

Victoria's Power Shift

The hidden cost of forced electrification in Victoria

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Energy
Networks
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Why phasing out gas too soon could drive up electricity prices in Victoria

Forced electrification: Higher bills, a strained electricity system and no impact on emissions

The Victorian Government's **proposed Building Electrification Regulatory Impact Statement (RIS)** aims to push households off gas and onto electrification. While intended to cut emissions and lower costs, for Victorian customers this policy risks achieving the opposite.

Victoria has the greatest reliance on gas for heating homes of any Australian state or territory, and our analysis shows that mandatory electrification will drive up the state's household energy bills—especially in winter—while increasing reliance on fossil fuels. With coal not yet fully replaced by renewables, increasing electricity demand in Victoria too soon risks price spikes and system instability.

Under the Government's plan, households must replace gas appliances with electric ones at end-of-life, piling extra load onto a system that isn't yet ready. Instead of reducing emissions, this shift could increase reliance on high-emission electricity—especially when heating demand surges in the early mornings, evenings and winter peaks.

- Costs will increase – this will cost Victorians \$22 billion more over the next 20 years.
- Emissions will not change – any emissions savings are largely cancelled out in the first five years and are marginal at best after that.
- The generation system will be under pressure – without enough renewables and storage in place, increased electricity demand will drive up prices as switching from gas increases the overall demand

for electricity in the early mornings, evenings and winter peaks – times when solar and wind are at their lowest output.

- Households lose control – Instead of choosing when to switch, families will be forced to electrify, regardless of their budget or the market.

A smarter way forward

A progressive, voluntary approach to electrification—as outlined in this report—shows a better path. Letting households transition on their own timeline will:

- ✓ Keep bills manageable
- ✓ Support system stability while we transition from coal
- ✓ Maximize benefits from emerging clean energy and storage

Electrification should be affordable, practical, and not rushed at the expense of Victorian households.

A better solution exists—more renewable generation and more grid-connected storage, along with accelerating electric vehicle uptake, are smarter electrification choices. This would allow and encourage Victorians to switch when the time is right and without imposing more costly outcomes for the system and household budgets.

It is all in the timing. And now is the time for thoughtful policy design—one that considers both affordability and our infrastructure reality.



The unforeseen impact for Victoria

Phasing out of gas before we have sufficient renewables and storage in the system will increase Victorian energy bills and only achieve a very small reduction in emissions



...on customers

- ❖ Electricity prices increase for **all** Victorians
- ❖ Over the 2025-45 period, the total additional costs to Victorian customers add up to **\$22 billion**
- ❖ Customer's annual bills will increase for everyone, every year over the next 20 years



...on the system

- ❖ The Victorian energy generation system will be at its limit
- ❖ To keep the lights on, we will be replacing gas use in the home with gas used to generate electricity, particularly during winter
- ❖ Over a quarter of the additional demand will need to be met by gas peakers in the first decade which is an expensive way to generate electricity



...on emissions

- ❖ The impact on emissions is relatively small and much more costly than other viable alternatives
- ❖ At most, Victoria's total annual **emissions reduce by only 2.2%**, but this is at a **cost of \$1,222** for each tonne of CO₂e saved

Read the full report: [Impacts of Forced Electrification on the Victorian Energy System, Costs and Emissions](#)



Why do costs go up?

Between 2025 and 2045, the total **additional costs to Victorian customers is \$22 billion**

Switching from gas to electricity increases the overall demand for electricity in the early mornings, evenings and winter peaks – when people are normally using gas heaters to warm their homes at a time when solar and wind are at their lowest output.

Total annual customer bills will **increase for everyone, every year over the next 20 years**



