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Australian Energy Market Commission

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## **Consultation paper on Gas distribution networks: Connection and permanent abolishment charges**

AGL Energy (AGL) welcomes the opportunity to make a submission in response to AEMC's Consultation paper on Gas distribution networks: Connection and permanent abolishment charges (Consultation Paper).

Broadly, AGL supports reforms that help customers to electrify, save money and reduce emissions. We seek to connect our customers to a sustainable future, helping them decarbonise the way they live, move and work. Electrification is the most likely decarbonisation pathway for residential consumers and is a critical enabler for the industrial, transport, and other sectors of the economy to reach net zero emission targets. Over 30% of Australian households already use electric heating, cooking, and water systems, and all-electric homes are cheaper, cleaner, and healthier.<sup>1</sup> Where electrification is not feasible, AGL supports the development of low carbon fuels such as biomethane to assist with transition to a low-carbon economy.

As outlined in the Consultation Paper, AEMO's 2025 Gas Statement of Opportunities (GSOO) highlights that there will be a significant decline in gas usage and the number of gas connections for small businesses and households over the next 30 years due to the shift towards electrification.<sup>2</sup> Moreover, some governments have implemented measures to restrict new residential gas connections and encourage electrification for small customers.<sup>3</sup>

Gas networks are typically regulated as natural monopolies, and their revenues are determined by the Australian Energy Regulator (AER) based on the expected level of demand and the cost of providing services. As demand falls, the unit cost of maintaining the network increases, and this is reflected in higher network charges for the remaining customers.

As outlined in the Consultation Paper, the AER has flagged as a critical concern that the current regulatory framework may not be well suited to deal with the rapid and uneven transition away from gas and could result in unfair outcomes for customers who are unable or unwilling to electrify.<sup>4</sup> As such, a key consideration for governments and regulators is how to equitably recover the gas network costs from customers while usage declines, and how to plan for the eventual decommissioning of gas networks.

In our submission to the Australian Government's *Future Gas Strategy*<sup>5</sup>, we recommended establishing a clear process for customers disconnecting from the gas network, including guidelines for disconnection and meter abolishment. We also supported exploring more efficient bulk abolishment processes, rather than relying on house by house approaches.

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<sup>1</sup> Grattan calculation based on Energy Networks Australia (2021) and Gas Energy Australia (2023). For further details, see p14 of the [Grattan report on Getting off gas: why, how and who should pay?](#)

<sup>2</sup> AEMO, Gas Statement of Opportunities, March 2025, p. 23.

<sup>3</sup> These include Victoria and ACT. For further details, see the Victorian Government's recent announcements [here](#).

<sup>4</sup> See: AER's final decision for AusNet's Access Arrangement Determination 2023-28 [here](#)

<sup>5</sup> See: AGL's submission to the Australian Government's Future Gas Strategy [here](#)

We acknowledge that the present rule changes do not necessarily require the AEMC to consider some of these broader issues. However, we would encourage the AEMC to consider the importance of engagement with stakeholders—network owners, operators, and customers—in developing a coordinated approach to managing gas assets with declining utilisation rates.

Investment decisions should reflect changing demand and customer preferences, and a key challenge will be balancing risks between consumers and networks. Ensuring fair allocation of fixed costs across remaining gas users is essential to meet the National Gas Objective. As gas networks experience more variable and lower overall utilisation, rising fixed costs may need to be recovered through less volume and from fewer customers, potentially impacting those unable to reduce consumption or electrify.

Concerns about cost recovery should be assessed against the criteria of efficiency, equity, reliability, security, and environmental sustainability, and should be informed by robust analysis and evidence. The AEMC should also ensure that any changes to the gas network regulatory framework are consistent with the broader energy market reforms and objectives and support the transition to a low-carbon economy.

With respect to the current consultation, AGL agrees with the proposed assessment framework put forward by the AEMC in the Consultation Paper to assess the Energy Consumers Australia's (ECA) and Justice and Equity Centre's (JEC) proposed rule changes as it reflects the above criteria. If implemented, AGL is also generally supportive of the ECA and JEC proposed rule changes being consistent across all networks covered by the National Gas Law, noting that customer protections and services do not differentiate between scheme and non-scheme distribution networks.

#### **ECA proposed rule change to allow for full upfront cost recovery for new connections**

ECA has proposed a rule change to the National Gas Rules (NGR) that would require new gas customers to pay the full cost of connection upfront, regardless of pipeline type or jurisdiction. The rationale for the proposed rule change includes:

- Inefficient price signals under the current framework.
- Risk of asset stranding as gas demand declines.
- Preventing existing customers—especially those unable to leave the gas network—from subsidising new connections.
- Allowing consumers to better assess the cost of gas versus electrification.

We agree with ECA's assessment that the current regulatory framework—designed around rising gas demand—is no longer fit for purpose in the context of the energy transition. As outlined above, AEMO's latest GSOO forecasts a sustained decline in residential and commercial gas use, and we support the view that the regulatory framework must evolve to reflect this shift.

