Energy Networks Australia

Gas Networks in Transition

Consultation Paper

ENA Response

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30 October 2025

Ms Anna Collyer
Chair
Australian Energy Markets Commission

Dear Ms Collyer,

Gas networks in transition Consultation Paper - GRC0082

Energy Networks Australia (ENA) welcomes the opportunity to respond to the Australian Energy Market Commission's Gas Networks in Transition Consultation Paper. ENA represents the nation's electricity transmission, distribution, and gas distribution networks, providing essential services to more than 16 million connections across Australia.

As Australia's energy system transitions toward net zero, gas networks are evolving to meet changing customer needs and energy uses. ENA supports a regulatory framework that remains flexible, proportionate and grounded in the long-term interests of consumers. The current framework under the National Gas Law (NGL) and National Gas Rules (NGR) already provides the necessary tools to manage these challenges when applied prudently and early.

Preserving the core principles of the regulatory compact and the Revenue and Pricing Principles (RPPs) is essential to maintaining consumer confidence, supporting efficient investment, and ensuring continued delivery of safe, affordable and reliable services. These principles provide networks with a reasonable opportunity to recover costs, which in turn underpins the long-term interests of consumers by sustaining service reliability and price stability.

The rule change proposals put forward by Energy Consumers Australia and the Justice Equity Centre, while well-intentioned, risk reducing flexibility in regulation and embedding assumptions about the future of gas networks that may not reflect the diverse policy settings and consumer preferences across jurisdictions. ENA considers that these proposals could unintentionally undermine the AER's ability to apply the RPPs and promote the National Gas Objective (NGO), which remains the central test for decisions that support the long-term interests of consumers.

In our submission, we highlight that:

- The current framework remains largely fit-for-purpose and includes established tools — such as accelerated or reprofiled depreciation — that can manage asset stranding risk and support equitable outcomes for consumers.
- A one-size-fits-all approach would be counterproductive and therefore jurisdictional differences must be considered, as gas demand trajectories and government policies vary across states and territories.
- Renewable gases represent an additional pathway to decarbonisation, particularly for hard to abate industry and requires continued and efficient use of gas infrastructure.

Regulation should not foreclose on renewable gas development that supports the achievement of the NGO.

- Accelerated depreciation and other regulatory tools are established, flexible mechanisms that can be used to align cost recovery with economic asset lives, smooth customer price paths, and mitigate future price shocks.
- Investor confidence and the regulatory compact are vital to maintaining stable, efficient, and fair outcomes through the energy transition.

ENA supports continued collaboration with the AEMC and AER to ensure that the existing framework is applied effectively and adapted through targeted, evidence-based refinements—rather than through wholesale structural changes. This approach will ensure that regulation continues to deliver affordable, safe, and reliable energy while enabling innovation, renewable gas development, and efficient decarbonisation across jurisdictions.

ENA's response to the consultation paper is provided in further detail below. If you wish to discuss any of the matters raised in this response, please contact Russell Pendlebury, General Manager, Regulation and Policy, on rpendlebury@energynetworks.com.au.

Yours sincerely,

Dominique van den Berg

Chief Executive Officer

1 The Problem Statement

The AEMC consultation paper highlights a growing concern about asset stranding in Australia's gas networks as the energy transition accelerates. The AEMC defines asset stranding as the circumstance in which assets become unused or underutilised, resulting in a regulated business being unable to recover its full return of, and on, capital. [1] The AEMC questions whether the current economic regulatory framework for gas DNSPs remains fit for purpose given projected declines that the AEMC notes in gas demand, driven by electrification trends and decarbonisation policies.

Proponents' View of the Problem

Energy Consumers Australia (ECA) and the Justice Equity Centre (JEC), in their rule change requests, argue that the current framework does not adequately address the risks of stranded assets. According to the proponents:

- Consumers are increasingly burdened with the costs and risks of economic and physical asset stranding.
- Declining customer numbers on the network poses a risk of a higher proportion of network charges spread across a smaller number of users. The trend risks a cycle of spurring more disconnections and higher costs, with potential impacts on vulnerable customers who cannot easily electrify.
- The National Gas Rules (NGR) provide limited guidance on how regulators should apply changes in depreciation schedules to manage stranded asset risk.

The proponents contend that the existing regulatory framework gives gas DNSPs too much discretion and the regulator too few tools to manage uncertainty during the transition. They argue this approach is inconsistent with the long-term interests of consumers and push for changes to make it easier for customers to electrify.

ENA's View of the Problem Statement

ENA recognises that there are a range of future scenarios for gas networks, reflecting different potential pathways for the energy transition and gas use over time. The nearest and greatest challenge across these scenarios is the risk of economic stranding, where assets may face reduced capital recovery due to evolving economic and policy conditions.

ENA disagrees with the characterisation of the problem and the assertion that the current framework is inadequate. ENA considers the key issue to be economic asset stranding, not physical stranding, reflecting circumstances where capital recovery risks arise due to changing economic conditions rather than what is framed as inevitable network decommissioning.

The existing regulatory framework is flexible and robust enough to manage these challenges. Access arrangements are subject to extensive regulatory oversight, ensuring services remain prudent and efficient for customers. The framework already provides the tools to manage asset

[1] AEMC, *Gas networks in transition*, Consultation paper, 18 September 2025, p.7.

stranding risks, including flexibility in depreciation schedules, provided these are used prudently and early in the process to reduce long-term risks for customers and networks.

ENA's Key concerns with the Rule Change Requests

- **Focus of the rule change**: The rule change requests focus on the physical stranding of assets, assuming all gas networks are on a decommissioning pathway. This overlooks the reality that states and jurisdictions have different policy trajectories, some networks still face growing or stable demand.
- **Interpreting Demand Growth References:** The proponents mistakenly link demand growth references in the framework to customer impacts. Access arrangement proposals are regulated to safeguard prudent and efficient services for customers. References to demand growth in the rules do not influence mechanisms for managing economic stranding risk, consumer outcomes or future expenditure.
- **Understanding Depreciation Tools**: The proponents misinterpret the role and application of depreciation as a regulatory tool. Adjusting depreciation schedules is an established means for managing economic asset stranding risk and ensuring equity between customers across time, not a mechanism for unfairly shifting risk to consumers.
- **Inconsistency with the NGO**: Several elements of the proposed rule changes undermine the NGO, which underpins the regulatory framework. Any reform should promote the long-term interests of consumers in relation to price, quality, safety, and reliability.
- **Impact on Investment Incentives**: The changes proposed to the framework would discourage efficient investment in energy infrastructure during the transition, to the detriment of consumers.

While the energy transition introduces uncertainty, the current regulatory framework remains fit for purpose to navigate a range of future scenarios. The focus should be on applying existing mechanisms effectively, rather than rewriting foundational principles of the regulatory framework. This will help to ensure prudent management of risk and fair outcomes for consumers over the long-term across jurisdictions with different policy directions.

