

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

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**AGL Tariff Restructure**

**1 July 1999**

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**Gas99-2**

**30 June 1999**

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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 restructure – 1 July 1999**

AGL wrote to the Tribunal on 1 June 1999 requesting, as is required by Condition 3.8 of AGL's Authorisation, the Tribunal's approval of increases in some supply fees and minimum bills.

The proposed restructure is estimated to have no net increase in AGL's tariff market revenue. However, the restructure will increase the amount of revenue derived from supply charges and reduce the amount of revenue derived from usage rates. The reduced revenue from usage rates results from a 15% reduction in the "Residential General" tariff usage rate.

In addition, many customers currently on the Residential General tariff will be better off choosing an alternative tariff. In this regard, AGL has informed the Tribunal that it will provide individually tailored information on customer's bills concerning the most appropriate tariff for their level of gas consumption.

At a Tribunal meeting on 9 June 1999, the Tribunal approved the proposed tariff restructure. 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 supply fee and minimum bill increases approved by the Tribunal are outlined in AGL's proposed tariff structure below. Pensioners on Residential Economy and Residential Economy Plus tariffs will have their tariff increases phased in over 6 months.

<b>NSW (Excluding Yass)</b>	<b>Current 1 July 1998</b>	<b>Proposed 1 July 1999</b>	<b>Change</b>	<b>% Change</b>
<b>Residential General</b>				
Supply Fee (\$/qtr)	18.60	21.90	3.30	17.7
Usage Rate (cents/MJ)	1.3492	1.1528	-0.1964	-14.6
<b>Residential Economy</b>				
Supply Fee (\$/qtr)	22.80	24.00	1.20	5.3
Usage Rate (cents/MJ)	1.0274	1.0595	0.0321	3.1
<b>Residential Economy Plus</b>				
Supply Fee (\$/qtr)	35.00	35.00	-	-
Usage Rate (cents/MJ)				
First 4,500 MJ/qtr	0.7615	0.7995	0.0380	5.0
Thereafter	0.9812	1.0302	0.0490	5.0

<b>Yass (Minimum Bill)</b>	<b>Current 1 July 1998</b>	<b>Proposed 1 July 1999</b>	<b>Change</b>	<b>% Change</b>
<b>Residential General</b>	18.60	23.60	5.00	26.9
<b>Residential Economy</b>	22.80	27.80	5.00	21.9

<b>Industrial and Commercial Rate 2</b>	<b>Current supply Fee (\$/quarter)</b>	<b>Proposed Supply Fee (\$/quarter)</b>	<b>Change (\$/quarter)</b>	<b>% Change</b>
<b>Goulburn</b>	30.45	35.00	4.55	14.9
<b>Wollongong and Shellharbour</b>	28.65	33.60	4.95	17.3

The current price control for AGL's delivered gas price to the tariff market (defined by consumption of less than 10 TJ p.a.) is summarised below.

- The Gas Supply Act (1996) stipulates that the annual Average Tariff Price must not rise by more than CPI minus an efficiency factor "x" (currently at 1.5%);
- AGL has also voluntarily agreed that price increases to any customer will be no greater than \$5 per quarter of 5% per annum in real terms, whichever is the greater; and
- Condition 3.8 of AGL's Authorisation stipulates that the Tribunal must approve any increase in supply charges.

AGL's tariff restructure described above is within the limits set by the Gas Act (1996) and the voluntary tariff setting guidelines.