

10 July 2025

Ms Anna Collyer,
Chair, Australian Energy Market Commission
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Sydney NSW 2000

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Dear Ms Collyer,

AusNet welcomes the opportunity to provide feedback on the AEMC's consultation paper on proposed changes to the connection and abolishment charges for gas distribution networks (**Reference GRC0085**).

We support the intent of the AEMC's focus on how the gas regulatory framework should seek to facilitate equitable outcomes for customers, while promoting ongoing efficient use and investment in gas infrastructure, safety and reliability of gas supply and emissions reduction.

AusNet is uniquely placed to give our perspective on the issues raised in the two rule change requests following the AER's gas access arrangement review (GAAR) decision in 2023 for Victorian distributors where the socialization of gas abolishment charges was first applied under the national energy framework. The subsequent review of the gas distribution code of practice (GDCoP) by the state's energy safety regulator (Energy Safe Victoria) has introduced upfront charging for new connections from 1 January 2025.

As the utilization of the gas network changes with the energy transition, the cost of operating and maintaining the gas network will be shared amongst a shrinking base of customers. Given this, we support the principle of causer pays to avoid inequitable costs on future consumers and reduce increasing the potential risk of stranded assets. Applying upfront charging for new connections and permanent abolishments will reduce the socialized cost burden on customers who remain on the gas network, by choice or circumstance.

We see value in a standardized set of principles in the gas rules regarding how temporary disconnections and permanent abolishments should be accomplished. Our focus for reform is safety, in line with our jurisdictional safety case. These standards require networks to act in the best interests of the community, customers and preservation of value of the asset. They also allow appropriate accreditation for performing work on the gas network. Introducing contestability for permanent abolishment will introduce administrative cost burden and potentially increase safety risks, without benefit for consumers.

We support the Commission bundling these rule change requests separately from the wider set of rule changes proposed by the JEC and ECA. Our attached submission focuses on the proposed rule changes in the current consultation paper, and we welcome the chance to discuss these further with the Commission.

Please do not hesitate to contact me at moyo.tian@ausnetservices.com.au with any questions.

Sincerely,



Moyo Tian
General Manager, Strategy & Regulation (Gas)
AusNet

Response to Consultation Paper Gas Distribution networks: Connection and permanent abolishment charges.

ECA rule change – Updating the regulatory framework for gas connections

Upfront charges for new gas connections

Regulatory gap

There is not the same regulatory gap in Victoria as in other states on connection charges, given AusNet and other distributors have been required (from 1 January 2025) under the Gas Distribution Code of Practice (GDCoP) to charge all new customers the full cost of their gas connection upfront.

Cost and Benefits

For Victorian networks, the ESCV claimed upfront charging would correct over-incentives in gas connection and align with other utilities where customers only pay those costs associated with their own connection. The ECA claims a more comprehensive representation of the cost will lead to more accurate and informed decision-making by customers.

We support the principle of "beneficiary-causer pays" as it will benefit customers by:

- Reducing the volume of potentially inefficient connections,
- Decreasing the risk of stranding assets by capturing costs upfront, in the context of declining demand
- Allocating the costs and risks to the appropriate parties delivers a more efficient economic solution than socialisation across a declining customer base.

We do not support adding an abolishment charge to the upfront connection charge. This would further increase the difference in charges between customers who have paid upfront for new connections (and abolishments) and those who did not contribute upfront, triggering high-cost administrative changes to differentiate haulage tariffs (see discussion below). Moreover, we support the causer-pays principle for all abolishments at the time of exit from the network, as discussed in the following section.

We also, for clarity, support extending a connection payment requirement to all customers, including commercial and industrial. This is consistent with the current Victorian framework where customers who were previously charged an upfront contribution under the NGR are now charged fully upfront under the GDCoP.

Implementation considerations

We encourage the AEMC to consider learnings from the implementation of upfront charging in Victoria, including:

- The timing of implementation must consider and specify both the timing of connection applications and completion of connection works;
- The calculation of connection charges should allow for average charges across customer classes;
- The impacts of upfront charging on the structure of haulage tariffs should be considered, but it may not be efficient to implement multiple structures across customers;
- Including costs of augmentation of the shared system should be considered to further decrease risk in the context of declining demand;
- The treatment of any net connections capex on the RAB should be specified, for clarity of regulatory reporting and tariff-setting.

These learnings address several of the concerns raised by ECA and the Commission in the development of the paper. We ask the Commission to note these parameters and the benefits of aligning a NEM-wide change with jurisdictional schemes where appropriate.