Accelerated or reprofiling depreciation as a regulatory tool

The rule change proposals do not accurately reflect the purpose and function of reprofiling depreciation. Adjusting the depreciation schedule, rather than applying a simple straight-line accounting method, enables regulators and networks to reflect changes in the economic life of an asset. This ensures depreciation aligns with market and operational realities when those differ from the asset's original expected physical life.

Changes to the depreciation schedule are not special interventions but standard regulatory tools permitted under the NGR to adapt economic asset lives to changing market conditions. Proper and timely use of these mechanisms supports efficient cost recovery while protecting consumers from volatility.

It is also important to distinguish between economic and physical stranding. As defined by the AER, economic stranding occurs when assets become unused or underutilised due to changes in costs or market conditions, preventing recovery of a full return of and on capital. This differs from

physical stranding, where assets stop being used altogether because of obsolescence, failure, or damage.[2]

When depreciation and other regulatory tools are applied promptly, price stability can be maintained and future price shocks avoided. Acting early helps smooth recovery of sunk costs and limits the risk of sharp price increases later in the network's life, particularly benefiting those customers least able to transition away from gas. This represents a no-regrets approach to managing uncertainty. Costs can only ever be recovered once, so taking early, proportionate action supports the long-term interests of both consumers and investors. However, if economic regulators do not take sufficient early action, there is a much greater likelihood that additional, complementary measures, potentially involving government support, will be required in the future to preserve consumer interests and investor confidence, and to ensure a reliable, fair and efficient energy transition for all Australians.

The National Gas Objective

Under law, gas DNSPs and the economic regulator must act in accordance with the NGO and therefore in the long term interests of consumers. The NGO is:

> "to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to:
>
> (a). price, quality, safety, reliability and security of supply of covered gas; and
>
> (b) the achievement of targets set by participating jurisdiction –
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions."

The NGO guides gas network businesses in their daily operations by ensuring decisions and investments support consumer interests, promote efficiency, uphold safety and reliability, and contribute to emissions reductions as required by government policy. It guides regulatory bodies in their decision and determination making power, ensuring all sections of the gas industry are working towards the same goals. Gas networks are not obliged to act in accordance with the National Electricity Objective (NEO), as it is not part of its obligations as a gas network.

ENA does not support any regulatory changes that contradict the NGO and foreclose on a reasonable opportunity for infrastructure providers to recover at least efficient costs. Steering away from the NGO disrupts the achievement of the goals and the outcomes customer's desire. Increasing uncertainty in the industry is not a justification for departure from the core principles of the NGO.

2 Regulation fit-for-purpose

[2] AER, *Regulating gas pipelines under uncertainty*, information paper, p.26.

Australia's regulatory framework for gas networks is largely fit for purpose. It provides the necessary flexibility and tools to support the sector's evolution, manage uncertainty, and deliver positive customer outcomes.

Existing provisions, which enable the reprofiling of depreciation, permit regulators and networks to respond to shifting demand forecasts without requiring major structural changes. Early implementation of these mechanisms ensures networks can adapt efficiently as market conditions change, supporting all categories of gas consumers, from residential to commercial and industrial users, each of whom may face different challenges on the path to decarbonisation.

Jurisdictional targets

The future of gas networks across jurisdictions will not follow a single pathway. While the ACT has set a clear trajectory toward decommissioning its gas network under its Electrification Pathway,[3] other states face different drivers. Population growth, appliance efficiency, and weather trends will impact demand unevenly, and policies across jurisdictions reflect varying ambitions. The ACT and Victoria have set out clear electrification policies, while others such as New South Wales and Western Australia continue to support gas use as part of an orderly energy transition.[4]

It is appropriate that the AER can exercise flexibility in its decisions to reflect distinct jurisdictional differences, rather than imposing uniform policy assumptions through rule changes. The framework in its current form allows the AER this flexibility, and the AER has stated its decisions will largely be informed by jurisdictional climate change and decarbonisation policies. Without such flexibility, all networks would be set on the same pathway that overlooks the varying jurisdictional policy positions and customer preferences.

The Commonwealth Government recently announced Australia's 2035 emissions targets, including the Net Zero Plan which outlines how Australia will achieve these targets. The Government has set a national target to reduce emissions by 62-70 per cent below 2005 levels by 2035. The gas network industry is supportive of these targets and continues to develop decarbonisation goals and technologies.

The Electricity and Energy Sector plan[5] acknowledges that natural gas will remain an important contributor to Australia's economy and energy security. The Government notes that natural gas continues to support an orderly transition and renewable gases will play a vital role in decarbonising Australia.

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[3] Under the *Climate Change and Greenhouse Gas Reduction Act 2010*, new gas connections are banned in most areas. Additionally, the regulation also applies to extensive renovation or construction projects where a gas connection is abolished.

[4] The ACT Government introduced the Climate Change and Greenhouse Gas Reduction (Natural Gas Transition) Amendment Bill to phase out natural gas by 2045, Victoria under the Gas Substitution Roadmap and Amendment VC250 prohibits new gas connections in new dwellings, new apartment developments and residential subdivisions that require planning permits, NSW has committed to releasing its Gas Decarbonisation Roadmap which will clarify how gas use in NSW will reduce over time.

[5] Department of Climate Change, Energy, the Environment and Water, *Electricity and Energy Sector Plan*, 18 September 2025

Renewable gases such as biomethane and hydrogen are increasingly recognised in national policy, with formal inclusion in emissions reporting schemes, such as the update of the National Greenhouse and Energy Reporting Scheme (NGERS), and future decarbonisation strategies. Following the AEMC's review into extending the regulatory frameworks to hydrogen and renewable gases in 2022, hydrogen and renewables gases, including biomethane, were termed covered gases under the national gas regulatory framework.[6]

The August 2025 Energy and Climate Change Ministerial Council endorsed continued work by jurisdictions on options for a National Renewable Gas policy. The Hydrogen Headstart program and the Future Made in Australia hydrogen production tax incentive are being examined by industry to advocate for both to be expanded to include biomethane. These measures recognise the potential future for renewable gas.

These developments attest to the fact that gas infrastructure remains a critical enabler of Australia's net zero goals. Maintaining the existing regulatory framework allows network businesses to provide continued investment in both natural and renewable gas services without pre-empting or presuming a policy direction across the market.

ENA considers it is essential that the regulatory framework does not unintentionally limit or preclude renewable gases being part of the future energy mix, thereby helping Australia achieve its decarbonisation goals.

Established tools in the regulatory framework

ENA continues to support regulatory stability and would caution against pre-emptive rule changes that presume a single future for gas networks. The current framework already accommodates a range of futures, including the rising rates of electrification at the same time as continued decarbonisation of gas networks and the scaling of renewable gas supply. The focus should remain on using established regulatory tools early and effectively to ensure efficient costs, fair risk allocation, and flexibility for the energy systems of tomorrow.

