

FACT SHEET

Review of regulated retail tariffs and charges for gas from 1 July 2010 to 30 June 2013 – draft decision

We have released our draft decisions on regulated retail gas tariffs for customers of the NSW Standard Retailers who have not entered into contracts. For AGL, Country Energy and Origin Energy, our draft decisions are to accept their pricing proposals. Under these proposals, in nominal terms:¹

- ▼ AGL's average regulated tariffs increase by around 3% from 1 July 2010 and by a cumulative total of 10% over the 3 years to 2012/13.
- ▼ Country Energy's average regulated tariffs increase by around 8% from 1 July 2010 and by a cumulative total of 17% over the 3 years.
- ▼ Origin Energy's average retail tariffs increase by around 8% from 1 July 2010 and by a cumulative total of 16% over the 3 years.

For ActewAGL, our draft decision is to reject its pricing proposal which was to increase its average retail component by CPI+2.5% over the 3 years. For this retailer, we consider that a real reduction of 3% in the retail component of these tariffs (which account for around 50% of a customer's bill) over the 3 years is reasonable, based on our analysis of its costs. However, its customers are still likely to face increases in their gas bills as the network component of the customer's bill will increase. In nominal terms, this would mean that ActewAGL's average regulated tariffs increase by around 9% from 1 July 2010 and by a cumulative total of 17% over the 3 years.

What is driving the increase in regulated gas tariffs?

A typical gas customer's bill is made up of both retail and network components, with both contributing around 50% to the total bill. We do not regulate the network component of retail gas tariffs. This component is either regulated by the AER or is unregulated.

For all the Standard Retailers except AGL, the increase in regulated tariffs allowed under our draft decision is primarily due to increases in the network component of these tariffs, as a result of the AER's final and draft decisions on network fees. However, some of AGL's residential customers will face price increases that are

¹ Assumes CPI of 2.1% in 2010/11 and 2.7% in 2011/12 and 2012/13.

higher than AGL's average price increase. This is because AGL has proposed to more closely align the fixed charge that applies to business and residential customers from 1 July 2010. How the retail (R) and network (N) components contribute to the average increase in tariffs is summarised in the table below.

Table 1 Indicative average increase in regulated retail tariffs under the draft decision – N+R and R and N contributions (nominal)

	2010/11	2011/12	2012/13	Cumulative total	Cumulative CPI
R contribution					
AGL	1.1%	1.4%	1.4%	4.1%	
Country Energy	1.0%	1.2%	1.2%	3.8%	
Origin Energy	6.4%	2.3%	2.1%	11.2%	
ActewAGL	0.6%	0.9%	0.9%	2.7%	
N contribution					
AGL	1.5%	2.1%	2.1%	5.8%	
Country Energy	7.2%	2.8%	2.9%	13.5%	
Origin Energy	1.6%	1.8%	1.1%	4.8%	
ActewAGL	8.4%	3.2%	2.2%	14.3%	
Total (N + R)					
AGL	2.6%	3.5%	3.5%	9.9%	7.7%
Country Energy	8.3%	4.1%	4.1%	17.3%	7.7%
Origin Energy	8.0%	4.1%	3.2%	16.0%	7.7%
ActewAGL	9.0%	4.1%	3.0%	16.9%	7.7%

Note: Cumulative total includes the compound effect of each year's individual price increase. Totals may not add due to rounding. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13.

What do our draft decisions mean for customers' annual gas bills?

Under our draft decisions, typical customers in Sydney, Newcastle and Wollongong would see only modest increases in their annual gas bills. Typical customers in some of the regional areas would face more substantial increases in these bills. However, final customer impacts cannot be estimated with certainty, as they depend on individual customers' consumption patterns, and on the AER's final decisions on network prices (which account for roughly half a customer's bill) and whether the proposed Carbon Pollution Reduction Scheme (CPRS) is implemented.

The following tables provide an indication of the likely impact of our draft decisions for AGL, Country Energy and Origin Energy on residential and business customers' annual bills. For ActewAGL, the tables indicate the impact on customers' annual bills of a revised pricing proposal that we would find reasonable and would be able to agree to.

See Attachment A for further information on typical customer bills for customers with different levels of consumption.

