Justice and Equity Centre

Gas distribution networks: Connection and permanent abolishment charges consultation paper

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

Contents

Acronyms list

Acronym	Full name
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CER	Consumer Energy Resources
ECA	Energy Consumers Australia
ESCV	Essential Services Commission of Victoria
EWCAP	Energy and Water Consumers' Advocacy Program
NEM	National Electricity Market
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGR	National Gas Rules

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Gas distribution networks connection and permanent abolishment consultation paper (the Paper).

In the coming two decades, millions of households will access cheaper, cleaner and safer energy as they modernise their homes by disconnecting from the gas network.

In our view, holistic arrangements are needed to minimise the cost of disconnections, and all consumers should face transparent, fair, and efficient pricing when connecting to or leaving the gas network. Services relating to gas networks should promote consumer interests and an effective transition away from gas.

Thousands of consumers may also connect to the gas network during this period. The costs and risks associated with this must be clear to consumers, so that choice to connect is informed. Changes to the rules are necessary to ensure the regulatory framework is fit-for-purpose for the transition to a renewable energy system.

We welcome the Commission's intent to undertake a holistic assessment of whether changes to the framework for the economic regulation of gas networks are needed to ensure it remains fit for purpose in the context of declining demand. We strongly support this commitment and the connected proposal to introduce planning requirements for gas networks to better promote the long-term interests of energy users throughout the transition.

For clarity of terminology, we use the terms temporary and permanent disconnections throughout this submission. This is consistent with the Australian Energy Regulator's (AER) preference for language that more accurately reflects the nature of these services.

Some stakeholders advocate for the use of abolishment in place of permanent disconnection, arguing that it helps avoid confusion with temporary disconnection services. While we acknowledge the value in making this distinction, the terms abolishment and disconnection may not adequately convey the temporal dimension of these services.

We understand the Commission's use of the terms "temporary disconnection" and "permanent abolishment" is intended to help make this distinction. In our submission, however, we have chosen to use the term permanent disconnection in place of permanent abolishment, consistent with the terminology used in the JEC's rule change proposal.

The remainder of our submission is organised as follows:

Section 2 outlines our understanding of the challenges associated with gas connections and disconnections, and explains why regulatory intervention is required.

Section 3 presents the principles underpinning our proposal and discusses how these principles should be applied to ensure the National Gas Rules (NGR) are fit-for-purpose and promote the long-term interests of all consumers.

Section 4 details the objectives of our rule change request, providing additional context and clarification to ensure these are accurately understood by the Commission and stakeholders.

Section 5 describes how our proposed approach could be implemented through targeted amendments to the rules, supported by complementary jurisdictional policies.

Appendix A contains our responses to the consultation questions, and Appendix B outlines our position on the appropriate allocation of cost responsibility and risk across gas network components.

2. Problems with the current regulatory framework

In our view, rules regarding connection and disconnection are not fit for purpose, and do not promote the best interests of consumers, as they:

- Do not support an efficient transition away from gas, despite this shift being:
    - Necessary and increasingly supported as part of broader efforts to decarbonise energy systems and the economy; and
    - Inevitable, given the improved performance of electrical home appliances and the growing uptake of consumer energy resources (CER).
- In the case of disconnections, permit the recovery of costs beyond the minimum of providing services safely and efficiently;
- Lack a consistent, fair, and principled framework for allocating the costs associated with gas network connections and disconnections; and
- Create inefficient and unintended incentives, encouraging the establishment of new gas connections and the retention of existing ones, even when they are no longer economically or environmentally justified.

Gas distributors have leveraged these shortcomings by incentivising new connections and socialising much of the connection costs among all gas users; and disincentivising disconnections by loading costs into disconnection charges.

2.1 Connections

The current regulatory framework for gas connection charges is no longer fit for purpose. It was developed under the assumption of continued growth in gas demand – an assumption that no longer reflects current or future market conditions. As a result, retail customers considering new connections to the gas distribution network are not exposed to efficient price signals. This misalignment increases the risk of asset stranding and creates additional price risks for both existing and future consumers.

Under the existing rules, most costs associated with new gas connections are subsidised by existing gas users – many of whom face barriers to electrification, and some of whom are unable to electrify without a major rebuild. The framework does not require gas businesses to ensure

that new connecting customers bear the full cost and risk associated with their decision to connect. These issues are further compounded by the National Gas Law (NGL) which encourages growth in gas connections to promote efficient investment in, operation and use of natural gas services.

