

## FACT SHEET

# Review of regulated retail prices for gas from 2013 to 2016

Based on *Review of regulated retail prices and charges for gas, 2013 to 2016, Issues Paper*  
November 2012

IPART is reviewing regulated retail gas prices and charges in NSW for the period from 1 July 2013 to 30 June 2016.

While all small customers in NSW can choose their retailer and enter into a market contract for the supply of gas, around 30% of these customers in NSW continue to be supplied on a regulated contract. Our review will apply to the prices paid by those customers who remain on a regulated contract (that is, customers who have not entered into a market contract with a retailer).

An issues paper detailing IPART's preliminary approach to the review has been released as the first stage of public consultation. The issues paper is available at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### 1.1 Our approach to regulating gas prices

Over the past decade IPART has regulated prices by working with each Standard Retailer<sup>1</sup> to set a regulated price path for the regulatory period. The price paths proposed by the Standard Retailers are assessed by IPART against the efficient costs of supplying gas to each area.

In our view, this approach has protected the interests of customers by limiting price increases to movements in efficient costs, encouraging retail competition and customer choice, and minimising unnecessary regulatory intervention. This is a relatively light-handed approach, and has historically been seen as a stepping stone towards the removal of price regulation.

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<sup>1</sup> Standard retailers are the companies that have historically supplied gas in specific areas of NSW and have an obligation to supply gas at regulated prices to small customers who do not enter into a market contract. AGL, ActewAGL, Country Energy and Origin Energy are the Standard Retailers for small retail gas customers in NSW, with an additional 14 retailers authorised to sell gas in NSW under market contracts.

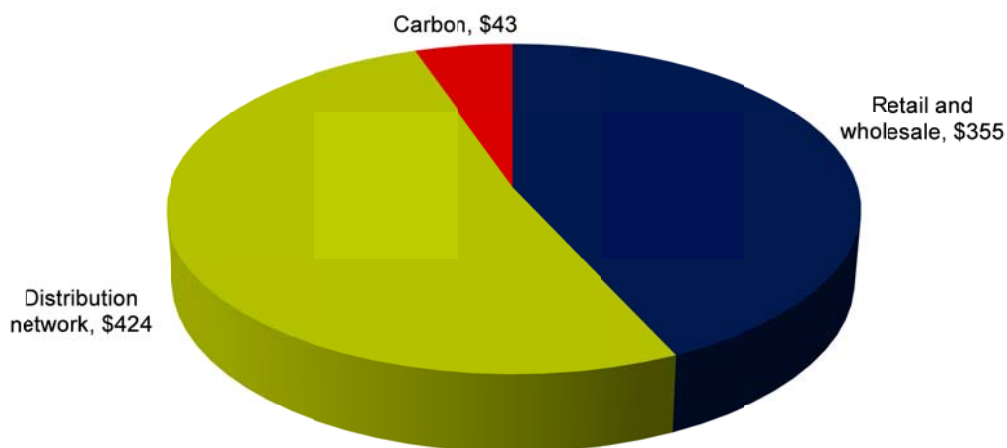
In putting in place maximum regulated prices for the 2013-16 period, we intend to continue to use this light-handed approach, and aim to reach a new pricing agreement with each of the Standard Retailers. We will make a gas pricing order only if a mutually satisfactory agreement cannot be reached.

We have invited each Standard Retailer to submit a proposal for a revised agreement to apply over the period 1 July 2013 to 30 June 2016. These proposals are available on our website and are summarised in our issues paper.

## 1.2 Components of regulated gas bills, 2012/13

Currently, a typical bill for AGL customers in Sydney, the Hunter, the Illawarra and Central Coast is around \$822 pa in 2012/13 (based on annual consumption of 23 gigajoules).

**Figure 1 Components of a typical regulated residential retail gas bill in AGL's supply area in 2012/13 (\$, including inflation)**



**Note:** Costs calculated for a typical regulated residential gas customer in AGL's supply area using 23 GJ per year. Includes GST.

