



Brotherhood of St. Laurence  
Working for an Australia free of poverty

# Submission to gas connections consultation paper

Brotherhood of St. Laurence

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## 1 Introduction

Gas is used in roughly half of Australian homes, yet this must stop in the next 25 years if we are to meet the emissions commitments signed by every Australian state/territory and the Commonwealth, and now reflected in the National Gas Objective (NGO). Electrification is the only credible, cost-effective alternative at a large scale, and brings significant benefits to households – especially those facing energy stress – while removing their need for a gas network.

Electrifying five million homes in two decades will be very challenging, so we must start now. As the consultation paper notes, the regulatory system for gas is designed for growth, not the huge decline in household users that is necessary. The changes contemplated in the consultation paper are important, but they are only a small subset of the reform that will be needed to make an orderly, equitable retreat from the gas network. What is needed is a comprehensive set of policies and rules to guide this. Regulating individual parts of the gas transition separately risks making coherence more difficult.

BSL engages with many households coping with cost-of-living pressures including struggling to pay electricity and gas bills. Recently, we have encountered increasing numbers of people who cannot afford to use heating, particularly ducted gas in Victoria. This is a serious health concern in the colder areas of Australia. Shifting from gas to electricity is likely to lower costs for many households and improve health.

Market bodies and businesses are not yet making decisions about gas that reflect the urgency of climate change or scale of the task to mitigate it. The word ‘climate’ does not appear in the consultation paper, yet climate change is the most important context for the changes considered. Climate change will continue to worsen, disproportionately affecting people facing disadvantage, until we act, including to phase out home gas use.

With a view to ensuring an equitable transition away from gas and towards all-electric homes, the Brotherhood of St. Laurence (BSL) engaged extensively on issues related to the Victorian gas access arrangements (2023–2028), including a research report with the ARC Life Course Centre, [Enabling Electrification](#), and is currently running a research project, Balancing Act, on strategic gas decommissioning.

This submission provides BSL’s views on the ‘Gas distribution networks: connection and permanent abolishment charges’ consultation paper issued by the Australian Energy Market Commission (AEMC).

## 2 Answers to consultation questions

### Gas connections

**Question 1: How should connection charges be treated in the context of the projected decline of residential and commercial gas demand?**

**Question 6: Are there alternative, more preferable solutions to address the issues with the existing gas connection arrangements?**

BSL agrees that the current approach of socialising gas connection charges is inappropriate given the inevitable decline of residential demand as we seek to meet emissions reduction goals. Each new gas connection worsens the problems of asset stranding, appliance replacement, emissions and the need for government supports.

Socialising the cost of gas network connections also creates an over-incentive to connect to gas. It is also out of step with the user-pays approaches for connections in electricity and water.

### Banning new gas connections is the best solution

The simplest and most effective approach would be to ban new residential gas connections, as is occurring in Victoria. This is logically necessary to meet emissions targets and fulfil the National Gas Objective by electrifying homes. There is no credible, cost-effective alternative to decarbonising gas networks because biogas is too scarce and will be needed for industrial gas users; and hydrogen is unlikely to be competitive with electrification on cost, as well as requiring replacing appliances and much of the gas infrastructure.<sup>1</sup> As Energy Consumers Australia (ECA) note in their rule change

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<sup>1</sup> Infrastructure Victoria, *Towards 2050: Gas infrastructure in a net zero emissions economy*, 2022, viewed 4 July 2022, <[https://www.infrastructurevictoria.com.au/wp-content/uploads/2022/02/Towards-2050-Gas-infrastructure-in-a-net-zero-emissions-economy\\_FINAL-REPORT.pdf](https://www.infrastructurevictoria.com.au/wp-content/uploads/2022/02/Towards-2050-Gas-infrastructure-in-a-net-zero-emissions-economy_FINAL-REPORT.pdf)>; Rosenow J 2022, ‘Is heating homes with hydrogen all but a pipe dream? An

request, the only other pathway involves failing our emissions targets, which is not an appropriate situation to plan for.

In the absence of a ban, households should pay the full cost of gas connection. While banning connections is the best solution, in the absence of a ban we support the proposal by ECA to require those connecting to gas to pay for the cost of the connection. Households seeking to connect to gas should at least bear the cost of doing so, rather than effectively being subsidised under current arrangements.

## Gas disconnections

### **Question 8: Do you agree with the JEC proposal to introduce a framework for disconnection/abolishment in the rules?**

Yes, BSL agrees that disconnection and abolishment should be defined and regulated, particularly setting a maximum allowable cost. This will limit costs to individuals disconnecting and/or gas users as a whole (if we continue socialising the cost of disconnection).

Some caution should be given to being too prescriptive in the definitions of services as this could create unnecessary friction in some abolishment cases and add unnecessary costs.

BSL is not supportive of a scenario where meters are left on premises after abolishment. A meter should be seen as a proxy for laypeople to be aware there is likely to be gas connected to a premises, which is a safety measure. Allowing meters to remain when gas has been disconnected will create ambiguity about whether gas is present, and potentially a safety risk, as well as a future waste/circular economy risk.