2.2 Disconnections

Disconnection arrangements, including permanent disconnection, are not currently dealt with by the National Gas Law (NGL), the National Gas Rules (NGR) and National Energy Retail Rules (NERR).

This regulatory silence has led to uncertainty, inconsistent decision-making, and inefficiencies in cost allocation, while also raising potential safety risks. These outcomes, compounded by recent AER-imposed cost recovery workarounds, do not promote the long-term interests of energy users.

Gas networks currently seek to recover costs for permanent disconnections that go beyond what is necessary to make a site safe. While the two might not be directly comparable, the $1,200 Jemena is permitted to recover for a permanent disconnection in NSW is approximately 50 percent higher than the $800 proposed by Evoenergy in the ACT based on what is required to make the site safe.

Consumers seeking to disconnect from gas have a lower-cost alternative: temporary disconnection, typically priced between $200 and $250. This service involves leaving gas infrastructure in place and plugging the supply near the meter. However, jurisdictional safety regulators have raised concerns about the risks associated with households opting for temporary disconnection when they intend to permanently disconnect. While views differ on the magnitude of harm:

- the safety risk will increase exponentially as more homes temporarily disconnect, leaving unmonitored and unmaintained pipelines vulnerable to leakage and damage;
- this risk increases over time as awareness of the presence and location of unused gas pipelines diminishes;
- the jurisdictional safety regulators who have raised the issues will be cognisant of the worst-case risks of injury and loss of life; and
- the AER has little choice but to give weight to the views of jurisdictional safety regulators on this matter.

The AER's response to these safety concerns in Victoria and NSW has been to reduce the cost of permanent disconnection from the gas network so that consumers are not discouraged from requesting it, but impose the remaining substantial proportion of that permanent disconnection cost on other gas users who remain on the network.

Under this approach, consumers requesting permanent disconnection in NSW pay a fixed fee of $250 – similar to the cost of temporary disconnection – toward the $1,200 Jemena recovers for

each disconnection with the remaining $950 socialised among other gas users through haulage tariffs.

This cross-subsidy may have little impact on gas bills in the very near-term while annual disconnections for electrification are in the hundreds or thousands of households. However, the magnitude of this cross-subsidy will escalate significantly in coming years as disconnections increase and the customer base shrinks. In our view, imposing material cost of other people's services – such as disconnection services – on households experiencing hardship and disadvantage is unacceptable.

Although the AER acknowledges that its current approach is unsustainable, it has not proposed a long-term solution. Instead, it has indicated that resolving cost allocation issues during the gas transition is a matter for governments, industry, and consumers.

Furthermore, the AER has not sought to minimise the total costs to the minimum required to make safe, thereby exacerbating the cross-subsidy borne by other consumers.

We note that many disconnections are technically straightforward and, with changes to jurisdictional arrangements, could be safely performed by a licensed plumber or gasfitter with suitable certification and training. However, under current arrangements, only gas distributors are authorised to provide disconnection services, despite their relatively high overheads and vested interest in maintaining elevated disconnection costs. With appropriate jurisdictional support, such as contestability schemes or licensing reforms, disconnections could be delivered safely and at lower cost.

3. Principles for a durable (dis)connection framework

We regard the rule change proposals as embodying the consistent principles required to ensure the NGR and NERR rules are fit for current and future purposes.

Equity

The principle of equity requires that the beneficiary of a service pay for the service. Put differently, costs should be recovered from the party whose actions necessitate them. While this is typically the consumer, in the case of new developments, the developer may be both the beneficiary and the causer of new gas connections.

Transparency

Revenue of the quantum involved in disconnection services should be recovered with consistent regulations guiding how these costs are determined and allocated.

Sustainability

Using gas in homes is unsustainable. Socialising the costs of connections or disconnections is inequitable and unsustainable. As more customers leave the gas network, tariffs for those remaining will increase. To minimise this, charges for permanent disconnection must be consistently regulated, efficient, and affordable.

4. Objectives for an equitable and efficient framework

The objective of our rule change is to minimise the overall cost of disconnection and ensure that cost allocation for both connections and disconnection is equitable.

Disconnection arrangements should provide clear guidance on:

- **Use cases** for different types of disconnection services;
- **Cost components** – what costs should and should not be included for each service type;
- **Cost responsibility** – who should bear the costs and how those costs are determined.

An appropriate solution must resolve ambiguity and minimise inequities that arise from consumers facing inconsistent or inefficient cost structures.

Realising such a solution will require coordinated action from the AEMC, AER, and Government bodies. It should not rely on gas networks to act in consumers' interests, particularly when those interests conflict with the networks' own commercial incentives.