Driving up the price of electricity for everyone

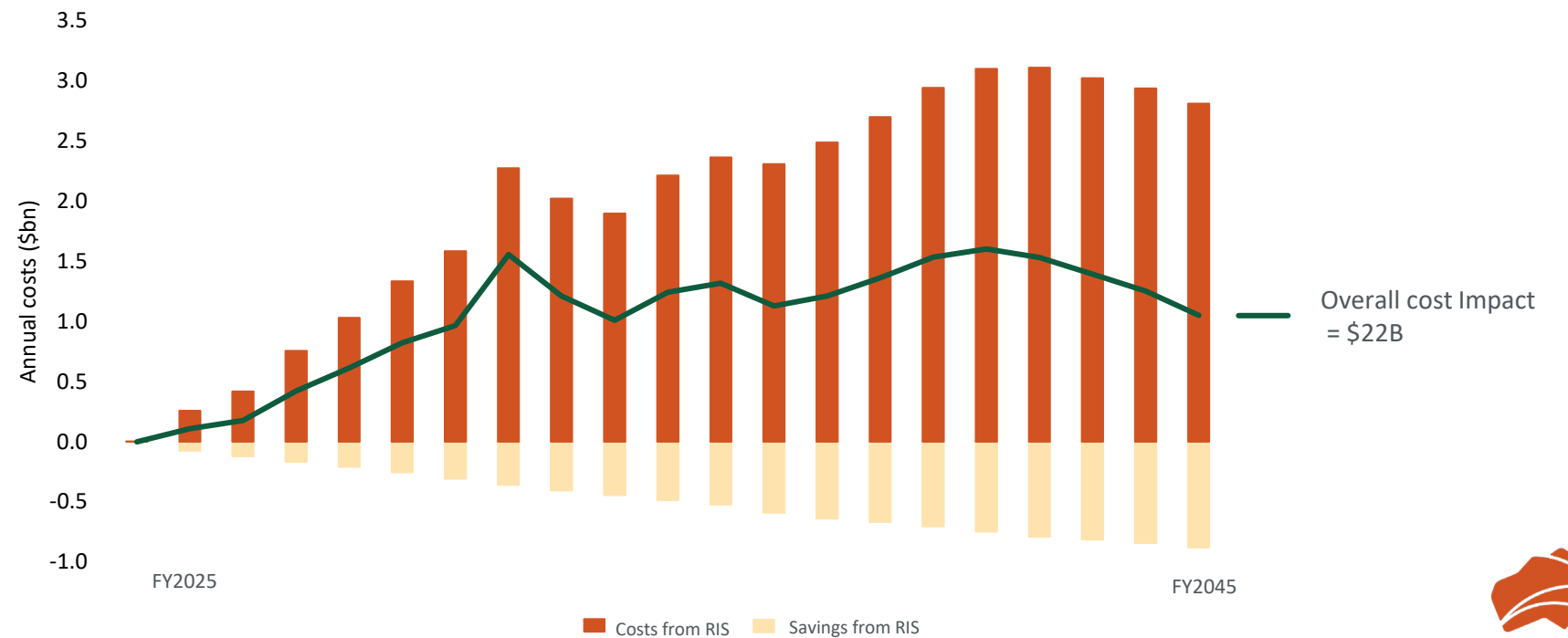
Phasing out of gas use before we have enough renewables and storage in the system will create spikes in the wholesale electricity price that every Victorian will feel on their electricity bill.

The system will need to use **more expensive and emission-intensive** types of electricity generation to meet increased demand as it occurs at a time when renewables, like solar and wind, are at their lowest output.

While there are some savings from decreasing gas use, those savings are materially outweighed by cost increases, resulting in additional costs of **\$22 billion overall**.

A large portion of this overall system cost increase is because of increases to the wholesale cost of electricity – and **every Victorian pays this**, regardless of whether they switch off gas or not.

System cost impact of Building Electrification Regulatory Impact Statement



Source: L.E.K. Consulting



What happens to the system?

The Victorian energy generation system will be at its limit

To keep the lights on, 27% of the additional electricity demand in the first decade needs to be met by additional, more expensive and emissions intensive gas peaker generation, meaning we are simply replacing gas use in homes with more gas generation in the system



Increasing pressure on the system

Victorian homes have the largest gas use in the country, and it will be a significant and costly task to maintain reliability if we force a phase out of gas use too soon.

There will be a significant gap in available renewable energy and storage, as highlighted in recent research.¹

Switching from gas to electricity increases the overall demand for electricity in the early mornings, evenings and winter peaks – times when people are normally using gas heaters to warm their homes.

To ensure a reliable supply of electricity, we are going to need to use more expensive types of generation to keep the lights on, such as gas peaker generation. Between 2025 and 2045, the total additional costs to Victorian customers will be \$22 billion.

What happens to prices in winter under Building Electrification Regulatory Impact Statement

- The additional load from forced electrification is enough to push the Victorian energy system to its limits and significantly spikes electricity prices when renewable output is low
- This results in higher wholesale electricity prices for all electricity use, as the system needs to rely on more expensive generation to keep the lights on



¹Simshauser, P. & Gilmore, J, 2024, *Policy sequencing: on the electrification of gas loads in Australia's National Electricity Market*, Figure 7, Griffith Business School.

Source: L.E.K. Consulting



What happens to emissions?

The **reduction in emissions is low** as we swap out gas use in the home for gas generation in the system

The overall annual impact is between 0.1% increase in emissions to a 2.2% decrease in Victoria's total emissions

The emissions saved over the 20-year period will cost Victorians significantly – **\$1,222 for each tonne of CO₂e saved** – much more expensive than alternative options available to us now



What's it all for?

