PO Box 7182
Cloisters Square WA 6850
Tel: +61 8 6163 5400
atco.com.au

10 July 2025

Andrew Lewis
Acting Chief Executive
Australian Energy Market Commission (AEMC)
submitted via website: www.aemc.gov.au

Reference: GRC0085

Dear Mr Lewis

Re: Gas distribution networks: Connection and permanent abolishment charges

I refer to the AEMC consultation paper on rule change requests from Energy Consumers Australia (ECA) and Justice and Equity Centre (JEC) on stopping the socialisation of costs associated with new gas connections and the creation of a new regulatory framework for gas disconnections, including temporary disconnections and permanent abolishment, respectively.

ATCO welcomes the opportunity to provide the AEMC with feedback on the proposals from ECA and JEC. Overall, ATCO does not believe that ECA and JEC have provided sufficient justification for changes to the existing regulatory approach. The current regulatory framework under the National Gas Rules (NGR) already provides mechanisms necessary to address issues associated with uneconomic network connections and disconnections. While these rule change requests are underpinned by a climate of uncertainty for gas networks, it lacks evidence that mitigations to address potential consumer risk are currently needed.

The key points we would like the AEMC to consider are:

- Continuing growth in gas connections remains evident and it is premature to change the regulatory approach to connection costs to mitigate against a potential future decline in network growth
- Prudent capital management is promoted by the current NGR to adequately assess new connections with independent oversight by the regulating body in access arrangement reviews every five years to allow consideration of different network circumstances
- Sufficient power exists in the NGR already to allow the regulating body to vary the assumptions for Net Present Value calculations including the asset life for new connections
- Consumer confusion on disconnection/abolishment is recognised and may be better addressed through information and education rather than price and economic regulation.
- Safety concerns for disconnections/abolishment are best addressed by the appropriate energy safety regulation in each jurisdiction rather than the NGR

Our detailed feedback on the consultation questions is attached.

About ATCO

ATCO is a global integrated energy, housing, transportation, and infrastructure company and has been operating in Australia since 1961. Our Australian footprint includes the ownership and operation of Western Australia's largest natural gas distribution network, power stations in Karratha, WA and Osborne, SA, as well as the development of renewable and hydrogen assets. We have a long history of partnering with communities and Indigenous groups, energising industries, and delivering customer-focused infrastructure solutions.

Should you have any queries or would like to discuss any of these issues further, please contact Kiran Ranbir, Manager Policy Advocacy on 0432 158 656.

Yours sincerely

R J Godsall

Russell Godsall
Executive General Manager Gas Operations

Attachment 1 – ATCO response to Consultation Questions

AEMC DRAFT RULE CHANGE REQUEST

CONNECTION AND PERMANENT ABOLISHMENT CHARGES

1. CONSULTATION QUESTIONS

AEMC question	ATCO proposed response
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?	ATCO considers the current approach to socialise connection costs remains appropriate and provides sufficient flexibility to account for any potential uncertainty in network connection growth. The current National Gas Rules (NGR) ensures that connection costs are only socialised when it is demonstrated that all users receive value. This is further independently verified by the regulatory body against the NGR every five years in access arrangements for scheme pipelines. ATCO's gas network has not experienced a decline in residential and commercial gas demand. WA is uniquely positioned to support gas usage longer than most other jurisdictions. WA's Domestic Gas Policy to reserve gas for the local market and an absence of policies to ban new connections in WA supports future connection growth. Network connection continues to be expected to increase and demand projections are strong. Modelling of the gas network as part of ATCO's latest Access Arrangement indicated 65,000 greater residential connections and approximately 260 greater commercial connections over the five-year period from 2025 to 2029. In fact, the Economic Regulation Authority forecast higher network growth than ATCO's initial modelling in its final decision on the latest Access Arrangement. ATCO considers it is premature to change the treatment of connection charges while growth in networks continues to be evident. Currently, the NGR provides sufficient provisions to charge customers for new connections should the Net Present Value (NPV) of the connection be negative or uneconomic. Network operators, such as ATCO must demonstrate the economic feasibility of new connections in every regulatory cycle through its access arrangements to its regulating body. The correct forum to reconsider assumptions that underpin the calculation already rests with the regulating body. This provides flexibility for the unique circumstances that network providers operate to be considered, rather than making prescriptive changes to the NGR. The issue raised by ECA of inequitable cost sharing across network customers is not a material issue. The current approach balances costs for all customers and ensures all customers can equally access gas supply. A change to the socialisation approach will result in new customers being overburdened by costs to access gas which may vary considerably depending on their location to the network.