One of the most challenging implementation hurdles experienced in Victoria has been the lag between timing of applications and completion of connections. Implementation dates must consider the date of the connection application made by a customer to a retailer and the date of the final works. It has not been clear for customers in Victoria whether any connection applications completed before 1 January 2025, when upfront charging commenced, will continue to be charged under the previous framework regardless of when they are completed in the field.

The ECA identified options which involve the creation of a separate RAB to quarantine against accelerated depreciation or stranded asset recovery for new connections, or separate tariff classes for new customers. It is true that customers who pay upfront should pay separate haulage tariffs to best allocate costs. This was considered as part of the Victorian changes; however, it was not implemented due to administrative complexity, given it would trigger a duplication of our haulage tariff structure for any customers connecting after 1 January 2025. Particularly in Victoria where there are now regulations to fully restrict residential and commercial connections from 2027, this administrative cost on all customers does not deliver adequate benefit. However, in other jurisdictions there may be a benefit to separate haulage tariffs for customers who have paid for connections upfront.

We support the structure of the ESCV final decision which stipulates:

- Calculation of the connection charge should reflect the sum of the estimated direct costs for purchasing and installing dedicated facilities to a customer, and the cost of augmentation of the shared distribution system which may be required to support additional load of that customer.
- Networks are to calculate a standard basic charge of connection service, with all other connections quoted as individual services. This gives networks the flexibility to set other standard charges for different categories of customer and is fairer for small customers than calculating specific costs for each connection or setting an average cost.
- The capital cost of new connections cannot be added to the distributors RAB, with the intent to prohibit the recovery of new connections through network tariffs. While we agree with the principle that networks should not be allowed to over-recover for new connections through upfront charges and network tariffs through the RAB, it is not clear whether this condition applies to any net connections capex as a result of connections completed after 1 January 2025 charged under the previous framework, and any net capex as a result of charging average direct costs for basic connections. We encourage the AEMC to allow networks to add any residual net capex to the RAB to allow networks to recover these costs, if deemed efficient.

Alternative solutions

In the GDCoP decision the ESCV explored several alternatives to calculating an upfront charge which are captured in Box 4 of the paper, including shortening the period of analysis for the economic feasibility test.

Given the expected decline in residential and commercial gas usage, as forecast by AEMO and others, we now agree that alternatives to upfront charging through an NPV measure or revised economic test is no longer sufficiently robust for the current regulatory framework and that the 'causer pays' principle is the most efficient way to recover costs associated with each connection to the network going forward and reduce risk for the rest of our network's customer base.

JEC rule change – Establishing a regulatory framework for gas disconnections and permanent abolishments

Consistent regulatory framework for disconnection and abolishments

Disconnections and abolishments

In Victoria there have been recent efforts to clarify the framework for temporary disconnection and permanent abolishment. The GDCoP now provides VIC networks with clear definitions of each service, available on their website. We understand that the upcoming revision to the Retail Code of Conduct¹, may impose obligations on retailers to give sound and appropriate advice to customers based on these definitions and their intention to use gas in the future. We fully support the ESC to impose such obligations.

In other jurisdictions, distribution networks have voluntarily instigated clearer definitions in response to increasing numbers of disconnected but not abolished gas connections. Jurisdictional safety regulators in VIC and ACT are closely monitoring numbers of customers who have electrified their property but not fully abolished.

However, customer research undertaken by AusNet in early 2025 showed that many customers remain confused about the difference between a temporary disconnection, a permanent abolishment service, and any advice they may have been given by a retailer.

As such, we support the requirement for consistent definitions for the terms *temporary disconnection* and *permanent abolishment*. Customers, retailers, and networks will benefit from this clarity. However, these should be defined on an outcomes-based principle, rather than prescribing specific works to perform each. There is also no benefit in the AER, the economic regulator, developing a technical set of standards to enforce such principles.

Instead, each jurisdictional safety regulator should specify what constitutes safe works to achieve the outcome laid out in any rules specifying temporary disconnection and permanent abolishment. In Victoria, the safe operation of gas networks is governed by the intersection of:

- **Gas Safety Act 1997:** This Act provides the framework for the safe supply and use of gas in Victoria.
- **Gas Safety (Safety Case) Regulations 2018:** These regulations require gas companies to develop and implement safety cases that demonstrate their ability to manage safety risks
- **Energy Safe Victoria (ESV):** ESV is the regulatory body responsible for ensuring compliance with gas safety regulations. They oversee the safety and technical regulation of gas installations and pipelines

This framework gives a comprehensive set of standards for operation of the gas system which could be compromised by another set of regulatory requirements specific to these services.