Table 2 Indicative annual bill for typical residential customers of each Standard Retailer (nominal \$)

	Current (2009/10)	2010/11	2011/12	2012/13	Cumulative \$ increase	Cumulative % increase	Cumulative CPI increase
AGL	618	636	664	694	77	12.4%	7.7%
Country Energy	573	620	646	673	100	17.5%	7.7%
Origin Energy	380	414	432	446	66	17.2%	7.7%
ActewAGL	583	603	635	655	71	12.3%	7.7%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. Calculations may not add due to rounding. Calculated using 23 GJ per annum multiplied by the average price derived from the N + R values of following tariffs: AGL's Residential AGL natural gas price plan – Coastal, Country Energy's 5300 Wagga Wagga & Uranquinty Gas Residential General, Origin Energy's 03 Domestic General tariff for Albury and ActewAGL's Queanbeyan Always Home@ActewAGL plan and Saver plan. Also based on our draft decision and AER's final decision for Country Energy and ActewAGL, and AER's draft decision for Jemena. For Country Energy, Origin Energy and ActewAGL we present one outcome but it should be noted that actual bills will vary not just by tariff but by area.

Table 3 Indicative annual bill for typical business customers of each Standard Retailer (nominal \$)

	Current (2009/10)	2010/11	2011/12	2012/13	Cumulative \$ increase	Cumulative % increase	Cumulative CPI increase
AGL	3,460	3,446	3,453	3,457	-2	-0.1%	7.7%
Country Energy	2,223	2,412	2,498	2,588	365	16.4%	7.7%
Origin Energy	3,048	3,126	3,226	3,330	282	9.3%	7.7%
ActewAGL	3,326	3,446	3,657	3,778	452	13.6%	7.7%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. Calculations may not add due to rounding. Calculated using 184 GJ per annum multiplied by the average price from N+R values of following tariffs AGL's Business AGL standard – Coastal, Country Energy's 5302 Wagga Wagga & Uranquinty Gas Commercial tariff, Origin Energy's 13/21 Commercial / Industrial tariff for Albury and ActewAGL's Queanbeyan Industrial and commercial tariff. Also based on our draft decision and AER's final decision for Country Energy and ActewAGL, and AER's draft decision for Jemena. For Country Energy, Origin Energy and ActewAGL we present one outcome but it should be noted that actual bills will vary not just by tariff but by area.

These increases exclude the impact of any new climate change measures that may be introduced during the 2010-2013 regulatory period, such as the CPRS. If such a measure is introduced, the Standard Retailers have proposed to pass on the costs they incur in complying with the measure to customers. Our draft decision is to agree to this proposal, as we consider it is appropriate. However, we would review the reasonableness of the costs before they are passed on. Our indicative modelling suggests the impact on gas bills will be considerably lower than electricity, for a typical residential customer the increase is likely to be around \$50 over the 3-year period (approximately 6% of 2012/13 annual bill)

The Standard Retailers have also proposed to pass on their network costs in full as they have no control over these costs, and to retain the special circumstances clause that enables them to seek to recover unexpected and uncontrollable increases in costs over the regulatory period. Our draft decision is to agree to both these proposals.

What are our draft decisions on non-tariff fees and charges?

We have assessed the Standard Retailers' proposals on non-tariff fees and charges and have made the following draft decisions:

- ▼ For AGL, we have decided to agree to its proposed increase in the late payment fee from \$8.80 to \$14, but requested that it implement this increase in stages over the regulatory period to mitigate the impact on customers. We have also requested that it cap its administration fee on non-tariff network fees and charges to \$2.50.²
- ▼ For Origin, we have decided to agree to its proposed increase in the late payment fee from \$9.70 to \$12, but requested that it implement this increase in stages over the regulatory period to mitigate the impact on customers. We have decided to agree to its proposal to introduce an administration fee of \$2.50 on non-tariff network fees and charges.³
- ▼ For Country Energy, we have decided to agree to its proposed non-tariff fees and charges, including its proposal to increase its late payment fee from \$7 to \$7.50.⁴
- ▼ For ActewAGL, we have decided to agree to its proposal to increase its non-tariff fees and charges by CPI and remove the administration fee on network fees and charges.

Process for finalising decisions

After receiving and considering submissions on our draft decisions we will make our final decisions in June 2010.

Table 4 Indicative timetable for completing the 2010 review of regulated retail gas tariffs and charges

Key tasks	Time
Release draft report and consultant reports and invite stakeholder submissions on the draft report	16 April 2010
Hold public forum on draft report	30 April 2010
Receive stakeholder submissions on the draft report	14 May 2010
Release final report by	Mid-June 2010

² Both the \$14 and \$2.50 are to be indexed by CPI over the period and all figures are exclusive of GST.

³ Both the \$12 and \$2.50 are to be indexed by CPI over the period and all figures are exclusive of GST. It should be noted that Origin Energy does not actually levy this fee at present.

⁴ Excluding GST. It should be noted that Country Energy does not currently levy this fee.

