

FACT SHEET

Changes in regulated gas prices from 1 July 2013

Based on Final Report
17 June 2013

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for regulating the maximum gas prices that regulated gas retailers can charge to 28% of residential and small business customers in NSW.¹

For the past 10 years, we have regulated these prices using a relatively light-handed approach. This involves making multi-year pricing agreements with each Standard Retailer (known as Voluntary Pricing Agreements).

We invited the Standard Retailers to propose new pricing agreements to take effect from 1 July 2013. Following consultation with stakeholders we have reached agreement with Standard Retailers on the regulated prices to apply from 1 July 2013. We have also agreed a process to update these prices in 2014 and 2015.

We have released a final report together with supporting documentation.

Gas prices are increasing

Under our final decision regulated retail gas prices will increase by 8.5% across NSW from 1 July 2013 – or by between an average of 5.2% to 9.2% in the different gas supply areas.

These price changes are driven by increases in network costs, retail costs and carbon costs.

In our view, the increases in regulated retail prices are consistent with balancing the longer and shorter term objectives for this price review.

¹ We set regulated prices for customers that have not signed a market contract with a retailer or those that have returned to the regulated price (ie, standard contract). This is currently 28% of NSW residential and small business gas customers. Customers on market contracts with retailers pay an unregulated price, however these market-based prices are influenced by changes in the regulated prices.

Table 1 IPART's final decision on regulated average retail gas price increases from 1 July 2013 (including inflation, %)

AGL (Greater Sydney region and inland NSW)	9.2
ActewAGL (NSW/ACT border and Shoalhaven)	5.5
Origin Energy (South Western regions of NSW)	5.8
Origin Energy (NSW - Victorian border)	5.2
NSW average	8.5

Note: The increases in regulated retail electricity prices are based on published network price increases for 2013/14, most of which are approved by the Australian Energy Regulator.

There are too many uncertainties to reach agreements now on the price changes now to take effect from 1 July 2014 and 1 July 2015. However, we consider it likely that regulated retail prices will rise further over these 2 years. This is driven by increases in gas network costs under distribution pricing determinations already in place, and the structural changes that are emerging in the wholesale gas market.

The average price increases² on 1 July 2013 for customers in the 4 regulated gas supply areas are³:

- ▼ 9.2% for AGL customers, which translates to an extra:
 - \$1.46 per week (\$76 per annum) on an average residential customer bill (bringing the total average annual bill to \$898), and
 - \$6.85 per week (\$356 per annum) on average for small business customers (bringing the total average annual bill to \$4,220), and
- ▼ 5.5% for ActewAGL customers, which translates to an extra:
 - \$1.28 per week (\$66 per annum) on an average residential customer bill (bringing the total average annual bill to \$1,283), and
 - \$4.65 per week (\$242 per annum) on average for small business customers (bringing the total average annual bill to \$4,665), and
- ▼ 5.8% for Origin Energy (Wagga Wagga) customers, which translates to an extra:
 - \$1.08 per week (\$56 per annum) on average residential customer bill (bringing the total average annual bill to \$1,021), and
 - \$3.66 per week (\$190 per annum) on average for small business customers (bringing the total average annual bill to \$3,452), and

² IPART determines the average price increase across all prices for gas retailers. The retailers can determine how those increases are applied across different customers, so some customers may see increases that are higher or lower than these levels depending on the commercial decisions of the retailers.

³ This analysis assumes a typical residential customer uses 23 GJ, 45 GJ, 45 GJ and 37 GJ of gas per annum in the AGL, ActewAGL, Origin Energy (Murray Valley) and Origin Energy (Wagga Wagga) areas. A typical small business customer is assumed to use 184 GJ, 229 GJ, 209 GJ and 231 GJ of gas per annum in the AGL, ActewAGL, Origin Energy (Murray Valley) and Origin Energy (Wagga Wagga) areas. Impact on residential bills includes GST.

- ▼ 5.2% for Origin Energy (Albury/Murray) customers, which translates to an extra:
 - \$0.89 per week (\$46 per annum) on an average residential customer bill (bringing the total average annual bill to \$933), and
 - \$3.13 per week (\$163 per annum) on average for small business customers (bringing the total average annual bill to \$3,296).

Why are gas prices increasing?