4.1 Clarifying the intent of the rule change proposal

We are concerned that aspects of the Paper misinterpret the intent and substance of our rule change proposal. Specifically, the paper frames our proposal as primarily focused on introducing cost-reflective disconnection charges and avoiding the socialisation of costs. While these elements are part of our proposal, they do not reflect the central objective to minimise the costs recoverable by gas networks for disconnection services. Our proposal seeks to limit those costs to the minimum works required to safely disconnect a site and apply other measures to reduce the cost of disconnection.

This objective is stated throughout our rule change request:

- Page 3: "Minimising the cost of permanent disconnections to only those required to make safe the disconnection."
- Page 8: "Customers will only be required to pay for the minimum works necessary to make safe the permanent disconnection, and not additional works that they don't request or require."
- Page 11: "...the permanent disconnection service involves the minimum works required to safely discontinue the supply of gas and is the only charge a retail customer is obliged to incur (and which the distributor can impose) for permanent disconnection."
- Page 17: "The rule ensures that permanently disconnecting consumers face only the efficient costs of this service."

We do not think this objective is clearly reflected in the Paper's summary of our proposal, nor in the Commission's Information Sheet, which may lead stakeholders to incorrectly conclude that

our primary aim is to shift full disconnection costs onto consumers. In fact, our proposal seeks to limit those costs and ensure they are efficient and fair.

We are also concerned that the Paper implies requiring consumers to pay the full cost of disconnection deviates from standard practice. In reality, aside from very recent AER decisions in Victoria and NSW, consumers have been paying the full cost of disconnection, or more, for decades.

Similarly, the repeated reference to "introducing cost-reflective charges" may be misleading.

As acknowledged on page 16 of the Paper, disconnection charges already exist. Our proposal does not seek to introduce new charges, but to formalise and constrain existing arrangements by:

- Defining existing disconnection services within the rules to avoid ad hoc determinations; and
- Minimising the scope of works involved in disconnection, thereby reducing the associated costs.

We are also concerned that the Paper misinterprets our position on cost recovery. Our intent is not to make disconnecting consumers bear the full cost, but to avoid unsustainable cross-subsidies, particularly those that may disproportionately impact vulnerable consumers[1].

The Paper states that under our proposal, consumers seeking to permanently disconnect in the future would be required to pay the full cost upfront. It suggests this could create a price disincentive, potentially delaying electrification and increasing emissions from continued gas use.

We are concerned that this framing lacks important context. Specifically, the paper does not clarify that the cost comparison being made is between our proposal and the AER's recent approach in Victoria and NSW. That approach is:

- Time-limited: It applies only to a defined period and is not planned anywhere beyond 2030.
- Locationally limited: It applies only in Victoria and NSW, and not across other NEM jurisdictions; and
- Unsustainable: Even the AER has acknowledged that this approach is not viable in the long-term.

By omitting this context, the paper may give the impression that the AER's approach represents a stable or universal benchmark, when in fact it is an exception. Our proposal seeks to formalise and constrain disconnection costs across all jurisdictions, ensuring they reflect only the minimum works required to safely disconnect a site. This would reduce overall disconnection costs and support a fairer, more efficient transition away from gas.

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[1] Our preferred approach here is for governments to fund disconnection costs to support a fair and accelerated transition away from gas. We however acknowledge that this is a matter for government, not the Commission.

We recommend that the Commission clarify the objectives of the JEC proposal and revise the above comparison in its draft determination to ensure stakeholders are provided an accurate summary of the broader regulatory context and the long-term implications of each approach.

Section 3.2 of the Paper more accurately reflects these elements of our proposal. However, our engagement with some stakeholders indicates the introductory framing has led to confusion. Some stakeholders have indicated to us they intended to oppose the rule change because they thought it would increase disconnection costs for consumers but, upon learning that our proposal seeks to reduce total disconnection costs, their views shifted in support.

We respectfully request the Commission acknowledge this discrepancy and ensure the description of our rule change proposal in the draft determination accurately reflects its intent and key elements. Clear and consistent framing is essential to enable stakeholders to provide informed and constructive feedback.

5. Proposed rule amendments and supporting policy measures

Our proposed solution would establish a positive obligation on providers of permanent disconnection services to deliver only the minimum service necessary to safely discontinue gas supply. In the sections that follow, we outline how this approach could be implemented through amendments to the rules and supported by complementary jurisdictional policies.

