



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

NEWS RELEASE

IPART DRAFT DECISION CALLS FOR FURTHER SAVINGS ON AGL GAS NETWORK PRICES

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The Independent Pricing and Regulatory Tribunal of NSW (IPART) has called for AGLGN to offer customers bigger price cuts through a lower rate of return, and a reduction in its proposed capital and operating expenditure on its network over the next five years.

In its Access Arrangement for AGL Gas Networks (AGLGN), AGLGN had proposed an average real cut of 9 per cent in network prices over five years – the price cuts would focus on its 480 largest customers who use more than 10 terajoules of gas per year, while prices would remain the same in real terms for smaller commercial and domestic customers.

But in its draft decision released today, IPART said lower expenditure than proposed by AGLGN would meet the National Third Party Access Code for Natural Gas Pipeline Systems (the Gas Code) requirements for ‘prudent’ and ‘efficient’ cost structures, and a lower return on assets would meet the Gas Code’s requirement that it reflect prevailing conditions in the market.

The Tribunal estimates that its draft decision results in a reduction of approximately 12.5 per cent in average revenue per GJ for the contract market as compared to the 9 per cent reduction proposed by AGLGN. For tariff market customers the Tribunal estimates that average revenue per GJ would reduce by 8.5 per cent over the next 5 years compared to no real increases as proposed by AGLGN.

Acting Tribunal Chairman, James Cox, said IPART’s draft decision balances the needs of all stakeholders to provide AGLGN with sufficient incentive to increase gas utilisation (which will ultimately benefit all gas consumers), while at the same time considering the impact on users.

AGLGN, which delivers gas to 900,000 customers in New South Wales, will now respond to the draft decision before IPART considers further public submissions and makes a final decision by mid 2005.

Network pricing contributes around 40 per cent of the final retail costs of gas.

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