¹ [Reviewing the Energy Retail Code of Practice | Essential Services Commission](#)

A principles-based approach would deliver clearer benefits at a NEM-level and avoid any clashes with the existing safety framework. The principles would identify the differences in outcomes whilst retaining flexibility for operator to respond case by case basis should it be required. These principles could be;

- founded in adhering to state-based safety requirements for the customer and the network.
- maintaining simple and straightforward approach to communicating the service; and
- keeping future risk to the network as low as reasonably practicable.

Temporary disconnection charge

We do not support a charge for allowing a temporary disconnection for 12 months given;

- Service charge for no service – this was challenged in NSW where if a connection was temporarily disconnected, then the standing charge was waived. This is despite the standing charge being required by distributors to maintain the connection in safe manner (maintenance and inspection). This fee could face the same challenge.
- NGR 508 says the retailer is not allowed to continue to charge customers if they did not have a retail account (under NERL and NERR) then neither is the distributor permitted to recover those charges from the retailer². In this instance it would be difficult for the distributor to charge a fee to a customer, where even the retailer does not have a relationship with the customer.
- Administratively complex – if there is no retail account, it is not clear who would pay the temporary fee. Although a connection would remain, networks do not have direct relationships to bill customers, or any of the supporting administration, in the absence of a retail Account. It is also not clear who is responsible for the 12-month follow up. The distributor would have to take on the risk if they are then required to perform an abolishment, due to non-renewal, leaving themselves open to potentially unfair disconnection claims and liability.

Whilst the jurisdictions who do not apply the NECF (NERR) will have different implementation issues to those who do (and may have other/similar consumer protections in place), the application of such a charge would have costs that currently outweigh any benefits.

Remediation services

The JEC proposal suggests that distributors charge for services that are beyond making safe a permanent abolishment, that meter removal should be optional, and that assets can be transferred to property owner. We do not agree that distributors, including AusNet, are overcharging for a safe, permanent abolishment service – remediation services are not separable from the rest of the works.

The AER reviews all distributors' services and approves prices as part of the gas access arrangement review (GAAR). Detailed cost build ups are provided and interrogated as part of this deliberation. The role of the AER should be kept to determining efficiency rather than the rules assuming a definition of services that is efficient.

The services JEC describes as remediation are integral parts of addressing the safety case for cessation of gas supply to a premises. Meter removal is a key step in making safe a permanent abolishment. Additionally, the presence of a meter at a property could indicate to an observer, new tenant, new landowner, that there is still a live gas service in place.

A gas meter remains property of the utility, as is the case for electricity and water, as it is part of the infrastructure asset base which provides the essential service. We are aware of instances where gas meters have been disconnected and left on sites only to then be removed in used elsewhere to extract gas from the network (gas theft). This is an unsafe and unlawful practice which adds to distributors UAFG costs, raising overall network costs.

Cost-reflective charges for customers requesting full abolishment service

In the most recent GAAR decisions in Victoria, the AER chose to cap and socialise abolishment costs, arguing that safety considerations were higher importance than direct recovery of costs for abolishment services. Energy Safe submitted their assessment that the cost of permanent abolishments raises the safety risk to the community as increasing number of customers were using temporary disconnections to avoid a higher fee.³

AusNet argued against this in our revised proposal to the AER - that the disincentive to fully abolish is not solely driven by cost to customer, it is also driven by customer choice. This choice was recognised by the VIC government during the consultation for its Rental RIS, and subsequent Building Electrification RIS, both which have carve-outs for residential cooking (in all instances) and support end of life replacement (EOL) for gas appliances⁴.

AusNet's operational data since the 2023 decision to cap the abolishment cost shows that there has been no discernible reduction in the trend of increasing long-dormant connections on our network (Chart 1). We also do not

² [NGR Part 21: Retail support obligations between distributors and retailers - AEMC Energy Rules](#)

³ Charge is escalated annually by CPI across the remaining years of the 2023–28 period. The difference between this charge and the actual cost of the abolishment, approximately ~\$700, is socialised across remaining gas customers through the tariff true-up mechanism established in the 2023 decision

⁴ [Securing gas supply for Victoria](#)

consider the capped charge has increased the number of permanent abolishments beyond the underlying trend of customers existing the network (Chart 2).

The AER's capped charge for abolishments and socialisation of remaining costs is inequitable as customers remaining on the network, through no fault of their own, are left paying for those who have left. As the AER noted in the 2023 decision, socialisation of costs is necessarily a temporary solution, and we encourage the Commission to recognise this in making a rule.

