



10 July 2025

## **Submission: Rule Change Request – Gas distribution networks: Connection and permanent abolishment charges**

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed in Australia alongside over 4,500 PJpa of gas for export.

APGA welcomes the opportunity to contribute to the Australian Energy Market Commission's (AEMC) consultation on Updating the regulatory framework for gas connections. This combines two related rule change requests: one from Energy Consumers Australia (ECA) regarding gas connections, and one from the Justice and Equity Centre (JEC) on gas disconnections.

APGA's submission briefly addresses both of these rule change requests, which relate to the economic regulation of gas distribution pipelines, noting that this is outside our scope and we generally defer to Energy Networks Australia in matters relating to distribution pipelines.

We urge the AEMC to be alert for any potential interactions with the transmission industry in any resultant amendments to the NGR, and for any amendments to be clear that they do not apply to transmission pipelines.

**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?

As framed by the AEMC, APGA agrees that the current approach to socialisation of costs of connections is no longer fit for purpose.

Distribution networks have historically shared the costs of connecting to and maintaining the infrastructure is across all users, and unequally. Residential gas customers shoulder much more<sup>1</sup> of the proportional cost burden to ensure that industrial and commercial users,

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<sup>1</sup> Australian Gas and Infrastructure Group, 2025, 'Building Electrification' Regulatory Impact Statement: AGIG Submission, <https://engage.vic.gov.au/download/document/41170>

who represent a much smaller customer base, can access the gas they need at a price that is reasonable if not commensurate with their consumption.

APGA does not consider that the socialisation of costs is necessarily “inequitable” but in an environment where gas connections begin to decline, a cost apportionment approach that shares these costs amongst a declining user base is not fit for purpose. APGA agrees that adding additional capital value to the Regulated Asset Base may no longer be appropriate and presents a real asset stranding risk.

**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?

**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?

APGA does not oppose the concept of charging new gas customers upfront for the cost of their dedicated assets (such as the service pipe and meter). This approach avoids adding to the RAB and can help reduce asset stranding risk. However, we do not support extending upfront charges to include broader shared network augmentation, which could create inequalities depending on the timing and location of connection.

For example, a single customer may be required to bear the full cost of a network upgrade that benefits future users. A more efficient and equitable approach would focus upfront charging only on customer-specific connection infrastructure. Shared infrastructure should remain part of the regulated network cost base.

This principle could be applied across scheme pipelines and retail customers, while allowing for flexibility in implementation through jurisdictional instruments.

**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?

There may be merit in maintaining the status quo while refining the NPV analysis, providing this continues to distinguish between dedicated customer assets and common network infrastructure. This approach may avoid implementation challenges while still addressing the equity issues raised.

New gas connection customers are less likely to disconnect in the near term relative to existing customers. The proposed approach to including the costs of permanent

abolishment in the costs of a new connection as part of the NPV calculation could raise additional complexities (i.e. networks needing to track whether an individual user has already paid an abolishment fee) without having a material impact on stranding risk.

**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?

APGA tentatively agrees with the concept of defining (at a high level) what is meant by temporary disconnection, permanent abolishment and remediation, in the context of introducing provisions around cost apportionment – noting these terms are generally already described in service provider access arrangements approved by the AER.

APGA does not agree with the proposal for the AER to develop binding AER disconnection guidelines to define the scope of works required for different services, or with the concept of imposing in the NGR a minimum make-safe checklist for abolishment. This strays into areas well outside the remit of economic regulation and into safety regulation, which belongs to each jurisdiction's safety regulator. The AER is not the appropriate regulator to make decisions and enforce guidelines on safety-related aspects of regulation, including disconnections/abolishments, and the NGR is not the appropriate place for rules regarding safe infrastructure operation. These should be left to jurisdictions.

The concept of an agreed minimum standard, on the surface, has merit, but in reality works required will depend on the nature of the connection to the individual property, and the practices of the operator of the distribution network in compliance with each jurisdiction's safety and technical obligations. In some cases, excavating the pipeline would be required to make safe; in other cases, this would be more than necessary. Introducing contestability into disconnection services may create confusion for customers about accountability and safety – particularly where jurisdictional safety standards vary or where network visibility is essential for coordination. Hence APGA does not support introducing contestability.

While APGA defers to the expertise of ENA and their members on a make-safe checklist which meets requirements, we observe that JEC's proposed minimum make-safe checklist is likely insufficient.

APGA also opposes any proposal to require distributors to calculate disconnection charges for each consumer on an individually specified basis. For some types of customer, charging an averaged amount for categories of service is likely to be a far more efficient approach, as the cost to distributors (ultimately borne by customers) of quoting for individual properties would be likely to erode any potential benefits of a cost-reflective approach.

**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?

**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?

Similar to apportioning cost of connections, APGA does not oppose the concept of introducing cost reflective service charges of disconnections and abolishments. In line with a beneficiary-pays framework, cost-reflective disconnection charges help ensure customers exiting the network bear the private costs associated with their disconnection, reducing the burden on remaining users.

This will require consequential changes to the NGR and NERR. APGA defers to ENA on the detail of such changes, noting the issues outlined above with JEC's proposal.

The additional costs that consumers will face for safe abolishment of their connections will likely impact consumer decisions on managing the electrification of their properties. Electrification is already an expensive exercise for consumers and many might opt for the cheaper (and in many cases simpler) option of having their connection temporarily disconnected, indefinitely. This is not the ideal solution as this leaves long term safety risks unaddressed.

A move towards introducing cost reflective service charges should be accompanied by an appropriate education campaign for consumers, led by the jurisdictional safety regulators – not the AER or other national body.

To discuss any of the above feedback further, please contact me on +61 409 489 814 or [policy@apga.org.au](mailto:policy@apga.org.au).

Yours sincerely,



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