AEMC question	ATCO proposed response
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 ECA's proposed solution exacerbates inequality in cost sharing by overburdening new customers and removing potential cost savings from existing customers from network growth. The cost of connection installation represents a portion of the overall cost of supply and full connection costs will include repair and maintenance, tax uplift, depreciation and overheads. New customers would need to absorb the entire cost upfront and it would no longer be permitted to be spread over the usual 25-year life of the asset. Depending on the location of new customers, the full cost of connection may vary considerably between customers and inequalities will be created through the distribution of these costs amongst new customers. Tailored pricing to each new residential/commercial connection will be significantly administratively burdensome and create additional costs, which will ultimately be borne by customers. Asset life targets for new connections pose a preferable equitable solution and establishes boundaries for networks to consider planned mitigation of stranded asset risk. The NGR already provides the regulating body with sufficient power to vary the assumptions for Net Present Value calculations, including asset lives.
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?	ATCO considers that any solution should only be applicable to scheme pipelines and account for differences that exist between gas retail markets in WA compared to other jurisdictions. Primarily because the WA market has a capped retail gas market price, which will prevent costs being passed onto a customer should it exceed the cap. To maintain the integrity of a national approach to gas access policy, any decision to change connection rules should be applied consistently except if jurisdictional differences are needed to provide a tailored solution. Non-scheme pipelines are subject to a light regulatory approach and not subject to connection cost regulation. There does not appear to be evidence that the regulatory approach to non-scheme should be amended.
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?	We do not see any benefits to the Rule Change in a market with continuing gas use and connections growth. The cost of implementation of the proposed change will create significant administrative burdens on networks and existing customers will not realise the benefit of network growth. It is likely the ECA proposal will see a shift in costs from gas to electricity with increased demand on the electricity network leading to higher whole of energy system costs and inefficient use of the gas system.
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?	ATCO is obliged under its gas distribution licence conditions to provide a connection to residential premises located within its licence area within 20 metres of a service pipe. Any change to the NGR for connections will need to be consistent with this obligation. Unlike gas distributors in other jurisdictions, ATCO does not have a Model Standing Offer in WA which could be amended to incorporate the ECA's proposed changes.

AEMC question	ATCO proposed response
Would the proposed solution require additional guidance material from the AER?	Conditions for new gas connections, such as no capital contributions from small use customers are stated in the Access Arrangement (AA) and conditions in the Gas Distribution License.[1] Access Arrangements occur in set cycle periods and changes to the NGR should allow sufficient time for the change to be considered in the next AA period. A new tariff class will be required to avoid a cross subsidy between new and existing customers. This would require amendment to the existing AA or could not be implemented until the next AA. Transitional provisions to defer implementing any changes until the next AA will be needed to accommodate networks. The timeline for connection for industrial and commercial consumers can vary significantly. The connection time may be dependent on project development approvals and construction. Sufficient time should be allowed for any cost change to be considered in their development pathway. It is noted that NGR 119M does not apply in WA and this will need to be addressed should implementation in WA be contemplated.
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 is merit in using existing powers in the NGR to provide asset life targets for new connection to the network as this will set boundaries for networks to consider planned mitigation of stranded asset risk.
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?	ATCO disagrees with JEC that a regulatory gap exists in the NGR. Existing energy safety legislation places the onus on the gas distribution provider to ensure the network remains safe. ATCO has worked to ensure the process for temporary disconnection (referred to as deregistration by ATCO) and permanent abolishment (referred to as disconnection by ATCO) is used by all parties involved for its intended purpose. These services are defined in ATCO's Reference Service Proposal for its latest AA. ATCO recovers the cost of the service from customers and there is no socialisation of costs. Temporary disconnections are subject to stringent follow up procedures and identification on our asset register to prevent safety risks. ATCO have not observed the safety risks identified by the Essential Services Commission Victoria on our WA networks. ATCO does acknowledge that

