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EnergyAustralia
LIGHT THE WAY

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Dear Commissioners

Updating the regulatory framework for gas connections — draft decision — 18 September 2025

EnergyAustralia is one of Australia's largest energy companies with around 2.2 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We support the Commission's draft determination to introduce up front charges for new gas connections. As the Commission and rule change proponent highlight, moving toward such a 'beneficiary pays' arrangement should contribute to a more efficient and equitable outcome for all customers, in the face of stranding risks for regulated gas networks.

We view this change as part of a suite of rule amendments which the Commission is now considering[1], which ultimately require the support of jurisdictional governments. We encourage the Commission to actively seek government endorsement and clarity on the role they play in providing long-term certainty on the future of gas networks in a decarbonised economy.

As mentioned in our prior submission, we anticipate some concerns may arise regarding potentially significant increases in connection charges, which may amount to a de facto ban on new connections. The Commission should undertake quantitative analysis of what networks currently charge customers, and how this might change if the current Net Present Value (NPV) approach is abandoned. The Commission should liaise with governments on these issues to ensure its eventual rule determination does not evoke an inconsistent or countervailing policy response. The quantitative analysis in the Commission's draft decision only looks at the residual lifetime cost of a customer who disconnects at different times. For the avoidance of doubt, the Commission should calculate what a customer would pay under current approved connection charges, and compare this to full up-front cost recovery, if introduced from 1 July 2026. Any material increases would need to be carefully communicated to affected parties and may bring forward connection applications. While the risk or impact of this might be low, any such once-off acceleration of new connections would run counter to the Commission's intent of moving away from current charging arrangements.

[1] Gas Networks in Transition | AEMC

The Commission may wish to consider other implementation issues arising from its draft decision in recovering directly attributable costs via connection charges that are set on a uniform basis, and so only cost-reflective on average. The draft rule suggests that customers who end up paying more than their actual connection cost are not eligible for refunds, while networks are not able to recover shortfalls where out-turn costs for the connecting customer are higher. At the individual customer level these provisions may be impractical to monitor and enforce. The practical effect of these provisions also appears to be that neither party has a right to dispute the cost reflectivity of charges, and so seems to create an incentive for networks to overcharge. There may also be a need for further guidance on what assets, services and costs are directly attributable for individual and classes of new customers.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

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