



Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Solar Homes

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Ref: MBR046222



Mr Daniel Westerman
Chief Executive Officer and Managing Director
Australian Energy Market Operator
Level 22, 530 Collins Street
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Dear Mr Westerman

RENEWABLE GAS BLENDING IN VICTORIA – REQUEST TO IMPLEMENT ZONAL HEATING VALUES

Victoria is part of a major global energy transition to renewable energy sources. The Victorian Government is committed to an orderly transition to net zero emissions, ensuring a sustainable, reliable, and affordable energy future for all Victorians. On 25 February 2021, the Victorian Renewable Hydrogen Industry Development Plan was released.

In the plan, Victoria has set out a pathway for gas networks to transition to zero-emissions fuels such as hydrogen, which will assist Victoria to achieve its legislated net-zero emissions target by 2050. We expect several projects to emerge focused on gas blending in Victoria that will require different approaches to regulating, operating, and legislating the gas sector. The first of these, the Hydrogen Park (HyP) Murray Valley project, has already secured funding from the Australian Renewable Energy Agency's (ARENA) Renewable Hydrogen Deployment Fund and it is expected that hydrogen production at HyP Murray Valley will begin in the second half of 2023.

As stated in my January 2021 letter to Australian Energy Market Operator (AEMO), amendments to the Victorian Retail Market Procedures (RMP) are required to enable the HyP Murray Valley project and others like it. Specifically, the RMP must be amended to implement zonal heating values for tariff V consumers, to ensure that customers participating in hydrogen blending trials are not disadvantaged. The RMP must be amended prior to when the HyP Murray Valley project produces and injects hydrogen into the Albury-Wodonga gas distribution network, to prevent inaccurate billing for customers receiving blended gas.

I request that AEMO initiate the process to amend the RMP for the reason set out above and ensure that zonal heating values are implemented prior to mid-2023 when consumers are expected to be receiving blended gas. I note that the HyP Murray Valley project is the first of several hydrogen blending proposals in Victoria that would require the implementation of zonal heating values.

The Department of Environment, Land, Water and Planning will work collaboratively with AEMO to ensure changes to the RMP are made swiftly and is eager to explore options to accelerate this work where appropriate.

Thank you for your ongoing support as we continue to decarbonise our energy system.

Yours sincerely

Hon Lily D'Ambrosio MP
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