

Gas Distribution Network Rule Change Request – Fit for purpose gas disconnection arrangements

09 May 2025

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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1. Introduction

The Justice and Equity Centre proposes changes to the National Gas Rules (NGR) and Energy Retail Rules (NERR) to add rules relating to disconnections. This includes rules concerning temporary and permanent disconnection, as well as additional remediation services. This rule change proposal promotes the long-term interest of consumers and is consistent with the National Gas Objective (NGO), and National Energy Retail Objective (NERO).

Recently, Energy Consumers Australia (ECA) has submitted a suite of rule changes that will 'require gas distribution networks to proactively plan for the future of their networks and make decisions which will minimize any further non-critical investment' and 'ensure that consumer interests are adequately protected in the transition from gas'.

This rule change proposal, concerning permanent disconnection protects consumers interests in relation to gas distribution network planning and transition. We request that this rule change proposal is considered alongside the ECA rule change relating to new connections. While they require changes in different aspects of the rules, we regard these rules as embodying the consistent principles required to ensure the NGR and NERR rules are fit for current and future purposes.

Disconnection services, including permanent disconnection, are not currently dealt with by the National Gas Law (NGL), NGR and NERR. This silence results in regulatory uncertainty, inconsistent regulatory decisions and issues of inefficiency, inequitable cost sharing and potential risks to safety. To the extent current arrangements for disconnection disincentivise or delay electrification, there are also likely to be material emissions implications.

Rules, and associated AER guidelines, would assist in providing clarity regarding:

- what different disconnection services can include,
- what associated costs should and should not be included for each service type, and
- whom should bear the costs.

This will resolve ambiguity and eliminate the inequity inherent in customers facing inconsistent resolutions to the question of what costs are included in permanent disconnection and how those costs are treated.

We support the general principle that the beneficiary of a service should pay for the service, and that costs should be recovered from the 'causer' or proponent of an activity which necessitated those costs. These principles should be consistently applied to the issue of disconnection services.

Cross-subsidy of permanent disconnection costs is inequitable, particularly in the context of expected increases in rates of permanent disconnection. Similarly, inefficiently high costs for permanent disconnection contribute to an inefficient incentive to remain connected to the network - delaying household electrification - with potential implications for cost and emissions.

This rule change request proposes:

- Introducing definitions of permanent disconnection, remediation, and temporary disconnections.
- Defining a permanent disconnection service as, ‘the minimum works required to safely discontinue the supply of gas to a retail customer.
- A beneficiary-causer pays based criteria for how related charges should be recovered.
- The insertion of rules which make provision for jurisdictions to be able to elect to make permanent disconnection services and remediation services contestable.

This will promote the NGO and NERO as:

- The rule change proposal promotes economic efficiency in the use and operation of gas and energy services as it:
 - Minimises the cost of permanent disconnections to only those required to make safe the disconnection;
 - Allows for economic certainty across jurisdictions and decisions by providing a regulatory framework for the proposal and approval of permanent disconnection, and meter removal remediation costs; and
 - Allows for the costs and risks of the service of permanent disconnection for retail consumers to be borne by the beneficiary and causer of those costs i.e. the permanently disconnecting retail consumer.
- The rule change proposal is in the long-term interest of consumers of gas in respect of price, safety, reliability, security, and achievement of emissions targets.

The greatest benefits to the long-term interest of consumers of covered gas will be:

- Safety – property owners will be appropriately discouraged from unreasonable and potentially unsafe reliance on temporary disconnection.
- Price – those consumers remaining on the network will not be required to subsidise the cost of disconnections for consumers leaving the network. This will help mitigate the impact of the ‘death spiral’, where cross subsidy of exiting consumers by remaining consumers adds to the costs which remaining consumers must bear.

The efficiency of the use and operation of covered gas services, and energy services, will be improved as disconnection costs will be dealt with in a manner that is economically sustainable and equitable. There will be more efficient and consistent price signals to both those considering exiting and remaining on the network.

A secondary benefit will be greater certainty as to the definition and allocation of costs associated with permanent disconnection. This improved certainty will help facilitate government consideration of potential subsidy of permanent disconnection costs, in line with developing policies to encourage household electrification.

Part 2 of the proposal provides background material, and then Part 3 sets out the issue, and why this proposed rule change addresses the identified issue. Part 4 provides a detailed description of the rule change proposal (with draft text provided in Appendix A). Part 5 details the AEMC's rule making powers, the key determination required, and why the proposed changes will contribute to the achievement of the NGO and NERO.

We request the rule changes to the NGR is made applicable in all jurisdictions, except Western Australia. The rule change proposal is intended to cover retail customer's premises, and their disconnection from the distribution network.

2. Background

The existing rules make no provision to deal consistently and efficiently with the abolition or permanent disconnection of gas supply services to retail customer's premises. In a time when the number of disconnections is growing year on year, as demand for domestic gas connections fall, this regulatory gap is no longer appropriate. Closing this regulatory gap will promote gas consumers long term interests.

Transformation in the energy system and the Australian Government's goal of reaching net zero emissions by 2050 create considerable uncertainties in future gas demand expectations. A decline of gas demand is expected to accelerate, but there is uncertainty as to how quickly that will happen and what the path to small customer 'electrification' will look like. The recent AEMO Gas Statement of Opportunity predicted that the drop in the number of gas connections will be in the millions.¹

One certainty is an increase in disconnections as customers take advantage of the benefits of electrification (increasingly supported by government grants and incentives) including significant cost of living savings, reduced health risks and improved safety. As households and small businesses leave the network, there will be significant impacts for customers remaining on the network. Absent any policy interventions, many of these consumers are likely to be left using the gas network for years longer than those can afford to electrify. It is necessary to ensure these remaining consumers are not also required to carry additional and inefficient costs associated with the permanent disconnection of others.

