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9 January 2026

To: Australian Energy Market Commission
Re: Establishing a regulatory framework for retail customer initiated gas abolishment

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to the Australian Energy Market Commission (AEMC)'s draft rule change: *Establishing a regulatory framework for retail customer initiated gas abolishment*.

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

In IEEFA's view, and in alignment with our submission to the initiation of this draft rule change[1], the AEMC should focus on ensuring this rule change request supports the following key outcomes:

- Any financial disincentives for customers to safely leave the gas network should be minimised;
- Decommissioning of gas distribution infrastructure should be undertaken in the most long-term, cost-efficient manner; and
- Reforms to gas network regulation should be implemented on a timeline commensurate with the likely rapid decline in residential gas demand.

We are glad to see that a number of elements in the AEMC's draft determination move in the right direction to support these outcomes. However, we also observe several key remaining gaps in the current proposal that could hinder these outcomes. To resolve these, we recommend the AEMC require gas disconnection to be a reference service that can be contestable, and adopt a faster implementation timeline, in line with other recent gas rule change determinations.

We have provided further details on these points in the following pages. Please do not hesitate to contact us if you would like to discuss these matters further.

Kind regards,

Jay Gordon, Energy Finance Analyst, Australian Electricity, IEEFA

[1] IEEFA. Submission: Australian Energy Market Commission – Consultation on rule change requests. 14 July 2025.

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The rule change should minimise financial penalties for customers who cease to use gas

Residential electrification carries long-term cost benefits for consumers, in addition to emissions and health benefits.[2] To ensure these are fully realised, it is critical to minimise any financial penalties for customers who wish to cease using gas.

IEEFA agrees that elements of the AEMC's proposed rule change will work towards this goal by lowering the cost of abolishment services. Specifically, we agree with the principle that abolishment services "would be defined as involving only the work required to satisfy any applicable jurisdictional safety related duty or requirement".[3] We also strongly believe that abolishment services should be contestable.

The AEMC has also proposed that abolishment costs will be borne upfront by the customer that initiates the request, which contrasts with the Australian Energy Regulator (AER)'s interim approach where the majority of costs are socialised across remaining gas consumers.[4] While we acknowledge the equity concerns raised by the socialisation of abolishment costs, it will be important to manage the consequences of shifting to a customer-pays approach.

This proposed rule change will ideally see the *underlying cost* of the abolishment service lowered. However, by significantly increasing the proportion of that cost that is borne by the customer, the cost of abolishment *as experienced by the customer* is likely to increase.

Jurisdictional retailers may prefer that customers who cease using gas undertake a full abolishment.[5] However, their ability to enforce this is limited. In practice, consumers facing high abolishment costs may seek to avoid these either by opting for a gas disconnection (where the flow of gas to the property is stopped without permanently abolishing the connection), or simply cancelling their retail gas plan without taking any steps to stop the flow of gas on the premises (retail-only cancellation).

While energy safety is beyond the AEMC's scope, it will be important to consider how the proposed rule change might interact with jurisdictional regulations to support the long-term interests of energy consumers.

While disconnection is likely to be viewed as inferior to abolishment on energy safety grounds, it is much more preferable to a retail-only cancellation. In many cases disconnection may even lead to a similar safety outcome as abolishment – particularly when the gas meter is located at or close to the property boundary. In most cases, gas disconnection ought to be lower-cost than abolishment.

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[2] E.g. Monash Climate Change Communication Research Hub. Switching On: Benefits of Household Electrification in Australia. November 2023.
[3] AEMC. Draft rule determination: Establishing a regulatory framework for retail customer initiated gas abolishment. 30 October 2025. Page 19.
[4] First implemented in: AER. AER decision supports Victorian gas consumers in energy transition. 2 June 2023.
[5] For example, as of 2023 Energy Safe Victoria considers that "permanent abolishment is required for gas distributors to meet their obligations to minimise the safety risks of permanent disconnection as far as practicable".

