

Rule determination

National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025

Energy Consumers Australia

DETERMINATION

Inquiries

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

E aemc@aemc.gov.au

T (02) 8296 7800

Reference: GRC0085

About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

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Summary

- 1 The Australian Energy Market Commission (AEMC or Commission) has decided to make a more preferable final gas rule (final rule) in response to the rule change request submitted on 14 February 2025 by Energy Consumers Australia (ECA). The final gas rule will require gas network distributors (distributors) to charge newly connecting retail gas customers cost-reflective connection charges upfront.¹ The Commission has determined that no rule is required to amend the National Energy Retail Rules (NERR).
- 2 The final rule promotes the National Gas Objective (NGO) and provides for improved outcomes for gas customers by:
 - ensuring the stranding risks² associated with new connections sit with the party best able to manage them (i.e. the connecting customer)
 - preventing connection costs from being added to the capital base to mitigate significant cost impacts for remaining gas customers, and
 - providing a cost-reflective price signal to connecting parties to facilitate more efficient (and potentially lower emissions) connection and energy choice decisions.³
- 3 We have carefully assessed the final rule against our statutory objectives, leading us to make more preferable rules in several areas. We have sought to balance outcomes for customers, efficiency and emissions reduction to deliver outcomes that best serve gas consumers in the long term.

Our final rule will address connection risks associated with the projected decline of residential and commercial gas demand

- 4 The National Gas Rules (NGR) were drafted with the expectation of either steady or ongoing growth of gas demand. However, this expectation has been challenged by electrification policies in some jurisdictions and the projected continued decline in average demand for gas from residential and small commercial customers due to customers choosing to electrify and increased energy efficiency. The Australian Energy Market Operator's (AEMO) latest Gas Statement of Opportunities (GSOO) for the East Coast GS00 projects that distribution connected residential and commercial demand will fall by around 70% over the next 20 years, with a 30% reduction projected in the next 10 years.
- 5 As demand from residential and small commercial customers declines, and these customers leave gas distribution networks, the costs of operating and maintaining the network will be shared among a declining customer base. The rate and timeframes for decline are uncertain, given there are different jurisdictional positions on gas, however, declining demand will have significant impacts on the prices payable by remaining customers. This may, in turn, further accelerate the decline in demand as customers who can electrify opt to do so sooner than they previously would. Continuing to add new connection costs to the capital base that must then be recovered from customers would exacerbate the risk of increasing prices faced by remaining customers who may face barriers to leave the network.
- 6 A key focus area under the AEMC's strategic narrative is to consider how the gas regulatory

1 In this determination, the term distributors is used to cover those operators of scheme or nominated non-scheme pipelines in National Energy Customer Framework (NECF) jurisdictions subject to Part 12A of the NGR.

2 The risk that network assets may become economically stranded, with owners unable to fully recover the costs associated with an asset.

3 For retail connection services (other than negotiated services) cost-reflective charges would be based on an estimate of the efficient cost of providing the connection.

framework can best support consumers and the electricity system as we transition to a net-zero system. Declining demand on gas networks will place upward pressure on prices for those who continue to use gas. Absent any policy interventions, customers facing barriers to electrification will be left using the gas network. These customer groups may include lower-income households, renters, apartment dwellers and small and medium businesses. This may raise issues of cost inequities, particularly for vulnerable customers. The regulatory framework should seek to facilitate equitable outcomes for customers, whilst promoting efficient use and investment in gas infrastructure, safety and reliability of gas supply and emissions reduction.

- 7 While there is some uncertainty surrounding the future path for some gas distribution networks, it is clear that maintaining the existing approach to retail customer connections, where some costs are added to the distributor's capital base, is unsustainable and unlikely to contribute to the achievement of the NGR. Our final rule provides for a number of changes to Part 12A of the NGR, which are intended to:
- enable new retail customers to make more informed and efficient choices about their energy sources and whether to connect to gas distribution networks, by providing them with cost-reflective price signals for the connection
 - provide for a more efficient and equitable allocation of the costs and risks associated with new retail connections, by implementing a beneficiary pays approach for connections that allocates the costs and risks associated with new connections to the connecting customers rather than existing customers
 - limit the growth of distributors' capital bases by requiring connection charges to be paid upfront which would in turn reduce the amount of capital that may need to be recovered on an accelerated basis from a declining customer base
 - support emissions reduction by enabling more informed and efficient energy choices to be made.

Our final rule will lead to more cost-reflective connection charges, while largely retaining the existing framework in Part 12A of the NGR

- 8 The Commission's final rule requires all newly connecting retail gas customers to pay upfront cost-reflective charges for their gas connection. This will ensure newly connecting customers receive the right price signals to enable them to make more informed and efficient choices about their energy sources and whether to connect to the gas network.
- 9 Our rule amends the connection charges criteria in rule 119M to remove the net present value (NPV) test and to specify in broad terms the criteria to be applied by distributors when calculating connection charges, including the principles to be applied and the types of costs that can be included in connection charges. The final rule will mean that the distributor can only recover the prudent and efficient directly attributable costs of providing the connection service.
- 10 The final rule removes the NPV test because it does not provide for efficient connection price signals in an environment of declining demand. The use of this test also results in connection costs being added to the distributor's capital base, which can result in an inefficient allocation of the demand and stranding risks associated with new connections. This is because it results in existing customers having to pay for any unrecovered connection costs, when they have limited ability to manage these risks.
- 11 The final rule will maintain the existing application of the connection charge requirements in Part 12A to scheme and nominated non-scheme pipelines in jurisdictions subject to the National

Energy Customer Framework (NECF) for gas.⁴ It will also only apply to retail customers in these jurisdictions. The new connection charge arrangements will form part of the existing retail customer connection framework, which recognises three different types of connection services: basic, standard and negotiated.

- 12 The final rule will also require the Australian Energy Regulator (AER) to publish its decisions on whether to approve distributors' model standing offers and amends the matters the AER must consider in forming its decision to reflect the changes to the connections criteria.
- 13 The final rule is largely consistent with the draft rule. Compared to the draft rule, the final rule:
 - Allows distributors to request the AER to exempt them from the requirement to have a model standing offer for a basic connection service, where the AER is reasonably satisfied that retail customer demand for basic connection services in the distributor's area is likely to be very low for the reasonably foreseeable future. This recognises that jurisdictional policy may at some point prohibit distributors offering connection services, so it may not be appropriate for the rules to retain a requirement for distributors to develop and maintain model standing offers for a basic connection service.
 - Has a commencement date of 1 October 2026. This reflects feedback from distributors that the 1 July 2026 commencement date may be challenging as they need to develop or update IT systems to accommodate direct charging. Distributors will be required to submit revised model standing offers to the AER by 1 May 2026, and the AER will be required to review and approve them by 1 August 2026. This ensures adequate time for distributors to implement and test approved charging for connection services in their IT systems.
- 14 The final rule is largely consistent with the rule change request in that it provides for the introduction of upfront cost-reflective charges for new connections to specified gas distribution networks. However, a number of changes have been made to ensure the arrangements are targeted, fit for purpose, and proportionate to the issues they are intended to address.

We have considered stakeholder feedback in making our decisions

- 15 The key findings and observations that shaped the Commission's final rule determination included:
 - Broad support from stakeholders to amend the rules to introduce cost-reflective charges for new retail gas customers and require them to pay upfront and in full for their new connection.
 - Stakeholders supported upfront connection charges to protect remaining gas customers from increasing network costs, particularly vulnerable customers or those facing barriers to electrification.
 - Most stakeholders supported the continued application of Part 12A of the NGR to scheme and nominated non-scheme pipelines, as this aligns with the intent of light regulation for non-scheme pipelines.
 - Distributors raised concerns in submissions to the draft determination on implementation times for approvals of model standing offers by the AER and incorporating new direct customer charging in IT systems.

We assessed our final rule against four assessment criteria

- 16 The Commission's final rule will better contribute to the achievement of the NGO as follows:

⁴ These jurisdictions are the ACT, NSW, South Australia and Queensland.

- **Principles of market efficiency** - promotes economic efficiency through the provision of more efficient price signals to connecting retail gas customers and a more efficient allocation of the demand and stranding risks associated with new connections
- **Outcomes for consumers** - improves outcomes for consumers through the use of more efficient and equitable cost recovery arrangements for retail connections
- **Emissions reduction** - supports emissions reduction by enabling retail customers to make more informed and efficient decisions about their choice of energy and connections
- **Principles of good regulatory practice** - embodies principles of good regulatory practices, including by providing for simplicity and transparency in the arrangements and being consistent with the broader direction of reforms.

The final rule is also consistent with the relevant revenue and pricing principles in the National Gas Law (NGL). For instance:

- The movement to upfront cost-reflective connection charges will mean relevant distributors continue to have a reasonable opportunity to recover at least the efficient costs of providing reference services (where connection services are reference services), or comply with a regulatory obligation or requirement.⁵
- The movement to upfront cost-reflective charges, together with the requirement that connection charges only include those costs that would be incurred by a prudent service provider acting efficiently, will also:
 - minimise the economic costs and risks associated with both under and over-investment in the relevant distribution networks.⁶
 - provide relevant distributors stronger incentives to only undertake efficient investment in, or in connection with, the pipeline and efficiently provide pipeline services.⁷

Implementation of the final rule

- 17 To provide sufficient time for distributors to implement changes to connection charges for all newly connecting customers, the final rule has a commencement date of 1 October 2026. Any retail customer gas connection applications made prior to 1 October 2026, as well as any connection contracts signed but not completed before that date, would be subject to the existing (old) rules including the NPV test and associated costs may be added to the distributors' asset base, subject to the AER's discretion. Any retail customer gas connection applications made after 1 October 2026 would be subject to the new framework.
- 18 Our final rule will require Australian Gas Networks South Australia (AGN SA), Evoenergy and Jemena to submit revised model standing offers to the AER for approval by 1 May 2026. These model standing offers must be in line with the rule that commences on 1 October 2026. The AER must make its assessment on the submitted model standing offers by 1 August 2026 based on the new rule. AGN Queensland must also revise its model standing offers for its nominated pipelines to reflect the new connection charges criteria by 1 October 2026.
- 19 This commencement timeline ensures that Evoenergy and AGN SA can implement upfront connection charges as part of the next 2026-31 Access Arrangement period. The final AER decision is due for publication on 30 April 2026. The timeline also provides for the new arrangements to apply in Jemena's gas distribution network even though its access arrangement

⁵ Section 24(2) of the NGL.

⁶ Section 24(6) of the NGL.

⁷ Section 24(3) of the NGL.

was approved in 2025.

Related rule change processes

- 20 This rule change is one of six rule changes submitted by ECA and the Justice and Equity Centre (JEC) seeking to ensure that the regulatory framework for gas pipelines is fit-for-purpose for Australia's energy transition.
- 21 We commenced consultation on the *Establishing a regulatory framework for retail customer initiated gas abolishment* rule change from JEC at the same time as this rule change request. We published a draft determination on the JEC rule change on 30 October 2025; submissions close on 15 January 2026.
- 22 The Commission published a consultation paper on *Gas networks in transition* on 18 September 2025. This consultation paper is focusing on the four remaining rule changes from ECA and JEC, which are intended to constrain non-critical expenditure on distribution networks, facilitate better network planning and protect consumer interests in the transition. The Commission intends to publish a directions paper in March 2026.