In the coming two decades AEMO forecast that 2.5-3.5 million of the homes that use gas today are likely to permanently disconnect from the gas network². This is considered a conservative assessment. While 'abolishment' costs vary, at the approximately \$1,000 per gas user of the current permanent disconnection charges, the total cost for disconnecting households could be \$2.5-3.5 billion or higher (2025 values).

¹ See AEMO, 2025 Gas Statement of Opportunities, Figure 12, p.26, <https://aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-qsoo>.

² Ibid

The lack of consistent and robust regulation has implications for consumer safety and health, and economic efficiency. In this context the provision of specific rules on disconnection will be in the consumer interest. (See the Expected benefits, impacts and costs section below).

As the NGR do not provide specific rules on disconnections, distribution network providers have proposed in their access arrangement proposals, and the AER has approved, the provision of services related to abolishment as ‘ancillary reference services’, with associated standard ‘abolishment tariffs’. Distribution networks have in recent years sought, and been provided, AER approval for permanent disconnection fees of \$800-\$1500, depending on the network

Currently, some consumers are opting to use temporary disconnections, (including via the insertion of a piece of wadding at the meter by the distributor) to avoid higher permanent disconnection costs. This then leaves an active gas supply on the premises that is not being maintained or monitored.

In Victoria, the AER recently made access arrangements which capped the individual customer co-payment for disconnection at \$220 per customer and socialised the rest of the cost across all customers of the network as an ‘operating expense’ (governed by rule 91 of the NGR) via haulage tariffs. It explained that this would eliminate the large gap between the cost of temporary and permanent disconnection measures which was considered to be incentivising customers to choose temporary disconnections. This raised safety concerns in the context of expectations of a larger number of disconnections.³

However, the AER recognised that ‘socialisation’ is inequitable and is ‘not a long-term solution’, since the tariffs for remaining customers will grow as more customers leave the network.⁴ The final decision also included an ‘annual tariff variation mechanism’ to ensure that only actual, efficient costs of providing permanent disconnection services are recovered, and that any difference between forecast and actual permanent disconnection numbers and costs will be returned to customers.

The current Jemena Access Arrangement process illustrates the contestation over this issue. In its draft decision, the AER set Jemena’s abolishment tariff at \$1,104 to align with other networks. This was done without assessing what these costs relate to. As part of this decision, they set the cost to customers at \$250, socialising the remaining \$854 per disconnection across the network. This was aimed at addressing potential safety concerns arising out of the price gap between temporary and permanent disconnection services (as above).⁵ In the draft determination the socialised cost amounts to an additional OPEX of \$66.4 million (\$2024–25).⁶

³ See AER, Final Decision AusNet Access Arrangement 2023-2028, pp.7, 28, and 34, <https://www.aer.gov.au/system/files/AER%20-%20AusNet%202023-28%20-%20Final%20Decision%20-%20Overview%20-%20June%202023.pdf>.

⁴ Ibid p 7.

⁵ See AER, Draft Decision Jemena Access Arrangement 2025-2030, pp. vi-ix, 32-33, <https://www.aer.gov.au/system/files/2024-11/AER%20-%20Draft%20decision%20-%20JGN%20access%20arrangement%202025%E2%80%9330%20-%20Overview%20-%20November%202024.pdf>.

⁶ Ibid pp. vi, 4 and 21.

As discussed above, the cost of disconnections is likely to escalate over time as more customers disconnect, further adding to the costs that a distribution companies seek to recover from those customers that remain.

3. The issue and proposed rule

3.1 Nature and scope of the issue to be addressed

The issue to be addressed is:

- Disconnection of gas supply (including temporary and permanent disconnection) is not currently expressly dealt with by the NGL, NGR or NERR.
- This silence creates issues of:
 - regulatory uncertainty;
 - safety;
 - inequitable cost sharing,
 - inefficiency; and
 - inconsistent regulatory decisions.

In the coming two decades AEMO forecast that 2.5-3.5 million of the homes that use gas today are likely to permanently disconnect from the gas network⁷. This is considered a conservative assessment. While ‘abolishment’ costs vary, at the approximately \$1,000 per gas user of the current permanent disconnection charges, the total cost for disconnecting households could be \$2.5-3.5 billion or higher (2025 values).

The AER has considered the costs of abolishing connections and the broader question of how these costs are recovered from consumers in the context of individual access arrangements. However, there is no clearly established approach across decisions based on consistent principles for promoting the long-term interest of consumers. A lack of unifying approach, consistent with broader regulatory principles, is in large part a result of the lack of rules on disconnection.

In the absence of consistently regulated, efficient and affordable arrangements for permanent disconnection (appropriate for the scale and nature of expected electrification), customers moving away from gas may choose temporary disconnection measures designed for short term pause of supply to avoid paying the higher charge involved in permanent removal of connection assets.⁸ In its most recent decisions the AER’s approach (as noted earlier) has been to respond to potential safety concerns which may result, by subsidising permanent disconnection costs and socialising the difference across remaining consumers. In making this decision the AER has acknowledged it is not sustainable. It is also inconsistent with the long-term interests of gas

⁷ Ibid

⁸ See, for example, AER comments in both the AER Final Decision MGN Access Arrangement 2023-2028, p. 7 <https://www.aer.gov.au/system/files/AER%20-%20MGN%202023-28%20-%20Final%20Decision%20-%20Overview%20-%20June%202023.pdf>, and AER Final Decision AusNet Access Arrangement 2023-2028, p. 7 <https://www.aer.gov.au/system/files/AER%20-%20AusNet%202023-28%20-%20Final%20Decision%20-%20Overview%20-%20June%202023.pdf>.

consumers, as it involves ongoing (and future) gas network consumers carrying costs caused by those ceasing to be gas consumers.

