



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Australian Energy Market Commission

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Draft rule determination: National Gas Amendment (Updating the regulatory framework for gas connections) Rule

AGL Energy (**AGL**) welcomes the opportunity to respond to the AEMC's *Draft Rule Determination for the National Gas Amendment (Updating the Regulatory Framework for Gas Connections) Rule (Draft Determination)*.

AGL supports reforms that help customers electrify, save money, and reduce emissions. Our goal is to connect customers to a sustainable future by supporting their efforts to decarbonise how they live, move, and work. Electrification is the most likely decarbonisation pathway for residential consumers and is a key enabler for the industrial, transport, and other sectors to achieve net zero emissions. Where electrification is not feasible, AGL supports the development of low-carbon alternatives such as biomethane to support the transition to a low-carbon economy.

As noted in the Draft Determination, AEMO's 2025 Gas Statement of Opportunities projects a 70% decline in distribution-connected residential and commercial gas demand over the next 20 years, with a 30% reduction expected in the next decade. In light of this, we agree that elements of the current regulatory framework—such as the Net Present Value test—are no longer fit for purpose and must evolve to reflect declining demand.

AGL supports the AEMC's Draft Determination and the preferable draft rule requiring gas distributors to charge newly connecting retail gas customers cost-reflective connection charges upfront. We agree that this approach promotes the National Gas Objective (**NGO**) and delivers better outcomes for gas consumers by:

- ensuring stranding risks associated with new connections are borne by the party best placed to manage them (i.e. the connecting customer),
- preventing connection costs from being added to the capital base, thereby limiting asset stranding risk,
- mitigating cost impacts for remaining gas customers, and
- providing a cost-reflective price signal to support more efficient and potentially lower-emissions energy choices.

As outlined in our previous submission to the AEMC's *Consultation Paper on Gas Distribution Networks: Connection and Permanent Abolishment Charges*, we encourage the AEMC to prioritise stakeholder engagement—including with network owners, operators, and customers—to develop a coordinated approach to managing gas assets with declining utilisation.¹

Investment decisions must reflect changing demand and customer preferences. A key challenge will be balancing risks between consumers and networks. Ensuring a fair allocation of fixed costs among remaining gas users is essential to achieving the NGO. As network utilisation declines, fixed costs may need to be recovered from fewer customers, potentially impacting those unable to electrify or reduce consumption.

Cost recovery concerns should be assessed against principles of efficiency, equity, reliability, security, and environmental sustainability, and should be informed by robust evidence. The AEMC should also ensure that any

¹ For further information, please see [AGL's submission](#) to the AEMC's *consultation paper on Gas distribution networks: Connection and permanent abolishment charges*



changes to the gas regulatory framework align with broader energy market reforms and support the transition to a low-carbon economy.

Should you have any questions in relation to this submission, please contact Leilani Kuhn (Policy Manager) on 03 8633 6934.

Yours sincerely,

AGL Energy

About AGL

Proudly Australian since 1837, AGL delivers around 4.6 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity of almost 8000 MW across Australia. AGL is Australia's largest privately-owned hydro power station operator and operates the largest portfolio of renewables and storage assets of any ASX listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.