

Regulated retail prices for gas in NSW

Fact Sheet - ActewAGL proposal for regulated retail gas prices to increase in relation to special circumstances

February 2008

Background

In June 2007 IPART finalised voluntary transitional pricing arrangements with the standard gas suppliers in NSW. These arrangements enable these retailers to supply small retail customers (those using less than 1 TJ a year) at regulated prices.¹ IPART developed a specific agreement with each of the standard suppliers, including ActewAGL. The agreements provide for annual price increases of CPI or less. In special circumstances a supplier may apply to IPART to vary prices outside of this limit.

On 8 February 2008 ActewAGL submitted a proposal for tariffs to increase by an average of 8.5 per cent for Queanbeyan customers and 8.2 per cent for Capital Region customers². The increase would apply from 1 April 2008. This is in excess of the limit of a CPI price increase on 1 July that is provided for in the voluntary transitional pricing arrangement. ActewAGL contends that the special circumstances arise from a recent decision by AGL Wholesale Gas (AGLWG) to pass through certain costs related to supply of winter gas from the South Australian Cooper Basin Producers and increased costs of services on the Moomba to Sydney pipeline.

¹ IPART, *Promoting retail competition and investment in the NSW gas industry, Regulated gas retail tariffs and charges for small customers 2007 to 2010, Gas – Final Report and Voluntary Transitional Pricing Arrangements*, June 2007.

² The difference between the average price change for Queanbeyan and Capital Region customers reflects the greater average gas usage in Queanbeyan.

Process

The voluntary transitional pricing arrangement requires the supplier to give IPART four months notice of price increases resulting from special circumstances. However, in the report that accompanied the VTPA, IPART said:

The notice period for suppliers to inform the Tribunal of special circumstances can be varied with the agreement of the Tribunal and the supplier. This provides flexibility where the change in circumstances is relatively straightforward (and so can be assessed in less than 4 months), or where it requires more complex analysis (entailing a longer lead time before prices changes are approved).

Special circumstances include, but are not limited to, events that result in changes to costs such as regulatory changes, taxation changes, an unanticipated field price review or fundamental changes to gas market frameworks and arrangements³.

ActewAGL has requested that the Tribunal should make its decision to allow for a 1 April 2008 price change.

Due to the commercially sensitive nature of the cost information that is required to justify the price increase, IPART will not be able to request formal submissions, but hold discussions with key stakeholders and engage expert advice to assist its decision making.

The Tribunal will issue a notice of its decision in March 2008.

James P. Cox
Chief Executive Officer and Full Time Member

³ IPART, *Promoting competition in the NSW retail gas market, Regulated retail tariffs 2007-2010*, June 2004, p 3.