Draft Rule Determination – National Gas Amendment (Gas Networks in Transition)

Project: GRC0082
Response to: Draft rule determination, 27 August 2026
Due date: 8 October 2026

Joint submission to the Australian Energy Market Commission on 'Gas Networks in Transition'

The undersigned organisations urge the Australian Energy Market Commission to reconsider its draft determination on the Gas Networks in Transition rule changes and prioritise the interests of consumers in its final determination in December.

The regulatory framework must evolve to ensure consumers are protected as gas demand declines.

Gas demand is falling as households and businesses electrify because it is cheaper, healthier and better for the environment. While some States are supporting this transition, it is being driven by decisions of households and businesses. AEMO forecasts that residential and small commercial gas demand on the east coast will fall by around 79 per cent over the next 20 years,[1] reflecting consumer-led electrification and Australia's transition to net zero.

Australian households and small businesses are already funding this transition through new appliances, electrical upgrades, and improving their energy efficiency. However, many consumers cannot simply electrify in response to rising prices due to upfront cost barriers, tenancy arrangements and housing constraints. As more consumers leave the network, those who remain connected are increasingly likely to be renters, low-income households and consumers experiencing disadvantage who face barriers to electrification and increasing gas network bills.

[1] Gas Statement of Opportunities 2026 Gas Forecasting Data Portal, Step Change scenario (Residential and Commercial).

This situation presents increasing risks to consumers of a two-speed transition, where those with means will be better off, while those without are burdened with ever increasing costs. The Commission has recognised this problem - as detailed in the initial rule change proposals - but its draft does not and risks making it significantly worse.

While the Commission states that its package of reforms promote consumers' long-term interests, this is not reflected in the practical impact of the proposals, which have the effect of prolonging gas business sustainability through guaranteeing increased bills for all gas consumers. As the Commission says, its reforms 'would result in capital recovery being brought forward and today's gas consumers facing higher prices'.[2]

This is a concerning direction, particularly at a time when households are facing significant and prolonged affordability pressures. 66% of consumers with a mains gas connection say they are already 'extremely or quite concerned' about the cost of gas and a quarter report difficulty paying a gas bill in the last 6 months.[3] Rather than protecting consumers and fairly sharing costs and risks as gas demand declines, the draft rules would transfer all those costs and risks from networks to consumers. This fundamentally fails to promote the long-term interests of consumers.

The rules must fairly share costs and risks – not simply require consumers to pay more.

Gas networks are increasingly seeking to bring forward cost recovery through 'accelerated depreciation' to address the risk they will not recover the full value of their investments as gas demand declines. ECA and the JEC submitted rule change requests to ensure that if networks are asking consumers to pay more today, networks are doing everything possible to quantify those risks, minimise them and absorb some of the related costs themselves to ensure fairness through the transition.

The draft determination would instead enable gas networks to simply recover costs more rapidly from a shrinking customer base, without any effective practical limit. The Commission frames this as a trade-off between today's consumers paying more, or even higher costs for some consumers in the future. This is an unreasonable characterisation. It ignores the fact that gas networks and their investors also need to bear their fair share and it is not only consumers who carry costs and risks of the transition.

We are particularly concerned that the draft rule would undermine the robustness of regulation and remove the AER's ability to protect consumers from unnecessary price increases. Requiring the regulator to approve a network's proposal unless it can demonstrate that an alternative approach is preferable is practically difficult if not unworkable. As a result, it reverses the burden of justification from networks to the regulator and inappropriately limits the AER's capacity to manage the consumer impacts of accelerated depreciation.

This proposal appears to be based on the Commission's assumption that gas network incentives and consumer interests are closely aligned. But this assumption has no basis in experience. In their most recent proposals, east coast gas networks have sought to bring forward more than $900 million in cost recovery, of which the regulator has approved about half.[4] The AER has, appropriately, rejected or reduced proposed expenditures and other elements of network proposals where it considered they were not in consumers' long-term interests. These decisions demonstrate both the value of independent regulatory scrutiny and the continuing divergence between network and consumer interests.

The original rule change requests sought to reduce consumers' exposure to disproportionate transition risks and costs and require gas businesses to do more. Reducing the AER's discretion as proposed would move in the opposite direction. The AER must retain its discretion to assess depreciation proposals to limit price impacts for consumers. Relying on gas networks to price reasonably would fundamentally undermine the central purpose of monopoly regulation. This is demonstrably not in the consumer interest.

[2] AEMC, Gas Networks in Transition – Draft Rule Determination, p.79.
[3] ECA, Consumer Energy Report Card – Topline Report, pp.7-12.
[4] AEMC, Directions paper, p.56.