Accelerated deprecation is an established tool supported by the AER. The AER in its *Regulating Gas Pipelines Under Uncertainty* paper suggests accelerating depreciation is an appropriate tool to manage demand uncertainty:

> "Accelerated depreciation allows us to respond to the forecast change in demand in a pragmatic manner and adjust the tariffs over time to facilitate an equitable and efficient allocation of costs between current and future gas customers. Importantly, adjusting depreciation offers us the greatest flexibility in responding to new information in the future if the natural gas substitution pathways or actual demand turn out to be different than expected." [7]

Accelerated depreciation is the best way to manage the uncertainty surrounding gas network futures if used early. Networks are able to recover costs related to providing an efficient service across a larger customer base, minimising the potential costs remaining when the network may

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[6] AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, November 2022

[7] Australian Energy Regulator, *Regulating Gas Pipelines Under Uncertainty* Information Paper, November 2021

have a smaller customer base, which would lead to rapidly escalating gas prices, and a disproportionate cost burden, for those customers remaining.

The AER points out the inherent flexibility of using accelerated depreciation where it can be adjusted in following periods if actual demand is different to forecast.[8] The flexibility accelerated depreciation, and the regulatory framework as a whole, provides prevents networks from over-recovering investment costs, a key concern expressed by the rule change proponents.

3 Reasonable opportunity to recover efficient costs

The RPPs under the NGL prescribe that networks must have a reasonable opportunity to recover at least efficient costs. To promote the NGO, this opportunity must be ensured. Ensuring the opportunity under RPPs for networks to have a fair opportunity to at least recover efficient costs is not intended to guarantee that networks can recover all costs, but rather to encourage networks to make efficient investments to meet customer service expectations. In *Application by EnergyAustralia and Others,* the Tribunal states:

> *"…the dice are loaded against the NSP at the outset by the regulator not providing the opportunity for it to recover its efficient costs …, then the NSP will not have the incentives to achieve the efficiency objectives, the achievement of which is the purpose of the regulatory regime. ... the regulatory framework may be said to err on the side of allowing at least the recovery of efficient costs."*[9]

Gas DNSPs are obligated to connect customers upon request and supply services to gas consumers across the jurisdictions in which they operate. Investments should be considered efficient if they were necessary to satisfy gas demand prevailing at the time they were undertaken. It is neither practical nor reasonable to decide in hindsight that investments were inefficient when evidence demonstrates the assets were essential at the time of investment.

The proposed amendments would have serious implications for the wider regulatory compact. Regulatory decisions should remain flexible and avoid embedding policy positions. The current rule change proposals reflect policy determinations, by the proponents and not by governments, that pre-empt the future of gas networks amid continuing uncertainty. Investor certainty is a core component of investment in regulated utility assets, especially where large investments are required at points in time to meet critical consumer needs. The removal, inhibition, or threat to remove the reasonable opportunity for regulated networks to recover at least efficient costs will have a bearing on the risk investors are willing to take on critical energy infrastructure investment required to support the energy transition and the achievement of climate goals going out to 2050.

Revenue and pricing principles

Under the NGL, the AER and Economic Regulation Authority (ERA) WA must consider the RPPs in making decisions related to revenue and pricing, and the AEMC when making rule

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[8] Ibid

[9] *Application by EnergyAustralia and Others (includes corrigendum dated 1 December 2009)* [2009] ACompT 8, at [81]-[82].

determinations. Any proposed changes to the rules which govern networks ability to recover costs must not contradict any RPP.

The efficient costs principle was introduced under the Gas Code to address concerns about ensuring sufficient incentives for essential service providers to invest, and continue investing, in the infrastructure necessary to deliver regulated energy services to customers. The 'efficient costs' principle in subsection 24(2)[10] of the NGL provides that:

> '*A scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in—*
>
> *(a) providing reference services; and*
>
> *(b) complying with a regulatory obligation or requirement or making a regulatory payment*'.

The principle was developed to provide a degree of certainty to investors on the ability to recover at least the efficient costs of regulated energy infrastructure. RPP 24(2) provides certainty to network businesses on how market bodies are to preserve the ability to recover costs.

Through access arrangements, the AER has the discretion to approve DNSPs' proposals as the efficient costs for a regulatory period. Section 28 of the NGL prescribes the AER's role in approving access arrangements and what the AER must have regard to. Subsection 2 specifically details the AER must have regard to the RPPs. The ERA has broadly the same obligations under the WA regime. Section 28(2) prescribes:

(2) In addition, the AER—

(a) must take into account the revenue and pricing principles—

(i) when exercising a discretion in approving or making those parts of an access arrangement relating to a reference tariff; or

(ii) when making an access determination relating to a rate or charge for a pipeline service; and

(b) may take into account the revenue and pricing principles when performing or exercising any other AER economic regulatory function or power, if the AER considers it appropriate to do so.[11]

As the AER must have regard to the RPPs, including obligations under RPP 24(2), the proposed amendments to Rule 89 and 85 effectively undermines the economic regulator's decision-making powers under Section 28(2) of the NGL. The AER and ERA have the discretion to only approve what is prudent and efficient to provide gas supply services to customers ensuring gas customers are not paying for more than what is efficient. The proposed amendments seek to prevent networks from recovering efficient costs and the AER's ability to comply with its obligations to Section 28.

RPP 24(2) does not provide a guarantee but is designed to ensure networks have a fair opportunity to recover efficient costs through regulatory decisions. While networks accept

[10] NGL, s 24(2).

[11] NGL, s 28(2).

inherent risks under the RPPs and broader regulatory framework, including cost or demand variances within a regulatory period, expenditure approved under an access arrangement should still provide an opportunity to recover efficient costs.

It is important to note the RPPs are not intended to prescribe how the opportunity should be provided. In Glencore Coal Assets Australia Pty Ltd v Australian Competition Tribunal (2020), the Full Court noted the role of pricing principles was 'not so much to prescribe what should happen in a particular situation, but to rule out approaches and methodologies which would be inappropriate'.[12] ENA considers the rule change proposals, in particular the amendments to Rule 85 and 89, to be a contradiction to the RPPs and therefore should be ruled out as an approach to gas network regulation.

The proposed rule changes would impose financial outcomes based on uncertain forecasts. ENA cautions against allowing regulatory decisions to limit the recovery of efficient costs due to forecast variations. The energy transition instead requires greater regulatory flexibility to manage uncertainty while preserving the opportunity to recover at least efficient costs.

Gas DNSPs have an obligation under the NGL to supply and connect gas customers as requested, undertaking investment to perform regulatory functions. As an essential service, a gas DNSP would be deemed inefficient if investment was not sufficient to meet customer gas demand.

It is unreasonable to label expenditure as inefficient simply because demand declined subsequently, especially when there was no advance indication of how costs would be recovered for providing the regulated services. Decisions made after the fact about efficiency should reflect the context in which decisions were made — specifically, whether the investment aligned with forecast demand at the time it was undertaken. If the possible impacts to cost recovery were signalled after the fact, networks have no reasonable opportunity to recover costs and therefore any decision along these lines would be in contradiction with RPP 24(2).