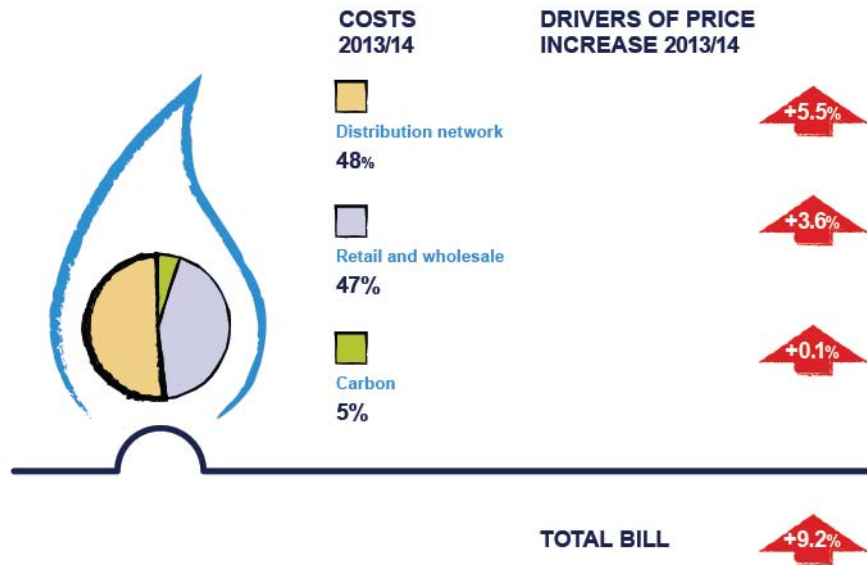
As Figure 1 shows, the price increases for AGL customers from 1 July 2013 are due to:

- ▼ **Continued increases in the network component of prices** that will affect AGL customers, adding 5.5% to bills for AGL customers.⁴
- ▼ **Increases in the retail component of prices**, following years of relatively stable retail costs, adding 3.6% to bills for AGL customers.⁵
- ▼ **Small increase in the carbon component of prices**, resulting from the legislated increase in the carbon price, adding 0.1% to bills for AGL customers.

⁴ AGL and some ActewAGL gas customers are supplied gas by the Jemena distribution network. Jemena successfully appealed the Australian Energy Regulator's determination of the maximum prices that Jemena can charge gas retailers that use its network. This has led to significant increases in gas network costs for AGL and ActewAGL.

⁵ The Retail Component of regulated retail prices reflects the controllable costs retailers incur in supplying gas to customers, including wholesale and gas transmission costs, retail operating costs and a retail margin.

Figure 1 Drivers of increase in average regulated retail gas prices for AGL on 1 July 2013 (nominal, %)

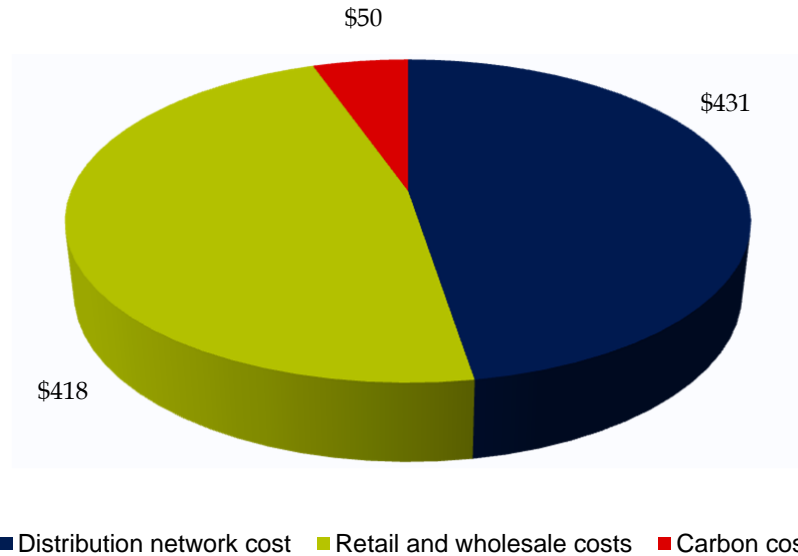


These increases follow large increases in prices in 2012/13, which were primarily the result of large increases in network costs and the introduction of the carbon price.⁶ We consider that action is required to address policy settings that are leading to higher than necessary gas network prices.

Figure 2 shows, the make-up of a typical regulated residential retail customer bill in AGL's supply area from 1 July 2013. It shows that the costs associated with using the gas distribution network will represent around 48% of a typical customer bill, or \$431 per year from 1 July 2013. The carbon price makes up around 5% of the total bill or \$50 per customer.

⁶ For further detail on the price changes that occurred on 1 July 2012, click [here](#).

Figure 2 Components of a typical regulated residential retail gas bill in AGL's supply area from 1 July 2013, across NSW (nominal, %)



Note: Retail costs include the costs associated with purchasing gas, transporting over the high pressure transmission network, and retail operating costs.

Customers should shop around for the best deal

Almost three-quarters of gas customers in NSW are now supplied under a market offer. We encourage NSW energy consumers to compare offers from retailers and ensure they have the most appropriate, and cost effective service for their needs.

IPART operates a free electricity and gas on-line price comparison service, www.myenergyoffers.nsw.gov.au, that lets consumers compare offers from energy retailers in NSW.⁷ A complementary phone service is maintained by the Department of Trade and Investment, Regional Infrastructure and Services and is available on 1300 136 888.

⁷ From 1 July 2013, the independent, free price comparator website will be operated by the AER, www.energymadeeasy.gov.au