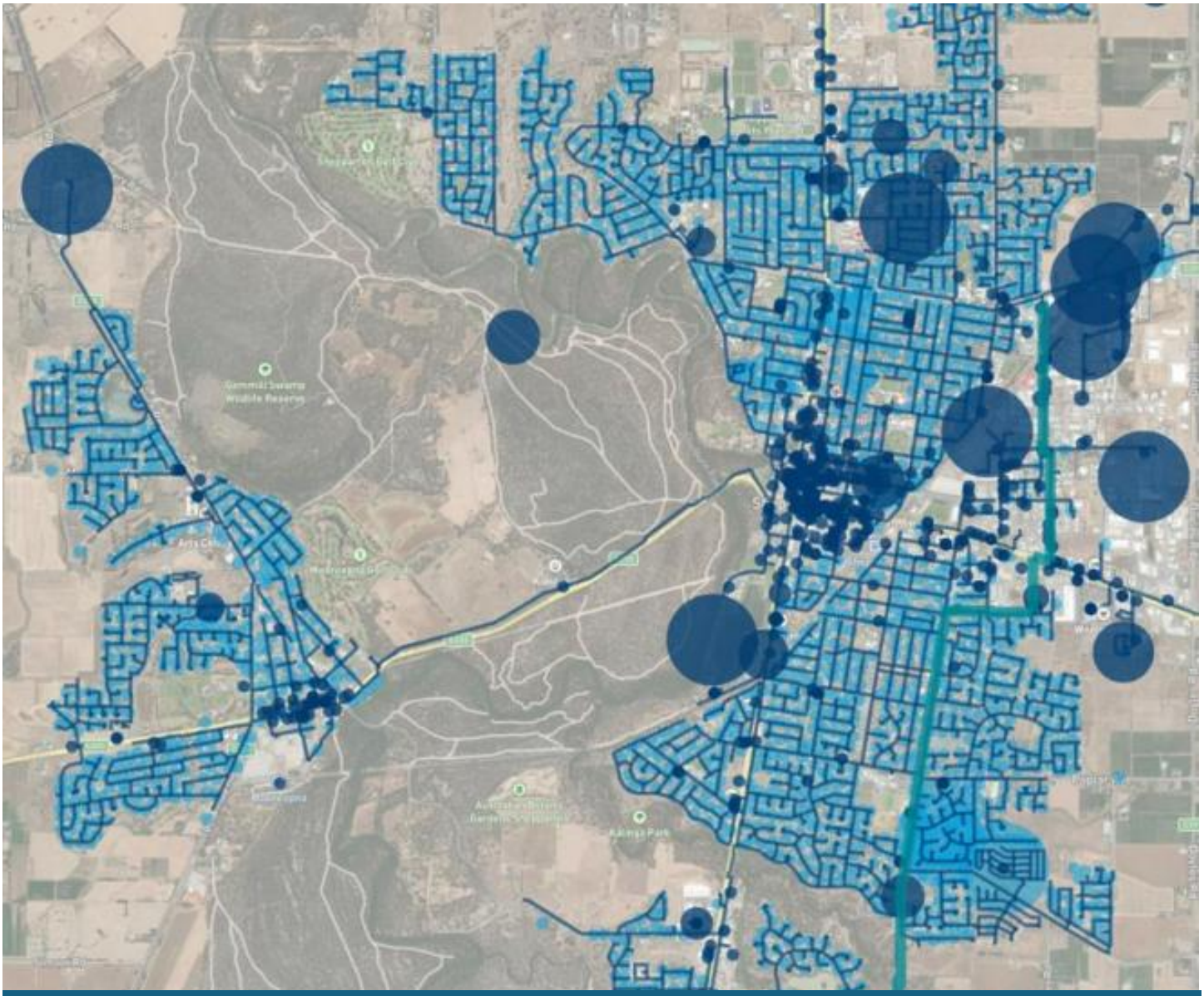
COMMITTEE FOR
GREATER
SHEPPARTON



# Committee for Greater Shepparton response to the Victorian Government's Renewable Gas Directions Paper & Building Electrification Regulatory Impact Statement

March 2025

## ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

We acknowledge the Yorta Yorta peoples of the land which now comprises Greater Shepparton and we pay our respects to their tribal elders, we celebrate their continuing culture, and we acknowledge the memory of their ancestors

## About the Committee for Greater Shepparton & C4GS Manufacturers Forum

Established in 2013, the Committee for Greater Shepparton (C4GS) is an apolitical, not-for-profit member-based and member-funded organisation. We bring together more than 100 business, public and community organisations from across the Goulburn Valley to drive positive change in and for our community and our region.

Our members are located across the Local Government Areas (LGAs) of Greater Shepparton, Campaspe and Moira including the towns of Cobram, Shepparton, Mooroopna, Tatura, and Kyabram. Our members are united in their passion for a positive, inclusive and prosperous future for our regional communities.

C4GS's submission has been informed by ongoing discussions with our broader membership, and specifically our Manufacturers Forum which is a subset of our membership that meets monthly and brings together leaders from our local manufacturing industry.

The Forum's members represent the diversity of our regional manufacturing sector including Gouge, Pental, SPC, Noumi, Furphy, Unilever, Bega/Tatura Milk, and Saputo. They are located across the LGAs of Greater Shepparton, Campaspe and Moira and in towns and cities that include Shepparton, Mooroopna, Tatura, Kyabram, Tongala and Cobram.

## Executive Summary

The Committee for Greater Shepparton (C4GS) welcomes the opportunity to provide feedback on the Victorian Governments Building Electrification – Regulatory Impact Statement, and the Victorian Government's Renewable Gas Directions Paper.

Both documents put forward policy directions and pathways that will fundamentally reshape Victoria's energy sector. They will also reshape the confidence and competitiveness of industries and businesses that currently rely on gas and electricity supply and networks, and drive the Victorian economy.