Further, as customers who can afford to leave the network do so, remaining customers will be left facing higher and higher gas bills. This raises questions about equity if permanent disconnection costs are socialised across the network, leaving the customers who are unable to electrify paying the electrification costs of others in addition to their own at a later time.

Despite these significant issues, the NGL and NGR do not currently deal explicitly with the question of how disconnection services should be defined, what they must entail, and who bears the cost of them.

Revenue of the quantum involved in disconnection services should not be recovered without consistent regulations guiding how costs should be determined and allocated. The silence in the NGR on disconnections results in regulatory uncertainty, inconsistent regulatory decisions and issues of efficiency, inequitable cost sharing and safety.

Rules, and associated AER guidelines, would assist in providing clarity regarding:

- what different disconnection services can include,
- what associated costs should and should not be included for each service type, and
- whom should bear the costs.

This will resolve ambiguity and eliminate the inequity inherent in customers facing inconsistent resolutions to the question of what costs are included in permanent disconnection and how those costs are treated.

We support the general principle that the beneficiary of a service should pay for the service, and that costs should be recovered from the causer or proponent of the activity which incurred those costs. These principles should be consistently applied to disconnection services.

Socialisation of permanent disconnection costs is inequitable, particularly in the context of increased rates of permanent disconnection. Similarly, inefficiently high costs for permanent disconnection contribute to an inefficient disincentive to remain connected to the network, with households delaying electrification, and potential implications for cost and emissions.

3.2 How the rule change will address the issue

The rule change proposal will provide definitions for disconnection services, and a regulatory framework for cost allocation.

This will address the issues by:

- **Creating regulatory certainty**
Gas network businesses, the regulator and consumers, will have a clear understanding of what services, may and may not, form part of permanent disconnection service. There will also be definitions for temporary disconnection services, and remediation services.

- **Helping ensure equitable cost sharing**

The clarity of definitions with respect to the services of permanent disconnections and remediation will allow for the rule to provide clarity on costings, in particular what costs can be recouped from the retail customer at the premises, and what costs can be shared. In contrast with the AER's recent decision for Victoria and draft decision for NSW, this also ensures that future consumers of gas are not required to subsidise the permanent disconnection of others, in addition to the costs of their own permanent disconnection.

- **Ensuring safe disconnections**

By clarifying the definition and costs of temporary and permanent disconnections, consumers will be able to make better choices when choosing to disconnect.

This includes making permanent disconnection a more attractive option than selecting to indefinitely "temporarily disconnect". We propose the rules allow for temporary disconnection for 12 months, on a rolling basis. While there is in our proposal no limit to the number of renewals permitted, a temporary disconnection tariff will be required each 12 months. If no further temporary disconnection tariff, or request to restore the service, is received at the end of a defined period then distributors are required to undertake a permanent disconnection to 'make the connection safe', at the cost of the property owner.

This will help address safety concerns and prevent temporary disconnections being left for extended periods.

- **Efficiency will be increased**

Customers will only be required to pay for the minimum works necessary to make safe the permanent disconnection, and not additional works that they don't request or require.

Customers will have the opportunity to request additional remediation services, including from distribution companies.

Jurisdictions will be able to elect for permanent disconnection and remediation services to be contestable, and customers will be able to request these from distributors or third parties.

- **Ensuring consistent regulatory decisions**

The clear framework defining the service of permanent disconnection, and related remediation services, along with rules on cost allocation will provide clarity to gas network businesses when making access arrangement proposals, and to the regulator to make consistent decisions between network businesses when approving these proposals.

We note the AEMC's rule making powers do not extend to making a new gas rule regulating disconnections in respect of Western Australia.⁹ We propose the rule change is made in respect of all other relevant jurisdictions.

⁹ While we would welcome the adoption of a similar rule in Western Australia, it would appear from the specific form of section 74(1) and schedule 1 of the NGL as applicable in Western Australia, the AEMC has no power to make a rule in Western Australia in respect of disconnections.

The JEC's view is that defining permanent disconnection and permanent disconnection services and allocating associated costs should be explicitly prescribed in the NGR, and not left to the discretion of distributors and the circumstances of individual determinations by the AER. Our approach establishes a consistent, principles-based means of determining efficient permanent disconnection costs, while minimising potential safety issues arising from a differential between temporary and permanent disconnection costs.

We support the general principle that the beneficiary of a service should pay for it and that costs should fall on those responsible for them. These principles should be applied consistently to permanent disconnection. Socialisation of permanent disconnection costs is inappropriate and increases inequities involved in the recovery of gas network service costs. Preventing socialisation of these costs will support greater equity amongst gas consumers.

While acknowledging Government policy lies largely outside the Commission's remit, we note the rule change will provide a transparent and efficient platform for any subsequent potential government policy to deal with permanent disconnections as part of wider electrification and energy transition policies, such as those already being implemented in jurisdictions such as the ACT and Victoria. Further government support for household electrification is likely to accelerate as it is a critical contributor to emissions reduction beyond 2030, as well as supporting a range of energy affordability, industry development and other policy objectives. Greater regulatory consistency and clarity as to the definition and cost sharing of permanent disconnection, will help facilitate government consideration of potential government subsidy of permanent disconnection costs, in line with developing policies to encourage household electrification.

The discussion of the required rule changes throughout the proposal, and the draft rule change text provide in Appendix A are focused on changes necessary in respect of scheme pipelines.

For the purposes of consistent treatment of retail consumers, the AEMC should consider potential additional changes to the NGR and NERR, aligned with those we propose, to ensure the intent of the proposal is applied to all retail consumers (households and small businesses) connected to non-scheme pipelines. We understand that providing for equivalent requirements for non-scheme pipeline operators, if possible, is likely to involve mechanisms in addition to the rules, and AER regulation and guidelines we have proposed.

