

**Submission
No 21**

EMBEDDED NETWORKS IN NEW SOUTH WALES

Organisation: APA Group
Date Received: 24 June 2022

Ray Williams MP
Chair
NSW Legislative Assembly Committee on Law and Safety

Lodged online

24 June 2022

Re: APA Submission to the Inquiry into Embedded Networks in NSW

Dear Mr Williams,

Thank you for the opportunity to lodge a submission to the NSW Inquiry into embedded networks in NSW (the Inquiry). We appreciate the NSW Government consulting with stakeholders on these important issues.

APA is a \$21 billion owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory on mainland Australia consistent with our purpose to strengthen communities through responsible energy solutions. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission lines, and over \$750 million in renewable generation.

We support the transition to a lower carbon future. Our ambition is to achieve net zero operations emissions by 2050. Through our Pathfinder Program, we are investigating how hydrogen and other technologies such as batteries and microgrids, can support a lower carbon future. Our first Pathfinder project is seeking to enable the conversion of around 43-kilometres of the Parmelia Gas Pipeline in Western Australian into Australia's first 100 per cent hydrogen-ready transmission pipeline and one of only a few existing gas transmission pipelines in the world, 100 per cent hydrogen-ready.

Gas infrastructure has an essential role to play in helping Australia meet its net zero ambitions targets. As the penetration of variable renewable energy sources, such as wind and solar, increase, and aging coal power stations retire, gas powered generation will play a critical role in meeting electricity demand and maintaining the security of the system.

Gas is relied on by millions of NSW households and businesses every day, including in embedded networks. Not only does gas's flexibility make it the perfect complement to variable renewable energy, it also has the advantage of emitting approximately half the carbon emissions of black coal, which is still the primary source of electricity in NSW.¹

Gas use in embedded networks

In embedded networks, centralised gas hot water systems are an efficient and cost effective way of providing hot water to multiple customers within the local network. Water is heated in a centralised boiler, rather than each individual premises having its own hot water system. In many instances, an individual customer's gas usage is calculated via a cost effective water flow meter, rather than a much larger gas meter.

Because NSW currently relies on black coal to supply most of its power, gas supplied hot water has a lower emissions intensity than electric hot water supplied by the grid.

Recent research undertaken by Sagacity Research on behalf of Energy Networks Australia highlights that customers continue to favour gas as a fuel of choice.² Sixty five percent of respondents to the survey consider

¹ National Greenhouse and Energy Reporting Data

² Sagacity Research, Voice of the Customer, June 2022

that gas is a necessity and nine out of 10 respondents intend to continue using natural gas into the future. This demonstrates that many customers continue to choose gas for domestic roles such as heating and cooking.

Consumer protections for customers of embedded networks

In its review of regulatory arrangements for embedded networks, the Australian Energy Market Commission concluded that customers within embedded networks may not be able to access competition and do not have some of the consumer protections afforded to customers under the national framework.³

Amendments were made in 2018 to the Australian Energy Regulator's Network Exemption Guideline and Retail Exemption Guideline requiring embedded network operators to become members of the NSW Energy and Water Ombudsman (EWON).⁴ This provides embedded network customers with access to EWON's complaints resolution services, an effective mechanism to resolve any issues.

If you have any questions about our submission, please contact John Skinner at [REDACTED] or [REDACTED].

Regards,

[REDACTED]

Peter Bolding
General Manager, Policy and Regulation

³ AEMC, Review of regulatory arrangements for embedded networks, Final Report, 28 November 2017

⁴ <https://www.ewon.com.au/page/suppliers/suppliers-in-nsw>