

30 October 2025

Geoffrey Rutledge
Chief Executive
Australian Energy Market Commission (AEMC)
submitted via website: www.aemc.gov.au
Reference: GRC0082

Dear Mr Rutledge

Re: Gas Networks in Transition

I refer to the Australian Energy Market Commission (AEMC) consultation paper on Gas Networks in Transition prompted by four rule change requests from Energy Consumers Australia (ECA) and Justice and Equity Centre (JEC) on depreciation, capital expenditure and planning.

ATCO strongly disagrees with the underlying premise of these rule changes. Gas networks are not universally in decline as put forward by ECA and JEC. The regulatory framework should not be utilised to force policy outcomes or create bias, which appear to be the impetus for these rule change requests rather than consumer protection. Governments must set the public policies to support the pathway for the energy transition, and each jurisdiction will determine its own approach.

Electricity networks face similar uncertainties from the growth of consumer energy resources, and no requests have been made to address the potential liability their future customers may carry from over investment. There is potentially greater risk for electricity customers with Western Power's regulated asset base around 6 times greater than ATCO's at around \$13 billion compared to approximately \$1.7 billion, respectively¹.

Should the current regulatory practice be challenged by the energy transition, there may be grounds to review rules across networks given the level of uncertainty across the entire energy sector.

Future gas demand remains strong for the short to medium term

The rule change requests proposed by ECA and JEC are premised on declining gas demand. This considers gas demand only from the single lens of volume and does not consider the impact of increasing connections.

ATCO's gas distribution network sees continued growth in residential and commercial gas connections. WA has a supportive environment for gas use in comparison to some other jurisdictions. WA's Domestic Gas Policy to reserve gas for the local market ensures continued supply, while the Western Australian Government has made it clear there will be no ban on future gas connections by either the State or local councils.²

¹ Economic Regulation Authority, Final decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 - 2026/27, Attachment 2 – Regulated Asset Base, 31 March 2023, p 2 and ATCO internal workings

² <https://thewest.com.au/news/wa/roger-cook-says-wa-councils-wont-be-able-to-ban-gas-as-sydney-council-says-it-will-go-all-electric-c-11670081>

Declining gas volumes³ are not a new phenomenon. Gas throughput per residential customer connection has been declining for more than a decade for a variety of reasons in WA, including improved appliance efficiency, efficient building standards and replacement of gas heating with reverse cycle air conditioning. While these changes impact gas volumes, it should not be concluded that it translates to declining gas demand across all networks or declining customer numbers.

Network connections continue to be expected to increase and demand projections are strong. In ATCO's latest Access Arrangement, the Economic Regulation Authority forecast 84,000 new connections over the five-year period from 2025 to 2029. The Economic Regulation Authority forecast higher network growth in their final decision than ATCO had put forward in its proposals.⁴

Regulatory changes impacting investment recovery erode confidence

Investment certainty is the bedrock of the regulatory compact provided by the National Gas Objective and underpinned by the revenue and pricing principles⁵ and attraction for foreign capital. This regulatory compact has facilitated the flow of capital from equity and debt investors to underpin with confidence, Australia's scheme gas pipelines and transmission networks. The basis of this regulatory compact provides the service provider with a reasonable opportunity to recover at least efficient costs incurred from investment.

Regulatory changes, such as that proposed in the Gas Networks in Transition rule change, risk limiting access to capital or increasing its cost. This risk will materialise if this rule change process accepts that networks are universally in decline in the face of evidence that demonstrates some gas distribution networks continue to grow and provide a valuable service to the community now and into the future. The rule change proposals perpetuate a view that only investment in electricity networks is needed for the energy transition, but investment in all networks is equally important to address the transition issues we face. The rule change requests remove service providers' discretion from investment decisions and create high levels of prescription which will remove incentives for efficient operation of networks by regulated private owners.

Existing rules provide sufficient flexibility to accommodate energy transition

The current rules framework has the flexibility to respond to the energy transition. There is always some form of uncertainty in the operating environment, whether it be from the energy transition or something else. The existing regulatory framework has the tools and flexibility to manage risks associated with uncertainty.

ATCO does not consider that ECA and JEC have identified inadequacies in the rules and the need for changes to the existing regime. The proposals suggested by ECA and JEC seek to create greater prescription and ideology in the rule framework, which will not necessarily lead to more efficient capital allocation or price certainty.

Flexibility provided by the current framework is needed to ensure service providers can adapt their business to the changing environment faced in the energy transition and meet the needs of their customer base. ATCO considers the current rules framework appropriately manages risk between network service providers and consumers through oversight by a regulatory body in determining who is best placed to manage the risks. Networks and consumers need flexibility in the rules framework to balance risks and meet the needs of their varying customer bases. The discretion provided to regulators reflects the need to accommodate differences in customer bases and operating conditions for networks.

³ AEMC Consultation Paper National Gas Rule Amendments 2026 Gas Networks in Transition, 18 September 2025, p 5

⁴ Economic Regulation Authority, Final decision on access arrangement for the Mid-West and South-West Gas Distribution Systems (2025 to 2029) Attachment 2: Demand, p 20

⁵ National Gas Access (WA) Act 2009, Division 2 section 24

The existing framework and regulatory practice ensure consumer bills reflect only efficient investment through the oversight of the regulator. For example, capital expenditure is already managed in accordance with the National Gas Objective and as part of prudent business practices to minimise stranded asset risk because of the regulatory practice of ex-post reviews.

Renewable gas poised to play greater role in gas networks

Renewable gas, particularly biomethane, may play a role in the energy mix for Australian households and businesses in the future. Assumptions made by JEC and ECA about the decline of gas networks do not appropriately factor in renewable gases or other potential repurposing of networks. Indeed, two Australian jurisdictions⁶ are considering renewable gas targets and policies to promote the uptake of renewable gas. Regulatory changes which ignore the potential of biomethane may have the effect of undermining the growth in the sector which many jurisdictions are seeking.

