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Department for Energy and Mining

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Ref: 2025D053097

10 July 2025

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Gas connections and abolishment/ permanent disconnections rule change

Dear Shayne,

Thank you for the opportunity to respond to the rule change requests relating to gas connections and disconnections/abolishments in the National Gas Rules (NGR). The Office of the Technical Regulator (OTR) response to Energy Consumers Australia (ECA) and Justice and Equity Centre (JEC) suggestions are attached to this letter.

The response reflects the current policy towards gas distribution in South Australia. Should the policy toward gas change in the future then a further review would be appropriate.

Should you wish to discuss our response please contact Scott Healey, Acting Manager Gas Systems Regulation (Scott.Healey@sa.gov.au, 84138216).

Yours sincerely,

Rob Faunt
TECHNICAL REGULATOR

Gas distribution networks: Connection and permanent abolishment charges

National Gas and Energy Retail Rule Amendments 2025

Proponents
Energy Consumers Australia
Justice and Equity Centre

We are seeking views on ECA's proposal for charging customers upfront for a new gas connection

The NGR contains a framework for determining how gas distributors charge for new gas connections. Currently, the cost of a new connection is mostly shared among all gas distribution network customers. This means most customers face no upfront cost to establish a new gas connection. ECA considers that the current approach is resulting in inequitable cost-sharing as it contributes to increasing costs for remaining gas customers in the context of a declining customer base and is not reflective of the direction of broader energy reform.

We are seeking views on ECA's proposal to introduce in the NGR an obligation on distributors to charge new customers the full cost of a new connection through an upfront connection fee.

We are seeking your views on JEC's proposal to establish a regulatory framework for temporary disconnections and permanent abolishment

Other than to point to the revenue and pricing principles in the NGL, existing rules are silent on permanent abolishments, and provide no regulatory guidance on what different disconnection services should entail, who could provide these services, and how associated costs should be charged. Currently, distributors and the Australian Energy Regulator (AER) deal with temporary gas disconnections and permanent abolishments with each price decision.

JEC suggests the lack of guidance in the rules is leading to inconsistent regulatory decisions. JEC proposes that, given the growth in the number of permanent abolishments, a consistent regulatory framework is necessary to ensure consumer safety and health, equity and economic efficiency.

We are seeking your views on JEC's proposal to introduce in the NGR:

- definitions for different disconnection services, including temporary disconnection and permanent abolishment, and allow for contestable provision of some services
- a framework for cost-reflective disconnection / abolishment charges, with the disconnecting / abolishing customer having to pay the full costs for a disconnection / abolishment service to avoid any socialisation of costs.

National Gas rules should take into account that not all States have an anti gas policy.
In making the rules, the AEMC is required by law to apply the National Gas Objective:
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:

- price, quality, safety, reliability and security of supply of covered gas; and
- the achievement of targets set by a participating jurisdiction —
  - for reducing Australia's greenhouse gas emissions; or
  - that are likely to contribute to reducing Australia's greenhouse gas emissions."

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

Do you consider the current approach to socialise connection costs across all network customers (if the NPV of expected revenue from a new connection exceeds the capital expenditure associated with the new connection) is fit-for-purpose in the context of the projected decline of residential and small commercial gas demand?

Do you consider the issue raised by the ECA – the socialisation of connection costs leading to inequitable cost sharing across network customers – is a material issue?

It is not Government policy in South Australia to discourage gas connection.
While South Australia has emissions reduction targets, there are currently no policies in South Australia that encourage or incentivise customers to reduce or discontinue using gas, which differs from eastern States.
The South Australian Government remains committed to a fully operational gas network for residential, commercial and industrial sectors and that a change in this policy is highly unlikely in the 2026 – 2031 regulatory period.
The $114M access arrangement budget figure for AGN SA (2021-26) for connections equates to less than $50 per year per customer in SA. It would take a huge move away from gas to make the cost per customer material.
Ultimately it is a commercial decision for the Gas distribution company to determine the cost of connection services in each instance based on their commercial projections.

Question 2: Would the ECA proposed solution address the issue of inequitable cost sharing?

Do you consider ECA's proposed solution - to charge new gas customers the full upfront costs of their connection – would address the issue of inequitable cost sharing?

