

15 January 2026

Alisa Toomey
Director
Australian Energy Market Commission
Level 15/60 Castlereagh St
Sydney NSW 2000

Jemena Gas Networks
(NSW) Ltd
ABN 87 003 004 322
Level 39
Liberty Place
161 Castlereagh Street
Sydney NSW 2000

T +61 2 9867 7000
F +61 2 9867 7010
www.jemena.com.au

Subject: Submission to the AEMC's rule change draft decision – Establishing a regulatory framework for retail customer initiated gas abolishments (Ref: GRC0086)

Dear Ms Toomey,

Jemena Gas Networks (NSW) Ltd (**JGN**) welcomes the Australian Energy Market Commission's (**AEMC's**) draft rule determination on a new regulatory framework for customer-initiated gas abolishments.

JGN supports an efficient framework for abolishments. We consider the draft rule needs some refinement to best meet the National Gas Objective (**NGO**), including:

- Customers at sites which already have a Financially Responsible Organisation (**FRO**) (i.e. retailer) should apply for any basic abolishment service via that FRO to avoid distributors duplicating retail market systems.
- The addition of transitional rules specific to JGN that should seek to avoid socialisation of abolishment charges for the 2026-30 period.
- Appropriate timeframes for Australian Energy Regulator (**AER**) approval of Model standing offers (**MSOs**), noting that distributors do not have another recourse to recover their costs.

We also provide specific suggestions on the draft rules, including on the following:

- MSO and negotiation framework
- Definitions
- Information provision
- Abolishment charges criteria.

We discuss each below.

Who an abolishment service applicant should contact

The draft rule allows any application for an abolishment service to be made by a retail customer or a retailer.¹ In 2023-24 the Essential Services Commission (**ESC**) did not pursue the proposition for customers to seek

¹ Draft rule, 124(b)(2).

abolishment directly from distributors.² We understand this is under reconsideration by the Victorian Government.

We recognise that for negotiated services and any situation where there is no current retailer, there are benefits for the customer to be able to seek the relevant abolishment service from their distributor. This includes for the high rise and medium density market.

However, we consider that a balanced and least cost approach would be for customers who have a FRO to apply for any basic abolishment service via that FRO. This would minimise the need for distributors to inefficiently duplicate retailer-type processes, procedures, staffing and IT.

Drafting the rule in this way would allow distributors to cost-effectively manage implementation through more moderate enhancements to current manual processes.

We note the AEMC qualitatively considers benefits outweigh costs.³ We consider there may be significant implementation costs for distributors to replicate systems and processes that have been the domain of retailers within the framework to date. If required to accept high volume customer abolishment requests, JGN would incur material capital and ongoing operational costs, for example, related to:

- ID verification
- Title search
- Automated retailer notifications and potential 2-way interactions
- Automating processes and invoicing, payment and refunds (something we are not in the business of doing at scale currently)
- Material changes to multiple IT systems and our customer facing portal to integrate a new abolishment process, including testing
- Updates to internal contracts and processes to reflect new service level agreements
- Loss of efficiencies to meet agreed timeframes (due to abolishment services currently being performed by teams on emergency standby)
- Call centre staffing, processes/procedures and training to manage increased direct contact plus the additional customer queries/complaints currently handled by retailers.

Transition should seek to avoid impending socialised abolishment costs

As proposed, the draft rule would result in significant changes to JGN's abolishment charges within a relatively short period of time, potentially distorting user decision making related to abolishments. Should the AEMC make a final rule without refinement, the outcome for JGN's residential customers would be:

- **Period 1:** A period up until 30 June 2026, with an abolishment charge set by the AER to cover a benchmark expectation of the cost of abolishments (at \$1200.60 (\$2026) for the year commencing 1 July 2025).⁴
- **Period 2:** A period from 1 July 2026 to 30 June 2030, with a significantly socialised abolishment charge (at \$250 (\$2026)).⁵
- **Period 3:** The period from 1 July 2030 that complies with the new framework for abolishment with cost reflective charges, likely to be more akin to the pricing prior to 1 July 2026 (Period 1).