5.1 Solutions in the rules

To ensure clarity, equity, and efficiency in the provision and pricing of gas disconnection services, we propose the following amendments to the NGR and NERR:

Definitions

Introduce clear and consistent definitions for:

- **Permanent Disconnection**: The safe and enduring cessation of gas supply to a premises.
- **Remediation**: Additional works beyond disconnection, such as asset removal or site restoration.
- **Temporary Disconnection**: A reversible cessation of supply, typically for maintenance or short-term inactivity.

Service obligations

Mandate that service providers offer permanent disconnection services that meet a defined safety standard. These services should be limited to the standard required to safely and permanently discontinue the gas supply. Efficiently ‘making safe’ the connection will typically not require the

removal of pipeline or other assets on the customers property[2]. Such removal should be classified as a remediation service and treated separately.

Cost recovery framework

Apply a beneficiary/proponent-pays principle to guide how charges for disconnection and related services are recovered. This ensures that costs are borne by the party who benefits from or initiates the service.

Material cross-subsidisation of connection or disconnection costs is inequitable – particularly in the context of expected increases in rates of permanent disconnection. Additionally, inefficiently high permanent disconnection costs can create incentives to remain connected to the gas network, with potential consequences for both costs and emissions.

It is unacceptable that the costs of gas disconnections or new connections be passed on to vulnerable or disadvantaged energy users, particularly given these users already face material barriers to electrification.

Contestability provisions

Amend the Rules to enable jurisdictions to designate disconnection and remediation services as contestable. This would allow third-party providers to deliver these services under regulated conditions, promoting competition and reducing costs.

5.2 Solutions for government

To complement rule-based reforms, government action is recommended in the following areas:

Enable contestability of disconnection services

Permit entities other than gas distributors to carry out disconnection services at the request of consumers, subject to appropriate safety and regulatory standards.

Subsidise disconnection costs

Governments should consider covering some or all the costs associated with permanent disconnection. In addition to having broad support across stakeholders, this approach offers multiple benefits:

- Reduces financial burden on consumers. It ensures consumers leaving the gas network avoid the unproductive, unwelcome, and often unexpected cost of permanent disconnection.
- Ensures safe disconnection. Without support, some consumers may simply cancel their gas retail contracts without properly disconnecting, leaving an active gas supply on the premise and posing potential safety risks.

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[2] See JEC Gas Distribution Network Rule Change Request – Fit for purpose gas disconnection arrangements, p. 9.

- Protects remaining gas consumers. It ensures gas consumers do not carry costs they do not benefit from, particularly in jurisdictions like Victoria and NSW where the AER has socialised most of the permanent disconnection charge.

- Spares gas business shareholders from carrying unreasonable costs. It ensures investors do not bear the costs of a service the distributor is obligated to provide but cannot control.

- Supports emissions reduction goals. Government-funded disconnections could contribute to meeting emissions reduction targets and be recognised as part of efforts to facilitate electrification.

- Low cost on budget. Likely to represent a modest fiscal impact relative to the social and environmental benefits.

6. Continued engagement

We welcome the opportunity to meet with the AEMC project team and other stakeholders to discuss these issues in more depth. Please contact Craig Memery at cmemery@jec.org.au regarding any further inquiries.

Appendix A: Response to questions

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

   Connection charges should reflect the ongoing managed decline of gas networks; therefore, customers should pay the full cost of connection upfront.

   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?

   No. The current approach is not fit-for-purpose in the context of declining residential and small commercial gas demand. It is based on the outdated assumption of a growing customer base and expanding network, which no longer reflects current or future conditions. Continuing to socialise connection costs under this model increases pressure on network tariffs and shifts greater financial risk onto remaining gas customers, who will bear a disproportionate share of costs as the customer base contracts.

   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?

   Yes. This is a material issue. Customer connection costs often represent the largest single component of a gas distribution network's capital expenditure. While the impact of socialising these costs may not be immediately significant, it is likely to grow over time as more users disconnect from the network. This trend will increase the burden on the remaining customer base, exacerbating inequities in cost sharing and undermining the long-term sustainability of the current approach.

2. **Would the ECA proposed solution address the issue of inequitable cost sharing?**

   Yes. We believe the ECA's proposed solution – requiring customers to pay the full upfront cost of connection – is the simplest and most effective way to address inequitable cost sharing. This approach aligns with practices in other jurisdictions and ensures that new connections do not impose additional financial burdens on existing customers. By making connection costs more transparent and directly attributable, it helps mitigate future increases in network charges and supports a fairer distribution of costs as the network contracts.

