

16 May 2017

Mr Owen Pascoe  
Director  
Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney, NSW 2000  
02 8296 7800

Dear Mr Pascoe,

**RE: Submission on review of regulatory arrangements for embedded networks**

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper relating to the review of regulatory arrangements for embedded networks. This letter outlines ATCO Gas Australia's (ATCO) views on the evolving energy market and provides feedback on the Consultation Paper. Given the complex issues discussed in the Consultation Paper, ATCO encourages the AEMC to continue dialogue with industry to ensure that the review fully considers the impact on electricity and gas businesses, consumers as well as in-depth consideration of the evolving energy policy context.

ATCO owns and operates the principal gas distribution network in Western Australia (WA), delivering natural gas to around 740,000 homes and businesses in the Perth metropolitan area and regional WA. ATCO Gas Australia is part of the ATCO Group of Companies, which are engaged in pipelines & liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); electricity (electricity generation, transmission, and distribution); retail energy and structures & logistics.. Australia as an important strategic market for future growth and investment and in addition to the WA gas distribution network, energy infrastructure assets include natural gas fuelled power generation facilities in WA and South Australia.

ATCO is a strong supporter of the consultation paper's focus on innovative services and new technologies. The gas sector is currently experiencing a large amount of innovation due to the emergence of new technologies and applications of gas. It is clear that customers value innovation in the energy industry and are increasingly looking for opportunities to manage their bills, participate in the retail market, while maintaining appropriate customer protections. The AEMC's challenge is to ensure that changing customer preferences are supported by regulatory frameworks that are agile enough to accommodate these developments.

ATCO strongly believe that gas networks have an essential role to play in meeting Australia's future energy supply needs in a safe, reliable and affordable manner. As such, it is integral that any reforms to energy market design, policy or regulatory framework consider solutions that can be applied holistically, rather than applying to specific energy sources in isolation.

Natural gas has many applications in Australia's energy future, it is a reliable and responsive fuel for power generation, while in distribution networks, it is an ideal complement to intermittent renewable



energy. ATCO is of the firm view that natural gas has an important role in ensuring Australia's future energy security as it is complementary to other energy sources and can assist with the energy trilemma:

- Reliability: gas networks are largely underground and as such are very reliable.
- Security of supply: diversifying the energy mix is key to energy security.
- Affordability: reduced gas distribution tariffs have been placing downward pressure on residential gas prices.

Natural gas also has an important role to play in reducing greenhouse emissions. Gas is a low emission fuel and it is widely recognised that the use of distributed gas has lower carbon intensity than grid sourced electricity. Furthermore, there is increasing recognition, both in Australia and internationally, that there are opportunities to further reduce the carbon impact of gas through the development of bio methane and hydrogen applications.

Innovation in the energy industry is also increasing the application opportunities for natural gas in both residential and commercial customer segments. Innovative new technologies such as gas powered air conditioning, gas co generation facilities and fuel cells are at various stages of development and have potential emission reduction and energy cost saving benefits to customers. ATCO has been actively investigating the potential growth and commercialisation of some of these technologies through dedicated research and development programs as well as offering a suite of incentive rebates designed to reduce upfront capital expenditure and encourage the uptake of alternative applications of natural gas.

Key organisations within the Australian gas sector are also investigating the opportunities available through transformational technologies and appliance development. Energy Networks Australia's (ENA) Gas Vision 2050 presents a comprehensive picture of the future role of gas in the home, cities and wider industry. The vision provides an outline of how the gas sector can work collaboratively with the electricity and renewable sectors to provide Australian homes and businesses with reliable baseload energy whilst ensuring Australia achieves its decarbonisation targets.

ATCO would encourage the AEMC to ensure that this review does not ignore the longer term future of gas and gas infrastructure. There is increasing Australian and international recognition of opportunities to further reduce the relatively low carbon footprint of gas with innovation. Therefore, ATCO encourages the AEMC to adopt a technology neutral approach to this review, which recognises the similarities and co-dependencies between electricity and gas systems and regulations in Australia. This is essential if we are to have a sustainable and holistic regulatory framework that applies across our energy industry. A technology neutral approach will encourage efficient investment in energy solutions that benefits customers through providing access to innovative, efficient and customer-focussed energy services. In relation to embedded networks, any regulatory changes should be holistic in the sense that they apply to both electricity and gas sectors and be fit for purpose, balancing innovation and customer protection across the energy market.



Residential multi-story developments are becoming more popular in WA, with the State Government promoting infill and higher density development including multi-story apartments<sup>1</sup>. Recognising this shift in the market, ATCO is actively promoting the use of gas in medium and high density developments.

ATCO has observed the trend of emerging innovative technologies challenging conventional models of energy supply in Australia. The emergence of new ways to source and sell energy is encouraging customers to become more engaged in decisions concerning their energy usage. At present ATCO does not have any embedded networks connected to its wider gas distribution system. However, it is clear that WA customers are moving away from traditional methods of supply and are increasingly looking at innovative ways to support their energy requirements.

ATCO acknowledges that the emergence of embedded networks and associated energy intermediaries is a complex issue that requires careful consideration. Therefore, any rule change implemented by the AEMC must consider the direct impacts on all participants in the supply chain, with a particular focus on end use customers. It is integral to ensure that customers have access to retail market competition and that energy intermediaries are regulated appropriately to ensure that customers interests are protected.

Consideration of these issues will ensure that the regulatory framework can appropriately balance customer participation and protection in embedded networks with innovation in new services across the energy market.

If you have any questions or would like to discuss any of these issues further, please contact myself or Matthew Cronin, General Manager Regulation ATCO Gas Australia.

Yours sincerely



**Pat Donovan**  
**President ATCO Gas Australia**

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<sup>1</sup> West Australian Department of Planning, Direction 2031