4. The proposed rule

We propose a set of new rules that provide the following:

- A **definition** of the term 'permanent disconnection' as well as associated terms, including remediation services;
- A **positive duty** on providers of permanent disconnection services to only provide the minimum necessary service required to 'make safe' the former connection;
- **Beneficiary-causer pays cost allocation principles** for the recovery of costs, which ensure the beneficiary/causer pays for permanent disconnection;
- The option for jurisdictions to elect that permanent disconnection services and remediation service can be **contestable services**; and

- A **definition** of the term ‘temporary disconnection’ and associated terms, and regulatory guidance as to when temporary disconnection can be undertaken.
- The creation of a set of ***AER Disconnection guidelines*** dealing with the technical implementation the rules.

4.1 Definition of permanent disconnection and associated terms.

We define permanent disconnection as meaning,

“to permanently discontinue the supply of gas to a *retail customer*’.

We propose creating a definitions section at the beginning of the new rule with definitions for key terms including permanent disconnection, permanent disconnection services, remediation, remediation services, temporary disconnection, and temporary disconnection services.

Defining these terms would remove any ambiguity about the nature of the service and associated charges and recovery methods.

For all definitions, see Appendix A which provides proposed draft text for the rule change proposal.

4.2 Requirement to provide a permanent disconnection service to a certain standard

Providers should be obligated to provide permanent disconnection services limited to the standard required to permanently and safely discontinues the supply of gas.

We consider that the question of what is required to make the site safe should be determined by binding ‘*AER Disconnection guidelines*’ and with reference to any jurisdictional safety regulations and requirements.

The rule change proposed requires the creation of binding *AER Disconnection guidelines*, which must prescribe:

- The scope of works required to make safe in ‘simple’ and ‘non-simple’ disconnection circumstances, and
- Additional works which cannot be included in a permanent disconnection service.

This would create clear criteria about what is included in the permanent disconnection charge for the services described above.

As an indication of scope, we envisage that making a safe permanent disconnection would involve

- capping the supply at the path valve, where one is present and this action only effects supply to the disconnecting premises, or
- where a path valve is not available, capping supply;
 - at the most accessible point of the customer service between the property boundary and the mains, or

- where there is no accessible point between the property boundary and the supply, and the pipe on the premises is at no/extremely low risk of being affected by future excavation (for example where it is covered by a concreted driveway or building), capping the supply at the nearest accessible point of the customer service to the property boundary.
- where multiple premises on a property share a common supply (such as in strata, embedded network and some dual occupancy situations), capping the customer service for the premises at the nearest accessible point to any assets shared with other premises.

We note that efficiently ‘making safe’ the former connection will typically not require removal of pipeline or other assets on the customers property, with this regarded as a ‘remediation service’ to be dealt with separately.

4.3 Distinction between permanent disconnection charges and remediation charges

To ensure that customers are charged fairly for permanent disconnection, the rules should provide for a distinction between permanent disconnection service charges, and additional remediation charges.

In our draft rule we have sought to define permanent disconnection charges as the maximum charges allowed for provision of a defined permanent disconnection service, being the minimum works required to permanently make the former connection safe. These are the required costs, and any additional charges should be costs and charges associated with providing an optional remediation service when requested by the retail customer.

We propose a service provider may only impose a charge for permanent disconnection services where requested by a retail customer or property owner.

Remediation services and associated charges are works additional to those required to provide the permanent disconnection service.

The key distinction between charges for permanent disconnection services, and remediation services is that the permanent disconnection service involves the minimum works required to safely discontinue the supply of gas and is the only charge a retail customer is obliged to incur (and which the distributor can impose) for permanent disconnection

The rule change proposed requires the creation of a binding AER disconnection guideline, which must include guidance both on the scope of works of permanent disconnection and remediation services, and what can and cannot be included within permanent disconnection charges and remediation charges.

4.4 Remediation services

As explained above, in our proposal remediation services are works additional to those required to provide the permanent disconnection service.

Given that making safe will likely involve sealing or otherwise disabling the gas pipelines to a property, or possibly on a property, but always on the supply side of the meter, we have explicitly referenced in the draft text of our rule proposal that meter removal cannot be included as a required part of permanent disconnection services.

We propose that at the time of permanent disconnection the retail customer will be able to request an optional meter removal remediation service (and any other additional remediation services) from the network business or a provider of their choosing.

If no meter removal is requested at the time of permanent disconnection, the distributor will have the choice to leave the meter in situ or remove the meter at their own expense at the time of providing the permanent disconnection service. A network may only charge for meter removal if the customer requests this service.

We include in the rule change proposal a provision that deems the meter and any other gas network assets on the premises to have been abandoned if not collected at the time of the permanent disconnection. The rule deems that the assets are abandoned, and ownership and possession pass to the property owner. This will allow for remediation at the former retail premises to be carried out independently of requesting a service from the former network service provider to the premises.

4.5 Cost allocation

We propose that the rules, and associated *AER Disconnection Guidelines*, provide for the definition of the works which may be provided in respect of each of the various services – permanent disconnections, remediation services and temporary disconnections. This also includes two classes of permanent disconnection – simple and non-simple¹⁰. Further, that the rules and guidelines provide the requirement that the distribution company propose, and AER approve the following reference tariffs:

- a simple permanent disconnection service;
- a non-simple permanent disconnection service;
- a temporary disconnection service; and
- a meter removal remediation service.

We propose that the rules provide that the network may not include any costs associated with permanent disconnection services or remediation services in regulated revenue. This will ensure that there is no inequitable cross subsidisation.

4.6 Contestable permanent disconnection and remediation services

The JEC considers that it is in the consumer interest for the provision of permanent disconnection services and remediation services to be contestable, with consumers able to have permanent disconnection and remediation services undertaken by the network or other competent/accredited service-providers of their choosing.

