Brotherhood of St Laurence
Working for an Australia free of poverty

Gas networks in transition

Submission to the Australian Energy Market Commission (AEMC)

Brotherhood of St. Laurence

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Summary

This submission proposes reforms to gas regulation to prepare for an equitable phase-out of gas that is consistent with state/federal emissions targets and supports people facing disadvantage. Our nine recommendations are:

1. Increase scrutiny and transparency on gas networks' capital expenditure in line with ECA's proposal. This should specifically include processes to enable non-pipeline solutions in place of replacement expenditure.
2. Implement a framework to decommission areas of gas networks, especially where further spending is planned or where the local network is unviable.
3. Allow spending on gas network decommissioning as capital expenditure unless it is to be paid for through a different source (e.g. government).
4. Allow gas network spending on electrification to be capital expenditure.
5. Remove parts of the National Gas Rules that incentivise growth in gas demand.
6. Require gas networks to publish more information to enable scrutiny of their declining networks in an accessible format.
7. Require gas networks to publish longer-term plans for gas networks that align with carbon emission goals.

8. Consider allowing parties other than network operators to request reopeners when circumstances merit.
9. Investigate future changes to the obligation to serve customers (noting that these requirements may sit in state laws).

1 Introduction

Disconnecting homes from the gas network is essential to meet Australia's climate change targets. The problem is urgent: even if new homes stopped connecting to gas today, over 500 homes per day would need to disconnect to reach zero by 2050.[1]

For homes, electrification is the most effective and efficient, and perhaps only, way forward. Electric appliances are mature, already used exclusively by around half of Australian households, usually cheaper to run, and on a credible pathway to zero emissions.

The only theoretical alternatives to electrification – reusing gas pipes for biogas or hydrogen – are unlikely to be viable or in households' interest. Biogas is too scarce to fulfil households' needs.[2] Hydrogen cannot compete with electric appliances on cost and will require extensive replacement of network and appliance components.[3] As the CEO of AusNet, a gas and electricity network, has stated, 'long term [gas] network decline is now inevitable'.[4]

People facing poverty, in particular, will need assistance to electrify and a fair system to allocate costs for decommissioning.

The current gas regulations are not up to this task. They mostly do not contemplate shrinking or decommissioning the gas network, and in fact promote gas growth, which is counter to Australian governments' commitments to net zero. Within the rules, gas networks continue to grow and direct hundreds of millions of dollars of customer money into new and replacement infrastructure that will be unusable within 25 years if we meet our climate targets. Change is needed.

This submission provides answers to specific questions posed by the AEMC's consultation paper. It draws on Balancing Act, the Brotherhood of St. Laurence (BSL)'s work on strategic decommissioning, described below.

[1] Own calculation based on 5 million gas-using households from Department of Industry, Science and Resources, *Future Gas Strategy*, 2024.

[2] Department of Energy, Environment and Climate Action [DEECA], 2024, Victorian Industrial Renewable Gas Guarantee, viewed 20 October 2025, <https://engage.vic.gov.au/victorias-renewable-gas-future>.

[3] Jan Rosenow 2022, 'Is heating homes with hydrogen all but a pipe dream? An evidence review', *Joule*, vol 6, no 10, pp 2225–28.

[4] David Smales 2024, *ASG – Cover Letter – 30 Sep 2024 – PUBLIC*, viewed 22 October 2025, <https://www.aer.gov.au/system/files/2024-10/ASG%20-%20Cover%20Letter%20-%2030%20Sep%202024%20-%20PUBLIC.pdf>.

2 BSL's work on strategic decommissioning

BSL has initiated a research project, Balancing Act, to investigate how much gas network spending could be avoided by diverting some of these funds to assist households, especially those facing disadvantage, to move away from fossil fuels by electrifying their homes. The project has two phases:

- The first phase of Balancing Act develops a framework to assess proposals to shrink the gas network with electrification, called network pruning.
- The second phase will test a hypothetical pruning proposal in a real location through both social research focusing on households facing disadvantage and a cost–benefit analysis.

Balancing Act is funded by Energy Consumers Australia (ECA). Our research partners are the Life Course Centre at the University of Melbourne (for social research) and Energeia for technical research.

3 Spending criteria

Question 2.1: Are changes required to the current capital expenditure criteria to better account for uncertainty in future gas demand? If so, would ECA's proposed amendments better account for uncertain demand outlooks than the current criteria?