Contents

1	The Commission has made a final determination	1
1.1	Our final rule would ensure cost-reflective gas connection charges and protect existing customers	1
1.2	Stakeholder feedback and our own analysis shaped our final rule	3
1.3	Our final determination will ensure the regulatory framework for gas connections is fit-for-purpose given the broader direction of reform	4
2	Our final rule will contribute to the national gas objective	6
2.1	The Commission must act in the long-term interests of energy consumers	6
2.2	We must also take some other matters into account when making a rule	7
2.3	How we have applied the legal framework to our decision	7
2.4	Our final rule will contribute to the achievement of the NGO	9
3	How our rule will operate	14
3.1	Retail customers will be required to pay upfront cost-reflective charges for new gas connections	16
3.2	The connection charges criteria specify in broad terms how retail connection charges are to be calculated	17
3.3	The updated connections framework applies to retail customers connecting to scheme and non-scheme gas distribution networks that are already subject to Part 12A of the NGR	19
3.4	Distributors are required to develop a standardised connection charge for a basic service, consistent with the existing approach in NGR Part 12A	22
3.5	The AER will be required to publish all model standing offer decisions	25
3.6	We recommend that the AER consider whether updates to any guidelines are required	26
3.7	Transitional arrangements provide for implementation of the rule by 1 October 2026	26

Appendices

A	Rule making process	30
A.1	The ECA proposed a rule to charge customers upfront for a new gas connection	30
A.2	The proposal addressed ECA's concern that the current gas connections framework is not fit for purpose in the context of a declining customer base	30
A.3	It proposed to do so by requiring gas customers to pay the full upfront costs of connection	31
A.4	The process to date	31
B	Legal requirements to make a rule	32
B.1	Final rule determination and final rule	32
B.2	Power to make the rule	32
B.3	Commission's considerations	32
B.4	Making gas rules in Western Australia	33
B.5	Civil penalty provisions and conduct provisions	33

Abbreviations and defined terms	34
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Figures

Figure 3.1:	Retail gas connection framework as amended by the final rule	15
Figure 3.2:	Current application of Part 12A of the NGR	21
Figure 3.3:	Categories of offers for gas connection services in the NGL/NGR	23

1 The Commission has made a final determination

The Commission's final determination is to make a more preferable final gas rule (the final rule) in response to a rule change request submitted by Energy Consumers Australia (ECA) on 14 February 2025, which sought changes to gas connection charges to ensure the framework remains fit for purpose. The final rule addresses the key issue raised in the rule change request by requiring gas network distributors (distributors) that are currently subject to Part 12A of the National Gas Rules (NGR) to charge retail customers cost-reflective charges for new gas connections through an upfront connection fee.

The Commission has decided not to make a final rule to amend the National Energy Retail Rules (NERR). The Commission considers that changes to the NERR are not necessary to address the key issue raised in ECA's rule change request.

1.1 Our final rule would ensure cost-reflective gas connection charges and protect existing customers

1.1.1 Newly connecting retail customers will be required to pay upfront cost-reflective charges for their gas connection

Our final rule will amend the retail customer gas connection framework in Part 12A of the NGR to require retail customers to pay cost-reflective charges for new gas connections upfront.

The current connection charging criteria in Part 12A of the NGR prescribes a Net Present Value (NPV) test, which dictates the circumstances in which a connection charge may be imposed, and the permitted quantum of any upfront charge. The Commission's final determination is to replace the NPV test with criteria that requires the upfront payment of connection charges. We consider this will:

- provide a cost-reflective price signal to connecting parties to facilitate more efficient connection and energy choice decisions
- ensure the demand and other risks associated with new connections sit with the party best able to manage it (i.e. the connecting customer)
- prevent retail customer connection costs from being added to the distributors' capital base.

The Australian Energy Market Operator's (AEMO) latest Gas Statement of Opportunities (GSOO) is one source that provides some insight into the potential impact that electrification and other factors could have on residential and commercial demand in gas networks over the next 10 to 20 years. The East Coast GSOO projects distribution-connected residential and commercial demand will fall by around 70% over the next 20 years, with a 30% reduction projected in the next 10 years.⁸

Differences in jurisdictional policies on the future role of natural gas and other renewable gases mean that the rate and time frame for any reduction in demand are uncertain and are likely to differ across gas distribution networks. However, on those distribution networks where residential and small commercial customer demand does start to fall and customers seek to electrify and leave the network, the costs of operating and maintaining the network will need to be shared among a declining customer base, which will place upward pressure on the prices payable by remaining customers. This, in turn, may further accelerate the decline in demand on those networks as those customers who can electrify opt to do so sooner than they previously would.

⁸ AEMO, [Gas Statement of Opportunities](#), March 2025, p. 23. These projections are based on AEMO's Step Change Scenario, which forecasts that residential and small commercial demand will fall from 169 PJ in 2024 to 116 PJ in 2034 and down to 51 PJ in 2044.

By requiring newly connecting retail customers to pay upfront the cost of their new gas connection and specifying that no retail customer connection expenditure can be added to distributors' capital bases and revenue requirements, the Commission's final rule will limit the impact on remaining customers.

To give effect to this, the final rule sets out in broad terms how the new connection charges are to be calculated by distributors subject to Part 12A of the NGR. The final rule will allow distributors to recover the prudent and efficient directly attributable costs of providing the connection service from retail customers that decide to connect to their network. This includes the direct costs of connecting the customer to the distribution network, as well as costs associated with any extension or augmentation (if required) and net tax liabilities. The final rule also prevents these connection costs being added to scheme distributors' capital bases and revenue requirements.

The final rule is consistent with the Commission's assessment criteria, supporting outcomes for consumers, promoting economic efficiency (i.e. by allocating costs and risks to the appropriate parties that can best manage those risks) and supporting emissions reduction. The final rule also aligns with good regulatory practice and net-zero policies. Our final rule is therefore expected to contribute to the achievement of the NGO. It is also consistent with the revenue and pricing principles in the National Gas Law (NGL).

The final rule will come into effect on 1 October 2026.

1.1.2 The final rule will largely retain the existing connections framework in the NGR

The Commission's final rule will largely retain the existing connections framework in Part 12A of the NGR. It will require distributors of scheme pipelines and those nominated distributors of non-scheme pipelines to develop a model standing offer with standardised connection charge for a basic connection service(s) unless the AER exempts a distributor from the requirement to submit a model standing offer on the basis that demand for the services in the area served by the distribution pipeline is likely to be very low. It will also continue to allow for model standing offers for other standard connection services and negotiated connection services.

These obligations will apply to scheme and nominated non-scheme distribution networks in jurisdictions subject to the NECF. These are those jurisdictions that have adopted the National Energy Retail Law (NERL) and NERR for gas (ACT, NSW, South Australia and Queensland). The specific gas distribution networks that will be subject to the final rule include those operated by Jemena in NSW, Australian Gas Networks in South Australia and Evoenergy in the ACT.⁹ The final rule will not extend the framework to non-scheme pipelines that have not been nominated by jurisdictions.

This application is consistent with the original intent of Part 12A and will avoid potential conflicts with the connection requirements that may be implemented in non-NECF jurisdictions. It also focuses on those pipelines that are currently required by the NGR to apply the NPV test, noting that other non-scheme pipelines are already able to charge the full upfront cost of connection.

The final rule will also only apply to retail customers in NECF jurisdictions. This is because non-retail customer connections are already regulated under Part 6 of the NGR.

For more information on how the final rule works, see chapter 3.

⁹ At the time the NERL/NERR were introduced in Queensland, the two distribution networks servicing Brisbane and Gold Coast were scheme pipelines. However, the regulatory status of these two pipelines subsequently changed, and they are now non-scheme pipelines.

1.2 Stakeholder feedback and our own analysis shaped our final rule

The Commission's final rule determination was informed by stakeholder feedback.

All stakeholders that responded to our draft determination supported the draft rule to introduce cost-reflective upfront charges for new retail gas connections.¹⁰ In doing so, they noted it would limit growth in distributors' capital bases and so help to mitigate the risks associated with new connections for those gas customers that remain connected to the network. Stakeholders supported protecting these gas customers from increasing network costs, particularly vulnerable customers or those facing barriers to electrification.¹¹

AGIG was the only stakeholder that commented on the NPV test. While AGIG supported the movement to upfront charges, it suggested the NPV test be retained for any non-dedicated augmentation or extension that may be associated with a new connection and included in a distributor's capital base where efficient.¹² The Commission has considered this suggestion but is concerned that it could result in connections that require extensions to, or augmentations of, the network failing to face an efficient signal of the costs associated with the connection. Our final rule is therefore unchanged from the draft rule and provides for connecting customers to pay the directly attributable costs of connecting to a network, which includes the costs of any extension to, or augmentation of, the distribution pipeline to provide the connection service.

ECA, JEC and EnergyAustralia expressed some concerns about the potential for a 'standardised' or 'average cost' approach to basic connection charges to result in some customers paying more than the actual connection costs and others paying less.¹³ While we understand the concerns raised about standardised connection charges for model standing offers, it is important to recognise that the costs associated with individually costing every connection are likely to be very high. It is also important to recognise that standardised charges will only apply to basic and standard connection services and that the AER will be required to approve a distributor's model standing offer for these services. The AER will only be able to do so if it is satisfied that the connection charges are consistent with the connection charges criteria. The final rule, therefore, retains the approach in the draft.

We also received stakeholder feedback on the proposed application of the new connection arrangements from ECA and IEEFA. ECA accepted our draft determination not to extend these arrangements to non-retail customers and non-scheme pipelines, but suggested the AER monitor whether the arrangements applying to these customers and pipelines lead to any cross-subsidisation or inequities between customer types and jurisdictions.¹⁴ IEEFA did not support the exclusion of non-scheme pipelines from the new arrangements, stating that recent experiences in Western Australia and Victoria highlighted the risks that customers using smaller non-scheme pipelines in regional areas are subject to.¹⁵ We considered this feedback, and have decided to retain the application from draft to final. This approach is consistent with both the original intent of Part 12A and the premise of non-scheme regulation.

10 Submissions to the draft determination: Doctors for the Environment Australia, p. 3; NSW/Qld/SA Energy and Water Ombudsman, p. 1; Institute for Energy Economics and Financial Analysis, p. 1; ECA, p. 2; AGL, p. 1; AER, p. 1; Jemena, p. 1; Energy Networks Australia, p. 1; AGIG, p. 1; Energy Users Association of Australia, p. 1; Evoenergy, p. 1; The Justice and Equity Centre, pp. 3-4; Red Energy and Lumo Energy, p. 1; Australian Pipelines and Gas Association, p. 1; EnergyAustralia, p. 1; Rewiring Australia, p. 3.

11 Submissions to the draft determination: Doctors for the Environment Australia, p. 2; NSW/Qld/SA Energy and Water Ombudsman, p. 1; ECA, p. 3; The Justice and Equity Centre, p. 4; Rewiring Australia, p. 3.

