

Thursday 30 October 2025

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Subject: Submission to the AEMC's rule change draft decision – connections charges
(Ref: GRC0085)

Dear Ms McCowan,

Jemena Gas Networks (NSW) Ltd (**JGN**), welcomes the Australian Energy Market Commission's (**AEMC's**) draft rule determination, which delivers a cost-reflective framework for gas connections charges. We support key elements of the draft rule, including the adoption of a cost-reflective, user-pays model for new connections, the removal of the net present value (**NPV**) test, and the use of principles-based criteria for setting connections charges.

Importantly, we support the draft rule's recognition that overheads, tax, design, and administrative costs may be recovered through the Model Standing Offer (**MSO**) process.

To ensure the workability of the new rule, we seek refinement in the following areas:

1. **Transitional provisions on net capex** – Builders and developers commonly lodge connection applications well in advance, often up to a year before construction. JGN will therefore incur net connections capex after 1 July 2026 for projects where a connection agreement is in place before that date.
 - a. *Recommendation 1.* To provide certainty that old Part 12A continues to apply in circumstances where the connection agreement was signed before 1 July 2026 but the relevant capital expenditure was incurred after this date, the National Gas Rules (**NGR**) should clarify that net connections capital expenditure can be included in the regulatory asset base (**RAB**), where it relates to connection agreements entered into up to and including 30 June 2026. We recommend updating **Part 21 (2025 Savings and Transitional Rules) Rule 116** as follows:

116 Application of the amending rule to existing applications to connect and connection agreements

- (1) This rule applies where, before the commencement date:
 - (a) a person has submitted a connection application under Part 12A (existing application to *connect*) and the connection applicant and distributor have not entered into a connection agreement; or
 - (b) a connection applicant and distributor have entered into a connection agreement and the connection works are not complete.

(2) In relation to the existing applications to connect and existing connection agreements, on and from the commencement date:

- (a) new Part 12A does not apply;
- (b) old Part 12A applies; and
- (c) for the purposes of old Part 12A, a reference to a model standing offer is taken to be a reference to a model standing offer of the distributor in effect under old Part 12A and current in the period immediately before the commencement date.

2. AER approval timeframes for MSOs – Neither the existing rules nor the draft amendments specify an approval timeframe for updated MSOs. Without clear timelines, approvals may be protracted, undermining efficient implementation of the new charging framework. It took the AER 10 months to approve JGN's most recent MSO update, which indicates the rules would benefit from clarity and an efficient approvals process.

- a. *Recommendation 2 (transition period)*. To meet the 1 April 2026 submission date and enable implementation by 1 July 2026, we recommend the AEMC include a deemed approval mechanism in the NGR for updated MSOs. If the AER does not provide written notification of its decision within **20 business days** of receiving the updated MSO, the MSO should be deemed approved. This approach exists within access arrangements in relation to annual tariff variation notices and will ensure gas networks can meet the 1 July 2026 implementation deadline.
- b. *Recommendation 3 (ongoing)*. After 1 July 2026, the NGR should define an ongoing approval period to avoid unnecessary delays. We recommend the AER provide written notification of its decision within **20 business days** of receiving any updated MSO. A timely approval process would enable us to promptly adjust our basic connection charges in response to changes in costs. Extended AER approval periods would impede our ability to update charges efficiently and could prevent the recovery of our legitimate costs, undermining the cost-reflective intent of the new framework.

3. AER guidance note – Section 3.6 of the AEMC's Draft Determination document notes that an AER guidance note may support implementation of the new gas connection charges framework.

- a. *Recommendation 4*. A guidance note is not required and would put meeting the implementation date at risk. The rules already provide sufficient clarity for networks to submit updated MSOs by 1 April 2026. Before publishing any new guidance, the AER would need to engage with industry to identify whether a genuine regulatory gap exists and, if so, the discrete issues a guidance note would address.

Should you have any questions, please do not hesitate to contact Christopher Stewart, Gas Networks Regulation Manager, at Christopher.Stewart2@jemenas.com.au.

Yours Sincerely,

Ana Dijanovic
General Manager Regulation, Jemena