10 July 2025

Anna Collyer
Chair
Australian Energy Market Commission

Dear Ms Collyer,

Updating the regulatory framework for gas connections and Establishing a regulatory framework for gas disconnections and permanent abolishment Consultation Paper

Energy Networks Australia (ENA) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper on *Updating the regulatory framework for gas connections*[1] and *Establishing a regulatory framework for gas disconnections and permanent abolishment*.[2]

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA believes the energy transition will benefit from regulatory clarity on gas connections and disconnections. Upfront connection and disconnection costs needs to balance the interests of customers over the long-term.

However, there is a need to consider consistency with the current regulatory framework to avoid duplication or confusion. There should also be regard to the practical implications and ensure the proposed changes are consistent with the intended outcomes. Additional guidance and clarity on the practical outcomes of connection charges, such as timing related to new connection applications and charges, is required for smooth implementation.

Whole of system review

ENA strongly encourages the AEMC to holistically consider proposed changes to the gas regulatory framework in order to fully understand the implications and avoid adverse customer or framework outcomes. There has been a series of rule change requests to alter the gas regulatory framework to manage declining demand. While this is occurring and forecast to continue for some jurisdictions, it is not the case for all, and it is important that changes to the regulatory framework consider and are robust to address all future network circumstances.

ENA strongly disagrees that the gas regulatory framework should be used to support the electricity system in the transition to net zero. Gas networks are on their own decarbonisation journey, contributing to the development and distribution of renewable gas to support industry,

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[1] AEMC, Updating the regulatory framework for gas connections, Consultation paper, 12 June 2025

[2] AEMC, Establishing a regulatory framework for gas disconnections and permanent abolishment, Consultation paper, 12 June 2025

businesses and households in reducing their carbon emissions where electrification may not be the best option given their circumstances and the prevailing policy environment in that location.

New connection and disconnection charges

ENA is comfortable with the proposal to charge connection fees for new gas connections. Some gas Distribution Network Service Providers (DNSP) face stranded asset risk, where assets can be underutilised or are no longer used before costs have been fully recovered through customer tariffs. Upfront charges can reduce stranded asset risk going forward and the risk of customers paying higher network charges in the longer term.

ENA is supportive of extending the proposal for upfront connection charges to jurisdictions that sit outside the NERL and NERR for gas. ENA sees the extension as supporting consistency in the Rules across jurisdictions.

ENA does not support the application of upfront connection charges to non-scheme pipelines. The intent of non-scheme is light regulation which comes with the ability to set own charges, noting non-scheme pipelines are also not guaranteed a return. Regulating new connections as upfront charges would contradict the intention of implementing regulation under non-scheme.

ENA is comfortable with the proposal for upfront disconnection costs at the time of disconnection to reduce the risk of increasing costs for customers on the gas network over the long term. Networks to date have applied a range of approaches to disconnections through actual cost pass through and cross-subsidisation and there has not been a material impact on customer decisions to disconnect, with a range of other factors affecting the decision. The change proposed allows for full recovery of disconnection costs, avoids other customers paying higher prices and is unlikely to disincentivise the customer from initiating their own disconnection.

ENA disagrees with the alternative solution of bundling upfront new connection and permanent disconnection charges. There is no guarantee every new customer will require a permanent disconnection, adding unnecessary complexity and confusion to the customer on the process and does not consider jurisdictional differences.

Charges and tariff considerations of upfront connection

A smooth implementation requires consideration of unintended consequences such as the fairness of charging new customers both for their connection directly and indirectly for the connection costs of existing customers through their service tariff. Currently, socialised connection costs are collected through network tariffs. New customers, with upfront connection charges, could be indirectly paying for the connection costs of existing customers.

ENA is not supportive of assigning different tariffs for new and existing customers based on connection charges. Doing so would create unnecessary complexity and high implementation costs, removing potential savings from existing customers from network growth.

New connection charges should consider what the customer is being charged to avoid new connection charges being set higher than reasonable to connect. Allowing networks flexibility to include some costs beyond dedicated assets to be rolled into the Regulated Asset Base (RAB) would account for jurisdictions where gas connections and demand are increasing. Augmentation of shared network infrastructure should remain subject to cost recovery through standard regulatory mechanisms.

Requiring networks to calculate the costs of a new connection on a case-by-case basis, would add unnecessary administrative burden and ultimately higher costs for customers due to call out fees and customer confusion. Instead, connection charges should be set through standardised or average costs based on customer groupings or connection type at a level of granularity appropriate to the network. Basing connection charges on customer classes, e.g. basic and non-basic connections, provides sufficient flexibility and minimises administrative burden. Upfront connection charges should allow networks the ability to recover tax, broader than the current allocation.

Defining disconnection types in the Rules

ENA supports general high-level, principle-based definitions of disconnections in the National Gas Rules (NGR) to provide clarity to customers and networks on the services requested for networks to complete. Any proposed definition should provide flexibility to recognise jurisdictional differences and relevant safety requirements. Definitions should not be procedural or detail how work is completed, as it prevents flexibility. ENA believes it should be matched with effective communication of services to raise customer awareness of disconnection types.