12 AGIG, submission to the draft determination, p. 1.

13 Submissions to the draft determination: ECA, p. 5; Justice and Equity Centre, p. 6; EnergyAustralia, p. 2.

14 ECA, submission to the draft determination, pp. 2, 4-5.

15 IEEFA, submission to the draft determination, pp. 1-2.

In addition to this feedback, gas distribution network operators raised the following implementation issues which have led to minor amendments between the draft and final rule:

- Evoenergy suggested we consider allowing distributors not to have to develop a model standing offer for a basic connection service if the demand for new connections falls below a specified threshold and is approved by the AER.¹⁶ The Commission agrees that this additional flexibility is required to accommodate those cases where a jurisdiction may have prohibited new connections, or the number of customers seeking new connections otherwise falls. Our final rule therefore, provides for distributors to apply to the AER for an exemption to the requirement to have and submit a model standing offer for a basic connection service, if the AER is reasonably satisfied that retail customer demand for the services in the area served by the distribution pipeline is likely to be very low.¹⁷
- Jemena and ENA noted the need for greater certainty that any capital expenditure associated with connection applications and arrangements in place prior to the commencement date can be rolled into a distributor's capital base.¹⁸ This was the intent of the Commission's draft determination and while we had sought to make this clear through the draft transitional rules, we can see that there would be merit in making it clearer. Some minor clarifications have therefore been made to the final transitional rules.¹⁹
- Evoenergy, Jemena and ENA suggested that the rules be amended to provide for a 20 business day deemed approval process of model standing offers. Evoenergy and ENA stated that it is required on a transitional basis to facilitate the timely commencement of the new connections framework, while Jemena suggested it may be required on a permanent basis.²⁰ Further, AGIG noted some distributors would need to undertake system changes to charge retail customers for connections and suggested the commencement date be delayed.²¹ The Commission has considered this feedback and understands that some additional time is required to operationalise the rule change and implement testing and pricing into the system. Our final rule therefore provides for the new connections arrangements to commence on 1 October 2026. It also provides for distributors and the AER to undertake a number of activities prior to this to ensure the new framework can commence on this date.²² We do not consider it necessary to add a permanent timeframe for the AER to approve model standing offers as it is already required by the rules to deal expeditiously with proposed model standing offers.

1.3 Our final determination will ensure the regulatory framework for gas connections is fit-for-purpose given the broader direction of reform

A key focus area under the Australian Energy Market Commission's (AEMC or Commission) strategic narrative is to consider how the gas regulatory framework can best support consumers and the electricity system as we transition to a net-zero system. For those gas networks experiencing declining demand and customer disconnections, the reduction in demand will place upward pressure on prices for those customers who remain connected to the network. Absent any policy interventions, customers facing barriers to electrification will be left using those networks. These customer groups may include lower-income households, renters, apartment dwellers and small and medium businesses. This may raise issues of cost inequities, particularly for vulnerable

16 Evoenergy, submission to draft determination, p.2.

17 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, r. 119CA.

18 Submissions to draft determination: Jemena, p. 1; ENA, p. 1.

19 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Transitional Provisions, Part 21, r. 118.

20 Submissions to draft determination: Evoenergy, p. 2; Jemena, p. 2; ENA, p. 1.

21 AGIG, submission to draft determination, p. 1.

22 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Transitional Provisions, Part 21, r. 117.

customers. The regulatory framework should seek to facilitate equitable outcomes for customers, whilst promoting efficient use and investment in gas infrastructure, safety, and reliability of gas supply, and emissions reduction.

Our final determination to require distributors subject to Part 12A of the NGR to charge newly connecting retail customers the cost of their gas connection upfront aligns with national net-zero targets and the transition of the energy system. We note that jurisdictions have different positions on the future of gas and specific gas reform. We consider that ensuring customers face the full cost of their gas connection will send efficient price signals so they can make informed and efficient connection and energy choice decisions.

The current regulatory framework for gas pipelines is predicated on the assumption of growing or steady demand. We consider this is no longer appropriate in jurisdictions subject to Part 12A of the NGR, given the projected residential and commercial decline in demand for gas, although the Commission understands that there is a possibility some networks may be repurposed to supply renewable gases.

Related to this, the Commission published a consultation paper [Gas networks in transition](#) on 18 September 2025. This consultation paper relates to a package of rule changes seeking to ensure that the regulatory framework for gas pipelines is fit-for-purpose through the energy transition. This package includes four separate rule change requests submitted by ECA and the Justice and Equity Centre (JEC), seeking amendments to the rules around depreciation, asset redundancy, new capital expenditure and planning requirements.

This final rule will ensure gas connection costs are no longer added to distributors' capital base or revenue requirement for scheme distribution networks subject to Part 12A of the NGR. This protects other customers from the costs associated with new connections and aligns with the other proposals from ECA and the JEC. It will also reduce the risk that distributors will have to accelerate depreciation further to recover new connection costs.

1.3.1 **There is a related rule change request from the JEC to establish a regulatory framework for retail customer initiated gas abolishment**

JEC submitted a rule change request on 9 May 2025 seeking to amend the NGR and NERR to create a new regulatory framework for gas disconnections, including disconnections and abolishments.²³

The ECA proposal for connection charges was considered as part of a joint consultation with this JEC rule change request on gas disconnections and abolishment. We subsequently published separate draft determinations and the two rule changes are now running to different timelines. A draft determination for the *Establishing a regulatory framework for retail customer initiated gas abolishment* rule change was published on 30 October 2025. Submissions on that draft determination are due on 15 January 2026.

²³ [Establishing a regulatory framework for retail customer initiated abolishment](#) rule change request.

2 Our final rule will contribute to the national gas objective

When deciding whether or not to make a rule, the Commission is required to act in the long-term interests of energy users by considering whether the rule will or is likely to contribute to the achievement of the relevant national energy objectives.

Our final rule, which is a more preferable rule, is expected to contribute to the achievement of the NGO by promoting economic efficiency, improving outcomes for consumers, supporting emissions reduction and embodying principles of good regulatory practice. As the Commission is making no rule in the NERR, the NERO does not apply.

This chapter provides further detail on:

- the matters the Commission must take into account when making a rule, or a more preferable rule (section 2.1-section 2.2)
- how we applied the legal framework when making our determination (section 2.3)
- how our rule is expected to contribute to the NGO (section 2.4).

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the relevant energy objectives.²⁴ For this rule change, the relevant energy objective is the NGO. As the Commission has determined that no consequential changes to the NERR are necessary, the Commission has determined to make no retail rule, and so is not required to consider the NERO.

The NGO is:²⁵

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 a 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 [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO.²⁶

²⁴ Section 291(1) of the NGL.

²⁵ Section 23 of the NGL.

²⁶ Section 72A(5) of the NGL.

2.2 We must also take some other matters into account when making a rule

2.2.1 We can make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NGO.²⁷

The Commission's final determination is to make a more preferable final rule, for the reasons set out below.

2.2.2 We must also consider the revenue and pricing principles

We must take into account the revenue and pricing principles set out in section 24 of the NGL when making a rule that regulates the revenues earned, or prices charged, by scheme pipelines.²⁸ Relevantly, for this rule change, we must take those principles into account when making rules that affect a pipeline's capital base and the treatment of capital contributions for the purposes of approving or making an access arrangement, approving revisions or variations to an applicable access arrangement, or making an access determination.²⁹

Of particular relevance to this rule change are the principles that:³⁰

- a scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in providing reference services and complying with a regulatory obligation or requirement
- a scheme pipeline service provider should be provided effective incentives in order to promote economic efficiency, including efficient investment in, or in connection with, the pipeline, efficient provision of pipeline services and efficient use of the pipeline
- regard should be had to the economic costs and risks of the potential for under and over-investment by a scheme pipeline service provider in a pipeline with which the service provider provides pipeline services.

2.3 How we have applied the legal framework to our decision

The Commission has considered ECA's proposal to amend the NGR to require upfront cost reflective charges to be paid for new gas connections against the legal framework outlined above.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NGO:

- principles of market efficiency
- outcomes for consumers
- emissions reduction
- principles of good regulatory practices.

²⁷ Section 296 of the NGL.

²⁸ Section 293 of the NGL.

²⁹ Items 48 and 52 of Schedule 1 of the NGL.

³⁰ Sections 24(2), (3) and (6) of the NGL.

These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request, for impacts within the scope of the NGO. Our reasons for choosing these criteria are set out in section 4.3.2 of [the consultation paper](#).

In addition to these assessment criteria, we have taken into account the relevant revenue and pricing principles.

2.3.1 Our final determination is to make a more preferable rule

The Commission has decided to make a more preferable final rule. The final rule is largely consistent with the rule change request in that it provides for the introduction of upfront cost-reflective charges for new connections to specified gas distribution networks. However, a number of amendments have been made to ensure the arrangements are targeted, fit for purpose, and proportionate to the issues they are intended to address.

The key differences between the proposed rule and our final rule, are that the final rule provides for:

- Maintaining the current application of the Gas connection for retail customer provisions in Part 12A of the NGR, rather than the expanded application proposed by ECA.³¹ This means that the connection charge arrangements, as amended by the final rule, will continue to apply to retail customers using the following types of distribution pipelines in those jurisdictions where the NERL and NERR apply to gas:³²
 - scheme pipelines
 - non-scheme pipelines for which a distributor has been nominated by the relevant jurisdiction to provide customer connection services (nominated non-scheme distribution pipeline).

This application is consistent with the original intent of the retail customer connection arrangements and also avoids potential conflicts with other connection arrangements. The Commission therefore considers it would better promote the NGO than the application proposed in the rule change request.
- Retaining the model standing offer and negotiation framework in Part 12A of the NGR, rather than the individually-costed connection charges as proposed by ECA.³³ The retention of the model standing offer framework means that distributors for the pipelines outlined above:
 - Must have a model standing offer to provide a basic connection service to retail customers approved by the AER, unless the AER grants the distributor an exemption from this requirement because retail customer demand for basic connection services in the distributor's area is likely to be very low for the reasonably foreseeable future.³⁴ The model standing offer for a basic connection service must include the standard connection charge (or the basis on which it will be calculated) payable for a basic connection service and other terms and conditions.
 - May submit for the AER's approval a model standing offer to provide standard connection services on specified terms and conditions.

31 The ECA proposed that the connection arrangements should apply to retail and non-retail customers using both scheme and non-scheme distribution pipelines in all jurisdictions. See ECA, Rule change request, pp. 9 and 17.

32 These jurisdictions are the Australian Capital Territory, New South Wales, Queensland and South Australia.

33 ECA, Rule change request, p. 17.

34 Note that the relevant distributors in Queensland are not required to obtain AER approval of their model standing offers under the National Gas (Queensland) Regulation 2014.

- May negotiate directly with connection applicants where a connection service is neither a basic nor a standard connection service, or where the applicant otherwise elects to negotiate.

The retention of this framework is expected to minimise administrative costs while continuing to support consumer outcomes. The Commission therefore considers it would better promote the NGO than individually charging proposed in the rule change request.