Reforms to the National Gas Law in 2021 expanded the scope of the regulatory framework beyond natural gas to include hydrogen, biomethane, and other gas blends. These reforms were introduced to support Australia's transition to low-emissions energy, and the proposed rule changes by the ECA and JEC could disincentivise networks' investment into these areas. This would conflict with the long-term public interest these reforms were aiming to achieve.

In its submission to support these rule change requests, ECA acknowledged the total annual production potential for biomethane in Australia was 371 PJ, but claimed this represented just 25% of Australian annual domestic gas use⁷ The majority of natural gas produced in Australia is used in electricity generation, production of liquefied natural gas, mining and heavy industry.⁸ ECA assumes biomethane supplies will be focussed on these sectors and not the commercial and residential sectors which are the primary customers of gas distribution networks. ATCO does not accept this position and believes biomethane can play a significant role in replacing natural gas in distribution networks. The distributed nature of feedstock supply for biomethane makes its proximity to distribution networks for injection a viable commercial pathway.

The Energy and Climate Change Ministerial Council endorsed continued work by jurisdictions on options for a renewable gas policy at their meeting on 15 August 2025. It was noted broader work undertaken to seek feedback on measures which would best support the growth of this new industry. Continued support by governments across Australia indicate that renewable gas has the potential to play a role in Australia's energy transition. Regulators should not make assumptions on decarbonisation which preclude renewable gas.

Consumers value choice in energy options

The interests of consumers sit at the heart of the National Gas Objective and acknowledgement of their energy preferences should not be overlooked.

There is significant evidence that a proportion of consumers – residential and commercial – value connection to a gas supply even in the face of technical or policy challenges, or when education programs or financial inducements seek to push households towards electrification.

⁶ Renewable Fuel Scheme - <https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/energy-security-safeguard/renewable-fuel-scheme> and Industrial Renewable Gas Guarantee - <https://www.energy.vic.gov.au/about-energy/news/news-stories/path-for-renewable-gas-industry>

⁷ <https://www.aemc.gov.au/sites/default/files/2025-02/New%20rule%20change%20proposal%20-%20Energy%20Consumers%20Australia%20-%20Gas%20distribution%20networks%20-%20Creating%20additional%20criteria%20for%20the%20applica%20%281%29.pdf>

⁸ <https://www.industry.gov.au/sites/default/files/2024-05/future-gas-strategy-analytical-report.pdf>

Research by Energy Consumers Australia indicates that around 2 in 3 homeowners with mains gas say they have no plans to cancel their gas supply.⁹ This indicates a consumer preference among many Australians to maintain a gas connection. This finding matches independent research commissioned by ATCO to understand the customer preferences of homeowners in electrified estates compared with those in homes connected to gas. The research, described more fully below, revealed that 2 in 3 homeowners in the electrified estate would connect to gas if they had the opportunity.

Independent surveying of gas customers by the Economic Regulation Authority as part of its consideration of ATCO's last access arrangement indicates that three out of four customers consider it at least quite important for a gas connection in a new home of those looking to build within the next five years. The survey found that the rate of new gas connections will likely be the same as recent history.¹⁰

Consumer energy choice – All electric versus gas available¹¹

In October 2025, ATCO commissioned an independent consumer research organisation to research the value homeowners place on their ability to choose energy sources for their residences. Residents in relatively new neighbouring housing estates in the southern suburbs of Perth were surveyed.

Estate 1 was developed as an electric-only subdivision, while the neighbouring Estate 2 had access to gas connections. In Estate 1, 68% of the residents surveyed said they would connect to gas if it was available, with another 12% unsure. In Estate 2, 88% of residents surveyed said that having a choice between electricity or gas in the home was extremely important to them.

The survey underscored the value consumers place on the ability to make their own energy choices, even in circumstances where they have knowingly purchased a home in an electric-only estate. Of those surveyed in Estate 1, 55% had explored options for outside gas burners or barbecues supplied by LPG.

The survey demonstrates the value consumers continue to place on gas connections, to the extent that many homeowners who have willingly chosen to live in estate with only grid-connected electricity available, would still connect to gas if they could do so.

⁹ <https://energyconsumersaustralia.com.au/sites/default/files/wp-documents/survey-consumer-energy-report-card-dec-24-report-how-households-use-gas-attitudes-electrification.pdf>

¹⁰ Patterson Research Group, Survey of ATCO Gas Residential Customers undertaken for the Economic Regulation Authority, p 14

¹¹ Research Report can be provided on a confidential basis

Esperance electrification in focus¹²

Esperance is a town on the southern coast of Western Australia. In 2021, the gas distribution licensee in Esperance advised that it intended to decommission its reticulated natural gas network in six months. The West Australian Government subsequently negotiated a 12-month extension to the decommissioning to enable a transition for the 400 customers on the network. It invested \$10.5 million (equating to \$26,250 per customer) to support the transition.

Customers were provided with substantial financial support to transition to electric appliances. An education program promoted cost savings associated with electrification and cooking demonstrations with induction cooktops sought to influence customer decisions to favour electricity.

At the conclusion of the transition program, 62% of business customers and 25% of residential customers elected to maintain a gas supply through the installation of LPG bottles. The process demonstrated that in circumstances where there is substantial financial support for electrification, coupled with an extensive education program, a core group of customers continue to value gas. This could be related to difficulties associated with electrification (more likely with business customers) but also reflects basic consumer preferences.

