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Subject: Submission to the AEMC's rule change consultation – Establishing a regulatory framework for gas connections, disconnections and abolishments (Ref: GRC0085)

Dear Ms McCowan,

Jemena Gas Networks (NSW) Ltd (**JGN**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) consultation paper on the above rule changes proposals by Energy Consumers Australia (**ECA**) and the Justice and Equity Centre (**JEC**).

We broadly support the principle of user-pays, cost-reflective pricing put forward by both proponents—ECA's proposal on new connection charges and JEC's proposal on disconnection and abolishment services.

While we support cost-reflective charging for new gas connections, requiring individualised costing for each connection is not workable in practice. We recommend that the connection charges criteria in Part 12A be updated to allow the use of standardised charges based on reasonable averages across customer groups or connection types. A streamlined amendment to Part 12A with principles-based connection charges criteria would maintain consistency with the revenue and pricing principles in the National Gas Law (**NGL**), ensuring networks can recover efficient costs while ensuring flexibility and practical implementation in line with jurisdictional policy settings.

Similarly, we support the principle of causer-pays pricing for disconnections and abolishments, consistent with our long-standing position in Access Arrangement review processes. However, we do not consider there to be a gap in the regulatory framework. The existing economic regulatory framework already requires gas network operators to act prudently and efficiently in providing services under the National Gas Rules (**NGR**). This obligation applies regardless of whether disconnections and abolishments are explicitly referenced in the NGR. JEC's proposed amendments risk narrowing these obligations by overly focusing on minimising expenditure, potentially at the expense of broader objectives such as long-term efficiency, prudent investment, and delivery of safe, reliable services. The JEC's proposal also raises significant safety, liability, and implementation concerns. As currently drafted, it also lacks a viable cost-recovery framework.

We do not support the JEC's proposal as it poses material risks to customers and the broader community. Gas distribution safety is governed by state-based legislation, such as the *Gas Supply Act 1996* (NSW) and its supporting regulations, and informed by Australian Standards (e.g. AS 4645) and our Safety and Operating Plan. JEC's proposal, which would require the development of a binding AER Disconnection Guideline, risks conflicting with jurisdictional safety obligations and may force networks to choose between complying with state law or following the AER guidelines.

JEC's proposal to separate meter removal from the abolishment service risks misleading customers and creates serious safety risks. For JGN, the meter has always been, and continues to be, an indicator of a live gas connection. Leaving the meter in place where there is no longer gas on the premises is likely to create confusion.

Over time, meters on site will no longer be a reliable indicator of a live gas connection. This could result in customers unsafely removing meters when there is still gas on site.

The introduction of contestable abolishment service provision also raises serious concerns. JGN contractors currently operate under enforceable contracts with strict safety and insurance requirements. Allowing third parties to perform disconnections without adequate oversight raises questions about liability, remediation, and asset legacy management (e.g. responsibility for abandoned meters or pipes). Without significant reform to state-based safety laws, this approach is unworkable.

Given these risks, we urge the AEMC to adopt a principles-based framework focused on outcomes—safety, accountability, and cost reflectivity—rather than prescribing service methods or processes in the NGR. This approach will be more adaptable, avoid unintended consequences, and support a safer, more efficient energy transition.

We appreciate the AEMC's engagement with industry on these rule changes. Our submission outlines our detailed positions and alternative solutions where appropriate. Should you have any questions, please contact Ana Dijanosic, General Manager Regulation, at Ana.Dijanosic@jemena.com.au

Yours Sincerely,

Ana Dijanosic
General Manager Regulation, Jemena

Executive summary

Jemena Gas Networks (NSW) Ltd (**JGN**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) consultation on *Establishing a regulatory framework for gas connections, disconnections and abolishments* (Ref: GRC0085), and the rule change proposals submitted by Energy Consumers Australia (**ECA**) and the Justice and Equity Centre (**JEC**).

Our submission responds to each of the questions posed by the AEMC in its consultation paper.

ECA proposal – connection charges

JGN supports the ECA's intent to shift toward a cost-reflective, user-pays model for new gas connections.

However, the current proposal, requiring individual costings for each new connection, is not practically workable at scale. With tens of thousands of new connections continuing to occur each year on our NSW distribution network, this approach would be unnecessarily complex to administer and costly, with the administrative burden likely to outweigh any benefits of increased cost reflectivity.

The connection charges framework should provide flexibility for gas network operators to use standardised charges based on reasonable averages for different classes of connection services and/or customer types. This would allow for efficient, timely processing of high-volume routine connection applications. More complex connections could continue to be costed individually. This approach would reduce regulatory burden, support efficient decision-making and is consistent with how electricity networks under the National Electricity Rules (**NER**) establish connection charges.

Consistent with the revenue and pricing principles for scheme pipelines outlined in the National Gas Law (**NGL**), gas network operators should have a reasonable opportunity to recover at least the efficient costs incurred in providing services. This includes the ability to recover legitimate overheads, design work, taxes or internal labour, without the rules prescribing or limiting specific cost components. Overly prescriptive rules would constrain flexibility and undermine the efficiency of the proposed arrangements. The appropriate place to determine cost components of a new connection is through the model standing offer (**MSO**) process, which is subject to the Australian Energy Regulator's (**AER**) oversight and approval.

We also consider that creating a new section of the National Gas Rules (**NGR**) to govern non-retail users is unnecessary. Almost all of JGN's customers, including industrial users, are retail customers. The small number of self-contracting users, typically large sophisticated businesses, are capable of negotiating bespoke connection terms. Imposing standardised rules on this cohort would add regulatory complexity without improving consumer outcomes.

Accordingly, JGN suggests that the AEMC consider a simplified approach to amending Part 12A, which involves updating the connection charges criteria that would replace the current Rule 119M. These revised criteria would:

- ensure gas network operators are provided with a reasonable opportunity to recover efficient costs; and
- allow connection charges to be set either on the basis of a reasonable estimate of the cost of similar or typical works for a defined group of customers or connections, or on an individually estimated basis.

This approach would maintain alignment with the NGL's pricing principles while ensuring flexibility, efficiency, and practicality in implementation. It also supports the broader policy objective of ensuring gas distribution networks operate efficiently during the energy transition while protecting the long-term interest of consumers.

JEC proposal – disconnection and abolishment arrangements

We support a causer-pays, cost-reflective approach to disconnections and abolishments. This aligns with our long-standing position in our Access Arrangement reviews, where we have consistently supported a causer-pays, cost-reflective pricing for these services. In the current context, socialising abolishment costs is not appropriate – particularly as customers abolish for a variety of reasons, such as home renovations, knockdowns, or electrification. Those with the means to electrify or renovate should not shift costs onto customers who may not be in a position to do so.