¹⁰ The 'simple/non-simple' terminology has been used for descriptive purposes and other terminology may be deemed more practical

We recognise that various state and territory requirements, including gas safety regulation, mean that contestability is not currently possible, and it therefore may not be feasible for the AEMC to pass a rule which mandates contestability.

We instead propose that the AEMC make a rule that explicitly allow for permanent disconnection services and remediation services to, 'be provided by a *service provider* or another qualified or accredited party¹¹, where permitted by the law and regulation of a jurisdiction.' (See draft rules proposed text in Appendix A).

Where a jurisdiction permits contestability, we envisage that retail customers will be able to make arrangements with the service provider, or suitably qualified or competent third parties of their choice (as appropriate), to provide a permanent disconnection service or remediation service.

4.7 Temporary disconnection

We define temporary disconnection as meaning,

'to discontinue the supply of gas to a retail customer where it is intended the supply will be reconnected within 12 months, or permanently disconnected.'

We propose adding definitions of a temporary disconnection service, and a temporary disconnection charge.

Defining these terms would remove any ambiguity about the nature of temporary disconnection, the service and associated charges.

A key guardrail proposed in the rule change proposal is to only allow temporary disconnection for 12 months, on a rolling basis. While there is no limit to the number of renewals permitted, a temporary disconnection tariff must be paid each 12 months. If no further temporary disconnection tariff, or request to restore the service, has been received at the end of this defined period then distributors are required to undertake a permanent disconnection at the expense of the property owner.

4.8 Additional rule changes

The rule changes discussed above concern proposed changes to the NGR, and these seek to provide key definitions and economic regulatory principles on cost allocation in respect of disconnections. We acknowledge that it will be pertinent for the AEMC to consider additional related rule changes.

The greater regulation of disconnections will benefit from additional rule changes to the NGR and/or NERR rules which address the technical mechanics by which disconnections occur, safety concerns and consumer protection issues. These additional rules, or a requirement for AER guidelines to be provided, might for example address—

- Information requirement provisions on the retailer and distributor,

¹¹ Qualified and accredited parties would be required for any contestable permanent disconnection service, Whereas any competent party should be able to provide remediation services.

- Details of how a request is made and to whom,
- Recovery of charges,
- Consent of the property owner and/or resident of the premises,
- Amendments to the model retail energy contract,
- Provisions concerning access arrangements, including reference proposals and reference tariffs, and
- Details on business-to-business communications between retailers and distributors.

4.8.1 Changes to the NERR

The JEC requests that the AEMC make rule changes to the NERR with respect to the following issues, and any additional issues it deems pertinent to ensure the efficient operation of the central NGR rule changes in the consumer interest:

- Information requirements,
- The process by which a request is made and to whom,
- Management and confirmation of consent of the retail consumer and property owner, and
- Amendment to the model retail energy contract.

4.8.2 Jurisdictional regulatory changes

In addition to changes to the NGR, and the NERR it is possible that disconnection arrangements will require jurisdictional regulatory changes including for example jurisdictional laws and regulations concerning licencing, and safety.

4.9 AER Disconnection guidelines

As noted above, we propose that the AER is required to prepare binding *AER Disconnection guidelines*. We regard this as the correct place for more technical requirements on the scope of works and financial regulation. Guidelines will also provide a degree of flexibility into the future, including as the number of disconnections increase with time, by not requiring all aspects to be contained within the rules themselves.

We have proposed that the guidelines must cover:

- the provision of a permanent disconnection service, including:
 - a simple permanent disconnection service,
 - a non-simple permanent disconnection service,
- the provision of requested remediation services, including:
 - a meter removal remediation service,
 - additional remediation services,
- the provision of temporary disconnection services,

the proposal, including cost schedules, and approval of reference tariffs for:

- a simple (where minimal excavation or interruption of supply to other customers is required) permanent disconnection service,

- a non-simple permanent disconnection service,
- a meter removal remediation service,
- a temporary disconnection service,
- cost allocation and regulated revenues, and
- procedures or communications requirements between retailers and distributors (service provider) to implement consistent disconnection services (as outlined above)

There is scope for the guidelines to cover additional relevant matters that the AEMC considers are required to give effect to arrangements proposed in rule change and any related additional or consequential rule changes.

5. The AEMC should make the proposed rule change

5.1 AEMC rule-making powers

The AEMC has the power to make the proposed NGR rules, as provided by section 74 (1) of the National Gas Law, including subsection 74(1)(a)(viii), and subsection 74(1)(b) and clause 44 of Schedule 1.

The key determination is whether the rule contributes to the achievement of the National gas objective. Section 291(1) requires the AEMC to be 'satisfied that the Rule will or is likely to contribute to the achievement of the national gas objective. Section 293, also requires consideration of the revenue and pricing principles given the rule arguably concerns a matter set out in items 45-53 of Schedule 1 of the NGL.

Similarly, the AEMC has the power to make the proposed NERR rule changes, as provided by section 226, and Part 10 of the National Energy Retail Law.

The AEMC could consider as possible assessment criteria:

- The long-term interests of users of gas.
This consideration should have regard to the fact disconnecting consumers have stopped being users of gas, while they still rely on disconnection services in the immediate term. Whereas consumers remaining connected are users of gas.
- Efficiency including:
 - Productive efficiency, with particular regard to the impact on the cost of disconnection
 - Allocative efficiency, with particular regard to beneficiary-causer pays principles, and
 - Dynamic efficiency, with particular regard to the context of electrification and changing risks over time
- Market efficiency: Will the rule change promote efficient investment, use and operation of gas networks?
- Price – Will the rule change support keeping consumer prices remain as low as possible?