We urge the AEMC to reconsider its draft determination on capital cost recovery, which does not share costs and risks fairly and will lead to higher bills for consumers.

We recommend the Commission:

- *deliver the intent of the ECA and the JEC rule change requests by putting stronger conditions on gas networks' ability to bring forward cost recovery from consumers through accelerated depreciation, ensuring clearer links to obligations on networks to reduce risks to consumers.*
- *retain the independence of the AER and their scope to make decisions in the interests of consumers by requiring transparency and limiting price impacts for consumers.*
- *enable asset redundancy provisions to be used more practically as measures to reduce risks to consumers, not merely being a 'last resort'.*

The rules must require gas networks to better plan for the future.

Gas businesses have a responsibility to be more transparent and plan for the likely future of their networks. They need to provide more and better information for regulators, governments, electricity networks, consumer advocates and other stakeholders. This is key to enabling better planning, fairer decision-making, and an orderly and equitable transition. Network transparency and better planning reduce the risk of inefficient investment and costs for consumers, and enable better integration of gas and electricity planning, helping all stakeholders to plan for the challenges of a declining gas network.

The AEMC's proposal to require gas networks to develop a long-term outlook is a step in the right direction, but more is needed to ensure gas networks do their part to support efficient network investment and operation, and an effective transition. The AEMC acknowledges that more detailed planning requirements would be beneficial in the context of strategic decommissioning, but the draft determination doesn't propose to introduce these requirements until a future decommissioning framework is developed. This is unreasonable and undermines the intent to ensure gas businesses plan transparently and effectively for the long-term.

There is no need to wait. The transition is already underway, and decisions today will impact consumers for years to come. The effectiveness of long-term planning relies on transparency of detail now. Being short-sighted or failing to require appropriate responsibility on robust network reporting risks making long-term decisions on incomplete information. The lack of regular reporting requirements in the draft determination is not in consumers' long-term interests, as the undersigned organisations would attest.

The rules must ensure gas networks plan for the future, and provide the information necessary to support an orderly transition.

We recommend the Commission supplement its proposed long-term outlook with more detailed and regular information provision and reporting requirements, consistent with the intent of the ECA rule change request. This is necessary for its own sake, but also critical to ensure long-term planning works transparently in the best interests of consumers.

The regulatory framework must support emissions reduction consistent with the NGO.

Electrification is the most cost-effective, equitable and efficient pathway for households and small businesses to cut emissions and lower energy bills over time. The federal government and all state and territory governments have committed to achieve net zero emission targets by 2050 or earlier.[5] Most jurisdictions also have programs to support household electrification. The rules must be reformed to account for the achievement of jurisdictional greenhouse gas emissions targets, consistent with the National Gas Objective (NGO).[6]

[5] The Commonwealth, New South Wales, the Northern Territory, Queensland and South Australia all have net-zero by 2050 targets. The ACT and Victoria have legislated net-zero by 2045, and Tasmania has a legislated net-zero by 2030 target. In addition, New South Wales, Queensland and Victoria have interim 2035 emissions-reduction targets in the order of 70–80% below baseline levels. WA's Climate Action this Decade Bill remains at second read as of October 2026.

[6] The emissions reduction objective in the National Gas Objective is: "to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to: […] the achievement of targets set by a participating jurisdiction—for reducing Australia's greenhouse gas emissions; or that are likely to contribute to reducing Australia's greenhouse gas emissions."

The draft determination does not provide a detailed assessment of how the proposed rules support achieving these targets or what emissions trajectory they imply for domestic gas networks. This is despite the Commission stating that emissions reduction is 'one of the central considerations in determining if rule changes are in the long-term interest of consumers'.[7]

While the Commission says its draft cost recovery rules may benefit service providers by 'prolonging network operation',[8] there is no clear consideration or analysis of the implications of prolonging gas network operation on the achievement of net zero targets and the emissions reductions that consumers are already delivering through electrification.

This has direct implications for consumers. Households and small businesses are already electrifying to cut bills and reduce their emissions. While multiple aspects of the NGO must be considered in decisions, changes to the rules must clearly address the long-term interests of consumers with respect to the achievement of emissions reduction targets. Not doing so risks undermining those targets, working against these consumer choices, creating uncertainty about the long-term role of gas, and encouraging inefficient investment by households, businesses and network operators.

[7] AEMC, How the national energy objectives shape our decisions (July 2026), p.13.
[8] AEMC, Gas Networks in Transition – Draft Rule Determination, p.72.