To: Australian Energy Market Commission

From: Victorian Energy Future Network (VEFN)

Date: 10 December 2025

Subject: Submission on Draft Determination: Retail Customer Initiated Gas Abolishment (GRC0086)

Executive Summary

The draft determination's user-pays model will incentivise unsafe "dormant connections." ACT evidence shows that high abolishment costs cause consumers to simply cancel retail contracts rather than properly disconnect. We recommend a risk-based framework with low-cost temporary disconnection as the default option.

Introduction

The Victorian Energy Future Network (VEFN) welcomes the opportunity to respond to the Draft Determination on a regulatory framework for customer-initiated gas abolishment.

We support the Commission's intent to create a clear national framework. VEFN agrees that the current regulatory framework, which socialises high abolishment costs across all remaining consumers, creates an unfair and unsustainable cross-subsidy. However, the AEMC's proposed 'user-pays' model replaces this equity problem with an equally severe safety and market-failure problem. The draft rule risks institutionalising a market failure by incentivising "dormant connections," which creates higher long-term costs and new safety risks.

As detailed in our previous submission[1], an effective transition framework requires Equity, Efficiency, Safety, and Strategic Order. The current draft rule fails these tests by incentivising "dormant connections"—a market failure that imposes higher costs and safety risks across the system.

The key question is not just "who pays?" but "who pays for the safest, lowest-cost approach?"

We urge the Commission to amend the draft rule to incorporate a risk-based approach, grounded in compelling, real-world evidence from transitioning jurisdictions.

Recommendations

VEFN recommends the AEMC amend the draft determination to:

1. **Mandate a Risk-Based Disconnection Framework.**
   Replace the uniform abolishment model with a "Targeted Permanent Disconnection" framework (detailed in our prior submission[1]). This approach is supported by Evoenergy's formal safety assessments[2] and distinguishes between risk profiles to apply appropriate disconnection methods.

2. **Establish a Safe, Low-Cost Default Service.**
   For most residential customers electrifying, temporary meter-level disconnection is safe and sufficient. This should be the default procedure, providing a low-cost pathway to exit the network while aligning with safety engineering principles.

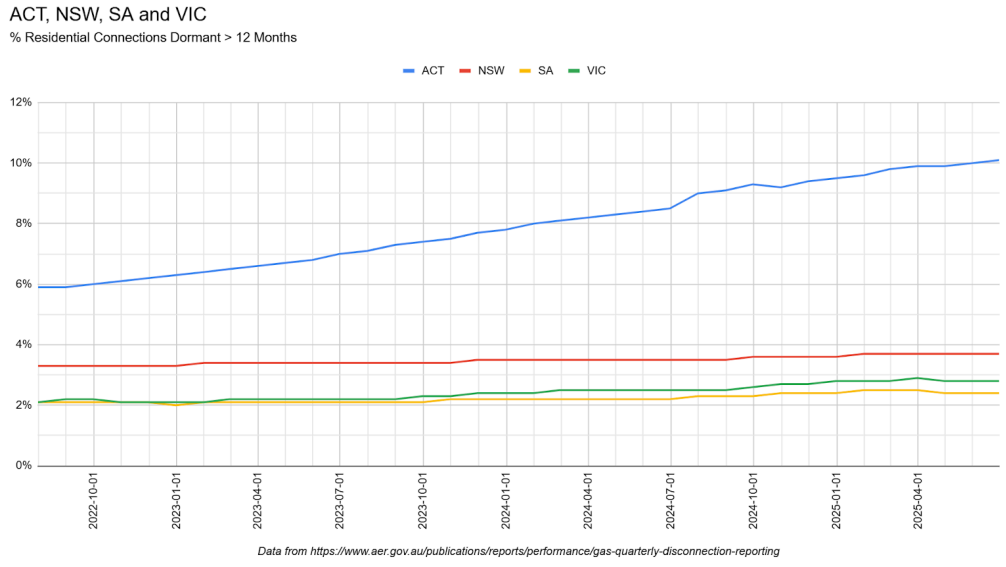
3. **Reserve High-Cost Abolishment for High-Risk Scenarios.**
   Full permanent abolishment should be reserved for high-risk situations such as property demolition or sale of fully electrified properties. This targets safety resources where they deliver the greatest risk reduction.