1 Refer to AA6 section 7.4 and Gas Distribution Licence Schedule 1 Section 3 "Offer to Connect".

AEMC question	ATCO proposed response
	greater clarity could be provided on the appropriate use of disconnection/abolishment services and considers it could be appropriately addressed in energy safety regulation.
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?	ATCO has sought to define disconnection/abolishment within its network by introducing a permanent disconnection service as a reference service in ATCO's latest Access Arrangement (AA6) with the ERA. AA6 defines the permanent disconnection service and obliges ATCO to offer a regulated price to the end users. ATCO agrees there is merit in defining the services included for disconnection/abolishment to reduce customer confusion. Any definition should not be an exhaustive list and continue to allow sufficient flexibility for the service to include a range of remediation services. A principle-based approach is preferred, and flexibility will be needed in the regulatory framework to ensure additional services may be provided depending on the circumstances. It is impractical to include all services or unintentionally exclude required services. Any definition should align with energy safety regulation in each jurisdiction. ATCO disagrees that the NGR should impose a minimum make safe standard. The NGR is intended to govern access to natural gas pipeline services and elements of broader gas markets for equity and economic efficiency. Safety concerns related to permanent and temporary disconnections should be overseen in energy safety legislation, which is already appropriately governed separately in each jurisdiction. Therefore, no changes are required in the NGR. Should additional health and safety concerns be identified by JEC, these should be directed to the appropriate energy safety regulatory body for consideration. ATCO does not support the proposal to allow contestable provision of services. This proposal ignores ATCO's obligation and responsibility for operation of a safe network as well as ownership of the assets. The introduction of contestability will create ambiguity on the asset liabilities should safety obligations not be fully met. ATCO must maintain control of its asset to ensure safe operation of the network and track assets including meters as well as billing of meters. Contestability is already driven through competitive contracting processes undertaken by all networks and by the provision of services which is overseen by the appropriate regulatory authority.
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?	ATCO agrees that cost reflective charges should be applied. ATCO currently charges demolition businesses for permanent abolishment/disconnection services, which is ultimately passed on to their customers for abolishment of services and mostly reflects the cost of the service. The decision to electrify is driven by several factors and the cost of disconnection has not been identified as a significant barrier. Energy Networks Australia conducted research in 2023 on the Perceptions of Electrification and identified barriers to switch to electricity for each appliance. For example, potential barriers for electrifying the hot water

AEMC question	ATCO proposed response
	service included size and installation requirements of units, cost of the appliance and inadequate solar generation. Our internal research in WA indicates less urgency for electrification and a perception that gas is cheaper than electricity. Therefore, consumers have several other considerations in a decision to electrify with the cost of disconnection only one part of the decision.
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?	The retail market in WA is different from the east coast market and the NERR does not apply to WA. This will need to be considered in the implementation of any change to the NGR.
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?	ATCO supports the exclusion of Western Australia from application of the JEC proposal.
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?	There are no benefits identified from JEC's proposals. The issues raised by JEC are already addressed through appropriate energy safety legislation and network operations through contestable contracting of services and oversight by the regulatory body on prices charged.
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?	It is noted that JEC has indicated that its proposal would not be applicable in WA due to limitations on the AEMC's rule making power. Despite the proposed JEC changes not applicable to WA, ATCO considers that a change in NGR may not be necessary to streamline the regulatory framework. Providing the regulating body with the discretion to include services as a reference service and regulate the prices of these services is a better alternative. This option allows the appropriate regulating body to consider the impact of variations in state government policy on the operations of gas distributors.
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?	Safety issues are better resolved with information and education to customers on appropriate disconnection choices, rather than solely making changes to price or economic incentives.
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?	ATCO considers the assessment framework to be sound and reflective of the NGL objectives.