The "socialised cost" of new connections is so small that it is almost irrelevant. Charging the full amount for new connections only acts to disincentivise new gas connections.

Question 3: What distribution networks and customers should ECA's proposed solution apply to?

Do you think the proposed solution should apply to:

a) Scheme distribution pipelines only, or also non-scheme distribution pipelines?

b) All jurisdictions or only those in which the NERR applies?

c) Retail customers only, or also non-retail customers?

Should not apply to any. The proposal could perhaps only apply to jurisdictions that propose to reduce the use of gas.

Question 4: What are your views on the costs and benefits of ECA's proposed solution?

What do you consider are the benefits and costs of the proposal to charge new gas customers the full upfront cost of their new gas connections?

Is there anything the Commission could do in designing a rule that would help to minimise the costs and maximise the benefits?

As the submission says (5.6) it is seeking to disincentivise new gas connections in locations where bans do not exist. Which is against current SA government policy.
The ECA submission seeks an electricity monopoly rather than gas/electric choice.
ECAs submission states "customer defection from gas networks will generate a positive feedback loop of higher gas prices making electric alternatives ever more financially attractive."
Meaning increasing the cost of gas discourages gas useage and incentivises electric connections.

Question 5: What implementation considerations should the AEMC contemplate for the ECA proposal?

What are the issues that might affect the approach and timeline to implement any changes?

How might these timeframes interact with upcoming access arrangement decisions?

Would the proposed solution require additional guidance material from the AER?

In SA the AGN access arrangements (AA) are currently under review for the 2026-31 period. Any changes could be considered after this period based on data gathered over the next 5 years. Projections over the next 5 year AA period indicate a continual increase in connections in SA.
If and when connections to the network start to decline (or are projected to do so) then the policy could be revisited at this time.

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

Do you have any views on the alternative solutions presented in this paper or are there other solutions that would address the issue more efficiently than ECA's proposed solution?

In relation to the alternative options of:

- maintaining the status quo but using updated assumptions for the NPV analysis
- including the costs of permanent abolishment in the costs of a new connection as part of the NPV calculation

Do you have views on what guidance the rules should provide to calculate the NPV for new connections? What are the benefits and risks of these options?

The OTR does not believe there are “issues” with the existing gas connection arrangements. The OTR has no comment on the NPV analysis and calculations.

Question 7: Do you consider there is a regulatory gap in relation to gas disconnection/abolishment?

Do you agree with JEC that there is a regulatory gap in relation to gas disconnection/abolishment in the:

a) NGR?

b) NERR?

Whether or not there is a gap, the NGR and NERR should look to align regulation around disconnection/abolishment with other regulatory bodies.
Disconnection and Abolishment services should be defined in the regulatory framework and consistent with the definition used by the AER, noting that the AER already collects the following annual data; New connections, Reconnections, Dormant connections, Disconnections - including meter removal and abolishment. This information is tracked as part of annual KPIs.

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

Do you agree with JEC's proposal to introduce a framework for gas disconnection/abolishment:

a) in the NGR?

b) in the NERR, in addition to the current rules in Part 6?

Do you agree with the proposal to define different services - temporary disconnection, permanent abolishment, remediation services - in the NGR and/or NERR?

Do you agree with the proposal for the AER to develop binding *AER Disconnection guidelines* to define the scope of works required for different services?

Permanent abolishment:

Do you agree the NGR should impose such a duty on gas distribution network operators to provide an abolishment to a minimum make safe standard? In what circumstances should the duty apply?

What services are required to provide an abolishment to a minimum standard that safely discontinues the supply of gas?

Temporary disconnection:

Do you agree with the proposal to limit temporary disconnections?

Remediation services:

Do you agree that meter removal and removal of pipelines or other assets on the customer's property would describe remediation services that go beyond making safe a permanent abolishment?

Contestable provision of services:

Do you agree that rules should explicitly allow for any of these services to be contestable?

