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Dear Sir / Madam,

Thank you for the opportunity to comment on the Australian Gas Network (AGN)'s revised Access Arrangement proposal for 2026-2031.

The Office of the Technical Regulator (OTR) regulates safety and technical performance and standards in South Australia. Our submission highlights our support for the following programs:

- Meter replacement
- Cybersecurity
- The AER's methodology for UAFG volumes
- Continued mains replacement and inspection programs
- Abolishment for safety at redundant sites

We also offer a slightly different viewpoint with regards to:

- Abolishment ancillary reference service

I encourage the Australian Energy Regulator (AER) to fully assess these items to ensure all safety and technical concerns are addressed in the long-term interests of consumers.

Capital Expenditure – Meter replacement

The OTR agrees with the proposed program for meter replacement, including the replacement of domestic meters, digital metering and I&C meter replacement. Gas meter replacement is required to prevent leaks, maintain accuracy, comply with safety standards, and manage ageing infrastructure. It is a proactive safety measure, not just a billing or convenience issue and required under the South Australian Gas Metering Code and guided by AS 4944 - Gas meter in service compliance testing. Gas meter replacement can be complex to forecast. AGN currently has numerous meter types installed over many years, each with a prescribed meter life and many with life extensions of varying amounts based on testing requirements. The OTR



acknowledges and accepts the methodology detailed by AGN regarding the forecast increase in meter replacement.

Over the next access arrangement period, AGN is proposing an increased move towards digital metering.

The digital metering program is driven by safety and compliance rather than efficiency benefits. This program is required to avoid safety issues at inaccessible or hazardous sites given limited alternatives.

As a safety and technical regulator, we accept the rationale put forward by AGN and support the continued meter replacement plan and move towards digital meters and discourage any budgetary cuts for these proposed projects.

#### Capital Expenditure – Cyber security

The OTR supports the allocation for cybersecurity related investment as both prudent and essential in the context of modern energy infrastructure. Modern gas distribution networks are now digitally operated critical infrastructure, and cyber risk has become a direct safety risk, not just an IT issue. From a safety perspective, AGN's operational technology including SCADA systems, telemetry, pressure control, and remote monitoring, directly influences gas flow, pressure management, and emergency response. AGN's network is critical infrastructure under national frameworks such as the *Security of Critical Infrastructure Act 2018*, which recognises gas systems as assets that need ongoing risk management and protection against evolving threats.

#### Operating Expenditure – Unaccounted for Gas (UAFG) and Mains Replacement

We acknowledge the improvements in the level of Unaccounted-For Gas (UAFG) achieved during AGN's long-term mains replacement program, which has demonstrated the program's effectiveness. We support the AER's draft decision to approve AGN's proposal to continue mains replacement and inspection programs. This will ensure that UAFG is kept at a very low level and maintain the safety of the gas networks over time.

The OTR agrees with the AER's draft decision to use forecast UAFG volumes based on the average of the last three years up to and including 2023/24. With the mains replacement program being completed, it is expected that UAFG levels will remain extremely low in South Australia.

#### Operating Expenditure – Abolishment for safety at redundant sites

While there are currently no regulatory obligations to remove redundant services, the OTR supports the program proposed by AGN.



To assist the AER in deciding what a reasonable expenditure would be, the OTR offers the following points.

Abolishment of a service is the safest approach where gas is no longer being used by a consumer. If gas remains in a capped service line, a gas escape could occur as a result of service line damage due to a strike or material degradation over time. There is then the potential for gas to travel inside the property causing gas accumulation, asphyxiation or ignition. Overtime, changes in property ownership can further increase the risk, as the new owners may be unaware of the live gas assets within the property boundary or premises. Australian Standard AS/NZS 4645.1 – Gas distribution networks - section 8 requires that “a gas asset must be decommissioned in a way that the disconnected elements cannot become unsafe at the time of the disconnection or any time afterwards.”

