

Draft rule determination

Establishing a regulatory framework for retail customer initiated gas abolishment

Proponent

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

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Summary

- 1 The Australian Energy Market Commission (AEMC or Commission) has decided to make a more preferable draft gas rule and a more preferable draft retail rule (draft rules) in response to the rule change request submitted on 9 May 2025 by the Justice and Equity Centre (JEC) seeking to amend the National Gas Rules (NGR) and the National Energy Retail Rules (NERR) to create a new regulatory framework for gas disconnections and abolishment. JEC considers that the lack of a framework in the NGR and NERR is resulting in uncertainty and inconsistency in regulatory decisions and raising issues of inequitable cost sharing.¹
- 2 Australia is transitioning from a predominantly fossil-fuelled energy system to one powered by renewable energy. This has implications for the use of natural gas over time, including for the infrastructure that delivers gas to homes and businesses across the country, as customers choose to electrify.
- 3 The number of residential and small commercial gas users who electrify, replacing gas appliances with electric appliances, is expected to increase as the energy transition progresses. In some jurisdictions, government policies are driving the electrification trend. In other jurisdictions, consumers are leading the electrification trend as they seek to maximise the value of their consumer energy resources, such as rooftop solar and batteries. The Australian Energy Market Operator's (AEMO) latest Gas Statement of Opportunities (GSOO) is one source that provides some insight into the projected impact that electrification and other factors are expected to have on residential and commercial demand in gas networks over the next 10-20 years. The East Coast GSOO projects that distribution-connected residential and commercial demand will fall by around 70% over the next 20 years, with a 30% reduction projected in the next 10 years.²
- 4 As demand from residential and small commercial customers declines, and these customers leave gas distribution networks, the costs of operating and maintaining the network will be shared among a declining customer base. The rate and timeframes for decline are uncertain, given there are different jurisdictional positions on gas, however, declining demand will have significant impacts on the prices payable by remaining customers. This may, in turn, further accelerate the decline in demand as customers who can electrify opt to do so sooner than they previously would.
- 5 Our draft rules would address the gaps in the NGR and NERR that mean there is currently no regulatory certainty or guidance for gas distribution network operators (distributors), and the Australian Energy Regulator (AER) as to how abolishment services requested by customers should, or will be regulated. This includes what types of services are provided, the differences between these services and how the costs of these services are recovered. The lack of clear and accessible information that results from this regulatory gap can lead to customer confusion. The draft rules would promote the national gas objective (NGO) and national energy retail objective (NERO) and improve outcomes for gas customers by introducing:
 - **A new framework for retail customer initiated abolishment services** in the NGR. This is intended to facilitate access to the abolishment services provided by relevant distributors on fair and reasonable terms and conditions, and for the costs of these services to be paid for by those who use them.

1 JEC, Rule change request, p.1.

2 AEMO, [Gas Statement of Opportunities](#), March 2025, p. 23. These projections are based on AEMO's Step Change Scenario, which forecasts that residential and small commercial demand will fall from 169 PJ in 2024 to 116 PJ in 2034 and down to 51 PJ in 2044.

- **New information provision requirements** in the NGR and NERR. These are intended to support more informed and efficient decision-making by retail customers that are considering ceasing to use gas.

- 6 We have carefully assessed the draft rules against our statutory objectives, leading us to make more preferable rules in several areas. We have sought to balance outcomes for customers, efficiency, good regulatory practice, safety and emissions reduction to deliver outcomes that best serve gas consumers in the long term.
- 7 The Commission's analysis of the issues raised in JEC's rule change request also identified issues that extend beyond the national energy framework. The draft rules would only address some of the issues, and we recommend that jurisdictions consider whether actions are required under their various frameworks to address other issues raised in this draft determination.
- 8 We are seeking feedback on our draft determination and rules by **11 December 2025**.

There are gaps in the national regulatory framework relating to gas abolishment

- 9 The NGR was created with the expectation of ongoing growth in gas demand. However, this expectation has been challenged by electrification policies in some jurisdictions and the projected continued decline in average demand for gas from residential and small commercial customers. Therefore, the regulatory framework needs to be able to adapt, should customer demand for disconnection and abolishment services increase.
- 10 We consider that the gaps in the current national regulatory approach to gas abolishment that are resulting in a lack of clarity for customers, distributors and the AER.
- 11 Currently, the NGR is silent on gas abolishment. Distributors and the AER deal with gas abolishment in access arrangements for pipeline services and distributors have proposed basic abolishment services as ancillary reference services for AER approval. However, more complex abolishment services are not included. The Commission is of the view that this approach is not fit for purpose going forward for the following reasons:
- **A lack of customer protections for non-basic abolishment services:** As there are differences in the nature of abolishment services, the narrowly defined reference service of a basic abolishment may only be applicable for a subset of retail customers. This means the current approach results in other retail customers having to procure a non-reference service that is not subject to the same regulatory oversight.
 - **Inefficient cost recovery from remaining gas customers:** The AER has discretion as to how the costs of reference services are recovered. In some recent access arrangement decisions, the AER has required customers who are abolishing their connection to pay a tariff closer to the tariff for disconnections to address the concerns of some jurisdictional safety regulators.³ The difference between the two charges is recovered from remaining network users, i.e. socialised.
- 12 The AER has acknowledged that the approach to socialise a portion of the abolishment costs, where a customer chooses to abolish their connection, would be unsustainable in the future as the number of customers leaving the gas network and abolishing their connections increases. Without change to the regulatory framework, the costs of abolishment, in addition to the costs of operating and maintaining the network, would be shared among a declining customer base. This would have

³ [AER - Draft decisions - Jemena Gas Networks \(NSW\) access arrangement 2025 to 2030, p.32](#); [AER Final decision - AusNet Gas Services - Gas distribution access arrangement 1 July 2023 - 30 June 2028, p.7](#).

significant cost impacts on remaining customers. Throughout this transition to a net zero system, we consider it is important that the regulatory framework promotes efficient ongoing investment to ensure the safe and reliable operation of gas network infrastructure whilst also supporting equitable outcomes for consumers.

- 13 We have also found that customers leaving the gas network lack clear information on the choices available to them and appropriate customer protections if they seek to abolish their gas connection/s. These gaps should be addressed to ensure informed and efficient consumer decisions.
- 14 While there is some uncertainty surrounding the future path for some gas distribution networks in a net zero energy system, it is clear that the lack of a framework for gas abolishment services and information provisions is not in the long term interests of consumers. This lack of clarity is unlikely to contribute to the achievement of the NGO and NERO.

Our draft rule would improve clarity and regulatory certainty regarding gas abolishment services and require customers to pay a cost reflective abolishment charge

- 15 Our draft rule would introduce a new framework for customer-initiated abolishment services in the NGR. This would address gaps in the regulatory framework that are leading to a lack of clarity around the types of services available to customers who are seeking to stop using gas, what the implications of those services are, and how the costs of these services should be determined and recovered. It would facilitate retail customer access to these services on fair and reasonable terms and conditions by:
 - introducing outcomes-based definitions to clarify which services can be provided and what they are
 - ensuring that the customer choosing to abolish pays the prudent and efficient costs of the abolishment
 - ensuring that all customers seeking abolishment services, including negotiated services, are covered by the new framework
 - accommodating the contestability of abolishment services, where permitted by the relevant jurisdiction.
- 16 This framework is modelled on Part 12A of the NGR, which covers gas connections for retail customers. Disconnection services will continue to be treated as ancillary reference services for AER approval in access arrangements.⁴
- 17 The definitions in our draft gas rule are outcomes focused. This means they would not prescribe how a disconnection or abolishment is to be carried out, but rather the outcome. This would provide flexibility to accommodate differences in site-specific requirements, jurisdictional safety regulations and other technical requirements. The definitions in the draft rule include:
 - **disconnection** means the closing of a connection at a retail customer's premises to prevent the flow of gas to the premises, that does not involve removal of the connection, such that the flow of gas can be re-established without the need to establish a new connection
 - **disconnection service** means a service for the disconnection of premises at the request of the retail customer at the premises

⁴ The access arrangement sets out the terms and conditions on which the service provider will grant access to its distribution system. Access arrangements are revised on five year periods by the AER.

- **abolishment service** means a service for the removal of a connection such that gas supply cannot flow to the premises without a new connection being established.

18 The abolishment framework would provide clarity and consumer protections for the provision of abolishment services, including rules governing how a distributor must determine the charges for these services. The key features of the abolishment framework include:

- an obligation on each distributor to develop a model standing offer for a basic abolishment service and to have it approved by the AER
- a requirement for all abolishment services (basic, standard or negotiated) to comply with the abolishment charging criteria, which clarify and constrain what distributors can include in abolishment charges
- a negotiation framework that is designed to support balanced negotiations between distributors and retail customers
- a simple and accessible dispute resolution mechanism overseen by the AER.

19 A key outcome of the draft rule would be that relevant distributors be required to charge retail customers an upfront cost reflective charge for a customer initiated abolishment. This would be given effect in the draft rule through the principles-based charging criteria. These criteria would allow relevant distributors to recover the prudent and efficient, directly attributable cost of providing the abolishment service.

20 This would replace the current approach, where the AER has some discretion when determining how to allocate costs for abolishment services and how to set reference tariffs.

21 It is the Commission's view that assessment of safety of disconnection and abolishment services is the responsibility of the relevant jurisdictional safety regulators and distributors are responsible for implementing any requirements to maintain the safety of their networks. Any broader policy relating to electrification that impacts abolishment rates, such as developing plans for decommissioning, is within the remit of jurisdictional governments.

22 The draft rule introduces a requirement for cost reflective charges, which would provide efficient price signals to retail customers who are considering abolishing their gas connection. The Commission considers this is the most sustainable cost recovery solution as it ensures remaining gas customers do not have to pay for the abolishment costs of others through higher network tariffs. Those customers that remain connected are also likely to comprise consumers who face barriers to switch away from gas. Requiring these customers to cross subsidise abolishing customers is likely to give rise to inequities.

23 The draft rule would apply to distributors that operate:

- scheme distribution networks in all jurisdictions except Western Australia
- non-scheme distribution networks, if a jurisdiction makes a regulation under the NGL to nominate that the new Part 13 of the NGR applies to the distributor for that pipeline.

24 While there would be some additional compliance costs for distributors and the AER to implement this new framework, these should not be significant as it replicates the connections framework which most distributors and the AER are already familiar with. The Commission is of the view that the benefits of regulatory clarity and consumer protections provided by the proposed framework outweigh the potential costs.

The draft rules would provide customers clarity on both disconnection and abolishment services through new information requirements in the NGR and NERR

- 25 The draft rules would introduce new information requirements in the NGR and NERR to support more informed decision-making by retail customers who are considering ceasing to use gas. Alongside the introduction of definitions, these new requirements would address the information deficiencies contributing to the confusion retail customers are facing on the options available to them if they choose to stop using gas at their premises. This confusion may be leading to ill-informed or inefficient decisions.
- 26 The draft retail rule would require a retailer to provide general information about the availability of different services and the differences between them if a customer is seeking to terminate its retail contract or otherwise enquiring about disconnection or abolishment services. For example, the retailer would be required to inform the customer about the differences between an abolishment and a disconnection. This would include whether there will still be gas within the boundary of the customer's premises, after completion of the service, and the work that would be required if a customer wanted to re-establish the supply of gas. The customer would be referred to the relevant distributor for more complex information.
- 27 The new information provisions in the NERR would apply to retailers and relevant distributors that are operating in jurisdictions that have adopted the National Energy Customer Framework (NECF) for gas and are subject to the NERR.⁵ It would be open to non-NECF jurisdictions to amend their retail codes to provide for similar disclosure requirements.
- 28 The draft gas rule would also require relevant distributors to publish, on their websites, a range of information on the disconnection and abolishment services available to retail customers connected to their distribution network. They would be required to respond to enquiries made by customers about these services.

Our draft rule better promotes the NGO and NERO and provides improved customer outcomes compared to the proposed rule

- 29 The Commission has decided to make more preferable draft rules. The draft rules are broadly consistent with the intent of JEC's rule change request in that they provide for the implementation of a new framework for gas abolishment services in the NGR and information provisions for both gas disconnections and abolishments in the NGR and NERR.
- 30 While the objective is broadly consistent, there are a number of differences between our draft rules and JEC's proposed rule that we consider would better contribute to the NGO and NERO. These differences are intended to ensure the arrangements are targeted, fit for purpose and proportionate to the problem they are intended to address. The draft rules would:
 - **Introduce outcomes-based definitions for abolishment and disconnection to provide clarity on the services available.** This differs from JEC's proposal to introduce definitions for "temporary disconnection", "permanent disconnection" and associated terms, such as "remediation". We have chosen this more preferable terminology because abolishment is commonly used by others in the industry to refer to the permanent removal of a gas connection. We also found when consulting with stakeholders that the use of the term

⁵ The ACT, New South Wales, South Australia and Queensland.

“temporary disconnection” was leading to confusion that there was an imposed time limit on this service.

- **Allow disconnection services to continue to be treated as ancillary reference services in access arrangements and not require any changes to the way in which these services are regulated.** This differs from JEC’s proposal that rules be amended to try to limit the incentive retail customers may have to choose a lower cost disconnection service by requiring customers to pay a disconnection tariff every 12 months and if they fail to do so, requiring the distributor abolish the connection.
- **Limit the basic abolishment service to a service that involves only the work required to satisfy any applicable jurisdictional safety related duty or requirement, and allow for any other additional services to be negotiated, subject to charging criteria.** The Commission considers this approach is more appropriate than JEC’s proposal to prescribe a standard for an abolishment service in the rules and require AER guidelines. This also addresses JEC’s proposal to set a minimum standard for abolishment and provide a distinction between abolishment and additional remediation charges by instead providing for negotiation of particular services.
- **Apply the new framework to scheme gas distribution networks and non-scheme distribution networks that have been nominated by a jurisdiction to be subject to the framework, in all jurisdictions except in Western Australia.** This differs from JEC’s proposal, which was that all non-scheme distribution networks (except in Western Australia) should be subject to the new framework. The Commission’s view is that JEC’s proposal would result in the over-regulation of non-scheme distribution networks and the draft gas rule better contributes to the NGO.
- **Implement the new framework in phases from 2027, with distributors’ key obligations to commence at the start of each network’s subsequent access arrangement.** Information provisions would take effect earlier, in August 2026. This differs from JEC’s proposal for arrangements to commence immediately. The Commission is of the view that JEC’s proposal would likely give rise to significant implementation costs and complexities.

We have considered stakeholder feedback and undertaken further analysis in making our decisions

31 The key findings and observations that shaped the Commission’s draft rule determination included:

- Broad agreement from stakeholders that there is a regulatory gap for gas disconnections and abolishment and support for the introduction of high-level definitions in the NGR to provide clarity and consistency.
- Those stakeholders that did not support the introduction of a new framework for gas disconnection and abolishment suggested it remains appropriate for networks themselves to propose disconnection and abolishment services through the existing reference service proposal process.
- Stakeholder views that if any framework was introduced in the NGR for gas disconnection and abolishment, it should be flexible and not introduce prescriptive safety requirements. This would ensure services provided by distributors are consistent with jurisdictional safety and technical regulations.
- Comments on the complexity of cost recovery of abolishment charges, with many stakeholders being neutral on what approach was most appropriate. Overall, most stakeholders did not oppose the introduction of cost-reflective abolishment charges.

- Concerns of consumer groups that any rule needs to ensure customers are charged the minimum efficient cost of an abolishment service.
- A shared view from network operators, consumer groups and retailers that information provisions are required to ensure customers can make informed decisions.

32 Given the diversity of views raised by stakeholders about the current approach to cost recovery and JEC's proposal, we considered whether there are any other potential cost recovery options that could be employed. Our examination of these options, as well as the approach currently employed by the AER and JEC's proposal, highlighted the complexities and trade-offs associated with the abolishment cost recovery options. On balance, having regard to the NGO, the Commission considers that a beneficiary-causer pays approach should be employed, with abolishing customers required to pay a cost-reflective charge for doing so. This is because it sends efficient price signals to customers and is the most sustainable cost recovery solution as it ensures remaining gas customers do not have to pay for the abolishment costs of others through higher network tariffs.

We assessed our draft rule against five assessment criteria

33 The Commission's draft rules would better contribute to the achievement of the NGO and NERO as follows:

- **Outcomes for consumers** - improve outcomes for remaining gas consumers by implementing cost-reflective charges to ensure equitable cost recovery where remaining customers do not have to pay the abolishment costs of others. Supporting abolishing customers to make more informed and efficient decisions through better price signals and information provisions
- **Principles of market efficiency** - promote economic efficiency through more efficient price signals and the provision of information to support more efficient decision-making and that the remaining customers only pay the efficient costs of using the gas system
- **Safety, security and reliability** - facilitate the safe supply of gas through the new abolishment framework and supporting retail customers' consideration of safety issues
- **Emissions reduction** - a neutral effect on emissions reduction as the draft rules would not produce a barrier to electrification. Customer decisions about the use of gas remains with the customer.
- **Principles of good regulatory practice** - align with good regulatory practice by establishing a framework that is simple, transparent and provides flexibility while also providing consumer protections. Aligning the new framework with the gas connections framework should reduce compliance and enforcement costs.

34 The draft gas rule is also consistent with the relevant revenue and pricing principles in the National Gas Law (NGL). For instance:

- The movement to cost-reflective abolishment charges would mean relevant distributors continue to have reasonable opportunity to recover at least the efficient costs of providing the services, or comply with a regulatory obligation or requirement.
- The movement to cost-reflective abolishment charges, together with the requirement that these charges only include those costs that would be incurred by a prudent service provider acting efficiently, should also provide relevant distributors stronger incentives to efficiently provide pipeline services.

These measures are intended to strengthen and enhance protections for small customers and enable them to make more informed decisions about whether to disconnect or abolish their gas connection.

The draft gas rule would be implemented in phases, recognising there are existing approved access arrangements we are not proposing to reopen

- 35 Our draft gas rule would phase in the new abolishment framework from 2027, with distributors' key obligations to commence at the start of each network's subsequent access arrangement period.
- 36 To enable this to occur, relevant distributors would be required to submit an initial model standing offer for a basic abolishment service to the AER for approval by the access arrangement review submission date.⁶ This is to allow sufficient time for the model standing offers to be reviewed and approved by the AER, so that it can be in place for the commencement of the next access arrangement period. We consider the impact of delaying implementation is smaller than the cost of re-opening the arrangements during an access arrangement period.
- 37 The new information provisions in the NGR and NERR would come into effect six months after the final rule is made. This timing should provide retailers and distributors sufficient time to develop any materials that may be required for them to comply with the new information provision requirements. We have adopted a relatively short transition period in this case, so that retail customers that are considering ceasing to use gas can make more informed decisions about how to do so.

The AEMC is undertaking other work related to the role of gas in the transition

- 38 This rule change project is one of six requests submitted by the JEC and Energy Consumers Australia (ECA) seeking to ensure that the regulatory framework for gas pipelines is fit-for-purpose for Australia's energy transition.
- 39 We commenced consultation on the *Updating the regulatory framework for gas connections* rule change from ECA at the same time as this rule change request. The Commission published a draft determination for the ECA rule change on 18 September 2025 to make a more preferable rule to require gas network distributors to charge retail customers cost-reflective charges for new gas connections through an upfront connection fee. We extended the time to make a draft determination on this JEC rule change to 30 October 2025.⁷
- 40 The Commission published a consultation paper *Gas networks in transition* on 18 September 2025. The consultation paper is focusing on the four remaining rule change requests from ECA and JEC, which are intended to constrain non-critical expenditure on distribution networks, facilitate better network planning and protect consumer interests in the transition.

6 The ACT and South Australian gas distribution networks would not be subject to the new framework until the access arrangement period starting in 2031.

7 The rule change raises issues of sufficient complexity or difficulty, thereby meeting the test for an extension under s. 317 of the National Gas Law and s. 266 of the National Energy Retail Law.

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solution by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and contributes to well-informed, high quality rule changes.

How to make a written submission

Due date: Written submissions responding to this draft determination and the draft rules must be lodged with Commission by **11 December 2025**.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code **GRC0086**.⁸

Tips for making submissions on rule change requests are available on our website.⁹

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive, defamatory, vexatious or irrelevant content, or content that is likely to infringe intellectual property rights).¹⁰

Next steps and opportunities for engagement

There are other opportunities for you to engage with us, such as one-on-one discussions or roundtables.

Figure 1: Rule change timeline: Establishing a regulatory framework for gas disconnections and abolishment



You can also request the Commission to hold a public hearing in relation to this draft rule determination.¹¹

Due date: Requests for a hearing must be lodged with the Commission by 6 November 2025.

How to request a hearing: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code **GRC0086**. Specify in the comment field that you are requesting a hearing rather than making a submission.¹²

For more information, you can contact us

Please contact us with questions or feedback at any stage, noting the project code.

Email: submissions@aemc.gov.au
Telephone: (02) 8296 7800

⁸ If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission

⁹ See: <https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/our-work-3>

¹⁰ Further information about publication of submissions and our privacy policy can be found here: <https://www.aemc.gov.au/contact-us/lodge-submission>

¹¹ Section 310(2) of the NGL and section 258(2) of the NERL.

¹² If you are not able to lodge a request online, please contact us and we will provide instructions for alternative methods to lodge the request.

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1 The Commission has made a draft determination

The Commission's draft determination is to make a more preferable draft gas rule and a more preferable draft retail rule (draft rules) in response to a rule change request submitted by JEC on 9 May 2025. The request sought to amend the NGR and NERR to create a new regulatory framework for gas disconnections and abolishment. The draft rules would address the key issue raised by JEC that the NGR lacks a regulatory framework for gas disconnection and abolishment and is therefore not fit for purpose given increasing rates of customer electrification and projected decline in gas consumption. JEC's concern is focussed on the lack of guidance for what different disconnection and abolishment services should entail, who could provide these services, and how associated costs should be charged. JEC also raised that there is a lack of clear information for customers to make informed decisions.

The draft rules would establish a framework for retail customer-initiated abolishment services. Other abolishment services that are not initiated by the retail customer may include abolishment for safety reasons or strategic decommissioning, and are not within scope of the draft rules. The draft rules would promote the NGO and NERO and improve outcomes for gas customers by introducing:

- **A new framework for retail customer initiated abolishment services** in the NGR. This is intended to facilitate access to the abolishment services provided by relevant distributors on fair and reasonable terms and conditions, and for the costs of these services to be paid for by those who use them.
- **New information provision requirements** in the NGR and NERR. These are intended to support more informed and efficient decision-making by retail customers that are considering ceasing their retail contract, disconnecting or abolishing their connection.

The Commission has been cognisant of the following in developing the draft rules:

- Residential and small commercial demand for gas is projected to decline in some distribution networks as an increasing number of retail customers may choose to electrify and no longer use gas at their premises. Therefore, it is important that the rules support those customers who want to abolish their connection in a safe, efficient, equitable and sustainable manner.
- As more customers leave gas distribution networks, the costs of operating and maintaining the network would be shared among a declining customer base. It is important that the rules provide protections for customers that remain connected to the network.
- Jurisdictional policies on the role of gas distribution networks in a net zero energy system differ. The positions taken by jurisdictional safety regulators on the safety related risks associated with disconnections also differ. It is important therefore that any new rules that are implemented are sufficiently flexible to accommodate these differences, while ensuring policy and safety-related decisions are made by the entities best placed to make those decisions. In this regard, the economic regulator should continue to be guided by the revenue and pricing principles and the NGO when making decisions.

We are seeking stakeholder feedback on this draft rule. For more detailed information on:

- Why we made the draft rules, refer to chapter 2
- How the draft rules work, refer to chapter 3 & chapter 4
- Issues that extend beyond the national gas framework, refer to chapter 5
- The rule change request, refer to appendix A.1.