A Impact of the draft decisions on small customers

Table A.1 AGL – Indicative increases in annual bills for typical customers under our draft decision (\$/customer, nominal, incl GST)

Description	2009/10 bill (\$)	2010/11 bill (\$)	2011/12 bill (\$)	2012/13 bill (\$)	Increase 2009/10– 2010/11	Increase 2010/11– 2011/12	Increase 2011/12– 2012/13
Residential							
Low usage (10 GJ per year)	379	399	421	444	\$20	\$22	\$24
% change					5.3%	5.6%	5.6%
Medium Usage (23 GJ per year)	618	636	664	694	\$18	\$29	\$30
% change					2.9%	4.5%	4.5%
High Usage (30 GJ per year)	739	758	788	819	\$19	\$30	\$31
% change					2.6%	3.9%	3.9%
Business							
184 GJ per year	3,460	3,446	3,453	3,457	-\$14	\$7	\$4
% change					-0.4%	0.2%	0.1%
1000 GJ per year	17,062	17,426	17,307	17,240	\$363	-\$119	-\$66
% change					2.1%	-0.7%	-0.4%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. The bills are typical for AGL residential customers on the Residential AGL natural gas price plan – Coastal. Non-residential customers are on the Business AGL standard – Coastal.

Table A.2 Country Energy – Indicative increases in annual bills for typical customers under our draft decision (\$/customer, nominal, incl GST)

Description	2009/10 bill	2010/11 bill	2011/12 bill	2012/13 bill	Increase 2009/10–2010/11	Increase 2010/11–2011/12	Increase 2011/12–2012/13
Residential							
Low usage (10 GJ per year)	385	410	428	446	\$25	\$18	\$19
% change					6.4%	4.4%	4.4%
Medium Usage (23 GJ per year)	573	620	646	673	\$47	\$26	\$27
% change					8.2%	4.2%	4.2%
High Usage (30 GJ per year)	674	734	764	796	\$60	\$30	\$32
% change					8.8%	4.1%	4.1%
Business							
184 GJ per year	2,223	2,412	2,498	2,588	\$189	\$86	\$90
% change					8.5%	3.6%	3.6%
1000 GJ per year	11,199	12,133	12,536	12,954	\$934	\$403	\$418
% change					8.3%	3.3%	3.3%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. The bills are typical for Country Energy residential customers on the 5300 Wagga Wagga & Uranquinty Gas Residential General tariff. Non-residential customers are on the 5302 Wagga Wagga & Uranquinty Gas Commercial tariff.

Table A.3 Origin Energy – Indicative increases in annual bills for typical customers under our draft decision (\$/customer, nominal, incl GST)

Description	2009/10 bill	2010/11 bill	2011/12 bill	2012/13 bill	Increase 2009/10–2010/11	Increase 2010/11–2011/12	Increase 2011/12–2012/13
Residential							
Low usage (10 GJ per year)	242	264	275	284	\$22	\$11	\$9
% change					9.0%	4.2%	3.2%
Medium Usage (23 GJ per year)	380	414	432	446	\$34	\$18	\$14
% change					9.0%	4.3%	3.2%
High Usage (30 GJ per year)	470	512	534	551	\$42	\$22	\$17
% change					9.0%	4.2%	3.2%
Business							
184 GJ per year	3,048	3,126	3,226	3,330	\$78	\$100	\$104
% change					2.6%	3.2%	3.2%
1000 GJ per year	15,625	16,026	16,541	17,073	\$401	\$515	\$532
% change					2.6%	3.2%	3.2%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. The bills are typical for Origin Energy residential customers on the 03 Domestic General tariff for Albury. Non-residential customers are on the 13/21 Commercial / Industrial tariff for Albury.

Table A.4 ActewAGL – Indicative increases in annual bills for typical customers under our draft decision (\$/customer, nominal, incl GST)

Description	2009/10 bill	2010/11 bill	2011/12 bill	2012/13 bill	Increase 2009/10–2010/11	Increase 2010/11–2011/12	Increase 2011/12–2012/13
Residential							
Low usage (10 GJ per year)	352	364	381	392	\$12	\$17	\$11
% change					3.5%	4.8%	2.8%
Medium Usage (23 GJ per year)	583	603	635	655	\$20	\$32	\$19
% change					3.5%	5.3%	3.0%
High Usage (30 GJ per year)	708	732	772	796	\$24	\$40	\$24
% change					3.5%	5.5%	3.1%
Business							
184 GJ per year	3,326	3,446	3,657	3,778	\$120	\$211	\$120
% change					3.6%	6.1%	3.3%
1000 GJ per year	16,442	17,044	18,097	18,704	\$602	\$1,053	\$607
% change					3.7%	6.2%	3.4%

Note: Bills include GST. Assumed inflation is 2.1%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13. The bills are typical for ActewAGL residential customers on the Queanbeyan Always Home@ActewAGL plan and Saver plan. Non-residential customers are on the Queanbeyan Industrial and commercial tariff.