A framework for gas disconnection /abolishment should be developed in the NGR only after extensive collaboration with the AER, Technical regulators and network operators.
The different services are defined and tracked by the AER.
The ESCOSA - AGN regulatory framework requires AGN to provide and make available information for customers and retailers about disconnection services, associated customer responsibilities and dispute resolution options.
The AER in collaboration with the networks providers could develop and define the scope of work for disconnections and abolishments.
Applying a rolling 12month timeframe for temporary disconnection is entirely reasonable.
Whilst meter removal could be considered as part of a disconnection or abandonment, the removal of pipework is unnecessary where the abandoned premises is capped off at the main.
The disconnection / abolishment service should be provided solely by the network operator under their policies and procedures agreed and approved by the Technical Regulator.

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

Do you agree with JEC's proposal to introduce cost reflective service charges?

Would cost reflective charges significantly affect consumers' decisions to electrify their premises? Alternatively, would socialising abolishment charges significantly affect remaining gas consumers?

Currently AGN SA charge $88 for disconnection (with meter removal or no meter removal) with the remaining cost socialised across the network. This low nominal cost removes the financial

impost from choosing disconnection. However the cost of abolishment is quoted on request and likely more expensive. A cost reflective service charge for disconnection or abandonment will affect consumers decision to permanently remove gas and electrify.
Should a nominal charge for Abolishment with the remaining cost socialised across the network be imposed the cost across the SA network would be minimal.

Question 10: What consequential NERR changes would be required to complement any changes in the NGR?

What complementary changes in the NERR would be required to deal with changes related to disconnection/abolishment in the NGR?

Alignment around information and options with those in the NGR and those provided by gas distribution operators.

Question 11: What distribution networks and customers should the proposed JEC solution apply to?

From a policy perspective (noting that legal restrictions will apply), do you think the proposed solution should apply to:

a) Scheme distribution networks only, or also non-scheme pipelines?

b) All jurisdictions or only those in which the NERR applies?

c) Retail customers only, or also non-retail customers?

OTR believes this could apply to all jurisdictions. However it should be noted that not all retail customers are property owners and therefore not able to approve abolishments.

Question 12: What are your views on the costs and benefits of JEC's proposed solution?

What do you consider are the benefits and costs of JEC's proposal?

Is there anything the Commission could do in designing a rule that would help to minimise the costs and maximise the benefits?

The OTR believes the current AGN SA arrangements are appropriate and do not impose unfair burden on disconnecting or existing customers. In fact the low cost of disconnection would not appear to be a hurdle in choosing to move to electrification.

Question 13: What implementation considerations should the AEMC contemplate for the JEC proposal?

What are the issues that might affect the approach and timeline to implement any changes?

How might these timeframes interact with upcoming access arrangement decisions?

Are there any issues with requiring gas distributors to provide amended access arrangement proposals?

In SA the AGN access arrangements are currently under review for the 2026-31 period. Any changes could be considered after this period based on data gathered over the next 5 years. If and when connections to the network start to decline (or are projected to do so) then the policy could be revisited at this time.

Question 14: Can the problem be solved in a different way?

Are there alternative solutions to JEC's proposal that you think would better promote the long-term interests of consumers?

The alignment of the NGR with the AER definitions, the OTR questions whether there is a "problem".

Question 15: Assessment framework

Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

Given the connections to the AGN SA network continue to grow by approximately 5000 connections per year the likelihood of areas of the gas network becoming non-commercial is very low.

Even if a large number of customers chose to disconnect, many customers would remain connected due to choice and or other practical reasons. Despite the plausibility of some reduction in customer numbers, there is no evidence that this is occurring at a rate or in a common location where the "stranding" issue is likely to arise over the timeframe of the next period. Net customers connections continue to grow, and there is no policy likely to be enacted over the next AA period to actively dissuade connection and promote mass disconnection in SA.

In the event of AGN seeks to discontinue part of the network, ESCOSA require AGN to conduct extensive consumer and neighbourhood consultations with proposals for alternative options.

- Requirements from specific types of customers need to be considered should discontinuation of part of the network be sought. Before approval could be granted, those customers should be identified and alternate options be offered/put in place before disconnection can occur.
- Consultation should take place with consumers to explain the reasoning behind the disconnection and alternative options that are available to them. Reasonable time should be given to customers to look for alternative options before disconnection occurs

The ECA submission dismisses Hydrogen and biogas as too expensive and not commercial across the country. It may be commercial in some areas with more R&D and AGN (and others) should not be discouraged from developing options where they will ultimately decide on commerciality.