We agree with ECA that there is currently insufficient scrutiny of gas networks' capital expenditure. No unnecessary money should be spent on gas networks that are likely to become redundant in the next two decades and have very little hope of decarbonising. Yet gas network operators have significant licence to do so, and consumers – mostly households – are paying the bill.

Gas networks may already be proposing investments that would not pass an economic analysis and should not be paid for by consumers. For example:

- The most recent Victorian access arrangements contain $567 million of gas mains replacement over five years. Under current policy settings, these new pipes will be redundant within 20 years because Victoria has a net zero target of 2045 and a policy to phase out residential gas use, with scarce supplies of biogas reserved for industry.[5] The investment in mains is very likely to become stranded and does not seem prudent.

[5] Department of Energy, Environment and Climate Action [DEECA], 2024, Victorian Industrial Renewable Gas Guarantee, viewed 20 October 2025, <https://engage.vic.gov.au/victorias-renewable-gas-future>.

- Connecting ten Victorian towns to gas in around 2015 cost $85 million,[6] or approximately $74,000 per household. Within ten years the system became financially unviable due to high costs and low revenue and the supply of gas via the network will end by the end of 2026.[7]
- Constructing a gas pipeline from Kambalda to Esperance (both in WA) cost $45 million,[8] and became unviable within around 20 years[9]. The pipeline served a power station, now also defunct, and fewer than 400 customers.

These latter two small networks were shut down when they became unviable. Larger networks may contain areas that are equally unviable, and where further spending would be equally unwise. This problem is reinforced by a lack of transparency – the public would be unlikely to be aware of unjustified spending because little information is published, and the cost is socialised across the whole network. As a result, despite the waste, networks may continue investment in unjustified parts of networks.

Governments and market bodies should develop and implement a framework to decide which areas to strategically decommission, especially where further spending is planned (as Balancing Act focuses on) or where they are unviable, as the Danish network operator Evida has proposed.[10] This proactive approach is more appropriate and a better use of funds than continuing to allow capital expenditure to expand or continue gas connections by default.

BSL's Balancing Act project will develop a framework on this topic, focusing on areas with replacement expenditure. The framework will be outlined in our forthcoming report. Non-pipeline alternatives in several US states also provide an example of how this can work.[11] In these states gas companies are required to assess a non-pipeline alternative which 'defers, reduces, or avoids the

[6] ABC News, 'Labor to finish natural gas rollout to country towns', 22 February 2015, viewed 10 October 2025, <https://www.abc.net.au/news/2015-02-23/labor-to-finish-natural-gas-rollout-to-country/6215280>.

[7] Wade Stephens, 'Gas supply to 10 regional Victorian towns to be cut by end of 2026', *ABC News*, 4 August 2025, viewed 27 October 2025, <https://www.abc.net.au/news/2025-08-05/solstice-energy-to-cut-gas-supply-to-10-regional-victorian-towns/105610966>.

Energy bulletin 32, West Leederville, 2004, viewed 10 October 2025, <https://www.wa.gov.au/system/files/2025-02/energy_bulletin_32.pdf>.

[9] Daniel Mercer, 'Forced to switch off gas, this small Australian seaside town became a "microcosm of what the world is trying to do"', *ABC News*, 18 September 2024, viewed 27 October 2025, <https://www.abc.net.au/news/2024-09-19/gas-switched-off-in-wa-town-as-renewable-energy-sources-step-up/104359958>.

[10] Evida, Evida's mapping of the gas distribution system [translated], Evida, 2023.

[11] See Consolidated Edison Company of New York, Inc. n.d., *Proposal for use of a framework to pursue non-pipeline alternatives to defer or eliminate capital investment in certain traditional natural gas distribution infrastructure*; RMI & National Grid 2024, 'Non-Pipeline Alternatives: Emerging Opportunities in Planning for U.S. Gas System Decarbonization'; Strategen 2023, *Non-pipeline alternatives: a regulatory framework and a case study of Colorado*, Lawrence Berkeley National Laboratory, viewed 9 September 2024, <https://live-lbl-eta-publications.pantheonsite.io/sites/default/files/non-pipeline_alternatives_to_natural_gas_utility_infrastructure_2_final.pdf>.

need to construct or replace gas system infrastructure'[12] against planned gas investments. A non-pipeline alternative can include electrification in a similar fashion to pruning, avoiding gas network augmentation or other measures. The states mandate how these can be assessed, providing a sort of framework for assessing non-gas solutions, including equity considerations in most states.[13]

Recommendations

1. Increase scrutiny and transparency on gas networks' capital expenditure in line with ECA's proposal. This should specifically include processes to enable non-pipeline solutions in place of replacement expenditure.
2. Implement a framework to decommission areas of gas networks, especially where further spending is planned or where the local network is unviable

Question 2.5: Do you consider that additional types of expenditure may need to be recognised as capital expenditure in the context of the energy transition (e.g. decommissioning expenditure)?