- Quality, safety, reliability and security of supply: Does the rule change promote quality, safety, reliability and security of supply?
- Decarbonisation: Does the rule changes efficiently contribute to achieving government targets for reducing, or that are likely to reduce, Australia's greenhouse gas emissions?
- Implementation considerations: Are the proposed changes, fit for purpose and proportionate to the issues they are intended to address? Do the proposed changes provide the stability and transparency in regulatory arrangements to enable consumers, market participants and investors, to make efficient decisions?

5.2 Achievement of the National Energy Objectives

The NGO as stated in s 23 of the NGL is:

to promote efficient investment in, and efficient operation and use of, covered gas services for the long-term interests of consumers of covered gas with respect to—

(a) price, quality, safety, reliability and security of supply of covered gas; and

(b) the achievement of targets set by a participating jurisdiction—

(i) for reducing Australia's greenhouse gas emissions; or

(ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The provisions of the NERL as stated in s 13 of the NERL are similar. The key difference is they address the efficient investment, use and operation of energy services, and long-term interests of consumers of energy.

The rule change will introduce a definition of permanent disconnection, and criteria for how related charges can be recovered. This will promote the NGO and NERL as:

- The rule promotes economic efficiency in the use and operation of gas and energy services as it:
 - Minimises the cost of permanent disconnections, and limits them only to those required to make safe the disconnection;
 - Supports consistency and certainty across jurisdictions and decisions by providing a regulatory framework for the proposal and approval of permanent disconnection, and meter removal remediation costs;
 - Allows for the costs and risks of the service of permanent disconnection for retail consumers to be borne by the beneficiary and causer of those costs i.e. the permanently disconnecting retail consumer and limits costs to remaining users of gas on the network; and

- In reducing the time and resources required for each disconnection, it maximises the productivity of network operations involved in disconnection
- The rule change is in the long-term interest of consumers of gas and energy in respect of price, safety, reliability, security, and achievement of emissions targets.

These benefits are discussed in detail below.

5.3 Expected benefits, impacts and costs

We consider the rule change will have benefits and costs including but not limited to the following

5.3.1 Market efficiency

The rule promotes economic efficiency as it allows for the costs and risks of the service of permanent disconnection for retail consumers are borne by the beneficiary and causer of those costs i.e. the permanently disconnecting retail consumer.

The rule ensures that permanently disconnecting consumers face only the efficient costs of this service and ensures that remaining gas consumers do not face unreasonable or inefficient costs related to disconnection as a result of other consumers being permanently disconnected.

The individual retail consumer is the one best placed to bear the costs as performance of the service is of direct benefit to them, and in time they will have the benefit of cost savings from moving away from the gas network.

The efficiency of the use and operation of covered gas services, and energy services, will be improved as disconnection costs will be dealt with in a manner that is economically sustainable. This includes following Beneficiary-causer pays cost allocation principles. Consequently, there will be more efficient price signals to both those considering to exiting and remaining on the network.

A secondary benefit will be that greater regulatory certainty as to the definition and allocation of costs associated with permanent disconnection. This will help facilitate government consideration of potential government subsidy of permanent disconnection costs, in line with developing policies to support household electrification.

5.3.2 Impacts on long term consumer interests in price, safety, reliability, security and emissions

A key benefit to the long-term interest of consumers of covered gas will be support for safety, through a reduced incentive to sustain an indefinite temporary disconnection in lieu of paying for a permanent one. This will help address potential safety and emissions (through leakage) impacts of live gas pipes indefinitely remaining on the consumers property.

At present permanent disconnection costs are in some access arrangements socialised by the AER as OPEX. This practice does not represent allocative efficiency compared to a cost-reflective approach as the wider consumer base is not a beneficiary when an individual consumer

leaves the network. Indeed, the opposite is true, as those who remain on the network must bear ever higher costs as others leave.

For individual consumers they will have cost certainty. The rule change allows for a clear definition of permanent disconnection and cost allocation. It will also help facilitate the establishment of government assistance to those least able to afford electrification related costs including permanent disconnection charges.

For consumers remaining on network there will be no requirement to carry an unreasonable share of the costs of consumers leaving the network.

There will be no negative impacts on reliability and security as a result of this rule change.

Further there will be an emissions benefit as the rule change will facilitate a regulatory framework that better supports the contraction of gas networks thereby assist in the achievement of emissions targets.

Changes to the NERR will have many of the same benefits in respect of the long-term interests of energy consumers, who will include both gas consumers remaining on the network, and energy consumers electrifying and transitioning off the gas network.

5.3.3 Impacts on distribution and retail companies

For networks there will be cost certainty. Network revenue will be lower as inefficient costs (beyond those required to make safe) will no longer be recovered from consumers. However, they will continue to be able to recoup the efficient costs of permanent disconnections to the extent that the costs recovered are related to the minimum service to make disconnections safe. Further, they will be able to recover any remediation costs, including for meter removal, should a consumer elect to use them to provide remediation services.

For retailers there should be no material cost implications, beyond the existing costs they incur in passing through the distributor's disconnection charges. Should retailers currently be charging more than the network costs for permanent disconnection, the rule and associated guidelines will ensure this does not continue, with an associated impact on retail businesses. There may also be minor administration requirements for adopting additional business to business procedures required as part of the implementation of the rule.

6. Proposed commencement dates

We propose that the rule becomes effective at the time of the AEMC's final determination. This would mean the obligation on DNSPs to add reference services and tariffs in respect of disconnection and remediation services would become effective immediately for any upcoming reference proposal.

We have included in the text of the draft rules a provision that all DNSPs are required to provide an amended reference proposal in respect of disconnection and remediation services to the AER within 6 months of the final determination. With the AER required to provide a decision on the amended reference proposals within 12 months of the final determination.

