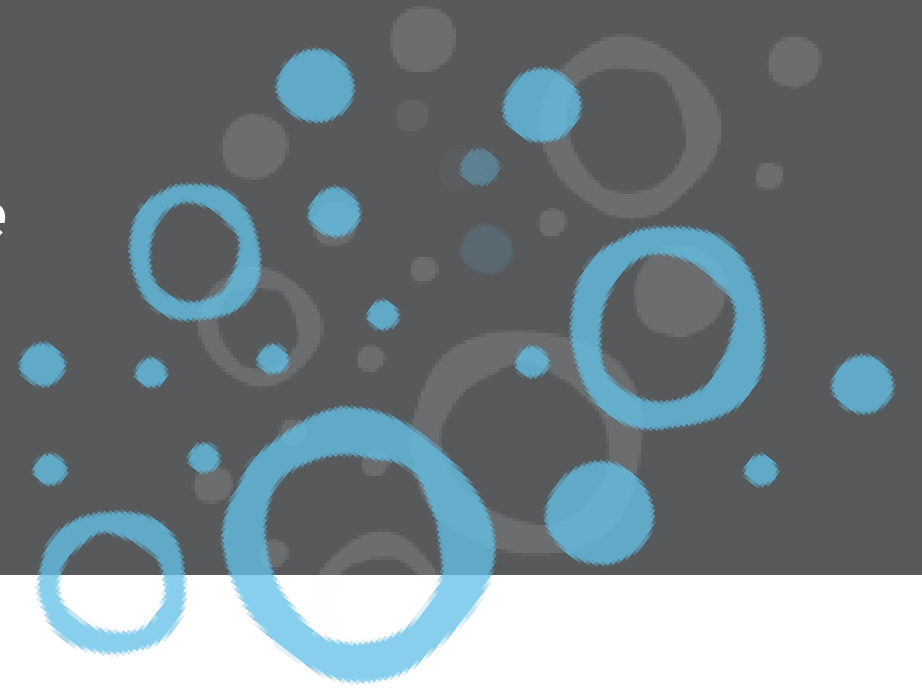


A E M C

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work.

We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.



ACKNOWLEDGEMENT OF COUNTRY

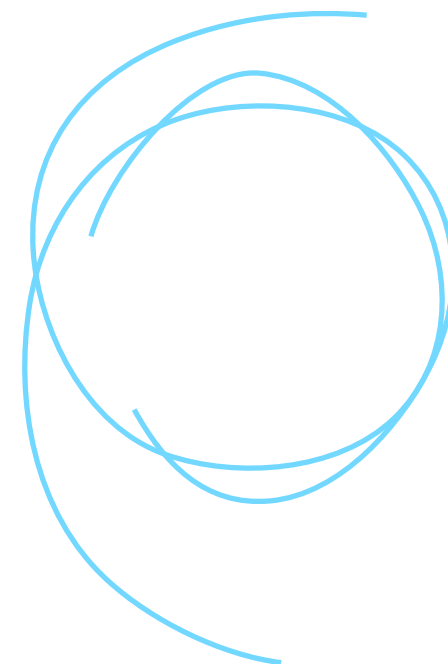
A graphic at the top of the slide features a dark blue background with a dense field of small, light blue dots. A horizontal orange rounded rectangle is positioned near the top, containing the text 'STAKEHOLDER FORUM'. Below this rectangle, several light blue lines of varying lengths extend downwards, each ending in a small circle, resembling a stylized network or a group of people. The bottom edge of the graphic is a wavy, light grey line.

STAKEHOLDER FORUM

Australian Energy Market Commission

Gas networks in transition

9 April 2026



COMPETITION PROTOCOL

KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
- **targeting (or not targeting) customers** of a particular kind, or in particular areas
- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

COMPETITION PROTOCOL

COMMUNICATION AND
MEETING GUIDELINES



Attendees must ensure that all communications (including emails and verbal discussions) adhere to the ***Key Principles***.

