

Draft Determination: Gas Networks in Transition

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- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

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- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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Recommendations

Recommendation 1

That the Commission revisit its application of the “long-term interests of consumers”, ensuring it is more holistic and more appropriately balances the interests of all consumers – now and into the future – to deliver on the central intent of the original rule change proposals as expressed in those proposals and subsequent submissions. This should include a Final Determination that aligns the problem statement with those identified in the initial proposals and which details how the final determination supports the long-term interests of all consumers.

Recommendation 2

That the Final Determination include a detailed analysis of how the different components of the National Gas Objective and Revenue and Pricing Principles have been weighed in the Final Determination. This should include explanation of what the impact of the rule change will be on net emissions, and why if this has risen it can be justified.

Recommendation 3

That the Final Rule remove the ‘switching point’ as any practical element, to be replaced with more appropriate and practically sound mechanism to determine efficient pricing and reasonable limits to consumer shares of capital recovery. The ‘switching point’ as constructed in the Draft occurred in the past and is not a practical or appropriate means by which to determine and regulate efficient or reasonable pricing of a monopoly service in the consumer interest.

Recommendation 4

That the Final Rule reverses aspects of the Draft – such as introducing a ‘default’ to approve capital recovery proposals - to ensure the rules do not undermine or practically limit the scope of the AER to exercise discretion in decision-making, particularly in relation to capital recovery. The final rule must retain an appropriate regulatory structure and related decision-making processes. These must maintain the scope for the regulator to appropriately exercise discretion in considering the circumstances of the business and all other relevant considerations to protect consumers and their interests.

Recommendation 5

That the Commission consider whether a delayed Final Determination with further targeted consultation is warranted for this process – or at the capital recovery and redundancy aspects of it.

Recommendation 6

That the Final Rule improve the robustness and practicality of the long-term outlook and its links to short-and-medium term decision-making by businesses and regulators, by:

- *requiring a central forecast supported by alternative scenarios and/or sensitivity analysis, rather than a single outlook;*
- *requiring the central forecast to align with relevant policies, including electrification and emissions reduction targets;*
- *requiring long-term outlooks to be updated regularly and/or whenever there is a material change to key assumptions, forecasts, or policy settings;*
- *grounding the outlook in a requirement for more granular reporting on network utilisation within the network – updated on a regular basis to maintain transparency and ensure ‘currency’ through the transition.*

Recommendation 7

That the Final Rule incorporates a principles-based mechanism to quantify any stranding risks (economic or physical), to inform the following:

- *the reasonable share of the additional capital costs to be recovered from consumers and network investors;*
- *the most appropriate tool(s) to use to manage stranding risks;*
- *the assets and/or amount of capital to be made redundant;*
- *the most appropriate depreciation profile and amount of depreciation to be adjusted.*

The Rule should specify that use of this mechanism must have regard to the long-term outlook, the National Gas Objective, and the Revenue and Pricing Principles.

Recommendation 8

That the Final Rule includes strengthened provisions for redundancy to ensure practical utility of the (partial) redundancy mechanism. At a minimum this should include:

- *allowing partial redundancy to be triggered as soon as redundancy is anticipated;*
- *allowing partial redundancy to be triggered in response to any quantified and demonstrated future stranding risk;*
- *removing explicit requirements for the AER to take into account uncertainty.*

Recommendation 9

That the Final Rule remove Draft Rule 73 (Approach to treatment of inflation). If it is included, the regulator must retain full discretion to determine the most appropriate treatment of inflation in the specific circumstances of the service provider at that time.

Recommendation 10

That the Final Rule maintains the proposed changes to capital expenditure criteria.

Recommendation 11

That the reference tariff provisions be made more practical by:

- *allowing for reference tariffs to be determined using the price path mechanism employed by the AER in recent determinations;*
- *removing service providers' discretion to exceed the upper tariff bound.*

Recommendation 12

That the Final Determination include detailed recommendations to the Energy and Climate Change Ministerial Council and other stakeholders on National Energy Law – and other legislative or regulatory reforms - required to facilitate the most efficient and orderly transition of distributed gas networks. This should explicitly include what is required to enable new connection refusal, voluntary network retreat and supported electrification where it is more cost effective than network maintenance.

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Determination on Gas Networks in Transition (Draft).

As one of the rule change proponents, the JEC appreciates the work the AEMC has undertaken on what are complex proposals, and we welcome the significant progress which has been made in ensuring the gas regulatory framework is better aligned with the needs of the energy transition. This process has surfaced complex and contested issues, and sparked difficult but necessary conversations between regulators, gas businesses, governments, consumers and their advocates. Overall, this process, and the discussions involved, have been productive, even where positions ultimately differ (often very materially).

Key issues with the Draft

We broadly support much of the overarching narrative and direction of the Draft and its intent to ensure the gas rules are more fit for purpose.

However, while there are aspects of the Draft that we broadly support - including those on long term planning and capital expenditure - we retain some serious concerns with others. We are particularly concerned that the AEMC appears to have diverged from key aspects of the problem statement presented in the JEC's and Energy Consumers Australia's (ECA) proposed rule changes, in particular:

- The absence of regulatory tools to identify and quantify future risks to cost-recovery and the potential stranding of network assets, and
- The absence of principle-based regulatory tools to share identified risks and ensure consumers do not bare an unreasonable burden of the related costs.

Instead, the Draft asserts an approach which removes any effective restrictions on consumer share of future risk. It by proposes rules which guarantee providers' opportunity to accelerate capital recovery in relation to future recovery risks that continue to go unquantified.

We contend that any solution that does not include a balanced assessment of future risks and how to reasonably limit consumers share of the cost of these risks, is not in the long-term interest of consumers.

In our view the AEMC should revisit these aspects of the Draft and make substantive changes in order to deliver the central intent of the initial rule change proposals. Given the importance of the capital recovery and redundancy aspects of the Draft, we accept it may be necessary the AEMC to delay the Final Determination to enable further targeted consultation and consideration, in order to ensure the final determinations offers practical and sustainable solutions which appropriately promote and protect the consumer interest.

Stronger recommendations for further action

We agree that *“the economic regulatory framework cannot address all transition challenges facing consumers [and that] governments will continue to play an important role.”*¹

However, recognising this fact and the current constraints the law places on rules which best promote consumers interests, places a responsibility on the AEMC to:

- Ensure their final decision enables the gas rules to appropriately fulfil their purpose to protect and promote the interests of consumers, and
- Draw on their expertise and the input garnered throughout this process to highlight specific areas where reform outside of the gas rules could better enable the promotion of the consumer interest in the context of the energy transition.