The Esperance case study demonstrated the enduring support for gas as an energy source by many households and businesses even in circumstances where they have been disconnected from a gas network and electrification costs were entirely subsidised. ATCO believes the outcome underscored the longer-term role that gas will play in the energy mix for Western Australian households and businesses.

About ATCO

ATCO is a global integrated energy, housing, transportation, and infrastructure company and has been operating in Australia since 1961. Our Australian footprint includes the ownership and operation of Western Australia's largest natural gas distribution network and power stations in Karratha, WA and Osborne, SA. We have a long history of partnering with communities and Indigenous groups, energising industries, and delivering customer-focused infrastructure solutions.

Yours sincerely



John Ivulich

Chief Executive Officer and Country Chair

Att. ATCO response to AEMC Consultation Questions

¹² Esperance Energy Transition Report, Knowledge Sharing Report, November 2023

AEMC CONSULTATION PAPER

GAS NETWORKS IN TRANSITION

1. CONSULTATION QUESTIONS

Question Number	Questions and sub-questions	ATCO External Response
1	What are the issues impacting consumers and gas distributors under the energy transition?	
1	Do stakeholders agree that there is value in considering the additional NGR issues we have identified alongside the issues raised in the rule change requests?	<p>ATCO considers that there is no value in considering the additional National Gas Rule (NGR) issues alongside the rule change requests posed by Energy Consumers Australia (ECA) and Justice Equity Centre (JEC) as it creates significant uncertainty for future investment at a time when changes to government policy are not uniform across Australia.</p> <p>Uncertainty in the operating environment is not unique, and the existing regulatory framework has the tools to manage risks associated with uncertainty.</p> <p>Total customer numbers on the Mid-West and South-West Gas Distribution System continue to grow and there has been no indication from the Western Australian Government that homes may be prohibited from connecting to gas.</p> <p>Energy Consumer Australia own research indicates that the majority of homeowners plan to continue to utilise gas. “Nationally, around 2 in 3 homeowners with mains gas said they have no plans to cancel their gas supply”¹ ATCO’s own research supports this view with only 19% of people in WA supporting or strongly supporting disconnection from the gas network to rely solely on electricity.</p> <p>Flexibility in the current NGR has allowed regulatory practice to be adapted to the situation in each jurisdiction and consider the pace of declining demand. For example, the final decision for ATCO’s most recent access arrangement had an increase in connections, but the Economic Regulation Authority (ERA) acknowledged the future uncertainty of networks amid the energy transition and allowed a level of</p>

¹ Energy Consumers Australia, How households use gas and their attitudes towards electrification, December 2024 Consumer Energy Report Card, page 11

Question Number	Questions and sub-questions	ATCO External Response
		accelerated depreciation. There is no value in considering additional changes that may remove the flexibility already instilled in the NGR.
	Are there any other additional issues that we should consider within the NGR framework? If so, why?	There are no additional issues that need to be considered in the NGR framework.
	Noting the AEMC's role is to consider and make changes to the energy rules, are there changes outside the NGR regulatory framework that are required to address the issues raised in the rule change requests?	No assumptions on the policy pathway should be made by the regulatory framework as this is a role for governments. The issues raised by the rule change requests indicate a clear preference by their proponents for electrification to decarbonise household energy use. ECA and JEC as proponents of the rule changes should not be seeking regulatory changes to advance their policy preference for electrification. Several options exist for decarbonisation of gas networks using renewable gases and the regulatory framework should be technology agnostic to the approach taken. Policy changes to limit gas use in some jurisdictions should not assume to be replicated across Australia and form the basis of regulatory changes
2	What changes, if any, should be made to the NGR capital expenditure criteria?	
2	Are changes required to the current capital expenditure criteria to better account for uncertainty in future gas demand? If so, would ECA's proposed amendments better account for uncertain demand outlooks than the current criteria?	<p>No changes are required to the current capital expenditure criteria as the current NGR and National Gas Law (NGL) framework provides enough flexibility to address long term consumer interests and balances investment incentives for businesses. ATCO does not agree with the ECA's argument that greater prescription in the NGR will lead to more efficient capital allocation. The existing framework allows only efficient investment with oversight by the regulator. The practices by the ERA to scrutinise investment pre and post investment as part of the access arrangement process is an important driver to ensure efficient investment.</p> <p>ECA's proposal to change NGR 79 (1) (a) to include the impact of declining demand imposes a blanket rule on all jurisdictions, which may not observe declining demand and pre-empts any state specific policy on gas use. This approach will impinge on consumers' ability to choose their energy option between gas and electricity and has strong negative implications for the National Gas Objective by distorting economic incentives to invest in networks leading to inefficient outcomes.</p>

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		<p>ATCO already considers a range of options for any capital investment, and the risk of potential asset stranding provides a strong incentive to limit capital expenditure. ECA's proposal to include an assessment of alternatives to investment in NGR 79(2) and NGR 79(3) introduces ambiguity and uncertainty in the rules. This is because of the range of alternatives and estimating the present value of an ambiguous alternative will be subject to discretion.</p> <p>Capital expenditure is scrutinised significantly prior to its addition to network's asset base. The ERA, analyses all capital investment under an ex ante regulatory regime (before the capital is invested as part of a proposed Access Arrangement) and ex post regime (after the capital has been spent as part of the Access Arrangement retrospective review) to determine if the investment is prudent, efficient, has a positive economic value and is necessary. Only after these conditions are met is the capital investment deemed as conforming and added to the asset base. ATCO considers that NGR 79 adequately addresses ECA's concerns for scrutiny of capital investment decisions. There is no need for further regulation which may have unintended consequences and could result in preferences for short term temporary operating expenditure solutions over longer term solutions.</p> <p>The opportunity for public scrutiny is ample. ERA consults twice publicly for each Access Arrangement, once on an issues paper and next following its draft determination. Additionally, ATCO consults publicly prior to submission of its Access Arrangement plan to the ERA. There is ample opportunity for public scrutiny of capital expenditure proposals at these times.</p> <p>ECA's proposal to exclude capital for renewable gases from NGR 79 and reference tariffs is contrary to the recent other gases reform, which was the subject of significant work by the AEMC. ATCO agrees with the AEMC that NGR 79 relates to the type of service provided in the network in the transportation of gas, not the type of gas used in the provision of these services.²</p>