1.1 There are gaps in the national regulatory framework relating to gas abolishment

The NGR is currently silent on the issue of disconnection and abolishment. In the absence of rules there is no regulatory guidance on what different disconnection and abolishment services should entail, who can provide these services, and how associated costs should be charged. Currently, distributors and the AER deal with gas disconnections and abolishments in access arrangements for pipeline services, including how the disconnections and abolishments are charged for. According to JEC's rule change request, this is resulting in "regulatory uncertainty, inconsistent regulatory decisions and issues of inefficiency, inequitable cost sharing and potential risks to safety".¹³

The Commission is of the view that this approach is not fit for purpose going forward for the following reasons:

- **A lack of customer protections for non-basic abolishment services:** the reference service approach may not work as effectively for services that are more diverse in nature, such as abolishment services. As there are differences in the nature of abolishment services, the narrowly defined reference service of a basic abolishment may only be applicable for a subset of retail customers. This means the current approach results in other retail customers having to procure a non-reference service that is not subject to the same regulatory oversight.
- **Inefficient cost recovery from remaining gas customers:** The AER has discretion as to how the cost of reference services are recovered. In recent access arrangement reviews, the AER has decided to significantly discount the reference tariffs payable for abolishment services. This was to address the incentive a customer may otherwise have to opt for a lower cost disconnection service and allowed distributors to recover the difference from remaining customers. The AER has acknowledged this solution is not sustainable.¹⁴

We have also found that customers leaving the gas network lack clear information on the choices available to them and appropriate customer protections if they seek to abolish their gas connection/s. These gaps need to be addressed to ensure informed and efficient consumer decisions.

1.2 Our draft gas rule would introduce a new framework for retail customer abolishment services

Our draft gas rule would introduce a framework in the NGR for abolishment services to support retail customers that want to abolish their connection (abolishing customers).

Following stakeholder consultation, the Commission agrees that the lack of a framework in the NGR is not in the long term interests of consumers given the direction of reform and expected decline in residential gas demand. Our draft rules would address the gaps in the NGR and NERR that mean there is no regulatory certainty or guidance for gas distributors, and the AER as to how abolishment services requested by customers should, or will be regulated. They would:

- **Introduce outcomes-based definitions of disconnection and abolishment.** The draft gas rule proposes common terminology that is widely used by distributors and retailers. These are high level and would not prescribe how a disconnection or abolishment is to be carried out, and can accommodate differences in site specific requirements, jurisdictional safety regulations and other technical requirements

¹³ JEC, Rule change request, p. 1.

¹⁴ AER, Final decision, AusNet Gas Services, Gas distribution access arrangement, 1 July 2023 to 30 June 2028, p. 8.

- **Require distributors to develop a model standing offer for a basic abolishment service** and have these approved by the AER. It would also provide flexibility to accommodate non-basic services, including allowing for negotiations. The framework is largely based on the Part 12A connections framework in the NGR.
- **Require gas distribution networks to charge retail customers an upfront cost-reflective charge** for a customer-initiated abolishment at the time that the abolishment occurs. This would be given effect by the draft gas rule by requiring abolishment services to comply with principles-based abolishment charging criteria.
- **Allow disconnection services to continue to be treated as ancillary reference services** for AER approval in access arrangements.¹⁵
- **Accommodate contestability of abolishment services** where permitted by the laws of the relevant jurisdiction.
- **Apply to scheme and nominated non-scheme gas distribution networks** in all jurisdictions except Western Australia (relevant distributors).
- **Introduce new information provisions in the NGR and NERR** to support more informed retail customer decisions.
- **Have a phased introduction** with distributors' key obligations to commence at the start of each network's next access arrangement period.

The Commission has made a more preferable draft rule that would contribute to the achievement of both the NGO and NERO by improving outcomes for consumers, promoting economic efficiency, facilitating the safe supply of gas, supporting emissions reduction and embodying principles of good regulatory practice. The draft rules are also consistent with the revenue and pricing principles and satisfy the consumer protection test. For more information on how the draft rules work see chapter 3 and chapter 4.

1.3 Stakeholder feedback helped shaped our draft rules along with our analysis

1.3.1 The majority of stakeholders agreed there was a regulatory gap for gas disconnections and abolishment, but had varying views on what a framework may look like

The Commission's draft rule determination was informed by stakeholders who broadly agreed that there is a regulatory gap for gas disconnections and abolishment. The majority of stakeholders supported the introduction of a regulatory framework for gas disconnection and abolishment in the NGR but suggested this should not be too prescriptive.¹⁶ Most stakeholders also supported the introduction of high-level definitions of disconnection and abolishment in the NGR to provide clarity and consistency.¹⁷

Jemena Gas Networks (Jemena) and Evoenergy did not support the introduction of a regulatory framework for disconnection and abolishment.¹⁸ Jemena noted that safety and technical matters are regulated at the jurisdictional level, and do not lend themselves to a uniform, centralised approach, and flexibility is necessary.¹⁹

15 The access arrangement sets out the terms and conditions on which the service provider will grant access to its distribution system. Access arrangements are revised on five year periods by the AER.

16 Submissions to the consultation paper: ActewAGL, p. 2; NSW/Qld/SA Energy and Water Ombudsman, p. 2; Rewiring Australia, p. 2; SSROC, pp. 1-2; APA, p. 5; St Vincent de Paul Society, p. 1; AGIG, p. 15; APGA, p. 5; AusNet, p. 3; Brotherhood of St Lawrence, p. 3; ENA, p. 2; ECA, p. 2; Environment Victoria, p. 3; EUAA, p. 8; IEEFA, p. 5; JEC, pp. 9-10.

17 Submissions to the consultation paper: ENA, p. 3; APA, p. 5; Brotherhood of St Lawrence, p. 3; AusNet, p. 3; St Vincent de Paul Society p. 1; ActewAGL, p. 2; NSW/Qld/SA Energy and Water Ombudsman, p. 2; Rewiring Australia, p. 2; SSCOR, p. 1; AGIG pp. 14-15; IEEFA, p. 4; Environment Victoria, p. 4; JEC (Joint submission) p. 7; EUAA, p. 8.

18 Jemena, submission to the consultation paper, pp. 1, 10; Evoenergy, submission to consultation paper, p.5.

Stakeholders provided diverse views on whether the AER should play a role in developing guidelines for gas disconnection and abolishment. Stakeholders who supported the proposal included consumer groups and a joint ombudsman submission.²⁰ These stakeholders were of the view that there was value in articulating the work that comprises a specific service and that guidelines were more flexible compared to the NGR. Those stakeholders that opposed the establishment of AER guidelines included the AER and distributors.²¹ The AER suggested that JEC's proposal conflates its role with the safety regulator, and identifies that its statutory functions do not extend to directing gas distributors on how to safely disconnect customers.²²

This feedback is consistent with the draft gas rule's proposed abolishment framework and high-level definitions for disconnection and abolishment. The proposed framework is flexible and retains the ability of distributors to propose disconnection and abolishment services for AER approval. The draft rule does not introduce prescriptive safety requirements and ensures services provided by distributors are consistent with jurisdictional safety and technical regulations.²³

Consumer groups supported JEC's proposal to introduce a duty to provide a minimum make-safe abolishment service to ensure customers are charged the minimum efficient cost.²⁴ Distributors and network stakeholders opposed introducing a duty in the NGR for distributors to provide an abolishment service to a minimum make-safe standard.²⁵ This opposition was largely due to the view that safety is beyond the remit of the NGR and should be dealt with by relevant jurisdictional safety and technical regulators.

The Commission's draft rule is consistent with the view that safety is outside the remit of the NGR. To address consumer groups' concerns that customers should only face minimum costs, the draft rule proposes the introduction of new charging criteria that would only allow distributors to recover the prudent and efficient directly attributable costs of providing the abolishment service.²⁶

Stakeholders had diverse views on whether contestability should be included in the NGR. Australian Pipelines and Gas Association (APGA), ATCO and Jemena suggested that contestability would create significant ambiguity and risk around asset liabilities and safety obligations.²⁷ Consumer groups supported contestability to reduce the cost of abolishment.²⁸ Our draft rule provides for contestability where it is permitted under relevant jurisdictional safety and technical regulations.²⁹

1.3.2 Stakeholders supported introducing information provisions to ensure customers can make informed decisions

Our draft rules to introduce new information provisions to support more informed retail customer decisions is consistent with stakeholder views. Network operators, consumer groups and retailers

19 Jemena, submission to the consultation paper, p. 10.

20 Submissions to the consultation paper: AGL, p. 3; NSW/Qld/SA Energy and Water Ombudsman, p. 3; St Vincent de Paul Society, p. 1; JEC, p. 14.

21 Submissions to the consultation paper: AER, p. 5; APGA, p. 3; AusNet, p. 3; ENA, p. 3; Evoenergy, p. 14; Jemena, p. 15.

22 AER, submission to the consultation paper, p. 5.

23 Draft National Gas Amendment (Establishing a regulatory framework for gas disconnections and permanent abolishment) Rule 2025, rr. 121A(2)(c), 121A(2)(d).

24 Submissions to the consultation paper: JEC (Joint submission), p. 7; ECA, pp. 6, 8; Rewiring Australia, p. 2.

25 Submissions to the consultation paper: APA, p. 6; ATCO, p. 6; APGA, p. 3; Jemena, p. 16; Evoenergy, p. 10.

26 Draft National Gas Amendment (Establishing a regulatory framework for gas disconnections and permanent abolishment) Rule 2025, r. 122I.

27 Submissions to the consultation paper: APGA, p. 3; ATCO, p. 4; Jemena, pp. 2, 14.

28 Submissions to the consultation paper: Rewiring Australia, pp. 2-3; SSROC, pp. 1-2; Environment Victoria, pp. 3-4; JEC, p. 10.

29 Draft National Gas Amendment (Establishing a regulatory framework for gas disconnections and permanent abolishment) Rule 2025, r. 120.

shared the view that information provisions are required to ensure customers can make informed decisions.³⁰ No stakeholders opposed introducing information provisions.

1.3.3 Stakeholders acknowledged the complexity of cost recovery for abolishment services and had varying views on what may be appropriate

The majority of stakeholders acknowledged that the cost recovery of abolishment charges was complex and many were neutral on what approach was most appropriate.³¹ Overall, most stakeholders did not oppose the introduction of cost-reflective abolishment charges, paid upfront and in full by the customer. Some stakeholders acknowledged that additional work was required outside the scope of this rule change and even the scope of the NGR, this included:

- That a comprehensive approach to decommissioning is required.³²
- That permanent abolishment costs should be borne by governments. This is also supported in JEC's rule change request and its submission.³³

Only three stakeholders, EnergyAustralia, AEC and Environment Victoria, clearly expressed opposition to upfront cost-reflective abolishment charges.³⁴

Our draft rule is consistent with those stakeholder views that a beneficiary/causer pays approach is most efficient and equitable when it comes to abolishment charges. This is because it sends efficient price signals to customers and is the most sustainable cost recovery solution as it ensures remaining gas customers do not have to pay for the abolishment costs of others through higher network tariffs. The Commission also agrees that there are broader issues outside the national gas framework that governments should consider. These matters are outlined further in chapter 5.

1.4 Our draft determination would establish a regulatory framework for gas abolishments that is fit-for-purpose given the broader direction of reform

It is the Commission's view that it is important to consider how the gas regulatory framework can best support consumers and the electricity system as we transition to a net-zero system. Declining demand on gas networks as customers choose to electrify will place upward pressure over time on prices for those who continue to use gas. Absent any policy interventions, customers facing barriers to electrification will likely remain reliant on the gas network. These customer groups may include lower-income households, renters, and apartment dwellers. This may raise issues of cost inequities, particularly for vulnerable customers. The regulatory framework should seek to facilitate equitable outcomes for customers, while promoting efficient use and investment in gas infrastructure, safety, and reliability of gas supply, and emissions reduction.

The current regulatory framework for gas pipelines is predicated on the assumption of growing or steady demand. Previously, gas disconnection and abolishment were less common and therefore did not require a bespoke framework. This is no longer appropriate given the increasing number of residential and small commercial gas users expected to electrify, replacing gas appliances with electric appliances. Our draft determination to establish a new framework for retail customer-

30 Submissions to the consultation paper: NSW/Qld/SA Energy and Water Ombudsman, pp. 2-3; ECA, p. 2; Evoenergy, p. 4; Origin, p. 2.

31 AusNet, pp. 4-5; ECA, pp. 7-8; Red Energy and Lumo Energy, p. 3; AER, p. 4; Energy and Water Ombudsman NSW/Qld/SA, p. 3; Institute of Energy Economics and Financial Analysis, pp. 4-5; Brotherhood of St Lawrence, p. 4; ActewAGL, p. 2; Australian Gas Infrastructure Group, p. 9; Rewiring Australia, p. 3; APGA, p. 4; ATCO, pp. 4-5; Jemena, pp. 14-15; Evoenergy, p. 14; JEC (Joint submission), p. 6; Environment Victoria, p. 3.

32 Brotherhood of St Lawrence, submission to the consultation paper, p. 6.

33 Environment Victoria, submission to the consultation paper, p. 3.

34 Submissions to the consultation paper: EnergyAustralia, p. 4; AEC, p. 3; Environment Victoria, p. 3.

initiated abolishment services and introduce new information provisions to support more informed retail customer decisions aligns with the transition of the energy system.

We note that jurisdictions have different positions on the future of gas and the role of gas distribution networks in a net zero energy system. Safety and technical regulations are also the responsibility of relevant jurisdictional safety and technical regulators. The draft rules would introduce a framework with sufficient flexibility to address differing positions while ensuring greater regulatory certainty and consistency as to services distributors must provide, how costs must be allocated and how distributors and retailers must communicate information to consumers.

The draft gas rule would require distributors to charge retail customers initiating abolishment services the cost of their gas abolishment upfront which is an equitable beneficiary/causer pays approach to cost recovery. Given electrification policies in some jurisdictions, the number of customer abolishments will likely increase. The Commission considers that it is not in the long term interests of consumers for the costs of abolishments to be socialised across a smaller customer base. This approach aligns with the Commission's recent draft determination to require newly connecting customers to pay a cost reflective charge upfront and in full.³⁵

We acknowledge that the draft rule would only solve part of the issues relating to gas disconnection and abolishment and the overall energy and gas network transition. The Commission published a consultation paper on [Gas networks in transition](#) on 18 September 2025.³⁶ This consultation paper relates to a package of rule changes seeking to ensure that the regulatory framework for gas pipelines is fit-for-purpose through the energy transition. This package includes four separate rule change requests submitted by ECA and JEC, seeking amendments to the rules around depreciation, asset redundancy, new capital expenditure and planning requirements.

There are also issues raised in the rule change request and stakeholder submissions that extend beyond the national energy framework. We have made recommendations in chapter 5 for jurisdictions to consider whether actions are required under their various frameworks to address implementation issues with relevant jurisdictional electrification policies.

1.4.1 **There is a related rule change request from ECA to update the regulatory framework for gas connections**

ECA submitted a rule change request on 14 February 2025 seeking to amend the existing distribution connection arrangements set out in the NGR, to require distributors to charge customers the full cost of a new gas connection through an upfront connection fee.³⁷

The Commission published a draft determination on 18 September 2025, to make a more preferable draft rule to require distributors that are currently subject to Part 12A of the NGR to charge retail customers cost-reflective charges for new gas connections through an upfront connection fee. Submissions were due on 30 October 2025 and the Commission is due to publish a final determination on 11 December 2025.

³⁵ AEMC, Draft determination, [Updating the regulatory framework for gas connections](#).

³⁶ AEMC, consultation paper, Gas networks in transition.

³⁷ See AEMC, [Updating the regulatory framework for gas connections](#).

2 The draft rules would contribute to the national energy objectives

When deciding whether or not to make a rule, the Commission is required to act in the long-term interests of energy users by considering whether the rule will or is likely to contribute to the achievement of the relevant national energy objectives.

Our draft rules, which are more preferable rules, would contribute to the achievement of both the NGO and NERO by improving outcomes for consumers, promoting economic efficiency, facilitating the safe supply of gas, supporting emissions reduction and embodying principles of good regulatory practice. The draft rules are also consistent with the revenue and pricing principles and satisfy the consumer protection test.

This chapter provides further detail on:

- the matters the Commission must take into account when making a rule, or a more preferable rule (section 2.2)
- how we applied the legal framework when making our draft determination (section 2.3)
- how our draft rules are expected to contribute to the national energy objectives (section 2.4).

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.³⁸

For this rule change, the relevant energy objectives are the NGO and NERO.

The NGO is:³⁹

to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

- (a) price, quality, safety, reliability and security of supply of covered gas; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The NERO is:⁴⁰

to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—

- (a) price, quality, safety, reliability and security of supply of energy; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or

³⁸ Section 291(1) of the NGL and section 236(1) of the NERL.

³⁹ Section 23 of the NGL.

⁴⁰ Section 13 of the NERL.

(ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO and NERO.⁴¹

2.2 We must also take these factors into account

2.2.1 We can make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NGO or NERO.⁴²

The Commission's draft determination is to make a more preferable draft gas rule and more preferable draft retail rule, for the reasons set out below.

2.2.2 We have considered the revenue and pricing principles for this rule change

When considering certain types of changes to the NGR, the Commission must also take into account the revenue and pricing principles set out in section 24 of the NGL. We must do so when making a rule for, or with respect, to the regulatory economic methodologies applying to scheme pipelines.⁴³

Relevantly, for this rule change request, we must take those principles into account when making rules that affect the determination by the AER of operating cost allowances.⁴⁴ The revenue and pricing principles that are of particular relevance to this rule change request are the principles that:⁴⁵

- a scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in providing reference services and complying with a regulatory obligation or requirement
- a scheme pipeline service provider should be provided effective incentives in order to promote economic efficiency with respect to reference services, including efficient investment in, or in connection with, the pipeline, efficient provision of pipeline services and efficient use of the pipeline.

The Commission is satisfied that the draft gas rule is consistent with these principles for the reasons set out in section 2.4.

2.2.3 We have considered the consumer protections test for this rule change

When considering changes to the NERR, the Commission must, where relevant, satisfy itself that the rule is "compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers" (the consumer protections test).⁴⁶

41 Section 224A(5) of the NERL and section 72A(5) of the NGL.

42 Section 296 of the NGL and section 244 of the NERL.

43 Section 293 of the NGL.

44 Schedule 1, Item 46 of the NGL.

45 Sections 24(2) and (3) of the NGL.

46 Section 236(2)(b) of the NERL.

Where the consumer protections test is relevant in making a rule, we must be satisfied that both the NERO and the consumer protections test have been met.⁴⁷ If the Commission is satisfied that one test, but not the other, has been met, the rule cannot be made (noting that there may be some overlap in the application of the two tests).

The Commission is satisfied that the draft retail rule meets the consumer protections test for the reasons set out in section 2.4.

2.3 How we have applied the legal framework to our decision

The Commission has considered JEC's proposal to amend the NGR and NERR to establish a regulatory framework for disconnection and abolishment services against the legal framework.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable rule-based options are likely to better contribute to achieving the NGO and NERO:

- outcomes for consumers
- principles of market efficiency
- safety, security and reliability
- emissions reduction
- principles of good regulatory practice.

These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request, for impacts within the scope of the national energy objectives. Our reasons for choosing these criteria are set out in section 4.3.2 of the [consultation paper](#).

Stakeholders broadly supported the use of these assessment criteria. However, the following feedback was provided on the matters we stated would be relevant to consider under each criterion.

- Jemena suggested that when considering principles of good regulatory practice we also consider whether there would be any overlap or duplication with jurisdictional regulatory frameworks.⁴⁸
- Australian Gas Infrastructure Group (AGIG) and the Energy Users Association of Australia (EUAA) queried the relevance of equity.⁴⁹ AGIG noted that while it does not oppose the consideration of equity per se, it was unclear how it was linked to the NGO.⁵⁰ The EUAA made a similar observation and cautioned against trying to use network tariffs to achieve equity objectives or to protect vulnerable customers, stating this should be the domain of governments.⁵¹

The Commission agrees with Jemena that it is important to consider the potential interactions between the NGR and NERR with other regulatory frameworks. We have taken this into account in our assessment of whether the draft rules are consistent with principles of good regulatory practice (section 2.4.5).

The Commission has also considered the equity related issues raised by AGIG and the EUAA. While equity is not a specific matter we must consider under either the NGO or NERO, the

47 That is, the legal tests set out on sections 236(1) and (2)(b) of the NERL.

48 Jemena, submission to the consultation paper, p. 20.

49 Submissions to the consultation paper: AGIG, p. 17; EUAA, pp. 4-6.

50 AGIG, submission to the consultation paper, p. 17.

51 EUAA, submission to the consultation paper, pp. 4-6.

Commission may consider equity as part of the broader context for its decision making.⁵² In some cases, a rule that is more equitable may better contribute to achieving the NGO and NERO than one that is less equitable. Understanding the different impacts that our determinations may have on different customer groups and over different temporal dimensions can also provide important context for our consideration of the long term interests of consumers.

2.3.1 Our draft determination is to make more preferable draft gas and retail rules

The Commission has decided to make more preferable draft gas and retail rules.

Our draft rules are broadly consistent with the intent of JEC's rule change request in that they provide for the implementation of both:

1. **A new framework for retail customer-initiated abolishments in the NGR** that:
 - a. includes definitions for disconnection and abolishment services
 - b. requires relevant distributors to offer a basic abolishment service that involves only the work required to satisfy any applicable jurisdictional safety-related duty or requirement relating to the abolishment of a connection
 - c. provides for a beneficiary-causer pays approach to abolishment charges, with those retail customers that decide to abolish their connection required to pay cost-reflective charges at the time the abolishment occurs
 - d. accommodates contestability of abolishment services where that is permitted by the relevant jurisdiction.
2. **New information provisions in the NGR and NERR** that require retailers in NECF jurisdictions and relevant distributors to provide information to retail customers on disconnection and abolishment services to support more informed and efficient choices about these services.

There are, however, some important differences between our draft rules and JEC's proposed rule that we consider would better contribute to the NGO and NERO. These differences are intended to ensure the arrangements are targeted, fit for purpose and proportionate to the problem they are intended to address:

- **Regulation of disconnection services:** Our draft gas rule does not provide for any changes to the way in which disconnection services are regulated. This differs from JEC's proposal, which was that the rules should only allow for disconnections on a rolling 12 months basis and should require customers to pay a disconnection tariff every 12 months. JEC's proposal sought to reduce the incentive retail customers may otherwise have to opt for lower-cost options.⁵³ While we considered this proposal, we found it would not address the identified problem. This is because retail customers would be able to avoid paying the ongoing charges by simply terminating their retail contract. We also found that regulating disconnection services in this way would be costly and complex to implement and administer, the costs of which would ultimately be borne by consumers. Our draft gas rule is therefore expected to better contribute to the NGO than the proposed rule, in terms of outcomes for customers, principles of economic efficiency and principles of good regulatory practice.
- **Regulation of abolishment services:** Our draft gas rule uses the same model standing offer and negotiation framework for abolishment services used for retail customer connections in Part 12A of the NGR. In short, it requires distributors to develop a model standing offer for a

⁵² See section 4.1.6, on equitable energy outcomes for consumers, in our guide [How the national energy objectives shape our decisions](#). AEMC, March 2025.

