SACOSS
South Australian Council of Social Service

# SACOSS Submission to AGN's Final Plan for the 2026-31 Access Arrangement

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The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for non-government health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. Our purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantage and low-income consumers in South Australia.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows the cost of basic necessities disproportionately impacts people on low incomes or experiencing disadvantage. SACOSS participates and engages in regulatory processes relating to the provision of essential services to promote better outcomes for South Australian households.

SACOSS welcomes the opportunity to respond to AGN's Final Plan for the 2026-31 Access Arrangement (AA) and to have participated in the South Australian Reference Group (SARG). As we did in our response to the Draft Plan, we want to recognise the ongoing challenges facing network distributors such as AGN – as well as the Australian Energy Regulator (AER) – in balancing the competing priorities of ensuring affordability for current customers, the long-term interests of all customers, and the sustainability of the network. In this submission, SACOSS are not looking to relitigate or reiterate evidence and issues raised in our submission to the Draft Plan, and instead seek to provide feedback on areas of the Final Plan that in our view are either insufficiently addressed or do outline an appropriate way forward for the gas network in South Australia.

While we recognise that AGN have made adjustments and provided a significant volume of additional information since the Draft Plan, we have concerns that some elements of the Final Plan do not adequately address the risks and costs associated with a clean energy transition, nor the distribution of those risks between AGN and consumers.

Our core position is that residential and low-income consumers must not be saddled with risks and costs that properly sit with the gas network distributor. AGN is a regulated monopoly business, with a guaranteed revenue stream backed by regulation. By contrast, households have little to no ability to influence the trajectory of network costs, yet they are expected to bear them. This asymmetry in risk allocation is neither fair nor sustainable, and the regulator must guard against outcomes that entrench disadvantage.

We expand on our responses to AGN's Final Plan below, but our key points that we wish for the AER to consider coming out of this submission are as follows:

- While AGN places weight on hydrogen, biomethane and "carbon-neutral gas" as future options, these remain uncertain, currently high-cost, and without a clear roadmap for delivery. There is a risk that pursuing these pathways could shift additional costs onto households, particularly those on low incomes.
- We support a move towards flatter tariffs, but note that AGN's analysis would benefit from greater nuance in its presentation to ensure that the impacts on residential users as opposed to commercial and industrial users are properly understood.

- We do not support a shift from a price cap to a hybrid model, as this would transfer demand and stranded asset risks to consumers while reducing incentives for efficiency within the network.
- We do not support abolishment charges, as requiring households to pay for disconnection may penalise those seeking to manage costs or transition away from gas, could undermine emissions goals, and raises potential safety concerns. We consider that these costs are more appropriately socialised and reported transparently.
- We also do not support accelerated depreciation, as this sits uneasily alongside continued network expansion, places additional costs on households, and highlights wider regulatory issues that we believe require a broader policy response.

Overall, it is important that consumers — particularly vulnerable households — are not asked to bear the risks of emerging technologies, stranded assets, or mechanisms designed to protect network revenues.

We would also reiterate that in this submission, unless specified otherwise, our comments focus on and apply to residential gas use and distribution. We are not looking at commercial and industrial gas use or impacts of the Final Plan.

## Future of Gas

We remain sceptical that AGN's proposed renewable gas pathway is a credible or consumer-protective strategy. AGN's Final Plan places significant weight on hydrogen, biomethane and so-called "carbon-neutral gas" as pathways to support the continued role of the network. SACOSS considered these pathways to be overstated and, in many cases, unrealistic. We provided evidence for our stance on this matter in our submission[1] to the Draft Plan, and we do not seek to relitigate those arguments here. However, there are matters that remain unaddressed in AGN's Final Plan despite the additional material they have provided. Sweeping assumptions are made about the scale and cost of renewable gas development between 2030 and 2050, yet there is no clear roadmap or evidence of how these targets will be achieved nor of what the cost will be to consumers.

SACOSS maintains our view that hydrogen for household use is simply neither credible nor economical. Costs are prohibitively high and recent project closures underscore the fragility of the economics. Even under optimistic assumptions, we are yet to see sufficient evidence that hydrogen can compete with electrification for domestic energy services such as cooking, heating or hot water. The blending of hydrogen into existing networks and with other gases may marginally reduce emissions, but at significant cost, and without providing consumers with meaningful benefits.

Biomethane has also been presented as an option, but we believe its potential is limited and risks being overstated by AGN. Production costs remain high and are unlikely to be competitive with electricity, particularly for households.

[1] SACOSS, 2025, *Submission to AGN's Draft Plan for the 2026-31 Access Arrangement*

Consumers, especially low-income households, cannot be asked to delay electrification or shoulder the risks of unproven and costly renewable gas pathways. Nor is it appropriate for AGN to build assumptions into its Final Plan about government support schemes – such as renewable gas certificate programs – that have not been formally announced or endorsed. The proposal assumes that government schemes will emerge to subsidise renewable gases and offset the costs of commodity price increases. At present, no such schemes exist, and there is no clear policy direction that SACOSS is aware of that would justify AGN building its regulatory plans around this assumption. In fact, consumers are already being asked to fund the cost of renewable gas certificates from 2026 onward in this proposal. It is not reasonable to expect households, particularly low-income households, to shoulder the risks and costs of speculative technologies or unproven policy mechanisms.