Accordingly, we would welcome the final determination including further clarity and detail on the gaps in gas network policy, regulation and energy law which the AEMC considers itself unable to resolve or which constrain its scope to enable the most efficient outcomes.

In the final decision, the Commission should outline where it is constrained in its role and provide detailed recommendations on further legislative or legal reforms that are required to better facilitate an efficient and orderly transition of distributed gas networks. Specific attention should be paid to what is required to enable more scope to make the most efficient decisions to promote the interests of consumers, including (but not limited to):

- Refusing new gas connections where this presents unreasonable or inefficient increases to risk,
- Supporting electrification where this is more efficient than network maintenance or upgrade, and
- Enabling non-pipeline gas service provision where this can be a safe and efficient alternative.

This submission discusses: issues with balance struck by the Draft and how it has presented the consumer interest, the Drafts response to the initial problem definition, and specific issues with key assumptions and proposals in the Draft, as well as identifying recommended additions and changes which should be incorporated into the final determination.

¹ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p.iv

2. The Draft does not appropriately protect consumers

We agree with the AEMC that the current gas network regulatory framework is not fit for purpose, this being the overarching motivation for the package of rule changes submitted by ECA and ourselves. It is clear from the Draft that we have disagreements regarding *why* the framework is not fit for purpose. The ECA and JEC rule change proposals sought to address fundamental issues whereby assumptions underpinning the regulatory framework are inaccurate and obsolete, enabling poor – and worsening - consumer outcomes now and into the future.

The National Gas Rules (NGR) were designed for effectively ‘indefinite’ and growing networks, where growth was assumed to be inherently efficient and in the long-term interest of consumers. We support The AEMC’s recognition that the assumption of guaranteed growth is no longer fit for purpose. But we strongly dispute their incorrect assumptions that the current approach can still be reasonably maintained into the future and still promote the consumer interest.

Some of the Commission’s central assumptions and proposals – including those relating to cost recovery and a ‘switching point’ – place the impact of decline and incompatibility of key aspects of the rules (such as those relating to capital recovery) at some point in the future. This is used to justify an attempt to prolong a ‘status quo’ which is already obsolete. We contend the effect of these assumptions, and the approach it justifies, increases scope for service providers to exploit notions of undefined uncertainty at the direct expense of consumers. This is not in consumers interests.

Critically, the AEMC has not addressed a key purpose of the initial rule change proposals, which was to require service providers to consistently identify and quantify future risks, as part of integrated measures to better manage and more reasonably share the cost of those risks.

We accept that, within the limitations of the scope of the rules, reconciling the interests of different stakeholders through the energy transition is difficult. However, we contend the Draft unreasonably shifts the balance toward networks’ short-and-medium term interests, at the expense of all stakeholders’ long-term interests. It is not in consumers interests to underwrite all potential future risks gas networks may face by paying unreasonable additional costs now and into the future. It is particularly unreasonable to justify such an approach on the basis it protects a hypothetical subset of future consumers from the prospect of unsustainable prices at some point in the future.

2.1 The National Gas Objective

2.1.1 Long-term interests of gas consumers

We contend the ‘more preferable’ rule has been made with an unreasonably narrow interpretation of the ‘long-term interests of consumers’.

The AEMC contends that amending the rules to extend business viability is directly in consumers’ long-term interests, despite requiring accelerated capital recovery which would result in prices which are well above what is efficient and cannot be demonstrated to be ‘reasonable’. Most problematically - since AER and other modelling shows even huge accelerations in capital

recovery cannot stave of future asset stranding risk - these inefficient and unreasonable additional costs to consumers come without any meaningful expectation of solving the core problem. Any risk of gas networks requiring government intervention is neither avoided nor even meaningfully reduced by such action.

The Draft also places great weight on a hypothesised cohort of consumers in the future who remain connected because they are unable to do otherwise. The prospect of these consumers facing unsustainably high prices is presented as justification for all consumers carrying additional costs between now and this hypothetical point. This confuses an analytical tool to identify a problem – that is, demonstrating that as demand drops and consumers leave, costs increase for those remaining consumers, and that this increases risks to future cost recovery – with a forecast of future circumstances, and a justification for regulatory action. We strongly disagree with this.

No reasonable regulatory system or government would allow such a situation to occur and would act to intervene long before the modelled impacts on cost occur. As identified by the Commission, governments will need to play a role in the phase out of residential gas connections either by supporting business viability, paying down asset values or buying them out. The Draft implies that safety and reliability issues are likely to manifest as network use declines and gas businesses can no longer recover efficient costs. But it is more reasonable to expect that Government intervention would occur well before any identified risks to reliability or safety were allowed to be realised. Even ignoring the possibility of government/regulatory interventions, there are sufficient legal, social, cost and reputational risks that would prevent a service provider from operating an unsafe network.

The proposal appears to be contingent on protecting networks viability until it becomes impossible to do so by relying on remaining consumers, at which point government may intervene – rather than our premise of protecting consumers against unreasonable cost and risk exposure until government intervenes. Fundamentally, we argue it is not in the long-term interests of consumers for all consumers to carry unreasonable additional costs to protect against a network unviability that is all but certain.

Further, the AEMC also stated that "we are not focused on today's consumers, it is the long-term interests of consumers [that this process is focused on]²". In addition to the arguments already presented, the JEC strongly disagrees with this presentation of the consumer interest, because:

- It promotes the inaccurate assertion that current consumers and future consumers are the only two entities from who gas business costs can be recovered – ignoring gas businesses, their investors and taxpayers;
- It constructs a false dichotomy between current and future consumers, failing to recognise that many current consumers are also likely be future consumers if this rule change progresses as is;
- It ignores the impacts on disadvantaged and vulnerable consumers between now and 'the future' who are unreasonably impacted by additional capital recovery costs as a result of

² AEMC, 22 Sept 2026, *Public forum: Gas Networks in Transition*.

the decisions made in this Draft. It's not reasonable to preference impacts on hypothetical 'future' disadvantaged consumers over actual tangible impacts on disadvantaged consumers now;

- It ignores that several jurisdictions have either explicit or implicit household electrification strategies with many of these specifically focusing on electrifying 'disadvantaged' households in order to avoid the very hypothetical circumstances the AEMC focuses on;
- It assumes that negative impacts and higher costs experienced by current consumers have no flow-on effect for future consumers. For instance, that it will accelerate the very problem of rapid network decline their Draft proposal cites as a problematic risk;
- It ignores the urgency of the climate crisis and emissions reductions targets and commitments.

The JEC recommends that the AEMC revisit its conceptualisation and application of the "long-term interests of consumers" to ensure it is more balanced, holistic and better delivers on the central intent of the original rule change proposals.