As noted, Victoria has approximately 60% of all of Australia's gas infrastructure and is the only state where residential and business gas use (approximately 70% of total gas use) exceeds use by industrial and commercial users.

However, the Victoria-wide data is not true in all locations. In the LGAs of Greater Shepparton, Campaspe and Moira a total of 32 industrial customers located in seven discrete clusters account for 70% of the region's gas use – a total of 4.4 PJ and 8% of the state's industrial customer use.

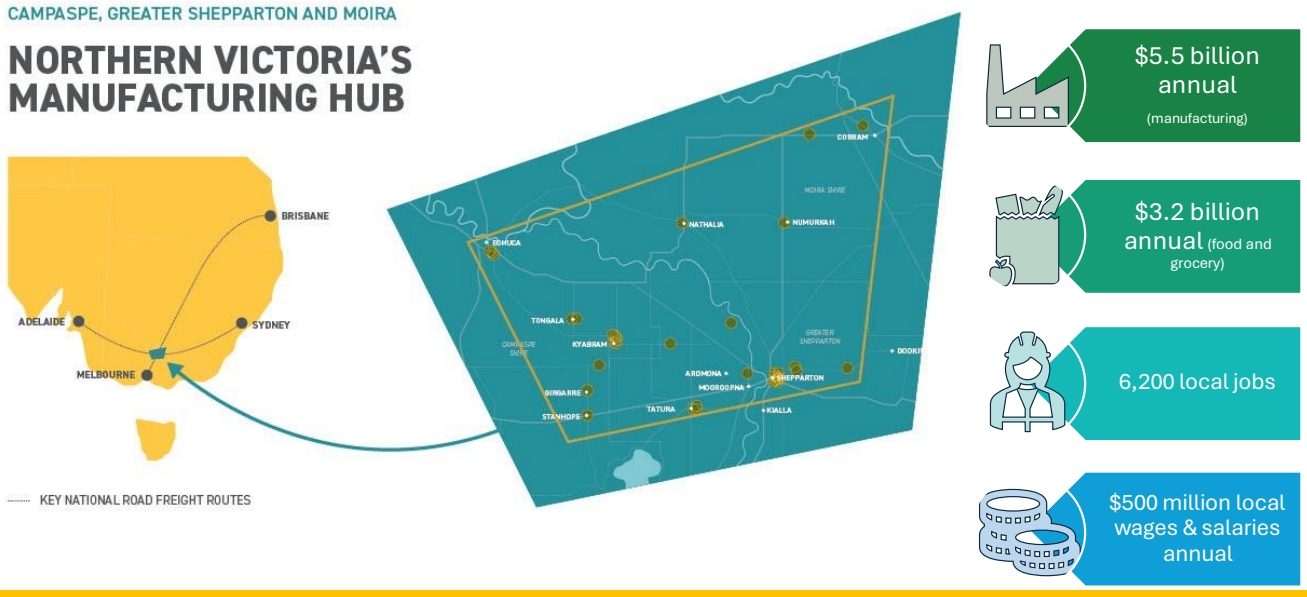
Around 60% of the region's manufacturing is food and groceries (of which more than half is dairy) that already aggregate and create large volumes of year-round organic waste that feeds into existing behind-the-meter bioenergy plants, local wastewater treatment plants (including Victoria's 2nd largest) and creates waste management challenges for industry.

This underscores the more complex challenges for Victoria, and the need for a statewide framework to guide energy transition. It also highlights the importance of medium and long-term certainty for gas supply, demand and prices, and the opportunity for regional initiatives and investment to benefit the entire state's transition.

C4GS members continue to report unacceptable levels of electricity network flicks and outages – that undermines the ability and confidence to invest in electrification.

The impacts of increased electrification, automation and distributed generation are not sometime in the future – they are upon us and will continue to grow in our region.

At the same time C4GS members are exploring cost-effective electrification solutions such as



thermal process heat storage (graphite batteries) that can displace current gas use and move large portions of industrial demand to low demand periods and hence offset the traditional assumptions for grid augmentation and expansion.

Northen Victoria's clusters or 'postcode' opportunities underscore the role regional renewable energy value adding and manufacturing precincts (RE-VAMPs) can play in:

- securing the future for regional manufacturing, and its more than $5.5 billion contribution to the Victorian and national economy and exports,
- the opportunities for smarter, targeted and importantly co-designed and consolidated gas and electricity generation, network and use investments, and
- more ambitious targets and timelines for renewable gas and electrification with stronger community acceptance and improved industry confidence.

C4GS is calling for the Victorian Government to:

- Prioritise policy and supply certainty including gas.
- Target electricity network investment to level the playing field for regional energy users.
- Leverage REVAMPs that can fast track and optimize and consolidate local energy generation for local use across the zone and/or in clusters and precincts within the zone.
- Map and invest in the learning legacy from day one.

C4GS believes our member footprint across the LGAs of Campaspe, Moira and Greater Shepparton is ideally placed with established manufacturing and industry networks, forums and trusted relationships to pilot this path in partnership with industry, governments, training sector and our community.

C4GS welcomes the opportunity to discuss our submission and to expand on the ideas and recommendations we have presented.