- Less prescription in the rules around the specific costs that can be included in the connection charges than proposed by ECA.³⁵ This approach is intended to provide relevant distributors and the AER an appropriate level of guidance on how connection charges are to be calculated, while also recognising the need for flexibility given that the rules apply to a wide range of connections. In the Commission's view this would better promote the NGO than the prescriptive approach proposed in the rule change request.
- Some minor refinements to the matters the AER must consider when assessing a relevant distributor's proposed model standing offer and a new requirement for the AER to publish any decision it makes on a relevant distributor's proposed model standing offer. These refinements were not identified in the rule change request.

Further detail is provided below on why the Commission considers the more preferable final rule will better contribute to the NGO than the proposed rule, and why it is consistent with the relevant revenue and pricing principles.

2.4 Our final rule will contribute to the achievement of the NGO

Our final rule provides for the introduction of upfront cost reflective connection charges for retail customers using scheme and nominated non-scheme pipelines in jurisdictions subject to Part 12A of the NGR. It will better contribute to the achievement of the NGO by:

- promoting economic efficiency through the provision of more efficient price signals to connecting parties and a more efficient allocation of stranding risks
- improving outcomes for consumers through the use of more efficient and equitable cost recovery arrangements for retail connections
- supporting emissions reduction by enabling potential new retail customers to make more informed and efficient decisions about their choice of energy and connections
- embodying principles of good regulatory practices, including by providing for simplicity and transparency in the arrangements and being consistent with the broader direction of reforms.

2.4.1 Promoting economic efficiency through more efficient price signals and a more efficient allocation of new connection risks

The final rule will promote economic efficiency in those jurisdictions subject to Part 12A of the NGR by:

- providing retail customers with a more efficient price signal for new connections
- ensuring that the stranding risks associated with new connections sit with those best placed to manage these risks (i.e. the connecting customers).

This will be achieved through changes to Part 12A of the NGR that will require retail customers to pay an upfront connection charge that is based on the prudent and efficient, directly attributable costs associated with the new connection.

³⁵ ECA, Rule change request, p. 21.

This differs from the current approach in Part 12A of the NGR, which only requires a connection charge to be paid by a retail customer if, in present value terms, the cost of the connection exceeds the incremental revenue that is expected to be generated from the connection.³⁶ This approach is commonly referred to as the NPV (net present value) test.

As explained further in section 3.1.2, there are some inherent limitations with this test, the impacts of which are likely to be more pronounced when demand is declining, as it is in most gas distribution networks in the East Coast.³⁷ The main limitations are that the NPV test:

1. does not provide connecting parties with a cost-reflective price signal, which can result in inefficient connection and energy choice decisions.
2. results in connection costs being added to the pipeline's capital base, which can result in inefficient allocation of the risks associated with new connections because it results in existing customers who have no ability to manage these risks having to pay for any unrecovered connection costs
3. only provides for the recovery of incremental costs, which means the benefits to existing customers of spreading the network's costs across a larger customer base may never be realised if customers leave before they contribute to these costs.

Put simply, the test does not provide for efficient connection price signals or an efficient allocation of the demand and other risks associated with new connections. While the demand and other risks associated with new connections have been low in the past, these risks are growing in most networks as a result of declining consumption per connection and electrification. There is therefore an increasing risk that connecting customers will not pay for the full cost of their connection, let alone make a contribution to the distribution network's shared costs. Maintaining the NPV test could therefore result in inefficient investment in and the inefficient operation and use of distribution networks, contrary to the NGO.

In contrast to the NPV test, a requirement for retail customers to pay an upfront cost-reflective connection charge (i.e. a beneficiary pays approach) would provide connecting parties with an efficient signal about the cost of connecting to the network. It would also ensure the new connection risks are efficiently allocated to the connecting customer. This should, in turn, support more efficient connection decisions and, in so doing, promote efficient investment in, and the efficient operation and use of, those distribution networks subject to Part 12A of the NGR.

2.4.2 Improving outcomes for consumers by providing for more efficient and equitable cost recovery from retail customers

The final rule will improve outcomes for potential and existing customers of gas distribution networks subject to Part 12A of the NGR by providing for:

- More efficient price signals to retail customers who are considering connecting to the network, which will enable these potential customers to make more informed and efficient decisions about their energy choices and whether to connect to the gas distribution network.
- A more efficient and equitable allocation of the costs and risks associated with new retail customer connections through the adoption of a beneficiary pays approach to connection charges, which, all other things being equal, should result in lower prices for other customers. This is because retail customer connection costs will no longer be added to the relevant distributors' capital base. Constraining the capital base in this way should also reduce the risk

³⁶ This test is set out in rule 119M(1) of the NGR.

³⁷ See for example, AGN, [SA Final Plan 2026/27-2030/31](#), 2025, pp. 134-136, Evoenergy, [Our five-year gas plan](#), 2025, p. 40, JGN, [Revised 2025 Plan](#), January 2025, p. 38.

of that customers who cannot readily disconnect from the network (which may include vulnerable customers) may otherwise face.

The retention of the model standing offer and negotiation framework in Part 12A of the NGR will also support those retail customers who decide to connect to the gas distribution network. That is by maintaining appropriate consumer protections for basic, standard and negotiated connections, including regulatory oversight of relevant distributors' basic and standard model standing offers (including connection charges).³⁸

The final transitional arrangements will also support outcomes for consumers by providing for the new arrangements to commence relatively quickly (i.e. in 2026).

Finally, it is worth noting we have considered different types of customers and have decided not to extend the connection arrangements to:

- Non-retail customers, as there is an existing framework in Part 6 of the NGR that provides for efficient and equitable cost recovery from these types of customers.³⁹ This part of the NGR is therefore expected to continue to support outcomes for these customers.
- Non-scheme pipelines that are not already subject to Part 12A of the NGR, because these pipelines are not currently required by the rules to apply the NPV test. This approach is consistent with the premise of non-scheme regulation, which is that non-scheme pipelines typically have a lower degree of market power and so are not subject to the same level of regulation as scheme pipelines.

2.4.3 Supporting emissions reduction through the introduction of cost-reflective upfront connection charges

The final rule will support emissions reduction in those jurisdictions that are subject to Part 12A of the NGR. That is, by providing retail customers with more efficient signals about the cost of connecting to gas distribution networks so that they can make more informed and efficient decisions about whether to connect to gas, or use an alternative energy source (e.g. electricity, which will result in lower emissions associated with that customer's energy use).

This differs from the current approach in Part 12A of the NGR, with the NPV test to date resulting in most retail customers not having to pay connection charges. The requirement for retail customers to pay an upfront cost-reflective connection charge can therefore be expected to result in some retail customers deciding not to connect, which will support emissions reduction in those jurisdictions that are subject to Part 12A of the NGR.

It is important to recognise that upfront connection charges on their own are unlikely to result in significant reductions in emissions. This is because even if faced with a cost-reflective connection charge, there may still be retail customers (or developers operating on behalf of future retail customers) that decide to connect to gas distribution networks. The ACT and Victorian governments have sought to overcome this issue by banning certain types of new gas connections. In addition, this rule will apply only to new gas customers, and will not significantly affect the incentives for current gas customers to transition away from gas.

³⁸ Note that regulatory oversight does not apply to the two Queensland nominated non-scheme distribution networks because they are not required to provide their model standing offers to the AER for approval.

³⁹ Non-retail customers are those customers that procure gas and pipeline services directly from producers and pipeline service providers or through other means (e.g. through AEMO operated markets). These types of customers may include gas powered generators, large commercial and industrial customers and other self-contracting customers.

2.4.4 Alignment with principles of good regulatory practice

The Commission has taken steps to ensure that the new connection arrangements embody principles of good regulatory practice, including by being:

- targeted, fit-for-purpose, and proportionate to the issues they are intended to address
- simple, transparent, and consistent with the broader direction of reforms.

This is reflected in the final rule, which provides for:

- Maintaining the current application of Part 12A of the NGR, which is consistent with the original intent of the application of the retail customer connection arrangements. It also avoids potential conflicts with the connection arrangements that have been, or may in the future be, implemented in jurisdictions that have not adopted the NERL and NERR.
- Retaining the existing model standing offer framework, which is both simple and transparent. It would also minimise administrative costs for relevant distributors, while also ensuring that appropriate customer protections are in place for connecting retail customers.⁴⁰
- Connection charge arrangements that are simple, transparent and broadly consistent with the approach taken by the Victorian Essential Services Commission.⁴¹
- The AER to publish its decisions on relevant distributors' model standing offers, which would enhance transparency. The AER would also have the option (but not the obligation) to publish any additional guidance that it considers relevant distributors may require, which could provide for greater clarity and consistency of approach.
- The new connection charging arrangements to come into effect in October 2026.

Maintaining the current application of Part 12A of the NGR and retaining the existing model standing offer framework are also intended to minimise the implementation costs associated with the changes.

In developing the final rule, the Commission has also been cognisant of the broader direction of reform, including the transition to a net-zero energy system, and the challenges that declining residential and small commercial gas demand is posing for distributors and their customers.

Consistent with this, we have made a minor change from the draft to final rule to enable the AER to grant a distributor an exemption from the requirement to have a model standing offer for a basic connection service where the distributor and the AER reasonably expect that demand for these services is likely to be very low for the reasonably foreseeable future.⁴² This could, for example, occur if a jurisdiction decides to ban new connections.

2.4.5 Consistency with the revenue and pricing principles

In addition to promoting the NGO, the Commission considers the final rule is consistent with the relevant revenue and pricing principles. For instance:

- The movement to upfront cost-reflective connection charges will mean relevant distributors continue to have a reasonable opportunity to recover at least the efficient costs of providing reference services (where connection services are reference services), or comply with a regulatory obligation or requirement.⁴³

⁴⁰ That is by allowing for a standardised connection charge to be developed for a basic connection service rather than requiring individual offers to be developed for each connection.

⁴¹ ESC, Gas Distribution Code of Practice, 1 October 2024.

⁴² Amending rule, rule 119CA.

⁴³ Section 24(2) of the NGL.

- The movement to upfront cost-reflective charges, together with the requirement that connection charges only include those costs that will be incurred by a prudent service provider acting efficiently, will also:
 - minimise the economic costs and risks associated with both under and over-investment in the relevant distribution networks.⁴⁴
 - provide relevant distributors stronger incentives to:⁴⁵
 - only undertake efficient investment in, or in connection with, the pipeline
 - efficiently provide pipeline services.

44 Section 24(6) of the NGL.

45 Section 24(3) of the NGL.

3 How our rule will operate

Our final rule provides for the introduction of upfront cost-reflective connection charges for newly connecting gas customers. Our final rule will apply to retail customers using scheme and nominated non-scheme pipelines in those jurisdictions subject to Part 12A of the NGR.⁴⁶ The new connection charge arrangements will form part of the existing retail customer connection framework, which recognises three different types of connection services: basic, standard and negotiated.

The final determination is consistent with the draft determination. The key changes to the framework that result from our final determination are summarised in Figure 3.1. The final rule will commence on 1 October 2026, with transitional obligations commencing earlier.