This forum will be conducted in accordance with the following rules:

- The agenda for this forum does not include anything that could contravene the Key Principles set out in this protocol.
- We will read and minute the below *competition health warning*:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles.
- We will keep accurate minutes of the forum, including details of attendees.
- If something comes up during the forum that could risk contravening any competition laws, attendees should:
 - Object immediately and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the forum with their respective legal counsel immediately afterwards.
- All attendees understand that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each attendee.

CONSENT TO USE OF PERSONAL INFORMATION

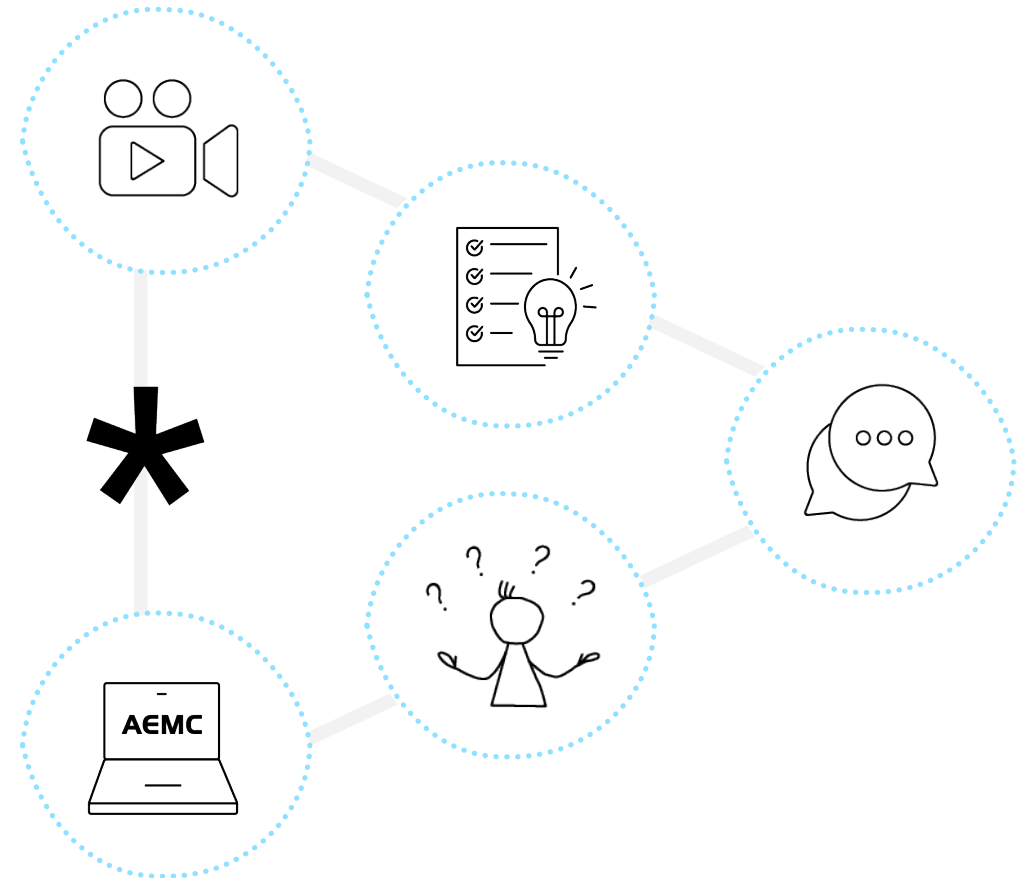


By participating in this workshop, **you give your consent** to our collection, use and disclosure of the personal information you provide to us during this workshop (like your name) for the purpose of completing our consultation and publishing our draft and final determinations and reports on this rule change or review.

This may include **publishing a recording or transcript of the workshop, including your questions or comments.** We will not publish any participant questions or comments that we consider inappropriate, including offensive or defamatory language.

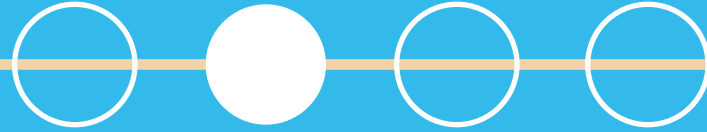
Please read our [privacy policy](#) for more information.

