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Hydrogen blends and renewable gases reforms

Submitted to renewablegas@industry.gov.au

Officials' paper on amendments to the National Gas Law (NGL), the National Energy Retail Law (NERL) and Regulations.

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage. PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. PIACs Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in NSW. We work for better regulatory and policy outcomes, so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate

PIAC welcomes the opportunity to respond to the Consultation Paper 'Extending the national gas regulatory framework to hydrogen blends & renewable gases – Changes to the NGL, NERL and Regulations'.

PIAC agrees that if Natural Gas Equivalentents (NGE) are introduced to gas networks the regulatory framework will need be expanded to protect the interests of consumers. However, an extension to accommodate Other Gases (OG) should not proceed at this time.

Natural gas equivalentents

The National Gas Rules (NGL) and National Energy Retail Regulations (NERL) should be reviewed to ensure continued efficiency and consistent consumer protection where NGEs are used in gas distribution networks.

The definition of NGE must focus on suitability of consumption on equivalent terms with Natural Gas (NG). Equivalence must be assessed holistically and ensure there is no impact on the:

- safety of the network,
- life of network assets,
- cost of providing gas through networks,
- safety of consumers, and
- utility, efficiency, or life of consumer appliances.

Without strong, transparent standards for monitoring and specifying blending, product differentiation between NG and NGE will not be practical and should

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not be allowed. This should be recognised in any changes to the NERL, ensuring that retailers are required to sell NGE as an undifferentiated product.

Where blending is allowed it is likely to be a function undertaken at the point of compression and injection into pipelines. These functions are currently subject to economic and other regulation. Blending activities should be subject to similar regulation to ensure consistency, transparency, and efficiency.

Other gases

PIAC opposes the extension of the NGL and NERL to accommodate the introduction of other gases (OG). The Consultation Paper notes that Energy Ministers must be satisfied there are no unintended consequences to the 'future proofing' of the NGL and NERL in accommodating OG products before proceeding with the proposed changes to the regulatory framework at this time. No such confidence is possible.

In addition to questions regarding what role networked gas will play in the future energy system, the most credible future scenarios for efficient, sustainable energy provision involve rapid electrification of consumer loads and commensurate underutilisation of gas networks.

Australia's existing gas appliances and transmission networks are not built for hydrogen, and only able to accommodate very low-level blends at best. Some industrial processes cannot tolerate any hydrogen. To carry any significant amount of hydrogen would require expensive appliance replacement or upgrades and the overhaul of many safety standards and measures (such as smoke alarms) for every business and household using gas. Changes, replacements, and upgrades would be required throughout gas networks. These are significant considerations that go to the heart of the issue of long-term interests of energy consumers.

Extending the NGL and NERL now, prospectively, has real risks and potential implications for the ability of the energy frameworks to support an energy system that is as affordable, efficient, safe, and reliable as possible. The existing NGL framework was created to ensure the existing infrastructure providing essential services to, and providing regulated returns from, the community was operated transparently, efficiently, and affordably in the interests of the community.

The community's need for the existing gas infrastructure and the gas it provides is established. This does not apply to OG products, which may be so different from existing gas as to require an entirely new network and the complete replacement of gas appliances. If the future case for these products is demonstrated, their value for consumers and the community proven, it will be reasonable to consider how that need should be regulated. As distinct products they will have distinct properties. Therefore, they will have distinct consumer safety, reliability, quality, security, efficiency, and choice considerations. This will require a distinct legal and regulatory framework if and when the need for OG products and their value to the community is demonstrated. That is not yet the case and it would be inappropriate to use the current legal and regulatory framework for such a prospective, risky, and unproven purpose.

Consumers should not subsidise a potential hydrogen opportunity for Australia

The Energy Ministers' vision for Hydrogen must not be subsidised by energy consumers. PIAC supports a co-ordinated strategy to address emissions and build renewable energy opportunities such as hydrogen exports. But it is not appropriate for the use of hydrogen in gas networks to be the basis for realising potential export industry opportunities. This would lead to consumers bearing the costs of development and the risks of failure. Blending must not increase the costs of gas or the costs of the networks supplying it. Pursuing hydrogen export

opportunities is valid, but it must not come at the expense of consumers or with added risk to their efficient and affordable access to essential energy.

Hydrogen blends, NGEs or other fuels used in networks must demonstrate their utility, efficiency and long-term benefit to consumers compared to the credible alternatives. The National Gas Objective (NGO) and NERL require consideration of the long-term interests of all consumers. This means decisions regarding the future composition of energy networks must holistically consider the efficiency of energy and whether a continued role for gas networks in a decarbonised future is in the long-term interests of consumers at all.

PIAC welcomes the opportunity to discuss these matters further with stakeholders.

Yours sincerely

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