

4 May 2023

To whom it may concern,

Thank you for the opportunity to make a submission on the ESC Gas Distribution System Code of Practice review.

Renew is a national, not-for-profit organisation that inspires, enables and advocates for people to live sustainably in their homes and communities. Established in 1980, Renew provides expert, independent advice on sustainable solutions for the home to households, government and industry.

In our view, two principles must be embedded in the Gas Distribution System Code of Practice and maintained in the review.

First, the Code of Practice must be consistent with the broader objective of decarbonising Victoria's energy system in a just and coordinated transition that protects households and communities. No element of the Code of Practice should increase the cost, time, or fairness of the energy transition.

Second, households and consumers must be empowered and afforded full consumer protections in the context of the broader energy transition, including clear and full information on rights and obligations.

Specific recommendations in response to the Review are as follows.

Recommendation: consider the cost of future disconnections when connecting new properties

As noted in the issues paper, current calculations of costs charged to new customers for new connections are based on limited inputs and may limit consideration of the full costs of the connection.

It is our understanding that this calculation does not take into account the expected transition away from residential gas in Victoria and the associated costs of transitioning or decommissioning the network. We recommend that the full cost of gas abolishment in the context of broader network retirement be incorporated into the calculation of connection costs.

We believe that a full accounting of the future costs expected by customers at the point of connection is an important protection for households that is currently missing. Households risk being locked into future costs associated with gas usage and the likely future retirement of the gas network, often without full consumer information or agency over energy choices when buying or renting newly built homes.

In the vast majority of cases, there is simply no reason why new homes should be connected to the gas network. The emergence of efficient, electric appliances such as heat pump heating, cooling and hot water, alongside greater penetration of renewables, distributed energy resources and improved thermal efficiency of new buildings, means that all-electric homes deliver reduced costs, reduced emissions, and optimum comfort for households. Connecting new homes to the gas network is likely to lock households into high ongoing

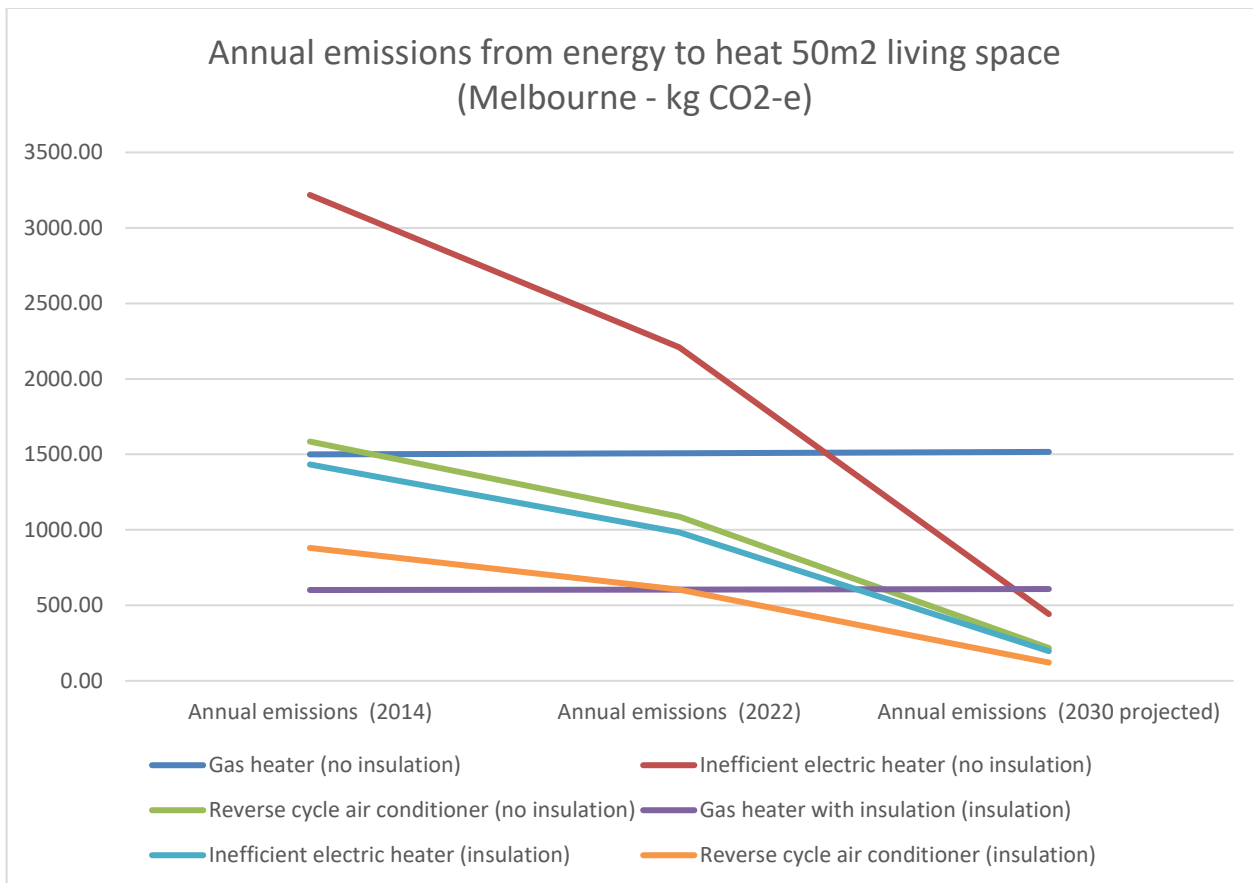
costs.¹ For this reason we do not consider the full accounting of costs for connection to lead to negative consumer outcomes.