However, we do not consider there to be a gap in the regulatory framework. The existing economic regulatory framework already requires gas network operators to act prudently and efficiently in providing services under the NGR. We also have serious concerns with most aspects of JEC's proposed rule change. As currently drafted, it poses material safety risks to customers and the broader community, and lacks a clear and workable cost-recovery mechanism. Significant operational, safety, liability, and implementation issues would need to be overcome to avoid unintended consequences for networks, customers and the broader energy system.

Gas distribution safety is governed by state-based legislative frameworks, such as the *Gas Supply Act 1996* (NSW) (**NSW Act**) and its regulations, and informed by Australian Standards (e.g. AS 4645) and JGN's Safety and Operating Plan. JGN has delivered safe and reliable disconnection and abolishment services for decades under these rigorous, technically robust frameworks, which are maintained and enforced by state-based safety regulators. Any new arrangements must be developed in close coordination with these bodies to ensure they do not inadvertently undermine safety outcomes for customers and the community.

Further, a binding AER Disconnection Guideline risks conflicting with state-specific safety obligations, especially if the guideline becomes outdated or misaligned with evolving state requirements. In the event of inconsistency, gas network operators may be forced to choose between complying with state law or following the AER guideline—an unacceptable risk for both compliance and safety.

The introduction of contestable abolishment service provision also raises serious concerns. Under the current model, authorised JGN contractors operate under our strict oversight, with specific safety, insurance, and performance obligations built into enforceable contractual arrangements. Allowing third parties to undertake abolishments without our (or other regulatory) oversight introduces unmanageable risks unless accompanied by effective mechanisms to apportion liability, manage incident response and major reforms to state-based safety laws. For example, if abolishment results in abandoned assets, such as meters or service pipes, it is unclear who should bear ongoing costs or liabilities. Should property owners be required to disclose these assets at the point of sale? Who is responsible for future maintenance or safety incidents related to these assets?

JEC's proposal to treat meter removal as a sperate service from abolishment also introduces material safety risks. Under the proposal, not all meters would be removed as part of an abolishment service. For JGN, the meter has always been, and continues to be, an indicator of a live gas connection. Leaving the meter in place where there is no longer gas on the premises is likely to create confusion. Over time, meters on site will no longer be a reliable indicator of a live gas connection. This could result in customers unsafely removing meters when there is still gas on site. Civil contractors (e.g. builders and excavators) may also misinterpret the presence of a meter as evidence that the site has been permanently abolished and proceed to dig without verifying the connection status—risking third-party strikes on live gas infrastructure. These assets may not be detectable or recorded through our standard asset location processes, further increasing the risk of harm.

There is also uncertainty around JEC's proposed process for temporary disconnections. If a customer does not respond to a notice to renew the temporary disconnection, the proposal would require the gas network operator to undertake permanent abolishment at the property owner's expense. It is unclear whether gas network operators can lawfully abolish a connection without their consent. For example, if a tenant fails to respond to temporary disconnection renewal notices, does this give the gas network operators the right to enter the property, carry out physical works, and bill the landlord? These questions raise serious legal and procedural concerns.

Given the risks and unresolved issues outlined above, we recommend the AEMC adopt a principles-based rather than prescriptive approach. A flexible framework—focused on outcomes such as safety, accountability, and cost-reflectivity—will be more robust, adaptable, and capable of managing the evolving nature of the energy industry. It will also help avoid the unintended consequences that can result from attempting to hardcode service provision and industry practices into rules.

1. Consultation questions and responses – ECA Connection charges

1.1 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?

We agree there is a strong case to reconsider the current approach to connection charges given the longer term projected decline in residential and commercial gas demand. We support the ECA's objective of adopting a more cost-reflective, user-pays model. However, implementation needs to be practical, prudent and efficient, so as to avoid the risk of additional regulatory complexity and administration costs undermining any potential benefits of the proposal.

The ECA proposed change states that connection charges should be the "*actual cost in full,*[1] *calculated individually for each customer*" which is sound in principle. However, individually costing every new connection would be administratively burdensome and challenging to implement in practice—by way of example, JGN received requests for approximately 24,000 connections in the most recent full regulatory year. A more workable approach would be to apply standardised charges based on connection type and/or other relevant classifications (e.g. metro vs. non metro, greenfield vs. built-up areas), with charges reflecting the average costs for each category. This approach maintains cost-reflectivity while supporting efficient administration.

Importantly, the current rules already provide the appropriate mechanism for AER oversight of connection charges through Part 12A of the NGR. The NGR should not prescribe specific services in detail or their cost components—this responsibility lies with the AER through its review and approval of the Access Arrangement proposals put forward by gas network operators. This established process is the right place to manage connection charges in a flexible and efficient manner while maintaining regulatory oversight and ensuring connection charges remain appropriate.

We note that JGN took steps in its updated MSO to reflect a more user-pays, cost-reflective approach compared to the MSO in place prior to 1 July 2025, such that:

- fewer customers now qualify for a free connection; and
- more customers are now required to make upfront capital contributions when connecting to the network. For example, all connections beyond the provision of only standard residential meter kits are now classified as negotiated connection offers, which may be subject to an upfront capital contribution.

The ECA's proposed rule change is unnecessarily complex, and we are concerned that introducing such complexity risks eroding the benefits of introducing more cost-reflective connection charges. A more targeted amendment to the connection charges criteria may be sufficient.

[1] "Actual cost" implies the cost incurred after the connection works are completed. While quoted estimates can be informed by typical costs, actual site conditions (e.g. unexpected obstructions, soil contamination) may increase the actual cost of the connection.

1.2 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?

We support a cost-reflective, user-pays approach. However, the proposal as currently drafted is not workable in practice – it is overly prescriptive and this agitates against efficiency.

More fundamentally, given the projected longer-term decline in gas connections, it is questionable why the ECA seeks to hardcode detailed connection provisions into the NGR at this time. In a transitioning energy market, overly prescriptive rules risk becoming obsolete or counterproductive as circumstances evolve. Rather than entrenching specific connection arrangements in the NGR, a more flexible approach through targeted amendments to the connection charges criteria, underpinned by a principle-based approach, would better accommodate the changing landscape whilst still achieving cost-reflective outcomes and accommodating jurisdictional differences.

1.3 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?