Recommendation 1

That the Commission revisit its application of the "long-term interests of consumers", ensuring it is more holistic and more appropriately balances the interests of all consumers – now and into the future – to deliver on the central intent of the original rule change proposals as expressed in those proposals and subsequent submissions. This should include a Final Determination that aligns the problem statement with those identified in the initial proposals and which details how the final determination supports the long-term interests of all consumers.

2.1.2 Emissions reduction

The long-term interests of consumers must include consideration of emissions.³

We contend the AEMC has not reasonably considered the emissions reduction dimension of the NGO. The final determination should include a more transparent analysis of how the different components of the NGO and RPP have been weighed, including consideration of emissions impacts which are relevant and significant - given that gas networks transport methane which is a direct emissions contributor, and a source of carbon dioxide when combusted.

The AEMC should explain more thoroughly what the emissions impact of the rules will be, where they result in prolongation of gas network operations. If the rule change proposal does result in an increase in net emissions from the current trajectory, the AEMC should spell out why with is justified, and what other factors in the NGO and RPP have been given precedence.

³ AEMC, 2026, [How the national energy objectives shape our decisions](#)

Recommendation 2

That the Final Determination include a detailed analysis of how the different components of the National Gas Objective and Revenue and Pricing Principles have been weighed in the Final Determination. This should include explanation of what the impact of the rule change will be on net emissions, and why if this has risen it can be justified.

2.2 Revenue and Pricing Principles – the reasonable opportunity

The original rule change proposals presented by the JEC and ECA were intended to enable service providers a reasonable opportunity to recover at least their efficient costs. A key difference between the initial proposal and the AEMC Draft is how ‘reasonable opportunity’ has been understood. The Draft proposes to leave questions of accelerated capital recovery – that is recovery beyond efficient costs – and questions of what is ‘reasonable’, up to the discretion of network businesses. This is neither appropriate, nor a construction of ‘reasonable opportunity’ which serves the consumer interest.

One of the central tenets of our proposals was that service providers should still be able to recover some of the future costs related to risk from consumers, with this share being limited to what is reasonable and in the consumer interest. We consider this aligned with the Revenue and Pricing Principles (RPP).

We fundamentally disagree that “reasonable opportunity to recover costs” translates to consumers being required to pay an unfair share of the additional costs of service providers’ future stranded asset risks caused by a decline in demand. We further disagree that placing a reasonable constraint on accelerated depreciation is ‘inefficient’ or would prevent the AEMC from demonstrating that it is allowing businesses a “reasonable opportunity” to recover their costs. The AEMC has still not adequately interrogated what constitutes a reasonable opportunity in a context of network decline. Any final determination must do this in our view.

‘Reasonable opportunity’ is not an absolute consideration which is only measured at the hypothetical ‘end’ of an investment, and brought forward if possible or expected future conditions may impede that opportunity. Reasonable opportunity must also be considered at a point in time, and in the context in which a network is operating – and has operated. This must be a key consideration in determining what constitutes a “reasonable opportunity”. There should be both general prescription in the rules setting out the starting point for considering what constitutes a reasonable opportunity, but also regulator discretion to determine on a case-by-case basis what is a reasonable opportunity in the context of the circumstances of that network, at that time.

Where demand for a service is declining, it is reasonable that a service provider’s opportunity to recover additional amounts of its previously invested costs, is less than would have occurred if the network was in a period of growth. This constraint does not mean the service provider has no opportunity to recover additional costs, only that the determination of what is reasonable shifts as the context shifts.

Granting service providers a very wide discretion to determine what amount of accelerated depreciation is ‘reasonable’ to recover is totally inappropriate and goes against foundational assumptions of monopoly regulation in the consumer interest. Specifically:

1. The actions of networks to date have shown they are unlikely to exercise any meaningful constraint in requests for accelerated depreciation.
2. Networks have both a geographic monopoly market, and a largely captive consumer base and thus the networks remain a monopoly.⁴

Regulation is not an anathema to a reasonable opportunity. Rather, it is a necessary tool by which the system determines what is a reasonable opportunity within the bounds of the rules and protection of consumers and their interests.

A transition where cost recovery is managed predominantly by networks, with very wide discretion, and little regulatory oversight risks being both inefficient and inequitable. Prescriptive rules, balanced with regulator discretion, is not an inappropriate infringement of networks reasonable opportunity.

3. Other problematic framings and assumptions

Alongside the applications of the NGO “long-term interests of consumers” and RRP “reasonable opportunity to recover costs” there are a range of assumptions and key ‘framings’ underpinning the Draft, which we contend are not aligned with the initial intent of the rule change proposals submitted by the JEC and ECA.

The Commission applies uncertainty too broadly and inconsistently.

The Commission consistently references uncertainty about the future of distributed gas networks, framing the problem as one where we do not know *if* gas networks will decline. However, as detailed throughout our previous submissions – evidence indicates decline is certain, with only the pace and extent and nature of that decline uncertain.

The Commission highlights “the need for change to ensure that the existing framework remains fit for the future under a broader range of future circumstances”.⁵ However, key aspects of the Draft – such as capital recovery and redundancy - are predicated on slowing network decline to a point in the relatively distant future. They are not compatible with futures – arguably much more likely – of sooner and more rapid network decline.

In attempting to reinforce a slow decline future, The Draft risks exacerbating the impact of unreasonable cost and risk which falls on consumers and governments if network decline is more rapid than the AEMC assumes.

There are conflicting positions on who the costs of the network will be borne by.

The Commission acknowledges at several points that governments will have a role to play in managing and paying for the decline and decommissioning of residential gas networks. Yet throughout the Draft, the Commission ultimately frames the problem as one where the costs are borne by consumers left on the network – particularly disadvantaged households that face more

⁴ See further discussion below.

⁵ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p ii.

barriers to electrification. This framing and subsequent solutions absolve businesses and government of contributing and leave the entire burden on current consumers.

The Draft presents a rapid transition as inherently disorderly.

The Commission presents the Draft as supporting an orderly transition, and explicitly relies on slowing customer exit to realise this.⁶ This framing seeks to work against established behaviour, evidence and much government policy. It seeks to promote solutions that unnecessarily prolong the transition and exacerbate the problems raised in the original rule change proposals by keeping people on gas for longer than they otherwise need to be. Network decline is already in evidence.

The Commission has a concerning framing of “if too many people leave [the network] too quickly there is a risk of significant price increases for the remaining consumers.” We question what constitutes “too quickly” and whether the Commission is suggesting that consumers owe it to other people (and gas businesses) to stay on an inefficient, expensive, unnecessary and emissions-intensive energy source, and absorb increasingly unreasonable additional costs.

There is nothing inherently disorderly about a rapid transition away from household gas connections and arguably policy and regulation have a role to play in enabling a rapid transition to be both efficient and orderly.