We note the significant advocacy from consumer groups for an end to new residential connections to the gas network entirely.

Recommendation: consider lifetime costs of carbon emissions from gas usage when connecting new customers

The cost of connections and customer contributions in newly connected buildings should furthermore consider the lifetime carbon emissions associated with gas usage at the property.

While historically residential gas was a lower-emissions fuel for Victorian households than electricity generated largely with brown coal, the emergence of renewables means that gas now produces more emissions for heating than electric heating drawing electricity from the grid. As electricity is increasingly decarbonised, the gap in emissions will grow:



Emissions from electric appliances where onsite solar or storage are present are already significantly lower than gas appliances, which cannot readily be decarbonised. While there may be a role for industrial applications of fuels such as green hydrogen, at the residential level the clear and most cost-effective strategy to substitute gas is electrification.

¹ See Renew 2022, "Limiting energy bills by getting off gas" for our analysis of household energy bills for all-electric and dual fuel homes. <https://renew.org.au/research/limiting-energy-bills-by-getting-off-gas/>

We are concerned that the expected emissions from new gas connections are not accounted for in the cost paid by distributors or prospective customers. In our view, an analysis of the lifetime emissions of new connections should be conducted and considered for inclusion in the cost of connections.

A simple analysis by Renew based on the emissions associated with heating a 50m² space (with insulation) and projected emissions intensity indicates that over a 20 year period from 2022, a gas heater will produce approximately 7 tonnes more emissions than a reverse-cycle air conditioner. Without applying discount rates, the cost of these emissions (for heating a 50m² space alone) ranges from \$266 using current ACCU prices to over \$1400 using a conservative social cost of carbon metric.

Recommendation: require clear consumer information on disconnection costs

Victorian households currently have inadequate access to consumer information on the costs of gas disconnections and abolishments. Finding information on disconnection options is difficult and can produce seemingly contradictory or inconsistent information and charges. For example, many consumers report inconsistent advice on whether full abolishment is required or simple disconnection.

The lack of clear and authoritative information available to consumers on disconnections is leading to uncertainty and may in some cases result in inadequate consumer protection or incorrect peer advice on ‘gaming’ the system or avoiding fees, with possible unforeseen negative consequences for consumers. This lack of information is particularly important as interest in household electrification grows.

The *My Efficient Electric Home* Facebook group recently conducted a survey of members on disconnection costs, and found highly variable costs incurred with apparent inconsistency. Members reported confusion and an inability to access clear information. The need to conduct a survey indicates the gap in community confidence.

Renew has consulted with members and stakeholders on the barriers and uncertainties faced by households undertaking electrification. Our consultation includes a survey taken by 350 respondents providing input in the development of Renew’s planned *Getting Off Gas Toolkit*. Uncertainty over disconnection fees was identified in qualitative responses by a significant number of respondents. Renew has sought to provide clear information to members (for example publishing an ‘explainer’ article in *Renew* magazine).

However, it is our view that the responsibility to provide consumer information clearly lies with distributors and retailers. We recommend that the Code of Practice ensures a requirement to provide clear and accessible consumer information on the costs of disconnection, the circumstances under which abolishment is required, and the rights of consumers seeking disconnections.

Thank you for your consideration of our comments. Lack of comment on further issues does not indicate a Renew position.

Yours faithfully,



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Renew