We also see potential value in the alternative proposal put forward by the AEMC, which retains the existing framework but introduces enhanced implementation guidance. This includes:

- Shortening asset life to reflect earlier disconnections
- Adjusting demand forecasts to reflect declining usage
- Improving planning to avoid unnecessary capital expenditure

However, weighing up the two options, we consider the ECA's proposed rule change to be preferable.

To support consistency and reduce regulatory burden, we recommend that the AEMC adopt a clear definition of "connection," similar to that used by the Victorian Essential Services Commission (ESCV) in its updated Gas Distribution Code of Practice (Gas Code). We would also encourage harmonisation with the Victorian Gas Code wherever possible.

### **JEC's proposed rule change to create a new regulatory framework for gas disconnections**

AGL's fundamental starting point when considering JEC's proposed rule change is that customers should have the right to choose the right disconnection option for their circumstance and that it is the gas distributor's role to make the gas network safe.

We also consider that the price of disconnecting from the gas network should be set at a level to encourage customer who would like to disconnect to do so, noting that no current gas customer has been informed, let alone given explicit consent, to a deferred obligation to pay the full abolishment costs if they cease using gas. The current 'gas customer' will often have had no role in the historic decision to connect gas and tenants should have the right not to use or 'connect' gas for the period of their tenancy without landlord approval. Given this, AGL can also see merit in the alternative option put forward by the AEMC in the Consultation Paper regarding including the cost of permanent abolishment in the cost of a new connection as part of the NPV calculation.

AGL shares the JEC's concerns regarding inconsistencies in disconnection and abolishment services. We acknowledge that the current ambiguity between temporary disconnections and permanent abolishments can lead to customer confusion and support efforts to improve clarity and consistency.

We endorse the JEC's proposal to introduce clear definitions for different disconnection services to eliminate ambiguity around service types and associated charges. In particular, we find the definitions adopted by the ESCV in its updated Gas Code to be practical and recommend that the AEMC consider similar definitions within the NGR to promote regulatory alignment and clarity.

AGL also supports the development of binding AER Disconnection Guidelines. These should reference jurisdictional safety regulations and clearly outline the scope of works required to make safe both simple and complex disconnection scenarios. Additionally, the guidelines should specify which works fall outside the scope of a permanent abolishment service, noting that AGL considers that meter removal is a necessary component of making safe a permanent abolishment.

Furthermore, recent safety regulator requirements often mandate the removal of gas pipes back to the street mains. In AGL's view, this should not be mandated as those pipes should be vented and made safe so they do not pose a safety risk.

As we are sure the AEMC is aware, customer requests for disconnection vary widely, including:

- Temporary disconnections for renovations with plans to reconnect.
- Disconnections chosen over abolishment due to lower cost, even when reconnection is not intended.
- Demolitions without formal disconnection requests, resulting in blocked services.
- Long-term meter removals with later reinstatement.

AGL believes that the consumer's intended outcome should be a key consideration in any rule change. For example, if a customer plans to reconnect post-renovation, requiring full asset abolishment to street level may impose unnecessary costs and force premature electrification. Often, disconnection requests are initiated by builders seeking the lowest-cost option, which may not reflect the long-term intentions of the property owner. This can result in complications for future owners who inherit a temporarily disconnected site.

We also highlight operational concerns that may not be fully addressed in the proposed rule change, particularly the roles of retailers and distributors in managing disconnection service orders. A key issue for retailers is the treatment of long-disconnected sites. Distributors, responding to safety regulator changes, may seek to permanently abolish these sites. While AGL supports this where justified to maintain safety, retailers—often still listed as the Financially Responsible Organisation (FRO)—are frequently charged standing fees and abolishment costs despite having no relationship with the current site user or ability to recover these costs.

These costs associated with maintaining the safety of the gas network should be the responsibility of the gas network owner. Where there is no current gas customer it may be appropriate to consider whether there should be a cost recovery process through the registered land owner, however this is likely outside the scope of the NGR. Without a clear cost recovery process, these charges will be inefficiently and inequitably shifted from being socialised amongst the gas network customers to the retailer's customers.

AGL also has concerns about the proposal to impose charges 12 months after a temporary disconnection. As noted in many cases, the original customer (e.g., a builder or renovator) may no longer be associated with the site, and the new occupant may be unaware of the prior disconnection. A tenant should also have the right to choose not to use gas without requiring landlord permission, a relatively short 12-month limit on temporary disconnection may in effect impose unfair costs on tenants to pay the fixed costs of maintaining a gas bill that they do not want to use.

Retailers typically have no ongoing relationship with the new occupant, and distributors often lack direct customer contact details. This creates uncertainty around who should be billed and how the fee would be recovered. The risk of billing confusion is high, with the FRO potentially left responsible for a stranded connection without a customer to recover costs from.

Should you have any questions in relation to this submission, please contact Leilani Kuhn (Policy Manager) on 03 8633 6934.

Yours sincerely,

Ralph Griffiths

GM Policy and Market Regulation

**AGL Energy**