We may publish a transcript or recording of this workshop, which may include your questions or comments

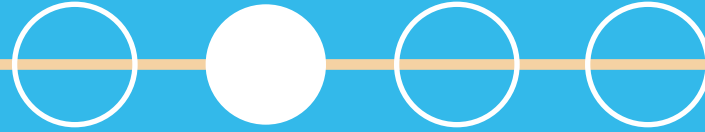


Forum agenda

	Item	Time	Presenter
1	<i>Opening of the Public forum and Commissioner introduction (Slide 7)</i>	2:00-2:15pm	Danielle Beinart – EGM, N&T Rainer Korte - Commissioner
2	<i>AEMC overview of context and scope (Slides 8-11)</i>	2:15-2:20pm	Martina McCowan – Project sponsor
3	<i>Our proposed direction for reform (Slides 13-18)</i>	2:20-2:35pm	Ashwin Raj – Project lead
4	<i>Next steps and timeline (Slides 19 – 20)</i>	2:35-2:40pm	Martina McCowan – Project sponsor
5	<i>General Q&A (Slide 21)</i>	2:40-2:55pm	Martina McCowan – Project sponsor
6	<i>Closing remarks</i>	2:55-3:00pm	Danielle Beinart – EGM, N&T



Commissioner introduction



Context and scope

Energy Consumers Australia (ECA) and Justice and Equity Centre (JEC) rule change requests on gas distribution networks in the energy transition

- **Depreciation:** ECA propose stronger conditions on when scheme pipelines that are gas distribution networks and the regulator can accelerate the recovery of capital costs through changes to the depreciation criteria.
- **Capital expenditure criteria:** ECA propose changes to the criteria used to determine whether capital expenditure proposed by scheme pipelines that are gas distribution networks is justifiable. ECA's proposal would require, amongst other things, the service provider and the regulator to give explicit consideration to the impacts of declining demand.
- **Planning requirements:** ECA propose new planning reporting obligations on all distribution networks. ECA's proposal would provide regulators, governments, electricity networks and other stakeholders with information required to understand the opportunities to minimise expenditure and energy system costs.
- **Accelerated depreciation and redundancy:** JEC propose changes to the depreciation and redundant asset provisions applying to gas distribution networks. JEC's proposal would prohibit service providers and the regulator using accelerated depreciation for the purpose of managing capital cost recovery for assets at risk of stranding, unless the regulator has undertaken an assessment of asset redundancy and determined how the redundant asset costs should be shared. JEC propose this as an alternative to the ECA's Depreciation rule change.