This risk is to some extent mitigated in South Australia as any house connected to gas would have a meter box, either in the garden or in a wall cavity. Those meter boxes include a diagram showing where the gas line is located from the meter to the main in the street. This is not a common practice around Australia.

However, as time passes, it is reasonable to expect the risk of strike to increase over the life of the redundant service and the risk of deterioration would also increase. Subsequent clarification with AGN has confirmed their agreement with this risk profile and hence the need for this targeted program.

There are currently over 4,000 dormant connections in SA, and as detailed in AGN's access arrangement submission the OTR is now aware of 112 incidents specific to dormant connections over 2023 and 2024. This represents 18% in 2023 and 11% in 2024 of all 3<sup>rd</sup> party strikes to all service lines in SA. Each of these incidents has potential for damage or injury. This data had not been made available to the OTR until now, and the OTR understands that this data is not normally recorded when reports of third-party strikes occur. However, for the purpose of the revised proposal, we understand AGN has reviewed third party strikes on services for 2023 and 2024 and manually extracted this data.

In light of this information, the OTR strongly supports the need for a program to be put in place to reduce the number of redundant services across the South Australian gas networks.

The OTR supports the approach of setting a time factor after which redundant service must be abolished, and the OTR supports this being an ongoing program in future Access Arrangements.



In the absence of any standard practice, AGN has proposed that redundant services that have not had gas meters for over 24 months should be abolished. The OTR accepts the rationale put forward by AGN to justify this threshold.

AGN also indicated that engagement with homeowners will take place before proceeding to any abolishment of a site, which will likely result in less sites than planned being actually abolished as some homeowners may want to keep their gas service for a longer period of time.

We would encourage AGN to prioritise dormant steel pipe as part of this program along with staging the abolishment starting with the oldest services. We also encourage AGN to start recording third party strikes related to redundant services to capture the effectiveness of the program overtime.

#### Operating Expenditure – Abolishment ancillary reference service

The OTR notes that the inclusion of an abolishment ancillary reference service which was not charged in the previous access arrangement but rather recovered costs via the opex allowance. The OTR also notes the draft decision from the AER to partially socialise abolishment tariffs where customers do not plan to reconnect in the future. This is consistent with approved access arrangements in other jurisdictions such as New South Wales (2025-30) and Victoria (2023-28).

The OTR is aware that the Australian Energy Market Commission has initiated consultation on the rule change request to establish a regulatory framework for gas temporary disconnections and permanent abolishment but that rule change will come into place after the final decision from the AER and consequently be applied at the next access arrangement.

Requiring customers to pay the full cost of an abolishment is highly likely to discourage its uptake and instead push consumers toward the significantly cheaper disconnection option. Abolishment isolates the service at the gas main—typically located in the street—whereas a disconnection simply caps the service at the dwelling, with the meter removed or left in place.

A disconnection leaves a live gas service line running from the main to the meter location (known as dormant connection).

As discussed in the previous topic, for redundant services, dormant connections create an ongoing safety risk, including the potential for accidental damage during excavation or gradual degradation.

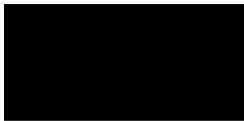


While the OTR is of the view that imposing abolishment charges may create a disincentive where there were previously no charges, we note that this is consistent with other jurisdictions.

Should abolishment charges be implemented, the OTR recommends in principle setting **comparable customer charges for both disconnection and abolishment**, with any remaining cost difference socialised across the broader customer base. This approach supports genuine customer choice rather than cost driven decisions that may compromise long term safety.

If the above is not a viable option, then the OTR accepts the AER's draft decision to partially socialise the costs of abolishment with the intention of reducing the number of resulting dormant connections. We do have reservations regarding the proposal for a full-cost abolishment tariff for consumers planning knock down rebuilds and renovations of their property as consumers may indicate that they are leaving the network to access a cheaper charge. We understand AGN does not have any process in place to monitor the reason for abolishment at this stage. .

Should you have any questions please do not hesitate to call Yannick Monrolin, Manager Gas Systems Regulation on [REDACTED].



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