Figure 1 shows that just over half of this typical bill (or around \$424) relates to the cost of transporting gas through pipelines to customers. Around 43% (or \$355) relates to the retailer's costs including buying wholesale gas. The remaining 5% (or \$43) of a typical customer bill relates to the costs of carbon.

The size of typical gas bills varies in different regions due to factors such as climate that influence how much gas a typical customer uses. However, the contribution of each component to the overall bill is broadly similar.

### 1.3 What have the Standard Retailers proposed

All the Standard Retailers have proposed to retain the broad regulatory package within the current pricing agreements.

However, the Standard Retailers are proposing prices for just the first year of the regulatory period (2013/14), rather than for all 3 years. They have submitted that uncertainties in wholesale gas costs and the costs of complying with the carbon pricing mechanism mean that they are not currently in a position to propose the retail component of prices for the last 2 years of the regulatory period.

Instead, they have outlined a proposal to update prices for 2014/15 and 2015/16 through a periodic review. The periodic review would focus on wholesale gas costs, with other retail components including retail operating costs and the retail margin remaining 'locked in'.

For 2013/14, the 4 Standard Retailers have proposed the following average price increases (including inflation of 2.5%):

- ▼ AGL has proposed 10.4% for its customers in Sydney, Hunter, Illawarra and Central Coast regions (or an extra \$84 per annum for a typical customer using 23 GJ/year)
- ▼ Origin Energy has proposed 5.3% for its Albury customers (or an extra \$43 per annum for a typical customer using 46 GJ/year) and 4.4% for its Murray Valley customers (or an extra \$47 per annum for a typical customer using 46 GJ/year)
- ▼ Country Energy (owned by Origin Energy) has proposed 6.1% for its customers in the Wagga Wagga area (or an extra \$43 per annum for a typical customer using 32 GJ/year)
- ▼ ActewAGL has proposed 7.2% for its customers in the Capital region, 5.5% for its customers in the Shoalhaven region and 3.5% for its customers in the Queanbeyan region (or an extra \$31 to \$81 per annum for a typical customer bill).

Standard Retailers have outlined a range of reasons for their proposed price increase, including higher charges for using the gas distribution network, higher wholesale gas costs and a higher retail margin.

As part of our review we will assess whether these pricing proposals are reasonable and in the long-term interests of customers. In the event we cannot reach agreement with the Standard Retailers on a regulated price path, we will make a gas pricing order.

More information is provided in our issues paper. Both the issues paper and the Standard Retailers' proposals are available [here](#).

## 1.4 How and when stakeholders can provide input to IPART's review

The first consultative step in the review is the release of an issues paper on 27 November 2012 seeking stakeholder views on our proposed approach.

We will hold a public forum on 3 December 2012 on our issues paper and the Standard Retailer's pricing proposals. The Standard Retailers will attend the public forum and present on their proposals. We will then release a draft report in March 2013 and seek comments before finalising our decision in May 2013.

Table 1 provides an indicative timetable for the review, including further opportunities for stakeholder input.

**Table 1 Indicative timetable for IPART's 2013 review of regulated retail gas prices**

<b>Key tasks</b>	<b>Time</b>
Receive final terms of reference and post on website	28 September 2012
<b>Invite retailers to propose a revised pricing agreement</b>	28 September 2012
<b>Release issues paper and Standard Retailers' proposals and invite submissions</b>	<b>27 November 2012</b>
Hold public forum on issues paper and Standard Retailers' proposals	3 December 2012
Receive stakeholder submissions on issues paper and Standard Retailers' proposals	21 January 2013
<b>Release draft report and invite stakeholder submissions</b>	<b>March 2013</b>
Hold public hearing on draft report	April 2013
Receive stakeholder submissions on draft report	April 2013
<b>Release final report</b>	<b>May 2013</b>

**Submissions on the issues paper are due by 21 January 2013.**

We would prefer to receive them electronically ([http://www.ipart.nsw.gov.au/Home/For\\_Consumers/Having\\_your\\_say/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission)). You can also send comments by fax to (02) 9290 2061, or by mail to:

**Review of regulated retail prices and charges for gas 2013-2016**  
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