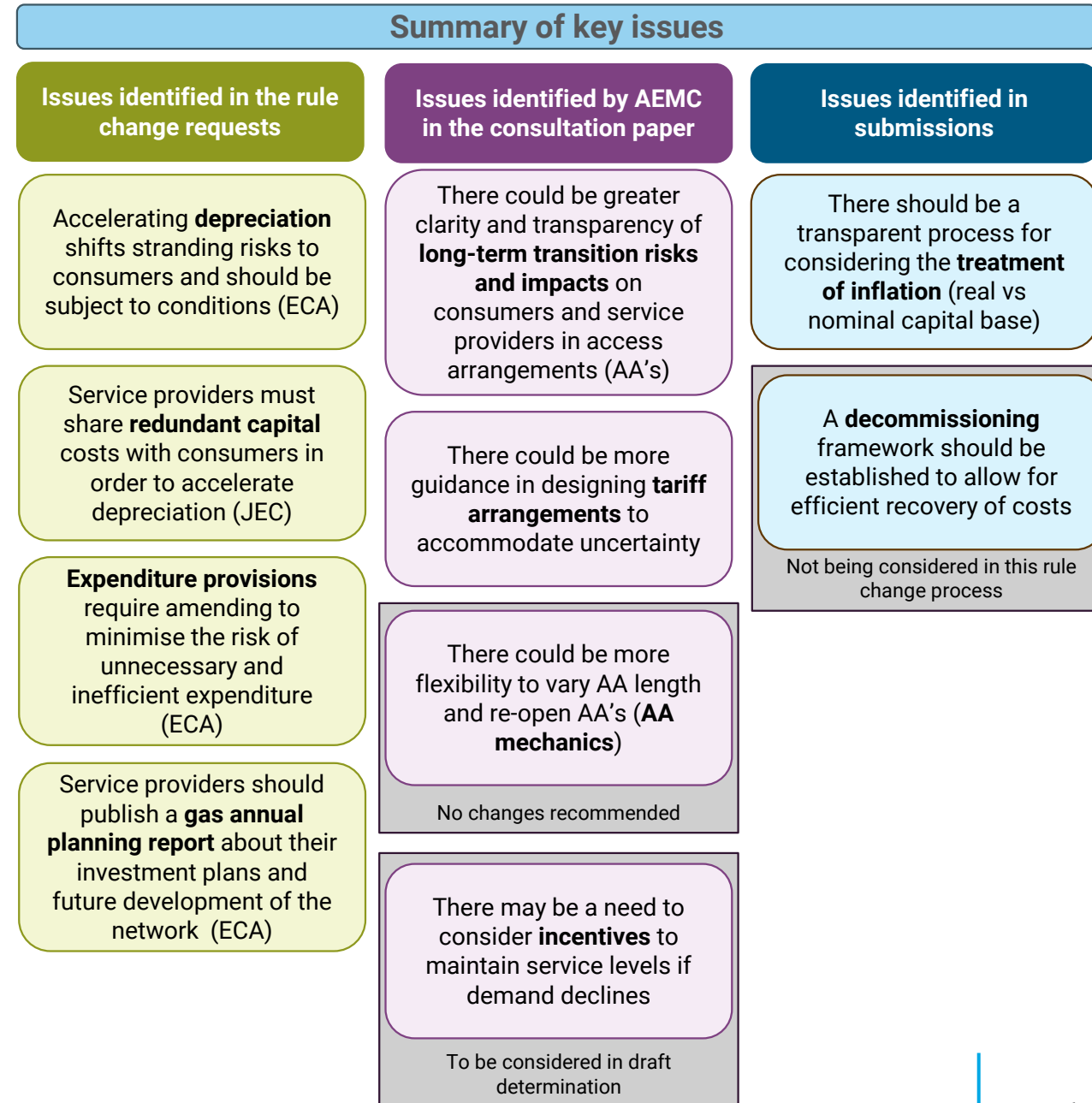
Issues considered by the *Gas Networks in Transition* rule change project

Our problem statement: Ensure that the regulatory framework for gas pipelines is fit-for-purpose in the context of:

1. **varying jurisdictional policy paths to decarbonisation, and**
2. **an uncertain gas demand outlook in the residential and small commercial customer segments** (see next slide).

What's being considered:

- The project focuses on potential improvements to the existing regulatory tools **within the current NGR framework** for economic regulation of gas pipelines.
- **We will not establish an NGR decommissioning framework as part of this rule change process** – this is a complex multi-faceted project, involving several distinct phases and requiring a range of inter-related activities that need to be supported by coordinated national and jurisdictional action. We will continue to engage with key stakeholders, including jurisdictions, on the best way forward.



The gas transition is taking place in an environment of varying jurisdictional policy and uncertain demand from residential and small commercial customers

