23 February 2012

Mr John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Via website: www.aemc.gov.au

Ref: Project EMO 0022

Dear Mr Pierce

Response to AEMC Issues Paper – *Energy Market Arrangements for Electric and Natural Gas Vehicles*

The Energy Networks Association (ENA) welcomes the opportunity to respond to the Issues Paper - *Energy Market Arrangements for Electric and Natural Gas Vehicles*.

As stated in our response to the Approach Paper, ENA supports a comprehensive review of energy market frameworks that encompasses both electric vehicles and natural gas vehicles. However, we reiterate our view that it is premature to determine whether additional energy market regulation or changes to current energy market arrangements are required to facilitate the uptake of EVs. This is based on the following reasons:

- A range of trials are currently underway to evaluate various aspects of EV technology, battery charging technology, interoperability, consumer preferences, standards, and many other issues associated with EVs
- There are still high levels of uncertainty regarding the likely market uptake of EVs and NGVs
- Other established mechanisms employed by the energy sector may be more appropriate than revised energy market arrangements in terms of addressing the issues and realising the benefits associated with EVs and NGVs

Therefore, in ENA's view, it would be appropriate to retain the current flexibility in the rules and market arrangements until stakeholders learn from the pilots and trials that are currently underway.

ENA has the following specific comments in relation to NGVs.

In terms of the expected market uptake of NGVs, ENA notes that extensive scenario modelling exercises have been undertaken by CSIRO for the Department of Resources Energy and Tourism (RET)[1] and for Treasury[2]. ENA has adopted the transport fuel consumption projections in Scenario 2 (Government policy, moderate growth) in CSIRO's report prepared for RET as a basis for its projections of the market uptake of CNG vehicles. On the modelling results for Scenario 2, CSIRO observes that 'Beyond 2020, natural gas , electricity, biofuels and synthetic fuels all increase their share gradually.'[3]

In ENA's view, AECOM's modelling of the projected uptake of CNG buses and LNG trucks appears to be reasonable. However, we consider that there are also opportunities for the future uptake of CNG in the light commercial vehicle and passenger fleet vehicle segments that should be included in the modelling, especially in the context of depot based refuelling. Home based CNG refuelling also represents an opportunity to expand the uptake of CNG to passenger and light commercial vehicles, especially given that

home based CNG refuelling is exempt from the recently introduced gaseous fuel excise arrangements. ENA would be happy to discuss these issues further with the Commission.

ENA agrees that there are unlikely to be any major issues in terms of connecting NGV related infrastructure and services at a customer's home, even if uptake rates were faster than projected. There are also unlikely to be any network issues such as connection, metering or system augmentation that need to be treated differently for NGVs as compared with any other medium or large commercial gas customers.

In terms of retail licencing issues, imposing a requirement that CNG refuelling facilities be subject to gas retail licencing will add an additional compliance burden without providing any benefit. CNG refuelling stations are currently subject to excise licencing, dispenser certification by the National Measurement Institute and a range of jurisdictional based requirements including dangerous goods and technical regulation.

In order to clarify current market arrangements and to remove a potential barrier to gas distributors owning and operating CNG refuelling stations and selling CNG, ENA proposes that the exemptions from minimum ring-fencing requirements under the National Gas Rules (S31(3) exemption from section 139 of the NGL) be expanded to include the purchasing of gas where it is used for the manufacture and sale of CNG or LNG. For example, in the case of the ActewAGL CNG refuelling station in Fyshwick ACT, ActewAGL Distribution owns and operates the station but because ActewAGL Distribution as a service provider is prohibited from purchasing or selling natural gas under the NGL, a licenced gas retailer owns the gas and sells the compressed natural gas to customers at the CNG dispenser. This arrangement adds a layer of complexity and cost in terms of contractual provisions and commercial arrangements.

In conclusion, ENA agrees that the impact of NGVs on energy markets is likely to be minimal, however, some modifications such as expanding the exemptions from the ring-fencing requirements under the NGR to include the purchasing of gas used for the manufacture and sale of CNG or LNG should be considered.

If you have any questions on this paper, please do not hesitate to contact me on (02) 6272 1515.

Yours sincerely

Dale Weber

Director Gas & Energy Market Development

---

[1] CSIRO, *Possible Futures: Scenario Modelling of Australian Alternative Transport Fuels to 2050 (2011)*
[2] Commonwealth of Australia (2011) *Strong Growth, Low Pollution: Modelling a carbon price – Update:* http://www.treasury.gov.au/carbonpricemodelling/content/update/Modelling_update.asp
[3] CSIRO, *Possible Futures: Scenario Modelling of Australian Alternative Transport Fuels to 2050 (2011) page 47*