



SACOSS Submission to AEMC Consultation on Gas Networks In Transition (GRC0082 and related rule changes)

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The South Australian Council for Social Service (SACOSS) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation on *Gas Networks in Transition* (GRC0082 and related rule changes).

SACOSS is the peak body for the non-government health and community services sector in South Australia, with a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. Our purpose is to influence public policy in a way that promotes fair and just access to the goods and service required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantage and low-income consumers in South Australia.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities disproportionately impacts people on low incomes or experiencing disadvantage. SACOSS participates and engages in regulatory processes relating to the provision of essential services to promote better outcomes for South Australian households.

This submission focuses on the proposed amendments to the National Gas Rules (NGR) to ensure the economic regulatory framework remains fit for purpose in a decarbonizing energy system. SACOSS supports the intent of the rule change proposals put forward by Energy Consumers Australia (ECA) and the Justice and Equity Centre (JEC) in addressing declining gas demand, equitable risk allocation, and improved transparency.

The AEMC's consultation rightly identifies that the current NGR framework was built around an assumption of growing gas demand. However, the long-standing regulatory presumption of indefinite gas network expansion no longer holds. Gas demand in Australia is declining, driven by consumer electrification, energy efficiency measures, and decarbonization targets. Despite this, however, the current gas regulatory framework remains structurally biased toward growth with regulatory incentives that can perpetuate unnecessary expenditure and embed inequitable cost recovery mechanisms. This review provides a critical opportunity to reorient the National Gas Rules toward the equitable management of network decline, ensuring that the energy transition does not impose disproportionate burdens on those least able to pay.

We would emphasise that in this submission, unless otherwise specified, SACOSS is referring to gas demand and subsequent impacts with respect to residential users. Commercial and industrial consideration fall outside of the remit of our agenda and priorities. However, we would take this as an opportunity to highlight the pressing and growing need for greater policy and decision-making sensitivity to different types of energy – and in this case gas – consumers. We will expand on this later in our submission.

Summary of SACOSS position

SACOSS strongly supports the AEMC's review of the gas regulatory framework and the suite of rule changes proposed by Energy Consumers Australia and the Justice and Equity Centre. The reforms are essential to ensure that gas networks are managed efficiently, transparently, and in the long-term interests of consumers as demand declines.

The current framework allows network expenditure and cost recovery to proceed largely unchanged despite clear evidence of falling utilisation. Rule 79 should be amended so that any new capital investment is demonstrably necessary, consistent with credible demand forecasts, and aligned with electrification and decarbonisation objectives. Consumers must not be required to fund inefficient or speculative projects, including those justified on uncertain prospects for hydrogen or renewable gas.

Accelerated depreciation has emerged as a key equity concern, as it shifts the financial burden of stranded assets from investors onto households. SACOSS supports the complementary rule changes put forward by ECA and JEC, which together would limit the use of accelerated depreciation, link it to transparent redundancy assessments, and ensure that investors share transition risks. This is consistent with the National Gas Law principle that service providers are entitled to a reasonable opportunity, not a guarantee, to recover efficient costs.

Greater planning and transparency are also vital. Mandatory Gas Annual Planning Reports would provide the information needed for regulators, governments, and communities to plan for electrification and manage network contraction in an orderly and fair way. Such requirements would prevent inefficiencies, reduce information asymmetry, and improve accountability across the sector.

SACOSS supports stronger alignment between regulatory practice and government policy, particularly as electrification becomes the dominant decarbonisation pathway for households. Price signals alone are insufficient to drive equitable outcomes, and the framework must ensure that low-income and vulnerable consumers are not left bearing the costs of system decline.

Finally, SACOSS endorses measures requiring new gas customers to contribute to the upfront cost of connection. While this will not eliminate all new connections, it sends a clear and necessary policy signal about the long-term direction of the gas network and ensures that existing consumers are not subsidising new entrants to an increasingly uneconomic system.

Together, these reforms will strengthen the regulatory framework, promote transparency and accountability, and ensure that the costs and risks of transition are shared fairly between investors and consumers.

Capital Expenditure Reform

One of the central challenges in the current framework is that Rule 79, which governs capital expenditure, does not require networks to demonstrate that investments are compatible with declining demand. The test allows “conforming expenditure” to be approved based on traditional efficiency criteria that presume continuing or growing utilisation. As a result, networks can continue to expand or replace assets without fully accounting for their long-term economic viability.

