

To: Australian Energy Market Commission

10 July 2025

Gas distribution networks: Connection and permanent abolishment charges

This submission provides feedback on two rule change requests: the Energy Consumers Australia (ECA) rule change request regarding the costs associated with new connections, and the Justice and Equity Centre (JEC) rule change request regarding gas disconnections.

About Environment Victoria

Environment Victoria is the leading not-for-profit environmental advocacy organisation in Victoria. With 96 grassroots member groups and over 200,000 individual supporters, we've been representing Victorian communities on environmental matters for over 55 years. Through advocacy, education and empowerment, Environment Victoria seeks significant and enduring solutions that will safeguard the environment and future wellbeing of all Victorians.

Introductory comments

The National Gas Rules (NGR) were created under the assumption that gas demand would always grow. This assumption is now understood as incorrect, and indeed diminishing gas consumption has been foreseeable for a long time now. The first version of the NGR commenced in 2008, 20 years after the first international emissions reductions targets were proposed and the same year the Garnaut Climate Change Review was released by the Rudd government.¹ East coast gas prices have tripled since coal seam gas exports from Queensland commenced in 2015.² Energy market bodies have been considering the uncertain future of gas pipelines since at least 2021.³

During this time, Australia's gas networks have become progressively less aligned with the long-term interests of consumers set out in the National Gas Objectives (NGO) in relation to affordability and greenhouse gas emissions. Electrification is the only credible path we have towards meeting emissions reduction targets and reducing the cost of living, and gas networks consistently undermine progress.

¹ Parliament of Australia, 'Australia's Climate Change Policy to 2021: A Chronology', n.d., Australia, https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/Research/Chronologies/2022-23/climatechange2021.

² Kevin Morrison and Amandine Denis-Ryan, 'LNG Exports Prompt Fall in East Coast Gas Demand' (IEEFA, December 2024), https://ieefa.org/sites/default/files/2024-12/LNG%20exports%20prompt%20fall%20in%20east%20coast%20gas%20demand_Dec24.pdf.

³ Australian Energy Regulator, 'Regulating Gas Pipelines under Uncertainty', 2021, <https://www.aer.gov.au/system/files/AER%20Information%20Paper%20-%20Regulating%20gas%20pipelines%20under%20uncertainty%20-%202015%20November%202021.pdf>.

In the case of affordability, there are multiple examples of gas networks pursuing excess profits at the cost of consumers. Earlier this year the Australian Energy Regulator (AER) rejected AusNet's proposed variation to their existing access arrangements on the basis that AusNet had overestimated customer decline and asset depreciation.⁴ Furthermore, for many years the gas network access arrangement process has been netting operators almost double the profit approved by regulators.⁵

Most tellingly, Australian Gas Infrastructure Group (AGIG) stated in their submission to the Victorian government's building electrification consultation that, should the government follow through with their proposal to phase out gas appliances, AGIG would reopen their access arrangements and pursue an increase to gas network costs of between 16 and 20 percent per annum.⁶ This appears as retaliatory behaviour against government policymaking aimed at reducing the cost of living and cutting emissions.

Gas networks are actively undermining progress towards greenhouse gas reduction targets in other ways. In 2017 gas industry groups including the networks released the first version of *Gas Vision 2050*, a lobbying document that responds to the accepted need to stop burning fossil fuels by arguing that hydrogen blending, biofuels and carbon capture and storage would successfully decarbonise their products.⁷ Most or all of these claims have since been exposed or are under investigation as greenwashing intended to delay climate action.⁸

Gas companies have actively worked against efforts to reduce energy costs and greenhouse gas emissions using methods such as subsidising new gas appliances, incentivising new gas connections, and maximising disconnection charges. The point we wish to make is that there is a widening gulf between the actions of the gas networks and the interests of consumers. Without reform, this gap will only expand as gas becomes less affordable and efforts to reduce emissions continue.

⁴ Australian Energy Regulator, 'Draft Decision - AusNet 2023-28 Access Arrangement Variation Proposal' (AER, January 2025), <https://www.aer.gov.au/system/files/2025-01/AER%20-%20AusNet%20Gas%20Services%20-%202023-28%20Access%20arrangement%20variation%20proposal%20-%20Draft%20Decision%20-%20January%202025.pdf>.

⁵ Jay Gordon, 'Gas Networks Are Making Persistent and Significant Supernormal profits_May24.Pdf' (IEEFA, 2024), https://ieefa.org/sites/default/files/2024-06/Gas%20networks%20are%20making%20persistent%20and%20significant%20supernormal%20profits_May24.pdf.