Linda Nieuwenhuizen

CEO

Committee for Greater Shepparton

## Greater Shepparton, Moira & Campaspe - Northern Victoria's Manufacturing Hub

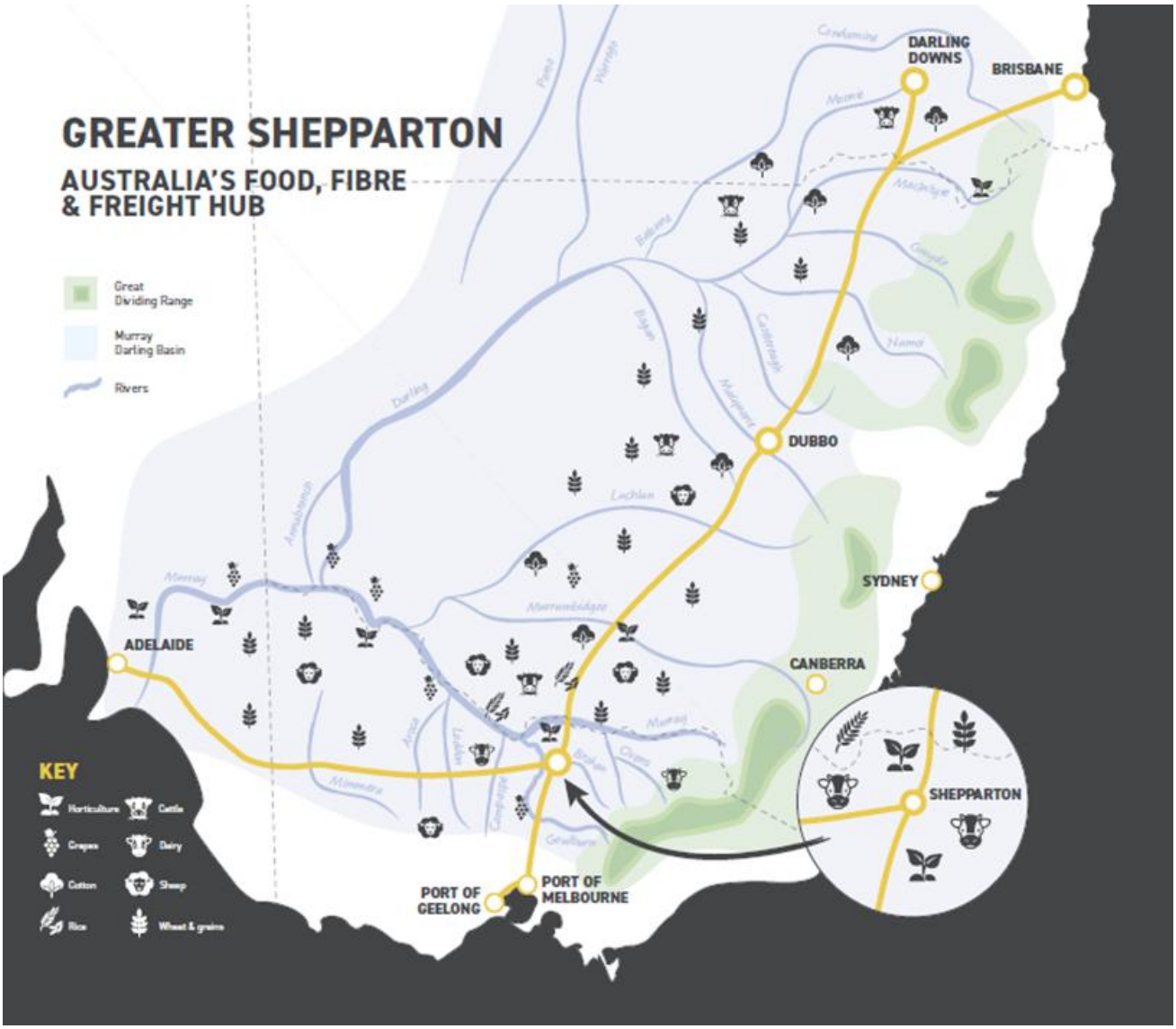
The three LGAs of Greater Shepparton, Moira and Campaspe represent a highly integrated economic zone with a concentration of value adding and manufacturing industry that generates more than $5.5 billion each year, employs more than 6,200 people and injects more than $500 million of wages and salaries into the regional economy.

Approximately 60% of the region's manufacturing is food and grocery products with iconic household brand names like White King, Bega Cheese, Devondale, Continental, Campbells and Milk Lab and global business including Pental, SPC, Noumi, Furphy, Unilever, Kagome.

The region is also home to commercial drycleaners that provide linen to hospitals across the state, and the only galvanising plant in regional Victoria.

The region is strategically located on the national freight network linking the Darling Downs of Queensland to Australia's busiest container export port in Melbourne and is ideally positioned to service all east coast consumer markets.

The region's manufacturing has the potential to grow as manufacturers consolidate their operations to achieve greater economies of



scale, improve national connectivity, and to optimise their large capital investment in new technology and automation.

Relatively cheap, reliable gas has underpinned the region's economic growth – and the plentiful supply of Australian grown and manufactured products on supermarket shelves across Australia and around the globe.

Today estimates suggest 1 in 3 food and grocery products are imported. While 25% of dairy consumed in Australia is imported, and in the past two years, across Australia 15 dairy processors have closed, reducing processing capacity, raw milk demand and jobs.

C4GS members recognise energy supply and affordability as a critical risk to their business and their competitiveness in domestic and international markets.

Our members are also increasingly aware of the significant capital that is required to transition their businesses, and the careful planning needed to minimise disruption to highly seasonal and perishable inputs, supply chains and supplier expectations.

## C4GS Response

Read together the Building Electrification RIS and the Renewable Gas Directions Paper can be summarised as seeking to:

1. Preserve declining fossil fuel gas supplies for industrial users.
2. Stimulate investment in the generation of renewable gas to mitigate the decline of fossil fuel gas sources.
3. Reduce CO2 emissions to achieve legislated targets.
4. Support residential and commercial customers to electrify and in doing so save money.
5. Enable industry users to transition at a slower pace which recognises the financial and practical challenges, the absence of options for some industries but with the looming prospect of domestic gas shortfalls from 2028.

The documents also appear to be framed with the underlying assumption that customers across Victoria face an equivalent challenge and enjoy equivalent service standards that are underpinned by uniform gas and electricity transmission and distribution infrastructure.

The whole-of-state approach does not adequately recognise the fundamental benefits of distributed generation, the costs that could be avoided by network operators and customers, and the immediate local opportunities that can improve the long-term competitiveness of regional industry including hard-to-electrify industries while also optimising the costs and speed of Victoria's energy transition.

C4GS is also of the view there is inadequate recognition of the skills that will be required in more and different locations as our networks and industries transition.