SACOSS supports amending the capital expenditure criteria to ensure that all proposed investments are rigorously justified within a context of demand decline. Networks should be

required to demonstrate that each investment represents the lowest-cost option for delivering required services, taking into account credible electrification scenarios, alternative non-network solutions, and the possibility of managed decommissioning. The experience of recent access arrangement proposals¹ indicates that networks continue to propose discretionary projects, including “hydrogen ready” investments, that cannot be justified on the basis of current or foreseeable demand (among other limiting factors, outlined previously by SACOSS²). Hydrogen and biomethane are not credible large-scale decarbonisation pathways for users, and there is a clear risk that networks are using speculative future fuels to rationalise continued capital expansion³. SACOSS therefore submits that expenditure related to renewable or alternative gas infrastructure should not be recovered from residential consumers unless there is clear policy direction and demonstrable consumer benefit.

Reforming Rule 79 to include explicit requirements for demand-aligned investment and transparent evaluation of alternatives would ensure that consumers are protected from costs of inefficient or premature investment.

Depreciation, Redundancy, and the Allocation of Stranded-Asset Risk

The management of depreciation and redundancy has emerged as a central equity issue in the gas transition. Accelerated depreciation, increasingly used by networks and approved by the AER, allows for faster recovery of asset costs over shorter periods. Although presented as a tool to ensure fair cost allocation between current and future consumers, its practical effect is to transfer the financial burden of stranding risk from investors to households. As such, SACOSS opposes the continued use of accelerated depreciation in the absence of a clear, evidence-based justification that doing so is in the interest of consumers. There is no indication that the existing risk allocation under the NGR has disadvantaged networks. On the contrary, research suggests that gas distributors have consistently achieved returns above their regulated allowances largely due to systemic under-forecasting of demand⁴. Allowing accelerated depreciation under these conditions effectively rewards part over-recovery while penalizing future consumers.

Accelerated depreciation is rapidly proving to be an inadequate tool for managing the risks of declining gas use. As we have previously highlighted in this submission, under the National Gas Rules network operators are not automatically entitled to recover all their costs, particularly where doing so would not be in the long-term interest of consumers. It is therefore our position that expecting residential households – and particularly increasingly vulnerable consumers – to fund accelerated cost recovery while gas networks continue to pursue growth plans is inadvisable. This also leads us to the conclusion that without broader government intervention and policy reform, there is no equitable way to resolve the looming stranded asset problem through regulatory tools alone – particularly where

¹ AGN SA, 2025, [AGN SA 2026-2031 Access Arrangement Final Plan](#)

² SACOSS, 2025, [SACOSS Submission to AGN’s Final Plan for the 2026-31 Access Arrangement](#)

³ Ibid

⁴ IEEFA, 2024, [Gas networks are making persistent and significant supernormal profits](#)

accelerated depreciation is used as the tool of choice. Consumers cannot be expected to bear additional and growing costs of a system built on flawed assumptions, particularly when they have limited opportunities to opt out of it.

SACOSS notes the difference in approach taken by ECA and JEC in their rule changes, but we do not believe them to be mutually exclusive. Both the ECA and JEC rule change address the current regulatory deficiency, and SACOSS supports their complementary implementation. The ECA proposal strengthens the connection between depreciation schedules, investment tests, and demand forecasts, ensuring that accelerated recovery cannot be justified without robust evidence of benefit. The JEC proposal goes further by linking any use of accelerated depreciation to the formal identification of redundant assets and the transparent apportionment of costs. Together, these reforms would bring necessary discipline, restriction, and transparency to regulatory practice related to accelerated depreciation, ensuring that networks cannot front-load depreciation simply to insulate investors from foreseeable transition risks.

A reformed Rule 89 should therefore specify that accelerated depreciation can only be applied in exceptional circumstances, where there is clear public benefit, demonstrated consumer protection, and alignment with jurisdictional transition strategies. Regulators should be required to publish detailed justification for any such determination, including evidence of cost-sharing arrangements between investors and consumers.