² AEMC, National Gas Rule Amendments 2026 (Gas networks in transition) Consultation Paper, page 18

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	What do you consider would be the benefits and costs of ECA's proposed approach (for consumers, service providers and the regulator)?	ATCO does not see any benefits in ECA's proposals, which will limit consumer choice in energy options.
	Are there any alternative, preferable solutions to address the issues identified by ECA with the current capital expenditure criteria?	The proposed rule changes for consideration of lower cost options, scrutiny of capital replacement and public consultation on capital expenditure are already addressed in the current NGR and NGL framework through the regulatory framework and processes associated with each Access Arrangement cycle. There is no need for any changes to current capital expenditure criteria.
	Do you consider changes are required to the rules in relation to advance determinations on capital expenditure in the context of the energy transition (rule 82)? If so, what are your views on the changes proposed by ECA (removing the provision or requiring the regulator to undertake consultation on proposals for advance determinations)?	ATCO does not consider changes are required to the rules in relation to advance determinations. Regulatory practice by the ERA already scrutinises pre and post investment by a network service provider. There is no value in making the consultation mandatory, as all capital allowances in the Access Arrangement are consulted during draft decision and again, during final decision. The opportunity for public scrutiny is already available.
	Do you consider that additional types of expenditure may need to be recognised as capital expenditure in the context of the energy transition (e.g. decommissioning expenditure)?	The NGR implicitly recognises all types of capital including growth, sustaining, IT, etc. while not limiting capital types. This means that the NGR already allows for decommissioning capital under NGR 79. Recognising different types of expenditure is not necessary and will only limit the flexibility available to the regulatory body to decide on the appropriate expenditure classification in the changing environment of the energy transition.

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3	Are any changes required for operating expenditure?	
3	Do you consider the current definition of operating expenditure (which includes expenditure for increasing long-term demand for pipeline services) is fit for purpose in the context of the energy transition?	<p>The current definition in NGR 69 is fit for purpose in the context of the energy transition and aligns with recent reforms to allow for network transport of other gases. NGR 69 states that:</p> <p><i>“operating expenditure means operating, maintenance and other costs and expenditure of a non-capital nature incurred in providing pipeline services and includes:</i></p> <ul style="list-style-type: none"> <i>(a) Expenditure incurred in increasing long-term demand for pipeline services and otherwise developing the market for pipeline services; and</i> <i>(b) Expenditure in providing services that contributes to meeting emissions reduction targets”</i> <p>This proposed change goes against the proposed changes in capital criteria. Networks need to make expenditure decisions to support the safety, reliability and integrity of the networks. These decisions are interrelated in making choices about capital or operating expenditure and making changes to the definition of operating expenditure distorts these choices.</p> <p>Additionally, NGR 91(1) eliminates any requirement to change the definition of operating expenditure even if gas networks face decreasing demand in the future. It clearly states the criteria for governing operating expenditure, that is, operating expenditure <i>“must be such that would be incurred by a prudent service provider acting efficiently, in accordance with good industry practise, to achieve the lowest sustainable costs of delivering pipeline services in a manner consistent with the achievement of the national gas objective.”</i>, therefore the existing rule already reinforces the need for prudence.</p> <p>ATCO considers the criteria for operating expenditure defines allowable operating expenditure for network service providers and sufficiently covers all possible scenarios related to future demand for gas. ATCO’s view is that no changes to operating expenditure definition are needed.</p>
	Do you consider there are additional types of operating expenditure that may need to be recognised in the context of the energy transition?	ATCO does not consider other types of operating expenditure need to be recognised in the context of energy transition if the existing rules are unchanged.

Question Number	Questions and sub-questions	ATCO External Response
	<p>Do you consider the regulatory framework appropriately balances the incentives between capital intensive solutions and asset management/maintenance solutions so that service providers have incentives to consider the most efficient options to address network needs? If not, what changes would be required to balance these incentives?</p>	<p>The current framework balances incentives well between proposed solutions. If proposed changes are made to rules, then this balance may be thrown out and unintended consequences from changes may be apparent.</p> <p>Network service providers are required to be prudent and act efficiently in accordance with accepted good industry practice to achieve the lowest sustainable costs of providing services in a manner consistent with the NGO (NGR 79(1)(a) and NGR 91(1))</p> <p>ATCO has strict governance processes for all projects, and every project is reviewed internally, as well as by the ERA in the access arrangement process as part of pre and post investment scrutiny. A cost benefit analysis is undertaken for all projects which includes NPV calculations accounting for realistic assumptions about capital, including asset lives, uptake ratios and penetration rates.</p> <p>There is sufficient incentive for network service providers to act prudently and minimise future risks related to the RAB should demand decline in the future.</p>
4	<p>Does the current framework effectively manage and allocate risk and costs between consumers and network service providers in the context of uncertain demand?</p>	
4	<p>Do you agree with ECA and JEC that the current rules do not provide for appropriate consideration and management of assets at risk of becoming increasingly underutilised in the context of the energy transition, including consideration of how risk and costs are allocated between network service providers and consumers (including present and future consumers)?</p>	<p>ATCO does not agree with assertions by the ECA and JEC that the current rules framework is not appropriate to manage risk between service providers and consumers.</p> <p>Use of depreciation to manage risk is a tool used as part of a suite of measures to mitigate future risks. Changing the economic life of an asset impacting its depreciation profile reflects the changing environment from the energy transition and is utilised across many asset types.</p> <p>It does not shift risk onto consumers as the service provider still carries risk of the asset itself from capital deployment, continued operation and exit or decommissioning. Consumers are adequately protected from price increase pressures through the regulators oversight on the use of depreciation and asset life reviews.</p> <p>The revenue and pricing principles in NGL (WA) 24(5) state that <i>“a reference tariff should allow for a return commensurate with the regulatory and commercial risks involved in providing the reference service to which the tariff relates”</i>.</p> <p>The inclusion of accelerated depreciation in reference tariffs is a mechanism to address the risks related to providing reference services in the future. Adjusting regulatory depreciation is the most readily available</p>

