

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

AGL Tariff increases

1 January 1999

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Gas98-4

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Independent Pricing and Regulatory Tribunal of New South Wales
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AGL TARIFF INCREASES – 1 JANUARY 1999

Background

Pursuant to section 27 of the Gas Supply Act 1996, the Tribunal has the power to regulate tariffs to customers using less than 10 TJ per year. These customers are often referred to as tariff customers and consist of residential, industrial and commercial customers.

The Gas Supply Act provides for the Tribunal to issue gas pricing orders that enables the establishment of pricing mechanisms to apply to tariff customers.

At this stage, the Tribunal has not issued a gas pricing order but is currently undertaking reviews in respect of tariff customers served from the AGLGN, Albury and Wagga Wagga gas distribution networks. These reviews will also examine the form of regulation (if any) that should be used as this market becomes contestable.

In the interim, AGL's tariffs customers are regulated according to a Price Control Formula (CPI - 1.5) which was set by the former Gas Council of NSW . This formula establishes a Maximum Average Price that AGL, subject to certain conditions, is required to stay within. AGL, when altering tariffs, is mindful of its voluntary tariff setting guidelines. These guidelines provide that any price increase should normally be no greater than \$5 per quarter, or 5% per year in real terms, whichever is greater. Further, AGL must obtain Tribunal approval to change standing or minimum charges.

At this stage, tariff prices in Albury and Wagga Wagga are not formally regulated.

AGL tariff increases

AGL wrote to the Tribunal on November 20 1998 requesting the Tribunal's approval to increase the supply fee for the Industrial and Commercial Rate 2 tariff in Goulburn and Wollongong/Shellharbour from January 1, 1999. The proposal includes alterations to the block sizes to ensure that no customer on the Rate 2 tariff pays more than they would at the same consumption level on the Rate 1 tariff.

At a Tribunal meeting on December 1,1998 the Tribunal approved the proposed supply fee increases. However, the Tribunal wishes to emphasise that the approval does not pre-empt the outcome of the current review of the delivered price of natural gas to the tariff market. The tariff review commenced in May 1998 with the release of an issues paper and will be undertaken in conjunction with the assessment of the AGL Gas Networks revised Access Arrangement. The proposed arrangement is to be submitted to the Tribunal by 31 December 1998.

The price increases approved by the Tribunal are:

Industrial and commercial Rate 2 tariff

Supply fee increase	Goulburn	Wollongong and Shoalhaven
Previous (per quarter)	\$25.50	\$23.70
Approved (per quarter)	\$30.45	\$28.65