3.1 The role of competition and a ‘switching point’

The switching point analysis relied in by the AEMC is, at best, a relatively simplistic analytical tool to understand potential consumer trends. It is, however a thoroughly inappropriate and unworkable basis for regulatory decision-making and should be removed from its central role in the Draft.

The role of competition from alternative energy sources, as envisioned by the AEMC, is conceptually flawed. This is hugely concerning given its central role in aspects of the Draft. Implementation of the

“equivalent price of the reference service necessary to keep the retail price of gas competitive with alternative sources of energy for a hypothetical end user who can readily switch to such alternatives, taking into account the cost of switching to those alternative sources”⁷ (the switching price)

would be fraught in practice, due to fundamental issues with it as a concept as well as difficulties objectively quantifying and validating such a figure.

Gas is a regulated monopoly service. While regulation stands as a ‘proxy’ for the impact of competition on business behaviour, practices and pricing, regulated services cannot be effectively measured and priced against a competitive ‘alternative’. This is the fundamental truth of monopoly regulation which must assume the absence of alternatives to be effective.

⁶ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p 72.

⁷ Draft national gas rules s94(3)ii

As acknowledged throughout the Draft, some consumers are unable to fully electrify regardless of the quantum of price increases. Such consumers make up a material part of the total pool of consumers currently connected to the network. In any case, the nature of monopoly regulation requires treating all consumers as if they have no alternative, if only because a regulatory and pricing framework cannot effectively distinguish between those who have an alternative but choose to remain, and those who have no practical alternative. In this context the switching point concept - and any assumptions it would have to make about consumers - is impractical at best, and at worst dangerous in the risks it creates for the latter group.

Through the switching point concept, the AEMC falsely assumes a direct correlation between gas network prices and rates of electrification. Energy costs are a factor which can impact households' ability/desire to electrify, but they are not necessarily the top factor⁸ and cannot be simplistically distilled to a meaningful number which can be reasonably or reliably applied for a regulatory purpose.

Findings from the AEMC's recent Pricing Review further confirm that energy consumers' behaviour is less price-sensitive than is commonly assumed.⁹ This Review also clearly highlighted the complexity of the relationship between network tariffs and retail pricing.¹⁰ Further we know that energy cost sensitivity operates very differently than is assumed to be 'rational' or modellable – for instance, energy costs resulting from time of use pricing often don't result in shifted energy demand, but simply blunt and unsafe energy rationing.

3.1.1 Any quantified 'switching point' is arbitrary

Even if the switching point was conceptually sound, determining such a figure requires a level of assumption and abstraction which renders it virtually arbitrary, and thus a totally inappropriate basis for regulatory decision-making.

Draft Rule 94 on the switching point offers little clarity on how this abstract figure is to be determined. As shown in submissions to the Directions Paper, and previous access arrangements, service providers have a strong incentive to overstate the costs involved for a household to electrify. This incentive becomes even stronger when such a figure acts as a price cap and a determinant of how much future cost recovery can be brought forward. The ambiguous definition provided in the Draft Rule 94 provides inadequate safeguards against service providers falsely inflating switching costs and in turn makes AER action to protect consumers difficult if not impossible.

For the vast majority of consumers, gas is not competitive with energy sourced from electricity (an alternative they already have access to). This has been the case for over a decade¹¹ and is recognised by Governments across Australia.¹² The 'switching point' referred to by the AEMC has therefore most likely already occurred at some point in the past. Taking into account the

⁸ Renew, 2014, [Are we still cooking with gas?](#), p 5.

⁹ AEMC, 2026, [Final Report: Pricing Review](#), p iii.

¹⁰ AEMC, 2026, [Final Report: Pricing Review](#), Appendix D

¹¹ Renew, 2014, [Are we still cooking with gas?](#)

¹² NSW Government, 2026, [NSW Gas Statement](#), p vi; Victorian Government, 2022, [Victoria's Gas Substitution Roadmap](#), pp 2-3; Australian Government, [Electrification](#), accessed 7 October 2026.

additional value that a consumer would place on a healthier and less polluting energy source could bring the calculated figure (as defined in Draft Rule 94) close to zero.

It could be argued that the critical determinant for any switching is ‘access to pipeline services’ and what it costs a consumer to switch to an alternative to pipeline services. Given that all gas consumers already have access to the electric alternative to the pipeline service – and given that the recent disconnections rule change asserted that consumers can simply cancel their gas account – arguably the cost to ‘switch’ is actually zero. Were this the case, it would lead to an effective prevention of any accelerated capital recovery and potentially significant reductions in the revenue that may be recovered, compared to current tariffs.

In any case, given the ambiguity of the ‘switching point’, it is highly problematic that several pricing decisions (including reference tariffs, accelerated depreciation, and partial redundancy) are proposed to be quantified with reference to it. The significant range of numbers that can be derived based on different interpretations of the rule is difficult to reconcile. This cannot simply be addressed by more closely specifying the method to determine the figure, or simply taking a (midpoint of) a range of “credible” figures. The approach is fundamentally flawed and inappropriate for the purpose of regulatory decision-making.

Where the Draft currently relies on the ‘switching point concept’, we recommend replacing this with a more practically sound ‘price cap’. As will be further discussed in Section 6, we consider the price path approach employed by the Australian Energy Regulator (AER) in recent access arrangement decisions represents a viable and demonstrated alternative.

Recommendation 3

That the Final Rule remove the ‘switching point’ as any practical element, to be replaced with more appropriate and practically sound mechanism to determine efficient pricing and reasonable limits to consumer shares of capital recovery. The ‘switching point’ as constructed in the Draft occurred in the past and is not a practical or appropriate means by which to determine and regulate efficient or reasonable pricing of a monopoly service in the consumer interest.

3.2 Alignment between service provider and consumer interests

Consumer and service provider interests cannot be assumed to align, and any reasonable monopoly regulation in the consumer interest cannot rely on service provider discretion.

The JEC strongly disagrees with any reduction in regulatory discretion to make decisions which promote and protect the consumer interest in access arrangement decisions, as is proposed in several areas of the Draft.

3.2.1 Undermining the intended scope of the regulator to protect consumers

The original intention of the rule changes was to give the regulator greater capacity – through reformed regulatory tools – with appropriate flexibility and discretion, to respond to declining demand and protect consumers from unreasonable costs. The Commission’s Draft has reversed this and, by asserting a ‘default’ to approve any capital acceleration proposal, has instead dangerously reduced the discretion of the regulator and their scope to protect consumers. This

directly conflicts with the principles underlying the propose-respond model and good practice in monopoly regulation.