ENA considers that there should be some flexibility within definitions to account for differences in network infrastructure. The proposed definition for a permanent disconnection service is to a minimum standard that safely discontinues the supply of gas. Some permanent disconnections may require a form of remediation service to safely discontinue supply, and this may only be evident on a case-by-case basis depending on network areas, individual property types, and the consumer drivers for permanent disconnection. Keeping the definitions principle-based and flexible, will ensure disconnections are completed with safety as the first consideration, but also as efficiently as possible and while limiting disruptions to customers.

ENA does not agree that the Australian Energy Regulator (AER) should prepare binding disconnection guidelines. Technical guidelines, including guidelines for the safe disconnection of customer premises sit with the technical regulator and, as the AER is an economic regulator, this work is not typically the role of the AER. Gas DNSPs are already required to have processes for safe disconnections under Section 8 of Australian Standard AS4645 Part 1:2018 (Network Management). Recently, ENA has worked with gas networks to develop guidelines for gas abolishment which accounts for the differences in network infrastructure.[3] Each DNSP is also subject to jurisdictional safety regulations and disconnection costs are managed through AER access arrangement decisions. National binding guidelines would duplicate existing regulatory mechanisms, and it is unclear the benefit such guidelines would have over and above existing technical standards and jurisdictional guidelines.

Temporary disconnection tariffs do not benefit customers

ENA does not support the proposal to charge customers ongoing temporary disconnection tariffs. Costs related to a temporary disconnection would not be cost-reflective, unnecessarily charging the customer, and it is unclear who the responsible party should be for administering and collecting the fee, and whether there is an assigned retailer. Under the National Energy Retail Law (NERL), it is unclear how a DNSP can recover costs without a shared customer.

Setting temporary disconnection renewal tariffs in the Rules does not consider jurisdictional differences, including safety considerations that are specific to individual gas networks. For

[3] ENA, Abandonment of domestic and small commercial gas services and associated metering installation, ENA DOC 055-2025, 2025

example, temporary disconnections are a safe means to permanently exit for most of Evoenergy's residential customers.

The consultation paper suggests where a customer on a temporary disconnection does not request to be reconnected or renewed, the DNSP would be required to undertake an abolishment. ENA encourages the AEMC to consider the practicalities of this proposal. It is unclear if a DNSP is lawfully able to abolish a gas connection without explicit consent or a request and raises concerns for abolishment for rentals where the tenant fails to respond. It is likely there will be a material proportion of cases where the customer that makes the decision to temporarily disconnect is a different customer to the one that is, unwittingly, required to pay for the abolishment.

Gas DNSPs typically use temporary disconnections for when customers are moving house. It can be common for the new residents to not know about the gas connection being on a temporary disconnection. This is a very tangible case where the incoming customer would then be responsible for a large, unexpected cost for a disconnection they had not requested. Under a beneficiary-causer approach, it is unclear who would pay for these types of disconnections and if the costs are borne by the DNSP creating a loophole for customers to receive permanent disconnections at a lower charge. If the cost is borne by the customer and paired with upfront disconnection costs, the customer may receive an unexpected bill for a permanent disconnection not requested.

Contestable abolishment services do not benefit customers

ENA does not see how defining remediation services as constable would contribute to lower costs and thereby benefit consumers. Under the National Gas Rules (NGR), services proposed to be defined as remediation services are already contestable as networks tender the services to contractors or demonstrate value and efficiency to a regulator every 5 years as part of access arrangements, supporting reliable low-cost disconnections. Further, the AER regulates disconnection costs and can take into account different jurisdictional safety requirements, preventing over-charging.

Costs for the temporary or permanent disconnection of several customers across a network in any year are likely to be minimised where conducted by the network. This enables the minimisation of fixed costs and staff costs and the coordination of disconnections over time across geographical areas.

There are also safety concerns arising from having multiple parties performing permanent disconnection functions across network areas over long time frames. Networks will not have oversight on the safety of third-party abolishment and yet would be accountable for the overall safety of the network in regions with disconnecting customers. To overcome this safety consideration and for the network to be able to provide assurance of the safety of each disconnection conducted by the third party would add additional unnecessary costs for customers, such as additional labour from both the network and third party, as well as new compliance and auditing frameworks to ensure safety compliance, achieving the opposite outcome that the proposal is intending to achieve.

The inflexible distinction between permanent disconnection and remediation services will likely increase costs for customers. Under the proposed rules, some meters are not included as part of an abolishment service. ENA disagrees with the suggestion meter removals are a separate service to a permanent disconnection as it effectively increases costs to have these as separate services. Meters act as a visual indicator of a gas connection, possibly creating confusion that a meter is still connected leading to mistaken disconnection requests. Or vice versa that the meter is mistakenly assumed not connected and a meter removal is requested raising safety issues. It is appropriate to include meter removals as part of a safe abolishment service.

ENA strongly disagrees with the proposed rule change on abandonment of assets where the ownership or possession of network assets are transferred to the property owner. It reduces the network's ability to remove assets post-disconnection. This proposal can lead to increases in network risk due to issues related to liability of assets and gas theft. The proposal also increases remediation costs for the customer to remove assets that should be included in disconnection such as the meter.

If you wish to discuss any of the matters raised in this response further, please contact Victoria Baikie, Senior Regulatory Analyst, on vbaikie@energynetworks.com.au.

Yours sincerely,

Russell Pendlebury
General Manager Policy & Regulation