These goals are interconnected and for this reason our response brings these together.

## Building Electrification Regulatory Impact Statement

The proposals outlined in the RIS range from electrification of new residential and most new commercial buildings through to electrification of new and existing residential buildings only, with the Government's preferred option being *Option 3: electrification of new residential and most new commercial buildings, as well as existing residential buildings (excluding existing residential cooking)*.

C4GS welcomes the exclusion of *existing industrial customers such as factories, manufacturing and agriculture*.

However, our members are very concerned by the *anticipated increasing gas tariffs that will apply to all gas users, including industrial users* and the references to *structural gas shortfalls from 2028, which could result in significant upward pressure on wholesale gas prices*.

The RIS does not provide adequate assurance for remaining gas network users regarding the potential cost implications. Moreover, the cost increases caused by declining grid customer numbers will add to the price impacts of the east coast gas shortfalls foreshadowed from 2028 – the gas shortfalls do not negate the impact of the RIS.

Our members are committed to maintaining resilience and operational efficiency, but clear directives and proactive communication is crucial for our members to prepare adequately and mitigate any adverse effects on their operations.

Overall C4GS remains concerned that while local industry members are currently excluded from the requirements, their ability to manage their exposure to future gas prices is constrained by the electricity network's past design, investment and its current performance, and the uncertainty of how the RIS proposals and the Renewable Gas opportunities will play out for their costs and sites.

C4GS is of the view the current exclusion provides a window during which the Victorian Government can fast track targeted investment and technical support to co-design regional precinct plans (and business cases) in partnership with industry, network operators and local governments and agencies.

## Renewable Gas Directions paper

The Renewable Gas Directions paper proposes a range of production targets coupled with a combination of market mechanisms, cost recovery options and review proposals to encourage achieving the target and to share the cost burden.

As a major value adding and manufacturing region with significant reliance on gas across the full spectrum of heat needs, large volumes of already aggregated bio-waste and wastewater, a growing network of successful bioenergy plants (behind the meter) and an electricity network that is perceived to not be ready for the task ahead, C4GS strongly supports more aggressive renewable gas development targets to boost supply during transition and long into the future.

Our region's growing expertise is a major asset to this ambition.

C4GS is of the view the recommended renewable gas production targets are modest when considered against the number of successful bioenergy sites in operation, in development and planned in our region – and our understanding of appetite in other regional centres.

In short C4GS does not believe renewable gas is adequately incentivised, more ambitious

targets are required, and regional targeting of investment could fast track their delivery.

For example, our local bioenergy resources could theoretically deliver more than 7 PJ of biomethane – in a region that current uses a total of 6.4PJ with 32 industrial customers in 7 clusters using 4.4PJ.

The feasibility of bioenergy can be improved by focusing on waste streams that are already aggregated. The obvious examples are wastewater, and food processing and manufacturing waste – and in northern Victoria we are home to Victoria's second largest wastewater treatment plant and 7 gas-dependent value adding and manufacturing precincts (VAMPs) that all include food processing, as well as hard-to-electrify manufacturing.

C4GS strongly recommends funding to accelerate the development of Regional Renewable Energy Value Adding and Manufacturing Precincts (RE-VAMPs). The funding to support collaborative project design and business cases can.

- underpin more ambitious bioenergy targets,
- leverage the resources in regional areas,
- help derisk the challenge for individual manufacturers and sites,
- ensure bioenergy moves at speed and scale.

## C4GS recommendations

In short, C4GS strongly recommends the current policy directions be revised to

- Prioritise policy and supply certainty over longer horizon (minimum 20 year)
- Prioritise network investment to level the playing field for regional energy users.
- Develop Regional Economic Zones and REVAMPs that can fast track and optimize local energy generation for local use across the zone and/or in clusters and precincts within the zone.
- Map and invest in the learning legacy from day one.

These recommendations are outlined in greater detail below.

## Recommendation 1: Prioritise policy and supply certainty

Australia and Victoria are moving towards non-fossil fuel energy supplies.

The transition is complex and will evolve over time. C4GS members range from global companies with hundreds of sites around the globe, through to local single site businesses and our consultation has shown that no single roadmap or solution will solve the challenge for every site, company, region, state or nation.

### Policy and supply certainty

The extended transition period needs an extended (minimum 20 year) policy and supply certainty (that includes natural gas) because this provides

- the flexibility for the multitude of users from households to global corporations and network operators to plan and fund their adjustment,
- for technology to develop, mature and in some instances be discarded. For example green hydrogen was once thought to be a major part of energy transition but now looks like it will be a much smaller part. Maintaining energy diversity is key to managing the operational and technology risks.
- greater price certainty for users and especially for network operators and industry who are and will make capital investment decisions that will define their business operations, cost competitiveness and customer network costs (pipeline/network utilisation) for decades.

The Building Electrification RIS and the Renewable Gas Directions Paper both include proposals to sure-up gas supply through demand management, but also reference domestic supply expansion, import terminals and renewable gas development.

The success of these efforts will be measured by their ability to deliver price competitiveness and certainty for all customers and especially industry.

To this end

- Clear and transparent demand forecast are required to understand gas requirements for electricity generation to manage the mismatch between increasing electrification driven demand and renewable limitations
- Industrial demand and competitiveness must be maintained along with residential supply at an affordable price. This is critical for regions and jobs.

### Distribution planning and management

The RIS includes the following statement:

*It is noted that regulatory revenue frameworks currently in force were developed to ensure cost recovery for a then growing network and gas demand and were not developed in a network with gradually declining consumption patterns. In this novel environment, careful consideration is required to ensure that regulation and policy are complementary to provide a secure and predictable environment for business investment. The Victorian Government, through DEECA, is monitoring the network to ensure it remains fit for purpose, delivering value for producers, operators, and users.*

C4GS is of this view, this is inadequate to provide sufficient guidance for industry with sufficient certainty and horizons to support business investment and operational adjustment.