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		<p>regulatory tool. It provides flexibility as it is easily adjustable in future regulatory periods and provides equity in distributing the price impact amongst all consumers, instead of one sub-group.³</p> <p>There is no basis to stray from the reasonable opportunity to recover efficient costs provided by NGL (WA) Division 2 section 24 and forming the basis for the “regulatory compact” in which the network service provider has made investments.</p> <p>The ability of regulated businesses to have a reasonable opportunity to recover their efficient costs must be preserved as it underpins investment confidence across the energy sector. The Australian energy transition is observed globally and any risks to a reasonable opportunity to recover costs entail a sovereign risk for investors in utility businesses.</p> <p>ATCO notes Appendix A of the AEMC Consultation Paper indicating the various approaches adopted by regulators globally to depreciation and shortening of asset lives, or a hybrid approach which combines both these tools, to address any potential risks of capital redundancies and underutilisation of the network. The paper observes that “in jurisdictions where policy makers have set clear, defined goals for decarbonisation with bans on new connections and a detailed plan to transition customers off natural gas, the regulator has responded with a suite of measures to address the corresponding asset stranding risk”.⁴</p> <p>Therefore, in the absence of such policy, it appears premature for the regulatory framework to be amended and change the risk balance.</p> <p>The current regulatory framework provides flexibility to regulators to make decisions on these parameters which are customised to each network service provider’s specific circumstances and demand outlook.</p>
	<p>Are there alternative solutions to those proposed in the ECA and JEC’s rule change requests that would more effectively address cost recovery risks for efficient past and future investments?</p>	<p>Current regulatory framework provides sufficient flexibility to effectively address cost recovery risks and gives the power to regulators to address any potential risks. Regulators can evaluate efficient mechanisms for addressing this risk within the specific context of individual states. For example, ERA’s Dampier Bunbury Pipeline decision to limit the asset life to 2063 is an alternative solution which caters to the policy setting in WA and preferences of end-use consumers.</p> <p>The long-term interest of consumers is better served by encouraging network service providers to extend the use of assets. This has been done by implementing “other gases” reforms in the NGL and NGR. Greater</p>

³ AER’s 2021 information paper about regulating gas pipelines under uncertainty

⁴ AEMC, National Gas Rule Amendments 2026 (Gas networks in transition) Consultation Paper, page 44

Question Number	Questions and sub-questions	ATCO External Response
		use of the existing infrastructure and assets for alternative gases minimises any potential risks related to increasing costs for consumers.
5	How does ECA's proposal impact the recovery of capital costs for new and existing assets?	
5	Do you consider changes are required to the depreciation provisions in the context of the uncertain outlook for gas demand (in terms of limiting variations to the rate of cost recovery and changes to asset lives)?	<p>No changes are required to depreciation provisions. The outlook for gas demand in Western Australia indicates continued growth in domestic gas and residential, commercial and industrial connections. Depreciation profiles should be varied to accommodate changes to the operating environment for assets and to mitigate future risk.</p> <p>It is acknowledged in the consultation paper that the ECA proposal is 'unduly inflexible' (Section 2.3.2) whilst also limiting regulators' flexibility by imposing conditions on what regulators can consider when evaluating the use of accelerated depreciation (Section 2.3.1).</p> <p>The current regulatory framework provides sufficient flexibility for regulators to consider allowing or disallowing depreciation and how it is calculated. .</p>
	What do you consider would be the benefits and costs of ECA's proposed approach to restrict the use of accelerated depreciation through variations to the rate of cost recovery and changes to asset lives (for consumers, service providers and the regulator)?	<p>There are no additional benefits to the ECA's proposed approach as the NGRs provide sufficient flexibility to consider a much broader range of issues other than those prescribed in the proposed amendments.</p> <p>Variations to depreciation will undermine investment not only in gas networks but also across the energy sector. Changes to the use of depreciation will erode confidence in the stability of regulatory settings, which is needed to attract capital for large-scale, long-term infrastructure investments.</p>
	What are your views on ECA's alternative solution of prohibiting the regulator from varying the depreciation rates for existing assets?	<p>ATCO does not support ECA's alternative solution and considers the current legislation to provide sufficient flexibility on depreciation for regulators to consider a broader range of issues, including the economic context, when making regulatory determinations.</p> <p>Appendix A of the AMEC Consultation Paper indicates that regulators around the world allow for variations to depreciation and shortening of asset lives, or a hybrid approach which combines both these tools, to address any potential risks of capital redundancies and underutilisation of the network.</p>