Yes, BSL sees further decommissioning as inevitable, and unless it is paid for outside the gas system (e.g. by government), it seems logical to categorise it as capital expenditure.

It is also worth considering whether gas networks should be allowed to count spending on electrification as capital expenditure. If electrifying an area (with the network paying for the upgrades) is more cost-effective than continuing to serve it with gas, this may be the best option. This is especially likely where mains replacement is planned and can be avoided through electrification.

Recommendations

3. Allow spending on gas network decommissioning as capital expenditure unless it is to be paid for through a different source (e.g. government)
4. Allow gas network spending on electrification to be capital expenditure

Question 3.1: Do you consider the current definition of operating expenditure (which includes expenditure for increasing long-term demand for pipeline services) is fit for purpose in the context of the energy transition?

No. It is inappropriate to incentivise gas growth when the National Gas Objective (NGO) requires consideration of lowering emissions, and the Commonwealth and every state/territory has a target

[12] Strategen, *Non-pipeline alternatives: a regulatory framework and a case study of Colorado*.

[13] RMI & National Grid, 'Non-Pipeline Alternatives: Emerging Opportunities in Planning for U.S. Gas System Decarbonization'.

of net zero by 2050 or sooner. It is BSL's position that gas networks should be allowed to spend operating expenditure on reducing gas demand (e.g. through electrification) as this would be consistent with the NGO and emissions targets.

Recommendation

5. Remove parts of the National Gas Rules that incentivise growth in gas demand

4 Planning requirements

Question 7.1: Do you consider new planning-related reporting obligations for network service providers are required in the NGR to support more efficient decision-making by stakeholders? If so,

a. what information should be reported and for what purpose?
b. what should be the reporting frequency?
c. what pipelines should the requirements apply to: scheme, non-scheme, distribution, transmission?

Yes, BSL believes networks should be required to publish more information to enable stakeholders to assess options and make better informed decisions, both in general and in relation to strategic decommissioning. We support ECA's proposal for a Gas Annual Planning Report.

Insufficient information is currently provided to the public to allow them to identify areas to take off gas for strategic decommissioning. For example, if a motivated community group wished to avoid planned mains replacement in their street and electrify instead, it would be extremely difficult, even if it was in everyone's interests. Networks often do not provide specific detail on where particular upgrades are planned, how much they will cost, when they will occur, and whether they could be avoided or deferred. Maps of pipes are often unavailable.

Where information is published, it is often inaccessible, located among hundreds of documents and spreadsheets submitted to access arrangements – much of it redacted.

Making this information available in an accessible format would be necessary to enable network pruning and other methods of decommissioning gas networks.

Recommendation

6. Require gas networks to publish more information to enable scrutiny of their declining networks in an accessible format

Question 8: Would a longer-term outlook on the gas transition support better regulatory decision-making?

We support requiring public, longer-term planning to complement five-year access arrangements. Ideally long-term plans would come both from governments – with projections of the impacts of policies – and from gas networks. Plans should be consistent with government policy and provide advance notice of areas to be decommissioned.

The existence of plans could inform and change people's decisions, especially if they are made publicly accessible and user-friendly. For example, if residents of a certain area were told their gas network would cease in 10 years (as occurs in Zurich, with information provided on a public map[14]), they would be less likely to buy new gas appliances.

However, requiring the publication of plans may not be enough to make the plans realistic or consistent with net zero targets, especially from network operators who have competing incentives. Networks already publish plans that are unrealistic (such as consistently wrong demand forecasts cited by IEEFA[15]) and/or in our view not consistent with net zero, such as ATCO's gas demand forecast showing no decline on page 5 of the AEMC's discussion paper.