⁵³ JEC, Rule change request, p. 13.

basic abolishment service and have it approved by the regulator. It also allows distributors to develop model standing offers for other standard abolishment services and to negotiate other abolishment services, subject to a number of customer protections, including charging criteria. This differs from JEC's proposal, which was that the rules should regulate two types of abolishment services: a basic abolishment service and a remediation service.⁵⁴ Our use of the same framework as that in Part 12A of the NGR is intended to provide for a greater level of flexibility than JEC's proposed approach. Our draft rule is therefore expected to better contribute to the NGO than the proposed rule, in relation to outcomes for consumers and principles of good regulatory practice as it recognises that abolishment of a customer's connection would differ based on the diverse nature of the connection to the premises. For example, abolishing a connection is likely different for a multi-occupancy building than for a stand-alone house.

- **Defining what constitutes a basic abolishment service:** Our draft gas rule would provide for an outcomes-based definition of a basic abolishment service and leaves it to distributors to determine the works required to meet that definition, subject to AER oversight. This differs from JEC's proposal, which was that the rules, together with a binding AER guideline, should determine the works to be undertaken by distributors.⁵⁵ We consider that this approach would not be sufficiently flexible to accommodate differences in jurisdictional safety requirements, which may evolve over time. The proposal that the AER prescribe the works to be undertaken also goes beyond the AER's economic regulatory functions. Our draft rule is therefore expected to better contribute to the NGO than the proposed rule, in relation to principles of good regulatory practice.
- **Application of the framework:** Our draft gas rule would provide for the new framework to apply to the following types of gas distribution networks in all jurisdictions except Western Australia (relevant distribution networks): (a) scheme distribution networks; and (b) non-scheme distribution networks that have been nominated by a jurisdiction to be subject to the framework (relevant distribution networks). This differs from JEC's proposal, which was that all non-scheme distribution networks (except in Western Australia) should be subject to the new framework. The key concern that we have with this aspect of JEC's proposal is that it would result in the over-regulation of non-scheme distribution networks. Our draft rule is therefore expected to better contribute to the NGO than the proposed rule, in relation to principles of good regulatory practice.⁵⁶
- **Implementation of the new framework:** Our draft gas rule would provide for a phased implementation approach, aligned with the commencement of each relevant distributors' next access arrangement period.⁵⁷ This differs from JEC's proposal, which was that the new arrangements should commence immediately and that distributors and the AER should be required to amend access arrangements that were already in operation.⁵⁸ We found that requiring access arrangements to be reopened would give rise to significant implementation costs and complexities for both distributors and the AER, for very little benefit given the relatively small number of customer-initiated abolishment services that are expected to occur over the next five years. Our phased approach to implementation is therefore expected to

54 JEC, Rule change request, pp. 11-12.

55 JEC, Rule change request, pp. 11, 14-15.

56 JEC, Rule change request, p. 9.

57 As Evoenergy and AGN SA's access arrangement reviews will largely be complete by the time of our final determination, the new framework would not apply in these distribution networks until the 2031-2036 access arrangement period.

58 JEC, Rule change request, p. 18.

better contribute to the NGO than the proposed rule, in relation to principles of good regulatory practice.

Further detail is provided below on why the Commission considers the more preferable draft rules would contribute to the national energy objectives, why the draft gas rule is consistent with the revenue and pricing principles and why the draft retail rule satisfies the consumer protection test.

2.4 Our draft rules would contribute to the achievement of the NGO and NERO and satisfy the other matters we must consider

Our draft rules provide for the introduction of both:

- **A new framework for retail customer-initiated abolishment services** in the NGR, which is intended to:
 - facilitate consumer access to the abolishment services provided by relevant distributors on fair and reasonable terms
 - ensure that those retail customers that choose to abolish their connection pay the prudent and efficient, directly attributable costs associated with doing so.
- **New information provision requirements** in the NGR and NERR, which are intended to support more informed and efficient decision-making by retail customers in NECF jurisdictions that are considering ceasing to use gas.

As explained further below, our draft rules would better contribute to the achievement of the NGO and NERO by:

- improving outcomes for consumers
- promoting economic efficiency
- facilitating the safe supply of gas
- supporting emissions reduction
- embodying principles of good regulatory practice.

The draft gas rule is also consistent with the revenue and pricing principles and the draft retail rule would satisfy the consumer protection test.

2.4.1 Improving outcomes for consumers by providing for more efficient and equitable cost recovery and supporting more informed and efficient decision-making

Our draft rules are intended to improve the outcomes for both retail customers that are considering no longer using gas and those customers that remain connected to the network. This would occur through both elements of the draft rules.

The **new framework for retail customer-initiated abolishment services** would improve outcomes for consumers in the following ways.

The use of the same model standing offer and negotiation framework as that used for customer connections in Part 12A of the NGR would improve the outcomes for those **retail customers that decide to abolish their connection**. That is by:

- requiring distributors to develop a model standing offer for a basic abolishment service that most customers should be able to use
- ensuring that retail customers only pay the prudent and efficient, directly attributable costs associated with the provision of abolishment services

- providing for a range of consumer protections to support retail customers that elect to abolish their connection.

While we considered maintaining the current approach of regulating basic abolishment services as reference services through distributors' access arrangements, we found limitations with this approach. This is because the current approach only provides for the direct regulation of reference services.

The focus on reference services works well when services are relatively standard in nature (as they are in the case of disconnection services). However, it does not work as well when the scope and cost of services can be subject to significant variation (as is the case for abolishment services). This is because it can result in many customers having to procure non-reference services at prices determined by the distributor, without regulatory oversight and without any other effective retail customer protections in place.

Our draft rule would overcome this limitation by employing a similar framework to that used for customer connections in Part 12A of the NGR. In contrast to the access arrangement approach, the new framework provides for:

- all abolishment services to be regulated (basic, standard and negotiated), not just reference services
- a range of retail customer-centric protections to support access to basic, standard and negotiated services on fair and reasonable terms, including common charging criteria that effectively regulate the prices of all these services.

The use of a beneficiary-causer pays approach to abolishment charges would also improve the outcomes for **customers that remain connected to the network**, which could include both retail and non-retail consumers that:

- do not want to stop using gas
- cannot afford to electrify or switch to other alternative fuels (including vulnerable customers), or
- are otherwise unable to stop using gas.

The outcomes for these consumers would be improved by providing for a more efficient and equitable allocation of the costs associated with abolishment services. The approach in the draft gas rule would also ensure that customers that find it more difficult to switch away from gas, either for financial or technical reasons, are not required to pay the costs for others that decide to abolish their connection, which is both efficient and equitable.

As we note in chapter 3, it is possible that the use of the beneficiary-causer pays approach could incentivise customers that no longer want to use gas to opt for lower cost options, such as disconnection or terminating their retail contract. This could have implications for those customers that remain connected if those dormant connections⁵⁹ need to be abolished at a later point.

This highlights some of the complexities and trade-offs associated with the abolishment cost recovery options and the limits as to what can be achieved through the national energy framework. This point was made by a number of stakeholders through the consultation process, many of whom pointed to the need for governments to implement complementary measures

⁵⁹ Dormant connection: where gas has been disconnected or where the customer has ceased using gas and there is no gas consumption at the connection.

outside the national gas framework. Chapter 5 sets out a number of our recommendations on what governments could do in these areas.

The **new information provision requirements** would also improve outcomes for consumers. They would do so by providing retail customers that are considering no longer using gas with access to information they can use to make more informed decisions about whether to end their retail contract, disconnect or abolish their connection.

The importance of this was highlighted in our consultation process, with a range of stakeholders noting that there is a significant degree of confusion amongst retail customers about these options. Given the level of confusion retail customers are currently experiencing, the draft rule provides for the new information provision requirements to commence relatively quickly (i.e. six months after the making of the final rule (if made)).

Finally, it is worth noting we have considered different types of customers in making our draft rule and have decided not to extend the new framework or information provision requirements to either of these categories:

- **Non-retail customers:** These customers tend to be larger gas users and are likely to require more bespoke abolishment services, the provision of which can be facilitated through the existing arrangements. These existing arrangements include a negotiate-arbitrate framework that non-retail customers could have recourse to if they are unable to reach an agreement with the distributor.
- **Customers using non-scheme distribution networks that are not nominated by a jurisdiction to be subject to the framework:** These networks tend to have a lower degree of market power and so are subject to a lighter handed form of regulation. This form of regulation already includes a negotiate-arbitrate framework that customers could have recourse to if they are unable to reach an agreement with the distributor about abolishment charges.

2.4.2 Promoting economic efficiency through more efficient price signals and the provision of information to support more efficient decision making

Our draft rules would promote economic efficiency in a number of ways.

The **new framework for retail customer-initiated abolishment services** would promote economic efficiency by:

- providing retail customers that are considering abolishing their connection a more efficient price signal
- ensuring that the costs and risks associated with the abolishment sit with those best placed to manage them (i.e. the customer abolishing the connection and distributor).

This would be achieved by requiring retail customers who are abolishing their connection to pay an abolishment charge that is based on the prudent and efficient, directly attributable costs associated with the abolishment. The provision of more efficient price signals should support more efficient decisions by retail customers about abolishment services. In turn, we expect this to promote efficient investment in, and the efficient operation and use of, those distribution networks that would be subject to the new framework.

Requiring abolishing customers to pay such charges would also mean there is no cross subsidisation of customer-initiated abolishment services. This should, in turn, mean that those customers that remain connected to the network receive efficient price signals for their own use of the network.

The requirement for the charges for all abolishment services (i.e. basic, standard and negotiated) to be based on the prudent and efficient directly attributable cost of providing the service would also promote economic efficiency. It would prevent distributors from charging higher than efficient prices for these services. This is an additional benefit that the new framework offers over access arrangements, because this pricing requirement applies to all services, not just reference services.

The **new information provision requirements** would also support more informed and efficient decision making by retail customers that are considering not using gas anymore. This should, in turn, promote the efficient use of disconnection and abolishment services.

2.4.3 Facilitating the safe supply of gas through the new abolishment framework and supporting retail customers' consideration of safety issues

Our draft rules would support the safe supply of gas in a number of ways.

The **new framework for retail customer-initiated abolishment services** recognises the importance of safety in a number of areas of the draft gas rule. The definition of basic abolishment service, for instance, provides for jurisdictional safety related duties or requirements set out in a relevant jurisdictional Act, or any instrument made or issued under or for the purposes of that Act, to be met. The draft rule would also allow distributors to identify the safety and technical requirements that must be complied with if contestability is permitted by jurisdictions. This element of the draft rule also recognises that there may be differences in safety requirements across jurisdictions.

The **new information provision requirements** are also intended to support the safe supply of gas by ensuring retail customers have access to the information they require to understand potential longer term safety related risks associated with disconnecting or terminating their retail contract. This includes information on whether there will still be gas from the distribution pipeline within the boundary of the customer's premises after completion of the service.

As discussed further in Chapter 3, we understand that the movement to cost-reflective abolishment charges may result in customers opting for lower cost options, which some (but not all) safety regulators may consider poses a potential longer term safety risk.⁶⁰ We have sought to mitigate this through the provision of safety-related information to customers.

However, there are limits to how the national energy framework can address this. We acknowledge some customers may opt for the lowest cost option, which would increase the number of dormant connections. In this regard, it is worth noting that our rule change does not prevent distributors from recovering the costs associated with abolishing dormant connections. Rather, Part 9 of the NGR would continue to allow such costs to be recovered if, for example, distributors need to abolish connections on safety grounds.⁶¹

If safety regulators have a concern about dormant connections, then this is something they could address through their own powers, which would then be accommodated by the NGR. This underscores a more foundational point that has emerged through this rule change process, which is that responsibility for evaluating and addressing safety related issues should sit with jurisdictional safety regulators rather than the economic regulator.

2.4.4 Supporting emissions reduction

Our draft determination and draft rules are expected to support emissions reduction by:

⁶⁰ For example, if people forget (or are unaware) that there is still gas flowing within the boundary of a customer's premises.

⁶¹ Rule 79, for example, allows distributors to recover capital expenditure that is necessary to maintain and improve the safety of services and to comply with any regulatory obligation or requirement (which could include a safety related regulatory obligation or requirement).

- providing all parties (retail customers, distributors and retailers) with greater clarity about their respective options and obligations
- highlighting the limits of what can be achieved through the national energy framework and the matters that require government attention.

While it is possible that the movement to cost-reflective abolishment charges may increase the financial hurdle to abolishment, this in and of itself is not a barrier to electrification or emissions reduction. This is because retail customers that want to electrify would still be able to do so without abolishing their connection (e.g. by procuring a disconnection service).

Put simply, our draft rule is not expected to affect the ability of retail customers to electrify. It is, however, expected to facilitate more informed choices by retail customers and governments. This should support emissions reduction and contribute to addressing one of the challenges associated with the changing nature of natural gas use throughout the energy transition.

2.4.5 Alignment with principles of good regulatory practice

The Commission has taken a number of steps to ensure that both elements of our draft rules embody principles of good regulatory practice.

This is reflected in the **new framework for customer-initiated abolishment services**, which largely mirrors the framework used for customer connections in Part 12A of the NGR that distributors and the AER are both familiar with. This framework is simple, transparent and provides for a significant degree of flexibility in the provision of abolishment services, while also providing for an appropriate level of protection for those retail customers that decide to abolish their connection. This is in direct contrast to the current approach to regulating abolishment services through distributors' access arrangements, which is more complex, opaque and provides no effective protections to retail customers that have to negotiate non-basic abolishment services.

The limitation of the application of this framework to retail customers using relevant distribution networks is also intended to minimise the risk of over-regulation and ensure the arrangements are well targeted, fit-for-purpose and proportionate to the problem they are intended to address.

The new framework would be overseen by the AER, who would be responsible for approving model standing offers and resolving any disputes that arise. The AER's role under this framework is akin to the role it plays in the Part 12A connections framework. The AER would also have the option (but not the obligation) to publish any additional guidance that it considers relevant distributors may require, which could provide for greater clarity and consistency of approach.

Our draft gas rule provides for a phased implementation approach, aligned with the commencement of each relevant distributors' next access arrangement period.⁶² This phased approach is intended to minimise implementation costs and avoid the costs and complexities that would otherwise be associated with trying to re-open access arrangements to give effect to the new arrangements.

The **new information provision requirements** also embody principles of good regulatory practice, with this element of our draft rules providing for:

- relatively simple and transparent disclosure obligations for both retailers and distributors, with the distributors obligations akin to those applying to connections⁶³

62 As Evoenergy and AGN SA's access arrangement reviews will largely be complete by the time of our final determination, the new framework would not apply in these distribution networks until the 2031-2036 access arrangement period.

63 Rule 80 of the NER.

- the responsibility for providing information to retail customers to sit with the party best placed to communicate that information, with:
 - retailers required to convey basic and general information on disconnection and abolishment services
 - distributors required to publish more detailed information on these services and to respond to customer enquiries, which is consistent with what applies to connections.⁶⁴

Our draft rules provide for these new information provisions to commence within six months of the final rules being made (if made). This is intended to address the current level of retail customer confusion as quickly as practicable, while also providing retailers and distributors sufficient time to comply with the new requirements.

In developing the draft rules, the Commission has also been cognisant of the broader direction of reform, including the transition to a net-zero energy system over time, and the challenges posed by declining residential and small commercial gas demand. The Commission has also been cognisant of the fact that:

- jurisdictional policies on the future of gas distribution networks differ, with some planning for decommissioning, while others are considering the potential to repurpose networks to supply renewable gases
- the positions taken by jurisdictional safety regulators on the safety related risks associated with disconnections also differ and could evolve further over time.

We have sought to accommodate these differences by ensuring there is sufficient flexibility in the arrangements and, where appropriate, by employing more of an outcomes or principles-based approach. As suggested by Jemena, we have also taken into account the operation of other regulatory arrangements, including jurisdictional safety arrangements, and have sought to avoid any overlap or duplication with those arrangements.

2.4.6 Consistency with the revenue and pricing principles for changes to the NGR

In addition to promoting the NGR, the Commission considers the changes to the NGR provided for in the draft gas rule are consistent with the relevant revenue and pricing principles. For instance:

- The movement to cost-reflective abolishment charges would mean relevant distributors continue to have a reasonable opportunity to recover at least the efficient costs of providing the services, or comply with a regulatory obligation or requirement.⁶⁵
- The movement to cost-reflective abolishment charges, together with the requirement that these charges only include those costs that would be incurred by a prudent service provider acting efficiently, should also provide relevant distributors stronger incentives to efficiently provide pipeline services.⁶⁶

2.4.7 Satisfaction of the consumer protection test for changes to the NERR

In addition to promoting the NERR, the Commission considers the changes to the NERR in the draft retail rule would satisfy the consumer protection test. That is, by requiring retailers and distributors in NECF jurisdictions⁶⁷ to do the following when small customers seek to terminate their retail contract, or otherwise enquire about a disconnection or abolishment service:

⁶⁴ Rules 80 and 102 of the NERR.

⁶⁵ Section 24(2) of the NGL.

⁶⁶ Section 24(3) of the NGL.

⁶⁷ NECF jurisdictions for gas include the ACT, New South Wales, South Australia and Queensland.

- retailers would be required to (where practicable) provide general information on the availability of disconnection and abolishment services and the differences between these services and refer the customer to the relevant distributor's website or enquiry number to obtain further information
- the relevant distributor would be responsible for responding to any enquiries the customer may have about the services.

Together, these measures are intended to strengthen and enhance protections for small customers and enable them to make more informed decisions about whether to disconnect or abolish their connection.

3 A new framework for retail customer-initiated abolishment services

The first element of our draft determination provides for the introduction of a **new framework for retail customer-initiated abolishment services** in the NGR.

The new framework, which has been modelled on the retail customer connection framework in Part 12A of the NGR, would be set out in new Part 13 of the NGR (see Figure 3.1 for detail) and would:

1. Include outcomes-based definitions of disconnection and abolishment services to support the operation of the new framework and the new information provision requirements in Chapter 4 (section 3.2).
2. Recognise the potential for the scope of works and costs associated with providing abolishment services to retail customers to vary depending on a range of matters (e.g. the site, premises type, connection type, location etc). That is, by separately recognising the potential for basic, standard and negotiated abolishment services and providing for (section 3.3):
 - a. each distributor to develop and have the AER approve a model standing offer for a basic abolishment service, which to minimise the cost of this service would be defined as involving only the work required to satisfy any applicable jurisdictional safety related duty or requirement
 - b. distributors to have the option to develop model standing offers for other standard abolishment services to be approved by the AER
 - c. distributors and retail customers to be able to negotiate for the supply of other abolishment services.
3. Require retail customers that decide to abolish their connection (abolishing customers) to pay cost-reflective abolishment charges at the time the abolishment occurs. This would be given effect through a common set of abolishment charge criteria, which would apply to all types of abolishment services (i.e. basic, standard and negotiated services) and require charges to be based on the prudent and efficient directly attributable cost of providing the service (section 3.4)
4. Accommodate the contestability of abolishment services, where permitted by the relevant jurisdiction (section 3.5).

The framework would apply to relevant distributors located in all jurisdictions except Western Australia. This includes both scheme distribution networks and non-scheme distribution networks nominated by the relevant jurisdiction to be subject to the new framework (section 3.6).

The new framework would apply to customer-initiated abolishment services but not to safety-related or other mandated abolishments, which would continue to be accommodated through relevant distributors' access arrangements. The new framework would also not apply to disconnection services, which would continue to be regulated as ancillary reference services through distributors' access arrangements (section 3.7).

The new framework would be implemented in a phased manner, aligned with the commencement of each distributor's next access arrangement period (section 3.8).⁶⁸

⁶⁸ As Evoenergy and AGN SA's access arrangement reviews will largely be complete by the time of our final determination, the new framework would not apply in these distribution networks until the 2031-2036 access arrangement period.

The Commission has been cognisant of the following in developing this element of the draft gas rule:

- Residential and small commercial demand for gas is projected to decline in some distribution networks and there is a risk that an increasing number of retail customers will choose to no longer use gas at their premises and leave the network. If this occurs, the costs of operating and maintaining the network will need be shared among a declining customer base. It is important therefore that the rules:
 - enable those retail customers that want to abolish their connection to do so in a safe, efficient, equitable and sustainable manner
 - provide appropriate protections for those customers that remain connected to the network.
- Jurisdictional policies on the role of gas distribution networks in a net zero energy system differ. The positions taken by jurisdictional safety regulators on the safety related risks associated with disconnections also differ. It is important therefore that any new rules that are implemented are sufficiently flexible to accommodate these differences, while also ensuring the economic regulator does not become responsible for policy and safety related decisions.

The Commission has also been aware of the limits as to what can be achieved through changes to the national energy framework and the important complementary role that governments need to play (chapter 5).

Figure 3.1: New framework for retail customer-initiated abolishment services

An abolishment service could take one of the following forms:			
Services	Basic abolishment services	Standard abolishment services	Negotiated abolishment services
	Distributors must have a model standing offer to provide a basic abolishment service. A basic abolishment service is a service that involves only the work required to satisfy any applicable duty or requirement under an Act relating to safety of an abolished connection.	Distributors may submit for the AER's approval a proposed model standing offer to provide standard abolishment services on specified terms and conditions (i.e. a non-basic abolishment service for a particular class of applicant)	Distributors and applicants may negotiate where the abolishment service is neither a basic nor a standard service, or where the applicant elects to negotiate.
Model standing offer or negotiation requirements	Model offers may relate to all basic services, or a particular class of service. They may be divided into classes if there is significant demand for each service in the distribution network area. A model standing offer must include: • A description of the work to be carried out. • Timeframes for connecting and completing the work. • Details of the abolishment charges, or the basis on which they will be calculated (which must be consistent with the abolishment charges criteria – see below). • How the abolishment charges are to be paid by the retail customer. • Information on the qualifications required and the safety and technical that must be complied with by the provider requirements if a service is contestable. Distributors must publish approved model standing offers on their website.	Different sets of terms and conditions may apply to different classes of services or different classes of retail customers.	Distributors and applicants may negotiate a contract in accordance with the rules negotiation framework. The framework requires parties to negotiate in good faith and to exchange information to facilitate negotiations: • Applicants must, at the request of the distributor, provide information • Distributors must provide the applicant an estimate of the application costs, an estimate of the abolishment charge and statements on how the charge has been calculated and the assumptions made.
Abolishment charges criteria	Abolishment charges (or the method for calculating abolishment charges) must be consistent with the following criteria: • Abolishment charges must be based on the directly attributable cost of providing the abolishment service • Abolishment charges may include the following costs and must not include any other costs: a. The cost of any goods or services required to provide the service b. The cost of removal and disposal of any assets c. Incidental costs, such as design, planning and administrative costs • Abolishment charges must only include costs that would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing the abolishment service in a manner consistent with the achievement of the national gas objective		
Model Standing Offer regulatory approval requirements	The AER may approve model offers if, amongst other things, it is satisfied: • the service, or class of services, is likely to be sought by a reasonable no. of customers in the area served by the network (note this only applies to basic service) • the abolishment charges are consistent with the abolishment charges criteria. • the terms and conditions are fair and reasonable and comply with applicable requirements of the energy laws In deciding whether to approve a model standing offer, the AER must have regard to the NGO and may engage in public consultation. The AER must publish its decisions and give written reasons to a distributor if it does not approve a model standing offer.		n.a.
AER dispute resolution role	The AER can be called on to resolve a dispute between a distributor and a retail customer about: • the terms and conditions on which a basic or standard abolishment service is to be offered, • the proposed or actual terms and conditions of a negotiated abolishment contract, or • abolishment charges. In determining the dispute, the AER may hear evidence or receive submissions. It must also apply: • the abolishment charges criteria if the dispute relates to abolishment charges • the proposed new Part, any other applicable regulatory instrument and the relevant model standing offer. The AER may also have regard to any other matters it considers relevant and for negotiated contracts, the negotiation framework		

Source: AEMC

3.1 A new framework would better support retail customer-initiated abolishment services

Box 1: Draft determination - A new framework would better support retail customer-initiated abolishment services

Our draft rule would support retail customers that are considering abolishing their gas connection by introducing a new framework for customer-initiated abolishment services.