² https://www.esc.vic.gov.au/sites/default/files/documents/Draft%20decision%20-%20Gas%20Distribution%20Code%20of%20Practice%20review%20%20-%2020231114_0.pdf, pp. 41-42

³ Draft Determination, Summary, paragraph 24.

⁴ This price was lower than JGN's proposed price, set to be cost reflective.

⁵ The \$1200.60 charge remains for residential abolishments associated with construction activity with the \$250 charge applying to those otherwise exiting the network.

This contrasts with the AER's draft decision for Evoenergy, which has not required socialised abolishments (referred to as permanent disconnections).⁶

The AER requirement for JGN to include a socialised abolishment charge within JGN's 2025-30 Access Arrangement impacts the incentives for customers to abolish, providing a distortion to price signals for the period 1 July 2026 to 30 June 2030. Those customers who are willing, able, and can afford, to abolish may seek to do so to obtain a socialised abolishment during this period, funded by those with less ability to take this up who remain on the network, including vulnerable customers. This incentive could also contribute to inefficient decisions to abolish that further accelerate/increase the burden being placed on remaining customers.

As part of developing our 2025-30 Access Arrangement proposal we asked our customers about cost reflective versus socialised abolishment charges. Eighty four percent of our customer forum attendees voted to maintain the approach of charging the full abolishment fee to the party requesting to abolish their gas connection, rather than recovering some of these costs from all of our customers.⁷

The AEMC should therefore include transitional rules that prevent this price oscillation in a way that minimises administrative effort. This could be achieved without JGN's Access Arrangement being reopened because it already contains a true-up mechanism for abolishment (the socialised abolishment true-up factor), which ensures a neutral outcome.

The true-up mechanism adjusts prices 12 months after the conclusion of each regulatory year and is net present value (**NPV**) neutral. That is, JGN would not gain any advantage nor be subject to losses.

We have set out the operation of the true-up mechanism in **Appendix A**. Recognising the complexity, we can provide additional detail or explanation as required, or meet with the AEMC to run through the operation of the true-up.

JGN is seeking that the final rule includes a mechanism that has the effect of preventing the introduction of the heavily socialised abolishment service priced at \$250 on 1 July 2026. Instead, residential customers seeking an abolishment on JGN's network would all be subject to the single abolishment service priced at \$1200.60 (\$2026) that was approved⁸ as part of the JGN's 2025-30 Access Arrangement. This is closer to the cost-reflective level JGN calculated as part of its proposal to the AER, would provide customers with a consistent abolishment charge over time, and would better promote the NGO for the reasons the AEMC has made its draft rule.

For the avoidance of doubt, JGN is not proposing bringing forward the full abolishment framework to commence on 1 July 2026. We support this implementation being at the next (2030-35) access arrangement to provide the necessary time required to fully implement the new framework. This includes changes to systems, policies and procedures.

We consider that the AEMC could make a transitional rule, specific to JGN, to give this effect. For example, this could be a rule that:

- Disallows price changes that would have the effect of increasing the level of socialisation of abolishment costs from 1 July 2026;
- Requires our two 'standard' abolishment charges to be set at the higher level;⁹ or

⁶ AER, Draft Decision, Evoenergy Access Arrangement 2026-31.

⁷ JGN Plan, 2025-30 Access Arrangement Review, June 2024, Table 3.1.

⁸ This was approved for the Standard Residential Connection which has current or anticipated redevelopment, renovation or other construction works.

⁹ From 1 July 2026, JGN will have two standard abolishment charges: The Standard Residential non-construction services (priced at \$250 (\$2026)) and the Standard Residential Connection which has current or anticipated redevelopment, renovation or other construction works (priced at \$1200.60 (\$2026)).

- Provides the AER specific and temporary powers to approve a JGN abolishment charge at a level above that approved in JGN's 2025-30 Access Arrangement.

In terms of protections for customers, the AER approves annual price movements and confirms the proper operation of the true-up mechanism via the annual Tariff Variation Notice process.

JGN does not generally support rule changes that unwind (parts of) access agreement determinations by the AER. However, in an instance such as this, where all parties could agree on the merits in advance of making a rule, JGN would be supportive.