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		<p>The ECA’s proposal to introduce a consideration of “fair and reasonable” to the rules replicates oversight already provided by the regulator. Introducing this requirement into the rules creates ambiguity and subjectivity, which could lead to unintended consequences.</p> <p>ATCO does not see compelling evidence to suggest additional guidance in the rules is needed for the regulator’s oversight on the use of depreciation.</p>
6	How does JEC’s proposal impact the recovery of capital costs?	
6	Do you consider changes are required to the capital redundancy provisions in the context of the energy transition and an uncertain gas demand outlook? If so, what amendments do you consider are necessary?	ATCO considers that no changes to the capital redundancy provisions are needed. Greater prescription to the definition of “redundant asset” limits utilisation of the provision and may lead to unintended consequences, where the service is withdrawn prior to alternate services being available.
	Do you consider the definition of redundant assets should be amended as proposed by JEC to include: a. assets that are economically inefficient to use? b. anticipated redundant assets?	<p>ATCO does not support any amendments to the definition of redundant assets. The efficiency of assets is determined by the network service provider in accordance with business needs and in conjunction with oversight by a regulatory body. Incorporating a test for efficiency within the rule framework is contrary to the current framework to provide the regulatory body with oversight. It also overlooks that other factors may contribute to the continued operation of an asset beyond its economic efficiency for achievement of the National Gas Objective to provide quality, safe, and reliable services and these need to be considered by the network service provider and regulator.</p> <p>JEC’s proposal lacks clarity on the definition of “economically inefficient use” and the term “anticipated redundant asset”, which creates ambiguity and speculation on its practical use. There is also a lack of information on how these assets will be anticipated to be redundant.</p> <p>JECs proposed anticipated redundancies introduce a high level of uncertainty in NGR 89 and should not be accepted. This uncertainty will have adverse impacts on the long-term interests of consumers, as well as network service providers.</p>

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	<p>Do you agree with JEC’s proposal that service providers and the regulator should use accelerated depreciation in conjunction with the redundant asset provisions only if used to address capital cost recovery risks or redundancy?</p>	<p>ATCO does not support the JEC’s proposal as making depreciation conditional on other conditions prevents an efficient depreciation schedule which effects price efficiency.</p> <p>This is an economic asset stranding problem and not a physical asset stranding problem. The rule changes are based on policy assumptions for electrification and that the gas network will no longer be utilised. Depreciation is not used to address the risk of a physically redundant asset, it is used to address the risk of possible economic stranding. Depreciation is the actual, often non-uniform, decrease in value due to factors like wear and tear, obsolescence, or market conditions - economic depreciation reflects the asset's real loss of economic value.⁵From a regulatory-risk perspective, depreciation acts as a stabilising mechanism against uncertainty in demand, technology, and policy. For example:</p> <ul style="list-style-type: none"> • If future demand is uncertain, regulators can adjust depreciation schedules to accelerate cost recovery, reducing the risk of stranded assets. • Conversely, for stable or growing networks, depreciation can be smoothed or extended, helping to manage price impacts on consumers and align with long-term asset use. <p>Depreciation is a common tool used to address risks and uncertainty in the future, as acknowledged in Appendix A of the consultation paper. The AER acknowledges that rules 89(1)(b) and (c) provide flexibility for a depreciation schedule to change where necessary to allow cost recovery and to generate efficient prices, as new information becomes available. Further the AER observes that the increasing price sensitivity of gas over time suggests that a front-loaded depreciation profile, allows a higher portion of costs to be recovered earlier to mitigate the potential price increases in the future, thereby encouraging fewer customers to leave the gas networks overall.⁶ The approach also supports greater asset use and efficiency.</p> <p>The capital redundancy provision is targeted to use for specific under-utilised assets and serves a different purpose to managing network wide underutilisation or asset standing risk.</p>

⁵ Adopted from Australian Accounting Standard AAS 4 (1997) “Depreciation” Australian Accounting Research Foundation (AARF) 1997. Pages 9 and 10.

⁶ AER, Regulating gas pipelines in uncertainty - Information paper, 2021,

Question Number	Questions and sub-questions	ATCO External Response
	<p>What do you consider would be the benefits and costs (for consumers, service providers and the regulator) of JEC's proposed approach to:</p> <ul style="list-style-type: none"> • defining and assessing asset redundancy, and • allowing for accelerated depreciation to address capital cost recovery risks only in conjunction with the redundant asset provisions? 	<p>There are no additional benefits to the JEC's proposed approach as the National Gas Rules provide sufficient flexibility to consider a much broader range of issues other than those prescribed in the proposed amendments.</p> <p>Proposing these regulatory changes would have the effect of initiating conditions which will limit investment in networks and lead to decreased reliability for end-use customers. These changes are inconsistent with the regulatory compact and service provider's ability to have a reasonable opportunity to recover costs under the Revenue and Pricing Principles of the NGL Division 2 section 24.</p>
	<p>What are your views on JEC's alternative solution to outright prohibit the use of accelerated depreciation?</p>	<p>ATCO firmly rejects the JEC's proposal to prohibit variation to depreciation as this is a tool used across all infrastructure regardless of asset type.</p> <p>Depreciation has been used on electricity assets to support the electrical networks transition from transmission infrastructure associated with fossil fuel generation to renewable generation. By removing the ability of gas networks to do the same would limit their ability to support the energy transition.</p> <p>Depreciation is a regulatory instrument for balancing efficiency, fairness, and investment incentives—ensuring that capital-intensive service providers remain financially sustainable while customers are protected from both under-investment, price volatility and demand uncertainty into the future.</p> <p>There are several advantages to the variation of depreciation profiles. While it changes the timing of the cash flow, it does not change the value in net present value terms of the costs that regulated businesses can recover. It does not add to the costs of providing network services or gas access prices in net present value terms. Depreciation can be reviewed at each access arrangement and adjusted as circumstances present when that access arrangement is considered.</p>