As a general principle, the application of direct price controls to non-scheme distribution pipelines may not be appropriate, as non-scheme pipelines are likely to be subject to competitive or other factors which constrain any exercise of market power by the pipeline such that the costs of direct price regulation are likely to outweigh the benefits of price regulation in promoting access to pipeline services.

Noting the issues and objectives identified by the rule change proposal, any rule should also make clear that it does not apply to any pipeline which is classified as a transmission pipeline, irrespective of whether that pipeline is a scheme or non-scheme pipeline.

b) All jurisdictions or only those in which the NERR applies?

When considering the issue of different jurisdictions, it is also relevant to consider the different policy approaches to gas generally in each jurisdiction, including its approach to the future of gas.

The proposed solution should be sufficiently flexible to be applied appropriately in each jurisdiction, having regard to jurisdictional policy around gas and its future role. For example, networks in different jurisdictions might be permitted to make different assumptions about asset life, where this is supported by gas policy in that jurisdiction.

c) Retail customers only, or also non-retail customers?

The proposed rule change *as it stands* should apply to neither retail nor non-retail customers. Any changes to Part 12A should apply only to retail customers connecting under Part 12A.

The proposed new Part 12B raises concerns about potential duplication or confusion with existing Part 12A. Most large commercial and industrial users are retail customers, and the current framework enables these large customers to negotiate connection charges with their retailers.

For JGN's cohort of around 14 non-retail customers (typically large industrial customers who self-contract), gas network operators should retain discretion to negotiate connection charges on a case-by-case basis, with the option to negotiate charges reflecting full cost recovery. These customers have the commercial capability and negotiating power to reach appropriate commercial arrangements without prescriptive regulatory intervention.

1.4 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?

Benefits

We support the objectives of the ECA's proposal in principle and agree that new gas connection charges should be cost-reflective. In the context of longer term declining demand for gas networks, this represents a prudent and forward-looking approach to managing connections capex in response to asset stranding risk by avoiding placing costs on those who might be less able to pay for it in the future.

Costs

However, we consider the ECA proposal to be overly prescriptive in its current form. Requiring individual costings for each new connection would involve significant IT system investment and material additional staffing costs. As the Victorian Essential Service Commission noted in its *Final Decision on the Gas Distribution System Code of Practice review* (page 25, emphasis added):

> *"We consider that requiring connection costs to be customer specific on every occasion may be impracticable given the number of new connections that may still happen in the coming years. It could also lead to unnecessary additional implementation costs, which could be passed on to customers.* ***In addition, calculating specific costs for every new connection could lead to inequitable results where customers with similar connections could be end up paying significantly different amounts (for example, depending on which side of the street their property is on)."***

Other implementation concerns include:

Redundancy of a new Part 12B. The creation of a new Part 12B in the NGR adds complexity and potential duplication, and does not result in any customer benefits. JGN has only a small number of non-retail, self-contracting users – sophisticated entities already capable of negotiating bespoke connection agreements. It is unclear why a new rule section is needed for this cohort of customers.

Cost recovery considerations. The proposed rule change as drafted does not fully address the financial considerations that affect a gas network operator's ability to recover costs. For example, the receipt of a capital contribution from a customer has tax implications and, unless the tax liability is recoverable, the gas network operator may not fully recover its efficient costs. Similarly, the rule change does not deal with the treatment of administrative costs or overheads. ECA's proposed scope of connection charges criteria (limited to connection assets and augmentation) is therefore too simplistic and narrow. Full cost recovery must account for administrative costs/overheads, tax and, for more complex jobs, design and planning costs. We note, for example, that the AER has previously allowed for the inclusion of net tax liabilities when calculating capital contributions for some types of electricity distribution network customers.[2]

In short, while we support the objective of full cost recovery, the current proposal risks not achieving this objective while also imposing disproportionate implementation costs and regulatory complexity. A more flexible, principles-based approach would better balance prudency, efficiency and cost-reflectivity.

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

To minimise costs and maximise the benefits of any rule change, the AEMC should focus on achieving the ECA's objective of cost-reflectivity through a prudent and efficient framework. In particular, we recommend:

[2] Australian Energy Regulator, Final Decision – AusNet Services Distribution Determination 2021-26, Attachment 18 – Connection policy, April 2021, section 18.5.1.

- **Making targeted changes to the Part 12A framework to clarify an objective of cost reflectivity.** The existing Part 12A framework should broadly be retained, but should include a flexible and principles-based approach to determining cost-reflective connection charges.
- **Allowing the use of standardised charges and average costs by a type, class or group of customers or connections, or any other grouping that is appropriate.** Requiring individualised costing for every new connection would be administratively burdensome and costly. A more efficient approach is to allow gas network operators to apply average or standardised charges by type, class or group. This would reduce processing time and lower administrative costs which would ultimately be borne by consumers.
- **Avoid creating a new Part 12B for non-retail customers.** Creating a separate rule framework for non-retail customers would add unnecessary complexity. These users represent a very small portion of the customer base (e.g. only around 14 in JGN's case) and are already capable of negotiating bespoke connection terms. Subjecting them to additional standardised rules would be redundant.

Please see our response to question 6 for an alternative solution to the ECA's proposed rule change.

1.5 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?

Would the proposed solution require additional guidance material from the AER?

The current drafting of the rules proposed by ECA suggests that every new connection must be individually costed. This would be inefficient, impractical, and of negligible value to customers. Implementing such a model would require significant system and resource changes to enable individualised cost tracking and pricing. A more workable and scalable implementation would be (see question 6):

- Using average charges for standard residential connections, based on typical connection types or customer groupings.
- Retaining flexibility for networks to apply individual quotes for non-standard or complex cases where appropriate.

Even quoting (as distinct from exact costing) introduces operational complexity. It would require manual processing or investment in automation—both of which carry commercial and system implications.

Another key implementation issue is the approach to cost recovery. The ECA's proposed drafting notes that there is a fixed set of cost components for connection charges—for example, mandating the inclusion of service pipes, mains extensions, metering, and augmentation costs. We do not support this approach. Hardcoding cost components into the NGR is overly prescriptive and reduces flexibility, and, as we have noted above, ECA's proposed drafting excludes various types of cost incurred by the gas network operator including administrative costs, overheads, tax and design or certification work which, if prudent and efficient, service providers must be provided an opportunity to recover.

A better solution would be to allow the cost recovery to be addressed through a more targeted amendment to the connection charges criteria in Part 12A of the NGR, which we propose in our response to question 6.

