

03 August 2021

Submitted via engage.vic.gov.au

Department of Environment, Land, Water and Planning
PO Box 500
East Melbourne VIC 8002

Dear Madam/Sir

Victorian Gas Substitution Roadmap Consultation

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Victorian Government's Gas Substitution Roadmap Consultation Paper.

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

Maintaining the affordability of gas supply

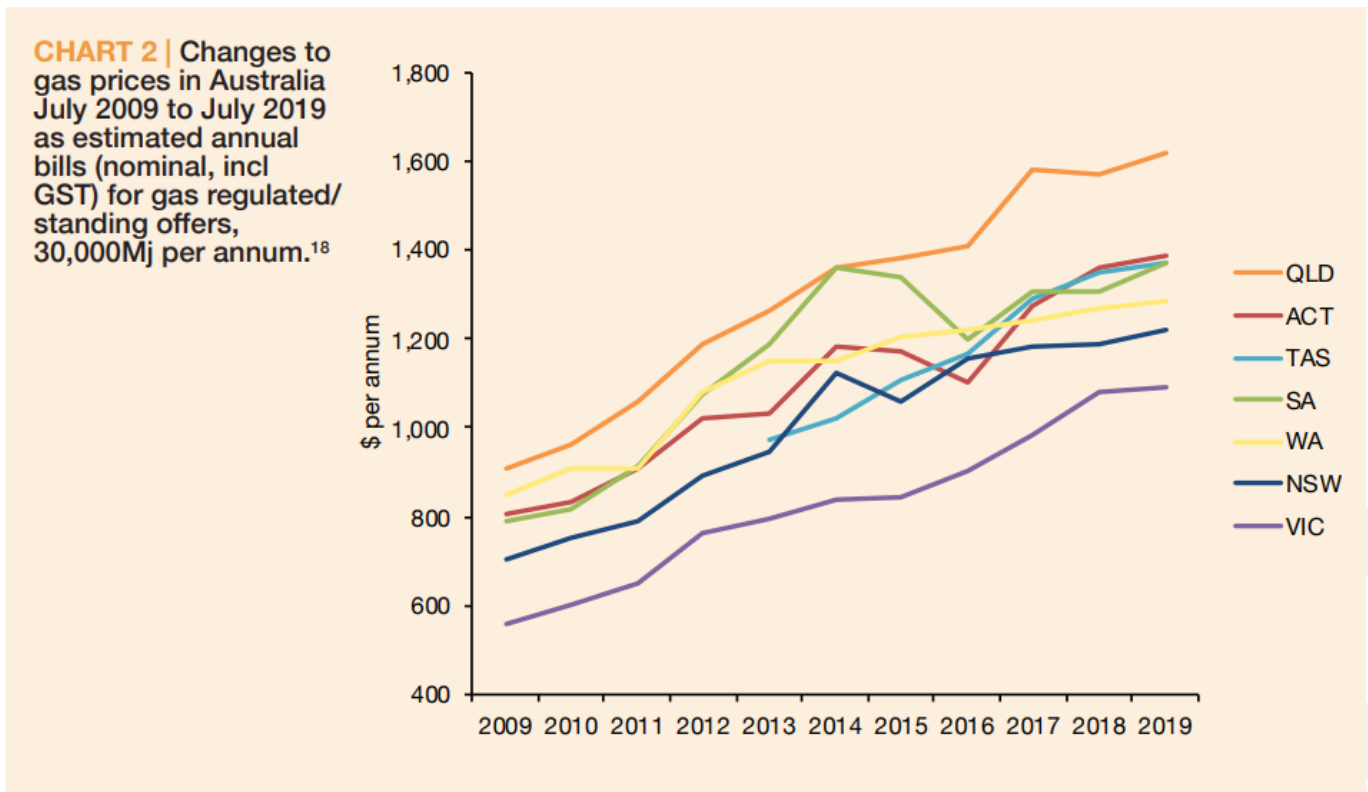
For Victorians we speak to at Consumer Action their concerns are often about immediate affordability of energy bills, including gas. These bills are unaffordable for many reasons and can include, but are not limited to, losing a job, health challenges such as serious illness or injury, or taking on caring duties. A significant proportion of people we speak to struggle with ongoing energy hardship and face difficulty paying for energy bills, among other day-to-day costs. Individuals who live in poor quality housing are negatively impacted by higher running costs for appliances – for example, uninsulated or poorly insulated housing will lose heat rapidly and require higher energy use for heating appliances. For many people, they are stuck with inefficient heating and/or cooling appliances either because they cannot afford the up-front cost to replace or because they don't have a choice (i.e. renters).