Chart 1 – AusNet dormant connections and abolishments by month (July 2022 to March 2025)

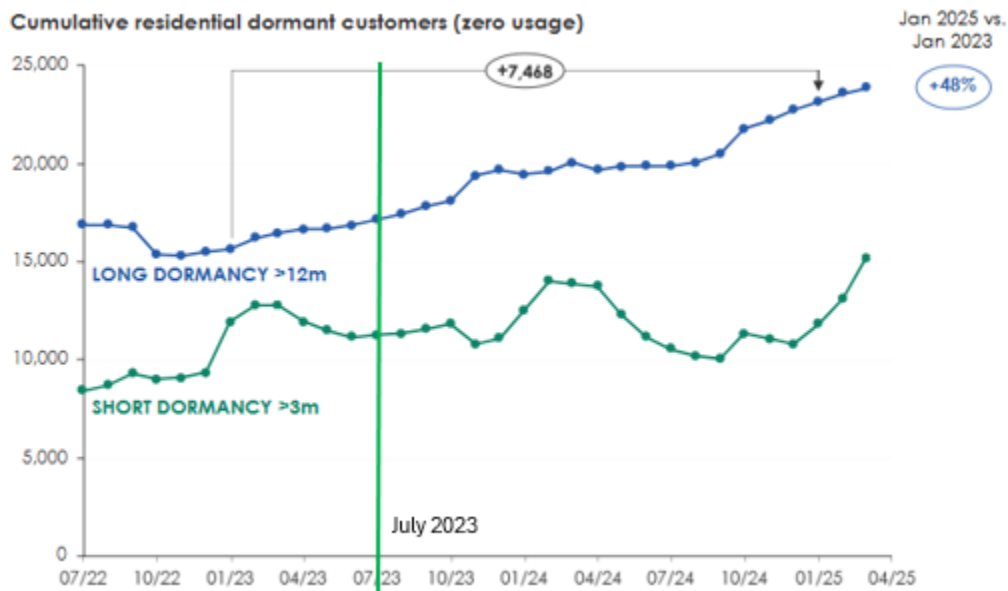
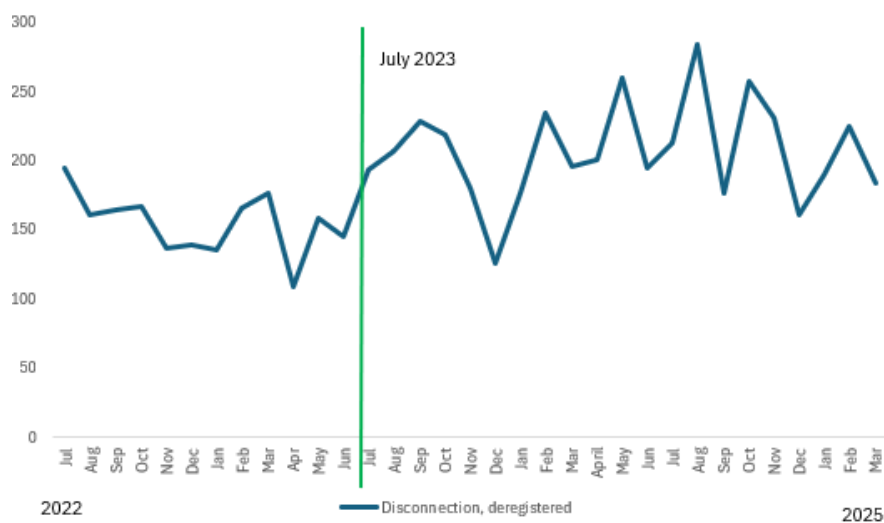


Chart 2 – AusNet permanent abolishments by month (July 2022 to March 2025)



Source: AusNet Quarterly Disconnection Reporting

Contestable services

Contestability of abolishments is unacceptable to our standards for safe work around our assets, and unnecessary given distributors are not overcharging for these services. Contestability is inherent within the regulatory framework enforced by the AER's review of recoverable revenue, which is designed to drive efficient outcomes for customers already.

Each network is subject to jurisdictional safety legislation and industry operability compliance. Under the Gas Safety Regulations (VIC) AusNet is required to define and enforce minimum competency standards for personnel working on our network. For other parties to work on AusNet's gas network infrastructure, there would need to be an accreditation and training process as our Gas Safety Gas mandates that only individuals with verified competencies perform such work, using materials approved by AusNet.

There is currently no applicable process in place to allow other providers to work on our assets.

If AusNet is to bear the safety risk and liability for all parties who perform work on the gas infrastructure, then it is unnecessary to create a contestable service which would then have overhead costs to ensure it complied with AusNet's internal and Australian Standards. This would not be in the best interest of consumers as these additional costs would need to be recouped through tariffs.