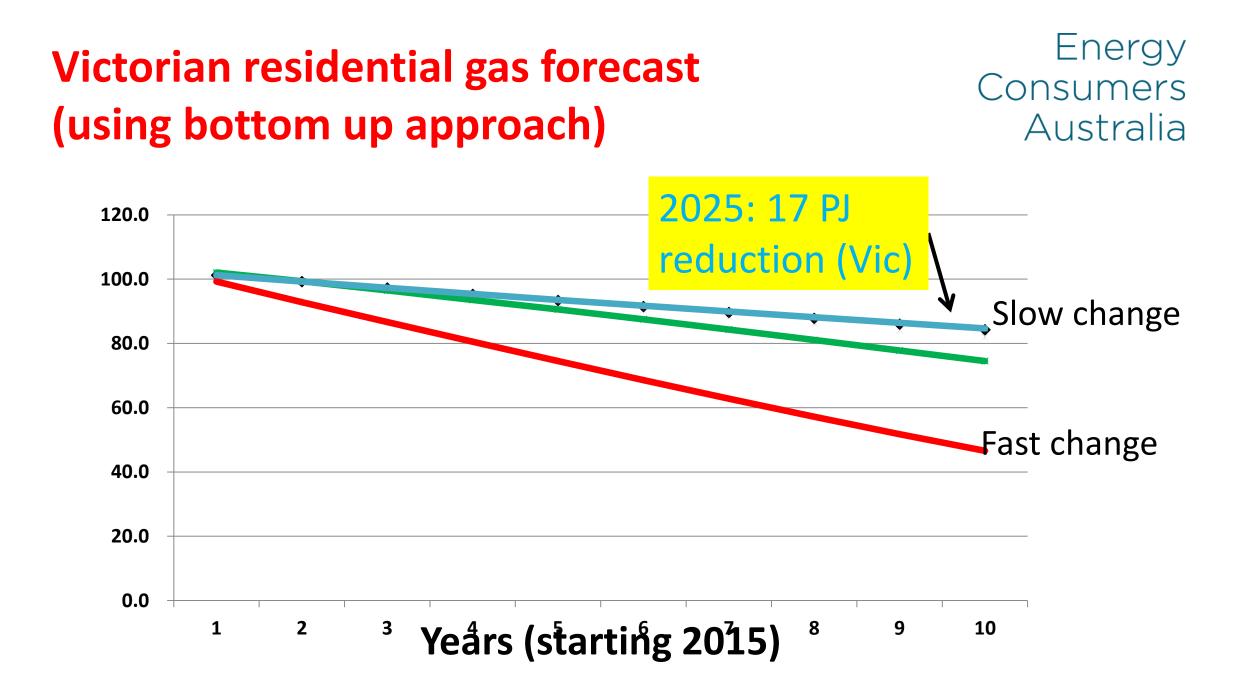


Source: Australian Energy Market Operator, Reserve Bank of Australia, Bloomberg New Energy Finance

### A. It already is AEMO forecast gas shortfall

#### 200 (PJ/annum) 180 160 140 <sup>o</sup>otential supply gaps 120 100 80 2025: 16 PJ 60 shortfall (NEM) 40 20 0 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2014 GSOO May Update (PJ) 2015 GSOO (PJ) 2013 GSOO (PJ)

