rewiringaustralia.org | electrify@rewiringaustralia.org
ABN: 18 664 239 196 | ACN: 664 239 196

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Updating the Regulatory Framework for Gas Connections

Rule change submission (GRC0085)

Executive summary

Rewiring Australia strongly supports the AEMC's Draft Rule to require newly connecting retail gas customers to pay the upfront cost of their connection. This proposal is a necessary and equitable reform that aligns the regulatory framework with the reality of declining gas demand and the national imperative to reach net-zero emissions through rapid electrification.

The current system of socialising connection costs amounts to a regressive subsidy for new gas connections. This already unjustly burdens existing and often vulnerable consumers and, if unchanged, will exacerbate barriers to electrification through higher gas bills into the future. The Draft Rule removes this cross-subsidy, provides clear price signals to developers and consumers, and mitigates the risk of creating stranded assets within the capital base of Australia's gas networks.

This reform is an important step toward ensuring the costs of the energy transition are shared fairly, while enabling households and communities to move efficiently to all-electric solutions.

About Rewiring Australia

Rewiring Australia is an independent, non-partisan, non-profit organisation dedicated to advancing household and community electrification as a cornerstone of Australia's clean energy transition. Founded by engineer and inventor Dr Saul Griffith, we bring together technical analysis, consumer research, and practical demonstration projects to shape policies that accelerate the shift away from fossil fuels.

Our work combines economic modelling and lived experience. Our 2025 report *The Electrification Tipping Point* quantified the potential for households to save thousands of dollars per year by replacing fossil-fuel appliances and vehicles with efficient electric alternatives[1]. Through the *Electrify 2515* pilot in the Illawarra region[2], we are supporting 500 homes to transition completely off gas while studying consumer decision-making, local job creation, and network impacts. The project has demonstrated strong community participation and offers insights into the practical, social, and regulatory barriers to electrification[3].

Rewiring Australia also coordinates the Electric Communities Network[4], a national coalition of more than seventy local groups working to support household electrification in their own communities. This network gives us a unique perspective on consumer sentiment and readiness, particularly in areas already experiencing declining gas use.

Across all of this work, we aim to ensure that electrification is faster, fairer, and accessible to all Australians.

Relationship between rule changes

This Submission complements the broader reforms considered under the AEMC's *Gas Networks in Transition (GRC0082)* process. Together, these measures support an orderly and equitable transition by preventing unnecessary expansion of gas networks while establishing a framework for their managed decline. Aligning connection rules with forthcoming planning and decommissioning reforms will provide greater certainty for consumers, developers, and network businesses alike.

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[1] https://rewiringaustralia.org/report/the-electrification-tipping-point
[2] https://www.electrify2515.org/
[3] https://arena.gov.au/knowledge-bank/brighte-electrify-2515-community-pilot-customer-insights-report-1/
[4] https://rewiringaustralia.org/community

Feedback on the Draft Rule

Strong support for upfront cost recovery

Rewiring Australia supports reforms that ensure the beneficiaries of new gas connections bear their true costs. Australian households are moving to electric appliances at an accelerating rate, and an increasing proportion of Australian households intend to move off the gas network within the next ten years[5]. The existing social subsidy for new gas connections means that the burden of paying for these connections will fall on those least able to afford to switch to electric.

This change achieves three crucial objectives:

1. **Eliminating Regressive Cross-Subsidies:** As the AEMC notes, the current model forces existing and future customers to pay for new infrastructure that is projected to rapidly become stranded. This practice is inherently unfair and disproportionately impacts low-income households and renters who face the highest barriers to exit the gas network.
2. **Providing Clear Price Signals:** Requiring new connections to be paid for upfront reveals the true cost of a new gas connection. At present many developers install gas connections to new homes for free. With no upfront costs, these gas connections have an unfair advantage over future-proof electricity connections, the costs of which must be paid in full by the developer. A clear price signal is essential for developers and homeowners to make rational, long-term decisions that favour the all-electric pathway, which is cheaper, safer, and cleaner.
3. **Preventing Infrastructure Lock-in:** Locking in high gas dependency to new homes and developments is a significant threat to the cost of living, the net zero transition and will exacerbate forecast east coast gas shortfalls. Retrofitting electric appliances (such as hot water heat pumps) can also be challenging for many new properties which are not designed to accommodate the larger footprint of the water tank. The Draft Rule discourages developers from continuing to embed gas in new communities, thereby preventing future owners from being locked into expensive, polluting gas appliances and connection costs.

Further positive outcomes of the Draft Rule

Beyond equity and climate objectives, the Draft Rule offers significant positive benefits for the market and consumers:

- **Improving public health outcomes:** New gas connections introduce long-term, unnecessary health risks associated with indoor air pollution from gas cooking and heating. By discouraging new connections, this rule contributes positively to public health, particularly for children and vulnerable groups, by steering new homes

[5] Energy Consumers Australia (2025). Energy Report Card. Online.

toward inherently cleaner electric solutions.

- **Reducing regulatory and administrative friction:** The current system necessitates complex and ongoing regulatory scrutiny from the Australian Energy Regulator (AER) regarding the prudent and efficient capital expenditure, depreciation, and asset redundancy of new gas network extensions. By making connections a user-pays upfront cost, this friction is largely removed, simplifying the regulatory task and saving administrative resources.
- **Accelerating efficient appliance market transition:** Removing the hidden subsidy on gas connections will accelerate the market switch to modern, highly efficient electric appliances (such as hot water heat pump and induction cooktops). This increased market share for electric technologies will reduce household energy bills, drive down costs, and boost local jobs in their installation and maintenance.

Aligning with the Net-Zero Transition

The Draft Rule actively supports the energy transition by acknowledging the clear trend of falling gas demand projected by the Australian Energy Market Operator (AEMO). Continued investment in gas distribution capacity, recovered via general network costs, imposes a long-term financial risk on consumers and directly contradicts climate goals.

The proposed reform helps to appropriately wind down the gas distribution networks by halting the unwarranted expansion of their capital base, thereby reducing the future burden of stranded asset write-downs on remaining gas customers.

4. Recommendation

Rewiring Australia strongly recommends the AEMC proceed with the Draft Rule as proposed, with an implementation date of no later than **1 July 2026**. This action is critical to:

- Uphold consumer fairness and equity.
- Provide market certainty and clearer investment signals for all-electric development.
- Accelerate Australia's pathway to net-zero emissions through electrification.