Question Number	Questions and sub-questions	ATCO External Response
7	Are new planning requirements necessary?	
7	<p>Do you consider new planning-related reporting obligations for network service providers are required in the NGR to support more efficient decision-making by stakeholders? If so, a. what information should be reported and for what purpose? b. what should be the reporting frequency? c. what pipelines should the requirements apply to, : scheme, non-scheme, distribution, transmission?</p>	<p>There is a plethora of information available on gas use produced by a range of organisations. ECA’s suggestion that information provided by networks in Access Arrangements is inadequate indicates their lack of familiarity with network operations and disregard for consumers’ ability to choose their energy option. ATCO’s last Access Arrangement had over 600 documents supporting our claims and covering information on all aspects of the network.</p> <p>Service providers regularly undertake long term planning for their assets as part of prudent operations and public benefits of releasing this information appear limited. It is unclear how stakeholders identified by ECA could enhance products and services supporting the energy transition with further information available. In fact, consumers in some areas of the network may be unduly targeted by stakeholders wanting to limit energy choice and pursue electricity only options.</p> <p>The level of transparency on network planning is adequate and further information on network planning has not been identified from ATCO’s consumer engagement. Additionally, planning requirements will differ between jurisdictions and flexibility will be needed to ensure a tailored approach is developed for each jurisdiction. A one size fits all approach in the rules will provide no value to stakeholders in different jurisdictions.</p>
	<p>What do you consider would be the benefits and costs of ECA’s proposed reporting requirements (for consumers, industry, gas and electricity network businesses and the regulator)?</p>	<p>Greater reporting will result in higher costs in network operations, which will ultimately be borne by network customers. A cost benefit analysis would need to be conducted on any new reporting requirements.</p>

Question Number	Questions and sub-questions	ATCO External Response
	Do you consider that any alternative solution would better promote the long term interest of consumers?	ATCO has not been made aware of any information gaps from consumer engagement programs.
8	Would a longer-term outlook on the gas transition support	
8	What do you consider would be the costs and benefits of requiring service providers to provide demand and expenditure forecasts over a longer period than the relevant access arrangement period? What would be an appropriate longer-term period (e.g. 10, 15 or 25 years)?	Longer term demand and expenditure forecasts will come with greater uncertainty and reliability, influenced by a variety of factors including government policy on housing supply and energy, technical innovation and customer preferences Any potential benefits may be eroded by the higher costs to create forecasts and their unreliability. Further, the NGL includes a section that allows a regulator to obtain any information it considers reasonably necessary to perform its functions under the law or the NGR. If the regulator deemed it necessary to require longer term forecasts for network planning, they could request this. .
9	Are changes to reference tariff variation mechanisms necessary?	
9	Do you consider the NGR should provide more guidance to the regulator on when different reference tariff variation mechanisms (e.g. revenue cap vs price cap) should be used by service providers to appropriately allocate intra-period demand risk between the service provider and users?	The current NGR framework allows regulators to assess and approve reference tariff variation mechanisms on a case-by-case basis, reflecting the unique circumstances of each jurisdiction, market, and stakeholder group. Imposing more prescriptive guidance would risk undermining this flexibility, potentially leading to one-size-fits-all solutions that do not account for local market conditions, policy settings, or consumer preferences and would undermine the effectiveness of the regulatory process during the energy transition. The AER has noted sector-wide changes are less effective than tailored approaches that consider the specific context of individual access arrangement reviews. For example, the AER approved a hybrid cap and collar approach for Jemena Gas Network's 2025-30 access arrangement tariff variation mechanism.

Question Number	Questions and sub-questions	ATCO External Response
		<p>Providing more detailed guidance in the NGR could result in regulatory overreach, where the regulator is forced to make decisions that may not align with its expertise, authority, or accountability. Overly prescriptive rules can create confusion, reduce the regulator’s ability to respond to emerging market disruptions, and untether regulatory decisions from the realities of the networks and markets overseen. This can lead to unintended redistributive impacts for consumers and service providers, as highlighted in recent academic analysis. undertaken by Monash University.⁷</p> <p>Rigid guidance may stifle innovation and discourage efficient investment in the gas network. Service providers need the ability to propose alternative tariff structures and variation mechanisms best suited to their operational environment and consumer needs. The current framework encourages engagement with stakeholders and allows for the development of mechanisms that balance risk and reward appropriately. Overly prescriptive rules could inhibit the development of innovative solutions and reduce the incentive for service providers to pursue efficiency gains.</p> <p>The NGR already requires service providers to justify their proposed tariff variation mechanisms and for regulators to consider stakeholder submissions during public consultation. This process ensures transparency and accountability without the need for additional guidance. The compliance checklist for access arrangements demonstrates that service providers must provide a rationale for their chosen mechanisms, and regulators have the discretion to approve or reject these proposals based on their merits.</p>
	<p>If so, what would be the costs and benefits to consumers, service providers and regulators of providing more guidance in the NGR and/or bringing forward the regulator’s decision on the applicable reference tariff variation mechanism?</p>	<p>The energy sector is undergoing rapid transition, and regulators need the ability to adapt quickly to new challenges. Prescriptive rules slow down decision-making and make it harder to address unforeseen issues, ultimately harming both consumers and business investment.</p>

⁷ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.monash.edu/_data/assets/pdf_file/0010/3528307/2306a-Ron-Ben-David-Regulatory-over-reach-in-the-energy-transition.pdf