We have also suggested that the AER be required to provide the *AER Disconnection guidelines* within 12 months of the date of the final determination.

7. Conclusion

The JEC requests that the AEMC consider the rule change proposal to add:

- A **definition** of the term ‘permanent disconnection’ as well as associated terms, including remediation services;
- A **positive duty** on providers of permanent disconnection services to only provide the minimum necessary service required to ‘make safe’ the former connection;
- **Beneficiary-causer pays cost allocation principles** for the recovery of costs, which ensure the beneficiary/causer pays for permanent disconnection;
- The option for jurisdictions to elect that permanent disconnection services and remediation service can be **contestable services**; and
- A **definition** of the term ‘temporary disconnection’ and associated terms, and regulatory guidance as to when temporary disconnection can be undertaken.
- The creation of a set of ***AER Disconnection guidelines*** dealing with the technical implementation the rules

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Appendix A - Proposed text of new rules for the NGR

New Part X Disconnection of retail customers

Division 1 - Definitions

Rule X1 Definitions

Meter removal remediation service means a service to remove a meter.

Permanent disconnection means to permanently discontinue the supply of gas to a *retail customer*.

Permanent disconnection service has the meaning provided in X2(3).

Permanent disconnection charge means a charge imposed by a *service provider* for a permanent disconnection service.

Remediation service means any works on a *retail customer's* premises in addition to those required to provide a *permanent disconnection service*.

Remediation charge means a charge for providing a remediation service.

Temporary disconnection means to discontinue the supply of gas to a *retail customer* where it is intended the supply will be within 12 months reconnected, or permanently disconnected.

Temporary disconnection service has the meaning provided in X10(2).

Temporary disconnection charge means a charge imposed by a *service provider* for a temporary disconnection service.

Division 2 – Permanent Disconnections and Remediation

Rule X2 Permanent Disconnection Service

(1) A *service provider* must provide a *permanent disconnection service* where a *retail customer* or property owner requests a disconnection as they wish to permanently discontinue the supply of gas to the *retail customer's* premises.

(2) A *service provider* may, following the request of a *retail customer* or property owner, provide a *permanent disconnection service* in any other circumstances where it is reasonable to do so for safety reasons, including the renovation, or rebuilding of a property.

(3) A *service provider* may provide a *permanent disconnection service* without the consent of a *retail customer* or property owner, for non-payment of a *temporary disconnection charge*, where this is done in accordance with the requirements of X11.

(3) A *permanent disconnection service* is the minimum works required to safely discontinue the supply of gas to a *retail customer*.

(4) A *service provider* must undertake the work in a manner consistent with:

- (a) the *AER Disconnection guidelines*,
- (b) any relevant jurisdiction guidelines,
- (c) any other relevant regulatory requirements.

(5) A service provider must offer two classes of *permanent disconnection services*:

- (a) a simple *permanent disconnection service*, and
- (b) a non-simple *permanent disconnection service*.

(6) A service provider cannot offer any other class of *permanent disconnection service*.

Rule X3 Permanent disconnection charge criteria

(1) A *service provider* may only impose a *permanent disconnection charge* for a *permanent disconnection service* if that service:

- a) was provided at the request of a *retail customer*, or a property owner.
- b) Where no temporary disconnection fee has been paid, or request to retain the connection has been made, by the retail customer or property owner in the preceding 12-month period.

(2) A *permanent disconnection charge* may be imposed to cover the cost incurred for works reasonably required to provide the *permanent disconnection service*.

(3) A service provider may only charge an approved reference tariff for providing:

- (a) a simple permanent disconnection service, or
- (b) a non-simple permanent disconnection service.

(3) A *permanent disconnection charge* must not include the cost to remove a meter.

Rule X4 Abandonment of assets

(1) A *service provider* that fails to collect any meter, or other gas network assets, at a *retail customer's* premises at the time of *permanent disconnection* is deemed to have abandoned the assets. The ownership and possession of these assets passes to the property owner.

Rule X5 Provision of Permanent Disconnections Services

(1) The provision of a *permanent disconnection service* can be provided by a *service provider* or another qualified party, where permitted by the law and regulation of a jurisdiction.

Rule X6 Remediation Services

(1) A service provider must, at the time of a *permanent disconnection*, provide at the request of a *retail customer*, or property owner, a meter removal remediation service.

(2) A *service provider*, at the time of a *permanent disconnection*, may provide at the request of a *retail customer*, or property owner, a *remedial service* to remove any gas network infrastructure installed between the property boundary and the meter.

Rule X7 Remediation charge criteria

(1) A *service provider* may only impose a *remediation charge* for a *remediation service* if:

(a) that service was provided at the request of a *retail customer*, or the property owner,

(b) the *service provider* has explained to the *retail customer*, or property owner, that the service is an optional service which may be provided by a competent party of their choosing, and

(c) the *retail customer*, or property owner, has acknowledged to the *service provider* they understand they have no obligation to request, or have provided to them, *remediation services*.

(2) A *remediation charge* may only cover the costs incurred for works reasonably required to provide the *remediation service*.

(3) A *meter removal remediation charge* may only cover the costs incurred for works reasonably required to remove a meter and any above-ground assets attached to the meter, such as a valve or pressure regulator. It cannot include the cost of removal of any other assets.

(4) A service provider may only charge the approved reference tariff for providing a *meter removal remediation service*.

(5) The *service provider* may negotiate with the *retail customer* or property owner to provide *remediation services* in addition to a *meter removal remediation service*, and the charges to be paid for these additional *remediation services*.

Rule X8 Provision of Remediation Services

(1) The provision of *remediation services* can be by a *service provider* or another qualified or accredited party, where permitted by the law and regulation of a jurisdiction.