We also note references to “carbon-neutral gas” in the Final Plan, including reliance on carbon capture and storage or carbon offsets. These technologies raise significant concerns around greenwashing, and questions remain regarding their effectiveness[2][3].

## Revenue and Tariffs

SACOSS have consistently articulated a case for moving away from declining block tariffs in the South Australian distribution network, outlining our preference for an inclining block structure or – at the very least – flatter tariffs[4].

SACOSS acknowledges AGN’s provision of bill stability in the proposed AA during a cost-of-living crisis. However, this must be weighed against the structural reality of declining demand and projections of future price increases. Residential gas consumption has already fallen by more than 16% per consumer in the first three years of the current period, and further reductions are expected. This creates an existential question for network cost recovery. Further, it also raises the question of why households should potentially pay more – which they could, under declining block tariffs, if their usage is low – and how this aligns with emissions reduction goals. We therefore support the move towards a flatter tariff structure in the Final Plan as put forward by AGN.

That being said, there are minor aspects of AGN’s tariff reform analysis that could be clearer, particularly in how the impacts of flatter tariffs are presented. This is an issue that was raised in submissions to the draft plan, and while we acknowledge the effort AGN has made to consult on tariff reform, the Final Plan still does not fully resolve these concerns. We raise these concerns only to ensure that the impact on consumers – particularly residential consumers – can be readily and easily understood.

In particular, there continues to be limited clarity around which groups of consumers may experience cost increases versus decreases, and how those impacts are distributed between residential and commercial/industrial customers. For example, higher-usage households may face larger increases under flatter tariffs. We recognise that some of these households

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[2] IEEFA, 2020, *Carbon Capture and Storage is about Reputation, Not Economics*

[3] IEEFA, 2024, *Why carbon capture and storage is not the solution*

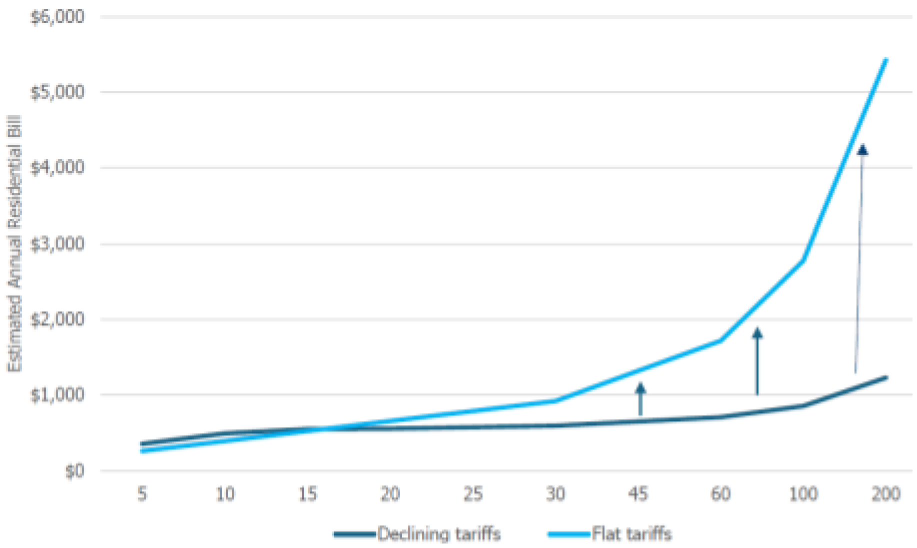
[4] Refer to the above submission, and also SACOSS, 2024, *Submission to Draft Reference Service Proposal, Form of Revenue Control and Tariff Structure for the South Australian Distribution Network 2026/27 – 2030/31*

could be low-income families with higher consumption due to household size, and we acknowledge that they should not be overlooked. However, this points to the need for targeted interventions to support such households, rather than relying on declining tariff structures that spread costs in less equitable ways.

A clearer presentation of the number and type of households affected – including low-income and high-use households – would enable better-informed engagement and decision-making.

Finally, while it may not be intentional, elements of the graphical presentation of tariff impacts are misleading. The x-axis of the below graph found on page 143 uses uneven intervals that create a quasi-logarithmic effect, making the flat tariff line appear to accelerate at higher consumption levels, and exaggerating the visual difference between tariff types at the upper end while compressing the lower end. Without an explanation of this approach, the graph risks being misinterpreted and may undermine consumer confidence in the analysis. Accuracy and clarity in how tariff reform is communicated are essential to building trust and ensuring that consumers can meaningfully engage with the choices being presented.