Given the uncertainty and the many modelling caveats referenced in the RIS, C4GS would like to see

- offset measures and support that can address the challenges faced by industry that is hard to electrify, have options in

theory, but the age, design and footprint of their site prevents practical onsite implementation, and industry that cannot electrify because of the performance and capacity of the grid servicing their site.

- development of supply and demand responses that supports the efficient utilisation of supply networks and especially the gas pipeline network.

### Recommendation 2: Immediate targeted investment to 'level the playing field' for regional industry

Energy use across the three LGAs is expected to increase with ongoing automation, consolidation to the region and electrification. The RIS proposals will further increase demand on Victoria's electricity distribution networks and particularly in regional areas where gas has historically underpinned cost competitiveness and growth.

C4GS manufacturers continue to report an unacceptable frequency of electricity 'micro flicks' and outages. The combined impact for local manufacturing is in the hundreds of millions of dollars of lost production and revenue, with reports of disruptions at some sites occurring approximately 1 day in 3.

Many have highlighted the additional costs associated with needing to extend or run additional shifts to process perishable product or to ensure no disruption to supply chains.

Based on their substantial data, several manufacturers have reported a correlation between power disruptions and increased summer storm activity – which also coincides with peak harvest and operating periods. Climate change outlooks suggest these events will become more frequent.

It is unreasonable to expect regional industry to bear additional risk without investment to address the legacy of a system designed to support a network built around expansion and fossil fuel generation, transmission and distribution.

In this recommendation, C4GS is proposing a range of localised solutions targeting priority sites and underperforming sections of the network with any costs to industry significantly discounted to reflect the augmentation and upgrade costs that can be avoided or deferred.

In addition to addressing supply issues, the investments are fundamental to the future competitiveness of manufacturing – especially in regional areas.

Examples may include

- Batteries to improve the interface between an individual site or cluster of sites and the grid, to target weak sections of the network or to capture expanded and excess solar generation.
- Thermal storage to optimise existing residential and industrial energy generation with the important benefit of moving moving large portions of industrial demand to low demand periods and hence offsetting the traditional investment assumptions for grid augmentation and capacity expansion.
- Upgrades of transmission infrastructure such as transformers.
- Fast track bioenergy development to stabilise gas supply and pipeline use in regional areas with established industry clusters.

## Recommendation 3: Foster regional economic zones to fast-track local supply and demand solutions

The regional energy conversation is dominated by the need to transition fossil fuel towns and communities, and the development of renewable energy generation infrastructure to supply metropolitan centres.

Rarely does the conversation recognise the embedded possibilities and needs of energy dependent regional economic zones and cities such as northern Victoria's manufacturing hub (Greater Shepparton, Campaspe and Moira).

To address this gap, C4GS proposes Victoria's energy policies to recognise regional economic zones and in doing so:

- Move from 'top down' to 'bottom up' supply understanding for regions, zones and clusters to optimise public and private investment.
- Support regional stakeholders including governments and industry to develop regional energy plans – including business cases – that are informed by the zone's future energy demand, energy generation resources (wind, solar, waste and wastewater) and enabled by targeted and tailored distribution, storage and transmission investment. The purpose of the plans is to optimize local energy generation for local use across the zone and/or for clusters and precincts within the zone.
- Leverage public and private funding resources including industry and government planned investment (eg VicGrid Community Benefits), avoided costs, local and international investment capital, and ensure provisions are included within the design of the Industrial Renewable Gas Guarantee to accommodate the entities

that may arise to support local energy generation management.

This concept is broader than renewable energy zones and similar concepts – it is firmly anchored in the potential for regional hubs and precincts to co-design their energy future – including generation, storage, distribution and transmission.

C4GS is of the view this approach could present additional practical opportunities to achieve the goals outlined at the outset of this submission. And importantly, ensure options are properly tested against their ability to maintain or improve industry productivity and competitiveness.

In short, it would allow more options to stay on the table for longer as business plan their energy transition, and as we await network improvements, new and maturing technology options, and the business investment cycles of governments and global, national and local industry who are facing similar capital and operational demands across multiple sites, states and nations.

## An example: REVAMP Special K

The Building Electrification RIS recognises the challenges faced by hard to electrify industries, however there are many regional manufacturers and clusters of manufacturers who

- have electrification options but cannot electrify because of the performance and capacity of the grid servicing their site,
- have options in theory, but the age, design and footprint of their site prevents practical onsite implementation,
- energy transition has to take a back seat to competing demands for their available capital and investment cycles,
- could achieve superior outcomes working with co-located industry but lack the additional resources to coordinate these opportunities.
- Fail to access the many funding streams recognised in the Renewable Gas Directions Paper because these programs target individual projects, sectors or sites – or require significant co-funding which further reinforces the preference to act independently.

For example, SPC has operated from its site in Shepparton for more than 110 years and is an example of existing regional manufacturing sites that were not designed to accommodate solar panels on the roof.[1]