⁴⁶ These jurisdictions are the ACT, NSW, South Australia and Queensland.

Figure 3.1: Retail gas connection framework as amended by the final rule

<p>NERL distributor connection requirements in NECF gas jurisdictions (s. 66)</p>		<p>A distributor must provide customer connection services for the premises of a retail customer:</p> <ul style="list-style-type: none"> • who requests those services • whose premises are connected, or who is seeking to have those premises connected, to the distributor's system. <p>The connection service must be provided in accordance with customer connection contract (details in Part 12A of the NGR).</p>		
		<p>A connection service can take one of 3 forms:</p>		
<p>NGR Part 12A requirements</p>	<p>Connection services</p>	<p>Basic connection service</p> <p>A connection service that involves minimal or no extension to, or augmentation of the pipeline and for which the AER has approved a model standing offer.</p>	<p>Standard connection service</p> <p>A connection service (other than a basic connection service) for a particular class of connection applicant and for which the AER has approved a model standing offer.</p>	<p>Negotiated connection service</p> <p>A connection service that is neither a basic nor a standard connection service, or is a basic or standard service that the applicant elects to negotiate.</p>
	<p>Model offer – negotiation requirements</p>	<p>Distributors must have a model standing offer to provide a basic connection service to retail customers, which must be approved by the AER, or an exemption from the AER. A model offer may relate to all basic connection services, or a particular class.</p>	<p>Distributors may develop standard connection service model standing offers, which must be approved by the AER. Model offers may provide for different terms and conditions for different classes of services or retail customers.</p>	<p>Distributors and applicants may negotiate a connection contract in accordance with the negotiation framework in the rules. Distributors must also provide the applicant a range of information including a connection charge estimate.</p>
	<p>Connection charges</p>	<p>Connection charges in model standing offers or proposed by distributors for negotiated connection services must be consistent with the connection charges criteria, which state that connection charges must:</p> <ul style="list-style-type: none"> (a) be based on the directly attributable cost of providing the connection service (b) only include: <ul style="list-style-type: none"> (i) the cost of purchasing and installing the connection assets; (ii) the cost of any extension to, or augmentation of, the relevant distribution pipeline required to provide the connection service; (iii) incidental costs such as design, planning and administrative costs; and (iv) the net tax payable by the distributor as a result of receiving the connection charge. (c) only include costs that would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing the service in a manner consistent with the achievement of the NGO (d) be consistent with any relevant provisions of a distributor's applicable access arrangement requiring the use of assumptions about: (i) the connection assets required, and (ii) the cost of purchasing and installing the connection assets. <p>For scheme pipelines, if the directly attributable cost > connection charge the distributor cannot recover the difference by rolling it into the capital base or otherwise including it in the total revenue calculation under Part 9 of the NGR.</p> <p>The component of the connection charge that recovers capital expenditure is taken to be a capital contribution under Part 9 of the NGR.</p> <p>A model standing offer may include a standardised connection charge that is expected to satisfy the criteria only on average.</p> <p>Where the actual directly attributable cost of providing a connection service under a model standing offer < connection charge, the distributor is not required to refund the difference.</p>		
	<p>AER approval requirements</p>	<p>The AER may approve model offers if, amongst other things, it is satisfied:</p> <ul style="list-style-type: none"> • the connection charges are consistent with the connection charges criteria • the terms and conditions are fair and reasonable • the terms and conditions comply with applicable energy laws. <p>For basic connection service model standing offers, it must also be satisfied the service, or class of service, is likely to be sought by a reasonable number of retail customers.</p> <p>The AER may consult on and must publish its decisions relating to model standing offers.</p>		

Source: AEMC. Key: Dotted boxes denote the changes made by the final rule to the gas connections framework.

The Commission considered the following two key points in making the final rule:

- the projected decline in the residential and small commercial demand for gas in distribution networks that would be affected by the changes to Part 12A of the NGR, and the risks which this decline may expose network owners and existing customers to.⁴⁷
- differences in jurisdictional policies on the future of gas distribution networks and the potential for some networks to be repurposed to supply renewable gases, while others plan for decommissioning.

⁴⁷ See for example, AGN, [SA Final Plan 2026/27-2030/31](#), 2025, pp. 134-136, Evoenergy, [Our five-year gas plan](#), 2025, p. 40, JGN, [Revised 2025 Plan](#), January 2025, p. 38.

We note that there is some uncertainty surrounding the future path of gas distribution networks. However, we consider that maintaining the existing approach to retail customer connections, where some costs are added to the distributor's capital base, is unsustainable and unlikely to contribute to the achievement of the NGO. Our final determination therefore provides for a number of changes to Part 12A of the NGR, which are intended to:

- enable new retail customers to make more informed and efficient choices about their energy sources and whether to connect to gas distribution networks, by providing them with cost-reflective price signals for the connection
- provide for a more efficient and equitable allocation of the costs and risks associated with new retail connections, by newly connecting retail customers paying for their connections and therefore bearing the costs and risks associated with new connections rather than existing customers
- limit the growth of distributors' capital bases by requiring connection charges to be paid upfront which would in turn reduce the amount of capital that may need to be recovered on an accelerated basis from a declining customer base
- support emissions reduction by enabling more informed and efficient energy choices to be made.

3.1 Retail customers will be required to pay upfront cost-reflective charges for new gas connections

Box 1: Final determination - We are amending Part 12A of the NGR to require retail customers to pay upfront cost-reflective charges for new connections

Our final determination removes the NPV test for connection charges and replaces it with a requirement for distributors to charge retail customers up front the cost-reflective charges for new gas connections.

This will support more informed and efficient decision-making by retail customers considering connecting to gas distribution networks and provide for a more efficient and equitable allocation of the costs and risks associated with new connections.

The final rule regarding charging principles is the same as the draft rule.

The Commission's final rule amends the framework for gas connections for retail customers to require a retail customer seeking a new gas connection to pay upfront cost-reflective charges for that connection. We continue to consider that a beneficiary pays approach to connection charges is more efficient and equitable than the current approach that requires distributors to apply the NPV test to determine whether retail customers should pay a connection charge.

Our final determination will:

- Support more efficient connection and energy choice decisions. This could result in fewer connections to gas distribution networks. This should not be viewed as a negative if customers are making more informed and efficient decisions, noting this is also likely to support emissions reduction and more efficient use of and investment in the pipeline, consistent with both the NGO and revenue and pricing principles.
- Ensure that the cost risks associated with new connections sits with the party best able to manage it (the connecting party). This is more efficient and equitable than the current approach and would slow the growth in the risk of asset stranding.

3.1.1 Our final determination is consistent with the rule change request and was supported by most stakeholders

Our final determination is consistent with ECA's rule change request and our draft determination, and is also consistent with the approach recently adopted by the Victorian Essential Services Commission (ESCV) following their review of the Victorian Gas Distribution Code of Practice.⁴⁸ All the stakeholders that responded to our draft determination supported the draft rule to introduce cost-reflective upfront charges for new retail gas connections.⁴⁹ In doing so, they noted it would limit growth in distributors' capital bases and so help to mitigate the risks associated with new connections for those gas customers that remain connected to the network. Stakeholders supported protecting these gas customers from increasing network costs, particularly vulnerable customers or those facing barriers to electrification.⁵⁰

3.1.2 The current NPV test for determining connection charges is not fit for purpose in the context of the projected decline in gas demand in jurisdictions subject to Part 12A

Maintaining the NPV test, either in its current form or a modified form, is unlikely to be in the long-term interests of users of gas distribution networks. This is due to the inherent limitations of the NPV test as outlined in the draft determination, and the demand risk associated with new connections.

The NPV test was historically used to encourage more customers to connect by reducing the financial barriers for new retail customer connections. In the context of new networks or expansions of existing networks, the use of this test has helped encourage earlier uptake of gas. This has benefited network owners and other customers through lower tariffs with the fixed costs of operating the network being spread over a greater number of customers. However, this is not the position most gas networks in the East Coast are currently in, with demand projected to fall in most networks, and new connections adding to the costs and risks facing both distributors and existing customers.⁵¹

Our final rule removes the NPV test and requires retail customers to start paying cost-reflective charges for their connections on an upfront basis. This is reflected in rule 119M of the final rule.⁵² For additional information on the limitations of the NPV test, please see the draft determination.⁵³

3.2 The connection charges criteria specify in broad terms how retail connection charges are to be calculated

Box 2: Final determination - The final rule amends the connection charges criteria to specify in broad terms how distributors are to calculate retail customer connection charges

Our final rule amends the connection charges criteria in rule 119M to remove the NPV test and to

⁴⁸ ECA, Rule change request, p. 5; ESCV, Gas Distribution Code of Practice, 1 October 2024.

⁴⁹ Submissions to the draft determination: Doctors for the Environment Australia, p. 3; NSW/Qld/SA Energy and Water Ombudsman, p. 1; Institute for Energy Economics and Financial Analysis, p. 1; ECA, p. 2; AGL, p. 1; AER, p. 1; Jemena, p. 1; Energy Networks Australia, p. 1; AGIG, p. 1; Energy Users Association of Australia, p. 1; Evoenergy, p. 1; The Justice and Equity Centre, pp. 3-4; Red Energy and Lumo Energy, p. 1; Australian Pipelines and Gas Association, p. 1; EnergyAustralia, p. 1; Rewiring Australia, p. 3.

⁵⁰ Submissions to the draft determination: Doctors for the Environment Australia, p. 2; NSW/Qld/SA Energy and Water Ombudsman, p. 1; ECA, p. 3; The Justice and Equity Centre, p. 4; Rewiring Australia, p. 3.

⁵¹ See for example, AGN, [SA Final Plan 2026/27-2030/31](#), 2025, pp. 134-136; Evoenergy, [Our five-year gas plan](#), 2025, p. 40, JGN; [Revised 2025 Plan](#), January 2025, p. 38.

⁵² National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, r. 119M.

⁵³ [AEMC, Updating the regulatory framework for gas connections, Draft determination](#), pp. 17-19.

specify in broad terms the criteria to be applied by distributors when calculating connection charges. These connection charge criteria include the principles to be applied and the types of costs that can be included in connection charges.

The changes to the connection charge criteria are intended to provide distributors, connecting parties and the AER an appropriate level of guidance on how connection charges are to be calculated, while also providing sufficient flexibility in the arrangements to deal with different types of connections.

The final rule on the criteria is the same as the draft rule.

The Commission's final rule includes amended connection charges criteria that specify in broad terms.⁵⁴

- The principles that apply to the calculation of connection charges for retail customers, which require charges to:
 - be based on the directly attributable cost of providing the connection service
 - only include the costs that would be incurred by a prudent service provider acting efficiently and in accordance with accepted good industry practice to achieve the lowest sustainable cost of providing the connection service
 - be consistent with any relevant provisions in a distributor's access arrangement requiring the use of assumptions about the connection assets required and the costs of purchasing and installing the connection assets
- The types of directly attributable costs that distributors can include in the calculation of connection charges, which are:
 - the costs of purchasing and installing connection assets
 - the costs of any extension to, or augmentation of, the gas distribution network required to provide the connection service
 - incidental costs such as design, planning, and administrative costs
 - the net tax payable by the distributor as a result of the receipt of the connection charge.