Figure 14.1: Estimated annual bill based on 2025/26 tariffs by annual gas consumption (GJ) under declining and flat pricing structures ($ nominal)




We also seek to address the changes in approach to the revenue cap that AGN is proposing in the Final Plan. SACOSS finds it of great concern that AGN is proposing to move away from the Weighted Average Price Cap (WAPC) revenue control mechanism. While this may stabilise revenues for AGN, it effectively transfers volume risk onto consumers. If demand falls faster than forecast, customers – particularly those unable to electrify or disconnect - will face higher unit costs to maintain AGN's guaranteed revenue. This raises the spectre of stranded asset costs being socialised onto households least able to bear them. Meanwhile, AGN's incentive to pursue efficient demand management or network innovation is diminished. The proposed revenue model is thus skewed in favour of the distributor at the expense of consumers. We have previously argued in favour of maintaining the price cap form of revenue control in South Australia[5], as is supported by IEEFA's recent work[6]. SACOSS strongly urges the AER to interrogate the fairness of this approach.

## Reference services

SACOSS continues to oppose the introduction of abolishment charges. Classifying abolishment as a reference service is appropriate, but charging households directly for it is not. Many households seeking disconnection do so in response to affordability pressures, housing efficiency goals, or policy-driven electrification. An abolishment fee would unfairly penalise these consumers and create a barrier to transition, particularly for those on lower incomes.

It is inconsistent and inequitable to charge for disconnection while new network connections remain free. Such a policy actively undermines emissions reduction objectives and entrenches inequity. Furthermore, abolishment remaining at no or low cost is important for safety: charging households risks pushing them towards informal or incomplete disconnections, creating community safety hazards. With abolishment numbers currently low and costs negligible, there is no rational basis for shifting this burden onto individual households at this time.

While SACOSS accepts that this issue may need to be revisited in future arrangements, any change must be based on clear evidence of rising costs and symmetrical treatment of entry and exit. This will also be largely dependent on the outcome of rule changes currently being proposed by Energy Consumers Australia (ECA)[7] and the Justice Equity Centre (JEC)[8]. Until then, abolishment costs must remain socialised. We also call for disaggregated reporting on abolishments by customer type to enhance transparency and support long-term planning.

## Accelerated depreciation

SACOSS remains deeply concerned about AGN's proposal for accelerated depreciation. In our submission to the Draft Plan, SACOSS flagged that depreciation decisions must be transparent and consumer-focused, emphasising that affordability and long-term price stability – not network revenue needs – should guide these decisions. We also recognise AGN's decision to not label their approach as accelerated depreciation. However, that is the terminology we have previously used in our submissions and will continue to use in this one. On reviewing the Final Plan as put forward by AGN, we are of the view that any form of accelerated depreciation within this context is inappropriate and unfair for consumers.

On the one hand, AGN projects ongoing network expansion and renewable gas development; on the other, it seeks to accelerate recovery of existing assets. This appears contradictory and risks allowing AGN to "have its cake and eat it too" – growing the asset

[5] SACOSS, 2024, *Submission to Draft Reference Service Proposal, Form of Revenue Control and Tariff Structure for the South Australian Distribution Network 2026/27 – 2030/31*
[6] IEEFA, 2024, *Gas networks are making persistent and significant supernormal profits*
[7] AEMC and ECA, 2025, *Establishing a regulatory framework for gas disconnections and permanent abolishment*
[8] AEMC and JEC, 2025, *Establishing a regulatory framework for gas disconnections and permanent abolishment*

base while also shortening the payback period at consumers' expense. We therefore do not think that the AER should accept AGN's proposal on depreciation as part of the final plan.

Accelerated depreciation is rapidly proving to be an inadequate tool for managing the risks of declining gas use. Under the National Gas Rules, network operators are not automatically entitled to recover all their costs, particularly where doing so would not be in the long-term interests of consumers. Expecting residential households – particularly vulnerable consumers – to fund accelerated cost recovery while AGN pursues speculative growth plans is, in our view, inadvisable.

We highlight this not as a specific criticism to be levelled against AGN, as they are only empowered to work within the rules of the system provided to them, though we remain wary of their request for changes to depreciation while seeking to grow their network. Instead, we highlight these issues with accelerated depreciation to demonstrate that the flaws in the current regulatory model, which assumed indefinite network growth, are now becoming starkly apparent. Without broader government intervention and policy reform, there is no equitable way to resolve the looming stranded asset problem through regulatory tools alone. Consumers cannot be expected to bear additional and growing costs of a system built on flawed assumptions, particularly when they have limited opportunities to opt out of it.

The energy transition presents complex challenges for gas networks, regulators, and governments. But one principle must remain paramount: residential and low-income consumers must not bear risks that properly belong with the network distributor or that should be addressed through government policy. Protecting vulnerable households during this time of uncertainty and as we collectively work to assess the future of gas use must not simply be a regulatory box-ticking exercise; it is a matter of ensuring equity, affordability, and public confidence in the energy system.

SACOSS looks forward to continuing to work with AGN, the AER, and other stakeholders to ensure that the 2026-2031 Access Arrangement provides equitable, affordable, and sustainable services for gas consumers in South Australia. Should you have any questions or would like to discuss anything in our submission, please contact our Senior Policy Officer Malwina Wyra at [redacted]