Model standing offer and the AER approval timeframes/default MSO approval

We understand the requirement to submit MSOs for AER approval, as set out in draft rule 121B. However, the framework must remain workable for distributors. This includes the MSO approval process being subject to reasonable timeframes and clear procedures to provide regulatory certainty and recovery of efficient costs.

The current rule does not specify a timeframe for AER decisions, which risks delaying implementation of updated charges and undermining the recovery of efficient costs contrary to the revenue and pricing principle that requires distributors are provided a reasonable opportunity to recover at least efficient costs. To address this gap, we recommend a deemed approval mechanism: if the AER does not notify its decision within 30 business days, the MSO should be considered approved.

If approval is not granted within a reasonable timeframe (by the AER or deemed approval under the NGR), distributors should either be able to:

- start quoting and charging on the basis of assumed approval and refund/amend offers if not approved, or
- be permitted to include the additional amounts from any charging below cost into the total revenue calculation under rule 76.

To support timely approvals, any public consultation under rule 121B(5) should be limited in scope and duration and capped at 10 business days. Without a cap on consultation, the process could be protracted, delaying approvals. Any consultation process should also clarify that AER decisions must remain consistent with cost-reflective principles and safety obligations.

In terms of specific drafting of the MSO provision, we consider:

- Draft rule 121B(d) should also reference 'applicable law' rather than 'energy laws' as safety obligations may fall outside energy legislation.
- Draft rule 121A(2)(c) and (d) should only require the MSO to include requirements for contestable services if the relevant jurisdiction has enabled this, rather than being mandatory in all cases.¹⁰ Additionally, while 'contestable' is a defined term, the use of contestable is not italicised within the draft rule.
- Draft rule 121A appropriately includes the option for a pricing methodology to be included within the MSO but for prices to be published separately. This is important given there are no means for service providers to recover unders or overs, so abolishment charges need to remain flexible to changes in input costs in a way acceptable to the AER.

¹⁰ We recognise that contestability is a matter for each jurisdiction to implement. While the draft rule appropriately seeks to accommodate any future jurisdictional charges regarding contestability, we reiterate our safety concerns. Currently, JGN contractors operate under enforceable contracts with strict safety and insurance requirements. Allowing third parties to perform abolishments without adequate oversight raises significant questions about liability, remediation and asset legacy management, such as responsibility for abandoned meters or pipes.

Negotiation framework

We support having a reasonable negotiation framework for negotiated abolishment services.

However, draft rule 122A(d) states that “the distributor must make reasonable endeavours to make an abolishment offer that complies with the abolishment service applicant's reasonable requirements”. This is a standard that is both broad and ambiguous, with no equivalent within the connections framework.

We understand that this is likely intended to accommodate customer requests that *exceed* the minimum scope of a basic abolishment. However, allowing for an unqualified range of requests by customers may suggest that customers may make requests which cannot be accommodated due to how the abolishment will technically be performed. For example, it may encourage customer requests for partial works, such as meter removal only, which would not constitute a safe abolishment in most cases. This would increase the risk of misunderstanding and increase administrative costs on a distributor in assessing and responding to such requests.

To prevent safety and liability risks and decrease inefficient administrative burden, the rules should clarify that distributors are not required to comply with requests below the minimum requirements for a basic abolishment, and that only qualified personnel operating under distributors' safety plans may perform such work. For example, the rule may specify that customer requirements may only relate to specific aspects of the abolishment, such as undertaking additional works or the timing and reasonable coordination with third party contractors.

Definitions

We support the AEMC's move to introduce outcomes-based definitions for both abolishment and disconnection services. This approach provides the necessary flexibility to accommodate jurisdictional safety requirements, site-specific technical needs and evolving industry practices.

