Manager - Networks Commercial - APA Group
Peter Sevan

Your sincerely,

Please connect either Josh Hankey (07) 3215 6699 or myself ((08) 8113 3977) if you would like to discuss any

trends in distribution generation technologies including conventional grid-tied, fuel cells, micro-turbines, co-

As well as its traditional application for hot water, cooking and space heating, natural gas is also suitable for a

and commercial building applications to large industrial processes.

Natural gas provides low emission energy for a wide range of applications including home appliances, vehicles,

and non-cooking. Natural gas is currently the cleanest commercial form of reliable and scalable base-load

and emissions intensive. Natural gas is clean, efficient and the cleanest burning of all fossil fuels. By comparison, coal

to more environmentally-friendly than coal or oil, and indeed is only half the emission intensity of that coal and a

more expensive factor than coal or oil, and indeed is only half the emission intensity of that coal and a

natural gas is a key fuel for the transition to a low emission economy, which natural gas is, a fossil fuel, it is

 Benefits of Natural Gas

Proprietary income fund. APA is listed on ASX and is included in the S&P ASX 50 Index.

infinite asset, including S&P Global Platts; Energy Information Administration (EIA) and the
in addition to the AllGas distribution network, APA also has equity interests in a number of energy

with whom it

customers in Queensland. APA also owns other energy infrastructure assets such as gas storage facilities and a

270,000 kilometres of gas mains and approximately 1.3 million gas customers, with over 900,000

customers in Queensland. APA also owns other energy infrastructure assets such as gas storage facilities and a

operational control over its assets and investments.

market and distribution, developing approximately half of the nation's gas use. APA has direct management and

approximately 570 million of energy assets. Its transmission pipelines span every state and territory in

About APA Group

Queensland Productivity Commission for preparing the paper and inviting public comment.

Dear Sir/Madam,

Draft Report - Electricity Pricing Inquiry

Via email: www.qpc.qld.gov.au/get-involved/how-to-make-a-submission
George Street (Cl) 4003
Po Box 2772
Queensland Productivity Commission

11 March 2016
APRA also recommends the Queensland Government adopts OGP's Recommendation 45.

Recommendation 45

The government pursues lower cost emissions reduction projects in a fair and technology-neutral manner.

APRA recommends the Queensland Government adopts OGP's Recommendation 45.

Recommendation 46

APRA recommends the Queensland Government adopts OGP's Recommendation 46.

Recommendation 47

APRA recommends the Queensland Government adopts OGP's Recommendation 47.

Recommendation 48

APRA recommends the Queensland Government adopts OGP's Recommendation 48.

Recommendation 49

APRA recommends the Queensland Government adopts OGP's Recommendation 49.

Summary response to OGP's recommendations
would be the cost and the price impacts of a Clean energy target

A. The cost and the price impacts of a Clean energy target

The benefits of an industry-units-based approach to emissions reduction policy

The means of including small solar in renewable energy target and

The Clean energy Government Renewable Energy Target should consider

Recommendation 9

Generation

APR recommends the Clean energy Government adopts OCP's Recommendation 1.

Increased network charges that result from fail-safe utilisation' but also to fund the bonus.

Contributing to the fail-safe utilisation' benefits to the consumer the consumers not only to fund the bonus, the benefit of theSolar bonus, are

evency customers. A relevant example of this potential outcome is highlighted in the paper:

To ensure the development of an efficient electricity market, the Clean energy Government should not favor

Recommendation 1

Supply Chain Productivity

Discussion

Role of Local Service Provider

Opportunities for Increased competition in Regional Queensland

Solar bonus scheme

Network

Generation

Supply Chain Productivity

References to APA. These recommendations broadly reflect to each of the following areas:

In APR's response to the paper, APA focuses its comments on a relatively narrow number of recommendations

Introduction
emissions reduction cost is forecast to be $443 per tonne.

