

APA

Australia's energy
infrastructure partner

Gas distribution networks: Connection and permanent abolishment charges

APA Submission

10 July 2025



Anna Collyer
Chair
Australian Energy Market Commission

Lodged online

10 July 2025

Re: APA Submission: Connection and permanent abolishment charges rule change

Dear Ms Collyer,

Thank you for the opportunity to provide a submission to the Gas distribution networks: Connection and permanent abolishment charges consultation paper (Consultation Paper).

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure. Our gas distribution assets include the Tamworth gas distribution network in New South Wales and part ownership of the Allgas gas distribution network in Queensland and New South Wales.

We are committed to supporting the transition to a low carbon future. In September 2024, we published our FY24 Climate Report, detailing our progress against our Climate Transition Plan (CTP). The CTP outlines our commitments to support Australia's energy transition and pathway to net zero operations emissions by 2050.

We support the review and the development of fit-for-purpose regulatory frameworks that align with the direction of the energy transition. It is essential that the connections framework provides investment certainty and incentives for market mechanisms to support the safety and efficient operation of gas networks.

We endorse the introduction of a high-level framework of principles for the connection and disconnection services, supported by jurisdictional safety guidelines. Regulation of connection and disconnection charges should only apply to scheme pipelines. It is important that the costs associated with implementation are weighed against the expected benefits and minimise administrative burden wherever possible.

If you have any questions about our submission, including responses to the consultation questions, please contact John Skinner on 0435 898 022 or john.skinner2@apa.com.au.

Regards,



Natalie Lindsay
General Manager, Economic Regulation and External Policy
Strategy and Corporate Development

1. APA supports the vision to create fit-for-purpose regulatory frameworks

Consultation questions	APA response
<p>Question 1: How should connection charges be treated in the context of the projected decline of residential and commercial gas demand?</p> <p>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?</p> <p>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?</p>	<p>We support upfront connection costs for scheme pipelines to better allocate costs.</p> <p>However, given the reducing number of new connections forecast, we do not consider the socialisation of connection costs is a material issue.</p>
<p>Question 2: Would the ECA proposed solution address the issue of inequitable cost sharing?</p> <p>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?</p>	<p>We consider that upfront connection charges is a more equitable approach and better aligns with the causer-pays principle.</p>
<p>Question 3: What distribution networks and customers should ECA's proposed solution apply to?</p> <p>Do you think the proposed solution should apply to:</p> <p>a) Scheme distribution pipelines only, or also non-scheme distribution pipelines?</p> <p>b) All jurisdictions or only those in which the NERR applies?</p>	<p>We do not support the application of upfront connection charges for non-scheme pipelines. Non-scheme pipelines should be allowed to set their charges independently, without heavy regulatory oversight, consistent with their light regulation status.</p>

Consultation questions	APA response
c) Retail customers only, or also non-retail customers?	
<p>Question 4: What are your views on the costs and benefits of ECA's proposed solution?</p> <p>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?</p> <p>Is there anything the Commission could do in designing a rule that would help to minimise the costs and maximise the benefits?</p>	<p>Upfront connection charges will benefit customers remaining on the network as they will avoid socialised connection costs. However, it is unlikely to have a material impact due to the limited number of forecast new connections.</p>
<p>Question 5: What implementation considerations should the AEMC contemplate for the ECA proposal?</p> <p>What are the issues that might affect the approach and timeline to implement any changes?</p> <p>How might these timeframes interact with upcoming access arrangement decisions?</p> <p>Would the proposed solution require additional guidance material from the AER?</p>	<p>Implementation costs should be weighed against the expected benefits of the solution and minimise administrative burden wherever possible. For example, assigning different tariffs for new and existing customers based on connection charge could create complexity and high implementation costs.</p>
<p>Question 6: Are there alternative, more preferable solutions to address the issues with the existing gas connection arrangements?</p> <p>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?</p>	<p>If cost reflective connection charges are not implemented, the current arrangements can continue to work effectively. If the status quo is maintained, Net Present Value (NPV) assumptions should be updated to reflect reduced economic asset lives and updated consumption forecasts.</p>