ECA consider that this approach of combining principles-based guidance with defined cost categories is "a practical first step toward modernising the connections charges criteria and embedding the principle of cost-reflectivity in the rules," but that the AER should "operationalise the new criteria in a way that preserves both transparency and discipline" to avoid the implicit socialisation of costs through cost-averaging or shared overheads.⁵⁵

The final rule also makes clear that:

- The connection charges for model standing offers are not expected to be calculated on an individual basis, rather standardised connection charges are expected to be developed and on average are expected to satisfy the criteria above.⁵⁶
- If the directly attributable costs that a distributor incurs in:
 - providing connection services under a model standing offer is less than the connection charge in the model standing offer, the distributor is not required to refund the difference.⁵⁷

⁵⁴ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, r. 119M.

⁵⁵ ECA, Submission to the draft determination, p. 3.

⁵⁶ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, r. 115M.

⁵⁷ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, r. 115M.

- providing a connection service is higher than the connection charge received, the difference cannot be added to a scheme pipeline's capital base or total revenue calculation under rule 76 of the NGR.

It remains the case that any costs recovered through a connection charge are not to be added to the capital base of a scheme pipeline.⁵⁸

The connection charges criteria in the final rule are consistent with those in the draft rule.

The Commission considers it appropriate to allow for all the directly attributable costs associated with providing connection services to be recovered by distributors from the connecting party. This is consistent with the revenue and pricing principles and the intent for connecting parties to pay the full upfront cost of the connection on an upfront basis. Our approach will allow distributors to recover incidental costs and the net tax that distributors will be liable to pay, an approach that Jemena expressed support for in response to the draft determination.⁵⁹

It will also include the costs of any extension to, or augmentation of, the gas distribution network that is directly attributable to the provision of the connection service.⁶⁰ If costs associated with augmentation and tax are not recovered from the connecting party there is a risk that they will be recovered from the customer base.

This approach is consistent with the existing connection charges criteria, which assumes that any augmentation required to accommodate a new connection is included in the connection cost calculation.⁶¹ It will also ensure that cost-reflective price signals are provided to developers and other retail customers who require these types of works, and that other customers are not having to subsidise them. We note that a 'basic connection service' under Part 12A of the NGR involves "minimal or no extension to, or augmentation of, the distribution pipeline."⁶² We would therefore not expect extensions or augmentation costs to be included in the basic connection service model offer. See section 3.4 below for more detail on different connection services.

3.3 The updated connections framework applies to retail customers connecting to scheme and non-scheme gas distribution networks that are already subject to Part 12A of the NGR

Box 3: Final determination - the connection framework will continue to apply to those gas distribution networks that are already subject to Part 12A of the NGR

Our final determination means the updated gas connections framework continues to only apply to retail customers connecting to the scheme and nominated non-scheme gas distribution networks that are subject to Part 12A of the NGR.

Our final determination does not extend the gas connections framework to non-scheme pipelines that are not nominated under Part 12A. These pipelines are not currently required to determine connection charges based on the NPV test and can already charge cost-reflective connection charges.

This approach avoids the national gas connections framework conflicting with jurisdictional

58 NGR, rr. 119N, 82.

59 Jemena, Submission to the draft determination, p. 1.

60 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, r. 119M(1)(b)(ii).

61 NGR, r. 119M(2)(b).

62 NGR, r. 119A.

connection charge requirements in non-NECF jurisdictions and avoids other unintended consequences for relevant distributors.

The application of the final rule is the same as the draft rule.

Our final determination results in the updated connections framework continuing to apply to retail customers connecting to the scheme and nominated non-scheme gas distribution networks that are captured by Part 12A of the NGR. Maintaining this application is consistent with the original intent of the application of the retail customer connection framework in terms of both the jurisdictions, distribution networks, and customers that should be subject to the arrangements. It also aligns with the principles of good regulatory practice assessment criteria and will promote the NGO, because it will:

- avoid potential conflicts with the connection arrangements that have been, or may in the future, be implemented in jurisdictions that have not adopted the NERL and NERR (e.g. Victoria, Western Australia, the Northern Territory and Tasmania)
- minimise the risk of over-regulating both:
 - non-scheme distribution networks that are not currently required by the rules to apply the NPV test and should have a strong incentive to recover connection costs from connecting retail customers
 - the connection arrangements for non-retail customers, which are already dealt with in Part 6 of the NGR.

Part 12A of the NGR was implemented as part of the NECF to give effect to distributors' obligation to connect retail customers under the NERL.⁶³ This part of the NGR applies to a subset of gas distribution networks in those jurisdictions that have adopted NECF for gas. It applies in the ACT, NSW, South Australia, and Queensland to scheme gas distribution networks and non-scheme gas distribution networks that have been nominated by the relevant jurisdiction. It does not apply to non-scheme pipelines that have not been nominated by a jurisdiction, or to gas distribution networks that have not adopted the NECF for gas. The final rules maintains this application. The application of this part of the NGR is shown in Figure 3.2.

⁶³ NERL, s. 66.

Figure 3.2: Current application of Part 12A of the NGR

A. What jurisdictions does it apply to?*	B. What distribution pipelines does it apply to, in those jurisdictions?		C. What types of customers does it apply to on distribution pipelines subject to Part 12A?
ACT	All scheme pipelines	Non-scheme pipelines where a distributor has been nominated by the relevant jurisdiction to provide connection services [^]	Retail customers only (i.e. a person supplied by a retailer who holds a retailer authorisation under the NERL for the sale of gas)
NSW			
SA			
Qld			

Notes:

*These jurisdictions are subject to NERL/NERR for gas and associated connection arrangements. The distribution networks in Tasmania, Victoria, the NT and WA are subject to jurisdiction-specific connection arrangements for gas.

[^] At the time the NERL/NERR were introduced in Qld, the two distribution networks servicing Brisbane and Gold Coast were scheme pipelines. However, the regulatory status of these two pipelines subsequently changed and they are now non-scheme pipelines. While it would be open to the Qld Govt to nominate these two pipelines to be subject to Part 12A, it does not appear to have done so.

Section 8A of the NGL empowers jurisdictions, through local regulation, to apply Part 12A to non-scheme distribution networks. The application of Part 12A to the nominated distributor can be subject to modifications specified in the local regulation. Queensland appears to have done this with these two non-scheme distribution networks, with the requirement to submit a model standing offer to the AER for approval removed for these two networks.

Source: AEMC

We received some feedback on the proposed application of the new connection arrangements from ECA and IEEFA:

- ECA accepted our draft determination not to extend these arrangements to non-retail customers and non-scheme pipelines, but suggested the AER monitor whether the arrangements applying to these customers and pipelines lead to any cross-subsidisation or inequities between customer types and jurisdictions.⁶⁴
- IEEFA did not support the exclusion of non-scheme pipelines from the new arrangements, stating that recent experiences in Western Australia and Victoria highlighted the risks that customers using smaller non-scheme pipelines in regional areas are subject to.⁶⁵

Consistent with our draft determination, our final rule provides for the new connection arrangements to apply to retail customers using scheme and nominated non-scheme gas distribution networks in jurisdictions subject to the NECF. This approach is consistent with both the original intent of Part 12A and the premise of non-scheme pipeline regulation.⁶⁶ It also avoids potential conflicts with other arrangements applying to non-retail customers and distribution networks not subject to these arrangements. For similar reasons, we do not consider it necessary for the AER to monitor what is occurring on other pipelines or with non-retail customers.

⁶⁴ ECA, submission to the draft determination, pp. 2, 4-5.

⁶⁵ IEEFA, submission to the draft determination, pp. 1-2

⁶⁶ Non-scheme pipelines will typically have a lower degree of market power and so are not subject to the same level of economic regulation as scheme pipelines.

Our determination also provides for the continued application of the gas connections framework to retail customers only. The Commission considers it unnecessary to extend the connection arrangements to non-retail customers, because there is an existing connection framework for such customers seeking to connect their facilities to pipelines in Part 6 of the NGR. This part of the NGR allows for upfront cost-reflective connection charges in a similar manner to our final determination.⁶⁷

For the avoidance of doubt, the final rule does not apply to transmission pipelines.

3.4 Distributors are required to develop a standardised connection charge for a basic service, consistent with the existing approach in NGR Part 12A

Box 4: Final determination - The final rule will maintain the current NGR categories of connection services

The final rule will maintain the current NGR approach under Part 12A, Division 2 of the NGR for types of connection services, including basic, standard and negotiated connection services.

This means that a distributor:

- must have a model standing offer to provide a basic connection service that is submitted to the AER for approval (subject to a new exemption provision, see below)
- may have a model standing offer for a standard connection service other than basic that is submitted to the AER for approval
- may directly negotiate charges for connection services that are not basic or standard connection services, or a basic or standard service that the applicant elects to negotiate.

The Commission considers that this approach affords distributors the flexibility to provide cost-reflective charges for connection services of varying complexity.

The final rule will allow distributors to apply to the AER for an exemption from the requirements to have and submit a model standing offer for basic connection services, where the AER is reasonably satisfied that retail customer demand for the services in the area served by the distribution pipeline is likely to be very low for the reasonably foreseeable future. This is a change from the draft rule.

The Commission's final determination is to retain the existing NGR framework for distributors to develop a model standing offer for a basic connection service, subject to an exemption provision.⁶⁸ NSW/Qld/SA Energy and Water Ombudsman, ECA and Evoenergy expressed support for the existing approach in response to the draft determination.⁶⁹ This requires distributors to provide a basic connection service that aligns with the conditions that the distributor has determined for that offer, at a price that is either specified in the model standing offer, or calculated in accordance with the model standing offer approved by the AER, subject to one change that was suggested by Evoenergy in its submission to the draft determination.

⁶⁷ NGR, r. 38.

⁶⁸ A model standing offer is a document approved by the AER that details a distributor's offer to provide connection services of a particular class, on specified terms, and if particular conditions are satisfied. Part 12A, Division 2 of the NGR prescribes the minimum terms required, and the factors the AER must have regard to in deciding whether to approve a distributor's model standing offer; A basic connection service is defined in the NGR as involving no, or minimal augmentation to or extension of the distribution pipeline; NGR, r. 119A.

⁶⁹ NSW/Qld/SA Energy and Water Ombudsman, p. 1; ECA, p. 5; Evoenergy, p. 1.

Evoenergy suggested we consider allowing distributors not to have to develop a model standing offer for a basic connection service if the demand for new connections falls below a specified threshold and the AER agrees that a model standing offer is not needed.⁷⁰ The Commission recognises that this additional flexibility will be helpful if a jurisdiction bans new gas connections, or the number of customers seeking new connections otherwise falls to nearly zero. Our final rule therefore allows distributors to seek an exemption from the AER from the requirement to have a model standing offer for a basic connection service. The AER may grant an exemption if it is reasonably satisfied that retail customer demand for basic connection services in the distributor's area is likely to be very low for the reasonably foreseeable future.⁷¹

Our final determination also retains the ability for distributors to develop one or more model standing offers for standard connection services and for other types of connections to be negotiated. We consider that the current framework, combined with the new connection charge criteria, provides distributors sufficient and appropriate flexibility to charge upfront, cost-reflective charges for retail customer gas connection services of varying complexity. Figure 3.3 below shows the framework for connection services as amended by the final rule.

