AGL Energy Limited
T 02 9921 2999
F 02 9921 2552
agl.com.au
ABN: 74 115 061 375

Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065

Australian Energy Market Commission

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Draft rule determination: Establishing a regulatory framework for retail customer-initiated gas abolishment

AGL Energy (**AGL**) welcomes the opportunity to respond to the AEMC's *Draft Rule Determination for the establishing a regulatory framework for retail customer-initiated gas abolishment* (**Draft Determination**).

AGL supports reforms that help customers electrify, save money, and reduce emissions. Our goal is to connect customers to a sustainable future by supporting their efforts to decarbonise how they live, move, and work. Electrification is the most likely decarbonisation pathway for residential consumers and is a key enabler for the industrial, transport, and other sectors to achieve net zero emissions. Where electrification is not feasible, AGL supports the development of low-carbon alternatives such as biomethane to support the transition to a low-carbon economy.

As noted in the Draft Determination, AEMO's 2025 Gas Statement of Opportunities projects a 70% decline in distribution-connected residential and commercial gas demand over 20 years, with a 30% reduction in the next decade. We agree that the current regulatory framework must evolve to reflect this trend.

The AER has highlighted concerns that the current framework may not adequately manage the rapid, uneven transition away from gas, potentially leading to unfair outcomes for customers unable or unwilling to electrify.[1] Governments and regulators must consider how to equitably recover network costs as usage declines and plan for eventual gas network decommissioning.

Investment decisions should align with changing demand and customer preferences. A key challenge will be balancing risks between consumers and networks. Fair allocation of fixed costs among remaining users is essential to meet the National Gas Objective. As utilisation falls, rising fixed costs will be recovered from fewer customers, disproportionately impacting those unable to electrify.

As we have previously stated, cost recovery approaches should be assessed against efficiency, equity, reliability, security, and environmental sustainability, supported by robust evidence. The AEMC should also ensure any regulatory changes align with broader energy market reforms and support the low-carbon transition.

AGL's response to the Draft Determination

AGL strongly supports empowering customers with choice and ensuring safety remains paramount. As stated in our previous submission,[2] AGL's position on the Draft Determination is clear: customers should have the right to select the disconnection option that best suits their circumstances, while gas distributors maintain responsibility for network safety.

AGL supports the intent of the AEMC's Draft Determination and the preferable draft rule. We agree with adopting a framework similar to Part 12A of the NGR for customer-initiated abolishment services, as this familiar approach will simplify implementation. We also welcome the proposed outcomes-based definitions of disconnection and abolishment services in the NGR and NERL as these definitions will provide clarity, enabling customers to make

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[1] See: AER's final decision for AusNet's Access Arrangement Determination 2023-28 here

[2] See: AGL's submission to the consultation paper on Gas distribution networks: Connection and permanent abolishment charges

informed choices. We understand the rationale for outcomes-based definitions, given that they can accommodate variations in service requirements, jurisdictional safety regulations, and technical standards, while remaining adaptable to future changes.

AGL agrees with requiring distributors to develop model standing offers for basic abolishment services, subject to AER approval. This will hopefully help ensure customers only pay the prudent, efficient, and directly attributable costs for work needed to meet safety requirements.

AGL is also supportive of the proposed information provision requirements for retailers in the Draft Determination. To ensure that the new requirements are implemented smoothly and effectively, a 12-month implementation timeframe would be preferrable.

Introduction of cost-reflective abolishment charges

AGL supports the introduction of cost-reflective abolishment charges for gas customers and recognises the issues associated with continuing to socialise these costs across a shrinking customer base. As the AEMC notes in its Draft Determination, neither socialisation nor beneficiary-causer approaches are perfect, and both involve trade-offs. We therefore agree that government policy has an important role in addressing the challenges that high exit fees may create in the gas market.

Having said that, AGL considers that customer-initiated abolishment charges should be kept as low as possible to avoid discouraging customers who wish to remove their gas connection.

We welcome the AEMC's proposed abolishment charges criteria and support applying it to both basic and negotiated services. We encourage the AER, when assessing gas networks' model standing offers, to ensure abolishment charges remain as low as possible, including by potentially developing procedures that encourage distributors to find efficiencies. Opportunities may include bundling abolishment requests as a program of work or tendering contestable batches to achieve lower costs. Governments also have a role in helping minimise these costs, as outlined later in this submission.

As highlighted in the Draft Determination, higher exit fees may lead customers who are electrifying or no longer using gas to choose lower-cost alternatives—such as ending their retail contract or disconnecting service—rather than proceeding with full abolishment. This is likely to increase the number of dormant connections that will eventually require removal. As outlined in our previous submission, this has implications for retailers and the broader customer base.[3]

AGL considers that the gas network owner should be responsible for costs associated with maintaining the safety of the network. Without a clear cost-recovery mechanism, these costs risk being shifted inefficiently and inequitably from gas network customers to retailers' customers.

Retailers typically have no ongoing relationship with new occupants, and distributors often lack direct customer contact details. This creates uncertainty around billing responsibility, with a high risk of confusion. The Financially Responsible Organisation (FRO) may ultimately bear costs for a stranded connection without a viable customer from whom to recover charges.

We also strongly support the AEMC's recommendation that governments require landlords to abolish gas connections in electrified premises and cover the associated costs. This would reduce health and safety risks for tenants and help address the growing issue of dormant sites.

Role for government policy

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[3] See: AGL's submission to the consultation paper on Gas distribution networks: Connection and permanent abolishment charges

Government policy has a definite role in helping address the emerging cost recovery issues with the gas network, which go beyond the existing national energy framework. Jurisdictions pursuing electrification should consider consequential regulations or policies related to the processes and costs associated with abolishing gas connections to mitigate current and future challenges.

The Draft Determination identifies some key areas that warrant further consideration by jurisdictions with electrification policies. Some further potential policy levers include:

- Discounted network tariffs for cohorts unable to electrify (e.g., low-income, life support, constrained renters), aligned with existing concessions and verified via hardship programs.
- Grants or zero-interest loans for appliance replacement (heat pumps, induction, reverse-cycle heating), wiring upgrades, and efficiency improvements, prioritising low-income homes and small businesses.
- Direct regulations to limit accelerated depreciation and prevent adding new retail connection costs to capital bases, consistent with AEMC's 2025 Final Determination.
- Co-fund community-scale electrification (appliance swaps, wiring upgrades, thermal retrofits) by suburb or feeder, coordinated with planned gas decommissioning.

It is also critically important that governments and regulators continue to engage stakeholders—network owners, operators, and customers—to develop a coordinated approach to managing gas assets with declining utilisation.

Should you have any questions in relation to this submission, please contact Leilani Kuhn (Policy Manager) on 03 8633 6934.

Yours sincerely,

AGL Energy

About AGL

Proudly Australian since 1837, AGL delivers around 4.6 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity of almost 8000 MW across Australia. AGL is Australia's largest privately-owned hydro power station operator and operates the largest portfolio of renewables and storage assets of any ASX listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.