This approach would reaffirm the principle embedded in the National Gas Rules that service providers are entitled to a reasonable opportunity, not a guarantee, to recover efficient costs. It would also ensure that future regulatory decisions recognize the asymmetry of power and information between consumers and networks, and the historical over-recovery that has already occurred within the sector.

Planning, Transparency, and Consumer Protection

Transparent, forward-looking planning is essential to protect consumers during the gas transition. Currently, there is no requirement for gas distributors to publish detailed planning reports akin to those produced by electricity networks. This lack of transparency creates a serious information gap between networks, regulators, governments, and consumers, hindering our ability to oversee and interpret networks' future plans and proposals and obscuring potential inefficiencies.

SACOSS therefore strongly supports the introduction of mandatory Gas Annual Planning Reports (GAPR) as proposed by ECA. These reports should include long-term demand forecasts, utilization trends, asset condition and age profiles, geographic mapping of the network, and analysis of possible decommissioning pathways. Further, if a gas network is to propose the introduction of alternative or renewable gases, clear pathways to affordable, realistic, and sustainable residential distribution must be provided alongside a strong evidence base to support their realistic introduction. This information must be made publicly available, with appropriate safeguards for consumer privacy, so that governments and communities can plan effectively for electrification and infrastructure change. This is essential to ensure that the public are forewarned of coming changes. We recognize that some distributors and networks will be inclined to push against requirements to plan for

decommissioning – particularly where they have been exploring alternative or renewable gases – in jurisdictions that do not have explicit policy settings for winding down residential gas consumption and increasing electrification. However, SACOSS would suggest that while a lack of clear jurisdictional (in some cases) policy direction could be taken to indicate an opportunity to continue business as normal or expand infrastructure, to do so would be deeply irresponsible and pose unacceptable risks to consumers in the face of overarching national policy and decarbonization objectives.

Improved planning obligations are also vital to prevent reactive and disorderly network retreat. Without clear data and forward planning, there is a real risk that networks will withdraw from unprofitable areas without adequate notice or coordination. This has already started to occur in parts of regional Victoria, where smaller or non-scheme networks become uneconomic and cease operation – leaving consumers exposed to abrupt service termination and high transition costs with potentially limited support [ref].

Mandatory planning and transparent information provision would mitigate these risks by enabling proactive management and oversight of network contraction. It would allow regulators and advocates to anticipate cost pressures, identify opportunities for coordinated disconnection or electrification, and ensure that the transition proceeds in a manner that protects households rather than leaving them to absorb the consequences of foreseeable system decline.

Additional Considerations

Below is further feedback on additional issues as identified by the AEMC and/or by SACOSS regarding gas network regulation that have arisen from the consultation paper provided.

Policy Consistency and Fair Risk Allocation

The success of the gas transition depends on consistency between regulatory frameworks and broader energy policy. Yet, there is currently a disjunction between government objectives, which increasingly favour electrification⁵, and regulatory frameworks and decisions that continue to assume stable or growing gas demand. This inconsistency undermines both consumer confidence and enables inefficient investment decisions. The regulatory framework must therefore reflect the policy reality that widespread household electrification is the dominant pathway to residential decarbonization. Continuing to allow for the approval of expenditure of depreciation proposals based on outdated assumptions not only inflates costs for consumers but artificially delays the inevitable restructuring of the system.

Equally important is maintaining a fair balance of risk between networks and consumers. Recent trends towards the greater use of accelerated depreciation, altered tariff variation mechanisms, and alternative forms of regulation all risk shifting demand uncertainty onto consumers. This is in tandem with data that suggests networks have consistently benefited

⁵ DCCEEW, 2025, [Trajectory for low energy buildings \(updated\)](#)

⁶ DCCEEW, 2025, [Powering Australia](#)

from revenue over-recovery⁷. As such, it is SACOSS' view that there is no basis for increasing consumer exposure to further demand risk, particularly given the power and information asymmetry they face in comparison to network businesses. Regulatory settings should therefore retain a price cap form of control that places appropriate responsibility on networks to manage demand variation, rather than insulating them from its effects.