3. **What distribution networks and customers should ECA's proposed solution apply to?**

   We support the as-proposed application of ECA's solution. That is, the rules for gas connection charges should apply to both scheme and non-scheme pipelines; in all jurisdictions; and for both retail and non-retail customers.

4. **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?**

Charging the full upfront cost for new connections offers several benefits. Most notably, it provides prospective customers with a more accurate understanding of the true costs and long-term risks associated with connecting to the gas network. This transparency supports informed decision-making and aligns with the principles of cost-reflectivity.

The proposal protects existing customers from bearing the financial burden of new connections, helping to prevent future increases in network charges as overall demand declines. While the proposal may introduce higher upfront costs for new customers, this is outweighed by the long-term equity and financial sustainability it promotes across the network.

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

To help minimise costs and maximise benefits the Commission should consider:

- Providing clear guidance and communication to consumers about the long-term risks and costs of connecting to the gas network.
- Allowing for transitional arrangements in limited cases to manage affordability concerns without undermining the overall intent[3].
- Aligning with practices in other jurisdictions to promote consistency and reduce regulatory complexity.

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

The Commission should consider implementation timing, coordination with regulatory bodies, and integration with existing frameworks to ensure a smooth transition. Specifically:

- Coordination with the AER and gas distribution networks is essential to ensure that changes to connection charges are accurately reflected in standing model offers and access arrangements.
- Updates to existing AER guidelines – rather than the development of entirely new guidance – should be sufficient to support implementation, provided they clearly outline expectations for cost-reflective connection charges.
- Aligning the rule change with upcoming access arrangement decisions will minimise disruption and allow for efficient incorporation into regulatory processes.
- Immediate implementation following the rule change is recommended to relieve upward pressure on network charges for remaining customers and support a managed, equitable decline of the gas network.

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

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[3] In our view, 6-months notice from when the rule is made to when it applies would be sufficient to account for the risk to in-progress developments.

We do not consider the alternative solutions preferable to the ECA's proposal. Most alternatives introduce greater administrative complexity without delivering meaningful additional benefits to consumers.

Maintaining the current framework under the NGR while supplementing it with further implementation guidance may appear less disruptive initially. However, this approach is likely to be unsustainable over the long term. Standardising assumptions – such as asset life and usage – would be contentious and difficult to apply consistently, especially given varying jurisdictional energy and emissions objectives.

Similarly, the proposal to include the cost of permanent disconnection in the upfront cost of a new connection lacks a clear rationale. It is unclear what issue this would resolve, as it effectively asks customers to pay for a service before they request it. While it may act as a disincentive to new connections, we do not consider this approach fair, reasonable, or aligned with principles of cost-reflectivity.

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

   Yes, we consider there to be a regulatory gap in relation to gas disconnection and abolishment. Our detailed analysis of this issue is outlined in Section 2.2, where we highlight the lack of consistent rules and guidance governing disconnection processes, cost recovery, and service obligations. Addressing this gap is essential to support a fair and orderly transition away from gas, particularly as more customers seek to exit the network.

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

   Yes, we support the JEC proposal to introduce a formal framework for gas disconnection and abolishment within the NGR and NERR. This approach best aligns with the principles of equity, transparency, and long-term sustainability. Establishing a clear regulatory framework will help ensure consistent treatment of disconnection services across jurisdictions and provide clarity for both consumers and network operators.

   We also support the proposal for the AER to develop binding disconnection guidelines that clearly define the scope of works required for different types of disconnection and abolishment services. This will help standardise practices, reduce ambiguity, and support a fair and orderly transition as customers exit the gas network.

   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?

   To clarify, we propose to place an obligation "on providers of permanent disconnection services to *only* provide the minimum necessary service required to 'make safe' the former

connection[4]" and "to provide permanent disconnection services *limited* to the standard required to permanently and safely discontinues the supply of gas[5]".

The objective of our proposed duty is to ensure that providers only undertake – and therefore only charge for – the minimum works required for safety. As we note in Section 4.1 our rule change does not propose to introduce a new charge but to formalise and constrain existing arrangements by:

- Defining existing disconnection services within the rules to avoid ad hoc determinations; and
- Minimising the scope of works involved in disconnection, thereby reducing the associated costs.

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

Our understanding of the services required to provide a permanent disconnection to a minimum standard that safely discontinues the supply of gas is outlined in Section 4.2 of our rule change proposal[6].

Temporary disconnection:
Do you agree with the proposal to limit temporary disconnections?