The new framework would be set out in new Part 13 of the NGR and would largely mirror the connection framework in Part 12A of the NGR. Like Part 12A, the new framework would apply to all types of abolishment services (basic, standard and negotiated services) and provide for appropriate protections to ensure retail customers can access these services on fair and reasonable terms.

The new framework would **not** extend to disconnection services. Rather, these more standardised services would continue to be regulated as ancillary reference services through distributors' access arrangements.

Our draft gas rule provides for the introduction of a new framework for customer-initiated abolishment services in the NGR to facilitate retail customer access to these services on fair and reasonable terms and conditions. The new framework is intended to overcome some limitations we have identified in the access arrangement framework.

As described in further detail below, the access arrangement framework only provides for the direct regulation of reference services, with all other services (non-reference services) subject to negotiation with the distributor. This approach works well for standard services that most retail customers procure, but it does not work as effectively for services that are subject to a greater degree of variation, which is the case for abolishment services (see Box 2). This is because many retail customers may have to procure non-reference abolishment service at prices determined by the distributor to cover their specific situation. In this case, their abolishment would not have the same regulatory oversight or retail customer protections.

Box 2: Abolishment services are subject to variability

The works and costs involved in providing abolishment services can be subject to material variability depending on a range of matters, including:¹

- customer type (e.g. residential, small commercial, industrial)
- premises type (e.g. single stand-alone dwelling, high rise, multi-dwelling)
- site conditions (e.g. site configuration, access, street conditions)
- meter location (internal or external)
- service materials (nylon, polyethylene, steel, cast iron)
- location (e.g. different councils may have different remediation requirements).

While abolishment services are diverse in nature, it is still possible to achieve some level of service standardisation, as highlighted by the fact that all the relevant distributors currently have a basic residential abolishment reference service. However, there are limits to which standardisation benefits consumers. This is because the broader the service standardisation, the more likely it is that customers who only require a basic service will have to cross-subsidise customers that require a more complex service. Individualised pricing may therefore be more efficient when services cannot be effectively standardised (e.g. for more complex abolishments).

Jemena made a similar point in its 2025-26 access arrangement proposal, noting that:²

"Carrying out abolishment services in multi-density developments – both medium and high density

– present unique challenges that make establishing a standard cost impractical. The actual costs vary significantly based on several factors:

- Building size and complexity create substantial differences in economies of scale - the process and requirements differ markedly between buildings with few units versus those with 100 units or more.
- Meter accessibility varies considerably, particularly in older buildings where meters are often located within individual apartments or behind locked doors, requiring additional coordination.

Given the wide variations in complexity, individual pricing ensures charges accurately reflect each job's specific requirements."

Retail customer connection services exhibit a similar degree of diversity to abolishment services, with many of the factors listed above also affecting the works and costs involved in providing connection services. To accommodate this diversity, Part 12A of the NGR provides for all types of connection services to be regulated (i.e. basic, standard and negotiated services), not just reference services as is the case for access arrangements.

Source: 1. This point was made by Jemena in its submission to the consultation paper, noting that "the process of safely abolishing a gas connection is inherently site-specific" and can differ "depending on whether the customer is located in a high-density residential development, a commercial building or standalone premises". Jemena, submission to the consultation paper, pp. 11-12.

Source: 2. Jemena, Revised 2025-30 access arrangement proposal - Attachment 7.1, pp. 8-9.

3.1.1 There are limitations in the current approach to the regulation of abolishment services that need to be addressed

In recent access arrangement decisions for scheme distribution networks, retail customer disconnection and abolishment services have been treated as follows:

- **Standard small customer disconnection and residential abolishment services** have been classified as ancillary '**reference services**'. This means there are regulator approved reference tariffs and non-price terms and conditions that apply to these standard reference services.
- **Other abolishment services** (including non-standard services provided to small customers and services provided to larger retail customers) have been treated as '**non-reference services**' (or unregulated services). This means that there is no regulator approved reference tariffs for those services. The price and non-price terms and conditions for these services are instead determined by the distributor and may be negotiated.

What are the potential limitations with the currently regulatory arrangements?

In the retail customer context, the reference service approach can work quite well for standard services, such as disconnection services, where the majority of retail customers require the same service and can pay the regulator approved reference tariff for that service. However, it may not work as effectively for services that are more diverse in nature, such as abolishment and connection services (see Box 2), unless there are multiple reference services that reflect the full spectrum of potential services.

This is because where there is only a single reference service, which is the case for abolishment services in most of the relevant distributors' current access arrangements,⁶⁹ it can result in either:

⁶⁹ See for example, AusNet, Ancillary reference tariffs 2025-26, AGN SA, Reference tariffs 2025-26, AGN Victoria, Reference tariffs 2025-26, Evoenergy, Gas network reference tariff schedule 2025-26, Jemena Gas Networks, Ancillary reference tariffs, 2025-26, Multinet Gas Networks, Victoria Tariff Rates 2025-26.

- **A narrowly defined reference service that only relates to a subset of retail customers.**⁷⁰ The problem with this alternative is that it can result in many retail customers having to procure non-reference services, which are not subject to direct regulatory oversight. Therefore, there is a risk that distributors' may be able to exercise market power when setting the prices for these services, which retail customers would have no effective protection from.⁷¹
- **A broadly defined reference service that applies to all retail customers with a single reference tariff.**⁷² The problem with this alternative is that customers that only require basic works will have to pay far more than the cost-reflective charge for that service and will be cross-subsidising those that require more complex works. This is because the reference tariff would need to enable the distributor to recover the costs associated with any type of service (i.e. basic and more complex services).

Under both alternatives, there is a risk that some retail customers would be required to pay far more than the cost-reflective charge for the service. This is a limitation in the current regulatory arrangements that the Commission considers should be addressed in relation to retail customer-initiated abolishment services.

3.1.2 We consider introducing a similar framework to that set out in Part 12A of the NGR for abolishment services would best meet the NGR

Similar limitations to those outlined above have been overcome in the context of retail customer connections through the introduction of Part 12A of the NGR. Part 12A of the NGR:

- recognises the potential diversity in the nature of retail customer connection services by providing for the **regulation of all types of connection services** (basic, standard and negotiated services)
- provides for a range of retail customer-centric protections to support access to basic, standard and negotiated services on fair and reasonable terms, including common charging criteria that effectively regulate the prices of all these services.

The contrast between how connection services are currently regulated under the access arrangement provisions in Parts 8-9 of the NGR and Part 12A of the NGR can be seen in the table below.

⁷⁰ For example, an abolishment service for residential customers only, or residential customers in particular types of dwellings.

⁷¹ While there is a dispute resolution mechanism in Part 12 of the NGR, it has not been designed to accommodate retail customer related disputes. Rather, it is designed to accommodate disputes with larger pipeline users, such as retailers and other customers that contract directly with pipelines. This is in direct contrast to Part 12A, which includes a retail customer centric dispute resolution mechanism.

⁷² For example, an abolishment service for all types of retail connections, including single residential dwellings, multi-occupancy dwellings, commercial sites etc.

Table 3.1: Key differences between Part 12A of the NGR and access arrangements

	Part 12A (retail customer connection framework)	Access arrangements
Pipelines regulated	Scheme distribution networks and nominated non-scheme distribution networks	Scheme pipelines only
Services and prices regulated	Regulation of all services with common charging criteria regulating the price of all services (basic, standard and negotiated).	Direct regulation of reference services only , with the rules regulating the price of reference services (reference tariffs) only.
Distributor obligations	- Distributors are required by the rules to develop a model standing offer for a basic service, which must be approved by the AER. - Distributors also have the option to develop model standing offers for other standard services and have them approved by the AER. - Distributors can also offer negotiated services, but must comply with the common charging criteria when determining the price of these services.	- Distributors have some discretion to determine what reference services they will offer, although this is subject to AER approval. If a service is a reference service, the price and other conditions of access must be approved by the AER through the access arrangement process. - Distributors can offer non-reference services. These services are not subject to direct regulation by the AER, or any rules specifying how the prices are to be determined. Access to these services must instead be negotiated.
Retail customer protections	- Regulator approved model standing offers for basic services and other standard services (if developed). - Requirement for distributors to comply with a common set of charging criteria when determining the price of basic, standard and negotiated services. - Retail customer-centric application process, negotiation framework and dispute resolution mechanism, all of which are intended to be relatively simple for retail customers to navigate, and provide for effective customer protections.	- Regulator approved reference tariffs and other conditions of access to reference services. - No other retail customer specific protections.*

Source: AEMC. * Note that while there are general access request, negotiation and dispute resolution provisions in Parts 11-12 of the NGR, these provisions have not been designed to accommodate the needs of retail customers.

As this table highlights, a framework for abolishment modelled on the connections framework in Part 12A of the NGR would overcome the limitations that we have identified in the current regulatory arrangements. It would provide retail customers with access to all types of abolishment services (basic, standard or negotiated) on fair and reasonable terms, with appropriate retail customer protections in place to support that access.⁷³

We considered whether similar outcomes could be achieved through changes to the rules relating to access arrangements, however, we found that:

- This would require extensive amendments to Parts 8-9 and 11-12 of the NGR⁷⁴ and result in a less coherent framework, which could make it more difficult for distributors, retailers, retail customers and the AER to navigate
- There are likely to be limits to what could be achieved through these amendments without a fundamental change to the way in which services are regulated through access arrangements. This is because to regulate the price of all abolishment services, the rules would need to be amended to allow the prices of non-reference services to be regulated.

We also found that distributors' compliance costs were likely to be largely the same as they would be if they were subject to a connections style framework. This is because distributors would be subject to similar obligations under both options. For example, currently:

- distributors have to develop service specifications, prices and non-price terms and conditions for basic abolishment reference services and have them approved by the AER through the access arrangement process, which is akin to the basic model standing offer requirements
- distributors have to prepare individualised pricing for non-reference abolishment services, which is akin to the requirements for the negotiated abolishment service.

When coupled with the fact that the AER and the majority of distributors are already familiar with the connection framework, we found that the benefits of moving to a similar framework to that set out in Part 12A for retail customer-initiated abolishment services are likely to outweigh the costs and better promote the NGO. Our draft rule therefore provides for the introduction of a new framework in Part 13 of the NGR, which largely mirrors the connection framework in Part 12A of the NGR.

The Commission understands that the implementation of this new framework would represent quite a change from the current approach to regulating abolishment services. We are therefore interested in hearing from stakeholders on what they consider the potential costs and benefits to be of moving to this type of framework for retail customer-initiated abolishment services.

Question 1: What are the potential costs and benefits of employing the new framework for customer-initiated abolishment services?

Do you agree with our proposal to use a similar framework to Part 12A of the NGR for customer-

⁷³ As explained further in section 3.3.1, distributors would be required under the new framework to develop a model standing offer for a basic abolishment service that is likely to be sought by a reasonable number of retail customers. Those retail customers that can utilise this service should therefore be able to do so relatively seamlessly by requesting the service through their retailer. For customers that require a more bespoke abolishment service, the process should also be relatively straightforward, with the draft rule providing for the customer to either request the service via its retailer or directly from the distributor. The draft rule also sets out the steps to be taken by the parties from the point of application through to the formation of any contract. NGR, Draft rules 124-125C

⁷⁴ Changes would, for example, need to be made to the reference service provisions in Part 8 to require all abolishment services to be treated as reference services. The pricing provisions in Part 9 of the NGR would also need to be amended, as would the access negotiation framework and dispute resolution provisions in Parts 11-12 to put in place a more retail customer-centric arrangements.

initiated abolishment services, including the requirement for distributors to develop model standing offers for the AER's approval? If not, please explain why not and set out what approach you think we should employ and why.

What do you think the potential costs and benefits would be of:

- (a) employing the new framework outlined in Chapter 3 including model standing offers?
- (b) employing any other approach you have suggested we consider?

3.1.3 The same limitations do not apply to the regulation of disconnection services

In contrast to abolishment services, the work involved in a disconnection is far more standardised (i.e. involving wadding or a disc being placed in a meter to prevent the flow of gas into the premises). This means that most retail customers should be able to procure the disconnection reference service and pay the regulator approved reference tariff for that service. There does not appear therefore to be any benefit to changing the regulatory arrangements currently applying to disconnection services.

It is worth noting that while we considered amending the rules to require disconnection services to be offered as a reference service, we concluded this was unnecessary because:

- relevant distributors are already offering this service as a reference service.⁷⁵
- the AER has the power to require distributors to offer this service as a reference service if a distributor decided at a later point to no longer propose this as a reference service.⁷⁶

We were also concerned about the potential risks associated with hard-wiring a requirement to provide a reference service where the ability to offer that service could change in the future.⁷⁷

The Commission is nevertheless interested in stakeholder views on whether the rules should require disconnection services to be a reference service.

Question 2: Should the rules require disconnection services to be a reference service?

Do you think the NGR should require disconnection services to be a reference service, or is it sufficient to continue to rely on the reference service framework in rule 47A?

If changes were to be made to the NGR to mandate that disconnection services be a reference service, what do you think the costs, benefits and risks of doing so would be?

3.2 Outcomes based definitions of abolishment and disconnection are required to support the new framework and information provisions

⁷⁵ See for example, AusNet, Ancillary reference tariffs 2025-26, AGN SA, Reference tariffs 2025-26, AGN Victoria, Reference tariffs 2025-26, Evoenergy, Gas network reference tariff schedule 2025-26, Jemena Gas Networks, Ancillary reference tariffs, 2025-26, Multinet Gas Networks, Victoria Tariff Rates 2025-26.

⁷⁶ NGR, Rule 47A.

⁷⁷ For example, if safety regulators determine that distributors should no longer offer this service, or only do so in very limited circumstances.

Box 3: Draft determination - outcomes based definitions of abolishment and disconnection services should be included in the NGR and NERR

Our draft rules would introduce outcomes-based definitions of abolishment and disconnection services into both the NGR and the NERR. These definitions are required to support the operation of the new framework and the new information provision requirements in Chapter 4.

Our draft rules would introduce definitions of “abolishment service” and “disconnection service” in both the NGR and NERR. Importantly, the draft rules would not prescribe how a disconnection or a connection abolishment is to be carried out. Rather, the definitions would be outcomes-based. This is so that they can accommodate differences in service requirements, jurisdictional safety regulations and other technical requirements. It would also mean they can accommodate the potential evolution of safety or technical requirements over time.

Our draft gas rule defines abolishment service as:⁷⁸

a service for the removal of a connection such that gas supply cannot flow to the premises without a new connection being established.

It also defines disconnection as follows,⁷⁹ which is based on the definition of “de-energisation or disconnection” in the National Energy Retail Law:⁸⁰

the closing of a connection at a retail customer’s premises to prevent the flow of gas to the premises, that does not involve removal of the connection, such that the flow of gas can be re-established without the need to establish a new connection.

Disconnection service is, in turn, defined as:⁸¹

a service for the disconnection of premises at the request of the retail customer at the premises.

The inclusion of these definitions in the rules is intended to provide retail customers, distributors and retailers greater clarity around the service being provided and enable retail customers to make more informed choices about the service to procure.

JEC proposed introducing definitions in the rules for “temporary disconnection”, “permanent disconnection” and associated terms, such as “remediation”.⁸² Our draft rules use the terms:

- “disconnection” rather than “temporary disconnection” because we found through the consultation process that the inclusion of the term “temporary” was causing confusion
- “abolishment” rather than “permanent disconnection” because the term abolishment is more commonly used in the industry to refer to the permanent removal of a gas connection (i.e. where a new connection would be required to restore supply).

78 Draft NGR rule 120.

79 Draft NGR rule 120.

80 National Energy Retail Law, section 2(1).

81 Draft NGR rule 120.

82 JEC, Rule change request, p. 9.

Most stakeholders supported the inclusion of definitions of disconnection and abolishment in the rules.⁸³ A number of network operators and industry associations did note though that any such definitions would need to be sufficiently flexible to accommodate different services requirements and/or jurisdictional safety requirements.⁸⁴

We are aware that there are more prescriptive definitions of disconnection and abolishment used by other bodies in the energy industry, with such definitions describing the works to be carried out. We do not consider that this level of prescription is necessary for these rules and we are concerned that doing so could unnecessarily bind distributors or regulators, particularly if the definitions are contrary to jurisdictional safety regulations or requirements. The draft gas rule therefore employs an outcomes-based approach to defining these services.

3.3 Distributors would be required to develop a model standing offer for a basic abolishment service and could offer other non-basic services

Box 4: Draft determination - distributors would be required to develop a model standing offer for a basic abolishment service, but could also offer non-basic services

Our draft gas rule would require distributors to develop and have the AER approve a model standing offer for a basic abolishment service. The draft rule would also allow:

- distributors to develop model standing offers for other abolishment services that can be standardised and seek AER approval for those model standing offers
- distributors to negotiate with retail customers for the provision of abolishment services that are neither basic nor standard services, or where a customer opts to negotiate.

The draft rule also includes a range of consumer protections that are intended to support retail customers' access to basic, standard and negotiated abolishment services on fair and reasonable terms and conditions.

The draft gas rule would:⁸⁵

- require distributors to develop and have the AER approve a **model standing offer for a basic abolishment service**
- provide distributors the option to seek AER approval of **model standing offers for other standard abolishment services**
- allow distributors to **negotiate** with retail customers for the provision of other abolishment services.

The draft rule would also set out the abolishment service application process,⁸⁶ the negotiation framework,⁸⁷ how abolishment contracts are to be formed⁸⁸ and a dispute resolution mechanism.⁸⁹

83 Stakeholder submissions to the consultation paper: ATCO, p. 4; AusNet, p. 3; APGA, p. 3; ENA, p. 2; AER, p. 5; AGL, p. 2; SA Technical Regulator, p. 5; IEEFA, p. 4; Rewiring Australia, p. 2; Brotherhood of St Lawrence, p. 3; Environment Victoria, p. 4; Joint submission of JEC, SolarCitizens, Sydney Community Forum, qcross, p. 6; SSROC, p. 1; EUAA, p. 8.

84 Stakeholder submissions to the consultation paper: ATCO, p. 4; APA, p. 6; AGN, p. 15; AusNet, p. 3; Evoenergy, p. 5; ENA, p. 2; Jemena, p. 10.

85 Draft NGR rules 120-122B.

86 Draft NGR rules 124-124B.

87 Draft NGR, rule 122A.

88 Draft NGR rules 125-125D.

89 Draft NGR rules 126-126B.

This mirrors the framework used in the Part 12A of the NGR for customer connections and is intended to:

- Facilitate retail customer access to abolishment services on fair and reasonable terms and conditions and with appropriate consumer protections in place to support that access. These protections include:
 - a requirement for the AER to approve model standing offers for basic abolishment services (the service likely to be sought by a reasonable number of retail customers) and any other standard services
 - a requirement that all abolishment services comply with the abolishment charge criteria, which would constrain what distributors could charge for the service
 - a negotiation framework that sets out the obligations that distributors and retail customers must comply with if services are negotiated
 - a dispute resolution mechanism overseen by the AER, which retail customers and distributors could have recourse to if disputes about model standing offers or negotiated services arise.
- Ensure there is sufficient flexibility in the framework to deal with different jurisdictional safety regulations, other technical requirements and service requirements.

As described in more detail in section 3.1, we consider that the use of this type of framework would better promote the NGO than trying to regulate the provision of retail customer-initiated abolishment services through access arrangements.

Further detail on these aspects of the framework is provided below.

3.3.1 Model standing offer for a basic abolishment service

Our draft gas rule would require distributors to develop a model standing offer for a basic abolishment service and have it approved by the AER.⁹⁰ The model standing offer may relate to all basic abolishment services offered by the distributor, or a particular class of basic abolishment services.⁹¹

A basic abolishment service would be defined as:⁹²

an abolishment service where:

- (a) the provision of the service involves only the work required to satisfy any applicable duty or requirement under an Act of a participating jurisdiction, or any instrument made or issued under or for the purposes of that Act, relating to safety of an abolished connection; and
- (b) a model standing offer has been approved by the AER for providing that service as a basic abolishment service.

The scope of work required for the basic abolishment service would be left to distributors to propose and the AER to consider when deciding whether to approve the model standing offer.

This differs somewhat from JEC's proposal, which was that the rules should distinguish between abolishment and remediation services and define those services as follows:

⁹⁰ Draft NGR rules 121 to 121B.

⁹¹ Basic abolishment services may be divided into classes if there is significant demand for each class.

⁹² Draft NGR rule 120.

- abolishment services, which would involve the “minimum works required to safely discontinue the supply of gas”
- remediation services, which would involve works in addition to those required for abolishment, including meter removal.

JEC also proposed that the rules only require customers to pay for the abolishment service and allow remediation services (including meter removal) to be negotiated. JEC also suggested that the AER develop a binding guideline on the scope of works to be carried out as part of these services.⁹³

Stakeholders expressed mixed views on JEC’s proposal. Several stakeholders, supported a distinction between abolishment and remediation services to help reduce costs for abolishing customers.⁹⁴

Network operators, on the other hand, cited safety concerns with some aspects of the proposed remediation service, including voluntary meter removal. They also supported retaining the current approach under which distributors propose the works that form part of an abolishment service, but with oversight by the AER rather than have the rules, or an AER guideline prescribe the works.⁹⁵ The AER and a number of network operators and industry associations also expressed concerns about making the AER responsible for determining the scope of works through a binding guideline.⁹⁶ These stakeholders stated that this would go beyond the AER’s remit and that this role should remain with jurisdictional safety regulators.

The Commission agrees that this type of role would go beyond the AER’s economic regulatory functions. The Commission is also concerned about using the rules to define what works should or should not be included in a basic abolishment service (including the treatment of meters), because there are differences in jurisdictional safety regulator requirements and these may evolve over time. In the Commission’s view:

- distributors are better placed to determine what works are required to provide the basic abolishment service, having regard to the safety-related duties or requirements in the jurisdictions they operate
- the AER’s role should be limited to considering whether a distributor’s proposed basic abolishment service meets the model standing offer requirements (see below).

While there are some important differences between our draft rule and JEC’s proposal, the draft rule is intended to achieve a similar outcome to JEC’s proposal. That is, by limiting the basic abolishment service to a service that involves only the work required to satisfy any applicable jurisdictional safety related duty or requirement, and allowing for any other additional services to be negotiated. Together with our proposed abolishment charges criteria (section 3.4), this should ensure abolishing customers are only required to pay the prudent and efficient, directly attributable costs associated with providing the basic service.

What does a model standing offer need to include?

The draft gas rule would require a model standing offer for a basic abolishment service to include the following information:⁹⁷

- a description of the work to be carried out in providing the abolishment service

93 JEC, Rule change request, p. 11.

94 Stakeholder submissions to the consultation paper: IEEFA, p. 4; Joint submission from JEC, SolarCitizens, Sydney Community Forum and qcross, p. 7.

95 Stakeholder submissions to the consultation paper: AusNet, p. 4; Evoenergy, pp. 14-15; Jemena, pp. 11-12; ENA, p. 3.

96 Stakeholder submissions to the consultation paper: AER, p. 5; AGIG, p. 17; AusNet, p. 4; Evoenergy, pp. 14-15; Jemena, pp. 11-12; APGA, p. 3; ENA, p. 3.

97 Draft NGR rule 121A.

- timeframes for commencing and completing the work
- details of the abolishment charges (or the basis on which they will be calculated), which must be consistent with the abolishment charges criteria (section 3.4)
- how the charges are to be paid by the retail customer
- the qualifications, safety and technical requirements to be complied with if a service is contestable (section 3.5).