Policy sensitivity to different end users

There is an increasingly urgent need for policy and regulatory processes to explicitly distinguish between different categories of gas use and users. The needs, risks, and transition pathways of households, commercial enterprises, and industrial users differ markedly, yet these distinctions are rarely reflected in regulatory or policy design. At present, most decision-making continues to treat the gas network as a homogenous system serving uniform consumers, despite the reality that the residential sector is declining rapidly in its demand⁸ while some industrial users remain dependent on gas for process heat or feedstock.

The absence of differentiation risks distorting both investment and cost recovery. For example, as residential demand falls and electrification accelerates, there may remain a subset of large industrial users who continue to rely on portions of the gas network. If regulatory arrangements allow those users to benefit from shared cost recovery across the entire customer base, the result will be that low-income households – many of whom cannot afford to electrify and risk being left behind in the transition – are left subsidizing infrastructure used primarily by industrial consumers. Further, in regulatory and decision-making processes that seek input from multiple end users regarding the same issue, consumers are often at a disadvantage in their advocacy as they and their advocates are not as well resourced to participate in these processes as industry and its advocates. This risks a potential imbalance in the feedback that regulators and decision-makers receive, skewing outcomes in a way that could be detrimental to residential users. Policymakers must therefore begin to disaggregate gas end uses to determine where continued network investment and expenditure remains efficient and socially equitable, and where targeted support for transition or repurposing may be more appropriate. A one-size-fits-all framework is no longer tenable in the context of a fragmented and diversifying demand profile.

Risk of reliance on price signals

The use of price signals as a driver of behavioural change or efficient withdrawal from the gas network is problematic, particularly for residential consumers. Unlike industrial customers who may respond to wholesale market dynamics, households typically face limited capacity to change their energy use in response to rising gas prices. Appliance stock turnover occurs slowly, and decisions to disconnect or electrify are often constrained by upfront costs, rental tenure, or lack of information. As a result, price signals are both blunt and inequitable instruments in this context.

⁷ Ibid

⁸ AEMO, 2025, [Gas Statement of Opportunities](#)

Moreover, as the customer base contracts, network costs will increasingly be spread across fewer consumers, leading to higher average tariffs. This creates a feedback loop where those least able to electrify—often low-income and vulnerable households—face escalating bills while others exit the system. Without explicit regulatory intervention, this dynamic risks leaving a residual “stranded” customer group trapped on a shrinking and increasingly expensive network⁹¹⁰.

The regulatory framework must therefore recognise that reliance on price signals alone will not deliver an orderly or equitable transition. Policy and regulation should instead focus on managed pathways that align depreciation, planning, and consumer support measures with a fair allocation of costs.

Managing and regulating for uncertainty regarding the future of gas

A guiding principle for this transition must be that – as already outlined in the NGR – gas networks are entitled only to a reasonable opportunity, not a guarantee, to recover efficient costs. Consumers must not be asked to carry the risk of investment decisions made under assumptions of perpetual growth or speculative future uses such as hydrogen blending. The regulatory framework should recognize that the current decline in gas demand is foreseeable and consistent with national and jurisdictional decarbonization objectives. The priority now is to ensure that the financial consequences of this foreseeable transition are managed transparently, efficiently, and fairly.

SACOSS supports the AEMC’s recognition that the framework must now shift from managing growth to managing decline. The focus of regulation should move toward ensuring that new investment is strictly necessary, existing assets are depreciated equitably, and long-term planning is transparent and publicly accountable. Importantly, the framework must prevent networks from pursuing new capital expenditure that may never be fully utilised.

Uncertainty about the future of gas—its demand trajectory, technological alternatives, and role in decarbonisation—poses a profound challenge for both regulators and market participants. However, uncertainty cannot be a justification for inaction. The role of the regulatory system is precisely to manage uncertainty in a way that protects consumers and ensures efficient, transparent decision-making.

A key element of this is the need for credible, evidence-based planning. While the proposed rule changes represent a step toward improved transparency, significant scrutiny will be required to ensure that gas networks provide sufficient detail to justify their plans. SACOSS has observed that network businesses often articulate long-term transition or “hydrogen-ready” strategies that span multiple access arrangement periods, yet provide little concrete information about timing, feasibility, or cost implications¹¹. These high-level narratives are insufficient in our view to support regulatory approval or to inform consumers and governments about realistic transition pathways.