Yes, we support the proposal to limit temporary disconnections. We consider the 12-month guardrail to be an appropriate measure to discourage connections from being left dormant as a substitute for permanent disconnection.

We also suggest the Commission considers how temporary disconnection arrangements could align and support other approaches to reducing the costs of disconnection, such as the approach contemplated by Evoenergy in ACT.

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?

Yes, we agree that meter removal and the removal of pipelines or other assets on a customer's property constitute remediation services that go beyond the minimum requirements for a 'make safe' permanent disconnection. These activities exceed the scope of safely discontinuing gas supply and should be treated as optional or additional services, with separate cost considerations.

Contestable provision of services:

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4 See JEC Gas Distribution Network Rule Change Request – Fit for purpose gas disconnection arrangements, pp. 10-11.
5 Ibid. p. 10.
6 Ibid. pp. 10-11.

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

Yes, we support the inclusion of explicit provisions in the rules to allow contestability for permanent disconnection and remediation services. Unwinding the current exclusivity held by network owners would introduce competitive pressure that could reduce costs and improve service efficiency.

Our rationale for supporting contestability is outlined in detail in Section 2.2, where we highlight the potential benefits for consumers and the broader energy transition.

9. **How should costs for disconnection/abolishment services be recovered? Do you agree with JEC's proposal to introduce cost reflective service charges?**

This question appears to be based on misunderstanding of the JEC proposal.

JEC is not proposing to introduce new cost-reflective disconnection charges. As the Commission notes on page 16 of the discussion paper, gas distributors already offer two types of disconnection services: temporary disconnection and permanent abolishment.

While we believe these existing charges often include more work than is necessary to safely discontinue supply, there is no evidence to suggest they are not broadly cost-reflective.

The JEC proposal instead seeks to:

- Define existing disconnection charges within the NGR, rather than allowing them to be set ad hoc in each gas pricing determination.
- Minimise the scope of works required for disconnection, thereby reducing the associated costs.
- Ensure cost recovery follows a beneficiary- or causer-pays principle, ideally with government support to fully subsidise disconnection costs for consumers exiting the network.

Would cost reflective charges significantly affect consumers' decisions to electrify their premises?

While cost-reflective disconnection charges may act as a disincentive, there is no evidence to suggest they deter consumers from electrifying their premises.

Experience over the past decade shows that consumers seeking to electrify have already encountered these charges. These costs are often unanticipated and generally unwelcome, but they have not been a decisive barrier to electrification. We are not aware of any evidence indicating that consumers have delayed or abandoned electrification plans due to disconnection costs alone.

That said, removing or offsetting these charges would clearly support a smoother and more equitable transition. For this reason, we encourage government support to fully subsidise gas

disconnection charges for consumers who choose to electrify (see Section 5.2 above for further detail).

Alternatively, would socialising abolishment charges significantly affect remaining gas consumers?

Yes, socialising abolishment charges would significantly affect remaining gas consumers, particularly over the medium to long term.

JEC has examined this issue closely, especially in light of the AER's recent decisions in NSW and Victoria, which responded to concerns from energy safety regulators about the use of temporary disconnections during electrification.

In practice, the AER's approach has resulted in a cross-subsidy where consumers requesting permanent disconnection pay only a portion of the actual cost, with the remainder absorbed by other gas users. For example, in NSW, customers pay a fixed fee of $250 – comparable to a temporary disconnection – toward the $1,200 cost Jemena recovers for each permanent disconnection. The remaining $950 is socialised through haulage tariffs and borne by the broader customer base.

While the immediate impact on gas bills may be modest due to the relatively low number of disconnections today, this burden will escalate rapidly as electrification accelerates and the customer base shrinks. In our view, shifting the cost of individual disconnection services onto households – many of whom may be experiencing financial hardship – is regressive, inequitable, and unnecessary.

Although the AER has acknowledged that its current approach is unsustainable, it has not proposed a long-term solution. Instead, it has deferred responsibility to governments, industry, and consumers. Moreover, the AER has not taken steps to minimise the scope of disconnection works to the minimum required to 'make safe' which further amplifies the cost burden on remaining customers.

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

Please refer to Appendix A of our rule change proposal[7] for a detailed outline of the consequential changes required to the NERR and NGR to give effect to this proposal.

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

We recommend that the proposed solution apply to both scheme and non-scheme pipelines, across all jurisdictions covered by the NERR, and be limited to retail customers. This scope ensures consistent treatment of disconnection and abolishment services while focusing on the customer segment most affected by the transition away from gas.