Question Number	Questions and sub-questions	ATCO External Response
10	Are changes to the tariff rules necessary?	
10	Do you consider the NGR should include more or different guidance to service providers on how reference tariffs should be structured in the context of the energy transition?	<p>There is no need for more or different guidance to reference tariff structures. The current NGR framework provides sufficient flexibility, transparency, and accountability for service providers and regulators to structure reference tariffs appropriately. ATCO views the existing tariff structure to have the following benefits:</p> <p>Existing framework is sufficiently flexible and robust and allows reference tariffs to reflect local market conditions, consumer preferences, and operational realities. Overly prescriptive guidance risks undermining flexibility, potentially leading to one-size-fits-all solutions that do not account for the diversity of circumstances across jurisdictions and networks.</p> <p>Regulatory oversight and stakeholder engagement is effective as service providers justify their proposed tariff structures, and regulators review these proposals through a transparent process that includes stakeholder consultation. This ensures that tariff structures are scrutinized and adjusted as needed, without the need for additional or different guidance in the NGR.</p> <p>For example, for ATCO’s sixth access arrangement, the ERA advised ATCO to consider restructuring reference tariffs for residential consumers to inclining or flat tariffs.</p> <p>Greater prescription may lead to regulatory overreach and unintended consequences, where the regulator is forced to make decisions that may not align with its expertise, authority, or accountability. Overly prescriptive rules can create confusion, reduce the regulator’s ability to respond to emerging market disruptions, and untether regulatory decisions from the realities of the networks and markets they oversee.</p> <p>Rigid guidance may stifle innovation and discourage efficient investment in the gas network. Service providers need the ability to propose alternative tariff structures that best suit their operational realities and consumer needs. The current framework encourages engagement with stakeholders and allows for the development of mechanisms that balance risk and reward appropriately. Overly prescriptive rules could inhibit the development of innovative solutions and reduce the incentive for service providers to pursue efficiency gains.</p> <p>Adding more guidance to the NGR would increase the legislative burden, making the regulatory framework less responsive to change. The energy sector is undergoing rapid transition, and regulators need the ability</p>

Question Number	Questions and sub-questions	ATCO External Response
		to adapt quickly to new challenges. Prescriptive rules could slow down decision-making and make it harder to address unforeseen issues, ultimately harming both consumers and service providers.
11	Should the regulator be able to require shorter or longer access arrangement (AA) periods?	
11	Do you consider the regulator should have more discretion to require a shorter or longer AA period than that proposed by the service provider? If so, what should be the criteria/principles to guide a regulator's decision on requiring a different AA period?	The access arrangement (AA) process is costly and time consuming but provides businesses with certainty in the medium term. Best regulatory practice indicates that a five year AA length provides the appropriate balance for investment certainty, consumer protection, administrative efficiency and policy alignment. Any change to lengthen the access arrangement period would need to encourage flexibility and greater opportunity for re-opener circumstances. Shortening an AA period will add additional burden and costs to both regulators and networks, which will ultimately be borne by consumers.
	What do you consider would be the benefits and costs of aligning the timing of electricity and gas distribution decisions in relevant jurisdictions? What impacts would the alignment of the timing of these decisions have on regulators, service providers and stakeholders engaging in these processes?	There are no benefits to aligning the timing of electricity and gas distribution decisions and will simply place resourcing pressure on regulators and consumers in contributing to engagement with network businesses.
12	Are changes required to the re-opener provisions?	
12	Do you consider changes are required to the current re-opener provisions? If so, what changes do you consider are appropriate in the context of the energy	No changes are needed to the current re-opener provisions.

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	<p>transition?</p> <p>What would be the costs and benefits of making changes to the re-opener provisions?</p>	
13	Should there be changes to the existing or additional incentive mechanisms?	
13	<p>Do you consider modified, or additional incentive mechanisms should apply to service providers in the context of the energy transition?</p>	<p>The allowance for incentive mechanisms under the NGR provides the necessary discipline and flexibility to drive efficiency, reliability, and service quality through the energy transition. Incentives, such as the Efficiency Benefit Sharing Scheme (EBSS), Capital Expenditure Sharing Scheme (CESS), and Service Target Performance Incentive Scheme (STPIS) are allowed by the NGR under its current drafting and already encourage cost efficiency. New incentives focusing on short term outcomes could distort long term investment signals.</p>
14	Could the proposed changes inefficiently incentivise pipeline elections?	
14	<p>Would any of the changes considered in this consultation paper alter the incentive for non-scheme pipelines to elect to become scheme pipelines?</p>	<p>The ability to elect between scheme and non-scheme pipelines will only affect some pipelines. ATCO's Mid-West and South-West Gas Distribution System is a designated pipeline under the National Gas Access (WA) (Part 3) Regulations 2009 and cannot be subject to a subject to light regulation. The additional prescription proposed by the rule changes and potential for assets to be written down will reduce the incentive for non-scheme pipelines to elect to be scheme pipelines due to higher risks and costs.</p>
15	What can we learn from other jurisdictions/sectors?	
15	<p>Do you consider other changes to the regulatory framework for scheme pipelines are necessary to provide the regulator with the tools and appropriate level of discretion to manage the gas transition? If so, what would be beneficial?</p>	<p>Drawing on Canadian experience, additional flexibility and discretion within the regulatory framework for scheme pipelines may be beneficial to manage the gas transition effectively. In Canada, regulators such as the Canada Energy Regulator have expanded their ability to support decarbonisation while maintaining prudence and consumer protection. This includes explicit technical standards for renewable fuels, clear definitions and procurement frameworks for low-carbon gases, innovation or mechanisms to trial new services, and financial tools to manage stranded asset risks.</p>

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		Similar provisions in Australia may equip regulators with the authority and flexibility to guide scheme pipelines through decarbonisation, digitalisation, and demand uncertainty while preserving transparency, accountability, and long-term consumer value.
16	Assessment framework	
16	Do you agree with the proposed assessment criteria? Are there criteria that you consider are not directly relevant to the issues raised in the rule change requests and the proposed solutions?	The assessment framework appears appropriate.