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Australian Energy Market Operator
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Australian Energy Market Operator — Draft 2022 Forecasting Assumptions Update — December 2021

We appreciate AEMO's consultative approach to the preparation of its 2023 IASR and the opportunity to provide feedback on the suggestion of a fifth scenario, capturing a 'high gasification' pathway.

Our view is that these issues, as they relate to fuel switching, should be explored in terms of refinements to existing scenarios and that there would be limited value in creating an entirely new scenario. At most it may warrant applying a sensitivity on the degree of switching away from gas appliance usage (for example).

We are generally supportive of efforts to explore, through AEMO's modelling, the interface between the gas and electricity systems. We also understand that this suggested scenario reflects differing views on the feasibility, cost or general desirability of pathways involving very high rates of electrification of existing gas load, or conversely very high rates of gas blending. We are, however, conscious of the limitations in AEMO capturing 'true' total system costs of a high gasification pathway, which would extend to distribution networks and even into customers' premises and appliance purchases.

Our understanding is that AEMO's modelling for the ESOO and ISP does not capture the costs associated with any reconfiguring of gas networks, nor of electricity distribution networks or appliances on the customer side associated with any fuel switching, whether electrification or hydrogen-readiness. If it did, our expectation is that maintaining today's levels of gas consumption, through blending or replacement of current gas supply sources with renewable or blue hydrogen, would be prohibitively expensive. The cost breakthroughs necessary to enable this situation are already presumed in the Hydrogen Superpower scenario — to the extent these costs affect fuel choices for mass market customers they should arguably be captured in this scenario. If not, they should be explored and the assumptions for this scenario refined. As noted in our separate submission on the draft 2022 ISP, this scenario already raises questions around the technical feasibility and costs associated with the gas blending that is assumed.

Any changes in assumed decarbonisation pathways due to renewable or other gas sources could warrant further cross-sectoral analysis by CSIRO/Climateworks, which we expect would take place in the lead up to the 2024 ISP.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

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