Rule X9 Cost allocation and revenue regulation

(1) Any costs associated with providing a *permanent disconnection service* or *remediation services*, may not be included as part of regulated revenues. They cannot be considered conforming capital expenditure, or operating expenditure for the purposes of Chapter 9 (Price and revenue regulation for scheme pipelines) of the NGR.

Note: see rule 69 NGL (Interpretation, provides Chapter 9 definitions), rule 79 (New capital expenditure criteria) and rule 91 NGL (Criteria governing operating expenditure).

Division 3 – Temporary Disconnections

Rule X10 Temporary Disconnection Service

- (1) A *retail customer*, or property owner, may request that a *service provider* temporarily disconnects their *retail customer's* premises from the network.
- (2) A *temporary disconnection service* is the disconnection of a *retail customer's* premises by physically stopping the supply of gas to the premises.
- (3) A *service provider* must offer a *temporary disconnection service*.
- (4) A *temporary disconnection service* may be provided for reasons which include:
- (a) extended property vacancy, or
 - (b) the intention to permanently disconnect within 12 months.
- (5) A *temporary disconnection service* cannot be provided for more than 12 months without being renewed.
- (6) Where a *temporary disconnection service* has been provided for 12 months, a renewed *temporary disconnection service* can be provided at the request of a *retail customer* in the period immediately following the end of the first temporary disconnection service.

Rule X11 Temporary disconnection charge criteria

- (1) A service provider must charge a *temporary disconnection charge*, for providing a *temporary disconnection service*.
- (2) The *temporary disconnection charge* may include the reasonable costs of a *service provider* providing the *temporary disconnection service*.
- (3) A *service provider* may only charge the approved reference tariff for providing a *temporary disconnection service*.
- (4) A *service provider* must *permanently disconnect* the supply of gas to a *retail customer's* premises, if the *retail customer* or property owner has not paid a *temporary disconnection charge* within 6 months of the *temporary disconnection*.
- (5) Prior to *permanent disconnection* for non-payment of a *temporary disconnection charge*, a service provider must send a non-payment notice to the *retail customer* and property owner, and allow a period of 2 months for them to respond to the non-payment notice.

Division 4 – Disconnection Reference Services

Rule X12 Obligation to include reference services for disconnection

- (1) A *service provider* must include in their reference services proposal the following reference services:

- (a) a simple *permanent disconnection service*;
- (b) a non-simple *permanent disconnection service*;
- (c) a *temporary disconnection service*; and
- (d) a *meter removal remediation service*.

(2) The *service provider* must provide a proposed single reference tariff in respect of each of the reference services in rule X12(1).

(3) The reference services and tariffs provided must be consistent with Part X, divisions 1, 2 and 3.

(4) The reference services and tariffs provided must be consistent with the *AER Disconnection guidelines*.

(5) No other services or tariff can be offered by a service provider in respect of *temporary disconnections* or *permanent disconnections*.

Note: in respect of reference proposals and tariffs see Part 8, Access Arrangements for Scheme Pipelines

Rule X13 Obligation to amend reference proposal

(1) A service provider must file an amended reference proposal with the AER, including proposed reference service and tariffs as provided in rule X10, by X date [6 months after the Final determination].

(2) The AER must make a final determination in respect of the amended reference proposal by X date [12 months after final determination]

(3) A service provider is not required to comply with X13(1) where they are under an obligation to file a reference proposal with the AER by X [6 months after the Final determination].

Division 5 – AER Disconnection guidelines

Rule X14 AER Disconnection guidelines

(1) The AER must publish *AER Disconnection guidelines*.

(2) The *AER Disconnection guidelines* must be consistent with Part X, Divisions 1, 2, 3 and 4.

(3) The *AER Disconnection guidelines* must provide guidance on:

- (a) the provision of a permanent disconnection service, including:
 - (i) a simple permanent disconnection service,
 - (ii) a non-simple permanent disconnection service,

- (b) the provision of a remediation services, including:
 - (i) a meter removal remediation service,
 - (ii) additional remediation services,
 - (c) the provision of temporary disconnection services,
 - (d) the proposal, including cost schedules, and approval of reference tariffs for:
 - (i) a simple permanent disconnection service,
 - (ii) a non-simple permanent disconnection service,
 - (iii) a meter removal remediation service,
 - (iv) a temporary disconnection service, and
 - (e) cost allocation. and
 - (f) procedures or communications requirements between retailers and Gas NSPs to implement consistent disconnection services
- (4) The *AER Disconnection guidelines* must be published by X [12 months after the final determination].

Appendix B - Summary Table

Item	Temporary disconnection	Permanent disconnection	Remediation of connection assets	Remediation of private assets
Definition	Safely discontinue supply of gas to a retail customer intending to be reconnected or permanently disconnected within 12 months	Safely permanently discontinue the supply of gas to a retail customer	Optional/non-essential service requested by customer, during or after permanent disconnection.	
Use cases	Move out, vacancy, renovation, impending permanent disconnection	Electrification, property rebuild	Electrification, property rebuild	Electrification, property rebuild
Assets in question	Determined by guidelines	Determined by guidelines	Service/supply pipe, meter, valve, pressure regulator	Private pipes, fittings, appliances
What NSP should charge consumer for	Costs of minimum required service and items to temporarily block supply	Cost of minimum required service and items to permanently make safe and discontinue supply	***	***
NSP charges can include	Costs of minimum required service and items to temporarily block supply	Cost of minimum required service and items to permanently make safe and discontinue supply	***	***
can currently perform service	NSP (or their contracted entity)	NSP (or their contracted entity)	NSP (or their contracted entity)	Competent person chosen by consumer
we propose to perform service	NSP (or their contracted entity)	NSP or authorised provider of contestable service where permitted by jurisdiction	NSP or authorised provider of contestable service where permitted by jurisdiction	Competent person chosen by consumer (inc NSP?)