

FACT SHEET

Updating regulated gas prices for 1 July 2014

17 February 2014

IPART is responsible for regulating retail gas prices for those customers who have not entered into a market contract with a gas retailer. These customers represent less than a third of the small gas customers in NSW.

Last year we agreed multi-year Voluntary Pricing Agreements (VPAs) with each standard gas retailer in NSW:

- ▼ AGL, who supplies gas to small customers on regulated prices covering Sydney, Wollongong, Newcastle, Dubbo, Orange, Parkes, and parts of the Riverina region. This comprises over 80% of small customers on regulated prices in NSW.
- ▼ ActewAGL, who supplies the regions around the NSW/ACT border (including Young, Goulburn, and Yass) and South East NSW (including Shoalhaven).
- ▼ Origin Energy, who supplies the South Western regions of NSW including Wagga Wagga and Gundagai and inland cities such as Tamworth.
- ▼ Origin Energy also supplies customers around the NSW/Victorian border, including Albury and the Murray Valley Towns.

These agreements set the regulated gas prices for 2013/14 and established a process to conduct periodic reviews of the retail (R) and carbon (C) components of prices in 2014 and 2015. This is to account for uncertainty about wholesale gas costs and other costs. The agreements also allow the pass through of the network (N) cost component.

We have now commenced our 2014 review of regulated gas prices, which will consider the gas prices for 2014/15 and indicative prices for 2015/16. This fact sheet outlines how we propose to approach this review, the retailers' proposals and how stakeholders can participate in the process.

How does IPART propose to approach this review?

Each standard retailer has proposed changes in the R and C components of their regulated gas prices. We will carefully assess these proposals to determine whether they are reasonable and meet the objectives of this review, which include the recovery of the efficient costs of supply and the facilitation of competition in the long term interest of customers.

If we cannot reach an agreement with the retailers on the proposed regulated retail prices, we will make a pricing order that sets a price path for the retailers for the next 2 years.

Retailers' pricing proposals

Retailers have proposed significant increases in regulated retail gas prices. These are largely based on rising wholesale gas commodity costs, as the development of the LNG export market in Queensland increasingly links domestic gas prices to international prices. While rising wholesale commodity costs are common to all retailers' proposals, other contributing factors differ. These include the pass through of higher network costs and increases in the retail margin and customer acquisition costs.

The retailers' proposed price increases are summarised in the table below.

Table 1 Proposed increase in regulated retail gas prices, includes inflation and carbon costs in 2014/15

	2014/15	2015/16
AGL (Greater Sydney region and inland NSW)	20.3%	5.5%
ActewAGL (NSW/ACT border and Shoalhaven)	18.6%	10.0% ^a
Origin (South Western regions of NSW)	20.1%	-1.7%
Origin (NSW - Victorian border)	18.1%	-3.2%

Notes: Figures include inflation of 2.7% for 2014/15 and 2015/16.

^a ActewAGL included carbon in their pricing proposal for 2015/16 while AGL and Origin Energy did not include a carbon component in 2015/16.

Retailers have also proposed retail gas prices with and without carbon. The VPAs provide for the removal of the carbon price from regulated prices on repeal of the relevant legislation.

The retailers' pricing proposals can be found on IPART's [website](#).

It is important to note that IPART has yet to assess the reasonableness of the retailers' proposals. However, to provide an indication of what the proposed price increases would mean for customers, the tables below show the impact on typical annual bills.¹ Note that these bill impacts include carbon.

Table 2 Indicative annual bill for a typical residential customer – based on pricing proposals (nominal \$, incl GST)

	Current bill (2013/14)	Proposed bill (2014/15)	\$ increase
AGL (Greater Sydney region and inland NSW)	898	1,080	182
ActewAGL (NSW/ACT border and Shoalhaven)	1,283	1,522	239
Origin (South Western regions of NSW)	1,021	1,226	205
Origin (NSW - Victorian border)	933	1,102	169

Note: This assumes a typical customer uses 23GJ, 45GJ, 37GJ, and 45GJ of gas per annum in the AGL, ActewAGL, Origin Energy (South Western) and Origin Energy (NSW/VIC) areas. Impact on bills includes GST. Figures include inflation of 2.7% for 2014/15.

Table 3 Indicative annual bill for a typical business customer – based on pricing proposals (nominal \$, excl GST)

	Current bill (2013/14)	Proposed bill (2014/15)	\$ increase
AGL (Greater Sydney region and inland NSW)	4,220	5,077	857
ActewAGL (NSW/ACT border and Shoalhaven)	4,665	5,534	869
Origin (South Western regions of NSW)	3,452	4,146	694
Origin (NSW - Victorian border)	3,296	3,893	597

Note: This assumes a typical customer uses 184GJ, 229GJ, 231GJ and 209GJ of gas per annum in the AGL, ActewAGL, Origin Energy (South Western) and Origin Energy (NSW/VIC) areas. Figures include inflation of 2.7% for 2014/15.

To compare the pricing proposals we have used the same inflation assumption. This means the overall percentage price changes and indicative annual bills in this fact sheet may differ slightly to the retailers' proposals.

How can stakeholders be involved?

As part of this review, we will conduct a public consultation process. All interested parties are invited to make submissions in response to the retailers' proposals. Submissions on the pricing proposals are due on 10 March 2014.

Stakeholders will also be invited to respond to our draft report, which will be released in mid-April 2014. We will also hold a public forum on the standard retailer's proposals and our draft report on 29 April 2014.

¹ The impact of the pricing proposals on customers' bills has been estimated by applying the proposed price increases to the indicative annual bills we estimated as part of our 2013 retail price review.

We would prefer to receive submissions electronically via our online submission form

www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission.

You can also send comments by fax to (02) 9290 2061, or by mail to:

2014 Review of regulated retail prices and charges for gas
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au>. We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

Table 4 outlines an indicative timetable for the review, including opportunities for stakeholder input.

Table 4 Indicative timetable – 2014 review of regulated retail gas prices

Key milestone	Time
Retailers submit pricing proposals	11 February 2014
Receive stakeholder submissions on retailers proposals	10 March 2014
Release draft report	mid-April 2014
Hold public forum on draft report	29 April 2014
Receive stakeholder submissions on draft report	May 2014
Release final report	June 2014
Prices apply	1 July 2014

You can subscribe to gas updates on our website by clicking [here](#).

Where can I find more information?

IPART's [website](#) provides consumers with information and frequently asked questions about energy prices.

More detailed information about the scope and process for our 2014 annual review can be found in our June 2013 [final report](#).