1.6 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?

Below, we set out an alternative approach that achieves ECA's intent while remaining practical and sufficiently flexible to respond to a changing energy market.

Use of standardised charges and average costs by connection type. The framework should allow gas network operators to calculate standard charges for different classes of connection services and/or customer types (e.g. residential, commercial, new homes), with flexibility to apply more granular groupings if needed). More complex connections could still be individually costed. Average costing based on connection type is more efficient, reduces processing times, and is less burdensome for both customers and distributors. This approach would also be broadly consistent with the way in which connection charges are determined by gas distribution networks in Victoria and with electricity distribution networks under the NER.

Cost recovery mechanisms need to be sufficiently flexible to recover all costs reasonably attributable to the connecting customer. Consistent with the intent of the revenue and pricing principles for scheme pipelines outlined in the NGL, a service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in providing services. Connection charges should include reasonable overheads—such as design work, taxes, or internal labour—without the rules mandating what specific components must or must not be included. As a general principle, overly prescriptive rules would undermine flexibility and efficiency of the proposed arrangements. The appropriate place to determine cost components of a new connection is through the MSO process, where proposals are reviewed and approved by the AER.

A new Part 12B is not needed for non-retail customers. Creating a new section of the NGR to govern non-retail users is unnecessary. The majority of our customers, including large industrials, are already retail customers. We have around 14 self-contracting users, all of which are large and sophisticated organisations with the commercial capability to negotiate bespoke connection terms. Subjecting them to standardised rules would be redundant.

We therefore suggest that the AEMC consider a simplified approach to amending Part 12A, which could potentially be achieved by including the principles outlined below in place of the current content of Rule 119M.

Alternative proposal – Rule 119M – Connection charges criteria

(1) Connection charges (or the method for calculating connection charges) for a particular connection service must be consistent with the following criteria (the **connection charges criteria**):

(a) a distributor must be provided with a reasonable opportunity to recover at least the efficient costs the distributor incurs or is likely to incur in providing connection services;

> (b) connection charges may be applied:
>
> (i) on the basis of a reasonable estimate of the costs of performing similar or typical works for a type, class or group of customer or connection; or
>
> (ii) on an individual quoted basis; and
>
> (c) in determining connection charges under paragraph (b) a distributor may have regard to:
>
> (i) recovering all costs reasonably attributable to a user from that user, to the extent that the recovery of such costs from the user is reasonably practicable and consistent with paragraph (ii) below; and
>
> (ii) the materiality of the connection charges and all fair and reasonable costs likely to be incurred in the determination and recovery of such connection charges.

We note that the inclusion of these principles in Part 12A would apply to retail customer connections only. Given retail customer connections comprise almost all of the new connections to distribution networks, we consider that a simplified, principle-based approach under Part 12A is sufficient in substantially addressing the objectives outlined by the rule change request, and we consider the introduction of a new Part 12B as proposed is likely to introduce significant regulatory complexity for minimal benefit. However, we remain open to exploring practical means of extending the application of the principles outlined above to non-retail customer connections on distribution pipelines.

We do not support the alternative option of including abolishment costs into connection charges. This approach would not address the issues highlighted in the rule change request at this time, given the complexities which would be involved in implementing this proposal. Abolishment costs vary significantly. There is no reliable way to track whether a customer has “prepaid” for this service. Forecasting and charging for a future abolishment event (possibly a decade or more away) is therefore not practical.

2. Consultation questions and responses – JEC disconnections and abolishments

2.1 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?

No, we do not consider there to be a regulatory gap in the NGR or NERR.

The existing economic regulatory framework already requires gas network operators to act prudently and efficiently in providing services under the NGR. This obligation applies regardless of whether disconnections and abolishments are explicitly referenced in the NGR. JEC's proposed amendments risk narrowing these obligations by overly focusing on minimising expenditure, potentially at the expense of broader objectives such as long-term efficiency, prudent investment, and delivery of safe, reliable services.

Importantly, in all jurisdictions the legal requirements governing the safe operation of gas distribution networks are set out in state-based legislative frameworks. In New South Wales, for example, the NSW Act is the primary instrument, with one of its stated objectives being "*to promote the safe use of gas*."[3] The NSW Act, along with the regulations made under it, set out the legal obligations for gas network operators to design, build, operate, maintain and decommission infrastructure in a safe manner. In particular, regulation 14 of the *Gas Supply (Safety and Network Management) Regulation 2022* (**NSW Safety Regulation**) requires a gas network operator to implement a safety and operating plan. JGN's Safety and Operating Plan forms part of the safety framework for gas supply in NSW. This legislative framework is further supported by Australian Standards, such as the AS 4645 suite of gas distribution standards, which are developed and maintained by technical experts across industry and government, including designers, operators, suppliers, and technical regulators.

In the context of an evolving energy sector, we consider that there is no demonstrable need for additional regulation in relation to the safe management of gas infrastructure, including in specifying the scope of works required for disconnection and abolishment services. On the contrary, introducing new regulatory requirements that are hardcoded in the NGR in this area risks duplicating or conflicting with existing obligations, increasing compliance uncertainty and potentially undermining safety outcomes. JGN has decades of experience in delivering safe, efficient disconnections and abolishments, developed under long-standing state jurisdictional safety frameworks and in accordance with good industry practice.

Safety and technical matters are comprehensively regulated by state legislative frameworks. We query whether it is appropriate for the AEMC and the primary economic regulatory regime to also regulate such matters. We further suggest that if it is appropriate, then such matters should be referred to the Energy and Climate Change Ministerial Council (**ECMC**).

2.2 Question 8: Do you agree with the JEC proposal to introduce a framework for disconnection/abolishment in the rules?

The JEC proposal contains a number of misconceptions around how gas disconnections and abolishments are managed. The box below contains a summary of some of these misconceptions. These issues are further discussed in the responses to Question 8 below.

[3] Section 3(1)(c) of the *Gas Supply Act 1996* (NSW).

