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By email : publicsubmissions@erawa.com.au

Dear Tyson

Issues Paper - Proposed revisions to the (ATCO) Access Arrangement

Thank you for the opportunity for industry to provide input into the revised access arrangement for gas distribution systems in the Mid- and South-West.

Generally, HIA recognises the decarbonisation efforts by the WA Government with an economical and sustainable transition for the future of WA manufacturing industries.

Lack of energy supply security and rising prices have put Australian manufacturers of building products at a significant competitive disadvantage, especially as many are 'trade exposed' to imports that do not always meet Australian building conformance standards.

This is now impacting investment decisions in new facilities and innovation in Australia, including WA. As witnessed in other states, the impact of increasing gas prices and the uncertainty of supply for local building product manufacturers has become one of the biggest threats to manufacturing in those jurisdictions, with record material price rises as a result.

The international pricing pressures for gas in WA is somewhat shielded with the Domestic Gas Policy. WA's forward demand for gas in manufacturing is therefore more favourable to use than coal-fired or diesel plant power generation; and with gas evolving as a genuine transitional option for WA's energy policy, means its future use and need is more certain than not (**Question 4 and 5**).

Given WA's regulatory environment, HIA cannot support any suggestion of a gas ban akin to Victoria's announcement. However, HIA does not object to a user-pays model for those that choose to permanently disconnect from the network (**Question 6**).

Energy prices must be maintained at a level where Australian building product manufacturers are internationally competitive. HIA does not support a flat or inclining block tariffs (**Question 8 and 22**) as WA seeks to on-shore additional manufacturing capacity. Outlook demand is likely to increase as a result which would have upward pressures on manufacturing costs, with a direct line of sight to decreasing housing affordability as witnessed recently.

The suggested changes to the variation mechanism to a weighted average price cap (**Question 9**), in the absence of other reliable energy sources particularly in manufacturing, would increase uncertainty for costs across the board with no viable alternative to appropriate and reliable energy supply.

Investment in renewable gases is indeed timely and appropriate (**Question 10**), which if implemented should forego the need for flat or inclining block tariffs to discourage use. User demand is unlikely to abate or 'switch off' simply because renewable energy sources are being used, even if there is some additional (albeit unfavourable) expense for generation and supply (**Question 11**).

It also further highlights the improving place of gas as a transitional energy source in line with WA energy policy (**Question 12**). It is reasonable to assume, therefore provided customer expectations and emissions intensity aims are managed, that WA's future of gas is a mix of an *Energy Hybrid* and *Hydrogen Future* (**Question 14**) and WA is facing a reasonably certain, quantifiable increasing gas volume requirement for the medium to long-term (**Question 11**).

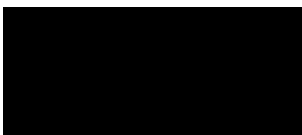
The security of Australia's energy network to ensure both home owners and businesses have access to consistent and affordable power supply has become a key policy issue for the foreseeable future. Any cost increases for the generation and supply of gas to the residential housing market will remain a political issue.

It may also not do the gas industry any favours by attempting such bold price increases for B3 customers, given the opportunities for domestic gas to augmented with solar and battery use for energy supply. ATCO should consider revising the declining block tariff to compensate for this increase in amended price structures (**Question 24**), rather than levy those manufacturing businesses and home-owners that can least afford the price increase.

This response to ATCO revised Access Arrangement Issues Paper draws from one of HIA's core focus for energy supply, being to ensure that the transition from emissions intensive energy sources to renewable energy sources is appropriately managed to limit negative impacts on the price of Australian building products and materials.

Should you require any further detail or clarification on the matters raised, please contact Aaron Sice, Assistant Director, on [REDACTED] or [REDACTED].

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED



Michael McGowan
EXECUTIVE DIRECTOR