⁹ ECA, 2023, [Risks to gas consumers of declining demand](#)

¹⁰ Boardroom Energy, 2022, [Risks to gas consumers of declining demand](#)

¹¹ Ibid

Regulators should therefore adopt a more active approach in testing and verifying the information presented by gas businesses. This includes challenging assumptions, demanding quantifiable evidence, and requiring disclosure of uncertainties or dependencies, such as reliance on future government subsidies or technological breakthroughs.

The AER's 2021 information paper *Regulating Gas Pipelines under Uncertainty* provides a valuable foundation for this approach, emphasising that regulators must use their discretion to safeguard the long-term interests of consumers even when the pace and direction of change are unclear¹². A regulatory approach that defers reform until certainty emerges is not neutral; it is itself a decision that risks locking consumers into costly, inefficient infrastructure.

SACOSS also notes that merely extending or contracting the duration of access arrangement periods is unlikely to improve regulatory flexibility or responsiveness. Longer regulatory cycles may in fact compound the risk of misalignment between approved expenditure and actual market conditions. Rather than changing timelines, the framework should provide more agile mechanisms for adjustment—such as targeted reopeners or mid-period reviews—where significant policy or technological changes occur. These mechanisms should be designed to respond promptly to foreseeable developments, such as government decarbonisation announcements or major rule amendments, without imposing excessive burden on network businesses and stakeholders to respond.

Ultimately, the focus of regulation in this period of transition must remain clear: new investment should only proceed where it is demonstrably necessary, existing assets must be depreciated equitably, and long-term planning should be transparent and publicly accountable. This requires an active and adaptive regulatory approach that continuously monitors the quality, reliability, and sufficiency of the information provided by gas networks. Regulators, policymakers, and consumer representatives must be equipped to interrogate that evidence and ensure it is robust enough to justify the investment and depreciation decisions that will shape the trajectory of the gas system over coming decades.

Connection costs

SACOSS also supports measures to require consumers to contribute to the upfront cost of new gas connections. While we recognise that the introduction of connection charges will not, on its own, eliminate all new residential gas connections, it sends an important and necessary policy signal about the long-term direction of the gas network and the need to manage its gradual wind-down. In practice, this measure can help ensure that those who choose to connect to the network at this stage of the energy transition are contributing to the costs they impose on the system and other consumers.

Requiring upfront contributions would also improve equity by preventing existing consumers—many of whom are unable to electrify or disconnect—from subsidising new entrants to a network that faces an inevitable decline in utilisation. It provides a more accurate reflection of the economic cost of connection, discourages unnecessary expansion,

¹² AER, 2021, [Regulating gas pipelines under uncertainty](#)

and aligns with the principle that investments should be borne by those who benefit from them.

SACOSS recognises that this rule change is being considered separately by the AEMC. However, given its close relationship to the broader suite of reforms under consultation and our support for the measure, SACOSS includes its endorsement here. In our view, addressing connection costs forms part of the same essential regulatory package required to ensure that the gas framework evolves in a manner consistent with equitable risk allocation, efficient investment, and the long-term interests of consumers.

In conclusion, the gas transition has posed a significant challenge – and a pivotal moment – for the current approach to energy regulation. As the transition progresses it necessitates the move from a growth approach to managing decline. The rules governing gas networks must therefore evolve to ensure equitable, transparent, sustainable and affordable outcomes for consumers. SACOSS believes that this consultation has provided an essential opportunity to embed these principles in the National Gas Rules. The combined implementation of the ECA and JEC proposals would represent a balanced and credible approach to managing decline, limiting accelerated depreciation, and requiring transparent planning. Reforms to capital expenditure, depreciation, and planning rules are necessary to ensure that investors and networks – rather than consumers – appropriately bear the risks associated with foreseen and necessary structural change. As we collectively progress the work of decarbonization, it naturally follows that the gas networks of the future will be smaller, more targeted, and increasingly redundant – particularly for residential users. Managing this transition equitably will require clear policy alignment, rigorous oversight, and transparent planning. By adopting the reforms proposed by ECA and JEC the AEMC can help ensure that the decline of gas networks is managed in a way that supports the energy transition, protects consumers, and upholds their long-term interests.

If you have any questions regarding our submission, or need any further information, please contact our Senior Policy Officer Malwina Wyrę on 8305 4228 or at malwina@sacoss.org.au