Misconceptions about network disconnections and abolishments

- Jurisdictional responsibility for safety: Gas distribution safety is governed by state-based legislative frameworks. In NSW, for example, the NSW Act and the NSW Safety Regulation ensure the safe design, operation, maintenance and decommissioning of gas infrastructure. For our distribution network, this is underpinned by the JGN Safety and Operating Plan and Australian Standards like AS4645. Adding further regulation at the national level risks regulatory conflict, unclear accountability, and poorer safety outcomes.
- Management of temporary disconnections: The claim that temporarily disconnected sites are "not being maintained or monitored" is incorrect. JGN applies the same monitoring and maintenance standards to temporary disconnections as it does for active sites, including at least quarterly visits and standard leakage surveillance. Further, the statement around "risks associated with improper management of the gas supply leading to pressure issues in parts of the network" is not true. JGN actively manages network pressure across the entire network, even for sites that are temporarily disconnected. JGN has to monitor and manage pressure across the network to maintain safety and system integrity.
- Decommissioning: While electrification is expected to increase over time, state governments have not set consistent pathways or timelines for gas network decommissioning. The issue of mass disconnections or abolishments remains largely prospective, particularly in some jurisdictions. That does not mean reform is unnecessary, however, principles-based, less prescriptive and flexible framework changes at this point in time are likely to best allow gas network operators and customers to adapt as the transition evolves.
- Jurisdictional variation in abolishment practices and charges: Cost differences across jurisdictions reflect legitimate local factors, such as state-based safety, technical and environmental obligations, restoration requirements, traffic control, soil and rock conditions, construction materials, and the presence of complex or high-density sites. Noting these differences, the benefits of pursuing harmonised arrangements across multiple jurisdictions are unclear.

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?

No. We do not support JEC's proposal to introduce a disconnection and abolishment framework into the NGR and NERR.

As noted in our response to Question 7, we do not see any gaps in the current NGR or NERR that would justify the introduction of JEC's proposal. Safety and technical matters are regulated at the state level and may differ across the jurisdictions. These matters are best addressed locally and do not lend themselves to a uniform, centralised approach.

Any framework around disconnections and abolishments needs to be principles-based, and grounded in evidence and tested assumptions, to allow gas network operators and state-based safety and technical regulators the flexibility to adapt as market conditions, customer needs, and technologies evolve.

The JEC's proposed framework is overly prescriptive and contains several incorrect assumptions about network safety and operations, as well as drafting errors, which we outline in our subsequent responses.

We consider the proposed introduction and implementation of a new part in the NGR for disconnection of retail customers to be unnecessarily complex. Just as the NGR does not prescribe the precise scope of a haulage service—and instead sets out criteria for the AER to assess when specifying any particular service as a reference service—a disconnection and abolishment framework should avoid rigid definitions around specific services, and instead focus on clear principles to guide consistent and safe outcomes across diverse operating environments.

Do you agree with the proposal to define different services - temporary disconnection, permanent abolishment, remediation services - in the NGR and/or NERR?

We do not support including definitions of temporary disconnection, permanent abolishment, and remediation services in the NGR or NERR as proposed by JEC. The rationale for hardcoding these service definitions in the NGR or NERR is unclear.

If definitions are to be included, they must be meaningful and flexible enough to accommodate the wide variety of site conditions, customer types, and jurisdictional requirements across distribution networks. The proposed definitions do not meet those requirements. For example, defining a permanent disconnection as simply "*to permanently discontinue the supply of gas to a retail customer*" offers little clarity or practical value.

We also see no merit in introducing a new category of "*remediation services*." The only appropriate standard for an abolishment service is that it be safe, prudent, efficient, and effective. JEC's proposed terminology does not adequately reflect the responsibilities of the gas network operator, nor the importance of safety in carrying out these services.

There are already well-established standards and industry guidelines, such as those developed by Energy Networks Australia (**ENA**)[4] and Standards Australia,[5] that govern how abolishments and disconnections are safely performed. If the NGR or NERR are to define these services at all, it would be more appropriate to refer to the relevant technical and safety standards and frameworks and good industry practice, rather than hardcoding definitions in the NGR or NERR. This would help maintain consistency with state-based legislation and ensure operational practicality across jurisdictions.

Definitions, if they are to be included at all in the NGR or NERR, should not be prescriptive or procedural based. They should facilitate a shared understanding of the services without constraining gas network operators' ability to meet jurisdiction-specific technical, legal, and safety requirements. More detailed service descriptions are better developed through the Access Arrangement process, where they can be tailored to evolving safety standards and local conditions.

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?

No, we do not agree with the proposal for the AER to develop binding disconnection guidelines that define the technical scope of works.

The AER is primarily an economic regulator. We query whether it is the appropriate authority to determine technical or safety standards. That responsibility properly sits with state-based legislators and safety regulators who have the technical expertise to oversee such matters. These regulators are specifically resourced and qualified for this role.

As outlined above, existing state-based safety regimes, supported by Australian Standards, already provide the structural framework for managing disconnections and abolishments. In addition, ENA has published national guidance on disconnection and abolishment practices, *Abandonment of domestic and small commercial gas services and associated metering installation*,[6] which outlines technical approaches currently in use across the industry.

Assigning the AER a role in defining technical scope raises practical concerns and regulatory uncertainty. For example, if a state jurisdiction updates its safety requirements in a way that contradicts the AER's rule, which

[4] We note that ENA has released a guideline on disconnections and abolishments that provides a more realistic and technically grounded framework. This document outlines the types of disconnection and abolishment and the key operational and safety considerations. We encourage the AEMC to draw on this guideline in developing any definitions and to ensure any framework adopted retains flexibility for network operators to apply their professional judgement in accordance with specific jurisdictional safety requirements. Elements of this document are being considered to be included in the relevant Australian Standards. Energy Networks Australia. (2025). Abandonment of domestic and small commercial gas services and associated metering installation (ENA DOC 055-2025. energynetworks.com.au/resources/guidelines/gas-service-disconnection-guideline/.

[5] AS/NZS 4645 by Standards Australia.

[6] Energy Networks Australia. (2025). Abandonment of domestic and small commercial gas services and associated metering installation (ENA DOC 055-2025). energynetworks.com.au/resources/guidelines/gas-service-disconnection-guideline/

provision prevails? If the AER misinterprets or overreaches on a technical matter, would gas network operators be placed in the untenable position of choosing between which obligations they comply with?

Embedding technical requirements in a binding economic guideline risks regulatory conflict, misalignment with state jurisdictional obligations, and confusion for market participants. It would reduce, rather than enhance, regulatory certainty.

A more appropriate approach is to maintain the current delineation of responsibilities: state-based safety regulators should continue to oversee technical and safety matters, while the economic regulatory framework should focus on economic regulation, i.e. ensuring pricing for disconnection and abolishment services is efficient.

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?

No, not in the form proposed by JEC. The concept of a mandated "minimum make safe standard" in the NGR is fundamentally flawed, both in scope and substance.