Consultation questions	APA response
<p>In relation to the alternative options of:</p> <ul style="list-style-type: none"> 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 <p>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?</p>	
<p>Question 7: Do you consider there is a regulatory gap in relation to gas disconnection/abolishment?</p> <p>Do you agree with JEC that there is a regulatory gap in relation to gas disconnection/abolishment</p> <p>in the:</p> <p>a) NGR?</p> <p>b) NERR?</p>	<p>We consider that there could be greater clarity in the interpretation of disconnection and abolishment services. Greater clarity will assist customers when requesting disconnection or abolishment services.</p>
<p>Question 8: Do you agree with the JEC proposal to introduce a framework for disconnection/abolishment in the rules?</p> <p>Do you agree with JEC's proposal to introduce a framework for gas disconnection/abolishment:</p>	<p>We support the introduction of a high-level framework containing principles for the different disconnection and abolishment services.</p> <p>The National Gas Rules (NGR) should outline principles that guide outcomes of disconnection and abolishment</p>

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<p>a) in the NGR?</p> <p>b) in the NERR, in addition to the current rules in Part 6?</p> <p>Do you agree with the proposal to define different services - temporary disconnection, permanent abolishment, remediation services - in the NGR and/or NERR?</p> <p>Do you agree with the proposal for the AER to develop binding <i>AER Disconnection guidelines</i> to define the scope of works required for different services?</p> <p>Permanent abolishment:</p> <ul style="list-style-type: none"> 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? <p>Temporary disconnection:</p> <ul style="list-style-type: none"> Do you agree with the proposal to limit temporary disconnections? <p>Remediation services:</p> <ul style="list-style-type: none"> 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? 	<p>services, rather than dictate the minimum make safe requirements or specify the works required for each service.</p> <p>We support gas distribution businesses discretion on the works for make safe requirements, facilitated by jurisdictional oversight on safety guidelines. For this reason, we do not support including prescriptive definitions for Permanent abolishment, Temporary disconnection and Remediation services in the NGR.</p> <p>Disconnection guidelines should continue to be maintained by jurisdictional technical regulators.</p>

Consultation questions	APA response
<p>Contestable provision of services:</p> <ul style="list-style-type: none"> Do you agree that rules should explicitly allow for any of these services to be contestable? 	
<p>Question 9: How should costs for disconnection/abolishment services be recovered?</p> <p>Do you agree with JEC's proposal to introduce cost reflective service charges?</p> <p>Would cost reflective charges significantly affect consumers' decisions to electrify their premises?</p> <p>Alternatively, would socialising abolishment charges significantly affect remaining gas consumers?</p>	<p>We support gas distribution businesses having flexibility in the imposition of cost reflective disconnection charges.</p>
<p>Question 10: What consequential NERR changes would be required to complement any changes in the NGR?</p> <p>What complementary changes in the NERR would be required to deal with changes related to disconnection/abolishment in the NGR?</p>	<p>No response</p>
<p>Question 11: What distribution networks and customers should the proposed JEC solution apply to?</p> <p>From a policy perspective (noting that legal restrictions will apply), do you think the proposed solution should apply to:</p>	<p>Similar to the response provided to Question 3, we support the application of proposed reforms to scheme pipelines only.</p>

Consultation questions	APA response
<p>a) Scheme distribution networks only, or also non-scheme pipelines?</p> <p>b) All jurisdictions or only those in which the NERR applies?</p> <p>c) Retail customers only, or also non-retail customers?</p>	<p>Non-scheme pipelines should be allowed to set their charges independently, without heavy regulatory oversight, consistent with their light regulation status.</p>
<p>Question 12: What are your views on the costs and benefits of JEC's proposed solution?</p> <p>What do you consider are the benefits and costs of JEC's proposal?</p> <p>Is there anything the Commission could do in designing a rule that would help to minimise the costs and maximise the benefits?</p>	<p>Upfront disconnection charges will benefit customers remaining on the network as they will avoid socialised disconnection costs.</p>
<p>Question 13: What implementation considerations should the AEMC contemplate for the JEC proposal?</p> <p>What are the issues that might affect the approach and timeline to implement any changes?</p> <p>How might these timeframes interact with upcoming access arrangement decisions?</p> <p>Are there any issues with requiring gas distributors to provide amended access arrangement proposals?</p>	<p>No response</p>
<p>Question 14: Can the problem be solved in a different way?</p>	<p>Additional government support may be required to facilitate equitable outcomes for both consumers and market participants.</p>

Consultation questions	APA response
Are there alternative solutions to JEC's proposal that you think would better promote the long-term interests of consumers?	
<p>Question 15: Assessment framework</p> <p>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?</p>	<p>We support the assessment criteria, with additional consideration for implementation costs to be weighed against expected benefits.</p>