Regulatory compact

Pre-emptive changes to regulation predicated on forecasts could impact the broader utilities sector at a time when investment certainty is critically important. Ensuring energy networks have a fair opportunity to recover their costs is a cornerstone of sound economic regulation and essential for achieving positive long-term outcomes for customers.

The regulatory compact is generally understood as an implied arrangement between infrastructure owners, customers, and regulators. It provides essential service providers with the opportunity to recover efficient costs through access prices for regulated services. In return, users benefit from regulated services delivered at competitive, reasonable prices and a specified quality standard.

The Queensland Competition Authority (QCA) refers to the regulatory compact as 'a long-term contract, noting investors in the regulated firm receive a return on, and of, its capital. The return

[12] *Glencore Coal Assets Australia Pty Ltd v Australian Competition Tribunal* (2020) 280 FCR 194, 215 at [85]; [2020] FCA 145.

on capital should reflect the opportunity cost of capital, taking into account the risks of the investment'.[13]

The regulatory compact recognises the importance of providing stability for investors. Because energy infrastructure assets typically offer relatively modest returns, investors require stability and predictability to commit capital. Regulatory decisions that materially alter the basis on which investors committed capital pose a threat to the regulatory compact, particularly during a period when maintaining investor confidence is essential to advancing the energy transition.

Safeguarding the regulatory compact should be a central factor in considering these rule changes, as it sets a precedent for all energy infrastructure as well as other regulated essential services in Australia. ENA recommends erring on the side of caution in considering the proposed amendments to the NGR, recognising that some suggested changes could have broader implications for the entire gas sector and potentially undermine the regulatory compact. Decisions should consider the many possible futures of gas networks, rather than focusing on a single scenario, as the exact pathway of the energy transition remains uncertain and will vary considerably from jurisdiction to jurisdiction over the coming years.

4 Depreciation

ECA suggests gas DNSPs propose accelerated depreciation to recover the full costs of past and current investments from customers with network investors bearing no costs.[14] To overcome this assumption, the proponents propose amending Rule 89 to impose additional requirements, such as the use of other regulatory tools, for gas DNSPs to re-profile depreciation schedules.

It proposes to only accept accelerated depreciation to be what is "fair and reasonable" for consumers to bear. The Commission notes in the consultation paper that "fair and reasonable" is not defined in the rule change request. Further, the granting of accelerated depreciation is already subject to the existing framework and the NGO, which requires that the accelerated depreciation proposal is in the long-term interests of consumers.

ENA disagrees with the rule change proponents that accelerated depreciation is about managing investors' future costs. It is a well-established regulatory tool used to adjust assets' economic lives in response to market changes and to mitigate the risk of stranded assets as discussed in Appendix A of the AEMC's consultation paper. In the circumstance of gas networks with declining demand, accelerated or reprofiling depreciation also acts to more equitably share past investment costs among consumers, avoiding the need to recover a disproportionate share of the costs from customers that may find it harder to transition.

Re-profiling of depreciation

Proposals for accelerated depreciation are currently already subject to the discretion of the AER and ERA to approve. Access arrangements provide opportunities for the AER and ERA to take on stakeholder feedback and concerns on the proposed allowances through submission

[13] Queensland Competition Authority, *QCA Discussion Paper: Risk and the Form of Regulation*, November 2012, p vi.

[14] Energy Consumers Australia, *Gas Distribution Network Rule Change Request – Accelerated Depreciation*, 14 February 2025.

processes. The AER has previously suggested accelerated depreciation is the best regulatory tool for uncertainty and that it does consider the possible impacts to customers in its decisions:

> *"…regulatory depreciation or risk compensation cannot be adjusted without constraint to guarantee cost recovery for the regulated businesses. We must have regard to consumers' interest in having affordable and stable or reasonably predictable gas access prices to encourage their use of the gas infrastructure."* [15]

Under NGR 89(1), depreciation is calculated on the expected economic life of an asset. Accelerated depreciation is a change in depreciation schedules where there is a change in an assets economic life. Where market conditions have changed, networks amend economic lives and subsequently the depreciation schedule. Any method of changing depreciation schedules does not and cannot guarantee the recovery of assets.

The rule change proponent suggests re-profiling depreciation schedules shifts the costs to the customer instead of the investor. ENA disagrees, reprofiling depreciation is a standard regulatory tool that maintains a fair balance of risk between investors and customers as market conditions change; without it, declining gas demand would unfairly shift costs and risks onto investors and later consumers least able to transition early.

As noted in previous sections, the accelerated or reprofiling depreciation approach is adaptable and can be adjusted over time if demand reductions are less than was anticipated at the time accelerated depreciation was granted, ensuring the balance between customers and investors remains fair.

Proposed conditions on reprofiling depreciation

The rule change proponents suggest new conditions be imposed under Rule 89 for gas DNSPs to be allowed accelerated or reprofiling depreciation. Conditions include:

- There is relevant legislation or regulations for decommissioning the network;
- The network has no allowance for connections capital expenditure;
- The DNSP has published a Gas Annual Planning Report;
- The environmental factors leading to accelerated depreciation has been recognised in capital expenditure allowances; and
- The DNSP has reduced the value of the RAB incurred by investors in line with the cost of accelerated depreciation.

ENA questions the need for blanket conditions on depreciation which do not take into consideration differences between networks. As discussed, prescribing rules aimed at one policy setting is unjustified to be applied to networks not operating under the same policy settings. ENA strongly recommends against this level of prescription and presumption within the NGR. Imposing conditions limits networks' ability to achieve an efficient depreciation schedule and

[15] Australian Energy Regulator, *Regulating Gas Pipelines Under Uncertainty* Information Paper, November 2021, pp 28-29.

building block outcomes set for its own network. Inefficient pricing signals restrict a networks' ability to achieve efficient utilisation of network assets which is a key pillar of the NGO.

Opposition to all proposed conditions is discussed throughout this submission and ENA considers the amendments to be unnecessary. The AER must already consider environmental factors in access arrangement decisions and takes into account accelerated depreciation in conjunction with capital expenditure proposals where relevant. The last proposed condition removes such flexibility and does not adjust to uncertainty. Depreciation schedules are based on forecasts, and as discussed, accelerated or reprofiling depreciation offers flexibility to adjust between resets where demand forecasts change.

5 Asset redundancy

JEC suggest the regulatory framework cannot manage increasing number of customers electrifying and there is too great a reliance on depreciation under Rule 89 due to the impracticability of Rule 85.[16] The proposed amendments introduce restrictions to accelerated depreciation to limit it to only apply to assets made or likely to be made redundant and where costs are 'shared'. The amendments to Rule 85 suggest networks, to access accelerated depreciation, should write down at least 50% of the assets in the RAB subject to an accelerated depreciation claim.

ENA notes Rule 85 must be read in conjunction with the RPPs in the NGL. The AER must have regard to RPPs when exercising its decision-making power in approving allowed revenue and the same must be considered within the assessment of these rule change proposals.