First, the NGR is not the appropriate instrument to regulate safety outcomes. Safety obligations are the responsibility of state-based legislatures and their safety regulators. As explained above, imposing safety-related duties through the NGR would create regulatory uncertainty and risk undermining the role of the state jurisdictional bodies specifically established to oversee safety.

Second, gas network operators are already required to carry out their activities safely, prudently, and efficiently. And, for JGN, it is required under the NSW Safety Regulation to implement its Safety and Operating Plan including complying with industry standards. Abolishments of gas services have been undertaken by JGN for decades under such a framework. The methods used to manage disconnections, including permanent abolishments, are based on site-specific risk assessments and are tailored to environmental and operational considerations, consistent with accepted good industry practice.

In NSW, the NSW Act and the NSW Safety Regulation set out the legal obligations for gas network operators to manage and operate their infrastructure safely. Accordingly, gas network operators must retain responsibility for determining and applying the appropriate technical methods. These decisions should be informed by local conditions, asset configurations, and evolving safety standards—not constrained by a rigid, centrally defined national rule that may conflict with state jurisdictional safety requirements or improvements in best practice.

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

As outlined above, we do not support the concept of a prescriptive guideline attempting to define a "minimum make safe standard." The process of safely abolishing a gas connection is inherently site-specific and must be determined by the network operator based on a range of environmental, technical, and safety considerations.

The applicable standards—such as AS/NZS 4645.1 (Section 8)—already provide a comprehensive framework for the decommissioning and abandonment of gas mains and services. These standards have been developed by subject matter experts and reflect decades of operational experience and safety oversight. These standards adopt a 'performance-based' approach to technical operations such as abolishments and disconnections, underpinned by an industry-accepted Formal Safety Assessment (risk assessment). This risk-based framework enables gas network operators and safety regulators to implement safe and efficient decommissioning and abolishment services.

In practice, the method used to abolish a gas service will vary depending on multiple factors, including items such as:

- Customer type (e.g. industrial, commercial, high-rise, multi-dwelling)
- Meter location (internal or external)
- Service material (e.g. nylon, polyethylene, steel, cast iron)

- Street conditions (e.g. traffic volume, restoration and traffic management requirements)
- Site configuration and access.

For example, our approach differs depending on whether the customer is located in a high-density residential development, a commercial building, or standalone premises. These decisions are made with safety as the paramount consideration, but also reflect practical realities such as the material of the service pipe and the urban environment.

Other gas network operators may apply different methods tailored to their network architecture and jurisdictional requirements. For instance, in Victoria gas network operators have the legislative right to perform restoration works after an abolishment. In NSW, local councils are able to elect to perform these services themselves at JGN's cost, or to direct JGN to perform the works they consider necessary. This means that abolishments in NSW typically involve a two-stage process – a temporary restoration performed by JGN then a permanent restoration conducted by local council, often months after the abolishment. Ignoring these important jurisdictional differences, as well as other operational and local differences described above, with a view to implementing a national "minimum" service standard would be potentially unsafe and inconsistent with the way gas safety is managed throughout Australia.

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

We do not support JEC's proposal on temporary disconnections.

Under JEC's proposal, temporary disconnections would be limited to 12 months. If the temporary disconnection tariff is not paid within that period, the gas network operator would be required to issue a non-payment notice. If no response is received, the gas network operator would proceed to permanently abolish the gas connection, at the property owner's cost.

This raises serious legal, safety and practical concerns. It is unclear how a gas network operator could lawfully abolish a connection at someone's home at their expense without an explicit request or consent. For example, if a tenant fails to respond to the notice, does this give the gas network operator the right to enter the property, carry out physical works, and bill the landlord? There is no certainty that such action would be permissible under current legal frameworks relating to property rights or tenancy laws, or desirable where the tenant is on life support or otherwise experiencing vulnerability. Further, if the owner disputes liability—particularly in cases where they did not request the abolishment—there is a real risk of non-payment and increased bad debt costs, which would ultimately need to be borne by other users, despite there being no clear mechanism for doing so.

Further, JEC states that an abolishment service may involve "*where a path valve is not available, capping supply at the most accessible point of the customer service between the property boundary and the mains*". Based on this approach, the service line may be cut and capped at inappropriate locations, resulting in live gas pipes of varying length remaining in the ground. This creates a significant safety hazard, especially in public areas, because this may end up not being recorded in gas network operators' systems (which are used to provide asset location information to the public via services such as Before You Dig) nor detectable through standard asset location processes. These situations not only jeopardise public safety but also undermine distribution network integrity.

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?

No, we do not agree that meter removal and the removal of pipelines or other assets on a customer's property should be treated as separate remediation services beyond what is required to make a site safe.

The question of whether or not meters, service lines or other assets should be removed from the customer's property involves consideration of safety, technical and liability arrangements in each jurisdiction. Fundamentally, the responsibility for distribution network safety and integrity lies with the gas network operator, operating under

the oversight of state-based technical regulators. In NSW, these obligations are embodied in the NSW Act and the NSW Safety Regulation. Gas network operators must comply with their legal and safety obligations, including Australian Standards, and must retain the freedom to determine how best to meet these obligations. This includes the removal or secure decommissioning of assets such as meters and pipelines, which are fundamental to leaving a site safe. For JGN, these are not optional extras—they are integral to a proper, safe abolishment.

Treating meter removal as a standalone service risks misleading customers and creates safety concerns. Under JEC's proposed rule change, not all meters would be removed as part of an abolishment service. The meter has always been, and continues to be, an indicator of a live gas connection. Leaving the meter in place where there is no longer gas on the premises is likely to create confusion. Over time, meters on site will no longer be a reliable indicator of a live gas connection. This could result in customers unsafely removing meters when there is still gas on site. Civil contractors (e.g. builders and excavators) may also misinterpret the presence of a meter as evidence that the site has been permanently abolished and proceed to dig without verifying the connection status—risking third-party strikes on live gas infrastructure. These assets may not be detectable or recorded through our standard asset location processes, further increasing the risk of harm. For these reasons, remediation activities must remain within the scope of the gas network operator's responsibility and be treated as an essential part of a safe abolishment service.

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

Contestability arrangements already exist in the gas distribution market, and are shaped by jurisdiction-specific frameworks. We do not support introducing a new separate contestability framework, particularly where the costs and benefits of introducing a second framework have not been fully assessed.

Under current arrangements, these services are already delivered by contractors authorised by JGN. JGN contractors operate under our strict oversight through robust contractual arrangements that embed safety obligations, insurance requirements, technical training, performance monitoring, and auditing. This allows for efficient service delivery while ensuring JGN remains accountable for the safety, reliability, and integrity of the network.