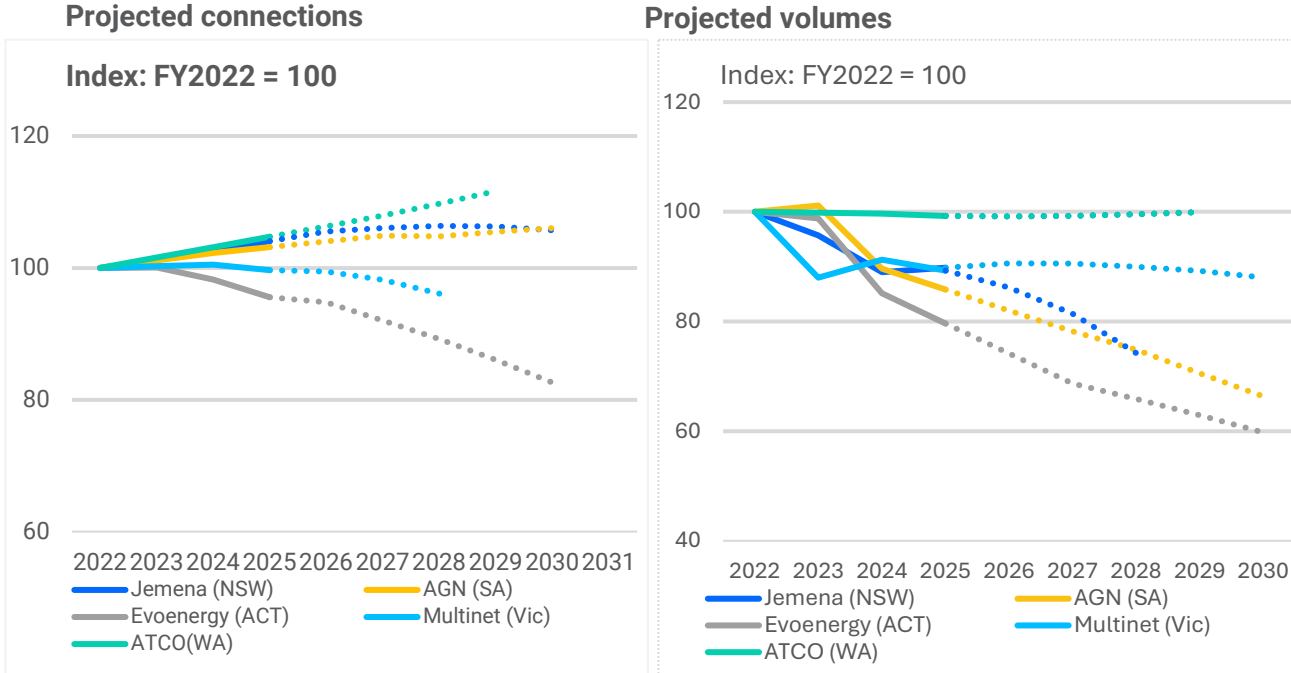
1. Jurisdictional policies on new gas connections and phase-out are varied

- Jurisdictional policies affecting residential and small commercial gas use range from explicit phase-out and electrification pathways to policies that emphasise customer choice and the continued role of gas.*
- Policy diversity is contributing to uncertainty about the pace and extent of demand decline, creating challenges for the economic regulation of gas distribution networks.

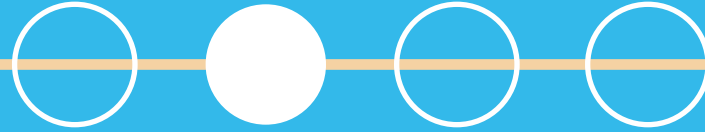
Region	Mandate	Relevant Policy
ACT	Ban on new connections for residential and small commercial buildings.	Integrated Energy Plan Climate Change and Greenhouse Reduction Act (2010)
NSW	No state-wide mandate. Several local governments have introduced bans on connections for new developments and large commercial/hotel buildings.	Development Control Plans
VIC	Ban on new gas connections in new homes and most commercial buildings.	Gas Substitution Roadmap
QLD, SA, WA	No formal gas phase-out or ban on new connections.	N/A

2. Residential and small commercial gas consumption is projected to decline, projected growth in new connections varies across networks

- Forecasts point to a long-term decline in residential and small commercial customer use, driven by electrification, appliance replacement cycles, emissions policies and relative energy cost.
- However, there is considerable uncertainty around the extent to which the residential and small commercial gas demand outlook will change across gas distribution networks.