### Energy Consumers Australia

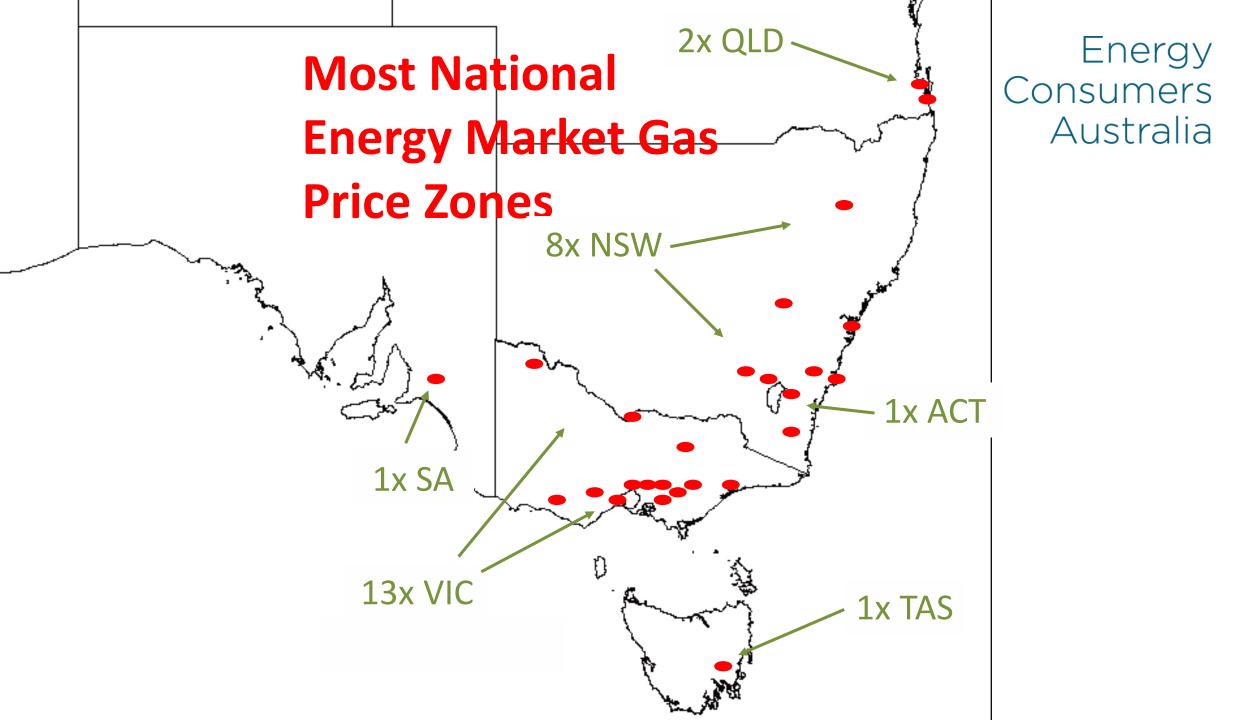


# **Key issues for households**

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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



### Location, location, location...

#### Consumers Gas fixed charge AUS tralia Cost of gas v/s electricity, 2014 Gas usage charge (Average c/MJ, 2014) (\$/annum, 2014) **TAS North Hobart** LD Helensvale QLD Chermside **QLD** Chermside VIC Mildura NSW Tamworth ACT Canberra VIC Bairnsdale TAS North... NSW Tamworth DLD Chermside VIC Mildura VIC Mildura **QLD** Helensvale NSW Wagga. NSW Hurstville QLD Helensvale NSW Tumut SA Marion NSW Hurstville SA Marion ACT Canberra VIC Warburton NSW Nowra **NSW Tumut VIC** Shepparton VIC Bairnsdale NSW Goulburn VIC Pakenham SA Marion **NSW Cooma** VIC Box Hill **NSW Tumut** NSW Nowra VIC Richmond VIC Cobram **NSW Orange** VIC Cobram **NSW Goulburn** VIC Bairnsdale VIC Portland **NSW Cooma** VIC Cohram VIC Geelong NSW Orange NSW Wagga.. ACT Canberra VIC Winchelsea VIC Winchelsea NSW Cooma VIC Footscray VIC Richmond VIC Footscray **VIC** Shepparton VIC Dandenong VIC Winchelsea VIC Portland VIC Footscrav VIC Geelong NSW Nowra VIC Portland **VIC** Dandenong VIC Dandenong **VIC** Shepparton VIC Pakenham SW Tamworth VIC Box Hill VIC Box Hill NSW Orange VIC Geelong VIC Warburton NSW Hurstville NSW Wagga Wagga VIC Richmond NSW Goulburn **VIC** Pakenham S North Hobart 1.0 3.0 VIC Warburton Average variable cost of gas for Scenario 1 200 400 0 0.20 0.00 0.40 Variable cost of gas c/MJ \* 3.6 (to kWh) / Variable cost of electricity c/kWh

Energy

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

Energy Consumers Australia

#### Figure 1 Stage 2 Workstreams

Wholesale market	Discussion Paper: possible alternate design options to meet Energy Council Vision Working group: hub design technical issues AEMC analysis: further define issues and consider regulatory framework implications	Stage 2 Draft Report
trading Information and Bulletin Board	Discussion Paper: options to address issues Working group: to consider future role of the Bulletin Board, including adequacy,	December 2015
DWGM review	Consultation Paper: market design and energy pricing; market-led investment and capacity rights; and inter-regional trade	Draft Report December 2015
Energy Council rule change		Finalise rule change process – late 2015



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

Energy Consumers Australia

### **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

### Thank You