Allowing third parties, over whom JGN has no oversight, to undertake these activities would introduce risks that cannot be effectively managed without significant changes to the state-based regulatory framework. As the party responsible for incident management, JGN also bears the consequences of safety failures. We manage this risk through strict governance, technical procedures, auditing, record keeping, and operational controls.

Where certain services are allowed to be contestable under a jurisdiction's regulatory framework, then it may be appropriate for the economic regulatory framework to accommodate these arrangements. However, questions of whether contestability of certain services is desirable requires careful consideration by state jurisdictional safety and technical regulators of the costs, risks and potential benefits prior to contestability being introduced.

Attempting to duplicate this level of oversight and liability management in another contestability framework would be inefficient and unworkable without major changes to state regulatory frameworks, including potentially the introduction of new regimes and frameworks for licensing, accreditation, training, compliance monitoring and other matters. It would likely require state safety regulators to take on the role of contract manager and accept associated liabilities—an approach we do not believe is feasible or desirable.

2.3 Question 9: How should costs for disconnection/abolishment services be recovered?

Do you agree with JEC's proposal to introduce cost reflective service charges?

We support the principle of cost-reflective charging for abolishment services. This was reflected in our proposal for our 2025–30 Access Arrangement review, as well as previous Access Arrangement periods, where we proposed cost-reflective charges for JGN's abolishment service. The customers that we consulted with in preparing our 2025-30 Access Arrangement revisions proposal also supported cost-reflective abolishment tariffs.

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

A customer's decision to electrify their premises is influenced by a range of factors, not solely the cost of gas abolishment. While abolishment charges may play a role, more significant considerations typically include the upfront cost of new electrical appliances and/or switchboards, potential remodelling or upgrades to the home, and potentially the installation of solar panels or battery systems.

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

Socialising abolishment charges would affect remaining gas consumers in that their gas network bills would be greater than had these charges not been socialised. Currently, the materiality of the impact of socialisation is small because abolishments remain scattered across our distribution network and we have not observed large-scale, widespread abolishments. In the longer term, however, the equity impact may be felt more if the volume of abolishments rises.

2.4 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?

We do not support JEC's proposal to introduce a disconnection and abolishment framework into the NGR and NERR.

2.5 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?

As noted above, JEC's proposal exposes gas network operators and their customers to many safety and liability risks and is unworkable in practice. If an alternative, principle-based approach to requiring cost-reflective disconnection service pricing was to be adopted, as a general principle we believe any such requirement in the NGR should apply only to scheme distribution networks, for the same reasons as those set out in our response to question 3.

Similarly to our commentary on the application of any proposed connections rule, any disconnections rule should make clear that it does not apply to any pipeline which is classified as a transmission pipeline, irrespective of whether that pipeline is a scheme or non-scheme pipeline.

b) All jurisdictions or only those in which the NERR applies?

JGN does not provide any comment on this question.

c) Retail customers only, or also non-retail customers?

The vast majority of JGN's customers are retail customers. Only around 14 users are self-contracting and do not go through a retailer. These non-retail customers are typically large, sophisticated organisations that negotiate directly with JGN under bespoke contractual arrangements. The current NGR and Access Arrangement framework already allow for full cost recovery from these customers.

For these users, an abolishment is likely to be a complex, highly tailored process requiring close coordination to ensure all safety standards are met. Imposing a one-size-fits-all solution—such as that proposed by JEC—would be inappropriate and potentially unworkable in these circumstances. Any final rules would have to be carefully considered before it is applied to non-retail customers.

2.6 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?

We broadly agree with the principle of a causer-pays approach for disconnections and abolishments. This principle aligns with our position in current and previous Access Arrangement reviews, where we have consistently supported causer-pays, cost-reflective pricing for these services.

In our response below, we outline the costs of JEC's proposal, focusing on implications for safety, operational liability and implementation.

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

Any new rules should avoid unintended negative consequences, particularly those that may compromise the safety of customers, the public and our employees and contractors. JGN has been carrying out disconnection and abolishment services for over a hundred years, under the oversight of technical regulators. This approach is designed to deliver on safe, efficient and prudent outcomes and is underpinned by state jurisdictional safety frameworks and Australian Standards developed by industry experts. This framework has been tested over time and refined to avoid unintended consequences. Introducing ill-considered rules or approaches will risk undermining these established, fit-for-purpose systems.

Further, one of the most critical shortcomings in JEC's proposal is the treatment of liability. The current framework appropriately balances responsibilities between gas network operators, customers, and third parties, based on control, authorisation, cost pass-through, and exposure to risk. JEC's proposal could introduce contestable providers operating outside of gas network operators' control and oversight, raising uncertainty around who bears legal and financial responsibility if something goes wrong, e.g. if damage occurs during an abolishment performed by a third party provider. Without any clear mechanisms to apportion and manage liability, this could lead to significant financial and legal uncertainty, claims and costly litigation.

There are also significant gaps in how costs and risks are allocated. JEC's proposal may not align with the beneficiary-pays principle. For instance, a renter may request a permanent abolishment and then vacate the property, leaving the landlord to bear the cost for a service they did not request. This scenario highlights a broader issue with asset ownership and liability—particularly if meters or service pipes are left in place. In such cases, the property owner or even future buyers may unknowingly inherit abandoned assets and associated responsibilities. Addressing this risk may require complementary reforms to land sale or property disclosure laws.

Given these issues, we recommend the AEMC pursue a principles-based framework rather than a prescriptive, rules-based one. A flexible, general approach would:

- allow gas network operators to adapt to future developments in disconnection and abolishment practices;
- ensure safety, cost allocation, and consumer protections are maintained without locking in rigid processes;
- avoid unintended consequences from trying to regulate every possible scenario; and
- support innovation and efficiency as the energy transition evolves.

A principles-based framework, focused on outcomes such as safety, fairness, accountability, and cost-reflectivity, would offer a more durable and practical path forward.

2.7 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?

We do not support implementation of the JEC proposal in its current form, with or without amendments. The proposal is not only impractical to implement, but also incompatible with the realities of current access arrangement timelines, regulatory and safety responsibilities, and state-based legislative frameworks.

The box below provides further detail on the implementation challenges, should the JEC proposal go ahead.