### **Question 9: How should costs for disconnection/abolishment services be recovered?**

A comprehensive approach to gas decommissioning needs to be developed, which should include progressive subsidies for gas abolishment costs alongside other supports.

In the transition period, while there is no comprehensive policy and while gas abolishment rates are low, abolishment costs should be socialised, ideally in a targeted manner to ensure support is directed toward households experiencing disadvantage. Ideally this would be achieved through funding from a 'progressive' source like taxation, rather than via gas tariffs, with a degree of targeting/means testing in disconnection subsidies. In the absence of a policy to subsidise disconnections in a progressive manner, BSL would not support a ban on socialising disconnection costs through gas rates, as this will result in perverse safety, emissions and cost outcomes, described below. The length of the transition period should also be defined in advance.

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evidence review', *Joule*, vol. 6, no. 10, pp. 2225–2228; Victoria State Government, *Victoria's Renewable Gas Consultation Paper*, Victoria State Government, Melbourne, 2023.

## **There is no perfect solution to this problem**

All solutions to this problem are imperfect. Both charging disconnecting users the full cost of abolishment and socialising the cost through gas tariffs create potential equity issues. The former creates a strong disincentive for low-income households to disconnect from gas, increasing the risk that vulnerable households are stuck on gas as the network becomes more expensive. The latter adds to the costs borne by remaining gas users, including low-income households.

Government (taxpayers) contributing to the cost of abolishment in a targeted manner is likely to be a better option and would mitigate some of the equity issues, and we would support the AEMC advocating for it. It is also worth considering the contribution electricity consumers could make, as they will not be decreasing in number like gas consumers, although this would likely be regressive. However, these solutions do not address the immediate issue at hand, discussed below.

## **BSL is open to a transition phase of socialising abolishment costs through gas rates**

On balance, BSL is open to a transition phase of socialising abolishment through gas rates (ideally targeted to low-income households) because our judgement is that it is currently more important to lower the disincentive to disconnecting from gas, for the following reasons:

### **High charges for abolishment mean more gas users, working against the NGO**

High charges for gas abolishment will create a disincentive to abolish connections, which we expect will increase the number of people who remain either active or 'dormant'<sup>2</sup> gas users. Having more active gas users increases emissions and future cost, working against the NGO.

### **Dormant accounts**

Having more dormant users also works against the NGO because it is potentially unsafe where live gas assets remain in place, and contributes costs.

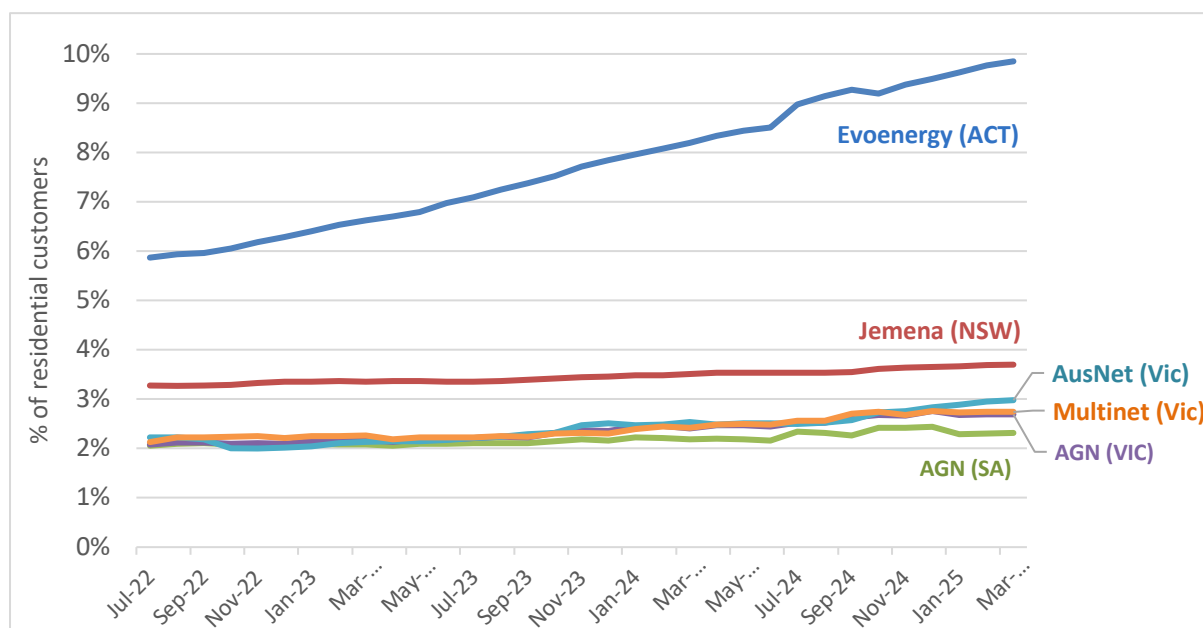
Evoenergy note they must maintain every connection 'to ensure safety, regardless of whether that customer is consuming or not consuming. Maintenance activities for each customer includes meter reading, emergency and leakage response services. Customers who have a temporary disconnection currently do not contribute to the costs of maintaining their connection. Instead, costs are recovered from connected customers' (p 60).