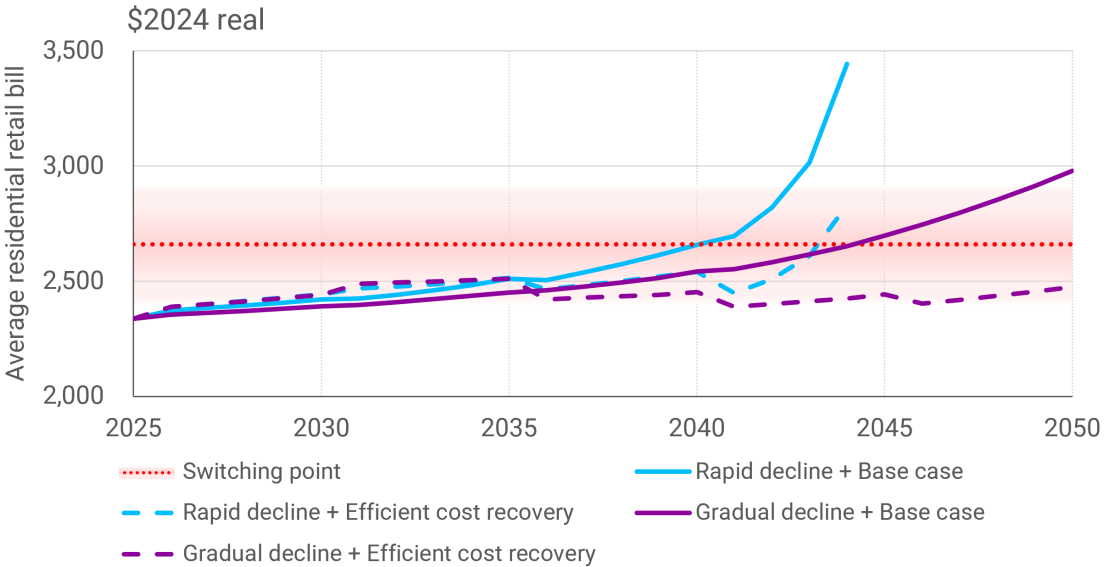
* Some jurisdictions have adopted policies that recognise a potential role for renewable gases, including hydrogen blends and biomethane, in gas distribution networks as part of decarbonisation pathways. See South Australian Government, [South Australia's Hydrogen Action Plan](#) (Department for Energy and Mining, 2021) and New South Wales Government, [NSW Renewable Fuels Strategy](#) (Department of Climate Change, Energy, the Environment and Water, 2024).