The Draft relies on the assumption that service providers' incentives are aligned with the interests of consumers, which we and other consumer advocates have already adequately contended.¹³

3.2.2 Monopoly regulation assumes misaligned incentives

The fundamental premise of monopoly regulation rests on an understanding that the incentives of service providers and consumers are not fundamentally aligned, and often in direct conflict to consumer detriment.

The need for regulation itself is based on the premise that absent regulatory direction, oversight and enforcement, service providers have both scope and incentive to exercise their monopoly position to maximise returns inefficiently, unreasonably and to the detriment of consumers. In the context of heightened risk to future returns, such incentives are only heightened. In this context the AEMCs assertions of aligned incentives are somewhat incongruous.

3.2.3 Evidence contrary to the AEMCs assumption regarding aligned incentives

We have seen consistent evidence of service providers misaligned incentives, including in the consultation for the Gas Networks in Transition process itself, where service providers have consistently denied the need for change to the regulatory framework, and/or supporting changes that increase their ability to raise revenue at consumers' expense.¹⁴

In recent access arrangements, service providers have requested levels of accelerated depreciation which would significantly spike prices, arguably exacerbating risks of accelerated customer flight.

Service providers' engagement and other communications on capital recovery tend to present an unbalanced view of future risks and have demonstrated an inability to fairly present the trade-offs involved, the range of impacts for consumers or the alternative solutions to manage those risks – which do not involve costs to consumers. For instance, during their most recent access arrangement proposal we contend Jemena presented an unreasonably one-sided analysis to support a pre-determined application of accelerated depreciation. Our submission to the AER detailed how such process can be undermined – whether in bad faith or just poor process – and demonstrate why gas networks cannot be relied upon to have consumer aligned incentives:

“No alternative to accelerated depreciation was ever presented. More problematically, the process did not properly explain that the ‘default’ alternative is to maintain existing depreciation schedules (the zero option), and that this involves a fair return to Jemena. Consumers were simply presented with a choice of \$300m, \$500m or \$700m in accelerated depreciation in order to solve a problem Jemena had established existed for consumers (rather than Jemena – as outlined earlier in this section). In our estimation the lack of any zero

¹³ AEMC, 2026, [Draft Determination: Gas networks in transition](#), pp 52-53.

¹⁴ For example see Jemena, 2026, [Submission to Gas Networks in Transition Directions Paper](#), p 9.

option, and accompanying explanation as to why acceleration is a departure from the default, invalidates engagement and any conclusions drawn on this topic.”¹⁵

We reiterate that these requests for accelerated depreciation are typically made in responses to **unqualified** future risks. That is, there has been no expectation to present analytical evidence linking the amount of capital cost recovery to be brought forward to defined future risks to asset cost recovery. The only mitigating factor has been the regulator, which has allowed a proportion of the accelerated depreciation initially proposed,¹⁶ citing affordability as a key long-term interest of consumers. While we initiated this process to give the AER a greater range of tools and establish a consistent and transparent process for decision making, maintaining scope to exercise regulatory discretion to protect consumers was a given. It must not be diminished.

The significant information and resource asymmetries between networks and their regulators further exacerbate the issues we have detailed. As the Draft does not require a sufficiently robust and granular analysis and quantification of future risks, it simultaneously lowers the threshold of evidence for service providers and raises the threshold of evidence for the regulator to make decisions in access arrangement determinations. In doing so the Draft gives little scope for the regulator to refuse any request for accelerated capital recovery and exposes them to increased risk of legal challenge should they attempt to do so in order to protect consumers. The Final determination must reverse this aspect of the Draft.

Recommendation 4

That the Final Rule reverses aspects of the Draft – such as introducing a ‘default’ to approve capital recovery proposals - to ensure the rules do not undermine or practically limit the scope of the AER to exercise discretion in decision-making, particularly in relation to capital recovery. The final rule must retain an appropriate regulatory structure and related decision-making processes. These must maintain the scope for the regulator to appropriately exercise discretion in considering the circumstances of the business and all other relevant considerations to protect consumers and their interests.

4. Scope to delay aspects of the final determination

We appreciate the considerable task ahead for the AEMC to develop its Final Determination.

Particularly in relation to the capital recovery and redundancy aspects of the rules, the complexities involved, and the importance of the areas under consideration, warrant considering delaying the Final Determination.

We would support the AEMC delaying the Final Determination at least three months to March 2027. This would enable time for further targeted consultation and for the AEMC to develop preferred solutions. We note other processes have been similarly delayed and consider that a delay here would help to better ensure that the regulatory framework resulting from the Final Rules is durable and genuinely aligns with the long-term interests of consumers. We consider the

¹⁵ Justice and Equity Centre, 2024, [Submission to JGN access arrangement 2025-30 issues paper](#), p 20.

¹⁶ We refer to IEEFA’s submission to the Draft Determination for more in-depth analysis on the quantum of accelerated depreciation.

capital cost recovery aspects of the Draft Determination are in greatest need of revision, so the AEMC could also consider tranching its Final Rules to delay the Final Determination on capital cost recovery provisions only.

Recommendation 5

That the Commission consider whether a delayed Final Determination with further targeted consultation is warranted for this process – or at the capital recovery and redundancy aspects of it.

5. Long-term outlook

We strongly support the principle of greater transparency in access arrangement proposals, and stronger accountability for service providers to justify proposals. The rules must ensure gas networks plan for the future based on the most robust basis, and provide the full range of information necessary to regulate effectively in the consumer interest, and support an orderly transition.

The AEMC has correctly identified the need for access arrangement proposals to be more clearly linked to an evidence-based assessment of networks' future outlook. It is therefore appropriate that many aspects of the Draft are linked back to this long-term outlook. However, this requires the long-term outlook to meet a high standard of transparency, robustness and evidentiary soundness. We contend modest but critical changes to the long-term outlook arrangements are required to ensure it meets this standard, and enables balanced access arrangement proposals, and provides critical information to stakeholders beyond the access arrangement process.

The main argument presented against more robust long-term outlook requirements is implementation costs. We strongly disagree with this reasoning and note that these arguments have only been made qualitatively. That is, it has not been proven that additional reporting requirements would introduce material additional costs to service providers which outweigh the significant, long-term benefits such reporting enables. Recent licensing reform in Victoria shows that the benefits of more detailed data provision by distribution service providers outweigh the costs.¹⁷ We consider this benefit would also be enjoyed in other jurisdictions, particularly when incorporated into the long-term outlook platform and the significant role it will assume.

We are very concerned that the proposal gives the regulator limited discretion to challenge the long-term outlook presented by the service provider, which then becomes the measure for any future regulatory decisions. Given the level of assumptions and uncertainties in a 20-year outlook, the regulator must have full discretion to challenge the service provider and ensure the outlook is the robust tool for transparency, and platform for efficient long-term decision-making.