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7 Ibid. pp. 20-25.

For further detail, please refer to Appendix A of our rule change proposal.

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

We consider the JEC proposal to deliver clear net benefits to consumers and the energy system, and we respectfully challenge several assertions made by the Commission in the Paper.

First, regarding the claim that our proposal underestimates costs passed through to consumers. The Paper suggests that distributors may pass on additional 'costs' to consumers via retailers, implying that our assessment may underestimate the impact. However, this assertion appears unfounded. Under our proposal:

- Disconnection service costs are reduced by limiting works to the minimum required to 'make safe'.
- Network cost recovery is therefore lower, not higher.
- Consumers face lower charges.

There is no new inefficiency, no unrecovered cost, and no basis for suggesting that distributors would incur additional costs to pass through. We request that the Commission clarify the nature of the 'cost' it refers to and explain how it would be passed on to consumers under a framework that explicitly reduces service scope and cost.

Second, regarding the claim that AER guidelines would create new resourcing costs, we question the accuracy of this claim. Currently, the AER must assess disconnection charges individually for each gas distributor under the propose-respond model, involving repeated and resource-intensive processes across networks and regulatory periods.

By contrast, developing a single set of binding guidelines would:

- Standardise processes and reduce duplication.
- Create long-term efficiency gains by streamlining future determinations.
- Avoid repeated negotiation and assessment of bespoke disconnection charges.

Therefore, while there may be a modest upfront resourcing requirement, this would be offset over time by reduced regulatory burden and improved consistency.

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

Beyond those outlined in the Rule Change proposal and this submission, we highlight the following additional benefits:

Our approach could partially or fully address concerns raised by the Essential Services Commission Victoria (ESCV) as noted on page 17 of the Paper:

> The ESCV considers that longer-term reforms are likely needed to achieve better outcomes for customers, particularly if there are increasing numbers of customers

permanently abolishing their connections from gas networks. This includes potential legislative and regulatory reforms to facilitate customers disconnecting from gas networks safely and affordably.

With minor alteration to the definition of temporary disconnection to consider longer time frames in lieu of permanent disconnection – which may at some stage in the future involve retiring gas pipes at a street level – the JEC approach would align with proposals such as Evoenergy's, which supports extended periods between temporary and permanent disconnection (e.g., at the point of home sale).

We recommend the AEMC make minor changes to provide for complementarity with different jurisdictional arrangements such as that noted for Evoenergy above.

As previously noted, we anticipate resource efficiencies for the AER through the standardisation and formalisation of the process for determining disconnection charges.

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

We consider it reasonable for gas distributors to be required to include reference services and tariffs for disconnection and remediation in upcoming access arrangement proposals following the implementation of the rule. The scope of changes needed to give effect to the rule is modest, and as such, the proposed six-month timeframe for distributors to submit amended reference proposals is reasonable.

While these timeframes are intended to provide clarity and momentum, they may place pressure on regulatory and operational resources, particularly if multiple reforms are being implemented concurrently.

As such, the Commission may wish to consider whether additional support mechanisms or a phased implementation approach would be appropriate. This could include transitional provisions, staggered deadlines, or targeted guidance to assist stakeholders in navigating the changes efficiently and consistently. If such an approach is adopted, we recommend that it be no longer than 18 months.

14. Can the problem be solved in a different way?

The Commission references the AER's recent approach in Victoria and NSW determinations as a potential alternative to address the issues related to gas disconnection. While this approach may offer short-term administrative simplicity, we maintain that it does not represent a viable long-term solution.

In the introduction to this submission, we provide an updated problem definition along with a set of guiding principles and objectives that should underpin any effective reform. Based on this framework, we conclude that the most appropriate and enduring solution is to contemporise the NGR and NERR in a way that actively supports electrification and the energy transition. This includes:

- Clearly defining permanent and temporary disconnection and remediation services;
- Limiting the costs that gas networks can recover for disconnection to the minimum works required to safely disconnect a site;
- Avoiding unsustainable cross-subsidies from other energy users; and
- Supporting the potential contestability of disconnection services.

In parallel, governments have a critical role to play in supporting electrification by:

- Funding some or all permanent disconnection costs;
- Introducing contestability for disconnection services; and
- In the longer term, co-optimising network retirement with disconnection activity to ensure efficient and equitable outcomes.

While the AER's current approach may be benign in the short term, it ultimately perpetuates the underlying issues rather than resolving them. We agree with the AER's own assessment that their approach is not sustainable over the longer term and should not be relied upon as a substitute for meaningful reform.