Summary of implementation considerations for JEC's proposal

Safety and regulatory overlap. Distribution network safety is governed by state-based legislative frameworks. In NSW, this is established under the NSW Act and the NSW Regulation, which are underpinned by JGN's Safety and Operating Plan and Australian Standards such as AS 4645. These standards are maintained by technical experts across the sector, including gas network operators and technical regulators.

Introducing a binding AER disconnection guideline risks conflicting with these jurisdiction-specific safety obligations, particularly if the AER guideline becomes outdated or misaligned with evolving state-based requirements. There is a risk that gas network operators could be forced to choose between state-based safety laws or the AER guideline, should they conflict.

Jurisdictional variation. Approaches to delivering abolishment services vary across states. For instance, in NSW, local councils generally perform remediation works following an abolishment and charge the gas network operator—an arrangement that is not necessarily replicated elsewhere. Hardcoding service definitions in the NGR risks undermining these jurisdictional arrangements and creating implementation uncertainty. A one-size-fits-all rule could disrupt existing local processes, confuse roles and responsibilities, and delay abolishments.

Contestability without proper oversight. Introducing an additional contestability framework without appropriate liability and oversight frameworks raises some key implementation questions:

- Who bears responsibility if a third-party provider causes damage or leaves live assets in the ground?
- What happens if a third-party provider goes out of business?
- Who is responsible for long-term risks, such as gas leaks from abandoned assets?
- Who has oversight of third-party providers including managing their authorisations and certifications to work in a hazardous atmosphere?

To manage these risks, contestable providers would likely need to indemnify gas network operators for any damage to distribution network assets and in respect to other third-party claims. However, this could increase the cost of third-party services and create barriers to entry. Physical disconnection also requires coordination with the gas network operator to safely isolate gas flow, making full contestability impractical without significant changes to state-based frameworks, distribution network processes, and training programs.

Infrastructure and asset ownership. Further, if abolishment results in abandoned assets such as meters, it is unclear who should bear future costs or liabilities—whether the renter who requested disconnection, the property owner, or future buyers. This raises important implementation questions:

- Should property owners be required to disclose the presence of gas assets at the point of sale?
- Should vendors or customers requesting disconnection bear future liability?
- What entity is responsible for maintenance, leak response, or asset removal in future years?

These issues extend beyond economic regulation and will likely require input from state government energy departments and technical and safety regulators, as well as the ECMC, and potentially land/planning and consumer law bodies.

Unresolved liability and enforcement issues. Under JEC's proposal for temporary disconnections, several scenarios could arise that highlight fundamental gaps in the proposed framework. For instance, if a tenant requests a permanent abolishment but the landlord receives the bill, this could trigger disputes, unpaid charges, and protracted litigation. Existing property and tenancy laws may not be adequately equipped to handle this shift in liability, potentially necessitating legislative updates across multiple jurisdictions.

The situation is further complicated by the fact that gas network operators typically have no direct contractual relationship with property owners and may need to rely on administratively burdensome and potentially unreliable processes such as land title searches to identify the appropriate party to bill. These poorly defined customer relationships could render the proposed framework difficult to enforce and vulnerable to legal challenge.

Additionally, JEC's proposal that meters or service pipes become "abandoned" assets with ownership transferring to property owners creates another layer of complexity. Future property purchasers may unknowingly inherit these abandoned assets along with associated safety responsibilities and potential liabilities. Addressing this risk may require comprehensive reforms to sale of land disclosure laws, conveyancing practices, and potentially building inspection

> requirements to ensure prospective buyers are adequately informed of any abandoned gas infrastructure on the property.

Rather than attempting to implement a rigid and prescriptive rule change, we urge the AEMC to pursue a principles-based framework. This would allow gas network operators to adapt disconnection and abolishment services within their own Access Arrangement proposals and safety and operating plans, in a way that reflects jurisdictional-specific safety obligations, customer needs, and an evolving energy sector.

2.8 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?

Instead of the prescriptive approach proposed by JEC, there may be merit in considering whether the NGR should instead specify principles for how prices for disconnection services—which we note are generally subject to AER control via the Access Arrangement process for scheme pipelines—should be set, for example:

(a) *Prices for services relating to disconnection from the network (or the method for calculating such prices) must be consistent with the following criteria:*

(i) *a distributor must be provided with a reasonable opportunity to recover at least the efficient costs the distributor incurs or is likely to incur in providing disconnection services;*

(ii) *prices for disconnection services may be set:*

A. *on the basis of a reasonable estimate of the costs of performing similar or typical works for a type, class or group of customer; or*

B. *on an individual quoted basis; and*

(iii) *in determining prices for disconnection services under paragraph (ii), a distributor may have regard to:*

A. *recovering all costs reasonably attributable to a user from that user, to the extent that the recovery of such costs from the user is reasonably practicable and consistent with paragraph [B] below; and*

B. *the materiality of the prices for disconnection services and all fair and reasonable costs likely to be incurred in the determination and recovery of such prices.*

3. Consultation question and response – Assessment framework

3.1 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?

We broadly support the assessment criteria proposed by the AEMC, particularly the inclusion of "Safety, security and reliability," which is paramount given the significant safety implications associated with disconnection and abolishment services.

However, we consider that the framework would benefit from several refinements to ensure it is both effective and practical, and to reduce the risk that complex or inflexible regulatory approaches could erode any benefits of cost-reflective pricing.

We suggest that the following criteria should be considered by the AEMC:

Avoidance of prescriptive rules that undermine flexibility and cost-efficiency. Rules that are overly prescriptive risk locking in inefficiencies and limiting the ability of gas network operators to respond to the evolving energy sector. The framework must allow gas network operators to adopt approaches that reflect their specific safety and technical obligations under the relevant state-based legislative framework. The AEMC's assessment should explicitly consider the administrative costs to gas network operators and any other market participant associated with a proposed rule (for example, the costs associated with determining cost-reflective prices), and the likelihood that such costs may undermine the potential benefits of the rule.

Expand the "Good regulatory practice" criteria to include consideration of legal and jurisdictional boundaries and frameworks, and of not creating uncertainty in jurisdictional regulatory frameworks. The criteria "Principles of good regulatory practice" should explicitly acknowledge existing regulatory frameworks and legislative intent within each participating jurisdiction. Any rule must be flexible enough to deal with differences between jurisdictional regulatory frameworks, including those that may evolve over time as jurisdictional frameworks change. The AEMC's assessment framework should also clearly identify the need for any rule to avoid overlap with or duplication of jurisdictional regulatory frameworks, as doing so would create regulatory uncertainty for market participants and jurisdictional regulators.