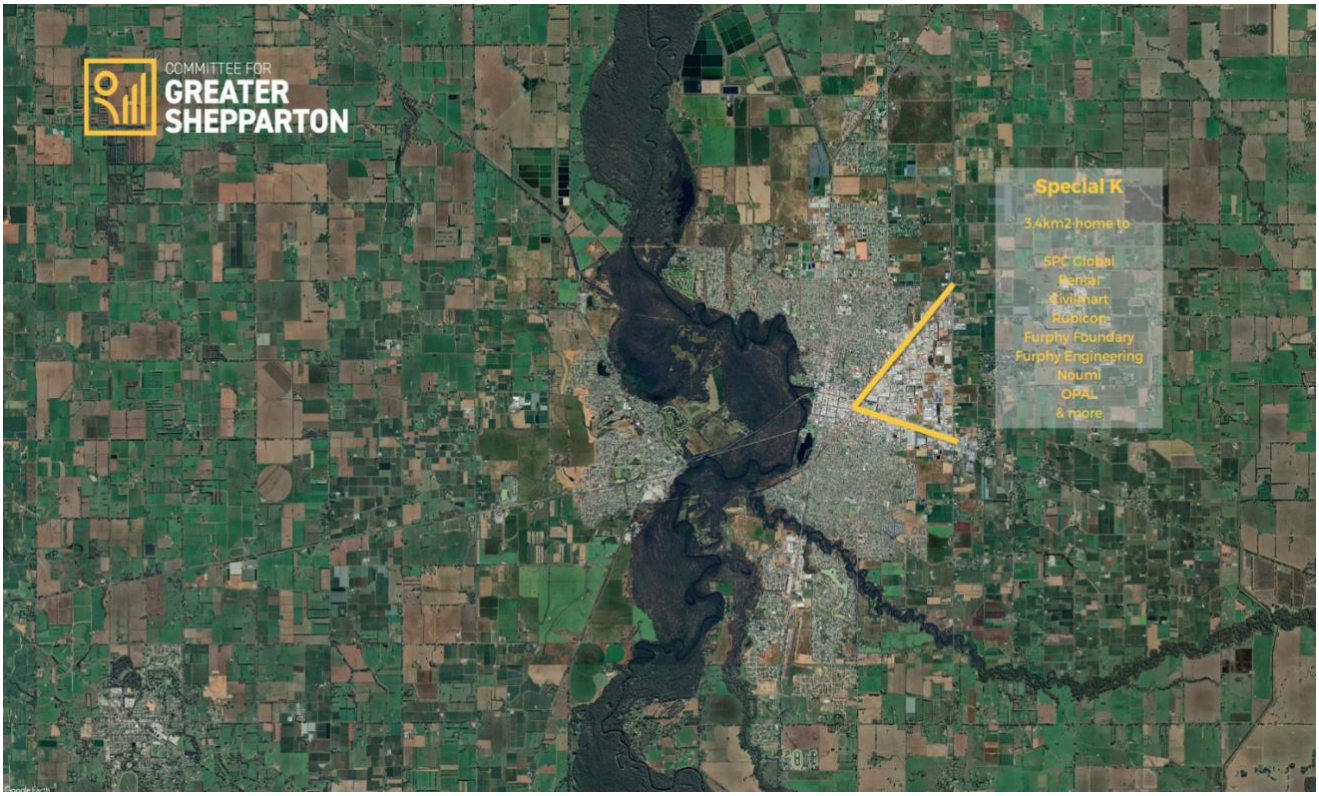
However, SPC and more than 15 other diverse manufacturers that include metal fabrication, packaging, food processing (dairy and hort), as well as concrete pipe and personal and cleaning product manufacturers are located in a 3.4km2 footprint (Special K) on the eastern side of Shepparton and on the doorstep of Shepparton's CBD and education precinct.

[1] https://www.afr.com/companies/manufacturing/food-producers-taking-a-hit-on-power-prices-in-victoria-20250203-p5l992

With the right government support and collaboration with industry, this could provide a template for a Regional Renewable Energy Value Adding and Manufacturing Precinct (REVAMP) serviced, at least in part, by co-located shared energy generation and storage with repurposed, dedicated and/or microgrid distribution infrastructure.

Rather than solving the energy challenge site by site, the REVAMP approach has much in common with circular economy thinking with a network of participants and beneficiaries.

This concept also recognises the embedded value of planning lead by local industry for the benefit of local industry and its broader community for whom manufacturers are significant employers and corporate citizens within the community.



## Recommendation 4: Invest in the learning legacy.

The transformation of Victoria's energy networks will change the mix and types of skills required to install, operate, maintain, service and upgrade a new energy network, and value adding and manufacturing plants.

Distributed energy generation also means these skills will be required in new and more locations across the state.

C4GS members already factor serviceability into their adoption and replacement of technology – energy will be no different. Therefore, access to the necessary skilled workforce is fundamental to business investment and the overall pace at which the RIS and Directions Paper's goals can be achieved.

C4GS recommends both the RIS, and the Directions paper acknowledge the future skills need and describe how these skills will be developed, trained and retrained in the locations they are needed.

C4GS also recommends the skills investment be targeted to location that do not currently have local training pathways.

For example, residents in Greater Shepparton, Mildura and Albury-Wodonga cannot study a Bachelor or Engineering while living in the region.

Gippsland (Churchill) has one of the most extensive university offerings outside Melbourne that has grown out of its origins as the training provider for the Latrobe Valley's energy sector.

A contemporary example is TransGrid Engineering Scholarship Fund that is providing 25 $20,000 scholarships each year for four years for students to study engineering in Bathurst – with an adapted study model that involves 2 years on campus and 2 years in industry.