What role would the AER play in relation to model standing offers?

The AER would be responsible for approving the model standing offers developed by distributors. In keeping with the model standing offer framework in Part 12A of the NGR, and the amendments we have recently proposed to that framework,⁹⁸ the draft gas rule would:

- require the AER to have regard to the NGO when deciding whether to approve a distributor's proposed model standing offer
- allow the AER to approve a distributor's proposed model standing offer if it is satisfied that:⁹⁹
 - the basic abolishment service (or class of services) is likely to be sought by a reasonable number of retail customers in the area served by the network
 - the abolishment charges are consistent with the abolishment charges criteria
 - the terms and conditions are fair and reasonable, and comply with applicable requirements of the energy laws
- require the AER to publish¹⁰⁰ any decision it makes on whether or not to approve distributors' model standing offers on its website.¹⁰¹

One potential gap that we have identified in the Part 12A framework is that it does not explicitly require the AER to consult with stakeholders before deciding whether to approve the model standing offer. In our view, this is a gap that should be addressed. We propose to do this in Part 13 by including a draft rule that clarifies that the AER may consult with stakeholders.¹⁰² Given this represents a departure from the approach in the connection framework, the Commission is interested in obtaining stakeholder views on this proposal.

The draft rule would not require the AER to publish any guidelines in relation to the abolishment framework. It would nevertheless be open to the AER to consider whether any of its existing guidelines need to be updated. The AER could also consider whether there is value in issuing a guidance note to help distributors transition to the new arrangements.

The draft rule also provides for the AER to be the dispute resolution body if a dispute arises about the abolishment charges or any other terms and conditions on which the service is to be offered.¹⁰³ This is consistent with the approach taken in Part 12A of the NGR and is intended to provide an additional layer of protection for retail customers if a dispute arises.

⁹⁸ AEMC, Draft rule determination, National Gas Amendment (Updating the regulatory framework for gas connections) Rule, 18 September 2025, pp. 27-28.

⁹⁹ Draft NGR rule 121B.

¹⁰⁰ Distributors would also be required to publish the approved model standing offers on their websites.

¹⁰¹ Draft NGR rules 121B and 121F.

¹⁰² As the model standing offers are expected to be considered in parallel to access arrangements, the AER could carry out this consultation in parallel with the access arrangement process.

¹⁰³ Draft NGR rules 126-126B.

Question 3: Should the rules require the AER to consult on model standing offers?

Do you think the rules should require the AER to consult with stakeholders when deciding whether to approve model standing offers, or do you think this should be left to the discretion of the AER?

If the new framework was to be amended to provide for stakeholder consultation on model standing offers, do you think an equivalent change should be made in Part 12A to require consultation on model standing offers for connection services?

3.3.2 Model standing offers for other standard abolishment services

To provide some additional flexibility in the framework, the draft gas rule would provide distributors with the option to develop model standing offers for other standard abolishment services and have those approved by the AER.¹⁰⁴

This option may be beneficial to distributors where some form of service standardisation for non-basic abolishment services is possible. This is because it would reduce the need for distributors to negotiate the terms and conditions with each retail customer that seeks this type of service.

If a distributor decided to develop a model standing offer for other standard services, then:

- the model standing offer would need to include the same information as the basic abolishment service model standing offer¹⁰⁵ and would be subject to the same abolishment charges criteria (section 3.4)
- the AER would be required to consider the same matters as those outlined for the basic abolishment service and to publish its decision.¹⁰⁶

The AER would also be the dispute resolution body if a dispute arises about the abolishment charges, or any other terms and conditions on which the standard abolishment service.¹⁰⁷

3.3.3 Negotiated abolishment services

The draft gas rule would allow distributors and retail customers to negotiate abolishment services that are neither basic nor standard services, or where the retail customer elects to negotiate a basic or standard service.¹⁰⁸

Negotiations are likely to be required for more complex abolishment services, such as abolishments at multi-tenancy sites, or larger retailer supplied commercial or industrial customers.

Like basic and standard abolishment services, the draft rule provides for negotiated abolishment services to be subject to the abolishment charges criteria (section 3.4).¹⁰⁹ To support balanced negotiations between the distributor and retail customer, the draft rule also includes:

- a negotiation framework, which requires the parties to negotiate in good faith and to exchange information¹¹⁰

¹⁰⁴ Draft NGR rule 121C.

¹⁰⁵ Draft NGR rule 121C.

¹⁰⁶ Draft NGR rule 121D.

¹⁰⁷ Draft NGR rule 126-126B.

¹⁰⁸ Draft NGR rule 122.

¹⁰⁹ Draft NGR rule 122A.

¹¹⁰ Draft NGR rule 122A.

- a dispute resolution mechanism that allows the AER to resolve any disputes relating to abolishment charges and other terms and conditions.¹¹¹

3.4 Abolishing customers would be required to pay cost-reflective charges for abolishment services

Box 5: Draft determination - Abolishing customers would be required to pay upfront cost-reflective charges for abolishment services

Our draft gas rule would require abolishing customers to pay cost-reflective charges for basic, standard and negotiated abolishment services. This would be given effect through the abolishment charges criteria, which would apply to all abolishment services.

Our draft gas rule would require a beneficiary-causer pays approach to be taken to abolishment charges. This would require abolishing customers to pay cost-reflective charges for abolishment services. This requirement would be reflected in the abolishment charges criteria, which would also prevent any socialisation of customer-initiated abolishment costs.

The draft rule is consistent with the approach that we employed in our recent draft rule for the *Updating the regulatory framework for gas connections* project¹¹² and is intended to provide efficient price signals to retail customers that are considering abolishing their connection.

We also consider it to be the most sustainable cost recovery solution to employ in this context. This is because electrification policies in some jurisdictions and the declining demand for gas from residential and small commercial customers may result in an increase in the number of customer abolishments. As more abolishments occur, it will become increasingly difficult to recover the costs among a shrinking customer base, which is not in the long term interests of gas consumers. Those customers that remain connected are also likely to comprise consumers (including households, commercial and industrial customers) that find it more difficult to switch away from gas. So requiring these customers to cross subsidise abolishing customers is likely to give rise to inequities.

The Commission understands that the beneficiary-causer pays approach may incentivise retail customers to seek out lower cost options, such as disconnection or terminating their retail contract. This may, in turn:

- Lead to an increased number of dormant connections, which may require abolishment in the future for safety reasons. In this regard, it is worth noting that there is no ongoing relationship between retailers and customers for dormant connections. The costs associated with abolishing dormant connections on safety grounds are therefore unlikely to be borne by the customer whose connection is being abolished. They would instead be borne by remaining customers.
- Impose additional costs on retailers, For example, if retail customers opt to terminate their retail contract, then retailers would have to either pay for a disconnection service at the premises, or continue to pay daily charges to the distributor for until the connection is abolished. If the number of customers seeking to leave the network increases, this could expose retailers to additional costs and risks.

¹¹¹ Draft NGR rules 126-126B.

¹¹² AEMC, Draft rule determination, National Gas Amendment (Updating the regulatory framework for gas connections) Rule, 18 September 2025, pp. 15-16.

This highlights some of the challenges associated with abolishment charges. It also reinforces the point that several stakeholders made, which is that there is no single perfect solution to this issue and that complementary government measures are likely to be required (section 3.4.1). This is because there are limits to what can be achieved through changes to the national energy framework. Chapter 5 provides some recommendations for governments on matters raised throughout our stakeholder engagement and own analysis, which are outside the remit of the national energy framework.

Further detail on why we consider a beneficiary-causer pays approach should be employed for customer-initiated abolishment services and the abolishment charges criteria is provided below.

3.4.1 A beneficiary-causer pays approach would apply to abolishment charges

The AER has changed its approach to regulating customer-initiated abolishment costs

In recent access arrangement reviews, the AER has decided to:¹¹³

- significantly discount the reference tariffs payable for abolishment services to try and reduce the incentive a customer may otherwise have to opt for a lower cost disconnection service (i.e. by reducing the price differential between abolishment and disconnection services)
- recover the difference between the cost of providing abolishment services and the abolishment service reference tariffs from remaining customers through an operating expenditure pass through mechanism that flows through to haulage tariffs.

This approach has resulted in abolishing customers paying around 20-30% of the cost of the abolishment, with the remaining 70-80% recovered from remaining customers.

The AER noted that it decided to employ this approach on public safety grounds in response to the potential future safety risks associated with disconnection services.¹¹⁴ However, the AER acknowledged that this solution is not sustainable and “can only be an interim approach while governments, networks, market bodies and investors develop a long term strategy for taking gas networks forward”.¹¹⁵

JEC expressed a number of concerns with the AER’s approach in its rule change request. JEC submitted that the approach was inequitable because it results in those customers that remain on the network having to cross-subsidise abolishing customers’ costs.¹¹⁶ JEC therefore proposed that the rules be amended to require abolishing customers to pay a cost-reflective abolishment charge.¹¹⁷ JEC submitted that this approach could “help facilitate government consideration of potential government subsidy of [abolishment] costs, in line with developing policies to encourage household electrification.”¹¹⁸

113 See for example, Final decision, Multinet Gas Networks, Gas distribution access arrangement, 1 July 2023 to 30 June 2028, Attachment 9 and Final decision, Jemena Gas Networks access arrangement 2025 to 2030, Attachment 9.

114 AER, Final decision, AusNet Gas Services, Gas distribution access arrangement, 1 July 2023 to 30 June 2028, p. 8.

115 AER, Final decision, AusNet Gas Services, Gas distribution access arrangement, 1 July 2023 to 30 June 2028, p. 8.

116 JEC, Rule change request, pp. 5-7.

117 JEC, Rule change request, pp. 7-8.

118 JEC, Rule change request, p. 9.

Stakeholders expressed mixed views on the AER's current approach and JEC's proposal

Most stakeholders supported JEC's proposal to require abolishing customers to pay cost-reflective abolishment charges, with many of these stakeholders stating that socialising abolishment costs is inequitable and inefficient.¹¹⁹

However, there were also a large number of stakeholders (including a number of retailers)¹²⁰ that expressed concerns about cost-reflective abolishment charges and supported some level of cost socialisation. Some of these stakeholders stated that cost-reflective 'exit' charges could act as a barrier to electrification, including for more vulnerable customers.¹²¹ Some also referred to the safety related risks posed by cost-reflective abolishment charges.¹²²

Origin and AGL also pointed to the risks that cost-reflective charges may pose for retailers if customers opt for lower cost options. Origin, for example, stated it could result in an increase in retailer bad debts because once a customer leaves a premises, retailers have no customer to recoup costs from.¹²³ AGL similarly stated that distributors often charge retailers abolishment costs for dormant connections despite the retailer having no relationship with the person at the site or ability to recover the costs.¹²⁴

Brotherhood of St Lawrence and Rewiring Australia stated that there is no perfect solution and that both cost reflective charges and socialised charges create potential equity issues.¹²⁵ Brotherhood of St Lawrence suggested that a transition phase of socialising abolishment costs (ideally targeted to low-income households) may be appropriate, but also noted that government support could be a better option.¹²⁶ Other stakeholders also pointed to the potential benefits of government support in this area,¹²⁷ while IEEFA suggested we consider alternative solutions, including potentially requiring distributors to fund the costs.¹²⁸

Evaluation of the cost recovery options

Given the diversity of views expressed by stakeholders about both the AER's current approach and JEC's proposal, we have undertaken a closer examination of the two options. We also considered whether there were any other potential options (or variants of these options) that could be employed. The other options (or variants) that we identified, which are discussed further in Appendix D, include:

1. Requiring abolishment costs to be recovered on an ex ante (pre-payment) basis through reference tariffs rather than through an exit fee.
2. Including abolishment costs in the upfront connection charge paid by newly connecting gas customers.
3. Continuing to allow the AER to determine how abolishment charges are to be recovered, but include guiding principles in the NGR.

¹¹⁹ Stakeholder submissions to the consultation paper: EUAA, p. 8, St Vincent de Paul Society, p. 1; SSROC, p. 1; Joint submission of JEC, SolarCitizens, Sydney Community Forum, qcoos, pp. 5-7; Evoenergy, p. 13; AusNet, pp. 4-5; AGIG, p. 15-16; APA, p. 7; ATCO, p. 4; Jemena, p. 14; APGA, p. 4; ENA, p. 2; Joint submission of Energy & Water Ombudsman SA, Queensland and NSW, p. 3.

¹²⁰ For example, AGL, Origin and EnergyAustralia.

¹²¹ Stakeholder submissions to the consultation paper: EnergyAustralia, p. 4; Origin, p. 2; AEC, p. 2; Joint submission of the Energy Ombudsmen of NSW, Queensland and South Australia, p. 4.

¹²² Stakeholder submissions to the consultation paper: Environment Victoria, p.3; EnergyAustralia, p. 3.

¹²³ Origin, submission to consultation paper, p. 2.

¹²⁴ AGL, submission to consultation paper, p. 3.

¹²⁵ Stakeholder submissions to the consultation paper: Brotherhood of St Lawrence, p. 4; Rewiring Australia, p. 3.

¹²⁶ Brotherhood of St Lawrence, submission to the consultation paper, p. 4.

¹²⁷ Stakeholder submissions to the consultation paper: Environment Victoria, p. 3; Brotherhood of St Lawrence, p. 3; Joint submission from Energy Ombudsmen of NSW, Queensland and South Australia, p. 4; Joint submission from JEC, SolarCitizens, Sydney Community Forum and qcoos, p. 8.

¹²⁸ IEEFA, submission to consultation paper, p. 5.

4. Introducing a disconnection tariff to try and remove the incentive customers may have to opt for a lower cost disconnection service, as proposed by JEC.

Our examination highlighted both the challenges and trade-offs associated with the abolishment cost recovery options. These can be clearly seen in Table 3.2, which sets out the results of our examination of the AER's current approach and JEC's proposal.

Table 3.2: Cost recovery options

Cost recovery options	Socialisation approach	Beneficiary-causer pays approach
Outline of approach	A portion of the abolishment costs recovered from remaining customers after the abolishing customer exits.	Abolishment costs recovered from abolishing customer when they abolish their connection.
Main limitations with approach	This option requires remaining customers to cross-subsidise abolishing customers, which gives rise to inequities, inefficiencies and is unsustainable over the longer term (i.e. because there will be fewer customers to recover these costs from).	Higher exit fees could prompt customers that don't want to use gas again to opt for lower cost options (i.e. terminating retail contract or disconnection service) and an increase in the number of dormant connections that later have to be removed.
Outcomes for abolishing customers	Benefits abolishing customers because they do not have to pay for the full cost of the abolishment. Depending on the differential between the cost of abolishment and disconnection services, this option could still result in some customers opting for lower cost options. This may, in turn, result in dormant connections, although the number of dormant connections would be lower than under the beneficiary-causer pays approach.	A relatively high exit fee may prompt customers that want to stop using gas to opt for lower cost options (i.e. terminating their retail contract or disconnection). ¹ This may, in turn, result in a greater number of dormant connections.
Outcomes for remaining customers	Remaining customers (which may include vulnerable customers) are required to subsidise customer-initiated abolishment services, which gives rise to inequities.	Remaining customers would not be liable for any of the customer-initiated abolishment costs.
Impacts on dormant connections and safety	May result in fewer dormant connections that later have to be removed for safety reasons.	May result in more dormant connections that later have to be removed for safety reasons. This could, in turn, result in costs being allocated to

Cost recovery options	Socialisation approach	Beneficiary-causer pays approach
		remaining customers. However, the costs could potentially be lower over time if the abolishment is carried out as part of a strategic decommissioning program rather than on an individualised basis.
Impacts on emissions reduction	No difference between the options, because under both options those customers that want to electrify can still do so.	
Principles of efficiency	- Does not provide efficient price signals to abolishing customers or remaining customers. - Does not provide for an efficient allocation of the costs and risks associated with abolishment services. - As the number of customers transitioning away from gas increases, this approach will become unsustainable.	- Provides efficient price signals to both abolishing customers and remaining customers. - Provides for an efficient allocation of the costs and risks associated with abolishment services, by allocating them to those best placed to manage them (abolishing customers and distributors).

Source: AEMC. Note 1: JEC proposed that this be addressed by imposing some constraints on the use of disconnection services, including a requirement to pay an annual disconnection tariff and for connections to be abolished if they fail to pay the annual tariff. As explained further in section 3.7, we have identified a number of limitations with this proposal.

On balance, having regard to the NGO, the Commission considers that a beneficiary-causer pays approach to abolishment charges should be employed. As both the principal beneficiary of switching away from gas and the causer of the abolishment costs, this means that the abolishing customer should be required to pay for abolishing their connection. In the Commission's view, this is the most efficient, sustainable and equitable cost recovery solution to employ in this context.

This approach also ensures that jurisdictional governments and safety regulators retain responsibility for policy and safety issues related to disconnection and abolishment services, rather than the economic regulator. In the Commission's view, this allocation of responsibilities is important because the economic regulator's functions do not extend to policy or safety related decisions and it is not well placed to make such decisions or deliver the required outcomes. Such decisions should instead be made by jurisdictional governments and safety regulators, who can consider the issues and any trade-offs through their respective policy and safety lenses and use the tools available to them deliver the required outcomes.

As outlined above, we understand that this approach may incentivise customers to seek out lower cost options, which may have a range of other consequences for remaining customers and potentially retailers. However, it is important to recognise that there are limits as to what can be achieved through the national energy framework. This point was highlighted by stakeholders, with a number pointing to the need for complementary measures to deal with:

- the relatively high costs associated with abolishment services, which may act as a barrier to vulnerable customers seeking to electrify
- the inefficiencies associated with individual abolishments in jurisdictions that are seeking to transition away from gas
- the safety-related risks posed by dormant connections
- retailers being able to recover abolishment costs from property owners when there is no retail contract in place.

Chapter 5 sets out a number of our recommendations on what governments could do in these areas.

3.4.2 The requirement to pay cost-reflective charges would be given effect through the abolishment charges criteria

The draft gas rule would require the charges for all abolishment services (basic, standard and negotiated) to comply with principles-based abolishment charges criteria.¹²⁹ These criteria would require abolishment charges to:¹³⁰

- be based on the directly attributable cost of providing the abolishment service, which could include:
 - the cost of any goods or services required to provide the service
 - the cost of removing or disposing of any assets
 - incidental costs, such as design, planning and administrative costs
- only include those costs that would be incurred by a prudent service provider acting efficiently and in accordance with accepted good industry practice to achieve the lowest sustainable cost of providing the abolishment service.

¹²⁹ Draft NGR rules 121B, 121D, 125B and 126A.

¹³⁰ Draft NGR rule 123.

The abolishment charges criteria would also make clear that:¹³¹

- The abolishment charges for model standing offers are not expected to be calculated on an individual basis. Rather, a standardised abolishment charge is expected to be developed, which on average is expected to satisfy the charges criteria.
- If the directly attributable costs that a distributor incurs in:
 - providing abolishment services under a model standing offer is less than the abolishment charge in the model standing offer, the distributor is not required to refund the difference
 - providing an abolishment service is higher than the abolishment charge received, the distributor cannot recover the difference by adding it to the scheme distribution network's total revenue calculation under rule 76 of the NGR.

These criteria are very similar to those set out in our draft rule for the *Updating the regulatory framework for gas connections* project.¹³² However, unlike with connections, the costs associated with providing abolishment services are assumed to be operating expenditure rather than capital expenditure. The draft rule does not therefore include equivalent provisions requiring:

- payments from abolishing customers to be treated as a capital contribution
- costs not to be added to the capital base.

Nor does it provide for the recovery of net tax payable by distributors, which stakeholders noted in the *Updating the regulatory framework for gas connections* project was required because connection charges are treated as a capital contribution.¹³³ The Commission welcomes feedback on this aspect of the draft rule and more generally on the types of directly attributable costs provided for in the draft rule.

Our abolishment charges criteria are broadly consistent with the intent of JEC's rule change proposal, which is that:¹³⁴

- retail customers should only pay the prudent and efficient costs of providing the minimum necessary service
- the costs associated with providing these services should not be included in the distributor's total revenue calculation under rule 76 of the NGR.

The criteria are also consistent with the feedback received from most stakeholders that a user pays cost-reflective approach to abolishment charges should be employed.¹³⁵

Question 4: Are there any other types of directly attributable costs that we need to make provision for?

Are there any additional types of directly attributable costs that you consider should be included in the abolishment charges criteria? If so, please explain what they are and why they should be included.

¹³¹ Draft NGR rule 123.

¹³² AEMC, Draft rule determination, National Gas Amendment (Updating the regulatory framework for gas connections) Rule, 18 September 2025.

¹³³ Jemena for example noted in its submission to the consultation paper that 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. See Jemena, submission to the consultation paper, p. 5.

¹³⁴ JEC, Rule change request, p. 22.

¹³⁵ Stakeholder submissions to the consultation paper: EUAA, p. 8, St Vincent de Paul Society, p. 1; SSROC, p. 1; Joint submission of JEC, SolarCitizens, Sydney Community Forum, qcross, pp. 5-7; Evoenergy, p. 13; Ausnet, pp. 4-5; AGIG, p. 15-16; APA, p. 7; ATCO, p. 4; Jemena, p. 14; APGA, p. 4; ENA, p. 2; Joint submission of Energy & Water Ombudsman SA, Queensland and NSW, p. 3.

3.5 Contestability of abolishment services would be accommodated, but jurisdictions would determine whether to permit contestability

Box 6: Draft determination - The framework should accommodate contestability of abolishment services where that is permitted by the relevant jurisdiction

Our draft gas rule provides for the contestability of abolishment services to be accommodated if permitted by the laws in the relevant jurisdiction.

Our draft gas rule recognises that abolishment services may be provided on a contestable basis if permitted by the laws in the relevant jurisdiction.¹³⁶ This mirrors the approach taken in Part 12A of the NGR. Like the connection framework, the **rules would not require contestability** in the provision of abolishment services. Rather, this would be a matter for each jurisdiction to determine.

If a jurisdiction enacts legislation that permits contestability, then this would be accommodated in the new framework through draft rules that would require distributors to:

- include information in their model standing offers on the qualifications required for carrying out work involved in providing a contestable service and the safety and technical requirements to be complied with by the provider of a contestable service
- inform a party that makes a preliminary enquiry about an abolishment service whether any aspects of a proposed abolishment are likely to be contestable.

Accommodating contestability in this manner would enable abolishment services to be provided on a competitive and potentially lower cost basis (in accordance with jurisdictional technical and safety requirements) if permitted by the relevant jurisdiction.

This draft determination is broadly consistent with JEC's proposal that the rules should recognise the ability for jurisdictions to elect that abolishment services are contestable.¹³⁷ Stakeholders expressed mixed views on this aspect of the rule change request, with:

- Consumer groups and some other stakeholders supporting contestability as a potential means to reduce the cost of abolishment services.¹³⁸
- A number of gas distribution network operators, industry associations and jurisdictional ombudsmen questioning the benefit of contestability, with some also expressing concerns about the potential safety and accountability-related risks associated with contestability.¹³⁹
- Some network operators and industry associations noting that remediation services are already subject to a degree of contestability, with such services often put out to competitive tender to be performed by specialised subcontractors.¹⁴⁰

While the Commission understands that there may be some safety-related concerns associated with contestability, it is important to recognise that the rules would not mandate contestability. Rather, this would be a matter for jurisdictions to determine, in the same way that they can determine whether any part of a connection service is contestable.

¹³⁶ Draft NGR rules 120, 121A, 121C and 124A.

¹³⁷ JEC, Rule change request, p. 9.