The proposed amendments are fundamentally in contradiction to RPP 24(2) to allow gas networks reasonable opportunity to recover at least efficient costs. The rule change request suggests changes based on physical redundancy that are difficult in practice to predict. The management of stranded asset risk is an economic asset stranding problem, rather than a physical redundancy problem. Linking economic asset stranding to the physical stranding of particular assets misunderstands what economic asset stranding is, and the problems it represents for regulation.

Prediction and physical attribution

A fundamental flaw of the proposed rule change on asset redundancy is that it assumes economic asset stranding is the same as physical stranding of specific assets. Economic asset stranding is the risk networks are unable to charge prices to recover the RAB as a whole, it is not directly related to the declining use of specific assets from trends in electrification. It is not possible for networks to directly link economic asset stranding to specific assets.

The proposed rule changes have the expectation that gas networks can precisely predict the scale and location of future declines in gas demand, as well as which specific assets will be rendered redundant. Proponents base the proposed capital redundancy amendments on increasing electrification due to customers replacing gas appliances. However, networks cannot

[16] Justice Equity Centre, *Gas Distribution Network Rule Change Request – Accelerated Depreciation and Redundancy,* 4 June 2025

forecast at a granular level which customers or groups will electrify across a five-year period or accurately anticipate which assets may become redundant as a result.

Further, customer segments are dispersed through the network in different categories. Residential customers are not separated physically from areas with harder to abate commercial and industrial customers who may have very different demand profiles over time as a broader category of customer load.

The JEC's proposal applies a rule designed for physical redundancy, and the ability to anticipate that physical redundancy in specific areas in advance, to address economic stranding of assets, which relates to broader customer categories and demand changes and broader network revenue. This method is poorly aligned with the problem and would fail to deliver the best outcome for consumers.

To manage stranded asset risks, gas DNSPs re-profile depreciation schedules to assets economic lives. This is not forecasting the dates of when an asset becomes redundant, it is managing the risk of redundancy through bringing forward depreciation schedules.

Only attributing costs of redundancy at the time of redundancy, if a time can be identified, does not share the costs evenly, attributing more of the costs to the end of the asset life across fewer customers. ENA suggests this is a less equitable outcome than early re-profiling depreciation to manage stranded asset risks.

Residual and tail end risks

A critical issue for networks is the management of "tail risk", the risk that remains if customers exit the gas network earlier or in greater numbers than anticipated. For example, Evoenergy's proposals estimate up to a 25% residual risk if customers disconnect sooner than forecast (noting this does not allow for full and total network decommissioning and disconnection of the remaining customers, it is merely the 25% of historical asset base remaining).[17]

Additionally, as a gas network nears decommissioning, there will likely be a threshold where the network becomes financially non-viable while there are still customers remaining on the network. At such a threshold, cost recovery for the ongoing operation of the business is potentially no longer possible, resulting in the risk of large-scale, simultaneous shutdown and disconnection of remaining customers that may not have a readily available alternative. Even with accelerated depreciation, networks may remain exposed to the risk of future non-viability

Consideration of the NGO in proposed asset redundancy amendments

The Proposed amendments to capital redundancy suggest:

> *"Networks could, however, separately be permitted (and required) to actively work in advance with gas consumers to assist them in identifying and implementing alternatives to network gas connections to meet their energy needs. This could for example include*

[17] Evoenergy Access arrangement proposal, Attachment 6 Depreciation, Figure 14: Illustrative scenario of closing asset base with a faster gas transition and sum-of-years digits depreciation method.

assisting the remaining few households in a street to electrify or source non-network gas options…"[18]

Gas DNSPs are obligated to act in accordance with the NGO under the NGL. The provision of electricity services is not a role a Gas DNSP are legally able to provide, nor in many cases would have the expertise to fulfil. Further, the provision of behind the meter electricity services is a contestable service. ENA strongly disagrees with the above proposal.

6 Capex criteria

ECA's capex criteria rule change request suggests declining gas demand at the household level is contributing to capital projects being unjustifiable in the long-term.[19] The request suggests accelerated deprecation cannot exist within the same access arrangement as proposing new capital expenditure. ECA proposes new capex criteria are required to determine if capex is justifiable in the long-term.

ENA considers the proposed criteria are unnecessary as there are already mechanisms to ensure capex is justifiable. Gas DNSPs have an incentive already to minimise capex without the additional criteria imposed. Networks are aware and are actively mitigating against economic stranded asset risk and have little incentive to propose additional capex to what is required to fulfil obligations to customers as it would merely be adding to this risk.

ENA supports the current regulatory processes to approve capital expenditure in line with the NGO and revenue pricing principles. ENA strongly disagrees with the suggestion the propose-response model provides gas DNSPs with 'too much discretion'. Gas DNSPs comply with extensive information requirements and requests to support the AER and ERA in their decision-making capacity and undertake extensive customer engagement in developing access arrangement proposals to have a deep understanding of customer energy wants and needs. The AER and ERA have discretion to determine whether capital expenditure is prudent and efficient in access arrangement processes and approvals are agnostic to the type of gas.

ENA suggests the problem as ECA defines it is largely dealt with through the separate AEMC rule change on upfront connection costs.[20] Upfront charges for new connections will minimise gas DNSPs required connection capex and significantly reduce overall capex. ENA in its submission to the connections rule change process has supported the amendments for upfront connection charges.[21]

Gas networks are obligated to continue to ensure the safety, security and reliability of the gas service for remaining customers and the broader public. The need to undertake efficient investment to maintain a safe and reliability gas network should in no way be seen as

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[18] Justice Equity Centre, *Gas Distribution Network Rule Change Request – Accelerated Depreciation and Redundancy,* 4 June 2025, pg. 14.

[19] Energy Consumers Australia, *Gas Distribution Network Rule Change Request – Capex Criteria*, 14 February 2025.

[20] AEMC, *Updating the regulatory framework for gas connections* Draft Determination, 18 September 2025

[21] ENA, *Submission to Updating the regulatory framework for gas connections Consultation paper*, 10 July 2025.

contradictory to proposals to reprofile depreciation to align asset base recovery with the economic life of the network and/or to more equitably share costs across customers and time.

Nuance must be taken to consider what is included under capital expenditure. Capex proposals do include connection capex but also include broader expenditure to support the management of the network in whatever size it is, for example IT expenditure which has a much shorter economic life comparatively.

Aside from Mulitnet and ATCO where the proponent has indicated capital expenditure in the most recent regulatory period is higher than the previous, all other gas DNSPs have capital expenditure falling in real terms across key areas in new regulatory resets compared to previous. Gas DNSPs are utilising accelerated depreciation to mitigate the risk of stranded assets. Even with approved accelerated depreciation, gas DNSPs are not guaranteed to recover efficient costs. This acts as a strong incentive for DNSPs to not invest more than necessary to safely and reliably service the network and meet connection obligations and it would be uneconomic for DNSPs to continue to add to this stranded asset risk. There is no need for additional criteria as economic incentives and regulatory requirements for efficient capital expenditure already exist within the framework.