5.1 The long-term outlook must be credible

The long-term outlook as currently proposed by the AEMC lacks transparency and granularity, undermining its scope to deliver intended outcomes. The AEMC cannot rely on service providers'

¹⁷ Victoria Government Gazette, 2026, [Gas Distribution Network Dat Ministerial Licence Condition 2026](#)

incentives to provide an accurate long-term outlook, given businesses have strong incentives to manipulate forecasts which then become the comparison point for future regulatory decisions.

Service providers can leverage uncertainty (in demand and/or assumptions) to cherry-pick scenarios that are most aligned with business interests. This is well documented in recent access arrangements, where demand forecasts have been revised at the regulator's direction or proven materially inaccurate in hindsight. In fact, analysis shows the current regulatory framework already systemically incentivises service providers to provide inaccurate demand forecasts.¹⁸ Uncertainty cannot be eliminated, however stronger guardrails are needed to ensure credibility of long-term outlooks and avoid or minimise perverse incentives.

We recommend strengthening the long-term outlook to require more in-depth scenario and sensitivity analysis. The use of scenarios for different demand patterns could help promote consistency between access arrangements, and reduce the burden on both service providers and regulators to assess input assumptions. This also helps to incorporate the genuine uncertainty in the outlook, and allow a transparent assessment of the probability of different scenarios and what sensitivities they are subject to.

The scenarios to be used need not be specified in the rules, however they should follow certain requirements:

- incorporate recent gas demand, network utilisation and electrification trends;
- incorporate robust sensitivity analysis, including testing forecasts included in the most recent Gas Statement of Opportunities (GSOO).

The long-term outlook would be further strengthened by requiring an explicit link to the relevant jurisdictional policies. This should include policies and targets on electrification, emissions reduction, and any other relevant matters. This broadly aligns with similar requirements in the electricity sector. As we would already expect policies to be considered in business planning, this is unlikely to introduce significant burden, but importantly increases accountability.

5.2 The long-term outlook must be sufficiently granular

The utility of the long-term outlook would be further increased by more granular and updated utilisation and demand data. Future projections must be grounded on the most robust and transparent 'current' information. Only defining future risks at a network-wide level would not enable effective planning, nor can it enable the redundancy assessment intended by our rule change proposal. Similarly, ECA's rule change proposal notes:

It is important that more granular and regular information on gas usage, disconnection rates and asset replacement programs is available to help stakeholders understand where and when these opportunities will arise...[stakeholders] are currently largely guessing without

¹⁸ Institute for Energy Economics and Financial Analysis, 2024, [Gas networks are making persistent and significant supernormal profits](#)

strong evidence or data about when, where and at what trajectory consumers will exit the gas network.¹⁹

We disagree with the AEMC that such granular data is only relevant to a decommissioning framework. This data would also help to better identify the nature and location of stranding risks. Alternatively, it could conceivably be used to identify where network connections to renewable gas sources would be efficient (or not). Given such data is already accessible to service providers, it must be made transparent.

Granularity should also extend to more timely updates of the long-term outlook. The year-to-year variability of the GSOO shows that the outlook for gas is changing rapidly, meaning that a service provider's long-term outlook will become increasingly irrelevant much sooner than the next access arrangement review. As the long-term outlook is important to stakeholders beyond its role in the access arrangement determination, there would be significant value in increasing the frequency by which it – or key aspects of it - must be updated. Updates should be required when there is a material change to key assumptions, forecasts, policy settings or other sensitivity points.

Recommendation 6

That the Final Rule improve the robustness and practicality of the long-term outlook and its links to short-and-medium term decision-making by businesses and regulators, by:

- *requiring a central forecast supported by alternative scenarios and/or sensitivity analysis, rather than a single outlook;*
- *requiring the central forecast to align with relevant policies, including electrification and emissions reduction targets;*
- *requiring long-term outlooks to be updated regularly and/or whenever there is a material change to key assumptions, forecasts, or policy settings;*
- *grounding the outlook in a requirement for more granular reporting on network utilisation within the network – updated on a regular basis to maintain transparency and ensure 'currency' through the transition.*

6. Capital cost recovery

The JEC does not support the Draft's proposal on capital cost recovery. The AEMC Draft reverses the intent and structure of the original rule change proposals. Rather than allowing for a holistic consideration of capital cost recovery and limiting consumers exposure to unreasonable additional costs, it focuses on enabling – and entrenching - accelerated depreciation as the principal tool to manage risks.

¹⁹ Energy Consumers Australia, 2025, [Gas Distribution Network Rule Change Requests - Planning Requirements](#), p 15.

The JEC's rule change sought to address the problem that accelerated depreciation has been used by service providers to bring forward an unquantified and hypothetical future risk, and making consumers pay the full costs of this risk without demonstration this is reasonable. We observed that accelerated depreciation, while a valid tool in the regulatory framework, is unsuited to be the **primary tool** to manage the future underutilisation of a network in decline. In any case we noted other mechanisms were required to ensure it could be utilised more appropriately in the consumer interest.

We are concerned that the AEMC has misinterpreted our position as viewing accelerated depreciation and redundancy as mutually exclusive alternatives.²⁰ On the contrary, our rule change proposal expressly sought to link the two tools, by ensuring accelerated depreciation is “undertaken in conjunction with the use of a mechanism to identify redundant assets and anticipated redundant assets, and for the cost sharing of asset stranding costs”.²¹ It is therefore disappointing to see the Draft creates a framework where partial redundancy and accelerated depreciation are not considered in parallel, but rather in succession.

We consider this critical to the issue of ‘reasonable opportunity’. The approach proposed in the Draft effectively considers any accelerated capital recovery ‘reasonable’, without imposing any effective limit to what can be accelerated. Importantly, it also imposes no responsibility on the gas business to manage or assume any share of the risks they are bringing forward – such as through partial redundancy - as envisaged in the initial rule.

Rather than resolving the issues we identified, the Draft lowers or removes the barriers for service providers to propose accelerated depreciation, and cements accelerated depreciation as the main tool to manage future risk and uncertainty. It does so on the basis of a false assumption regarding the alignment of consumer and network interests, limited only by the hypothetical switching point. While we appreciate the AEMC's attempt to introduce a principled mechanism to constrain accelerated depreciation - using a requirement for partial redundancy when the ‘switching point’ is reached - this constraint is theoretical, arbitrary²² and likely to result in effectively unconstrained accelerated capital recovery.

We do not agree the AEMC's preferred rule better aligns with the long-term interests of consumers. As further discussed in Section 2, we consider the risks of service providers not being able to recover costs and/or becoming unviable have not been demonstrated and quantified. This has led to a Draft which would require consumers to pay an unreasonable share of the additional cost of future risks to networks.

