origin

17 July 2025

Mr Geoffrey Rutledge
Chief Executive Officer
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Mr Rutledge,

**AEMC Gas distribution networks: Connection and permanent abolishment charges**

Origin Energy (Origin) appreciates the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Gas distribution networks: Connection and permanent abolishment charges - Consultation paper.

We recognise that the transition to net zero has significant implications for gas distribution networks and customers. The associated reduction in gas usage and customers numbers as gas customers exit the market increases stranded asset risk. This raises issues for gas distribution network owners seeking to recover their capital investments and gas customers who are unable or unwilling to exit the network to pursue electrification options.

We consider that proposed up-front charges for new connections would effectively act as a de-facto ban on new connections. Given the uncertain policy environment and the potential for technological advancements in renewable gases we consider it important that we do not close-out future opportunities that may impact the future viability of gas networks. Accordingly, we consider that revising the current net present value (NPV) approach to determining connection contributions is appropriate. The approach would require no capital contribution from economic connections while introducing an element of up-front contribution for uneconomic connections. Importantly, it retains the flexibility to accommodate policy and technological changes.

We agree that the rules should be amended to clarify the distinction between temporary disconnections and permanent abolishments. Customers should have a clear understanding of the two services, the safety implications and associated obligations and costs. A review of safety obligations should be conducted to identify the least-cost, efficient permanent abolishment option for customers. We support the current charging approach for permanent abolishments. Partial up-front recovery with socialisation of the remaining cost retains affordability for vulnerable customers and reduces the risk to retailers associated with the recovery of permanent abolishment costs.

These issues are discussed in further detail below.

***Updating the framework for gas connections***

We are not convinced that growth in new customer connections is a material future consideration. Recent jurisdictional initiatives (including State and Local Council initiatives e.g. City of Sydney, Paramatta Council etc) seek to limit or ban new gas connections. These initiatives together with the growing attractiveness of electricity, (particularly when combined with solar) and the increasing per unit cost of gas as customers exit networks are likely to discourage new connections. Given these considerations, it is not clear that new customer connections will materially add to stranded asset risk.

Notwithstanding the above, the policy environment remains uncertain. For example, in response to customer complaints, the Victorian Government recently softened its gas policy allowing owner-occupiers to continue using gas heaters and confirming that businesses can keep gas running in existing commercial buildings.[1] Additionally, states such as South Australia have indicated that the future of their gas distribution network remains positive, including through the introduction of blended gas.[2]

[1] Victorian households won't have to replace gas appliances with electric under new plan by Jacinta Allan's cabinet
[2] See for example, A better blend: Hydrogen-blended gas reaches Australian-first benchmark | Premier of South Australia.

The Energy Consumers Association's proposal for up-front connection charges is potentially cost prohibitive for new customers and effectively represents a de-facto ban on new connections. In banning new connections, the rule change proposal does not allow for a change in circumstances e.g. policy changes/technological advancements in hydrogen/biomethane etc. In the current developing and uncertain policy environment it is important that we do not close-out future opportunities that may impact the future viability of gas networks.

We believe that the application of an up-front connection charge will limit the ability for gas networks to respond to changing circumstances and that a more balanced approach is warranted at this time. We consider that a revised NPV approach to determine new connection charges is appropriate. The revised NPV approach would involve updating usage and demand forecasts to reflect revised expectations of network (and asset) lives. Doing so would provide a more accurate reflection of expected revenue from new connections and whether it is sufficient to recoup initial connection costs. This would facilitate continued new connections that are economic, while introducing an element of up-front contribution for those connections that are uneconomic. We consider this represents a more informed approach to new connection costs/recovery while also allowing for changes in policy/technology.

***Establishing a regulatory framework for gas disconnections and permanent abolishment***

We agree that more clarity in relation to temporary disconnection and permanent abolishment services is required. The rules should make clear the distinction between these services, the activities involved, the procedure for each type of disconnection and who bears the cost. They should also clarify who is responsible for communicating with the customer and the form and content of those communications to ensure customers have a clear understanding of the service. Any framework should also ensure that customers are provided with easy-to-understand information about disconnections, the safety implications for each, customer obligations and the costs.

We also consider that a review of safety obligations and risk profiles is required with a view to identifying the need for temporary disconnections vs permanent abolishments and the potential for 'simple vs non-simple' permanent abolishments as proposed by the Justice and Equity Centre. We note recent work by Evoenergy in this regard and the proposal for basic vs complex permanent disconnections.[3] These initiatives should clarify requirements for temporary disconnections and permanent abolishments and identify the minimum works necessary to make safe the permanent abolishment. The aim should be to provide consumers with the least-cost, efficient permanent abolishment option to make their connection safe.

We do not support the proposed up-front recovery of the full cost of permanent abolishment. The application of up-front charging is likely to have unintended consequences for customers and retailers. Full cost recovery is expected to adversely impact vulnerable customers' ability to exit the network due to the prohibitive cost. It also has potential implications for recovery of these costs by retailers - once a customer exits the premises retailers no longer have customer details required to recoup these costs, increasing the potential for retailer bad debts.

We consider the current approach of partial up-front recovery and socialisation of remaining permanent abolishment costs remains appropriate. For example, as per the recent AER Jemena final decision, an up-front abolishment charge of $250 with the remaining charge socialised across existing customers and reconciliation via a true-up mechanism.[4] The approach retains affordability for vulnerable customers and reduces the risk to retailers associated with the recovery of permanent abolishment costs.

If you have any questions regarding this submission, please contact Gary Davies at gary.davies@originenergy.com.au.

Yours sincerely

Sean Greenup
Group Manager Regulatory Policy

[3] Evoenergy, Draft five-year gas plan – Access arrangement proposal 2026-31, March 2025, p.59.
[4] AER, Final decision - Jemena Gas Networks (NSW) access arrangement 2025 to 2030, May 2025, p.42.