



3 December 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission (AEMC)
PO Box A2449
Sydney South NSW 1235

Dear Ms Collyer

Consultation Paper: EMO0042 – Review into extending the regulatory frameworks to hydrogen and renewable gases

Thank you for the opportunity to comment on this consultation paper.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. Our comments are informed by our investigations into these complaints, and through our community outreach and stakeholder engagement activities.

Our submission focuses on the questions in the consultation paper that have relevance arising from our case work, experience, and expertise.

Definition of gas

Expanding the definition of gas in the National Gas Law (NGL) is likely to be the most effective method to achieve the aim of natural gas equivalents being used in the distribution of gas to consumers.

The current definition of natural gas as defined in the NGL means a substance that:

- “(a) is in a gaseous state at standard temperature and pressure; and*
- (b) consists of naturally occurring hydrocarbons, or a naturally occurring mixture of hydrocarbons and non-hydrocarbons, the principal constituent of which is methane; and*
- (c) is suitable for consumption.”*

The current definition will possibly not allow for the inclusion of natural gas equivalents, such as hydrogen due to the production methods, because of the natural gas equivalents not being naturally occurring. For example, producing hydrogen from electrolysis or coal could be seen as a by-product or a manufactured product, and therefore not naturally occurring and not falling within the current definition of natural gas.

There is scope for state legislation to enable natural gas equivalents to be used. The [Gas Supply Act 1996](#) further defines gas as any other substance that the regulations declare to be a gas for the purposes of this Act.

A similar addition to the definition of gas under the NGR would enable natural gas equivalents to be declared as a gas for the purpose of the law.

QUESTION 20: CONSUMER PROTECTION FRAMEWORK

1. Do you consider that changes are required to the consumer protection framework to reflect the physical properties of natural gas equivalents compared to natural gas? Specifically

a. Should retailers be required to notify existing customers prior to the transition from the supply of natural gas to a natural gas equivalent that the customer is now being supplied with the natural gas equivalent and the changes the customer may see in relation to the quantity of gas metered at their premises following the transition?

Yes. While the service of gas provision to a customer will ultimately remain unchanged, all customers should receive appropriate information about the composition of their supply and any changes that may or may not occur in their bills.

There has been ongoing discussion in the energy sector regarding customer confusion and lack of trust in the industry. A key to building trust is for regulators and retailers to provide clear, understandable, and transparent information which informs customers transparently about changes to their bills. This approach enables customers to make informed decisions including about switching retailers for actual, as opposed to perceived, benefits or to switch to an alternate fuel i.e. electricity when upgrading household appliances.

It is presently unclear whether the development and implementation of natural gas equivalents will result in downstream price increases for customers. However, the consultation paper highlights potential changes that could impact prices, such as changes to heating values and base usage volume recorded on a customer's meter.

There is a broad spectrum of customers ranging from those who are highly engaged with the energy market to those such as elderly, CALD, non-digital and low literacy customers that are significantly less engaged. Some customers will be interested in broader issues around the gas product changes such as environmental impacts and their consumer rights, and others will be mostly concerned with the end result on their bills.

It is important that any information provided to customers clearly indicates the real impact to quality of supply and whether these changes will impact the cost of their bill. Any changes to how information on bills is displayed such as increased volume on meters, changes to heating value or prices should also be explained.

b. Should the model terms and conditions for standard retail contracts and the minimum requirements for market retail contracts be amended to make clear if the supply of gas under that contract is a supply of natural gas or a natural gas equivalent?

Policy Submission

The current model terms and conditions for standard retail contracts¹ defines energy as electricity or gas, with no reference to natural gas or of the composite nature of the makeup of the product.

Extending the national gas regulatory framework to natural gas equivalents and constituent gases would result in natural gas equivalents falling within the definition of natural gas under the NGL. Therefore, this would allow the definition of energy under the NERL to automatically fall within the current wording of the model terms and conditions.

However, to support a clear and transparent approach and provide customers with as much information about products, EWON supports this change being transparently reflected in the model terms and conditions.

This should also apply to the minimum requirements for market retail contracts.

c. Should retailers who receive requests for historical billing data from a customer be required to state in the billing information provided if there was a transition from natural gas to a natural gas equivalent during the billing history period for which information is requested, and the date at which the transition occurred?

Yes. Meter data provided to EWON for the purpose of investigations includes the meter number, date of meter readings, start and end meter readings for the period, volume recorded on the meter and any applicable multiplying factors. If there is a transition from natural gas to a natural gas equivalent during a billing period, data must show a clear date of transition given that different values would need to be calculated / checked to ensure accurate billing for the entire period.

Most consumers are not familiar with reading or interpreting meter data and should also be provided with explanatory information from their retailer including about any significant changes in data. This should include provision of additional information regarding calculation factors or the date of transition from natural gas to an equivalent, which will increase clarity about the data.

d. If the natural gas equivalent to be supplied has a different heating value from natural gas, should there be a requirement for retailers to issue a bill based on an actual meter read for customers with accumulation (non-interval) meters before supply is transitioned to a natural gas equivalent?

Yes, although the answer to this question will depend on how the natural gas equivalent is distributed and how the roll out of change is completed. For example, to complete actual meter readings for whole suburbs that will have the same date of transition could be a difficult and arduous task to complete.

Pro-rata calculations are currently used in billing when a price change occurs in a billing cycle. However, the transition from natural gas to a natural gas equivalent is a more substantial change than a simple tariff change between bills. A more transparent approach would be to send a bill for the period where natural gas usage finished and a new bill from the start date of natural gas equivalent billing. The new bill should include advice about the change from natural gas to a natural gas equivalent and any consequences of that change.

3. Do you consider that customers should be informed if price variations occur because of the transition to natural gas equivalents?

¹ Schedule 1 Model terms and conditions for standard retail contracts, *National Energy Retail Rules* Version 30

Policy Submission

Yes. Any price variations to be passed on to the customer should be treated the same as normal price variations and the current regulatory requirements for notification of changes should be applicable.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely

A handwritten signature in black ink that reads "Janine Young". The signature is written in a cursive, flowing style.

Janine Young
Ombudsman
Energy & Water Ombudsman NSW