Recommendation

7. Require gas networks to publish longer-term plans for gas networks that align with carbon emission goals

Question 12.1: Do you consider changes are required to the current re-opener provisions? If so, what changes do you consider are appropriate in the context of the energy transition?

Yes. BSL suggests the AEMC consider allowing other parties, such as government or consumer advocates, to propose reopening access arrangements. For example, if government policy changes materially midway through an access arrangement, it may be appropriate to allow provision for a stakeholder to request a reopener to adjust network plans to match policy.

Recommendation

8. Consider allowing parties other than network operators to request reopeners when circumstances merit

[14] See Stadt Zürich, Energieplanung – EnerGIS – Stadt Zürich, 2024, viewed 20 November 2024, <https://www.stadt-zuerich.ch/energis/frontend/#/planung>.

[15] IEEFA, *Gas networks are making persistent and significant supernormal profits*, IEEFA, 2024, viewed 7 October 2024, <https://ieefa.org/sites/default/files/2024-06/Gas%20networks%20are%20making%20persistent%20and%20significant%20supernormal%20profits_May24.pdf>.

5 Other issues

Question 13: Should there be changes to the existing or additional incentive mechanisms? Do you consider modified or additional incentive mechanisms should apply to service providers in the context of the energy transition?

BSL supports consideration of incentives for gas networks to decommission their infrastructure or avoid building new unjustified or uneconomic infrastructure. The transition away from gas will be much faster and easier if networks are on board.

However, incentives should be carefully designed and targeted and must not present a windfall for network operators. We note that networks have gamed existing incentives, for example making super-profits via persistently inaccurate demand forecasts.[16] Network operators should face existing natural incentives to avoid spending, such as the possibility of not recouping their investment.

Need for a wind-down plan

Winding down and decommissioning gas networks will be a major undertaking and requires long-term planning and strategy.

In the current system, it is not clear who will plan gas network wind-down and decommissioning – networks, governments, market bodies or a combination. How decommissioning will be funded is also ambiguous.

It is also unclear what strategy will be employed and who will decide. For example, gas networks could be wound down spatially (i.e. certain areas cease supply at certain times), by appliance, all at once, by attrition, by cohort or through other strategies. Each would require very different plans and policies.

Efficient transition from gas will require resolution of these questions, and will require a package of supporting regulation and policy changes.

Obligation to serve customers

At present, operators of major (scheme) gas networks are prevented from closing areas of their networks unless all affected customers opt in, because various laws create obligations to serve customers. Smaller (non-scheme) networks do not face the same obligations, hence the only examples of gas network closures in Australia – Esperance and the 10 Victorian towns – have been in non-scheme networks.

This obligation to serve customers will be a major barrier to winding down gas networks geographically if it remains unchanged. We suggest, although it is a difficult issue, the obligation to

[16] IEEFA, Gas networks are making persistent and significant supernormal profits 2024, IEEFA, viewed 7 October 2024, <https://ieefa.org/sites/default/files/2024-06/Gas%20networks%20are%20making%20persistent%20and%20significant%20supernormal%20profits_May24.pdf>.

serve will eventually need to be changed. Additionally, if the obligation is loosened, gas distributors should be obliged to help customers electrify when removing their gas supply.

Consideration could be given to a threshold percentage of people who need to agree for decommissioning to proceed – for example, California's Gas Decommissioning Pilots only require two-thirds of people to opt in rather than 100%.

Recommendation

9. Investigate future changes to the obligation to serve customers (noting that these requirements may sit in state laws)

Question 10: Do you consider the NGR should include more or different guidance to service providers on how reference tariffs should be structured in the context of the energy transition?

We suggest that any changes to pricing structures should be guided by the following principles:

- Equity – being informed by data, especially distributional analysis of the impacts on different cohorts.
- Good incentives – removing incentives to increase gas consumption, such as declining block tariffs.
- Simplicity – remaining simple enough for households to understand.

Role of states/territories

States and territories currently have very different approaches to the future of gas. The ACT and Victoria have formal plans to electrify homes and move off gas. Other states are less explicit, although some offer incentives for electrification and all have net zero targets that will necessitate either electrification or a shift to a renewable gas.

We expect that more states will move towards electrification, but at present the AEMC has a difficult task in creating rules to cover the diversity of approaches. Any rule changes should be future-focused, recognise the jurisdictions that are further along the pathway to phasing out gas, and incentivise jurisdictions that are less advanced.