AER and ERA's role in capital expenditure processes

Through access arrangement processes, the AER and ERA have the discretion to approve capex allowances. These processes are significant to complete, determining revenue and expenditure for the regulatory period. Networks engage in extensive consumer engagement in preparing revenue proposals, ensuring the needs of customers in networks jurisdictions are met. Access arrangement approval processes are a sufficient regulatory process to determine efficient expenditure, with the discretion remaining with the AER and ERA guided by the NGO.

The rule change request suggests renewable gas related capital expenditure should be excluded and only paid for by customers who wish to take renewable fuels in the future. The proposal suggests the AER and ERA should discriminate in capex decisions on the basis on the gas provided.

The NGL refers to 'covered gases' including natural gas, biomethane, hydrogen, synthetic methane and blended gas. It would be inconsistent with the NGO to change reference services for renewable gas to be outside the regulatory framework. For networks, it would become unworkable to change the reference services as networks are responsible for the transportation of covered gases, agnostic to the type of gas. The change would provide no opportunity for networks to decarbonise and continue to provide services to those unable or unwilling to electrify.

Under the NGO, regulatory decisions are based on price, quality, safety, reliability, security of supply of covered gas and emissions reductions. The AER considers these factors under the NGO which achieve long-term customer outcomes. The AER, as the economic regulator, is obliged to be agnostic to the type of gas, instead considering whether the transportation of the gas is within the scope of a networks reference services. Renewable gas reduces carbon emissions, and many businesses without electrification opportunities may rely on the development of renewable gas to reduce their own emissions. Discriminating revenue decisions on the basis of the type of gas would be in contradiction to the NGO and prevent decarbonisation opportunities for many businesses and customers. The discretion on the approval of renewable gas expenditure should remain with the AER and ERA consistent with any other expenditure proposal process.

It is unworkable for the AER and ERA to reference past investments in making decisions with respect to replacement expenditure. Doing so, might contradict decisions in other areas of capex and networks ability to fulfil obligations to customers, including decisions to ensure the safety of the network.

Safety remains, and will always remain, a key priority for gas DNSPs. The proposed change of 'improve' to 'maintain' in relation to safety standards will prevent gas DNSPs from recovering costs to meet Australian Standards[22] and customer expectations of continuous safety improvements. This would be inconsistent with RRP 24(2) and therefore the NGO.

Safety regulations and levels are mandated at the state level by the relevant safety authority and ENA proposes no change be made. The current safety regulations consider jurisdictional differences and are the appropriate processes to manage any safety concerns. Jurisdictional safety regulators are best placed to set technical safety standards, and most networks are required to meet the As Low As Reasonably Practicable (ALARP) test. The role of the economic regulator is to consider whether the network is proposing the most efficient approach to meet the safety requirements, as relevant to the jurisdictional obligations and ALARP assessments. There appears to be no basis to move away from the current rule provisions.

7 Planning requirements

ECA propose new planning reporting obligations on all distribution networks.[23] They are concerned that there is insufficient planning information to allow stakeholders to make informed decisions about the future of gas networks in the context of projected declining demand.

The gas network industry currently produces demand forecasts and expenditure plans as part of access arrangement processes, with data made available beyond the reset period becoming the norm. These plans are detailed and include demand forecasts, capex forecasts and opex forecasts. For example, demand forecasts of customer numbers, gas volumes, peak demand, methodology and scenario analysis, including sensitivity testing for policy changes. This information is currently available to stakeholders. To expand this reporting obligation would be onerous, costly and duplicative without any clear benefit to either stakeholders, the regulator or the industry. The AER currently requires a level of detailed planning information to inform access arrangements decisions. The AER can request further information if required including in relation to accelerated depreciation proposals.

Gas networks are committed to providing consumers with the information necessary to meaningfully participate in the consultation process. Networks continuously engage with their consumers as well as engaging with consumer representatives as part of their ongoing operations. Customer panels are able to examine data and forecasts in depth.

Existing regulatory requirements already place clear requirements on networks to demonstrate proposals are in the long-term interests of customers. When a forward-looking projection is relevant to justifying a network decision, such as the use of accelerated depreciation or a major

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[22] For networks this is AS 4564:2025 *General-purpose natural gas and natural gas equivalents,* and AS2885:2024 *Pipelines – gas and liquid petroleum* for gas pipelines.

[23] Energy Consumers Australia, *Gas Distribution Network Rule Change Requests – Planning Requirements*, 14 February 2025.

capital investment, networks are incentivised to undertake the necessary analysis to ensure the AER can make a robust assessment. Mandating uniform planning reports for every network, irrespective of local context or transitional uncertainty, risks reducing the flexibility needed to support customers and the energy system through a period of unprecedented change.

It is not clear from the rule change proposals, what information or engagement is currently lacking in access arrangement proposals, what specific additional information is needed and what this would be used for. No clear benefits are identified and yet additional planning requirements, above and beyond what is already provided, entail additional costs which must be recovered from consumers.

Instead of imposing additional reporting obligations, ENA recommends that the AER incorporate guidance to take proper account of forward-looking factors, during review processes (such as evaluating proposals for accelerated depreciation). This approach allows networks to provide the level of analysis that aligns with local circumstances and projected system risks, facilitating more efficient outcomes for consumers and stakeholders while avoiding unnecessary regulatory overhead.

8 Further issues and recommendations

RAB indexation

The AER information paper sets out RAB indexation removal as a viable regulatory option to address the risks of declining gas demand and potential asset stranding.[24] Under the current framework, the RAB is indexed for inflation, with a real rate of return applied to ensure businesses recover the time value of money over the life of assets. However, this approach defers cost recovery into the future, increasing the risk that a shrinking customer base may be left to shoulder unrecovered costs.

Removing RAB indexation would support the recovery of invested capital. By adopting a nominal (rather than real) rate of return and ceasing inflation adjustments, networks can bring forward more revenue into the near term, aligning cost recovery with a broader existing customer base and reducing the risk that remaining or future customers face higher prices as the customer base diminishes. This approach partially reduces the need for accelerated depreciation decisions and creates a transparent, rule-based approach to managing regulatory risk. This method is part of the AER's suite of available options but has not been implemented to date.

Over the long term, removing RAB indexation can yield cost benefits for customers. It spreads the financial responsibility for network investments more evenly across customers over time. This more predictable, front-loaded cash flow supports both investment certainty and a smoother customer price path, helping to manage the economic impacts of the energy transition while better protecting consumers by partially mitigating the risk of price increases where network demand contracts.

[24] Australian Energy Regulator, *Regulating Gas Pipelines Under Uncertainty* Information Paper, November 2021, p.33.