We recommend three refinements to ensure that the framework is practical and safe:

- The definition of ‘abolishment offer’ should recognise that the offer by a distributor may be made to retailers or other parties on behalf of customers, reflecting how abolishments could be managed in practice.
- By including the word ‘basic’, the term ‘basic abolishment service’ may imply to customers that they could undertake the work themselves, contrary to obligations under jurisdictional safety and technical regulatory frameworks. To avoid safety and liability risks, the definition could clarify (potentially through a note) that only qualified personnel, operating under distributors' safety plans, should perform abolishment work.¹¹
- The definition of disconnection includes the prevention of gas to the ‘premises’. The premises can include anything beyond the border of the property. The customer service line will generally be within the premises and a disconnection can mean gas can still be within the service line (before the meter). The AEMC could consider replacing premises with ‘customer’ or ‘meter’, or ‘customer piping system’ to reflect that gas is prevented from getting through the meter to the customer piping system and appliances. An alternative approach would be to replace ‘prevent the *flow* of gas’ to ‘prevent the *use* of gas’

The draft rule also requires distributors to provide “*contact details*” (italicised and specifically defined in the NGR) when redirecting customers who have contacted the incorrect distributor.¹² To ensure efficiency and privacy, we recommend clarifying that obligation can be met by providing general contact channels, such as a website link, email address, or call centre number, rather than individual staff details. Accordingly, “contact details” should not be italicised within draft rule 124B and 124A. We also suggest amending the draft rule to allow distributors to “provide or make available” contact details, enabling us to direct customers to online resources rather than duplicating information in every interaction.

¹¹ JGN is finding that customers are being encouraged by third party websites to remove their own meters. Customers removing their own meters would normally require JGN to abolish the supply for safety once we become aware of each individual instance.

¹² Draft rule 124A(4) and 124B(3).

Abolishment for safety

The AEMC recognises that the movement to cost-reflective abolishment charges may result in customers opting for lower cost options.¹³ JGN is finding that customers are being encouraged by third party websites to remove their own meters. Should this occur we would normally be required to abolish the supply for safety once we become aware of each individual instance. The extent to which this may further promulgate and eventuate is yet to be seen. Should this become more widespread, additional rule mechanisms may be required to ensure causer pays principles endure.

For example, this may include changes to the National Energy Retail Rules so that deemed connection contracts clearly extend to apply to the point of abolishment (or are replaced by a new deemed contract with a new customer). This would continue the AEMC approach of replicating the connection framework to abolishments as it would apply to deemed contracts. It would also enable a pathway for the recovery of the costs from the customer rather than these being socialised.

Information provision

We support the provision of information as included in the draft rule.

We consider:

- It is appropriate for timeframes to disconnect and abolish be indicative as drafted.¹⁴
- Distributors would be able to publish specific charges for abolishment services provided under the MSO and for disconnection services.¹⁵ However, these could not be specified for negotiated services as there would be many influencing factors that may impact the final charge. Providing indicative charges for negotiated services may be relatively meaningless or misleading and should not be mandated. There is no equivalent provision to publish any indicative charges for negotiated connections.
- The draft rules require information on whether there would still be gas from the distribution pipeline within the boundary of the premises¹⁶ and requires information on the work required to reconnect gas.¹⁷ In practice, these may differ by customer type or to reflect the various site conditions. Therefore, the information published would need to reflect the potential for these differences.
- Distributors are required to provide information at the request of the customer under two draft rules.¹⁸ For the information published on our website (draft rule 120A), this should clarify that an electronic copy can suffice, unless a retail customer specifically requests a hard copy. For draft rule 122A(c), this could include amendments so that distributors “provide or make available” information, enabling distributors to direct applicants to online resources rather than duplicating information in every interaction. This would be consistent with the drafting of rule 124A(3) and ensure efficiency.

Abolishment charges criteria

We support that abolishment charges should reflect prudent and efficient costs attributable to the service. Distributors should be able to *practically* implement “directly attributable” costing. This includes the use of cost estimates for components where costs are unpredictable and are often unknown until significantly after the work is completed. An example is restoration costs¹⁹, which can vary due to council invoicing delays and weekend rates. While customers’ charges can be built up individually from a list of individual services required to make up the abolishment, the input prices for these individual services may necessarily incorporate the use

¹³ Draft Decision, p. 15.

¹⁴ Draft rule 120A(c)

¹⁵ As required under draft rule 120A(d).

¹⁶ Draft rule 120A(1)(b)(ii).

¹⁷ Draft rule 120A(1)(b)(iii).

¹⁸ Draft rule 120A(3) and 122A(c).

