



14 April 2023

## **Submission: IPART Review on the future of embedded networks in NSW – draft Terms of Reference**

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to provide comments on the draft Terms of Reference for the Independent Pricing and Regulatory Tribunal (IPART) inquiry into embedded network issues in NSW.

APGA supports a net zero emission future for Australia by 2050<sup>1</sup>. Renewable gases represent a real, technically viable approach to lowest-cost energy decarbonisation in Australia. As set out in Gas Vision 2050<sup>2</sup>, APGA sees renewable gases such as hydrogen and biomethane playing a critical role in decarbonising gas use for both wholesale and retail customers. APGA is the largest industry contributor to the Future Fuels CRC<sup>3</sup>, which has over 80 research projects dedicated to leveraging the value of Australia's gas infrastructure to deliver decarbonised energy to homes, businesses, and industry throughout Australia.

The NSW Independent Pricing and Regulatory Tribunal (IPART) has been asked to consider and provide recommendations on several matters surrounding embedded networks (the **Review**). APGA wishes to address two items of the proposed Terms of Reference, that IPART investigate and make recommendations on:

- An appropriate methodology or methodologies for IPART to use in setting maximum prices for hot and chilled water supplied through embedded networks.
- Whether new embedded networks for hot and chilled water should be prohibited in NSW.

While APGA agrees that these proposed items concord with the NSW Government's request to IPART, we observe that these Terms of Reference have been drafted without considering actions of the NSW Government in the interim. These include the Embedded Networks

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<sup>1</sup> APGA, *Climate Statement*, available at: <https://www.apga.org.au/apga-climate-statement>

<sup>2</sup> APGA, 2020, *Gas Vision 2050*, [https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation\\_04.pdf](https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation_04.pdf)

<sup>3</sup> Future Fuels CRC: <https://www.futurefuelscrc.com/>

Action Plan<sup>4</sup> and the draft Ministerial Statement of Expectations<sup>5</sup> for embedded network operators, which both contain a number of initiatives to strengthen consumer protection.

It is well understood that embedded networks reliably and efficiently deliver energy services to customers in residential and commercial developments at underlying low cost due to economies of scale. Additional costs and complications introduced by certain business practices do not negate the inherent underlying cost competitiveness of embedded network technologies. It is the business practices, not the technologies themselves, which should be the first focus of regulation.

Prohibiting embedded networks for hot and chilled water in certain new developments will likely result in consumers paying more for equivalent services than they otherwise would. A ban would also reduce the future opportunity of embedded networks more efficiently utilising renewable gas to contribute to decarbonisation through economies of scale.

The economic regulation being pursued by the NSW Government, such as price caps and other measures, will likely be sufficient to balance consumer protection and consumer choice. Moreover, the opportunity to optimise customer outcomes through economic regulation should be sought prior to prohibition.

To ensure all avenues can be investigated as a part of the Review, APGA suggests that it may be appropriate to expand the above Terms of Reference thus:

- An appropriate methodology or methodologies for IPART to use in setting maximum prices for hot and chilled water supplied through embedded networks, *and other related consumer protections*.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or [jmccollum@apga.org.au](mailto:jmccollum@apga.org.au).

Yours Sincerely,



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<sup>4</sup> NSW Office of Energy and Climate Change, 2023, *NSW Embedded Networks Action Plan*, [https://www.energy.nsw.gov.au/sites/default/files/2023-02/NSW\\_Embedded\\_Network\\_Action\\_Plan.pdf](https://www.energy.nsw.gov.au/sites/default/files/2023-02/NSW_Embedded_Network_Action_Plan.pdf)

<sup>5</sup> NSW Office of Energy and Climate Change, 2023, *Draft Ministerial Statement of Expectations*, [https://www.energy.nsw.gov.au/sites/default/files/2023-03/NSW\\_Ministerial\\_Statement\\_of\\_Expectations\\_202303.pdf](https://www.energy.nsw.gov.au/sites/default/files/2023-03/NSW_Ministerial_Statement_of_Expectations_202303.pdf)