Fundamental changes to the proposed capital cost recovery and partial redundancy mechanisms are required. Accordingly, we have sought to provide the AEMC with constructive recommendations to create a Final Rule that better aligns with its objectives.

²⁰ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p 77.

²¹ Justice and Equity Centre, 2025, [Gas Distribution Network Rule Change Request – Accelerated Depreciation and Redundancy](#), p 20.

²² See detailed discussion above on both the alignment of interests and the switching point.

6.1 Determining risks and the commensurate share of redundancy costs

The Final Rule must incorporate a mechanism to determine how the costs of future risks are to be reasonably shared with consumers. A framework to consistently identify and quantify asset risks is critical to monitoring any growth of risk, requiring and incentivising business action to manage those risks, and determining what other measures are required. It also enables an assessment of the reasonable share of the costs to be brought forward for consumers. A framework based on competitive market outcomes cannot achieve this, due to the conceptual and practical issues we detail in Section 3.1.

In conjunction with measures to quantify the actual risks faced by networks, we consider the price path approach employed by the AER in recent decisions²³ a practical alternative to the ‘switching point’ concept in setting a ‘reasonable’ cap on accelerated capital recovery. In these decisions, the AER limited ‘base’ real price increases to 0 or close to it. The AER in its decision on Jemena’s recent access arrangement stated:

We consider the reduced accelerated depreciation amount strikes a balance between the need for a start of accelerated depreciation to promote efficient investment, and the need to limit the impact of accelerated depreciation on consumers, particularly at a time when energy affordability continues to be a key issue during the energy transition.²⁴

We do not consider the appropriateness to be circumstantial and the AEMC asserting such an approach would provide the consistency which we have previously identified as a concern with the AERs employment of this approach. The price path approach provides a starting point for an efficient and equitable allocation of capital costs to be recovered from consumers. Specifically,

- any revenue requirement within the price path envelope can be recovered from consumers via reference tariffs, and
- costs that exceed the price path would trigger partial redundancy.

This approach better balances the NGO and RPP compared to the Draft, which skews toward costs being over-recovered from consumers.

We acknowledge the price path approach cannot eliminate all future asset and demand risks for the service provider nor affordability risks to consumers. However, when considered holistically within this rule change package, it provides an effective way to tie together the various requirements imposed by the NGO and RPP. The AER has already employed the approach in several recent decisions, proving its practicality to address the risks associated with network decline.

²³ For example see the [Jemena Gas Networks 2025-30 access arrangement](#), [Australian Gas Networks \(SA\) 2026-31 access arrangement](#).

²⁴ Australian Energy Regulator, 2025, [Final Decision - Jemena Gas Networks \(NSW\) 2025-30](#), pp vii-viii.

The AEMC should consider incorporating this price path approach as the standard mechanism to reasonably limit accelerated cost to be recovered from consumers. As discussed further in Section 8, this also allows a clear upper bound to reference tariffs.

We recommend the price path approach be incorporated into the accelerated depreciation and partial redundancy assessments as an alternative to use of the 'switching point.'

We propose that in each access arrangement - the long-term outlook, building block approach, assessment of accelerated depreciation and assessment of partial redundancy - determines the following sequentially:

1. the upper limit of revenue that can be recovered from consumers while limiting 'base' real price increases to 0;
2. the assets or specific parts of the capital base at risk of stranding (either economical or physical stranding);
3. the value of the capital at risk of stranding;
4. the efficient and reasonable share of capital costs to be recovered from consumers, with reference to the share of costs already recovered and current utilisation of the network, with an upper bound set by the price path;
5. the assets and/or amount of capital to be made redundant (including anticipated redundancy);
6. the most appropriate depreciation profile and amount of depreciation to be adjusted for the remaining capital base – as limited by the upper bound of the price path; and
7. the amount of the RAB to be declared partially redundant and written down by the network.

This mechanism would allow for a principles-based and transparent assessment of the risks faced within a network and the different ways to address these risks. This would establish a much clearer link between the use of different tools and the risks they are addressing, thus improving the accountability of both the regulator and service provider. By following the proposed sequencing, each access arrangement decision would have regard to the NGO and RPP, and strike the right balance between the two.

Recommendation 7

That the Final Rule incorporates a principles-based mechanism to quantify any stranding risks (economic or physical), to inform the following:

- *the reasonable share of the additional capital costs to be recovered from consumers and network investors;*
- *the most appropriate tool(s) to use to manage stranding risks;*

- *the assets and/or amount of capital to be made redundant;*
- *the most appropriate depreciation profile and amount of depreciation to be adjusted.*

The Rule should specify that use of this mechanism must have regard to the long-term outlook, the National Gas Objective, and the Revenue and Pricing Principles.

6.2 Partial Redundancy

The Draft introduces a much-needed mechanism for partial redundancy to be triggered. However, changes are required to ensure the mechanism can be utilised effectively in practice to deliver on its intent.

We have noted, at length, the inappropriateness of the switching point and ‘competition measure’ as a basis for limiting capital recovery or ‘triggering’ redundancy.

We recommend partial redundancy should be able to be triggered or employed in any scenario where there is a quantified and demonstrated future stranding risk. The principles-based decision mechanism recommended in Section 6.1 should replace the Draft’s conditions for redundancy relating to competition from alternative energy sources. This ensures the regulator and service providers have greater scope to use this tool to manage risks, in line with the intent of the rule change proposals. To further enable this scope of application, the AEMC should maintain its definitions of full/partial redundancy that **do not** distinguish between physical and economic redundancy.

Anticipated redundancy should also be considered as an additional category in the rules, as envisaged by our initial proposal. This is consistent with standard accounting practices.²⁵ It is also consistent with the AEMC’s own suggestion that redundancy should be triggered “*once it becomes clear that stranding can no longer be averted*”,²⁶ as declining demand is certain for most regulated gas networks. Given the ability to return previously redundant capital to the capital base, there is little justification for overly restricted use of this common tool.

As outlined in Section 5.1, we consider it appropriate for the AER to make decisions on redundancy with reference to the NGO and RPP. We recommend the requirement for the AER to take into account uncertainty should be removed, as this is likely already captured in other mandatory considerations and therefore only unnecessarily increases the barrier for decision-making.

Recommendation 8

That the Final Rule includes strengthened provisions for redundancy to ensure practical utility of the (partial) redundancy mechanism. At a minimum this should include:

- *allowing partial redundancy to be triggered as soon as redundancy is anticipated;*

²⁵ We refer to Energy Consumers Australia’s submission to this paper for a more in-depth analysis of this.

²⁶ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p 14.