Decommissioning costs

In jurisdictions where there is intended to be a future decommissioning of the gas network, the current regulatory framework presents significant challenges for the practical recovery of network decommissioning costs. The current criteria relating to expenditure forecasts requires these costs to only be accepted by the AER if they are reasonably expected to be incurred in the relevant regulatory period.

In the circumstance of wide-scale network decommissioning, these costs will likely only start to be incurred once most customers have left the network and the vast majority of costs will be incurred once all customers have left the network. Further these costs are expected to be substantial. Consequently, the ability to recover decommissioning costs through the regulatory framework is theoretically possible but practically constrained by the timing in which substantial costs are incurred but too few customers remain to recover these.

ENA recommends decommissioning costs be explicitly included within the regulatory framework for gas networks as the sector transitions, in some jurisdictions, to the phased closure of the gas network.

One approach to enable recovery of decommissioning costs is to enable networks operating expenditure allowances to include provisions for future decommissioning costs where there is a distinct obligation/policy direction for future network decommissioning. Such an approach would align the regulatory treatment with the accounting treatment where the costs of meeting future obligations are provisioned through financial accounts.

By provisioning for future decommissioning costs in regulatory allowances, the costs will be shared among more gas customers and over a longer time period, enabling a practical pathway to cost recovery which smooths customer bill impacts. This approach will better meet the objectives of achieving long term customer interest with respect to price while also maintaining the fundamental principle for networks to have a reasonable opportunity to recover these costs.

As with all expenditure forecasts, the AER would scrutinise the efficiency of the networks proposed decommissioning costs to be provisioned for in each regulatory period and with regard to the relevant jurisdictional policy and directions, and costs already provisioned in previous regulatory periods.

These measures would help deliver efficient outcomes for customers and networks during the decommissioning process.

Other issues raised by the AEMC

The AEMC proposes to consider other interrelated aspects of the economic regulatory framework, including additional regulatory tools needed. ENA considers the application of all the tools in the current framework, including changes to reference tariff variation mechanisms, shorter or longer access arrangement periods, or specific incentive mechanisms, must be in the context of the relevant jurisdictional circumstances and clear policy direction.

The energy system is changing rapidly, and gas networks are no exception. While the current framework has the tools to manage the current challenges, most prominently economic asset stranding, regulatory change may be required at a future time when the policy direction for various jurisdictions is clearer. For example, in a jurisdiction with a mandate to decommission the network, it may be suitable to enable networks to disconnect uneconomic segments. This

scenario has significant and wide-ranging implications for safety regulations, customer protections, and economic regulation, which is challenging to cover in the scope of this review in advance of relevant policy direction.

9 Concluding remarks

Australia's gas networks are in a period of transition as the sector decarbonises through electrification and the development of renewable fuels. Through this process the regulatory framework must strike a balance between facilitating change and maintaining the core principles that underpin ongoing investment, supporting long term customer outcomes. The existing rules framework is flexible to a range of futures, it supports efficient investment and cost recovery and maintains the regulatory compact between consumers and network investors.

Any modifications to the rules need to preserve this flexibility, enabling networks to respond to different regional demand changes, technological changes and changing policy direction from governments. Overly prescriptive requirements and major shifts in the rules framework in relation to cost recovery, risks undermining investor confidence across all regulated energy infrastructure in Australia, just as the scale of investment required in the energy transition is at its greatest.

The objective of the rules framework, and any changes to the framework, should be to ensure that consumers continue to benefit from affordable and reliable energy, no matter the approach to the energy transition in any particular jurisdiction. ENA stands ready to work with the AEMC and all stakeholders to ensure that the regulatory framework remains fit for purpose, capable of managing risk, and equipped to deliver an efficient and equitable transition to net zero for the long-term benefit of consumers.

Appendix A – Response to Questions

Question	Response
Scope	
Question 1: What are the issues impacting consumers and gas distributors under the energy transition?	There is considerable uncertainty surrounding the energy transition and in particular the future for gas networks. ENA considers the regulatory framework is largely fit for purpose if the regulatory tools currently available are utilised early. While there may be changes required in the future, the framework of today is suitable to manage the uncertainties of today. Regulatory changes made now should not decide where the future of gas networks will go and should not be based on the assumption of decommissioning if the policy environment does not apply to all jurisdictions. Answers to these questions are detailed in Sections 1, 2 and 8.
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	
Are there any other additional issues that we should consider within the NGR framework? If so, why?	
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?	
ECA and JEC rule change proposals	
Question 2: What changes, if any, should be made to the NGR capital expenditure criteria?	ENA supports the current regulatory processes to approve capital expenditure in line with the NGO and revenue and pricing principles. The current rules and processes provide enough guidance for the AER and ERA in their decision-making discretion to determine whether capital expenditure is prudent and efficient. ENA does not see how the proposed amendments would influence the current processes to improve outcomes for customers in the long term. Networks undertake extensive customer engagement to develop access arrangement proposals to be in line with customer expectations. The AER also engages in public consultation in its capex decisions in access arrangements as allowed under Rule 80(2). Approvals should be agnostic to the type of gas and not apply additional criteria for renewable gas, reflective of networks reference services to transport gas and in line with the NGO. Answers to these questions are further elaborated in Section 6.
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?	
What do you consider would be the benefits and costs of ECA's proposed approach (for consumers, service providers and the regulator)	
Are there any alternative, preferable solutions to address the issues identified by ECA with the 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 80(2))? 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)?	
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)?	
Question 3: Are any changes required for operating expenditure?	Rules allowing for opex allowances to include a provision for future network decommissioning costs, before these are incurred, would better achieve the objectives of long-term customer interest with respect to price and enabling a reasonable opportunity for network service providers to recover the efficient costs of decommissioning. Provisioning for the costs could be subject to a clear policy direction or obligation to decommission the network in future and the usual requirements relating to demonstrating the efficiency of the future decommissioning costs relevant to the jurisdictional policy. Answers to these questions are further elaborated in Section 8.
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	
Do you consider there are additional types of operating expenditure that may need to be recognised in the context of the energy transition?	
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	Gas networks are disincentivised from expanding the economic stranding risk and are incentivised to spend the efficient and necessary capex approved by the regulator. Gas networks already have an incentive to keep prices low to encourage as many customers on the network to remain connected to remain viable in the long-term. No additional incentive is required. This question is further elaborated in Sections 5 and 6.
Question 4: Does the current framework effectively manage and allocate risk and costs between consumers and network service providers in the context of uncertain demand?	ENA believes the current regulatory framework is fit for purpose and there are tools to manage uncertainty. Accelerated depreciation manages stranded asset risk and manages cost impacts for customers over the long-term. If used early, accelerated depreciation is an effective tool that is flexible enough to manage uncertainty over the long term and does not allow networks to over-recover costs. Prescribing rules based on one future is impractical where not all gas DNSPs are operating under environments with the same policy settings. The regulatory framework should remain flexible to manage all scenarios and futures for gas DNSPs. Answers to these questions are further elaborated in Section 2,4 and 5.
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)?	
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	
Question 5: How does ECA's proposal impact the recovery of capital costs for new and existing assets?	ECA's proposal would undermine the fundamental principle of economic regulation, as stipulated in the revenue and pricing principles, to provide network service providers with a reasonable opportunity to recover at least the efficient costs. ECA's proposal would
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)	indeed foreclose on such an opportunity and would have a detrimental impact on investor confidence across the energy sector and other regulated essential services in Australia. Accelerated depreciation is a standard practice of the regulatory framework and the best tool available to manage future uncertainty and stranded asset risk. Reprofiling depreciation early lowers costs for customers in the long-run and limits the cost borne by a small number of customers if the network is required to operate in future with a lower overall customer base. Accelerating depreciation does not guarantee full cost recovery. The AER and ERA already have discretion in approving accelerated depreciation and have exercised this discretion in recent access arrangements. Prescribing conditions considering only one policy setting, is impractical to implement across all gas DNSPs that may not operate under the same settings. Answers to these questions are discussed in more detail in Sections 3 and 4.
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)?	
What are your views on ECA's alternative solution of prohibiting the regulator from varying the depreciation rates for existing assets	
Question 6: How does JEC's proposal impact the recovery of capital costs?	JEC's proposal fundamentally contradicts the NGO and the revenue pricing principles. It would block gas DNSPs access to a reasonable opportunity to recover at least efficient costs, as provided under RPP 24(2). ENA considers the proposed changes risks break down to the regulatory compact and the investability of the broader utility sector in a time of heightened need for investor certainty. The proposed changes could have broad implications for customers during the energy transition. The rule change proposal suggests changes that are unworkable in practice as it is focused on physical rather than economic asset stranding. It misunderstands how accelerated depreciation works in practice and how it is flexible to be adjusted within periods. Answers to these questions are discussed in more detail in Section 3, 4 and 5.
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?	
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?	
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	
What do you consider would be the benefits and costs (for consumers, service providers and the regulator) of JEC's proposed approach to: defining and assessing asset redundancy, and allowing for accelerated depreciation to address capital cost recovery risks only in conjunction with the redundant asset provisions?	

