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**Submission to:**

**An Independent Assessment of the Tasmanian Electricity Supply Industry**

We are writing in response to the findings of the Independent Panel as expressed in its Draft Report. We welcome the Panel's recognition that there are opportunities for gas to play a more integrated role in an efficient and effective Tasmanian energy industry. The Panel has made important recommendations aimed at enhancing competition in the supply of electricity. We are, however, somewhat disappointed that the Panel did not go further in assessing the advantages to be had from enhancing competition across the broader energy market, including for the increased use of gas.

In our previous submissions and discussions with the Panel, Tas Gas explained how energy costs can be reduced for all Tasmanians through the increased use of gas. In this regard, we reiterate again our key points.

The Tasmanian gas network is underutilised and has a lot of spare capacity. The throughput of the network could be more than doubled. Only around half of the planned gas network has so far been rolled out.

Increasing the use of the gas network would benefit Tasmania. Increased use of gas, either through direct use for heating and cooking, or to generate electricity in gas-fired power stations or co-generation units, would have multiple benefits.

In the first instance, it would reduce the overall average delivered cost of energy to Tasmanian consumers. The delivered price of gas in Tasmania is substantially lower than electricity on a like for like basis. The forecast trend is that gas will become increasingly better value for heating and cooking compared with electricity. At present, the typical Tas Gas network customer is saving around \$800 each year by switching from electricity to gas for heating their homes. This amount is expected to increase over time. Switching to gas would reduce consumers' energy bills overall.

In addition, increased use of gas, to reduce the strain on electricity networks during peak periods, would reduce the delivered cost of electricity. All Tasmanians would benefit from this, regardless of whether they have access to gas supply or not. Growth in peak demand typically drives the need for expensive upgrades to electricity networks and generators. Tasmania's electricity usage peaks during cold periods when electricity is used for heating. A significant amount of electricity network expenditure is required to meet peak demand. In the Australian national electricity market as a whole, network expenditure estimated at around \$11 billion is needed on average for only four days in

the year, or less than 1% of the time. Expensive upgrades to the electricity system that are only needed for short periods of time can be deferred or eliminated by substituting gas for electricity for heating during peak times.

Increased use of gas would also improve the reliability of electricity networks by taking pressure off the system during peak time.

Reducing the amount of electricity used would also mean that Tasmania would have less need to import electricity generated by dirty coal burning power stations in Victoria. This would enhance Tasmania's reputation as a green economy and, in the long run, reduce the cost of carbon, which will come to feature in the energy bills of all Australians later this year.

A secure, sustainable and efficient supply of energy is vital to Tasmania's growth and prosperity. An effective way of securing energy supply is through diversity. Obtaining energy from a variety of sources is more secure than putting all of our eggs in one basket. Gas has an important part to play in Tasmania's energy mix.

In our submission we put forward ten specific recommendations for the Panel to consider, which should help to promote and integrate gas. These recommendations address three broad issues:

1. Development of an overarching energy policy, which integrates development of the gas sector.
2. A role for government to coordinate energy developments in a way that strikes the most efficient balance between electricity and gas.
3. Incentives, beyond those provided by current frameworks, for Tasmanian electricity businesses to examine and pursue non-network solutions to meet increased energy demand.

We appreciated the opportunity afforded to Tas Gas to put forward its views to the Panel. We remain available and willing to elaborate further on any aspect of our submission.

Yours sincerely



**RICHIE SHEATHER**  
CEO Tas Gas