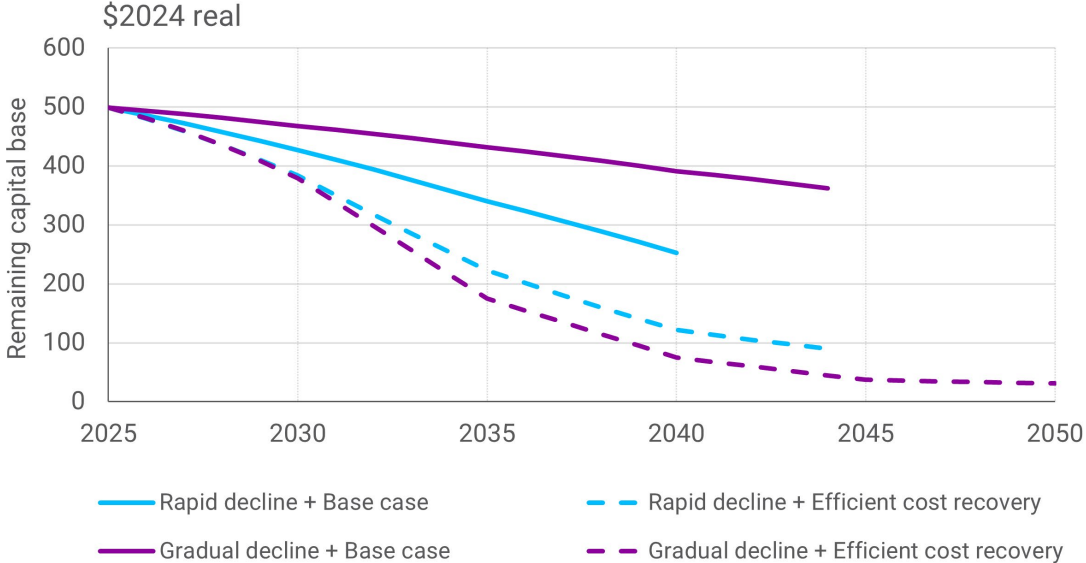
Our proposed direction for reform

Uncertain and/or declining gas demand creates a risk to an orderly energy transition

Financial risks – falling gas demand may cause reference tariffs to rise and become more volatile, potentially being distributed over fewer customers (who are the most likely to face switching barriers)



Service provision risks – falling gas demand may increase the risk that service providers are unable to fully recover their capital, which may affect incentives to invest efficiently to operate and provide safe and reliable gas services for those customers remaining on the network



Our modelling exposes the boundaries of the regulatory framework in addressing the impacts of rapidly declining demand on consumers and network service providers

Our proposed direction: A holistic reform proposal

Long-term outlook

Proposed direction: New requirements on service providers to propose and the regulator to respond to a long term (20 year) outlook

Capital cost recovery

Proposed direction:
Amend existing tools to support efficient capital recovery

Depreciation: remove presumption of demand growth and clarify the application of the depreciation rules

Treatment of inflation (real v nominal capital base): introduce a decision point for how inflation is to be treated in the AA period

Redundant capital: Clarifying and updating the redundant capital and re-use of redundant capital provisions and providing guidance on their use

Expenditure assessments

Proposed direction:
Amend capex and opex provisions to minimise expenditure

Capex: require service providers to justify all capex through a quantitative assessment of all credible options; adopt an outcomes-based approach for justifying safety-related capex; and using forecast (and not existing) demand to justify capex

Opex: amend the definition of operating expenditure by adopting more neutral language to remove presumption of growing demand

Reference tariffs

Proposed direction:
Amend tariff arrangements to accommodate different transition scenarios

Reference tariffs: require the service provider and the regulator to consider customer impacts within and beyond the 5-year AA period and provide guidance on how to apply efficiency concepts

Tariff variation mechanism: require the service provider and the regulator to consider customer impacts within and beyond the 5-year AA period

Embedding a long-term regulatory outlook

Embedding a longer-term (20 year) outlook into AAs enhances transparency and promotes consistent AA proposals and regulatory decisions by:

- Surfacing transition risks earlier when a broader set of regulatory tools remains available
- Supporting transparency and accountability in how service providers and regulators have made decisions to trade off the use of different regulatory tools to address transition risks
- Allowing for more effective stakeholder engagement by providing more insight and visibility over how present-day regulatory proposals and decisions are expected to impact transition risk in the future.

Implementation costs are minimised by building and expanding on the long-term analysis currently undertaken by service providers and the regulator

Long-term outlook

Service providers to propose a 20-year outlook for their networks as part of their AA proposal and the regulator to consider and respond to this outlook when making its regulatory decisions

Service providers and the regulator to assess and report on the longer-term consequences of their AA proposals and regulator decisions for both:

- Consumers, in terms of prices, service availability and the safety, security and reliability of service over the short, medium and longer term
- Service providers, in terms of capital cost recovery, as well as their incentives to continue to operate and maintain their pipelines through the transition, or to repurpose their pipelines

Supporting efficient capital cost recovery

Support regulatory decisions that are in the long-term interests of consumers by:

- Clarifying the role of the regulator when assessing depreciation, treatment of inflation, redundant and re-use of redundant capital proposals.
- Requiring explicit consideration of the NGO and RPPs in service provider proposals and regulatory decisions.

Capital cost recovery tools represent a package of regulatory tools to manage pricing impacts and stranding risks, and emulate what would happen in a competitive market

- Aligning capital recovery with the expected use of the network helps smooth price trajectories
- Removing stranded capital from the capital base ensures consumers are not paying for assets they are not using.