¹³⁸ Stakeholder submissions to the consultation paper: St Vincent de Paul Society, p. 1; SSR0C, p. 1; Environment Victoria, p. 3; Rewiring Australia, p. 2; Joint submission from JEC, SolarCitizens, Sydney Community Forum and qcoss, pp. 5-7.

¹³⁹ Stakeholder submissions to the consultation paper: ATCO, p. 4; AusNet, p. 1; Jemena, p. 3; APGA, p. 3; ENA, p. 4; Joint submission from the Energy & Water Ombudsmen SA, NSW and Queensland, p. 3.

¹⁴⁰ Stakeholder submissions to the consultation paper: AGIG, p. 15; ATCO, p. 4; ENA, p. 4.

3.6 The framework would apply to scheme and nominated non-scheme distribution networks in all jurisdictions except Western Australia

Box 7: Draft determination - The new framework would apply to scheme and nominated non-scheme distribution networks in all jurisdictions except Western Australia

Our draft gas rule provides for the new abolishment framework to apply to distributors that operate the following types of gas distribution networks in all jurisdictions except Western Australia:

- scheme distribution networks
- non-scheme distribution networks if a jurisdiction makes a regulation under the NGL to nominate that the new Part 13 of the NGR applies to the distributor for that pipeline.

The new framework would not apply to distributors operating any other non-scheme distribution networks. Nor would it apply to non-retail customers using either scheme or nominated non-scheme distribution networks.

Our draft gas rule would result in the new abolishment framework being available to retail customers connected to the following gas distribution networks in all jurisdictions except Western Australia:¹⁴¹

- **Scheme distribution networks.** The application of the framework to these networks is consistent with the intent of scheme pipeline regulation and, like the connection framework, recognises that retail customers can require additional protections when procuring such services.
- **Nominated non-scheme distribution networks.** The application of the framework to these networks is intended to provide some flexibility for jurisdictions to determine whether any non-scheme distribution networks should be subject to the new framework. This is similar to the approach taken with connections in Part 12A of the NGR. To be subject to the new framework, a distributor would need to be nominated by a jurisdiction through a local regulation made under section 8A(1)(b) of the NGL (nominated non-scheme distribution network).¹⁴²

The application is illustrated in the figure below.

¹⁴¹ Draft NGR rule 120.

¹⁴² Note that while the Queensland Government has nominated two non-scheme distribution networks for the purposes of the connection framework in Part 12A of the NGR, these networks would not automatically become subject to the new framework proposed in Part 13 of the draft rule. Rather, a new local regulation would need to be made if the Queensland Government determines that this framework should apply to those networks.

Figure 3.2: Application of the new framework

A. What jurisdictions would it apply to?	B. What distribution pipelines would it apply to?		C. What types of customers would it apply to?
	Scheme pipelines	Non-scheme pipelines	
ACT	Evoenergy distribution network	Only applicable if a jurisdiction nominates a non-scheme distribution pipeline to be subject to the new framework	Retail customers (i.e. a person supplied by a retailer)
NSW	Jemena distribution network		
NT	n.a.		
Qld	n.a.		
SA	AGN distribution network		
Tas	n.a.		
Vic	AGN, Multinet and AusNet distribution networks		

Source: AEMC

As discussed further below, this application is intended to minimise the risk of over-regulating the provision of services to non-retail customers (using either scheme or non-scheme distribution networks) and non-scheme distribution networks that have not been nominated by a jurisdiction.

3.6.1 The new framework would only apply to retail customers

Our draft determination provides for the application of the abolishment framework to retail customers only.

This is broadly consistent with JEC's rule change proposal¹⁴³ and was supported by network operators that commented on this aspect of the rule change request.¹⁴⁴ The ECA, on the other hand, suggested the arrangements should apply to "all consumers" (i.e. retail and non-retail customers).¹⁴⁵

The Commission has considered whether the new framework should apply to non-retail customers as suggested by the ECA. However, the Commission does not consider this to be necessary because:

- these customers tend to be large, self-contracting gas users and are likely to require more bespoke abolishment services, which would need to be negotiated with the distributor
- there is an existing negotiate-arbitrate framework that these customers could have recourse to if they are unable to reach agreement on the terms of the abolishment service with the distributor.¹⁴⁶

¹⁴³ JEC, Rule change request, p. 4.

¹⁴⁴ Stakeholder submissions to the consultation paper: Jemena, p. 15; AGIG, p. 16.

¹⁴⁵ ECA, submission to the consultation paper, p. 8.

¹⁴⁶ This framework is set out in Parts 11 and 12 of the NGR.

We have also considered whether the rules should provide for property owners to seek an abolishment service as suggested by JEC.¹⁴⁷ However, this would require far more extensive changes to the NECF. The value of making such changes also appears limited given the same outcome could be achieved by property owners becoming a retail customer for the purposes of procuring an abolishment service. The draft rule does not therefore expressly refer to property owners.

3.6.2 The new framework would only apply to scheme and nominated non-scheme distribution networks

Our draft determination provides for the application of the abolishment framework to scheme and nominated non-scheme distribution networks only. This differs from the JEC's proposal, which was that the arrangements should apply to **all** non-scheme distribution networks.¹⁴⁸

Stakeholders expressed mixed views on JEC's proposal. The ECA agreed it should apply to all non-scheme distribution networks.¹⁴⁹ Jemena and AGIG, on the other hand, stated that non-scheme networks do not have significant market power and so should not be subject to the arrangements.¹⁵⁰ AGIG also noted that these networks can already charge customers cost-reflective abolishment charges.¹⁵¹

As outlined above, our draft determination mirrors Part 12A by allowing jurisdictions to nominate any non-scheme distribution networks that they consider should be subject to the new framework through a local regulation. The Commission does not, however, consider it necessary to otherwise extend the framework to other non-scheme distribution networks. This is because:

- regulating non-scheme distribution networks in this way would be contrary to the premise of non-scheme regulation, which is that these networks tend to have a lower degree of market power and so should be subject to a lighter handed form of regulation
- non-scheme networks are already able to recover cost-reflective charges from abolishing customers and should have a strong incentive to do so given they do not have the same ability to socialise costs as scheme networks
- there is already a negotiate-arbitrate framework in place that users of non-scheme networks could have recourse to if they are unable to reach agreement on the terms of any abolishment service.¹⁵²

For the avoidance of doubt, the draft rule would not apply to transmission pipelines (scheme or non-scheme).

3.6.3 The new framework would not apply in Western Australia

Our draft determination is not to apply the framework in Western Australia at this time.

We do not consider it necessary to apply the framework in Western Australia at this time.¹⁵³ This is because the costs of doing so are likely to outweigh the benefits given that:

- there is no equivalent model standing offer framework in place in Western Australia and so implementing it is likely to result in additional implementation costs for the ERA and ATCO

¹⁴⁷ JEC, Rule change request, p. 11.

¹⁴⁸ JEC, Rule change request, p. 9.

¹⁴⁹ ECA, submission to consultation paper, p. 8.

¹⁵⁰ Stakeholder submissions to consultation paper: AGIG, p. 16; Jemena, pp. 4 and 15.

¹⁵¹ AGIG, submission to consultation paper, p. 16.

¹⁵² This framework is set out in Parts 11 and 12 of the NGR.

¹⁵³ Separately, the AEMC's power to make such rules in Western Australia would need to be considered.

- ATCO's current access arrangement already provides for a beneficiary-causer pays approach to abolishment charges.¹⁵⁴

Our draft determination is consistent with JEC's rule change request.¹⁵⁵ It was also supported by ATCO, who was the only stakeholder that commented on this.¹⁵⁶

Given the limited feedback received to date, the Commission welcomes further stakeholder feedback on this aspect of our draft determination as well as our draft determination to apply the rules to distributors in jurisdictions that are not subject to NECF.

Question 5: Is the application of the new framework to scheme and nominated non-scheme pipelines in all jurisdictions (except Western Australia) appropriate?

Do you agree that it is not appropriate to apply the new retail customer-initiated abolishment service framework in Western Australia? If not, please explain why you consider scheme and nominated non-scheme distribution networks in Western Australia should be subject to the new framework.

Do you agree that the new framework should apply to distributors in jurisdictions that have not adopted NECF (e.g. Victoria)? If not, please set out what your concerns are with this application.

3.7 The new framework would not result in changes to the regulatory treatment of safety related abolishments or disconnection services

Box 8: Draft determination - The new framework should not result in any changes to the regulatory treatment of safety related abolishments or disconnection services

Our draft gas rules do not provide for any changes to either:

- the way in which safety or other regulatory mandated abolishments are treated, because these types of abolishments are already effectively accommodated in the regulatory framework
- the way in which disconnection services are regulated, because these services are already effectively accommodated in the regulatory framework.

Our draft gas rule would apply to customer-initiated abolishment services but not to safety or other regulatory mandated abolishments. This is because these types of abolishments can already be undertaken by the distributor as required. The price and regulation provisions in Part 9 of the NGR also appear to allow the costs of such abolishments to be recovered by the distributor. The new framework does not therefore need to deal with these types of abolishments.

Nor does the new framework need to deal with disconnection services, because they are already effectively regulated as ancillary reference services through distributors' access arrangements (section 3.1).

¹⁵⁴ ERA, Final decision on access arrangement for the Mid-West and South-West Gas Distribution Systems (2025 to 2029), 8 November 2024, Attachment 3, p. 10.

¹⁵⁵ JEC, Rule change request, p. 4.

¹⁵⁶ ATCO, Submission to consultation paper, p. 5.

Figure 3.3: The new framework focuses on customer requests for an abolishment service

	A. Customer cancels retail contract	B. Customer requests disconnection service	C. Retailer requests disconnection service	D. Distributor abolishes connection for safety reasons	E. Customer requests abolishment service
Customer	Customer informs retailer it wants to cancel its retail contract. No cost to customer to end and no ongoing costs.	Customer asks retailer for a disconnection service. Customer pays one-off disconnection charge.	No customer contract exists. Customer has cancelled contract or never signed up. No cost to customer.	No action from customer. Person at the premises receives notice of the connection abolishment. No cost to the customer.	Customer asks retailer for abolishment service. Customer pays one-off abolishment charge.
Retailer	Retailer ends retail contract. Retailer continues to be liable to pay the distributor a daily fixed charge, but can choose to disconnect the service at its own cost (see C) to stop incurring the daily charge.	Retailer sends invoice to customer for cost of disconnection. Retailer has no ongoing liability to pay the daily fixed charge. Retailer ends retail contract.	Retailer pays for the cost of disconnection. Retailer has no ongoing liability to pay the daily fixed charge.	No action from retailer required.	Retailer invoices customer for cost of abolishment service. Retailer has no ongoing liability to pay the daily fixed charge. Retailer ends retail contract.
Distributor	Distributor continues to charge retailer for daily access charge unless the retailer requests a disconnection (see C).	Distributor disconnects service as per customer request and receives disconnection payment from customer via retailer. Distributor monitors connection for safety and usage.	Distributor disconnects service as per retailer request and receives disconnection payment from retailer. Distributor monitors connection for safety and usage.	Distributor abolishes gas connection for safety reasons. Distributor deregisters site with AEMO.	Distributor abolishes connection as per customer request and receives abolishment payment from the retailer.
Regulation	Daily charges regulated as reference service through access arrangement.	Disconnection services regulated as reference service through access arrangement.	Disconnection services regulated as reference service through access arrangement.	Abolishment costs recovered from remaining customers through access arrangement.	Abolishment costs recovered from abolishing. Regulated under new framework

Source: AEMC

This differs from JEC's proposal, which is that the rules should be amended to regulate how disconnection services are provided and charged for.¹⁵⁷ Specifically, JEC proposed that the rules be amended in the following ways to limit the incentive retail customers may have to choose a lower cost disconnection service over an abolishment service:¹⁵⁸

- prohibit disconnection services being offered for more than 12 months without being reviewed
- require customers to pay a disconnection tariff every 12 months and if they fail to do so, the distributor must (subject to a notification process) abolish the connection.

This proposal was supported by a number of consumer groups.¹⁵⁹ Network operators and retailers, on the other hand, raised a number of concerns with the proposal, with some noting that it would be complex to implement and administer.¹⁶⁰ Others questioned distributors' ability to charge an annual disconnection tariff for no service¹⁶¹ and to abolish a connection without explicit consent.¹⁶²

While the Commission understands JEC's intent in proposing to regulate disconnection services in this manner, it is important to recognise that retail customers could also just terminate their retail contract to avoid paying any charges. The proposed changes are not therefore likely to address the identified problem. There are also likely to be significant costs and complexities associated with implementing and administering the arrangements and as some stakeholders noted it is unclear whether legally distributors could take some of the proposed actions. Requiring connections to be abolished for non-payment could also conflict with jurisdictional policies

¹⁵⁷ JEC, Rule change request, p. 13.

¹⁵⁸ JEC, Rule change request, pp. 6 and 23.

¹⁵⁹ Stakeholder submissions to the consultation paper: Joint submission from JEC, SolarCitizens, Sydney Community Forum and qcross, pp. 7-8.

¹⁶⁰ Stakeholder submissions to the consultation paper: AusNet, p. 5; Evoenergy, pp. 8-9; Jemena, p. 13; ENA, pp. 3-4; EnergyAustralia, p. 4.

¹⁶¹ AusNet, submission to the consultation paper, p. 4.

¹⁶² Jemena, submission to the consultation paper, p. 2.

regarding the future of gas networks. Our draft determination does not therefore provide for this aspect of JEC's rule change proposal.

3.8 The new framework would be implemented in a phased manner to minimise implementation costs and complexities

Box 9: Draft determination - the new framework would be implemented in a phased manner, aligned with the commencement of each distributor's next access arrangement

Our draft gas rule provides for the phased introduction of the new abolishment framework, with distributors' key obligations to commence at the start of each network's next access arrangement period (with some preliminary activities to be undertaken in the lead up to this).

The phased introduction recognises that there are existing approved access arrangements on foot and that the costs of amending these to accommodate the new framework are likely to outweigh the benefits.

In the case of the ACT and South Australian distribution networks, our final determination is not expected to be completed in time for it to be taken into account in the upcoming access arrangement. The new framework would not therefore apply in these networks until 2031.

Our draft gas rule provides for the new abolishment framework to be phased in at the commencement of each distributors' next access arrangement period.

To enable this to occur, scheme distribution networks would be required to submit an initial model standing offer for a basic abolishment service to the AER for approval by the access arrangement review submission date (see Table 3.3).¹⁶³ This is to allow sufficient time for the model standing offer to be reviewed and approved by the AER, so that it can be in place for the commencement of the next access arrangement period.

We note we did consider whether the ACT and South Australian gas distribution networks should be subject to the new framework in their upcoming 2026-2030 access arrangements. However, it became clear that the timing of our final determination would not provide the distributors or the AER sufficient time to make the changes that would be required to do so. The new framework would therefore not apply in these networks until the 2031-2036 access arrangement period (see Table 3.3)

Table 3.3: Scheme distribution network access arrangement periods

Networks	Next Access Arrangement Review		Next Access Arrangement Period	
	Review submission date	Distributor obligations under draft transitional rules	Start date	Distributor obligations under abolishment framework
Victorian gas distribution networks	1 June 2027	Distributors must submit a model standing offer for a basic	1 July 2028	Full operation of abolishment framework commences at
NSW gas	30 June 2029		1 July 2030	

¹⁶³ Draft NGR Schedule 1, Part 22, rule 118.

Networks	Next Access Arrangement Review		Next Access Arrangement Period	
	Review submission date	Distributor obligations under draft transitional rules	Start date	Distributor obligations under abolishment framework
distribution network		abolishment		start of next access arrangement period.
ACT gas distribution network	1 July 2030	service to the AER for approval by no later than the review	1 July 2031	
SA gas distribution network	1 July 2030	submission date.	1 July 2031	

Source: AEMC

The draft transitional rules also provide for abolishment service applications made in advance of the commencement of each distributor's next access arrangement period to remain subject to the arrangements that were in place when the application was made.¹⁶⁴ Any applications made from the commencement of the next access arrangement period would be subject to the new framework.

Our draft transitional rules differ from JEC's proposal. JEC proposed that the rules should become effective at the time of the final determination and that distributors and the AER make the necessary amendments to approved access arrangements within 12 months of the determination.¹⁶⁵ Evoenergy was the only stakeholder that directly commented on this proposal. It stated that reopening access arrangements was "inefficient and costly" and would "create significant administrative costs for both Service Providers and the AER".¹⁶⁶

The Commission is also concerned about the costs and complexities that would be associated with trying to unwind existing regulatory decisions, and the resource implications that this would have for the AER, given it would require up to six access arrangements to be reopened. The benefit of doing so also appears low, given the relatively low number of customer-initiated abolishments forecast to occur in most distribution networks over the period.¹⁶⁷ The Commission has decided therefore to minimise the implementation costs and complexities by employing the phased implementation approach outlined above.

¹⁶⁴ NGR, Draft Schedule 1, Part 22, Division 1

¹⁶⁵ JEC, Rule change request, p. 18.

¹⁶⁶ Evoenergy, Submission to the consultation paper, p. 16.

¹⁶⁷ For example, Evoenergy is forecasting 400 abolishments per annum over the next five years. See CIE, Gas demand forecast ACT and Queanbeyan 2026-2045, pp. 49-50.

4 New information provisions to support more informed retail customer decisions

The second element of our draft determination provides for the introduction of **new information provision requirements** in the NGR and NERR to support more informed decision-making by retail customers who are considering ceasing to use gas (see Figure 4.1 for detail).

Figure 4.1: New information provision requirements in the NGR and NERR

NGR requirements		NERR requirements	
Distributor obligations	Abolishment and disconnection information to be published on a distributor's website (NGR draft rule 120A) a. A description of the distributor's disconnection services and abolishment services b. Information about the differences between the services, including: - the circumstances in which it may be appropriate to use the service - whether there will still be gas from the distribution pipeline within the boundary of the customer's site after completion of the service - the work that would be required if a customer wants to re-establish the flow of gas to the premises. c. Details of applicable disconnection and abolishment timeframes. d. Details of charges for disconnection and abolishment services e. A description of the distributor's and customer's respective rights and obligations concerning the provision of services under the <i>energy laws</i> . f. A summary of the rights, entitlements and obligations of small customers including: - the distributor's standard complaints and dispute resolution procedure - the contact details for the energy ombudsman.	Retailer obligations	Abolishment and disconnection information to be provided by retailers to small customers (NERR draft rule 69A) Where a small customer notifies its retailer it wishes to terminate its retail contract, or makes an enquiry about disconnection or abolishment services, the retailer must: where practicable provide to the customer brief and general information about: - the availability of disconnection and abolishment services - the differences between the services, including with respect to: - whether there will still be gas from the distribution pipeline within the boundary of the customer's premises after completion of the service - the work that would be required if a customer wants to re-establish the flow of gas to the premises refer the customer to the relevant distributor website and enquiry number for more information on disconnection and abolishment services. This obligation applies to both standard & market retail contracts.
	Responses to retail customer enquiries (NGR draft rule 120A) If a retail customer requests information of the kind referred to above, the distributor must: - either refer the retail customer to its website, or provide the information to the customer - provide the customer a copy of the information if the customer requests a copy. This information must be provided without charge unless it is requested more than once in any 12 month period, in which case it may be subject to a reasonable charge.		Responses to retail customer enquiries (NERR draft rule 102) If a person makes an enquiry or complaint to a retailer about a distributor's disconnection or abolishment services the retailer must: - if received by phone, refer the person to the distributor's enquiry or complaints number, or - otherwise provide the relevant distributor with the details (including contact details).
		Distributor obligations	A distributor must: - respond to an enquiry expeditiously - resolve a complaint expeditiously and in accordance with its standard complaints and dispute resolution procedures.

Source: AEMC

As Figure 4.1 shows, the new provisions would require:

- relevant distributors to publish more detailed information about the disconnection and abolishment services offered to retail customers on their websites and to respond to enquiries made by customers about these services (see Figure 3.2)¹⁶⁸
- retailers and distributors operating in jurisdictions that have adopted NECF for gas to do the following (section 4.3):¹⁶⁹
 - if small customers seek to terminate their retail contract, or otherwise enquire about a disconnection or abolishment service, retailers would be required to:
 - provide general information on the availability of disconnection and abolishment services and the differences between these services, including in relation to whether:
 - there would still be gas conveyed within the boundary of the customer's premises
 - the work required if a customer wanted to have gas supplied to the premises again
 - refer the customer to the relevant distributor's website or enquiry number for further information

¹⁶⁸ This includes operators of scheme gas distribution networks and nominated non-scheme gas distribution networks in all jurisdictions except Western Australia.

¹⁶⁹ The ACT, New South Wales, South Australia and Queensland.

- the relevant distributor would be responsible for responding to any retail customer enquiries about the services.

The draft rules provide for the new provisions to commence six months after the making of the final rules, if made (section 4.4).

We have decided to employ a relatively short transition period because it has become clear through consultation that there is a significant degree of confusion amongst retail customers about the options available to cease having gas supplied to their premises that needs to be addressed.

As described in more detail in section 2.4 the new information provisions would satisfy the consumer protection test. They would also contribute to both the NGO and NERO by enabling retail customers to make more informed and efficient decisions about how to end the supply of gas to their premises. The new provisions are also intended to be simple, transparent and proportionate to the problem they are intended to address.

4.1 Introducing new information provision requirements on retailers and distributors would address retail customer confusion

Box 10: Draft determination - Retail customer confusion about different options should be addressed through the introduction of new information provision requirements

Our draft rules would address retail customer confusion about the different options for ceasing to have gas supplied to their premises and support more informed decision-making by introducing new information provision requirements in both the NGR and NERR.

- The new NGR requirements would apply to relevant distributors.
- The new NERR requirements would apply to relevant distributors and retailers operating in jurisdictions that have adopted NECF for gas.

Our draft determination provides for the introduction of new information provision requirements applying to both retailers and distributors through changes to both the NERR and NGR. These new requirements are intended to address the information deficiencies contributing to the confusion retail customers have about the options available to cease having gas supplied to their premises, which may be leading to ill-informed and/or inefficient decisions.

Stakeholder submissions to the consultation paper highlighted the challenges facing retail customers. The ECA, for example, stated in its submission that:¹⁷⁰

“... confusion already exists among consumers on the process and costs related to disconnection/abolishment ... [There have been] instances of retailers failing to inform consumers about the options they have available to them, with some having no knowledge that temporary disconnection was an option.”

This view was echoed by AGL, which noted that “the current ambiguity between ... disconnections and ... abolishments can lead to customer confusion”.¹⁷¹ AusNet and Evoenergy also noted that customer research they have respectively undertaken shows most customers are either “confused about”, or “unaware of”, the difference between a disconnection and abolishment services.¹⁷²

¹⁷⁰ ECA, submission to the consultation paper, p. 8.

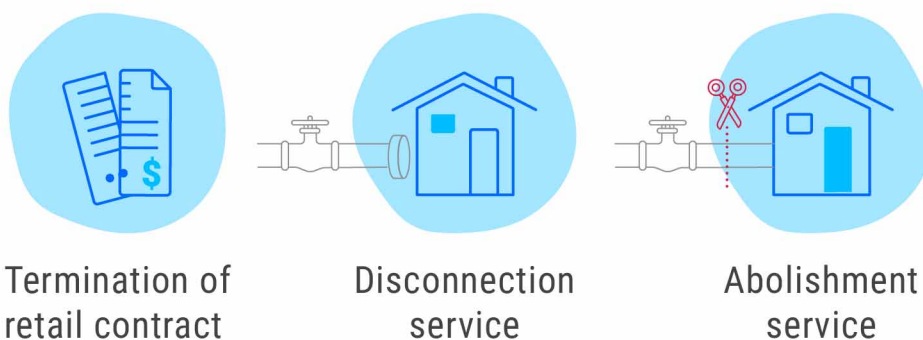
¹⁷¹ AGL, submission to the consultation paper, p. 3.

