

Our Ref: 30,962,138v1
Your Ref: GRC0086
Contact Officer: Dale Johansen

20 January 2026

Alisa Toomey
AEMC Project sponsor

Dear Ms Toomey

Re: Establishing a regulatory framework for retail customer initiated gas abolishment

The Australian Energy Regulator (AER) welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on the draft determination and draft rule for *Establishing a regulatory framework for retail customer initiated gas abolishment*.

AEMC draft determination

The AEMC's draft determination responds to a National Gas Rules (NGR) change request by the Justice and Equity Centre (JEC) which sought to establish rules-based definitions of gas disconnection services, mandate cost reflective abolishment tariffs and promote consistent regulatory outcomes.¹

The AEMC's draft rule gives effect to JEC's request by establishing outcomes-based definitions for disconnection services, mandating cost reflective abolishment reference tariffs and facilitating contestability in the provision of disconnection services where permitted by jurisdictions. The draft rule leverages the existing Model Standing Offer (MSO) framework, creating a new role for the AER to assess disconnection MSOs submitted by scheme gas distributors. The draft rule also introduces new information requirements for gas Network Service Providers (NSPs) and energy retailers to inform decision-making by retail customers who are considering ceasing their gas use.

AER supports the draft determination with reservations

We consider the draft determination and draft rule give effect to the intent of JEC's rule change request. Incorporating in the NGR outcomes-based definitions for disconnection services will address an existing gap in the regulatory framework. This should promote consistency and certainty.

On the AEMC's draft determination to mandate cost reflective abolishment tariffs, we note the link between safe practice and the relative tariff levels for temporary and permanent (abolishment) disconnection services. Recent AER decisions to partially socialise abolishment costs across the customer base for NSPs in Victoria (2023–28) and NSW (2025–30) reflected advice from jurisdictional technical / safety regulators that abolishment is

¹ JEC, *Gas distribution network rule change request – Fit for purpose gas disconnection arrangements*, May 2025.

preferable to unused connections remaining in-situ. We also noted reports from retailers and gas distributors that customers were avoiding the abolishment service and requesting a simpler, less costly, temporary disconnection service. This is leading to growth in the number of dormant gas connections.²

By reducing abolishment tariffs from ~\$1,000 to ~\$250, the AER reduced the incentive for customers to instead request a temporary disconnection for ~\$80. In doing so, the AER noted the drawbacks of socialising a large proportion of abolishment costs:

- remaining gas customers will carry an abolishment cost burden through their retail bills
- vulnerable customers may remain connected to gas networks longer than customers with greater resources, meaning that socialising abolishment costs may be regressive.

At the time, the AER commented that socialising abolishment costs “is prudent but can only be an interim approach while governments, networks, market bodies and investors develop a long term strategy for taking gas networks forward”.³

With the above considerations in mind, the AEMC’s draft determination to delay implementation of mandated cost reflective abolishment tariffs until a scheme distributor’s upcoming access arrangement review, is appropriate. The delay would provide jurisdictional governments with time to consider, and potentially implement, policy frameworks to promote a safe and least-cost transition for scheme gas networks, their customers and the communities they serve. Meanwhile, the AER will continue to be guided by the advice of jurisdictional technical / safety regulators on safety considerations around the abolishment service.

In terms of what a policy framework for the transition could look like, one model is now being implemented by the ACT Government in partnership with Evoenergy for its 2026–31 access arrangement period. Under this model, Evoenergy’s abolishment tariffs will be cost reflective (not socialised) but a dormant gas connection will be subject to a new legislative mandate that it be abolished when the customer premises is sold.⁴ This addresses the most significant safety issue identified by some risk assessments – new owners of premises with electrified appliances may not be aware of a live gas connection at the site. It also alleviates system-wide cost pressures by allowing premises with dormant gas connections to be subject to strategic decommissioning over the longer term, in place of expensive site-by-site abolishments (unless the premises are sold before strategic decommissioning occurs).

Notably, the emerging ACT model requires involvement by economic and technical / safety regulators, the jurisdictional government (to mandate abolishment at time of sale) and the NSP. This reflects a theme the AER has previously pointed to, that effecting a safe and least-cost transition requires collective effort across multiple parties.⁵ We acknowledge too, that the ACT model is premised on advice from the relevant jurisdictional technical / safety regulator. Different conclusions about dormant connection risks could be reached by technical / safety regulators considering circumstances in their own jurisdictions, compared to the ACT context.

² AER, *Final decision – Multinet Gas Networks 2023–28, Attachment 9*, June 2023; AER, *Final decision – AGN 2023–28, Attachment 9*, June 2023; AER, *Final decision – AusNet 2023–28, Attachment 9*, June 2023; AER, *Final decision – Jemena Gas Networks (NSW) 2025–30, Attachment 9*, May 2025.

³ AER, *Final decision – Multinet Gas Networks 2023–28, Attachment 9*, June 2023, p.8.

⁴ AER, *Draft decision – Evoenergy (ACT) 2026–31*, November 2025, p.15.

⁵ AER, *Submission to AEMC – Gas networks in transition*, October 2025, p.3.

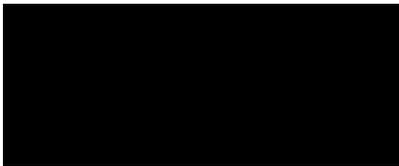
Model standing offers for disconnection services

The MSO framework for connections is a well-established element of the national regulatory framework. We consider it suitable for the AEMC's intended use regarding disconnection / abolishment services and tariffs. We note the MSO framework will also be leveraged by the AEMC to give effect to upfront cost reflective abolishment tariffs – again, with our support.

We also note that in expanding the role of MSOs, the AEMC is also expanding the AER's role in assessing MSO proposals, with implications for our internal resourcing. To deliver on our growing responsibilities around MSOs we will need to re-direct our staff resources from other workstreams or seek additional funding.

We support the AEMC's draft determination to allow, but not require, the AER to consult stakeholders when assessing a disconnections MSO. The draft determination also noted the AER may choose to release a guidance note to help distributors transition to the new arrangements. We will give both issues further consideration.

Yours sincerely



Dr Kris Funston
Executive General Manager – Network Regulation