If abolishment is disincentivised, it is likely that many households will remain dormant instead, contributing to these problems. This may be occurring in the ACT – the only territory with strong policy to phase out gas but no discount for abolishment. As shown below, nearly 10% of Evoenergy's residential gas connections have now been dormant for over 12 months. This is a much higher rate and faster increase than Victoria, where similar gas phase-out policy is in place, but where the cost

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<sup>2</sup> Our understanding is that 'dormant' gas users include both those who a) remain connected to gas via a retailer but use zero gas and b) have taken up 'temporary' disconnection methods that leave some infrastructure (pipes, meters) in place.

of abolishment is capped at \$220. In the ACT, abolishment costs around \$950 while disconnection costs around \$185.<sup>3</sup> Other factors may also affect these rates.



**Figure 1: dormant residential accounts (consuming no gas for >12 months) as a percentage of total residential accounts, by network. Own graph; data from AER Gas Disconnection Quarterly Reporting Q3 24/25.**

The AEMC should seek to understand the scale of the cross-subsidy related to these dormant accounts before making a rule that may lead to an increase in dormant accounts and associated costs. Some dormant accounts continue to pay service charges. Consideration could be given to charging dormant users for costs imposed on others, excluding low-income people or others facing disadvantage.

JEC's proposal for a 12-month temporary disconnection period, with a tariff attached, followed by a full-cost abolishment borne by the household, is a clever way to try to address the likely increase in dormant accounts. However, this would result in households facing a large out-of-pocket payment, likely over \$1,200. For low-income households, this could be unexpected and place them under considerable financial pressure, as well as being a disincentive to abolish. A temporary disconnection tariff is also likely to add complexity during implementation and cost.

### Other reasons to socialise disconnection costs

- High abolishment costs will disproportionately affect low-income households, creating a greater risk of future energy stress. We anticipate many low-income households will balk at

<sup>3</sup> Evoenergy, *Evoenergy's draft five-year gas plan Access arrangement proposal 2026–31* <https://www.evoenergy.com.au/-/media/Project/Evoenergy/EVO/Documents/Gas/Evoenergys-draft-five-year-gas-plan-GN26.pdf> ; <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap>.

abolishment costs of \$800 or more, and instead stay connected to gas. Over years, these households will end up paying a substantial amount through gas daily supply charges alone.

- While each abolishment will add to the costs for remaining users, the impact per person will be small while gas network customer numbers remain large, meaning its impact on energy stress will be limited in the medium term. In 2024, only 0.3% of gas users in the fully regulated networks abolished their connections. This was greatly outnumbered by new connections, reconnections, and dormant accounts (3% of connections had over 12 months of no usage).<sup>4</sup>
- Households that remain on gas also contribute to costs imposed on other users, such as capital expenditure on augmentation and mains replacement. As households disconnect, some of these costs will be avoided. For example, AusNet proposed delaying \$4.7m of augmentation in its 2025 reopener due to lower demand.<sup>5</sup>
- The added cost of socialising disconnection charges will be offset by no longer socialising connection costs. In AusNet's reopener, projected capital expenditure fell by \$38m due to this.<sup>6</sup> There are also other possible ways to offset the cost, at least for certain groups, such as a proportionate increase in concessions.
- Causar-pays is a principle deliberately not employed in many other areas of society where the thing being purchased is essential and/or has a social benefit, for example with Medicare.

A transition phase should be used to develop a comprehensive approach for the equitable decommissioning of the gas networks.

### 3 A comprehensive approach to equitable gas decommissioning is needed

As noted above, we need a comprehensive approach to equitable gas decommissioning that seeks to balance the different interests and aims to ensure those living on low incomes and facing disadvantage are not further disadvantaged in the transition.

This would enable a holistic consideration of the challenges of decommissioning and who should bear the costs – governments, networks or various types of consumers (residential or industry; today's consumers or future consumers). Such an approach is in line with what the Grattan Institute referred to as a grand bargain.<sup>7</sup> Such an approach should also consider how to fairly spread the costs of gas disconnections while balancing climate change and energy affordability issues.

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<sup>4</sup> Australian Energy Regulator [AER], *Gas quarterly disconnection data*, 2025.

<sup>5</sup> AusNet, *Gas access arrangement review 2024-28 Variation Proposal – 30 September 2024*, AusNet, Melbourne, 2024.

<sup>6</sup> Ibid.

<sup>7</sup> Wood T, Reeve A & Suckling E 2023, *Getting off gas: why, how, and who should pay?*, Grattan Institute, Melbourne.