The confusion appears to have arisen because of deficiencies in the information available to retail customers on the options available to them (i.e. terminate their retail contract, disconnection of the service, or abolishment of the connection - see Box 12) and the key differences between them.

If retail customers do not have a good understanding of the differences between these services, then it is possible that they may view them as substitutes and opt for the lowest cost option, without understanding the potential consequences of doing so. Customers could, for example, opt to terminate their retail contract or procure a disconnection service and not realise that they may still have active gas supply in the boundary of their property. This could lead to future safety risks if works are later undertaken on the property and the owners are unaware there is still active supply.

Box 11: Different ways in which customers can cease to use gas

A retail customer that no longer wants to use gas at their premises can currently do so in one of the following ways:



- Termination of retail contract:** A retail customer can cancel their retail contract with a retailer at any time at little or no cost. In contrast to the other options, this **does not involve a physical disconnection or abolishment of the connection**. This means that gas can still flow into the premises and that gas appliances will work when switched on. New retail and network contracts would therefore commence if gas is used at the premises again. Retail customers tend to use this option when moving out of a property. However, there is nothing currently preventing customers who want to cease using gas at their premises (e.g. if they have electrified the premises) selecting this option.
- Disconnection service:** This service **involves the closing of a connection** to prevent the withdrawal of gas at the premises. This typically involves an authorised gas technician wadding or placing a disc in the gas meter to prevent the flow of gas into the premises. In contrast to an abolishment, a disconnection can be readily reversed through a reconnection service that involves removing the wadding or disc so that gas can be supplied to the premises once again (a reconnection fee is typically payable for this service). Retail customers may use this option when they are renovating a property. Retailers and distributors can also initiate disconnections for non-payment, or for other reasons set out in the NERR.
- Abolishment service:** This service involves the **removal of the connection** so that gas can no longer be supplied to the premises. This typically involves the removal of a connection by cutting and capping the service. In contrast to a disconnection service, where supply can be

readily restored, the only way gas supply can be restored when an abolishment has occurred, is through the installation of a new connection. In some distribution networks, the prices payable for this service are 5-15 times higher than the cost of a disconnection service.

Source: AEMC.

In the Commission's view, this is a deficiency in the current arrangements that should be addressed through the introduction of new information provision requirements that would apply to both distributors and retailers. Similar views were expressed by a number of network operators, consumer groups and retailers.¹⁷³ Evoenergy, for example, stated that:¹⁷⁴

"We consider that there is a gap in the regulatory framework for gas disconnections related to customer information provisions ... we consider that the regulatory gap relates to information sharing provisions, and that changes are required to the gas regulatory framework, including the NERR, to ensure that ... where appropriate, customers are actively offered an informed choice between a temporary and permanent disconnection when closing their gas retail account."

The ECA similarly stated that the NGR and NERR should be amended to "ensure consumers have access to clear information on the options available to them when disconnecting."¹⁷⁵ Origin made a similar observation, noting that:¹⁷⁶

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

The following sections set out the details on how the new information provision requirements would operate.

4.2 Distributors would be required to publish information about the disconnection and abolishment services available to retail customers

Box 12: Draft determination - Distributors should publish information on retail customer disconnection and abolishment services on their website to support informed decision-making

The draft rule requires relevant distributors to publish a range of information on the disconnection and abolishment services available to retail customers connected to their distribution network. This includes an explanation of the key differences between disconnection and abolishment

173 ECA, p. 8; ENA, p. 3; Evoenergy, pp. 2, 4; AGL, p. 3; ActewAGL, p. 3; Origin, p. 2.

174 Evoenergy, submission to the consultation paper, p. 4.

175 ECA, submission to the consultation paper, p. 8.

176 Origin, submission to the consultation paper, p. 2.

services, as well as information on the charges payable for each service, service time frames and relevant rights and obligations.

Our draft gas rule provides for distributors to publish the following information on their website:¹⁷⁷

- a description of the distributor's retail customer disconnection and abolishment services
- information about the differences between the services including with respect to:
 - the circumstances in which it may be appropriate to use the service
 - whether there would still be gas from the distribution pipeline within the boundary of the customer's premises, after completion of the service
 - the work that would be required if a customer wants to re-establish the flow of gas to the premises
- details of indicative timeframes to provide applicable disconnection and abolishment services
- details of charges for disconnection and abolishment services
- a description of the distributor's and customer's respective rights and obligations regarding the provision of disconnection and abolishment services under the energy laws
- a summary of the rights, entitlements and obligations of small customers in relation to the distributor's standard complaints and dispute resolution procedure and contact details for the relevant energy ombudsman.

The draft rule also provides that, where a retail customer requests the type of information listed above from a distributor, the distributor must either refer the customer to its website, or otherwise provide the information to the customer. The distributor must also provide a hard copy of the information if the customer requests it, without charge (or with a reasonable charge if the information is requested more than once in any 12 month period).¹⁷⁸

These obligations are very similar to the connection reporting obligations that distributors subject to the NERR are required to comply with.¹⁷⁹

The draft rule includes these disclosure obligations in the proposed new Part 13 of the NGR.

We propose to recommend that these obligations be classified as a tier 2 civil penalty provisions. This is because distributors must comply with these provisions to ensure the new requirements operate as intended (i.e. to ensure retail customers are correctly informed of the differences in services and can make informed and efficient decisions) (see Appendix C).

The obligations outlined above would apply to relevant distributors (i.e. scheme distribution networks and nominated non-scheme distribution networks in all jurisdictions except Western Australia - section 3.6.2).

While distributors would incur some initial costs complying with these new obligations, the ongoing reporting costs are likely to be low given most information would not change very often. The costs incurred in complying with these obligations must also be considered relative to the potential benefits in enabling retail customers to make more informed and efficient decisions about how to cease the supply of gas to their premises.

¹⁷⁷ Draft NGR rule 120A. Draft rule 124 contains further publication requirements relating to abolishment services.

¹⁷⁸ Draft NGR rule 120A.

¹⁷⁹ Rule 80 of the NERR.

Our draft determination is broadly consistent with JEC's suggestion that consideration be given to imposing additional information disclosure obligations on distributors to support retail customer decisions.¹⁸⁰ Many stakeholders that responded to the consultation paper also agreed with the need for better information to be made available to retail customers to support more informed decision-making.¹⁸¹

In the Commission's view, distributors are best placed to prepare and publish the information outlined above and to deal with more detailed enquiries from retail customers about particular services. This is because distributors are responsible for providing the services and so will have a better understanding than retailers of the specific service and safety requirements.

The Commission is interested in obtaining stakeholders' views on this aspect of the draft determination, including the specific information provision requirements and potential compliance costs for distributors.

Question 6: Are the proposed distributor information provisions likely to achieve their stated objective?

Do you think the proposed distributor information provisions would help support more informed decision-making by retail customers? If not, please explain why not and what additional support you think is required.

Do distributors consider the proposed information provisions to be workable, or are there material costs and/or implementation challenges that we should be aware of in relation to this requirement?

If distributors think there are material costs and/or challenges associated with this requirement, are there any ways that you think these could be reduced, while still giving effect to the intent of the draft rule?

4.3 Retailers would be required to provide general information on disconnection and abolishment services and refer customers to the relevant distributor for further information

Box 13: Draft determination - Retailers would be required to provide small customers general information about disconnection and abolishment services and otherwise refer customers to the relevant distributor for more information

Our draft retail rule would require retailers and relevant distributors operating in jurisdictions that have adopted NECF for gas to do the following:

- If a small customer notifies a retailer that it wishes to terminate its retail contract or otherwise enquires about disconnection or abolishment services, the retailer would be required to:
 - provide brief and general information about the availability of disconnection and abolishment services and the differences between these services (where practicable)
 - refer the small customer to the relevant distributor for more information.

180 JEC, Rule change request, p. 13.

181 Stakeholder submissions to the consultation paper: ECA, p. 8; ENA, p. 3; Evoenergy, pp. 2, 4; AGL, p. 3; ActewAGL, p. 3; Origin, p. 2.

- If a retailer receives any other enquiries about disconnection or abolishment services it would be required to refer them to the distributor.
- The relevant distributor would be responsible for responding to further enquiries retail customers may have about the disconnection and abolishment services.

Our draft retail rule would require retailers to do the following if a **small customer** seeks to terminate its retail contract, or otherwise enquires about a disconnection or abolishment service:¹⁸²

- where practicable, provide the customer brief and general information about:
 - the availability of disconnection and abolishment services
 - the differences between the services, including with respect to:
 - whether there would still be gas from the distribution pipeline within the boundary of the customer's site, after completion of the service
 - the work that would generally be required if a customer wants to re-establish the flow of gas to the premises
- refer the customer to the relevant distributor's website and enquiry number for more information about the distributor's disconnection and abolishment services.

For other types of enquiries about disconnection or abolishment services (including from other types of retail customers), our draft rule would require retailers to:¹⁸³

- if the enquiry is made by phone, refer the person to the relevant distributor's enquiry or complaints telephone number
- otherwise, as soon as practicable but no later than the next business day, provide the relevant distributor with the details of the enquiry, including the customer's contact details.

The draft rule would also require distributors that receive an enquiry from a retail customer about an issue with a disconnection or abolishment service to respond expeditiously.¹⁸⁴

As these obligations would be included in the NERR, they would apply to retailers and relevant distributors operating in jurisdictions that have adopted NECF for gas (i.e. the ACT, NSW, Queensland and South Australia).

While we are not in a position to regulate retailer disclosure requirements in non-NECF jurisdictions, such as Victoria, Tasmania, the Northern Territory or Western Australia, it would be open to those jurisdictions to amend their retail codes to provide for similar disclosure requirements.

Our draft determination is broadly consistent with JEC's suggestion that we consider amending the NERR to impose additional information requirement provisions on retailers and address any consumer protection issues.¹⁸⁵ A number of stakeholders that responded to the consultation paper also noted the need for both retailers and distributors to play a role in supporting more informed decision-making by retail customers.¹⁸⁶

182 Draft NERR rule 69A.

183 Draft NERR rule 102.

184 Draft NERR rule 102.

185 JEC, Rule change request, p. 14.

186 Stakeholder submissions to the consultation paper: ECA, p. 8; Evoenergy, pp. 2, 4; AGL, p. 3; ActewAGL, p. 3; Origin, p. 2.

In relation to the retailer obligations, it is worth noting that we are aware that requiring retailers to provide general information on the availability of, and differences between, disconnection and abolishment services to small customers, differs from the approach taken in other areas of the NERR. For example, if a retailer receives an enquiry about an issue relating to connections, the NERR only requires the retailer to refer the customer to the distributor.¹⁸⁷ We consider it appropriate to employ a different approach in this case because:

- it is clear from the feedback received from retailers, network operators and consumer groups that retail customers do not have a good understanding of the options, including whether the options may result in gas still being conveyed within the boundary of their premises
- retailers, as the primary point of contact for retail customers, can play an important role in alerting customers to the different services to support informed decision-making and providing them general information on the differences between those services, before referring them to distributors for more information.

Like the distributor obligations set out in section 4.2, these new requirements are likely to give rise to additional compliance costs, particularly for retailers who would be required to communicate more information to small customers. The Commission is therefore interested in hearing from retailers on the potential costs associated with these obligations and if they are likely to give rise to any implementation challenges.

Question 7: Are the proposed retailer information provisions likely to achieve their stated objective?

Do you think the proposed retailer information provisions would help support more informed decision-making by retail customers? If not, please explain why not and what additional support you think is required.

Do retailers consider the proposed information provisions to be workable, or are there material costs and/or implementation challenges that we should be aware of in relation to this requirement?

If retailers think there are material costs and/or challenges associated with this requirement, are there any ways that you think these could be reduced, while still giving effect to the intent of the draft rule?

4.4 The new information provisions would commence six months after the final rules are made

Box 14: Draft determination - The new information provisions would commence six months after the final rule is made (if made)

Our draft rules provide for the new information provisions to come into effect six months after the final rules are made (if made). This timing should provide retailers and distributors sufficient time to develop any materials that may be required to comply with the new requirements.

Our draft rules would result in distributors and retailers having to comply with the new information provision requirements approximately six months after the publication of the final rules, if made.

¹⁸⁷ Draft NERR rule 102.

Based on the current expected timing of our final determination, this would result in implementation in August 2026.

We have adopted a relatively short transition period so that retail customers that are considering ceasing to use gas can make more informed decisions about how to do so. To this end, the draft rules provide for a 6-month transition period, which should provide retailers and distributors sufficient time to develop any materials that may be required prior to the commencement of the new obligations.

We welcome stakeholder feedback on any practical impediments to implementing the proposed new information provisions in this timeframe.

JEC's rule change request did not specifically deal with the commencement date for these types of obligations and stakeholders provided no direct feedback on the timings.

Question 8: Are retailers or distributors likely to face any impediments in implementing the proposed information provisions within the proposed timeframe?

Do retailers or distributors consider there to be any practical impediments to implementing the proposed information provisions set out in Chapter 4 within six months of the final rules being made (if made)?

5 We recommend that governments consider issues that extend beyond the national gas framework

We identified issues that extend beyond the national energy framework when undertaking analysis of the issues raised in the rule change request. We recommend that jurisdictions consider whether actions are required under their various frameworks to address these issues. Specifically, we recommend that jurisdictions with electrification policies explore whether the implementation of these requires additional consequential regulations, instruments or policies related to the abolishment of gas connections. We note that there are material differences in jurisdictional policies relating to the future of gas and electrification, and it follows that different actions may therefore be appropriate in each jurisdiction.

The number of dormant connections is expected to increase over time in jurisdictions with electrification policies, as more residential gas users stop using gas.¹⁸⁸ AER data shows numbers of dormant connections on all scheme pipelines it regulates,¹⁸⁹ has increased gradually since 2022.¹⁹⁰ We expect that, depending on jurisdictional electrification policies, this will continue to increase as customers opt for a cheaper disconnection service opposed to abolishment.

The proponent and several stakeholders highlighted that abolishment policies, including issues that may arise from an increase in dormant connections, should be considered alongside the implementation of jurisdictional electrification policies.¹⁹¹ JEC outlined in its rule change request that there are issues related to gas disconnection and abolishment that are beyond the scope of the national gas rules. It considered that a secondary benefit of its rule change request would be improved certainty that could help facilitate government consideration of potential subsidisation of abolishment costs in line with any policies to encourage electrification.¹⁹²

Some stakeholders also raised issues that extend beyond the national energy framework, or expressed the view that the rule change request could only solve part of the issues relating to gas disconnection and abolishment.¹⁹³ A joint submission from the Energy and Water Ombudsmen recommended that governments consider targeted funding to support vulnerable customers electrify who cannot afford the cost of gas abolishment.¹⁹⁴ Some consumer groups further suggested that jurisdictions should begin considering plans for the efficient decommissioning of gas networks.¹⁹⁵

We note that the ACT government has outlined a plan to transition homes and businesses from gas by 2045.¹⁹⁶ The ACT government has provided information for residents and businesses in the ACT on the differences between disconnection and abolishment and is developing plans for decommissioning the gas network, including resolving some of the issues noted above.

Several stakeholders raised during consultation that where jurisdictions have electrification policies in place there may be additional issues that require consideration by the relevant

188 Dormant connection: where gas has been disconnected or where the customer has ceased using gas and there is no gas consumption at the connection.

189 Evoenergy, Jemena, Australian Gas Network South Australia, Australian Gas Network Victoria, AusNet and Multinet.

190 [AER quarterly disconnection reporting](#).

191 Rule change request, p.9.

192 Rule change request, pp. 3, 9.

193 ECA, submission to the consultation paper, p. 9.

194 EWON, EWOSA and EWOQ, submission to the consultation paper, p. 2.

195 Brotherhood of St Lawrence, submission to the consultation paper, p. 6.

196 ACT Government, [The Integrated Energy Plan: Our pathway to electrification](#).

jurisdictional entities. We agree that these areas may require further consideration over time, particularly whether:

- financial support may be appropriate to assist customers with the costs of electrifying, including costs of abolishment
- strategic decommissioning plans should be developed, for example where there are clear targets to move off gas that do not include repurposing gas networks
- a potential growth in dormant gas connections would increase safety risks and therefore require changes to safety regulations and instruments
- consequential changes to non-energy regulations are required to complement any electrification policies, for example:
 - regulations associated with property sales, where there may be increased safety risks if there is a gas disconnection
 - responsibilities of landlords who have electrified premises to abolish a gas connection and pay for the service to minimise potential health and safety risks to tenants.

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

We will consider the best approach to finalise this rule change request in a timely manner following stakeholder consultation on the draft determination. Given the complexity of the issues covered by the rule change request, the current date for the final determination may need to be extended.

You can find more information on the rule change process on our website.¹⁹⁷

A.1 The Justice and Equity Centre proposed a rule to introduce a framework for gas disconnections and permanent abolishments

The JEC proposed introducing, in the NGR and NERR, a regulatory framework for gas disconnections and abolishment. The proposed framework would clarify what different gas disconnection services can include, what costs should be associated with each gas disconnection service type, and who should bear those costs.

A.2 The proposal seeks to address JEC's concern that gas disconnection and abolishment services are not currently dealt with by the rules

The JEC identified that gas abolishment is not currently covered by the NGL, NGR and NERR, and there is no regulatory guidance on what different disconnection and abolishment services should entail, who could provide these services, and how associated costs should be charged.

The JEC suggested that this silence results in regulatory uncertainty, inconsistent regulatory decisions and issues of inefficiency, inequitable cost sharing and potential risks to safety. It proposed that, given the growth in the number of abolishments, a consistent regulatory framework is necessary to ensure customer safety and health, equity and economic efficiency. The JEC also suggested the status quo may also create material emissions implications to the extent that current arrangements for gas disconnections and permanent abolishment disincentivise or delay electrification.

A.3 It proposed to do so by introducing a new regulatory framework for disconnections and abolishment

To address the issues identified above, the JEC has proposed that the AEMC amend the gas and retail rules to introduce the following:

¹⁹⁷ See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>.

- definitions of permanent disconnection, remediation and temporary disconnection
- a definition of permanent disconnection as ‘the minimum works required to safely discontinue the supply of gas to a retail customer’
- a beneficiary-causer pays based criteria for how related charges should be recovered
- rules which make provisions for jurisdictions to be able to elect to make permanent disconnection services and remediation services contestable
- information provisions in the retail rules relating to the process for requesting disconnection and abolishment services, and the management and confirmation of consent by the retail consumer and property owner
- amendment to the model retail energy contract.

A.4 The process to date

On 12 June 2025, the Commission published a notice advising of the initiation of the rule-making process and consultation in respect of the rule change request.¹⁹⁸ A consultation paper identifying specific issues for consultation was also published. Submissions closed on 10 July 2025. The Commission received 27 submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this draft rule determination.

The Commission decided, under s. 317 of the NGL and s. 266 of the NERL to extend the period of time for making a draft rule determination under s. 308 of the NGL and s. 256 of the NERL until 30 October 2025, because the rule change request raises issues of sufficient complexity or difficulty such that it was necessary that the period of time be extended for the JEC rule change request.

¹⁹⁸ This notice was published under section 303 of the NGL and 251 of the NERL.

B Gas pipeline regulatory framework

This chapter provides an overview of the gas pipeline regulatory framework¹⁹⁹ and how scheme pipelines are currently regulated. This represents the status quo against which the Commission will consider any potential changes to the regulatory framework.

B.1 Overview of the gas pipeline regulatory framework

B.1.1 The regulatory framework provides for two forms of regulation: scheme and non-scheme pipelines

The current regulatory framework was implemented in 2023 and is based on the negotiate-arbitrate regulatory model. Pipelines are classified as either scheme pipelines or non-scheme pipelines (noting that this classification applies to distribution and transmission pipelines). This classification then determines the form of regulation a pipeline is subject to.²⁰⁰

- **Scheme pipelines** are subject to a **stronger form of regulation** that requires the service provider to have its proposed access arrangement approved by the AER on a periodic basis.²⁰¹ The access arrangement, which sets out the prices and other terms and conditions of access to the reference service(s) offered by the pipeline, must comply with the Parts 8-9 of the NGR. Under this form of regulation, prospective users can either procure reference services on the terms and conditions set out in the access arrangement, or negotiate access to alternative services, prices and/or conditions of access.²⁰² To facilitate negotiations and access, the NGL and NGR require service providers to comply with a range of access related obligations, access related information disclosure requirements and a common negotiation framework.²⁰³ If negotiations fail, either party can trigger the regulatory-oriented dispute resolution mechanism.²⁰⁴
- **Non-scheme pipelines** are subject to a **lighter form of regulation**, which does not involve any form of regulatory approval of prices or terms and conditions of access. This is instead left to commercial negotiations. Under this form of regulation, service providers must comply with the same access related obligations, disclosure requirements and negotiation framework as scheme pipelines²⁰⁵ to support commercial negotiations. If negotiations fail, either party can trigger the commercially-oriented arbitration mechanism²⁰⁶ set out in the NGL and NGR.²⁰⁷

Figure B.1 provides a high level overview of key elements of the current regulatory framework, followed by a detailed description of the components of the framework and key terms.²⁰⁸

199 The gas pipeline regulatory framework regulates scheme and non-scheme pipelines, which comprise gas transmission and distribution networks.

200 In 2022, Energy Ministers agreed to amend the NGL and NGR to implement a “simpler regulatory framework that will continue to support the safe, reliable and efficient use of and investment in gas pipelines”. The current regulatory framework came into effect in all jurisdictions except Western Australia (WA) in 2023 (see Box 2.1 for more detail on WA). Please refer to Energy Ministers, Information paper - Improving gas pipeline regulation, 22 April 2022 - see [here](#).