⁶ Australian Gas Infrastructure Group, "'Building Electrification" Regulatory Impact Statement - AGIG Submission' (AGIG, March 2025), https://www.agig.com.au/-/media/files/agig/media-release/rental-ris/250307-building-electrification-ris-submission_agig-final-v2.pdf.

⁷ Energy Networks Australia et al., 'Gas Vision 2050: Reliable, Secure Energy and Cost-Effective Carbon Reduction.', 2017.

⁸ Matthew Ryan, 'Why Are Gas Companies Trying to Sell Us Hydrogen?', The Australia Institute, 6 December 2023, <https://australiainstitute.org.au/post/why-are-gas-companies-trying-to-sell-us-hydrogen/>; Australian Competition and Consumer Commission, 'Australian Gas Networks in Court over Alleged Greenwashing in Renewable Gas Campaign', Text, 26 June 2025, Australia, <https://www.accc.gov.au/media-release/australian-gas-networks-in-court-over-alleged-greenwashing-in-renewable-gas-campaign>; Kat Lucas-Healey, "'Green Gas" Myths Debunked: Why Hydrogen and Bio-Methane Can't Save the Gas Network - Environment Victoria', 16 January 2024, <https://environmentvictoria.org.au/2024/01/16/green-gas-myths-debunked-why-hydrogen-and-bio-methane-cant-save-the-gas-network/>, <https://environmentvictoria.org.au/2024/01/16/green-gas-myths-debunked-why-hydrogen-and-bio-methane-cant-save-the-gas-network/>.

Australian policymakers and regulators have maintained the regulatory compact that gives investors in Australia's privatised gas networks reasonable opportunity to recover their efficient costs. We argue that a reasonable social contract between gas networks and consumers clearly does not exist. There is a strong case for bigger-picture reform that facilitates an orderly and fair shift away from gas over the next 20 years.

Gas connection costs

The current approach, which compares the net present value of expected revenue from a new connection with the lifetime capex of the new connection, does not work in the long-term interest of consumers, nor does it align with climate change policies. Every new connection makes the future management of the gas networks more expensive, disorderly and unfair. This is already a material issue that will only become greater over time as we navigate the energy transition.

New connections should therefore bear the full cost of a new connection, including the costs of permanent disconnection (abolishment) and accounting for uncertainty. More to the point, however, the Victorian approach of banning new gas connections is the most orderly and least cost option in the interests of all consumers and taxpayers.

ECA's proposal will partially address the issue of inequitable cost sharing. Banning new gas connections will address it to a greater degree. A bigger picture reform that stops new connections and plans for the orderly and fair retreat of the gas networks is needed to fully address inequities.

Gas disconnection costs

The current gas disconnection costs create a disincentive for consumers who have stopped using gas to permanently disconnect. Environment Victoria works closely with many community groups actively engaged in climate action and electrification, and we know anecdotally that many people cease paying gas bills but do not permanently disconnect. For some, the cost is unaffordable, and others have a strong normative position that it should not cost money to do something ostensibly 'good'.

There are three problems with this state of affairs. Firstly, it creates safety issues due to potential leaks or excavation strikes. This point has been raised by the JEC and previously the Essential Services Commission in Victoria. Secondly, it creates a major data gap as we don't know how many consumers intend never using gas again yet still have a meter in place. In Victoria, data does not yet show a decrease in the total number of gas customers despite a two year old ban on most new residential gas connections in addition to the many people we know are going electric. Thirdly, the gas network must continue to perform maintenance relating to those connections, a cost only borne by consumers receiving gas bills.

We agree with JEC's general position that the cost of safe, permanent disconnection should be minimised and that the cost should be borne by government, as funding via a progressive tax system is more equitable. We also support maximising contestability of disconnection work, as without contestability there is no incentive for gas networks to provide value for money – quite the opposite.

We are concerned that leaving meters in place after a permanent disconnection would attract theft (due to scrap metal value) and would confuse people, for example homebuyers or emergency services, as the presence of a meter could be interpreted as the presence of a gas connection.

We support the JEC's proposed definitions for temporary disconnection, permanent disconnection and remediation services, taking into account our comments above. These terms are more understandable, and it makes sense to align them with contestability. Ultimately, the processes of connection and disconnection will need to fit into broader processes of gas network retreat as sections of the network become economically unviable.

We would be pleased to discuss any aspects of this submission in more detail should you wish.

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