4. **Mandate Clear Consumer Information.**
   The rules must address the critical information gap identified by Evoenergy.[2] New obligations should require retailers and distributors to provide customers with clear, timely, and unambiguous information about their disconnection options, including the costs, safety implications, and ongoing responsibilities associated with each choice. Consumers must be empowered to make informed decisions about their energy transition.

The Critical Flaw: Incentivising Unsafe Dormant Connections

The draft rule fails to anticipate consumer behaviour. High upfront fees (over $1,000 in Victoria) create a powerful incentive for households to avoid formal abolishment. The most common alternative is to simply terminate their retail contract, creating a "dormant connection" where the service line remains physically connected to a live gas main.

This is not theoretical. The Brotherhood of St Lawrence notes that in the ACT, a jurisdiction with a strong electrification policy but no abolishment subsidy, nearly 10% of residential gas connections have been dormant for over 12 months.[3]



This proliferation of dormant connections is a direct policy failure that introduces unmanaged safety risks and ongoing maintenance costs, which are ultimately socialised across the shrinking pool of remaining, often more vulnerable, gas customers.

The draft rule would replicate this failure on a national scale, undermining the very safety and equity objectives it seeks to achieve.

The Evidence for a Risk-Based Approach

Real-World Evidence from the ACT

The most compelling case for an alternative framework comes from the direct experience of Evoenergy, the network operator managing Australia's most advanced gas-to-electric transition.[2] As detailed in its submission, Evoenergy conducted a formal safety assessment which concluded that the cost of permanently disconnecting all non-consuming residential properties is disproportionate to the risk and fails the "As Low As Reasonably Practicable" (ALARP) test.

Engineering and Safety Rationale

This finding is not merely operational preference. It represents a formal safety engineering determination. It demonstrates that from a safety and engineering perspective, a temporary, meter-level disconnection is a safe and sufficient measure for the vast majority of electrifying households. The AEMC's regulatory framework must align with this evidence and incorporate the proven risk-based methodology that prioritises both safety outcomes and cost-effectiveness.

Ignoring this evidence would mean imposing unnecessary costs on consumers while failing to achieve commensurate safety benefits which represents clearly inefficient regulatory design.

Conclusion: The Need for an Evidence-Based Rule

The AEMC has a critical opportunity to establish a durable and effective national abolishment framework that reflects real-world safety engineering and consumer behaviour. However, the current draft determination, if finalised unchanged, would institutionalise a market failure, making the gas transition more expensive, more dangerous, and less equitable for vulnerable consumers.

VEFN strongly urges the Commission to amend the draft rule in line with our recommendations. By mandating a low-cost, meter-level temporary disconnection as the default service, the Commission can solve both problems simultaneously. This approach both eliminates the unfair cross-subsidy that JEC correctly identifies, and also eliminates the powerful incentive for consumers to create unsafe dormant connections, which is the primary flaw in the AEMC's current draft. By adopting the evidence-based, risk-focused principles detailed in this submission and our Gas Networks in Transition response, the AEMC can create a framework where the safe choice is also the economically rational

choice for consumers, thus supporting an orderly transition that protects all stakeholders.

We remain available to discuss these recommendations in further detail and to provide additional technical information as required.

Works cited

1. VEFN submission to AEMC Gas Networks in Transition consultation paper, “VEFN Submission Gas Network Transition.pdf”, acessed on November 4, 2025, https://www.aemc.gov.au/sites/default/files/2025-11/4._victorian_energy_futures_network_-_grc0082_cp_submission.pdf
2. Evoenergy Submission to AEMC, Reference code: GRC0085, GRC0086, 10 July 2025, accessed on October 30, 2025, https://www.aemc.gov.au/sites/default/files/2025-07/6.%20Evoenergy%20GRC0085%20CP%20Submission.pdf
3. BSL submission to AEMC gas connections consultation paper, accessed on October 30, 2025, https://www.aemc.gov.au/sites/default/files/2025-07/12.%20Brotherhood%20of%20St%20Lawrence%20GRC0085%20CP%20Submission.pdf

About Victorian Energy Future Network

www.vefn.au

VEFN is a network of volunteer experts helping policymakers plan the gradual shutdown of gas distribution systems in Victoria, with lessons that could inform Australia's broader energy transition. Our team develops expert policy advice for the government to accelerate Victoria's transition to a clean energy future.

We focus on creating a policy landscape that enables all Victorians to eventually live in healthier, safer, and more comfortable all-electric homes.