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It's 'Game On' in energy competition ... not 'Game Over'

New claims that Australia's gas consumption will collapse in the next 10 years are wildly premature, the Energy Networks Association said today.

The Melbourne Energy Institute (MEI) has claimed that higher wholesale gas prices and more competitive Reverse Cycle Air conditioning would see Eastern Australian gas consumption halve in 10 years.

"Gas has always competed as a fuel of choice and Australia should not lose sight of the benefits of dual fuel energy networks to our households and economy," ENA CEO John Bradley said.

"Consumers will consider a range of factors including what kind of home they have, their appliance mix, cost effectiveness, environmental performance, amenity and cooking preferences.

"Gas is very price competitive - in the case of Victorian customers, the Australian Technology Association notes it remains about a quarter of the price of electricity on an equivalent energy basis.

"For households that have adopted solar to reduce emissions, gas plays an important role when the sun is not shining, by avoiding 85% of the greenhouse gas emissions from electricity use," Mr Bradley said.

Mr Bradley said that although wholesale gas prices were increasing, they are only 20 to 25% of a typical residential bill and are being offset in many places by falling network charges.

"An 11% reduction in network charges for South Australian residential customers is currently proposed and a 34% reduction in network charges has been delivered for NSW customers.

"This will mean annual gas bill reductions of about \$46 per year in South Australia and \$118 per year in NSW," Mr Bradley said.

Mr Bradley said a more balanced approach was needed than the MEI report, which had been funded by opponents of coal seam gas development.

"All energy options should be expected to compete on the basis of their value to customers and their ability to contribute to greenhouse gas abatement.

"For instance, hot water appliance markets in Australia are currently distorted by significant subsidies for heat pumps which are more emissions intensive than efficient gas hot water heaters which receive no subsidy.

"The report also recommends a widespread, increased use of air-conditioning without assessing the impacts on electricity peak demand, which is the major driver of network costs.

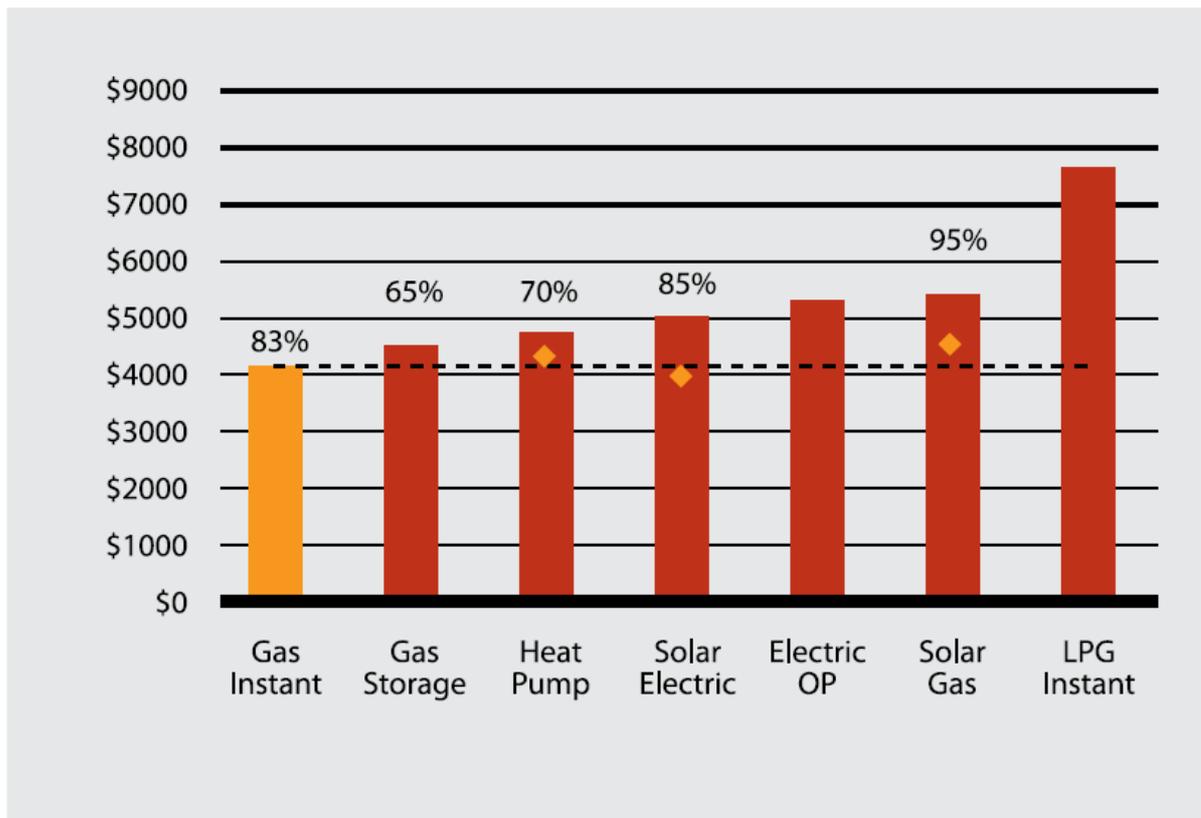
"Its previously been estimated that without natural gas for heating in NSW, the peak demand for electricity in winter could be up to 20% higher," Mr Bradley said.

ENDS.

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ENA is the peak national body for Australia's energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.

Chart: Water Heating



Source: ENA Gas Network Sector Study, Core Energy Group, August 2014, page 6.

The Chart highlights that:

- Efficient Instant Gas Hot Water systems achieve 83% emissions reductions (compared to electric resistance hot water systems, which is better than Heat Pump hot water systems (70%) and equivalent to electricity boosted Solar Hot Water Systems.
- Subsidies are paid under the Small Scale Renewable Energy Scheme to Heat Pump and Solar Hot Water Systems for their emissions reductions – but not to Gas Hot Water Systems. The whole of life costs are shown before (bar chart) and after (♦) subsidies.
- The effect is a subsidy which distorts appliance choice, without achieving emission reduction benefits.