Figure 3.3: Categories of offers for gas connection services in the NGL/NGR

NERL distributor connection requirements in NECF gas jurisdictions (s. 66)		A distributor must provide customer connection services for the premises of a retail customer: <ul style="list-style-type: none">• who requests those services; and• whose premises are connected, or who is seeking to have those premises connected, to the distributor's system. The connection service must be provided in accordance with customer connection contract (details in Part 12A of the NGR)		
NGR Part 12A requirements	A connection service can take one of 3 forms			
	Connection services	Basic connection service A connection service that involves minimal or no extension to, or augmentation of the pipeline and for which the AER has approved a model standing offer.	Standard connection service A connection services (other than a basic connection services) for a particular class of connection applicant and for which the AER has approved a model standing offer.	Negotiated connection service A connection service that is neither a basic nor a standard connection service or is a basic or standard service that the applicant elects to negotiate.
	Model offer - contract requirements	Distributors must have a basic connection services model standing offer approved by the AER, or an exemption from the AER. A model offer may relate to all basic connection services, or a particular class of basic connection services.	Distributors may develop standard connection service model standing offer , which must be approved by the AER. Model offers may provide for different T&Cs for different classes of services or different classes of retail customers.	Distributors and applicants may negotiate a connection contract in accordance with the negotiation framework in the rules. Distributors must provide the applicant a range of information including a connection charge estimate and statement on how charges have been calculated.
	Connection charges	Connection charges in model offers or proposed by distributors for negotiated connection services must be consistent with the connection charges criteria.		
	AER approval requirements	The AER may approve model offers if, amongst other things, it is satisfied: <ul style="list-style-type: none">• the T&Cs are fair and reasonable and comply with applicable energy laws• the connection charges are consistent with the connection charges criteria.		n.a.

The Commission's final rule does not require distributors to provide individually negotiated connection charges for customers who meet the conditions for a basic connection service, or any standard connection service where there is an approved model standing offer.⁷² Distributors are required to individually calculate connection charges for negotiated connection services. Negotiated connection services are more likely to include augmentation and planning costs (see section 3.2 for more information on the connection charges criteria) and are more complex. Distributors may also apply to the AER for an exemption from the requirements to have and submit a model standing offer for basic connection services, where demand for the services is likely to be very low in the area served by the distribution pipeline.

⁷⁰ Evoenergy, submission to draft determination, p. 2.

⁷¹ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, r. 119CA.

⁷² This is reflected in rule 119M(2), which recognises that a standardised connection charge in a model standing offer is expected to satisfy the connection charge criteria on average.

ECA, JEC and EnergyAustralia expressed some concerns about the potential for a ‘standardised’ or ‘average cost’ approach to basic connection charges to result in some customers paying more than the actual connection costs and others paying less.⁷³ However, ECA support the intent and acknowledged the approach is “a practical way to manage administrative effort and predictability for both distributors and customers.”⁷⁴ APGA supported the approach in the draft determination. It expressed the view that individualised costings would have “little benefit to consumers” and would “substantially raise the cost of connections.”⁷⁵

While we understand the concerns raised about standardised connection charges for model standing offers, it is important to recognise that the costs associated with individually costing every connection are likely to be very high. It is also important to recognise that:

- Standardised charges will only apply to basic connection services and standard connection services. There is also flexibility in Part 12A for:
 - Distributors to develop separate basic or standard connection services for particular classes of services or customers. For example, if the cost of providing a basic connection service to a particular class of customers (e.g. those living in multi-unit dwellings) is significantly higher than for another class (e.g. those living in single-household dwellings), then separate standardised connection charges could be developed for these different classes.
 - Retail customers to seek a negotiated service even where there is a basic or standard connection service that they could access, noting the negotiated service would be individually costed
- The AER will be required to review a distributor’s model standing offer for a basic or standard connection service. The AER will only be able to approve it if the AER is satisfied the connection charges are consistent with the connection charges criteria.⁷⁶ These criteria require, amongst other things, that connection charges only include the costs that would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing the connection service.⁷⁷

Together these aspects of Part 12A and the final rule should address the concerns raised by the ECA, JEC and EnergyAustralia.

The retention of the existing approach will provide simplicity and transparency for newly connecting gas consumers by ensuring distributors provide publicly available, predictable gas connection costs for common and less complex connection services. The final rule also retains distributors’ flexibility to submit a model standing offer for standard connection services other than basic, and to negotiate full upfront connection charges where appropriate.⁷⁸

The Commission notes that no distributors currently have a model standing offer for standard connection services. However, we consider that maintaining this option ensures distributors have the flexibility to efficiently charge full upfront costs of connection across a range of gas connection services, and it should not be removed.

⁷³ Submissions to the draft determination: ECA, p. 5; Justice and Equity Centre, p. 6; EnergyAustralia, p. 2.

⁷⁴ ECA, Submission to the draft determination, p. 5.

⁷⁵ APGA, Submission to the draft determination, p. 1.

⁷⁶ NGR, Rule 119D(1)(b).

⁷⁷ Rule 119M(1)(c) of the final rule.

⁷⁸ NGR, r. 119E and 119I.

We note there may be some additional resourcing requirements from the AER to review the model standing offers as we anticipate that distributors will update their model standing offers more frequently.

3.5 The AER will be required to publish all model standing offer decisions

Box 5: Final determination - The final rule requires the AER to publish all model standing offer decisions, and also amends the matters the AER must consider in forming its decision

The final rule requires the AER to publish all decisions made under Part 12A, Division 2 of the NGR.

The final rule also amends the matters that the AER must consider in forming these decisions on model standing offers.

The Commission considers that these new obligations will promote predictability and regulatory consistency for stakeholders by providing greater transparency around the AER's decision.

3.5.1 The final rule requires the AER to publish its decisions on whether or not to approve distributors' model standing offers

Our final rule requires the AER to publish any decisions it makes on whether or not to approve distributors' model standing offers on its website. This would include the reason for the decision and, where it has approved the model standing offer, notice of its decision.⁷⁹

We note that distributors are already required by the rules to publish model standing offers on their websites to ensure customers are aware of the price and non-price terms and conditions associated with basic retail connection services and any other model standing offers.⁸⁰ This new obligation is only intended therefore to provide for greater transparency around the AER's decision-making.

We consider that this new obligation is consistent with the principles of good regulatory practice assessment criterion and will promote the NGO, because it will facilitate predictability and regulatory consistency and provide distributors, retail customers and other interested parties greater transparency around the AER's decisions.

There was no specific feedback on this aspect of the rule in stakeholder submissions.

3.5.2 The final rule amends the matters the AER must have regard to when deciding whether to approve model standing offers

Our final rule also includes two amendments to rules that set out the matters the AER must consider when approving a model standing offers for basic connection services.⁸¹

The first amendment is to a rule that currently requires the AER to be satisfied that the basic connection service is likely to be sought by a *significant number of retail customers*.⁸² We consider that, in a context of declining residential and small commercial gas demand, it can no longer be presumed that a *significant* number of retail customers will seek connection services. We have therefore amended this in the final rule to require the AER to be satisfied that the basic connection service is likely to be sought by a *reasonable* number of retail customers.⁸³

⁷⁹ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, rr. 119D.

⁸⁰ NGR, r. 119H.

⁸¹ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, r. 119D.

⁸² NGR r. 119D(1)(a).

The second amendment is to a rule that currently requires the AER to have regard to *the basis on which the distributor has provided the [connection] service in the past*.⁸⁴ We consider that this requirement is no longer appropriate as distributors may provide fundamentally different gas connection services under the new framework.

We consider these two amendments are consistent with the principles of good regulatory practice criteria because they will ensure the framework remains fit for purpose in the context of both declining residential and small commercial gas demand and the new arrangements.

There was no specific feedback on this aspect of the rule in stakeholder submissions.

3.6 We recommend that the AER consider whether updates to any guidelines are required

Stakeholders provided mixed views in response to the Commission's recommendation that the AER consider both whether any guidelines should be updated, and whether a guidance note would be beneficial to help support distributors' transition to the new connection charge arrangements.

ECA, EnergyAustralia and JEC suggested that the AER should develop additional guidance on categories of allowable connection costs, assets and services under the new framework.⁸⁵

Conversely, ENA and Jemena considered that the draft rules themselves provide sufficient clarity on the operation of the framework so did not recommend the AER develop additional guidance.⁸⁶

The Commission maintains its recommendation from the draft determination as we consider that it is not necessary for the NGR to mandate that the AER develop or update guidelines. The fact that the AER will be required to review distributors' proposed connection charges means that there is not a clear need for the rules to require the AER to publish the guidance suggested by ECA and EnergyAustralia. That is not to say the AER couldn't decide to publish guidance if it considered it appropriate to do so. It is just that the Commission does not consider it necessary for the rules to require this.

The AER may wish to consider whether any amendments to the guidelines or a guidance note would be useful to provide clarity around the new obligations in the final rule.

We note the AEMC's [Gas Networks in Transition](#) project will consider further amendments to the economic regulatory framework for gas, and may require updates to guidelines or the development of guidance notes.

3.7 Transitional arrangements provide for implementation of the rule by 1 October 2026

Box 6: Final determination - the new connection charge framework will come into effect on 1 October 2026 with transitional arrangements to support this

Our final rule will take effect from 1 October 2026. This is three months later than was provided by the draft rule.

83 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, r. 119D(1)(a).

84 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Part 12A, r. 119D(2)(b).

85 Submissions to the draft determination: ECA, p. 3; EnergyAustralia, p. 2; The Justice and Equity Centre, pp. 5-7.

86 Submissions to the draft determination: ENA, p. 1; Jemena, p. 2.

Our final rule includes transitional provisions providing that gas connection applications made in advance of 1 October 2026, and where the connecting customer has not entered into a connection agreement with a distributor, are to remain subject to the existing connection charge framework under Part 12A of the NGR. Any gas connection applications made after 1 October 2026 will be subject to the new framework. Transitional provisions also clarify that the final rule does not affect the validity or effect of a connection contract made under the existing connection charge framework.

Our final rule requires distributors, for whom the AER has not made a final access arrangement decision in advance of 1 October 2026, to submit additional materials to the AER to reflect the amending rule in their access arrangement proposals.

It also requires AGN SA, Evoenergy and Jemena to submit amended or substituted relevant model standing offers to the AER by 1 May 2026. These model standing offers must be in line with the rule that commences on 1 October 2026. The AER is required to make its assessment of those model standing offers based on the new rule by 1 August 2026, and the new offers will take effect on 1 October 2026. The final rule also requires AGN Queensland to amend or substitute each of its model standing offers for the two nominated non-scheme distribution networks in Queensland to take into account the amended rules by no later than 1 October 2026.

This means the amended connection charges criteria can be given effect by distributors as soon as practicable.