With regard to small scale solar, AGL finds it extremely difficult to support its induction in the QRET. If the
emissions and is concerned that it will not provide outcomes in the long term interests of energy consumers.
As per previous comments, AGL is very concerned about the overall worth of the QRET to Queensland energy
consumers.

(b) The merits of inducing small scale solar in a renewable energy target

Energy Policy:

AGL also finds significant concern about the possibilities of the QRET to a Queensland Government.
Investment in low emission gas generation by higher emission coal generation.
For AGL, the focus of all allowances work is that they fund the proposed QRET will cause the displacement of
the Australian Treasury $2.56 per tonne cost for the 2020-2030 modelling of $5,732 per tonne.

AGL also finds significant concern about the possibilities of the QRET to a Queensland Government.

EXPENSE the QRET is for emissions reduction. The

When all allows provide all or some of the costs as a point of comparison, it can be easily seen just how

AGL also finds significant concern about the possibilities of the QRET to a Queensland Government.

The situation becomes more concerning when the cost of emissions reduced under a QRET is considered. All
rest of Australia's 50% cut better off.

Shift these results for machinery costs and show high cost.

2012 and 2034-35 AGL allows costs forecast for emissions reduced show high cost.

This proposed outcome raise significant questions about benefit and cost outcomes for Queensland energy
consumers.
Recommendation 1:

APA recommends the Queensland Government adopts OCP's Recommendation 10.

emissions reduction on the basis of least economic cost.

There are benefits for all levels of Government to cooperate to develop an effective approach to

Similar policies in other states or nationally.

costs of emissions reduction would negatively impact the Queensland economy. The absence of

cost framework for Queensland, would communicate emissions reduction costs to Queensland. This means the economic

However, we note that the introduction of a state based policy, rather than one using national

The paper however, sums up the issues best when it says:

APA is a supporter of energy policy that is environmentally focused rather than state specific policy.

emissions reduction.

supports working with the CEC Energy Council on joint action in developing an integrated approach to

Following on from the previous section Regarding the forecast of high cost of emissions from the CER, APA

Independent action

in order to achieve least cost action Queensland the Queensland Government should work with the CEC

Recommendation 10:

Queensland Energy Consumers.

significant reservations about the CER and its potential negative impacts on the long term interests of

APA recommends the Queensland Government adopts OCP's Recommendation 9, noting that APA has

recommendation and support each other.

writers of the paper also recommends that the CER and Emissions Reduction Fund approach work in

as the OCP has recommended, the Queensland Government should consider "the benefits of an inter-

The benefits of an inter-functional approach to emissions reduction policy
The Queensland Government should consider the merits of an earlier end to the Solar Bonus Scheme than the

**Recommendation 17**

Solar Bonus Scheme (SBS) when designing future schemes.

The government pursues lower cost emission reductions through more frequent and technology-neutral measures. The government recommends that the Queensland Government adopts, as a consequence of this recommendation, the SBS, which also ensures that a solar power scheme aligns better with energy efficiency upgrades. The SBS supports the concept of solar and technology neutrality when a SBS is introduced.

The above approach is to equate potential demand side options are supported by APA and indeed the

Renewable VPPs assessment will consider all VPPs below 5MW. Including renewable and non-renewable energy, the value of grid power from an economic, social and environmental perspective. Significantly, the

The Essential Services Commission of Victoria is currently investigating methods to assess the

including renewable and non-renewable (more on the LEC process later in this paper) and

local government network credits (LGCs) for embedded and distributed generation (DG) projects.

The AEMC and its role change process involving the proposed introduction of the

Curiously, underway in the NEM, it is

In regard to wind, solar, and for value, APA observes that other reviews looking at similar issues are

Demand side management is also fundamental.

resource approach to DSM should be fundamental. The argument of a true and fair value for services provided by

Across a range of technologies, being both renewable and non-renewable (flow carbon).