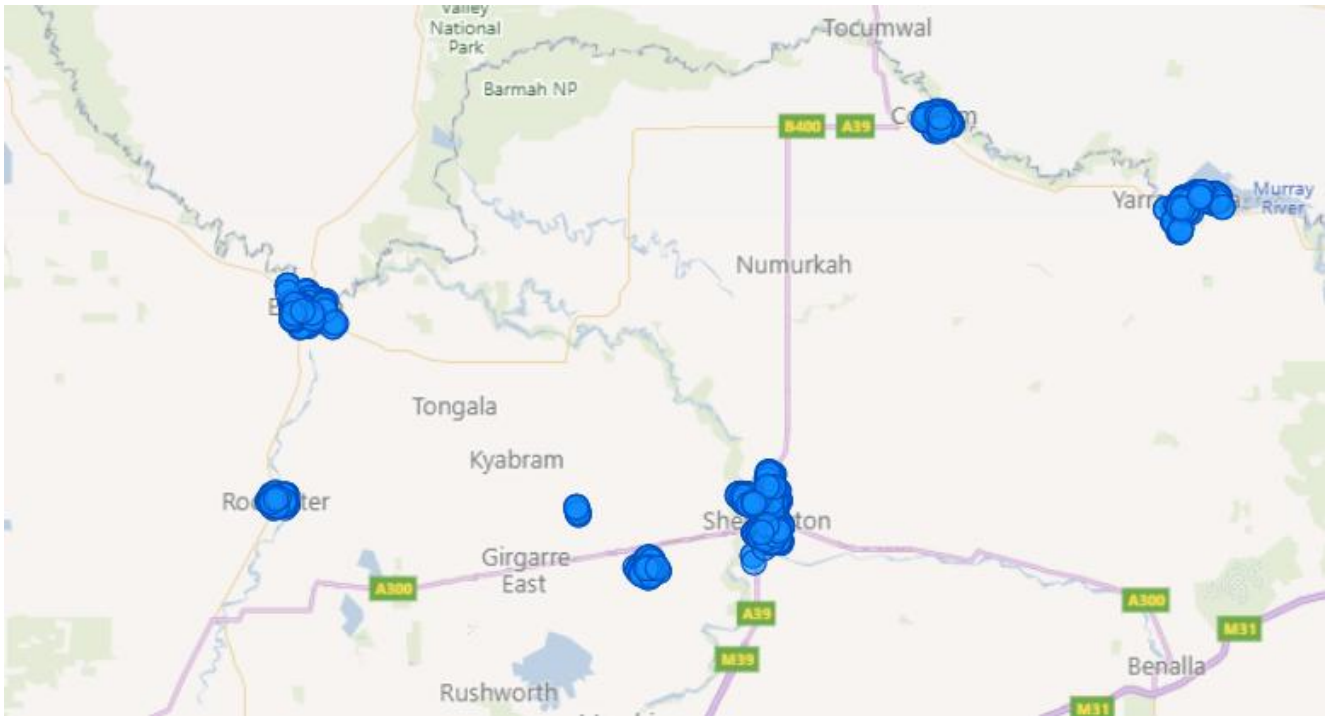
Prioritising the learning legacy at the outset of the transition is vital to growing the pool of talent our regional industries will need.

# Greater Shepparton, Moira and Campaspe - Energy Profile

## Gas

Unlike the rest of Victoria where on average 70% of gas is consumed by residential and business customers, in Shepparton, Campaspe and Moira 32 industrial customers - who represent 0.7% of all customers - account for 70% of gas use.

- 48,583 customers (residential, commercial and industrial) use 6.3PJ per annum however
- 32 industrial customers consume 4.37 PJ of gas each year
- equivalent to 8% of all gas used by industry in Victoria
- distribution networks are limited to towns
- Large users (industrial customers) are concentrated in clusters
- Dominated by food and grocery manufacturing (60%)
- Significant co-located manufacturing including metal fabrication (silos, tanks, equipment and machinery), pipe manufacturing (full spectrum of thermal heat requirements <100C to >1000C), personal and cleaning products.




## Gas displacement

C4GS in partnership with CSIRO and manufacturing members are progressing opportunities to install graphite batteries to displace existing lower-temperature processing heat needs for several local manufacturers.

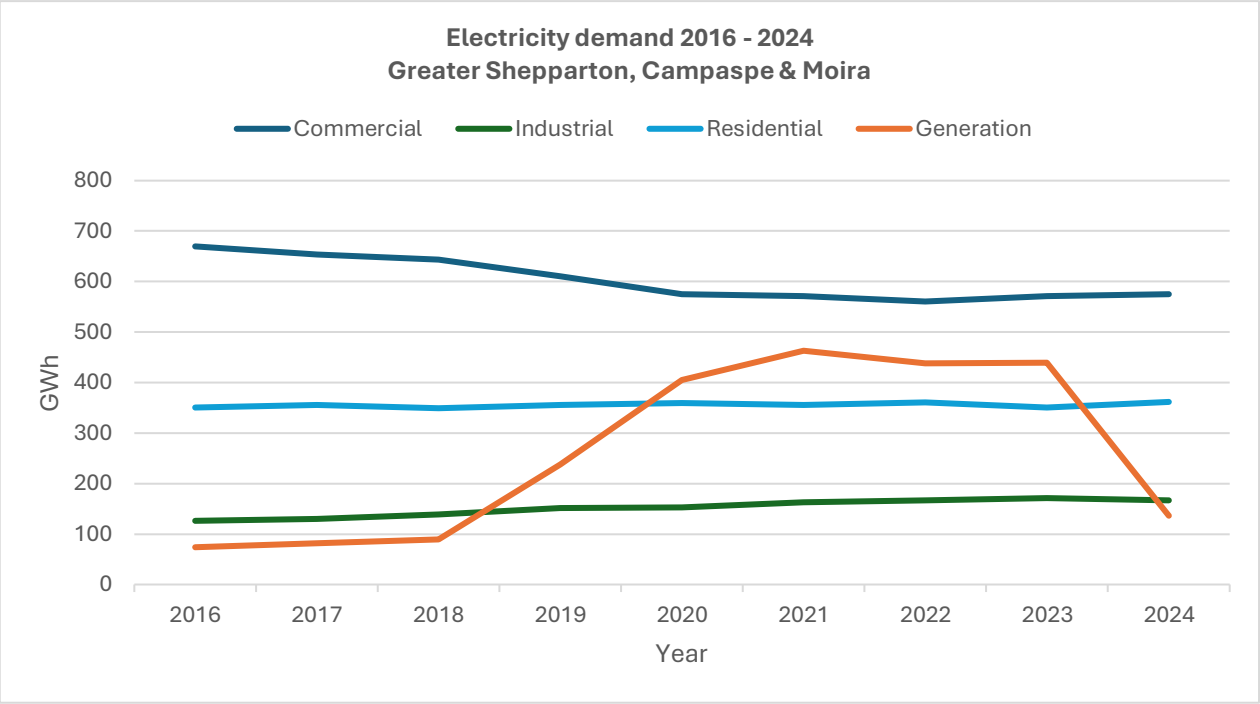
The modelled payback periods are consistently positive. Capital availability is the primary obstacle for industries currently competing in extremely price-sensitive domestic and international consumer markets, and for transition funds within their national and global businesses.

