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4 December 2015

Dear Review Team

### **NSW Energy Savings Scheme Rule Change Amendments – Consultation Paper**

Jemena appreciates the opportunity to provide comment on proposed changes to the Energy Savings Scheme (**ESS**) Rule, particularly around the implementation of recent reforms to include gas in the ESS.

As the owner of significant gas infrastructure across eastern Australia, including the principal gas distribution network in NSW, we're strongly focussed on ensuring that gas remains a competitive fuel of choice for homes and businesses and plays a key role in reducing greenhouse gas emissions. Jemena is committed to:

- keeping our costs down by being smarter and more innovative in how we plan and operate our network
- looking for new and innovative ways to grow the gas network, which in turn lowers our prices
- facilitating energy efficiency measures and policies that are efficient, cost-effective and reduce greenhouse gas emissions.

We also acknowledge the importance of customer access to energy usage data to inform decisions about energy efficiency. We continue to work with our larger industrial and commercial customers and the NSW Government to facilitate access to detailed gas usage information.

### **Natural gas represents a significant energy efficiency and cost saving opportunity for NSW households**

The expansion of the ESS to include gas will open up significant new energy efficiency opportunities for customers throughout NSW, particularly for households through the installation of high efficiency gas appliances for space and water heating.

Jemena recently commissioned expert consultants to conduct analysis on the financial competitiveness of natural gas and electricity for cooking, space heating and

water heating for various household types in NSW. Overall, the analysis found that, faced with a choice of using either gas or electricity for these appliances, households with gas cooking and water heating are likely to have the lowest total energy bills.

The analysis also found that many households may be able to reduce their total energy bills by adding additional natural gas appliances—for example, a household that currently uses natural gas for space heating can save by also using natural gas for water heating and cooking.

Furthermore, the analysis highlights how natural gas appliances can produce comparatively larger bill savings for customers in regional areas. We are therefore encouraged that the NSW Government has focussed on ensuring the ESS is best placed to allow these customers to realise energy saving opportunities. Jemena plans to publish this analysis in the near future.

### **Ensuring energy efficiency does not result in higher energy prices, household bills or reduced energy choice**

Consistent with our May 2015 submission on the Review of the ESS, we continue to support certain fuel switching activities being ineligible under the ESS, particularly the replacement of gas space heating appliances with electric appliances by households. Doing so will incentivise activities which promote the ESS objectives and maintain the credibility of the scheme with policy makers, energy market participants and customers, by:

- mitigating the risk of increasing peak electricity demand, which would detract from the efficient utilisation of both the gas and electricity distribution networks, increasing both gas and electricity prices
- avoiding potential negative impacts on specific household energy bills—particularly those customers in cooler climates, with large heating requirements or with peakier energy usage patterns—as a result of customers being encouraged to switch from gas to electric appliances
- minimising any adverse impacts on the availability of gas as a fuel of choice to customers as a result of higher gas connection charges in the longer term.

We also support the ineligibility of fuel switching activities that would result in a net increase in greenhouse gas emissions, to ensure consistency with the ESS objectives.

### **Encouraging energy savings from emerging technologies**

We also believe there is value in the ESS incentivising the greater uptake of technologies such as cogeneration and trigeneration, as these represent important energy efficiency opportunities while also promoting the other ESS objectives through emission reduction benefits and potentially reduced electricity network peak requirements. We therefore support the inclusion of cogeneration or trigeneration projects designed primarily to provide electricity (and potentially also gas and hot and cold water) to an adjacent building or precinct as recognised energy savings activities under the ESS, even if these facilities are connected to the local electricity distribution network.

Jemena looks forward to continuing to participate in future consultation processes on annual updates to the ESS Rule. Should you wish to discuss this submission or any other matter further, please contact Benjy Lee, Manager Energy Policy, on (03) 9173 7894 or by email: [benjy.lee@jemena.com.au](mailto:benjy.lee@jemena.com.au).

Regards

A handwritten signature in black ink, appearing to read 'Ian Israelsohn', with a stylized flourish at the end.

**Ian Israelsohn**

General Manager Policy & External Affairs