The Commission's final rule applies the new connection charge arrangements from 1 October 2026. We have chosen to extend the commencement date by three months compared to the draft rule. This is in response to distributors' feedback regarding the timeframes to operationalise the new connection charging arrangements.⁸⁷

Jemena, Evoenergy and ENA suggested the AER be required to approve distributors' MSOs within 20 business days of submission, for the initial approval and that deemed approval should apply in the absence of formal approval within 20 business days.⁸⁸ Jemena suggested this may be required on a permanent basis. AGIG also raised concerns with the rule commencement date and suggested a 1 January 2027 commencement date for the new framework to provide sufficient time for distributors to implement new IT systems for customer charging.⁸⁹ The Commission has considered this feedback and understands that some additional time is required to operationalise the rule change and implement testing and pricing into the system. Our final rule therefore provides for:

- AGN SA, Evoenergy and Jemena to submit a proposal to the AER for the amendment or substitution of their model standing offers to take into account the amended rules by no later than 1 May 2026.⁹⁰
- the AER to review and approve or reject the MSOs under the new framework by 1 August 2026
- the rule, including the new connection charging criteria and revised MSOs, to commence on 1 October 2026.

This will provide 2 months for distributors to implement approved MSOs in advance of the commencement of the new framework.

⁸⁷ Submissions to the draft determination: AGIG, p. 1; ENA, p. 1; Jemena, p. 2.

⁸⁸ Submissions to the draft determination: ENA, p. 1; Jemena, p. 2; Evoenergy, p. 2.

⁸⁹ AGIG, submission to the draft determination, p. 1.

⁹⁰ National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Schedule 1, Part 21, r. 118.

We do not consider it necessary to add a permanent timeframe for the AER to approve model standing offers as it is already required by the rules to deal with proposed model standing offers as soon as practicable. We have also not provided a 2027 commencement date as requested by AGIG. This was not raised by distributors generally, and distributors may confer connection charges to customers via retailers until their own systems are able to bill customers directly.

The final rule also includes transitional provisions that clarify when the new arrangements will apply, meaning that if a connection agreement is entered into in advance of the final rule commencement date (1 October 2026), the old framework applies. This may mean (subject to the AER's approval) the associated costs may be added to the distributor's asset base. The transitional provisions also require the AER and distributors to base updated model standing offers and access arrangement reviews that are underway on the new rule.

Jemena and ENA noted the need for greater certainty that any capital expenditure associated with connection applications and arrangements in place prior to the commencement date can be rolled into a distributor's capital base.⁹¹ This was the intent of the Commission's draft determination and while we had sought to make this clear through the draft determination, we can see that there would be merit in making it clearer. Some additional transitional rules have been included for clarity on this point.⁹²

The Commission notes that AGN SA and Evoenergy's revised access arrangements are due to be submitted to the AER in response to the AER's draft decisions in January 2026. Our final rule includes transitional arrangements, which require implementation of the new gas connection charge framework in AGN SA and Evoenergy's access arrangement proposals if the AER has not made a final decision on those proposals by the rule commencement date of 1 October 2026.⁹³ This may require AGN SA and Evoenergy to submit changes to their access arrangement proposals. We consider that the publication of our final rule on 11 December 2025 will enable AGN SA and Evoenergy to include the required additions or amendments in their revised access arrangement proposals.

The final rule also includes transitional provisions that require:

- The AER to take into account the amended rules for any decisions on new or revised model standing offers, and to make those decisions by 1 August 2026.⁹⁴
- AGN Queensland to amend or substitute each of its model standing offers to take into account the amended rules by no later than 1 October 2026.⁹⁵ Note that in contrast to AGN SA, Evoenergy and Jemena, AGN Queensland is not required to have the model standing offers for its two nominated non-scheme distribution networks in Queensland (Maryborough-Hervey Bay distribution network and Bundaberg distribution network) approved by the AER, because it is subject to a modification to the NGR made under Queensland legislation.⁹⁶

The Commission also notes that Jemena's access arrangement was approved in May 2025 for a five-year period. We have not included transitional arrangements to require the re-opening of the access arrangement, because we consider Rule 65 of the NGR provides sufficient flexibility to allow Jemena to seek a variation to its access arrangement if it is required.⁹⁷ The capital

91 Submissions to draft determination: Jemena, p. 1; ENA, p. 1.

92 Transitional final rules, rr.116(3)-(5).

93 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Schedule 1, Part 21, r. 117.

94 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Schedule 1, Part 21, r. 118.

95 National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025, Schedule 1, Part 21, r. 119.

96 National Energy Retail Law (Queensland) Regulation 2014, s. 8.

97 NGR, r. 65.

expenditure provisions in Part 9 of the NGR will also allow the AER to make any adjustments to the capital base that may be required to remove connection-related capital expenditure at the commencement of the next access arrangement review.⁹⁸ This is consistent with the approach taken in relation to the ESCV's new connection arrangements, which did not result in the re-opening of the Victorian gas distribution networks' access arrangements.⁹⁹

⁹⁸ NGR, r. 77 and 79.

⁹⁹ ESCV Gas Distribution Code of Practice Review, p. 25.

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process on our website.¹⁰⁰

A.1 The ECA proposed a rule to charge customers upfront for a new gas connection

ECA proposed introducing, in the NGR, an obligation on gas distributors to charge new customers the full cost of a new gas connection through an upfront connection fee. The proposal was for this obligation to apply to all gas distributors in Australia and to all customer types.

A.2 The proposal addressed ECA's concern that the current gas connections framework is not fit for purpose in the context of a declining customer base

ECA considers that the current framework for gas connection charges is no longer fit for purpose.

The NGR contains a framework for determining how gas distributors charge for new gas connections. Currently, if the NPV of expected revenue from a new connecting customer is higher than the capital expenditure associated with the new connection, the cost of a new connection is socialised among all gas distribution network customers. This means most customers face no upfront cost to establish a new gas connection. ECA considers that the current approach is resulting in inequitable cost-sharing as it contributes to increasing costs for remaining gas customers in the context of a declining customer base and is not reflective of the direction of broader energy reform.

ECA summarises issues with the current framework as follows:

- Connection rules provide inefficient price signals for new connections: Retail customers who are considering connecting to gas distribution networks do not currently face efficient price signals - by not having to pay the full cost of their new connection through upfront fees.
- New gas connection assets are increasingly at risk of becoming stranded if demand declines as projected: The proponent considers that new capital expenditure (capex) added to the RAB now faces a material risk of being stranded before the end of its technical life in a context of declining residential and commercial gas demand. This exposes existing and future customers to increased price risk.

¹⁰⁰ See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>

A.3 It proposed to do so by requiring gas customers to pay the full upfront costs of connection

To address the issues outlined above, ECA has proposed that the AEMC amend the rules to require distributors to charge customers the full cost of a new gas connection through an upfront connection fee. ECA submits that charging customers the full upfront cost for new gas connections is consistent with a beneficiary-causer pays principle. It also claims that this approach would ensure existing customers are not exposed to the stranded asset risk of decisions made by other customers in a context of declining demand.

ECA proposes that changes to the connection arrangements apply to:

- gas distribution networks across all jurisdictions
- both scheme pipelines and non-scheme pipelines, and
- connections involving both retail customers and non-retail customers.

A.4 The process to date

On 12 June 2025, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.¹⁰¹ A consultation paper identifying specific issues for consultation was also published. Submissions closed on 10 July 2025. The Commission received 27 submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions were summarised and responded to in the draft rule determination.

On 18 September 2025, the Commission published a draft rule determination, including a draft gas rule and no draft retail rule. Submissions closed on 30 October 2025. The Commission received 17 submissions on the draft rule determination. Issues raised in submissions are discussed throughout this final rule determination.

¹⁰¹ This notice was published under section 303 of the NGL and section 251 of the NERL.

B Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NGL and NERL for the Commission to make a final rule determination.

B.1 Final rule determination and final rule

In accordance with section 311 of the NGL and 259 of the NERL, the Commission has made this final rule determination to make a more preferable final gas rule and to make no retail rule, in relation to the rule proposed by ECA.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this draft determination. Its key features are described in chapter 3.

B.2 Power to make the rule

The Commission is satisfied that the more preferable final gas rule falls within the subject matter about which the Commission may make rules.

The more preferable final rule falls within section 74 of the NGL as it relates to regulating:

- the provision of pipeline services
- the activities of Registered participants, users, end users and other persons in a regulated gas market
- the connection of premises of retail customers
- charges for the connection of premises of retail customers.¹⁰²

Under section 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO. The Commission is satisfied that the more preferable final rule would or is likely to, better contribute to the achievement of the NGO than the proposed rule. The Commission's reasons are set out in chapter 2.

B.3 Commission's considerations

In assessing the rule change request, the Commission considered:

- its powers under the NGL to make the final rule
- the rule change request
- submissions received during the first and second round consultations
- the Commission's analysis as to the ways in which the final rule will or is likely to contribute to the achievement of the NGO
- the application of the final rule to Western Australia
- the revenue and pricing principles set out in section 24 of the NGL.

¹⁰² NGL Schedule 2 item 44.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.¹⁰³

B.4 Making gas rules in Western Australia

Under the *National Gas Access (WA) Act 2009* (WA Gas Act), a modified version of the NGL was adopted, known as the National Gas Access (Western Australia) Law (WA Gas Law). Under the WA Gas Law, the NGR applying in Western Australia is version 1 of the NGR, as amended by rules made by the South Australian Minister for Energy¹⁰⁴ and rules made by the AEMC in accordance with its rule-making powers under section 74 and 313 of the WA Gas Law.¹⁰⁵

The final rule amends Part 12A of the NGR which does not apply in the Western Australian version of the NGR.

Accordingly, the final rule will not apply in Western Australia.

B.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to energy ministers that new or existing provisions of the NGR be classified as civil penalty provisions or conduct provisions.

The more preferable final rule does not amend any provisions that are currently classified as civil penalty provisions or conduct provisions under the National Gas (South Australia) Regulations.

The Commission does not propose to recommend to energy ministers that any of the amendments made by the more preferable final rule be classified as civil penalty provisions or conduct provisions.

¹⁰³ Under s. 73 of the NGL, the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

¹⁰⁴ The Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018 and the National Gas (South Australia (Pipelines Access—Arbitration) Amendment Act 2017.

¹⁰⁵ See our website for further information at <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia>.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AEC	Australian Energy Council
AER	Australian Energy Regulator
AGIG	Australian Gas Infrastructure Group
AGN (SA)	Australian Gas Networks (South Australia)
Commission	See AEMC
Distributors	Gas distribution network operators
ECA	Energy Consumers Australia
ENA	Energy Networks Australia
ESCV	Essential Services Commission Victoria
GS00	Gas Statement of Opportunities
IEEFA	Institute for Energy Economics and Financial Analysis
JEC	The Justice and Equity Centre
MCE	Ministerial Council on Energy
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NPV	Net present value
Proponent	The proponent of the rule change request - Energy Consumers Australia
RAB	Regulatory asset base
SSROC	Southern Sydney Regional Organisation of Councils