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In IEEFA's view, the AEMC should place gas disconnection on a level playing field with gas abolishment, by requiring disconnection to be a reference service, and ensuring it can be contestable. This would help ensure consumers are empowered to make choices around how they leave the gas network, and may also ensure jurisdictional regulators are equipped with the right tools to manage electrification safely and cost-efficiently.

Ensuring that customers have access to minimum-cost disconnection services alongside abolishment services may help to reduce the incentive for customers to opt for a retail-only cancellation route.

The rule change should support a cost-efficient approach to decommissioning gas infrastructure

Most gas distribution networks in Australia are now forecasting a long-term decline in demand.[6] In a scenario where large numbers of residential customers are leaving the gas network, abolishing individual gas connections at a household level is likely to be a highly inefficient approach to decommissioning gas infrastructure.

For example, it would be far more cost-efficient to disconnect the gas mains line under a single street from the broader network, rather than abolishing each individual gas connection in that street.

Managing the decommissioning of gas distribution networks is a complex matter that will likely require attention from market bodies, state and federal governments. While the AEMC cannot solve this issue in its entirety, it should consider how this rule change can contribute to making this process as efficient as possible, while equipping other decision-makers to plan for the decommissioning of residential gas infrastructure.

This presents another strong reason to treat disconnection similarly to abolishment in the National Gas Rules – requiring it to be a reference service, and ensuring it can be contestable. This could provide jurisdictions with greater flexibility to manage the phase-down of gas distribution networks – recognising that in some instances, disconnection at the household level may be a sensible approach until a section of the network can be decommissioned.

The proposed implementation timeline is too slow

The AEMC has proposed that distributors will only need to develop a standing offer for gas abolishment at the start of their next access arrangement period, the beginning of which ranges from 2028 to 2031 across the fully-regulated gas distribution networks.[7]

[6] AEMC. Consultation paper: National Gas Rule Amendments 2026 (Gas networks in transition). 18 September 2025. Page 5.
[7] AEMC. Draft rule determination: Establishing a regulatory framework for retail customer initiated gas abolishment. 30 October 2025. Page 48.

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In IEEFA's view, this timeline for the rule change to take effect is too slow. The number of long-term dormant residential gas connections has already increased by 29% since 2022.[8] By 2031, the Australian Energy Market Operator (AEMO) forecasts residential gas demand in the eastern states to decline by a further 22%.[9] Given this rate of decline, the proposed timeline could result in large numbers of customers paying more for gas abolishment or disconnection services than necessary in the interim.

We note that the AEMC's final determination on a parallel gas rule change – *Updating the regulatory framework for gas connections* – has specified a timeline for that rule change to commence in October 2026 across all applicable gas distribution networks.[10] This approach is more commensurate with the pace of residential electrification, and is fairer across regions, as it impacts all customers on a similar timeline. We consider that aligning this rule change to a similar timeline would make sense.

IEEFA understands that the AEMC's view is that abolishment reference service tariffs cannot be altered without reopening a network's access arrangement. However, we would urge the AEMC to consider options such as a partial access arrangement reopener, with terms set by the AEMC or AER, that is targeted specifically to addressing the issue of abolishment. We note that when the AER first issued its decision for abolishment services in Victorian gas distribution networks, it stated: "In the longer term, it may be that gas access arrangement reviews are not enough, or not the best avenue, to deal with these safety and equity issues."[11]

[8] AER. Gas quarterly disconnection reporting. 18 November 2025.
[9] AEMO. 2025 GSOO Residential and Commercial gas demand 2025-2035. Gas Forecasting Data Portal.
[10] AEMC. Rule determination: National Gas Amendment (Updating the regulatory framework for gas connections) Rule 2025. 11 December 2025. Page 26.
[11] AER. AER decision supports Victorian gas consumers in energy transition. 2 June 2023.