201 See Parts 8-9 of the NGR.

202 See s. 115 of the NGL.

203 See Parts 5-7, 10-12 of the NGR and Chapters 4-5 of the NGL.

204 See Part 12 of the NGR and Chapter 5 of the NGL.

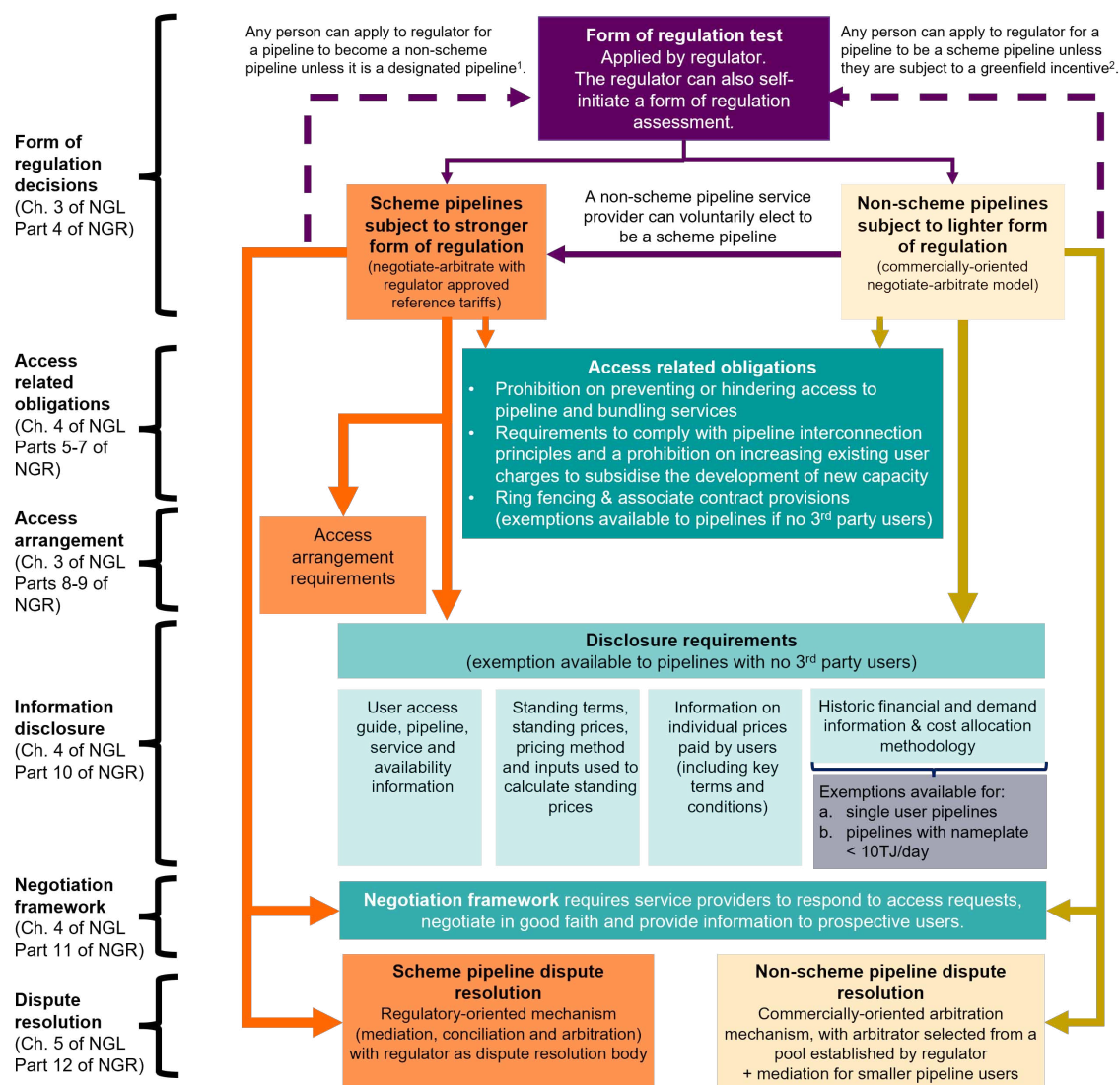
205 See Parts 5-7, 10-12 of the NGR and Chapters 4-5 of the NGL.

206 In contrast to scheme regulation where the regulator is the dispute resolution body, the arbitrator under non-scheme regulation must be selected from a pool of commercial arbitrators established by the regulator. The principles that must be considered in an arbitration under non-scheme regulation are also more commercially focused and the timelines for arbitration are also shorter than under scheme regulation.

207 See Parts 5-7, 10-12 of the NGR and Chapters 4-5 of the NGL.

208 In addition to the obligations outlined in Figure 2.1, Gas distributors can be subject to a range of regulatory related service and other obligations under the national gas regulatory framework and jurisdictional legislation, including obligations to: provide customer connection services, subject to and in accordance with energy laws; meet safety, technical and reliability requirements under jurisdictional energy laws and related instruments (these obligations vary from jurisdiction to jurisdiction); and meet service standards under the National Energy Retail Rules and jurisdictional guaranteed service level schemes.

Figure B.1: Overview - key components of the current regulatory framework for gas pipelines



Source: AEMC

Any pipeline that is not a scheme pipeline is classified as a non-scheme pipeline under the regulatory framework. However, as the top of Figure B.1 shows, the regulatory framework allows for the classification of most pipelines to be changed over time through a form of regulation determination process²⁰⁹ and, in the case of non-scheme pipelines, through a voluntary election by the service provider to become a scheme pipeline. The only non-scheme pipelines that cannot have their classification changed to scheme pipelines are pipelines that have been designated as scheme pipelines by the relevant jurisdiction²¹⁰ and pipelines with a greenfield incentive.²¹¹

209 The AER can self-initiate a review to either increase or decrease the level of regulation of a gas pipeline, generally where it appears that the level of regulation of a pipeline may not be appropriate, having regard to the principles in section 112 of the NGL, the form of regulation factors in section 16 of the NGL, and the NGO. See AER, *Pipeline Regulatory Determinations and Elections Guide*.

210 At the time the NGL was implemented, jurisdictions were allowed to classify pipelines as designated pipelines through Regulations or in their application Act.

211 This incentive entitles the holder to an exemption from becoming a scheme pipeline for up to 15 years. See sections 100-102 of NGL.

Box 15: Western Australian gas pipeline regulatory framework

The regulatory framework in WA is based on the same framework that applied in other jurisdictions until early 2023.¹ The WA regulatory framework provides for pipelines in WA to be classified as either covered or non-scheme pipelines. Covered pipelines can be subject to full or light regulation, and full regulation pipelines in WA are subject to similar forms of regulation as scheme pipelines in other jurisdictions. For instance:

- covered pipelines subject to full regulation must have their proposed access arrangements approved by the Economic Regulation Authority (ERA)
- the rules applying to access arrangements, which are set out in WA's version of the NGR, are largely the same as those applying to scheme pipelines in the remainder of Australia.²

Although not central to the consideration of the ECA and JEC rule change requests, we note that there are some differences between the WA regulatory framework and other jurisdictions: the access related obligations, disclosure requirements, negotiation frameworks and dispute mechanisms.³ There are also differences in the governance arrangements, with the WA Minister responsible for determining whether a pipeline's classification should change, rather than the regulator.

Source: AEMC

Note: ¹ A more detailed description of this framework can be found in the Energy Ministers, [Regulation Impact Statement on options to improve gas pipeline regulation](#), 2021.

Note: ² the WA version of the NGR can be found [here](#).

Note: ³ For example, non-scheme pipelines in WA are not subject to the access related obligations set out in Figure B.1. Similarly, covered pipelines in WA are not subject to the upfront publication requirements set out in Figure B.1 and are also subject to a different negotiation framework.

B.1.2 Most of the major gas distribution networks in Australia are currently classified as scheme pipelines and subject to the stronger form of regulation

Table B.1 sets out the current classification of gas distribution networks in Australia. Gas distribution networks servicing major demand centres in the ACT, NSW, South Australia, Victoria and WA are currently classified as scheme pipelines and subject to the stronger form of regulation. The remainder, which are located in Queensland, the Northern Territory, Tasmania and regional areas of NSW, Victoria and WA, are non-scheme pipelines and subject to the lighter-handed form of regulation.

Table B.1: Current classification of gas distribution networks

	Scheme pipelines	Non-scheme pipelines	
ACT	• Evoenergy	n.a.	
NSW	• JGN NSW Network	• Central Ranges network • Monaro network • Nowra network	• Riverina network • Tumut Valley network • Wagga Wagga network
NT	n.a.	• Alice Springs network	• Darwin network
Queensland	n.a.	• Allgas network • AGN network •	• Grantham network • Moura network • Wide Bay network

	Scheme pipelines	Non-scheme pipelines	
		- Bundaberg network - Dalby network	
SA	AGN SA network*	Murray Valley network	Tonsley network
Tasmania	n.a.	Tasmanian network	
Victoria	- AGN Victorian and Albury networks* - AusNet network* - Multinet network*	- Gas Networks Victoria - Loddon Murray network	- Mildura network - East Gippsland network
WA	Mid-West and South-West network*	Kalgoorlie network	

Source: AEMC [Gas Pipeline Register](#), accessed August 2025.

Note: * These gas distribution networks have been designated as scheme pipelines by the relevant jurisdictions so cannot apply to have the form of regulation changed.

B.2 Regulation of scheme pipelines

Service providers of scheme pipelines (transmission and distribution) are required to have their access arrangements approved by the relevant regulator on a periodic basis. The ERA is the relevant regulator for pipelines located in WA, while the AER is the relevant regulator in other jurisdictions.

The rules applying to access arrangements are set out in Parts 8 and 9 of the NGR, with Part 8 dealing with a range of access arrangement related content, process and decision-making related matters, while Part 9 sets out how a scheme pipeline's revenue and prices are to be determined. With some limited exceptions, the rules in these parts of the NGR apply to both gas transmission and distribution pipelines.

The remainder of this section provides a high level overview of the **access arrangement review process** and the matters the regulator is required to have regard to when deciding whether or not to approve an access arrangement (appendix B.2.1).

B.2.1 Access arrangement review process

Scheme pipeline service providers are required by the NGL and NGR to submit:

- A **reference service proposal (RSP)** to the regulator for approval no later than **12 months before** the access arrangement proposal submission date.²¹² An RSP must, amongst other things, set out the services the pipeline can reasonably provide and identify at least one as a reference service (see Box 17 for more detail on pipeline services). The regulator must consult on the RSP and make its decision on whether to approve the RSP at least 6 months before the access arrangement review submission date.

²¹² NGR, rule 47A.

- An **access arrangement proposal**²¹³ to the regulator for approval by the submission date²¹⁴ along with access arrangement information²¹⁵ by the submission date. An access arrangement must, amongst other things, set out:²¹⁶
 - the reference services to be provided by the pipeline, which must be consistent with what the regulator has approved through the RSP process unless there has been a material change in circumstances
 - for each reference service, the reference tariff and the other terms and conditions on which the reference service will be provided
 - the term of the access arrangement.²¹⁷

The regulator must consult on the access arrangement proposal and its draft decision. The final decision must be made within 8 months of the receipt of the access arrangement proposal.

Box 16: Categorisation of pipeline services

The services provided by scheme pipelines can be categorised as one of the following:

- **Reference service:** A pipeline service specified by, determined or approved by the regulator, as being a reference service and therefore subject to the reference tariffs and other terms and conditions in an access arrangement.
- **Non-reference service:** A pipeline service that is not a reference service. The price and other terms and conditions of access to these services must be negotiated directly between a user and the service provider.

Source: AEMC

Parts 8 and 9 of the NGR set out the specific matters the regulator must consider when deciding whether or not to approve a RSP and an access arrangement proposal. Section 28 of the NGL also requires the regulator to:

- perform or exercise its economic regulatory functions and powers in a manner that will or is likely to contribute to the achievement of the NGO
- take into account the revenue and pricing principles (see Box 18) when exercising discretion in approving or making parts of an access arrangement relating to reference tariffs.

Box 17: Revenue and pricing principles

The revenue and pricing principles set out in section 24 of the NGL are as follows:

- A scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in:

213 An access arrangement proposal means an initial access arrangement, revisions to an access arrangement, or variations to an access arrangement. See NGR, rule 3.

214 See section 113 of the NGL, and rules 43, 46 for new scheme pipelines, or rule 52 and 65 for scheme pipelines with an existing access arrangement.

215 Rule 72 of the NGR requires the Access Arrangement Information to include, amongst other things, information on: (a) actual expenditure and use of the pipeline over the prior access arrangement period; (b) how the opening capital base for the next access arrangement period has been calculated; (c) forecast expenditure, depreciation, rate of return, tax and demand for the next access arrangement period; (d) the proposed approach to setting tariffs; (e) the rationale for the proposed reference tariff variation mechanism; and (f) the rationale for any proposed incentive mechanisms.

216 Rule 48 of the NGR.

217 The NGR does not specify the length of the access arrangement period, instead the review submission date for an access arrangement is proposed by the service provider as part of their access arrangement proposal. Currently, the access arrangement period for all distribution scheme pipelines is five years.

- (a) providing reference services; and
- (b) complying with a regulatory obligation or requirement or making a regulatory payment.
- A scheme pipeline service provider should be provided with effective incentives in order to promote economic efficiency with respect to reference services the service provider provides. The economic efficiency that should be promoted includes:
 - (a) efficient investment in, or in connection with, a pipeline with which the service provider provides reference services; and
 - (b) the efficient provision of pipeline services; and
 - (c) the efficient use of the pipeline.
- Regard should be had to the capital base with respect to a pipeline adopted: (a) in any previous: (i) access arrangement decision; or (ii) decision under the Gas Code; or (b) Rules.
- A reference tariff should allow for a return commensurate with the regulatory and commercial risks involved in providing the reference service to which that tariff relates.
- Regard should be had to the economic costs and risks of the potential for under and over investment by a scheme pipeline service provider in a pipeline with which the service provider provides pipeline services.
- Regard should be had to the economic costs and risks of the potential for under and over utilisation of a pipeline with which a scheme pipeline service provider provides pipeline services.

Source: Section 24 of the NGL

B.2.2 Model standing offers

In jurisdictions that have adopted NECF for gas, scheme distribution networks and nominated non-scheme distribution networks are subject to:

- an obligation in the NERL to provide customer connection services to retail customers who request those services and whose premises are connected, or who is seeking to have the premises connected to the distribution network²¹⁸
- the retail customer connection framework in Part 12A of the NGR.

The retail customer connection framework in Part 12A of the NGR is intended to facilitate retail customer access to all types of connection services (basic, standard and negotiated), on fair and reasonable terms and with appropriate protections in place to support retail customer access to these services.

Amongst other things, this framework imposes an obligation on distributors to develop a model standing offer for a basic connection service and have it approved by the AER. The framework also allows distributors to develop model standing offers for other standard connection services and have those approved by the AER.

A model standing offer is a document approved by the AER that details a distributor's offer to provide connection services of a particular class, on specified terms, and if particular conditions are satisfied. Part 12A of the NGR requires distributors to include the following in their model standing offers:²¹⁹

²¹⁸ NERL, s. 66.

²¹⁹ NGR, Rules 119C and 119E.

- a description of the connection
- timeframes for commencing and completing the work
- details of the connection charges (or the basis on which they will be calculated)
- how the connection charges are to be paid by the retail customer
- the qualifications required for carrying out the work involved in providing a contestable service and any safety and technical requirements a provider of a contestable service must comply with.

It also requires the connection charges to be calculated in accordance with the connection charges criteria, which apply to all connection types (basic, standard and negotiated).²²⁰

This part of the NGR also sets out the matters the AER must have regard to in deciding whether to approve a distributor's model standing offer.²²¹ If the AER approves the model standing offer a distributor must publish it on its website.

²²⁰ NGR Rule 119M.

²²¹ NGR Rules 119D and 119F.

C Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NGL and NERL for the Commission to make a draft rule determination.

C.1 Draft rule determination and draft rules

In accordance with section 308 of the NGL and 256 of the NERL, the Commission has made this draft rule determination to make a more preferable draft gas rule and more preferable retail rule in relation to the rule proposed by JEC.

The Commission's reasons for making this draft rule determination are set out in chapter 2 chapter 2.

Copies of the more preferable draft gas rule and retail rule are attached to and published with this draft determination. The key features of the draft rules are described in chapters chapter 3 and chapter 4.

C.2 Power to make the rules

The Commission is satisfied that the more preferable draft gas rule falls within the subject matter about which the Commission may make gas rules.

The more preferable draft gas rule falls within section 74 of the NGL as it relates to regulating:

- the provision of pipeline services
- the activities of Registered participants, users, end users and other persons in a regulated gas market
- the connection of premises of retail customers (in that the draft rule relates to the removal and closing of those connections).

Under section 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO. The Commission is satisfied that the more preferable draft gas rule would or is likely to, better contribute to the achievement of the NGO than the proposed rule. The Commission's reasons are set out in chapter 2.

The more preferable draft retail rule falls within section 237 of the NERL as it relates to regulating the provision of energy services to customers, including customer retail services and customer connection services.

Under section 244 of the NERL, the Commission may make a rule that is different (including materially different) from a market initiated proposed rule (a more preferable Rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NERO. The Commission is satisfied that the more preferable draft retail rule would or is likely to, better contribute to the achievement of the NERO than the proposed rule. The Commission's reasons are set out in chapter 2.

C.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NGL and NERL to make the draft rules
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the draft rules will or are likely to contribute to the achievement of the NGO and NERO
- the application of the draft gas rule to Western Australia
- the extent to which the draft retail rule is compatible with the development and application of consumer protections for small customers.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.²²²

C.4 Making gas rules in Western Australia

Under the *National Gas Access (WA) Act 2009* (WA Gas Act), a modified version of the NGL was adopted, known as the National Gas Access (Western Australia) Law (WA Gas Law). Under the WA Gas Law, the NGR applying in Western Australia is version 1 of the NGR, as amended by rules made by the South Australian Minister for Energy²²³ and rules made by the AEMC in accordance with its rule making powers under sections 74 and 313 of the WA Gas Law.²²⁴

As noted in Chapter 3, the Commission does not consider it appropriate to make a draft rule in Western Australia based on its different regulatory framework and our analysis that suggests the draft rule would not materially impact the current approach in that jurisdiction. The Commission has requested stakeholder feedback on whether any aspects of the draft rule should apply in Western Australia.

As such, the Commission has not made a determination as to whether the draft rule falls within the subject matters about which the Commission may make rules under the WA Gas Act.

C.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers that new or existing provisions of the NGR or NERR be classified as civil penalty provisions or conduct provisions.

The NGL and NERL set out a three-tier penalty structure for civil penalty provisions in the NGL and NERL and the NGR and NERR.²²⁵ A Decision Matrix and Concepts Table,²²⁶ approved by energy ministers, provide a decision-making framework that the Commission applies, in consultation with the AER, when assessing whether to recommend that provisions of the NGR and NERR should be classified as civil penalty provisions, and if so, under which tier.

Subject to consulting with the AER, the Commission proposes to make the following civil penalty recommendation to energy ministers in relation to the draft gas rule.

222 Under s. 73 of the NGL and section 225 of the NERL, the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

223 The Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018 and the National Gas (South Australia (Pipelines Access—Arbitration) Amendment Act 2017.

224 See our website for further information at <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia>.

225 Further information is available at <https://www.aemc.gov.au/regulation/energy-rules/civil-penalty-tools>

226 The Decision Matrix and Concepts Table is available at: https://web.archive.org/awa/20210603104757mp_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/Final%20-%20Civil%20Penalties%20Decision%20Matrix%20and%20Concepts%20Table_Jan%202021.pdf

Table C.1: NGR civil penalty provision recommendation

Rule	Description of rule	Recommendation	Reason
Rule 120A of the NGR	This rule requires a distributor to publish information on its website about disconnection and abolishment services, and to provide the information to customers upon request. The rule requires the distributor to provide the information without charge. However, the rule also allows the distributor to provide the information with a reasonable charge if the customer requests it more than once in any 12-month period.	Tier 2	A breach of this rule may result in consumers not being informed, or incorrectly informed, of their rights in relation to disconnection and abolishment services. A breach could also result in consumers not being aware of the associated charges for those services. Similar provisions in the NERR have Tier 2 civil penalties.

D Other potential cost recovery options for abolishment charges

As outlined in section 3.4, stakeholders expressed a range of views on the abolishment cost recovery approach currently employed by the AER and JEC's alternative proposal. We therefore considered whether there were any other potential cost recovery options, or variants of those options that could be employed. The options (variants) that we considered, which are not mutually exclusive, include:

1. Recovering abolishment costs on an ex ante (pre-payment) basis through reference tariffs rather than through exit fees.
2. Including abolishment costs in the upfront connection charge paid by newly connecting gas customers.
3. Allowing the AER to determine how abolishment charges should be recovered, but including guiding principles in the NGR.
4. Introducing a disconnection tariff to try and discourage customers from opting for a lower cost disconnection service as proposed by JEC.

Further detail on these options (variants) is provided below.

Option 1: Recovery of abolishment costs on an ex ante basis through reference tariffs rather than exit fees

Under this option, forecast abolishment costs would be recovered on an ex ante (pre-payment) basis through reference tariffs, rather than through an exit fee.

A potential benefit of this option is that it does not require customers to pay an exit fee. Customers should therefore have no incentive to opt for lower cost options, which means that there should be fewer dormant connections. This option is also more sustainable than the socialisation option, because it brings forward the recovery of costs rather than waiting until customers leave. Another potential benefit of this option is that it would provide funding for abolishments required for safety reasons or where the jurisdiction is decommissioning the network.

From an equity perspective, this option should over time result in all customers paying for their own abolishment. It is possible, however, that during the early stages there may be some cross-subsidisation between remaining and abolishing customers, because the abolishing customers wouldn't have fully paid for their abolishment when they exit. This would diminish over time.

Some of the potential challenges associated with this option include forecasting the future cost of abolishments, particularly if jurisdictions at some point decide to employ a more strategic and lower cost approach to decommissioning. There is also a question as to how the pre-payment of charges would be dealt with by distributors. One option may be to require the pre-payments to be placed into some type of fund to ensure that it is used for this purpose only, but there are likely to be some complexities associated with this.

Option 2: Inclusion of abolishment costs in newly connecting customer connection charges

Under this option, newly connecting customers would be required to pay a forecast abolishment charge as part of their upfront customer connection charge.

The main problem with this option is that it only addresses the future abolishment costs for newly connecting customers. Based on projected numbers of new gas connections in recent access

arrangements, this represents around 5% of the current number of gas connections. Another cost recovery solution would therefore also be required to deal with the abolishment costs associated with existing customer connections.

This option also has associated administrative complexities because distributors would have to ensure the payment follows through to the abolishment, which may occur many years in the future. It is also likely to be difficult to project the cost for an abolishment service potentially 10-20 years prior to it being provided.

Option 3: AER retains discretion in relation to abolishment charges but guided by principles in the NGR

This option is a variant of the current arrangements. Under this option, the AER would retain discretion to determine abolishment charges, but in doing so it would need to consider new guiding principles in the NGR. Such principles could require the AER to have regard to:

- any regulatory obligation or requirement (as the term is defined in the NGL) applicable to the service (this would include safety)
- government policies in the relevant jurisdiction of the distributor
- the impact on customers that remain connected
- the revenue and pricing principles, and
- the NGO.

This option recognises that differences in jurisdictional policies and safety regulatory approaches may mean there is no single charging approach that is appropriate in all circumstances and so would allow the AER to consider the most appropriate solution to employ for each distribution network.

The key risk with this option is that it may continue to result in inefficient, inequitable and unsustainable outcomes.

Option 4: Implementing a disconnection tariff to disincentivise customers opting for disconnection over abolishment

This option is a variant of the beneficiary-causer pays approach to abolishment charges. It is based on JEC's proposal that disconnections should only be allowed on a 12 month rolling basis and that a disconnection tariff should be payable every 12 months unless the service is renewed. Under this option, if the tariff is not paid or a request is not received, the distributor would undertake an abolishment at the expense of the property owner.

Several stakeholders supported the proposal in principle because they thought it could help to address the increasing number of dormant connections. Retailers and network operators, however, noted there would be challenges introducing a tariff for "non service" and also noted that this option would be complex to administer.

While disincentivising disconnections may help to address the safety concerns associated with a growing number of dormant connections, this option may conflict with jurisdictional government policies relating to decommissioning or repurposing the gas network. As described in stakeholder submissions, this option would be difficult to implement and would require amendments to retail contracts, which under the NERR currently no longer exist 10 days after a disconnection is carried out. This option also would not overcome the ability for retail customers to avoid the disconnection fee by just terminating their retail contract.

Abbreviations and defined terms

ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AGIG	Australian Gas Infrastructure Group
APGA	Australian Pipelines and Gas Association
Commission	See AEMC
ECA	Energy Consumers Australia
ENA	Energy Networks Australia
ERA	Economic Regulation Authority
EUAA	Energy Users Association of Australia
GS00	Gas Statement of Opportunities
IEEFA	Institute for Energy Economics and Financial Analysis
JEC	The Justice and Equity Centre
MCE	Ministerial Council on Energy
NECF	National Energy Consumer Framework
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NSW	New South Wales
Proponent	The JEC, being the organisation that submitted the rule change request to the Commission
qcross	Queensland Council of Social Service
Qld	Queensland
RSP	Reference service proposal
SA	South Australia
SSROC	Southern Sydney Regional Organisation of Councils
WA	Western Australia