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?

We consider the proposed assessment criteria to be broadly appropriate. However, we recommend that safety be treated as a distinct and standalone criterion, separate from security and reliability.

Safety is a materially relevant consideration in the context of this rule change and warrants specific attention. It should be clearly defined and explicitly analysed during the assessment process, given its direct implications for consumers, network operators, and the broader energy transition.

In contrast, reliability and security – while important in broader energy market contexts – are less central to the specific issues addressed by this proposal. The current criteria do not clearly articulate how reliability and security will be assessed, nor do they demonstrate their relevance to the matter at hand.

If the Commission considers these factors important enough to include, they should be presented as separate criteria, with a clear explanation of their scope and application in this context.

Appendix B: Cost responsibility and risk allocation across parties and network components

JEC adopts a beneficiary-pays approach, or a causer-pays approach where a clear beneficiary cannot be identified. In such cases, the "causer" is typically defined as the proponent of the activity. We support allocating risk to the party best placed to manage it. This distinction is critical, as the beneficiary is often not the best placed party to manage or carry the cost of risk.

The primary risk to address in the context of the gas transition is the potential for under-recovery of costs from the payer/s.

We consider there are five broad categories of parties who may bear cost and/or risk, with some relevant subcategories:

1. **The customer/consumer**
   This includes households or businesses directly supplied by the gas network. Within this group, we distinguish between:
   - Existing consumers, particularly in the context of disconnection or abolishment.
   - Future consumers, relevant to connection costs in new developments.

2. **All consumers on a given network**
   This group bears the burden of any socialised costs. It can be further broken down into:
   - Other consumers, excluding the individual customer initiating the change (e.g., those who should not pay for abolishment).
   - Existing consumers (e.g., those who should not pay for future network expansion investments).
   - Consumers of a particular type, such as residential, business, or commercial and industrial.
   - Consumers in a particular pricing zone, which can be complex.

3. **Developers**
   Where developers are the proponents of new gas connections but are not the end-use customers. While this group is currently relevant, it may become less significant as gas connections decline over time.

4. **Gas network shareholders**
   As buyers, proponents, and owners of the infrastructure, shareholders should bear some financial risk.

5. **Government (State or Commonwealth)**
   Government may bear cost responsibility, especially where policy mandates disconnection from the gas network. In such cases, it may be appropriate for government to provide financial support to affected consumers, recognising its role as the proponent of the transition.

The table on the following page applies these principles to various cost items relating to gas networks, which includes the cost of permanently disconnecting dedicated assets.

Asset / Service / Cost item	Beneficiary / Causer (proponent)	Who should pay	Who should carry risk of under-recovery
Cost of dedicated new connection	The consumer connecting	The consumer connecting	N/A – cost should be recovered up front
Cost of shared new pipes for developments	Developer (proponent) and future consumers (beneficiary)	Developer	N/A – cost should be recovered up front
Cost of shared new pipes for network expansion	Gas network business shareholders (proponents) and future consumers of that portion of network (beneficiaries)	Future customers of that portion of network (limited to the fair and efficient cost to serve them)	Shareholders
Cost of augmenting existing network for renewable gases.	Shareholders (proponent) Consumers remaining on the gas network approaching 2040/50 (as beneficiaries of longer use of the network asset than they would in absence of renewable gas)	All consumers (limited to the fair and efficient cost to serve them) and shareholders	Shareholders
Opex for existing network	All consumers	All consumers (limited to the fair and efficient cost to serve them)	Shareholders
Opex for future expanded network	Future consumers of that portion of network	Future customers of that portion of network	Shareholders
Recovery of existing RAB (and capital cost of maintaining existing network)	A mix of (1) all consumers (beneficiaries); (2) shareholders (proponents of historical expansion and beneficiaries through investment returns); and (3) state government (as proponent and seller of privatising gas networks and as proxy for society as beneficiary)	All consumers (limited to the fair and efficient cost required to serve them)	Shareholders and Government
Cost of permanently disconnecting dedicated assets (abolishment)	The customer disconnecting	Preferably government, otherwise the customer disconnecting	Government
Remediation costs of shared assets	N/A	Shareholders and/or Government	Government
Write-down of RAB (or other measure to shift transition cost from consumers)	All consumers Shareholders (when Government pays down portion of RAB not recoverable from consumers)	Shareholders and/or Government	N/A – realised risk
Lost future shareholder profit	N/A	Shareholders	N/A – realised risk