

4 December 2015

Manager Energy Projects
Operations and Programs Branch
NSW Department of Industry – Division of Resources and Energy
Level 47, MLC Centre
19 Martin Place
Sydney NSW 2000
Via email: energysavings.scheme@industry.nsw.gov.au ben.cirulis@environment.nsw.gov.au

NSW ENERGY SAVINGS SCHEME RULE CHANGE AMENDMENTS

Dear Manager Energy Projects,

Gas Energy Australia appreciates the opportunity to respond to the NSW Energy Savings Scheme (ESS) Rule Change Amendments consultation paper.

By way of background, Gas Energy Australia is the national peak body which represents the bulk of the downstream gaseous fuels industry which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gaseous fuels supply chain; refiners, fuel marketers, equipment manufacturers, LPG vehicle converters, consultants and other providers of services to the industry.

Gas Energy Australia previously prepared a response to the Review of the NSW ESS report in May 2015. This submission commented on features of the ESS such as the fuels and activities eligible for ESS certificates, conversion factors for gas and electricity savings and special arrangements for regional and/or vulnerable households. This was to ensure that the gaseous fuels industry would not be disadvantaged and can contribute to the environmental and economic objectives of the ESS.

Gas Energy Australia is pleased to see that the changes proposed in the ESS Rule Change Amendments consultation paper address the key issues raised in our submission. For example, expanding the fuel coverage to include gas for the generation of ESS certificates will increase the scope for more efficient energy usage by households and businesses. Gas Energy Australia also agrees with the additional incentive for regional customers to make energy savings through the regional network factor given the higher costs of supplying energy to these locations. Including fuel switching and the proposed conversion factors for electricity and gas will provide the appropriate incentive for households and businesses to choose the most efficient energy mix. Gas Energy Australia supports these improvements to the ESS Rule and is confident that this will enable NSW to achieve its economic and environmental goals.

However, we would like to reiterate our interest in small scale gas powered off-grid electricity generation for regional communities being included as an eligible activity under the ESS. This would directly support the objectives of the ESS as specified in the NSW *Electricity Supply Act 1995* to:

- assist households and businesses to reduce their electricity consumption and electricity costs;
- complement national schemes for reducing carbon pollution by making the reduction of greenhouse gas emissions achievable at a lower cost; and
- reduce the cost of, and the need for, additional energy generation, transmission and distribution infrastructure.

In particular, the transmission and distribution of electricity over long distances requires significant amounts of energy. Indeed, this was highlighted as the basis for introducing the regional network factor in the Review of the ESS report. Hence, there are higher costs and electricity consumption requirements for households and businesses located in regional and remote areas when supplied from the main grid. Off-grid generation alternatives would reduce the amount of electricity that needs to be generated to meet current demand by eliminating these transmission and distribution losses.

Including this activity under the ESS would incentivise a switch from main grid electricity to gas powered off-grid electricity where this is most cost effective. As a significant proportion of electricity in Australia is still being generated from higher emitting fuels such as coal, gas powered off-grid generation represents an opportunity to increase the share of energy consumption from clean fuel sources. This would provide the additional benefit of reducing pollution through positive changes in the energy mix.

There are significant fixed and ongoing maintenance costs associated with electricity transmission and distribution infrastructure, particularly in regional and remote areas. The lower loads required in these areas compared to cities means that these investments and ongoing costs are difficult to justify on economic grounds. Off-grid electricity generation presents an opportunity for reducing electricity network infrastructure costs.

Gas Energy Australia is encouraged by the current proposed changes to the ESS Rule and is confident that this will deliver significant economic and environmental benefits to NSW. We consider that including off-grid electricity generation as an eligible activity under the ESS is fully consistent with its objectives and would further improve the Scheme.

For your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Griffiths", with a long horizontal flourish extending to the right.

John Griffiths
Chief Executive Officer