¹⁹ Restoration costs cover the restoration of public land, including footpaths, concreting, paving, landscaping and nature strips due to the work required to undertake the abolishment. The restoration is made temporarily by Jemena and then permanently by the relevant council, who subsequently invoices Jemena.

of appropriate cost estimates. These cost estimates may need to vary over time to ensure broader cost reflectivity.

This method would result in a modular approach (i.e. building an abolishment charge from a menu of various components priced at directly attributable cost or at an efficient estimate) and would promote transparency and efficiency while accommodating variability.

The AEMC has indicated that it will not include criteria to cover tax within the draft rule and is seeking feedback.²⁰ For JGN, abolishments are treated as opex and do not currently attract a tax liability. However, it would be consistent with the revenue and pricing principles to include the ability to recover net tax liability in the criteria to accommodate a range of potential accounting treatments or tax law changes. This would be prudent and efficient as it would avoid the need to trigger a future rule change to accommodate, akin to the AEMC's approach to contestability within the draft rule. We note that if there is no tax liability, there would be no cost included in the cost build up, with the AER able to verify this. This is similar to the approach for the relevant tax factor used in JGN's automatic adjustment to tariffs within the 2025-30 Access Arrangement—when there is no tax liability in any year, the amount is zero.

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

Yours Sincerely,



James Harding
Acting General Manager Regulation, Jemena

²⁰ Draft Decision, p. 41.

Appendix A – Operation of the Socialised Abolishment true-up factor in JGN's 2025-30 Access Arrangement

JGN's abolishment charge true-up under its current Access Arrangement operates as follows:

- From 1 July 2026, JGN receives an amount within its regulatory allowance based on a forecast level of socialised abolishment costs. That is:
 - the forecast number of standard abolishments where there are no current or anticipated redevelopment, renovation or other construction works (**Standard Residential Non-construction Service**) i.e. the partially socialised abolishment service
 - multiplied by
 - the difference between the price of the standard abolishment where there are anticipated redevelopment, renovation or other construction works (\$1200.60 (\$2026)) and the price of the Standard Residential Non-construction Service (\$250 (\$2026))
- This revenue allowance will be reflected within JGN's prices from 1 July 2026 to 30 June 2030.
- This allowance for 2026-27 is not a material amount, being \$2.11M (\$2025) out of a total revenue allowance for the year of approximately \$600M (or one third of one per cent). The total allowance for the socialised abolishment cost across the four years of 2026-27 to 2029-30 is \$12.67M (\$2025).
- The true-up mechanism requires JGN, in the year that actual volumes become available (being 12 months after the conclusion of a regulatory year), to receive or hand back an amount equivalent to:
 - the difference between *forecast* and *actual* volume of Standard Residential Non-construction Services
 - multiplied by
 - the difference between non-socialised price of \$1200.60 (\$2026)) and the Standard Residential Non-construction Services (part-socialised) price of (\$250 (\$2026))
 - and adjusted to reflect the time value of money.
- Should the socialised abolishment service price be reset to the non-socialised price by effect of an AEMC final decision to make such a rule, the true-up mechanism would work to hand back the \$12.67M allowance provided to JGN across the years 2028-29 to 2031-32.
- This is because the actual volume of Standard Residential Non-construction Services (socialised abolishment service) would be zero²¹, providing the full hand back of the allowance.
- The impact would be NPV neutral and have only a minor impact on each years' price levels. When compared against an alternative approach of reopening the 2025-30 Access Arrangement and removing the allowance, this would result in non-materially higher prices in earlier years and non-materially lower prices in the later years. However, JGN's proposed approach would avoid the significant administrative effort and cost to JGN and the AER of reopening the access agreement.
- For completeness, we also note that the allowance for socialised abolishment costs is excluded from the incentive schemes. Underspending against this allowance therefore does not provide any incentive scheme rewards.

²¹ To provide certainty on the operation of the socialised abolishment true-up, in making a rule that equalised the abolishment charges at \$1200.60 (\$2026), the AEMC could also consider the NGR setting out that, for the purposes of JGN's Tariff Variation Notice, the actual volume of Standard Residential Non-construction Service's is assumed to be zero between 2026-27 and 2029-30.