

Our Ref: 30,816,428v1
Your Ref: GRC0085
Contact Officer: Dale Johansen

29 October 2025

Alisa Toomey
AEMC Project sponsor

Dear Ms Toomey

Re: Updating the regulatory framework for gas connections

The Australian Energy Regulator (AER) welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on the draft determination and draft rule for *Updating the regulatory framework for gas connections*.

The AER's role

We are the economic regulator for major scheme (full regulation) gas distribution networks in New South Wales (NSW), Victoria, South Australia and the Australian Capital Territory (ACT).

We are responsible for assessing the Model Standing Offers of scheme distribution network service providers, setting out the terms and conditions of their connection services, against requirements set out in the National Gas Rules (NGR). To date, the approved Model Standing Offers of scheme gas distributors do not provide for full upfront cost recovery of a new customer's connection because of a prohibition in the NGR. This has meant that the capital cost of a new connection has been added to the gas distributor's capital base.

The historical rationale for recovery of connection costs across the customer base no longer applies in the new context of decreasing gas use and actual or expected declines in customer numbers. Now, a newly connecting customer's contribution to capital base growth is adding to the costs that must be recovered from all gas customers.

AEMC draft determination

The AEMC's draft determination responds to a rule change request by Energy Consumers Australia (ECA) which sought to address the problem of customer connections contributing to the capital base by introducing upfront connection charges. We are pleased to support the proposed reform, the AEMC's draft determination and draft rule.¹

The AEMC's draft rule gives effect to the ECA's intent by leveraging the existing Model Standing Offer framework. Under the draft rule, we would receive updated Model Standing Offer proposals from scheme gas distributors by 1 April 2026 for implementation on 1 July 2026. Subject to the AEMC's final determination and final rule, we are now undertaking internal resource planning for receipt and assessment of Model Standing Offer proposals

¹ AER, *Updating the regulatory framework for gas connections*, July 2025.

and to assess dispute cases based on the amended connection charges criteria, as specified by the draft rule.

Evoenergy and AGN (SA) access arrangement reviews are under way

We are currently reviewing 2026–31 access arrangement proposals submitted to us by AGN (SA) and Evoenergy, gas distributors operating in South Australia and the ACT respectively. Release of the AEMC's final determination and final rule on 11 December 2025, as scheduled, will allow those gas distributors to incorporate the rule change's impact in their revised access arrangement proposals, due to be submitted to us by 14 January 2026.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'K. Funston', written in a cursive style.

Dr Kris Funston
Executive General Manager – Network Regulation