Capital cost recovery

Depreciation

- Providing more guidance on the circumstances in which accelerated depreciation may be appropriate.
- Replacing references to demand growth in the depreciation provisions with more neutral language.

Treatment of inflation

- Introducing a decision point in the rules for how compensation for inflation is to be recovered in an AA period.
- Providing more guidance on the circumstances in which a real, nominal or other approach to inflation may be appropriate.

Redundant capital and re-use of redundant capital provisions

- Clearly specifying the types of redundancy that it can deal with (i.e. full (unused) or partial (underutilised) redundancy).
- Allowing the regulator to remove partial redundant capital from the capital base, subject to mandatory considerations and constraints in the rules.
- Replacing the AA redundant capital mechanism with a rules-based mechanism.
- Amending the re-use of redundant capital provisions to provide for appropriate tests for the re-use of both full and partial redundant capital.

Minimising expenditure while supporting safety and reliability

Supporting expenditure discipline through increased transparency and greater accountability by:

- requiring clearer justification of service providers' capex proposals, including quantitative assessment of credible options
- adopting a more outcomes-focused approach to justifying safety-related capex
- refocusing the justification for capex to meet forecast demand (rather than maintaining existing levels of demand)
- maintaining opex flexibility by removing demand growth assumptions while allowing prudent and efficient spending.

Expenditure assessments

Capital expenditure (capex)

- Clarifying that all capex must be justified through a quantitative assessment of all credible options related to the provision of regulated pipeline services.
- Amending the justification for safety-related capex from necessary to maintain and improve the safety of services to necessary for the safe operation of pipelines and use of services.
- Replacing the reference in the capex criteria to maintaining capacity to meet existing levels of demand, with maintaining capacity to meet forecast levels of demand (excluding where an expansion of pipeline capacity is required).
- Requiring service providers and regulators to explicitly link the driver for capex to one of the capex provisions in the NGR

Operating expenditure (opex)

- Amending the definition of opex to remove the reference to expenditure being incurred to increase long-term demand for pipeline services and otherwise develop the market for pipeline services.

Amending tariff arrangements to accommodate different transition scenarios

Supporting efficient tariff arrangements that promote the long-term interests of consumers under the energy transition

- Requiring the service provider and the regulator to consider and explain how **reference tariffs** and **tariff variation mechanisms** may impact customers within and beyond the AA period
- Providing guidance on how the concepts of long-run marginal cost, standalone costs and avoidable costs should be applied to suit the specific circumstances of an AA

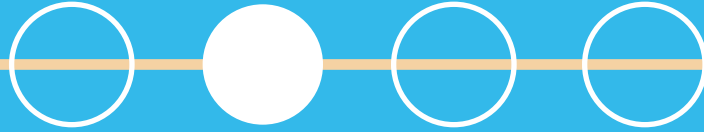
Reference tariffs

Reference tariffs

- Requiring service providers and the regulator to explicitly consider and explain how tariff classes, structures and variation mechanisms would impact customers within and beyond the AA period.
- Clarifying that service providers and the regulator only need to consider long-run marginal cost (LRMC) when it contributes meaningfully to the design of reference tariffs that reflect the cost of service.
- Guiding service providers and the regulator on how to apply the concepts of standalone and avoidable cost when designing reference tariffs to suit the specific circumstances of an AA.

Tariff variation mechanism

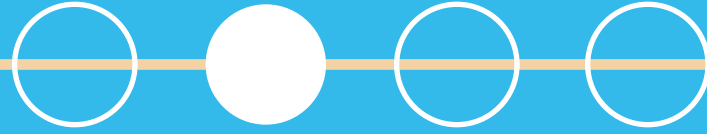
- Requiring service providers and the regulator to explicitly consider and explain how tariff variation mechanisms would impact customers within and beyond the AA period.



Next steps and timeline

Timeline





Questions

AEMC



Keep in touch

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