APA is a strong advocate of demand side management (DSM). Effective application of DSM requires help to

their load to off-peak periods are subject to intermittency of supply

distribution businesses should continue to minimise or defer network capital expenditure by pursuing both

**Recommendation 18**

APA recommends the Queensland Government adopts CPE's Recommendation IT.
The ACIL Allen analysis of the SBS highlights not only the high costs of such schemes, but more importantly the cost allocation inequities of such schemes. As stated in the Paper, the SBS is expected to cost approximately $4.4 billion by 2027-28, with a typical Queensland residential electricity customer experiencing an increase of $89 per bill.8

As ACIL Allen note, Queensland electricity users, whether or not they have participated in the SBS, will effectively share the cost of the scheme, i.e. effectively subsidizing the subsidies. From APA’s perspective, this is not equitable, particularly considering this non-solar customer group, has incurred a scheme liability without arguably receiving any benefits from the scheme.

From APA’s perspective therefore, the SBS does not operate in the long term interests of all Queensland energy customers, only those who have been able to participate in the scheme.

APA is also concerned that the scheme is selective in terms of which technologies are rewarded by the scheme, in this case solar only. This approach is contrary to a fuel and technology neutral approach and also doesn’t consider the cost of emissions reduced under the scheme.

Schemes that financially reward one type of technology and not another, distort competitive markets by effectively making one appliance effectively cheaper than a competitor’s. Interestingly, this very point was acknowledged by the QPC, in its recent consultation on Solar Feed-In Tariffs, when the QPC said:

"In the context of solar exports, a technological neutrality principle would require that the regulated feed-in prices do not either advantage or disadvantage any particular suppliers based on the technologies used to generate energy."10

APA recommends the Queensland government ensures that future schemes reward participants on a fuel and technology neutral manner based on the lowest cost of emissions reduced.

APA also recommends the Queensland government ensures that for future schemes, the scheme costs are fairly allocated to participants.

APA further recommends to the Queensland government that non-participants of future schemes only contribute to the cost of the scheme, if they derive a benefit from the scheme, and only to the extent of the benefit derived.

Options for increasing competition in regional Queensland

Recommendation 29

The Queensland Government should make the current UTP arrangements transparent by:

- reporting on how the UTP CSO is defined and calculated; and
- reporting annually on the distribution of the CSO including identifying CSO recipients by category (very large, large, small and residential customer), region, and industry sector and subsector (where possible).

10 Issues Paper – Solar Feed-In Tariff Pricing in Queensland – Queensland Productivity Commission - 2.3.2 page (12)
The Queensland Government should work with all stakeholders to ensure that local government network heralds' (LGN) arrangements are not overly restrictive. This conclusion is reached by the Queensland Government, given the proposed national and regional arrangements. The Queensland Government should work with all stakeholders to ensure that local government network heralds' (LGN) arrangements are not overly restrictive.

Recommendation

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The Queensland Government should work with all stakeholders to ensure that local government network heralds' (LGN) arrangements are not overly restrictive.
Credits in the current ACC consultation process.

APF also recommends that the Australian Government supports the principle of the local generation network available to larger embedded generators in the manner.

"...nevertheless, although there are a number of mechanisms currently in the market designed to provide the benefits that local generation can provide, and/or may not be readily provided and will not provide the benefits that an LGNC could provide..."

To this end, the Australian Government is encouraged to meet increasing peak demand.

"...lower electricity prices for consumers overall, through the increased supply of electricity and network capacity on the network due to the location of embedded generators on the network;..."

Secondly, APF supports the concept of LGNC and is confident that the ACC should be an additional option to resolve impediments to harmonised national framework approach to network pricing.

APF supports the above recommendation in regard to LGNC for two reasons.

1. A general principle of national action by a state government would be an effective action.

2. As a general principle, together the ACC and APF support the concept of an embedded generator network, and as such, the ACC recommendations are complementary rather than necessarily negate each other.