In addition to affordability issues, the gas market is extremely complex. Gas contracts are far more confusing to navigate because they often vary greatly in structure, with blocks and seasonal variations changing at different points at each retailer's discretion. This makes it extremely hard to engage in the competitive market, compare offers and find the best deal. The Essential Services Commission's (**ESC**) latest Victorian energy market update noted one in two residential customers could be on a cheaper gas offer with their current retailer.¹ St Vincent de Paul's 10 year tariff tracker recap shows gas prices are consistently on the rise (see chart below).² Note that in Victoria, typical household gas consumption is over 60,000Mj per annum and therefore while prices are

¹ Victorian Energy Market Update: June 2021, available at <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>

² St Vincent de Paul Society and Alvis Consulting, The NEM – The umpire strikes back, Melbourne, November 2019, available at <https://alvisconsulting.com/wp-content/uploads/2019/12/NEM-Report-Final.pdf>

comparatively lower in Victoria, Victorian households will have much higher bills than Queenslanders for example where household consumption is typically less than 10,000Mj.³



Maintaining the affordability of gas during a period of transition is crucial and we encourage the Department to implement policy measures that ensure gas remains affordable particularly for low income and vulnerable households. Consumer Action has long supported the recommendation of the Independent Review of the Electricity & Gas Retail Markets in Victoria (known as the Thwaites Review) to establish a guaranteed, fair price for energy and have been involved in the development and setting of the default offer for electricity. To ensure prices remain affordable as Victoria transitions away from traditional gas we recommend the Victorian Government implement a default offer for gas. Doing so would assist households who are unable to engage with the gas retail market and bring gas pricing regulation into line with the VDO for electricity. In addition, it would improve understanding of consumer protections by them being consistent across fuels.

RECOMMENDATION 1. The Victorian Government implement a default offer for gas to ensure prices remain affordable and fair, particularly for low income and vulnerable households.

Transitioning efficiently and equitably

The Consultation Paper notes “gas will continue to play a role ... until such time as renewable and zero emissions alternatives become available at scale and are embraced by the market”. For households, there are a range of existing electrical appliances available that can heat and cool the home, be used for cooking and hot water heating that are far more efficient than their gas equivalents. The electricity network also has the potential to become 100% renewable in future years. Therefore, while we agree that there may be a transition phase where gas is phased out, we question what factors underpin the potential creation of a net zero emission gas network versus a

³ Ibid, page 8.

phasing out of gas in favour of an electricity grid that is designed to accommodate the energy needs once provided for by gas.

Renew has undertaken analysis of dual fuel versus electric households in their report *Household Fuel Choice in the National Electricity Market*⁴ and in many cases recommends replacing gas appliances with electric to lower energy consumption costs. As noted above, many consumers are not able to afford new appliances (even with government rebates and incentives) and renters have little choice. These groups will need targeted assistance to transition, and we are supportive of Government programs that incentivise the uptake of energy efficient appliances, particularly those aimed at low income or vulnerable households and those that face barriers to choice, including renters. We congratulate the Victorian Government on its recently launched Home Heating and Cooling Upgrades program, including its proposed extension to renters.

We encourage the Government to ensure consumers are protected in any upgrade or rebate program, particularly those that involve government subsidies. Our experience is that where subsidies are provided, some nefarious businesses may seek to take advantage of consumers in order to gain the subsidy. For many years we have advocated for enhanced consumer protections in the solar industry based on consumer inquiries and complaints to our legal service. We recently welcomed the ban on door to door selling of solar panels for companies participating in the Solar Homes Program but would like to see this extended to cover the whole market. Existing or new programs that are offered to assist a transition away from gas must ensure consumer protections are built in from the outset.

RECOMMENDATION 2. Ensure consumer protections are prioritised in any roll out of government energy efficiency programs or where rebates are offered.

In recent comments to the Australian Energy Market Commission's (AEMC) regarding arrangements for distributed energy resources (DER) we said that all consumers should benefit from the renewable energy transition underway regardless of their ability invest in DER. This also applies to the residential gas network. It is important to ensure households without the choice to reduce or move away from their reliance on gas are not faced with higher costs due to transitioning or upgrading networks to accommodate other fuel types. This principle should guide the gas transition work to ensure no one is worse off and no household is left behind.

Please contact **Consumer Action Law Centre** on 03 9670 5088 or at reception@consumeraction.org.au if you have any questions about this submission.

Yours Sincerely,

CONSUMER ACTION LAW CENTRE



Gerard Brody | Chief Executive Officer

⁴ <https://renew.org.au/research/all-electric-solar-homes-save-thousands-over-gas-report/>