In addition to reducing current gas requirements, the thermal batteries also allow large portions of industrial electricity demand to move to low demand periods and hence offset the traditional investment assumptions for grid augmentation and capacity expansion.

Supporting a coalition of local industry to move through the investment, installation and operation stages together is extremely valuable. It provides a pool of local knowledge and is key to encouraging service providers to invest in training and resources that may be required to support the technology over the longer term.

## Electricity

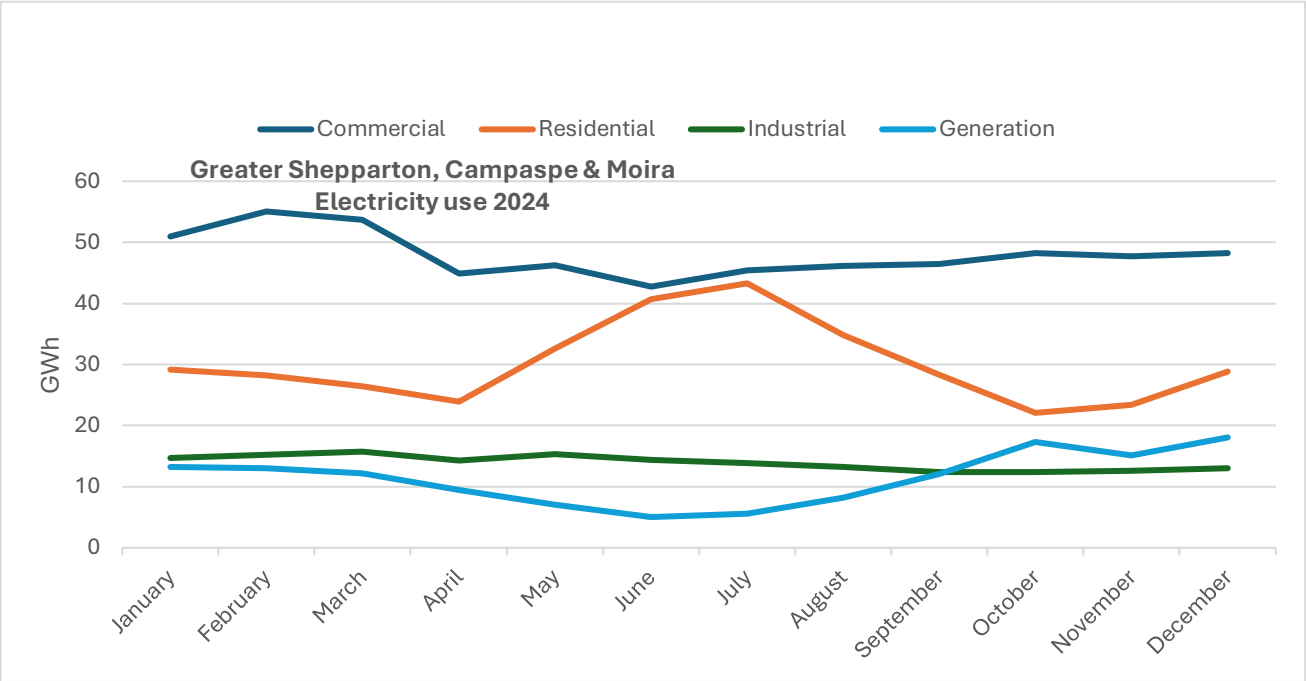
- 4,284 industrial customers
  - 10% of Victoria's industrial electricity customers
  - 7% of all electricity used by industrial customers in Victoria
  - 5th largest industrial demand when compared with all Victorian LGAs.
- 11,869 commercial customers
  - 9% of Victoria's commercial electricity customers
  - 6% of all electricity user by commercial customers in Victoria
  - 4th largest commercial demand when compared with all Victorian LGAs.
- Over the past decade (since 2016) commercial customer' electricity use has dropped by 15%, industrial use has increased by 32% and energy generation has increased by 86%. Residential use is largely unchanged across this period.




### *Seasonality*

- Industrial electricity demand lifts across the first months of the year which coincides with the peak harvest periods particularly for summer fruits, and increased processing and cool store activity.

- Of the three types of use, residential electricity use has the greatest seasonal variation and almost doubles during the middle of the year compared to the warmer months.




## Energy generation

### Solar

- In 2023, the LGAs generated more than 439,753,816 kWh of energy,
- 11% of Victoria's energy generation
- Largest energy generation when compared with all LGAs (2023 data)
- The 2024 the data indicates Moira's solar generation dropped by more than 80% compared to the year prior.

### Waste to energy

The region has several behind the meter bioenergy plants in operation and in development.

The successful bioenergy sites have been built as part of recent greenfield developments. Older sites present a range of physical constraints and design challenges.

As recognised in the RIS, biomethane is a more expensive technology however it also benefits industry by reducing waste management costs and is increasingly important to domestic and international consumer /buyer expectations and reporting requirements.

- 2011 data indicate local food processors generates more than 43,000 tonnes of waste, and importantly, this waste is aggregated at a relatively small number of sites (manufacturers) across the region.
- The same report indicates the region generates approximately 1 million tonnes of on farm waste however this is distributed and seasonal.

- Greater Shepparton is home to Victoria's second largest wastewater treatment plant that processes 6.5 gigalitres of wastewater each year. Designed for 1.1 million residents, it services 43,000 residents with the balance required by the city's manufacturing industry. The plant is located approximately 5Km from Greater Shepparton's manufacturing hub.
- Unconfirmed estimates suggest the above resources could theoretically generate at least 7PJ of renewable gas – almost double our region's current industrial energy use.
- In 2022 the Future Fuels CRC's *report Where are the most viable locations for bioenergy hubs across Australia?*[2] identified Campaspe, and Shepparton amongst its 15 most viable sites to develop biomethane energy.

[2] https://www.futurefuelscrc.com/wp-content/uploads/RP1.2-04-BiomethaneViability_summary.pdf