What are your views on JEC's alternative solution to outright prohibit the use of accelerated depreciation?	
Question 7: Are new planning requirements necessary?	Gas DNSPs already provide extensive demand and expenditure forecasts as part of their access arrangement processes. Demand forecasts and expenditure plans are developed as part of these processes. These plans are detailed and include demand forecasts, capex forecasts and opex forecasts. Gas networks are already providing and engaging on forecasts beyond the 5-year period, where relevant to demonstrate the long term interests of consumers is being met through the proposal. The period of time for these forward forecasts should remain flexible to the relevant jurisdictional circumstances. Detailed forecasts are currently available to stakeholders. To expand this reporting obligation would be onerous, costly and duplicative. The AER currently requires a level of detailed planning information to inform the access arrangements deliberations and can request further information if required. It is not clear from ECA's proposal that there is any specific information/data set missing from that required by the AER as part of access arrangements. Additionally, the AER can request more information from service providers if necessary. These questions are further discussed in Section 7.
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, what information should be reported and for what purpose? what should be the reporting frequency? what pipelines should the requirements apply to,: scheme, non-scheme, distribution, transmission	
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)	
Do you consider that any alternative solution would better promote the long term interest of consumers	Consumers are involved in the access arrangement process, through consumer groups, this ensures that customer preferences drive outcomes and ensure that the long term interests of customers are met. ENA considers that this forum provides stakeholders with the ability to examine in depth service providers long term plans. This is further discussed in Section 7.
Other issues that may impact the effectiveness of the overall economic regulatory framework	
Question 8: Would a longer-term outlook on the gas transition support better regulatory decision-making?	The relative benefits of a longer-term outlook are highly dependent on the circumstances of the relevant network, the relevant market

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)?	conditions and policy direction. Where there is net benefit of providing long-term outlooks to demonstrate long-term customer benefits for an access arrangement proposal, gas networks are already undertaking this analysis, engaging with their customers and transparently sharing it with all stakeholders. Where planning is relevant, it is readily available within access arrangement proposal documents and often on gas DNSPs websites.
Question 9: Are changes to reference tariff variation mechanisms necessary?	The NGR should explicitly require the AER to consider the relevant operating conditions and market and policy circumstances of the gas network. It is not appropriate to apply a one-size fits all approach to the tariff variation mechanism where networks face differing degrees of risk in relation to the variation between the forward demand forecast and actual demand. There would be no additional costs for the AER to consider jurisdictional circumstances. The burden of proof lies with the network service provider to demonstrate the relevance of their specific circumstances to the TVM decision and the relevant information on operating conditions and market/policy context is readily available.
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?	
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	
Question 10: Are changes to the tariff rules necessary?	
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?	
Question 11: Should the regulator be able to require shorter or longer access arrangement (AA) periods?	Gas DNSPs have the ability already to propose different access arrangement periods and choose not to. The AER can already assess the reasonableness of the proposal. Regulator discretion to changing the duration of regulatory periods would have significant implications to the balance of risk and uncertainty for investment, as well as the resourcing costs of both gas DNSPs and the AER with no clear benefit to customers.
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	
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	It is unclear what benefit aligning the regulatory period would bring, gas and electricity networks already provide annual updates on outturn demand and forward forecasts to the AER through the regulatory information notices and annual pricing proposals. The AER can already consider the relevant trends across gas and electricity without the need to align the regulatory periods.

	Requiring networks to align gas and electricity would have significant cost and resourcing impacts for gas DNSPs who also are electricity DNSPs, such as Evoenergy and AusNet. Gas DNSPs already have the ability to request different access arrangement periods in circumstances where there is a potential benefit from changing this.
Question 12: Are changes required to the re-opener provisions? 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 transition? What would be the costs and benefits of making changes to the re-opener provisions?	Providing the regulator with the ability to reopen an access arrangement mid-period would significantly undermine investor confidence in the regulatory framework, it would also undermine the ex-ante incentive-based nature of the regulatory framework. The existing reopeners provisions are appropriate where a material change in circumstances can be demonstrated by the network provider. Recent experience has shown the AER has already set a high bar for the consideration of reopeners.
Question 13: Should there be changes to the existing or additional incentive mechanisms? Do you consider modified or additional incentive mechanisms should apply to service providers in the context of the energy transition?	Gas networks have a wide array of obligations to ensure safety and reliability of the gas network for customers and the broader public. Gas distribution networks capital expenditure incentive scheme is also conditional on the maintenance of network reliability. Therefore, the existing obligations and incentives are already sufficient for upholding the safety and reliability of the gas network through the energy transition.
Question 14: Could the proposed changes inefficiently incentivise pipeline elections? Would any of the changes considered in this consultation paper alter the incentive for non-scheme pipelines to elect to become scheme pipelines	Any changes to the rules which undermine the principle of a reasonable opportunity to recover efficient costs would significantly disincentivise networks from electing to become scheme pipelines.