- *allowing partial redundancy to be triggered in response to any quantified and demonstrated future stranding risk;*
- *removing explicit requirements for the AER to take into account uncertainty.*

6.3 Inflation

We do not support the introduction of an inflation adjustment decision point, and recommend Draft Rule 73 (Approach to Treatment of inflation) be removed in its entirety. While a different “tool” on paper, in practice its use comes with the same risks and issues as accelerated depreciation.

As with accelerated depreciation, this relies on the blunt assumption that declining demand inherently justifies bringing forward cost recovery. The treatment of inflation, as a binary choice, cannot be linked or made proportional to the risks facing the network. It is therefore an inherently non-transparent method enabling service providers to further bring forward costs without determining the degree to which this is reasonable.

The AEMC has not sufficiently justified how the introduction of this tool is consistent with the long-term interests of consumers. The proposed inter-period smoothing mechanism does not sufficiently mitigate the risks presented by changing the treatment of inflation.

If the Final Rule does incorporate Draft Rule 73, we recommend the regulator be given full discretion to determine the most appropriate treatment of inflation. This is consistent with our broader position presented in Section 3.2.

Recommendation 9

That the Final Rule remove Draft Rule 73 (Approach to treatment of inflation). If it is included, the regulator must retain full discretion to determine the most appropriate treatment of inflation in the specific circumstances of the service provider at that time.

7. Expenditure

We support the proposed expenditure provisions. They support more efficient expenditure in the context of declining network demand. We welcome the removal of references to growth and increased scrutiny over proposed expenditure, to ensure it is restricted to only that which is absolutely necessary. The Final Rule should maintain these proposed changes.

Recommendation 10

That the Final Rule maintains the proposed changes to capital expenditure criteria.

8. Reference tariffs

In principle, we support clearer bounds for reference tariffs, particularly an upper bound that recognises some consumers cannot choose to stop using gas.

We also welcome the transparency introduced by explicit requirements to consider impacts on consumers. The reference tariff provisions are significantly weakened however, by the upper bound being based on an arbitrary figure (see Section 3.1) and relatively large scope for tariffs to exceed the upper bound.

As the equivalent price of competitive energy services is not possible to accurately determine for different tariff classes, we consider the upper bound of reference tariffs would be better determined by the price path approach introduced in Section 6.1. This still achieves the AEMC's intended outcome of making the tariff provisions operate more effectively across a broader range of demand scenarios.²⁷ It also establishes a clear link between tariffs and tools used to manage redundancy risks.

The AEMC has not clearly justified the addition of subrule 3A, which permits tariffs that exceed the proposed upper bound. We consider greater certainty would be provided by removing service providers' discretion to exceed the upper bound (that is, removing subrule 3A).

Recommendation 11

That the reference tariff provisions be made more practical by:

- *allowing for reference tariffs to be determined using the price path mechanism employed by the AER in recent determinations;*
- *removing service providers' discretion to exceed the upper tariff bound.*

9. Other proposed changes

9.1 Incentive mechanisms

We agree that the NGR should not prescribe incentive mechanisms. However, we are concerned about the AEMC's objective to broaden the scope of incentive mechanisms given there is little demonstration they deliver tangible benefits for consumers.

We consider incentive schemes to be broadly ineffective and, at best, poorly evidenced in their benefit to consumers. We have discussed this at length in previous submissions to this process. The potential cost of such schemes to consumers may only increase – as has been shown to be the case with existing incentive schemes – this is particularly true if a scheme were to be used to increase cost recovery in the context of declining demand, as is contemplated in the Draft Determination.²⁸ The Final Rule should maintain the principles-based incentive framework, with robust justification requirements.

²⁷ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p 110.

²⁸ AEMC, 2026, [Draft Determination: Gas networks in transition](#), p 103.

9.2 Access arrangement revision timeframes

We support the AEMC's proposal to extend access arrangement revision timeframes. This would allow all stakeholders more time to engage with the access arrangement process, and support effective decision-making.

With the extended timeframes, we would expect to see a commensurate uplift in consumer engagement and transparency of decision-making.

10. The AEMC should recommend non-rule reforms

The JEC understands that that market and regulatory frameworks alone will not achieve the desired outcomes for consumers. The initial rule change package was intended to enable meaningful changes making the regulatory framework more fit for purpose to deliver the most efficient outcomes for consumers. It was also intended to demonstrate more clearly where government intervention was necessary, while laying a regulatory foundation for it to be most effective. We envisaged a critical role for the AEMC in detailing what law and other legislative reforms would be necessary to enable the optimum consumer outcomes envisaged. As such, we are disappointed to see the AEMC has not expanded on its "areas for consideration" for government presented in the Directions Paper.

In the Final Determination the Commission should provide much greater detail through a range of recommendations to the Energy and Climate Change Ministerial Council and other relevant lawmakers and regulators. This should focus on what is required to deliver the most efficient outcomes for consumers – focussing on areas where the current energy laws prevent or restrict regulatory reform which would enable the most efficient consumer outcomes.

This should include, but not be limited to enabling:

- Refusing new gas connections where this presents unreasonable or inefficient increases to risk,
- Supporting electrification where this is more efficient than network maintenance or upgrade, and
- Enabling non-pipeline gas service provision where this can be a safe and efficient alternative.

We refer to our previous submissions²⁹, as well as ECA's³⁰ and Grattan Institute's³¹ work, for recommendations to the AEMC for further policy, legislative, and/or regulatory reform.

To inform this, the AEMC should review its [*Final Determination on the National Energy Retail Amendment \(Improving the application of concessions to bills\) Rule 2025*](#). This Final Determination included a range of detailed recommendations to other stakeholders and exemplifies the type of robust recommendations the Commission should make in the Final

²⁹ See Section 4 of our [submission to the Directions Paper](#) and Section 4 of our [submission to the Consultation Paper](#).

³⁰ Energy Consumers Australia, 2025, [Submission to Gas Networks in Transition Consultation Paper](#), pp 12-13

³¹ See Chapter 6 of Grattan Institute, 2026, [Out of Gas](#)

Determination for the Gas Networks in Transition rule change package. If the AEMC considers it inappropriate to make such recommendations in this rule change process, it should justify this position in the Final Determination.

Recommendation 12

That the Final Determination include detailed recommendations to the Energy and Climate Change Ministerial Council and other stakeholders on National Energy Law – and other legislative or regulatory reforms - required to facilitate the most efficient and orderly transition of distributed gas networks. This should explicitly include what is required to enable new connection refusal, voluntary network retreat and supported electrification where it is more cost effective than network maintenance.

11. Further engagement

We would welcome the opportunity to meet with the AEMC project team and any other stakeholders to discuss these issues in more depth. Please contact Kira van Os (kvanos@jec.org.au) for any further inquiries.