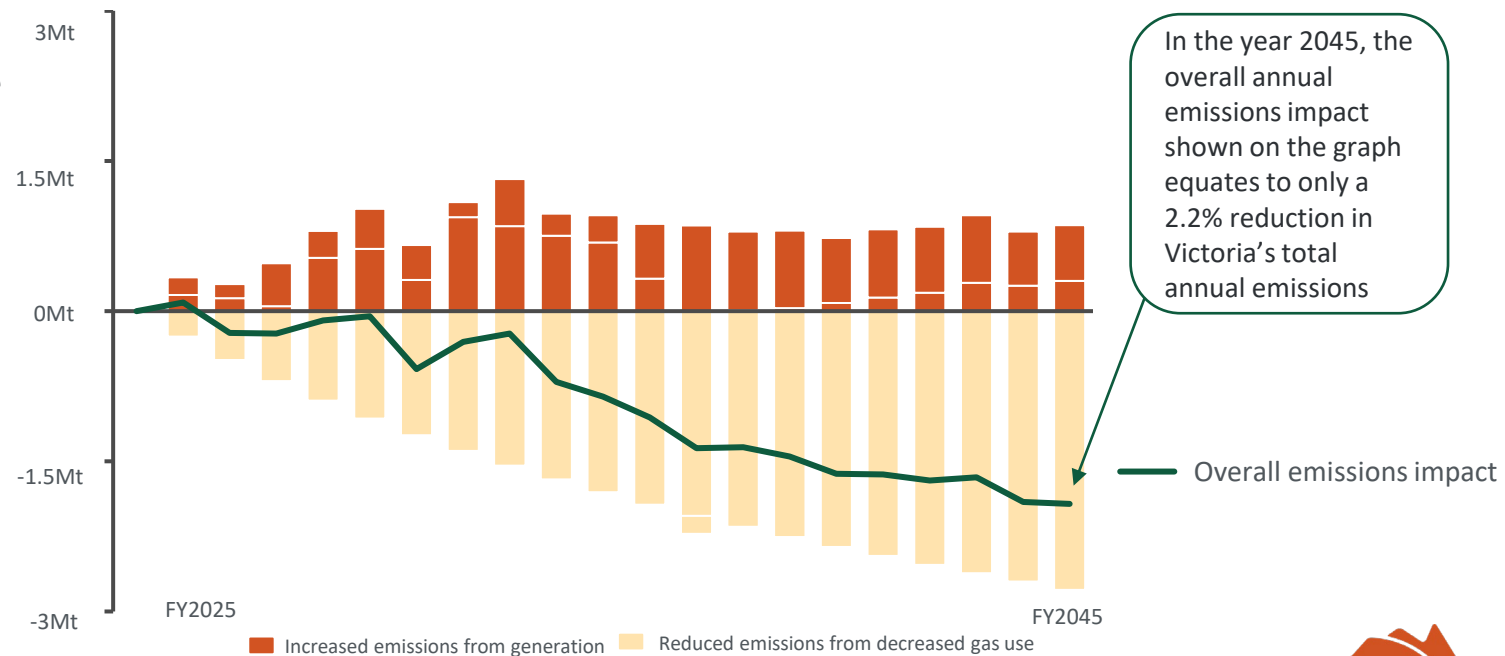
Under the forced electrification scenario presented in the Building Electrification RIS, the emissions savings for Victoria from reducing gas use is largely cancelled out by the increased emissions from using more emissions intensive generation to produce electricity over the first five years.

After that, there are only marginal emissions savings, which come with a **high cost** to achieve.

Between 2025 and 2045, for every tonne of CO₂e saved, it will **cost Victorians \$1,222** which is much more expensive than other options available to decarbonise our economy.

Emissions impact of Building Electrification Regulatory Impact Statement

- Emissions will increase from using additional generation like gas peakers
- A small decrease in emissions from reduced gas use
- Subsequently, the overall annual impact is small when compared with Victoria's total emissions



Source: L.E.K. Consulting



A better policy solution for Victoria

Victorians deserve an energy solution that best serves their needs and their wallets. There are more effective actions that we can take now to decarbonise and deliver benefits to Victorian consumers



- Rather than a forced transition, a **progressive and flexible approach** to household electrification will help keep downward pressure on energy bills while we get more cheap renewables and storage into the system. Importantly, even with the Building Electrification RIS, gas supply for Victoria still needs to be addressed now
- An immediate focus should be on policy solutions that offer greater investment certainty which will mean the market can and will respond to the gas supply issue, offering a better solution for Victorians



- There are **better actions available to policy makers** now to deliver more benefits to customers while still reducing emissions
- The **Time is Now** report explores the customer benefits of policy that focuses on connecting more local generation and storage on the distribution grid and accelerating EV uptake, to bring down bills and meet our climate targets
- With the right policies in place, these **actions are achievable now** and would save customers real money.

Read: [The Time is Now: Getting Smarter with the Grid report](#)





[Read the full report here](#)