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4 June 2001

Dear Marianne

Please find attached a submission form the Public Interest Advocacy Centre (PIAC) to the Tribunal's Issues Paper, *Gas Pricing in Albury, Wagga Wagga and Other Regional Centres in NSW Supplied by Origin Energy and Great Southern Energy*. PIAC wants to thank the Tribunal for the opportunity to comment.

If you have any queries about any issues raised in the submission, please do not hesitate to contact me on 9299-7833.

Yours sincerely  
Public Interest Advocacy Centre

*Trish Benson*

Trish Benson  
Senior Policy Officer

**SUBMISSION BY THE PUBLIC INTEREST ADVOCACY CENTRE (PIAC) TO  
THE IPART ISSUES PAPER. *GAS PRICING IN ALBURY, WAGGA WAGGA AND  
OTHER REGIONAL CENTRES IN NSW SUPPLIED BY ORIGIN ENERGY AND  
GREAT SOUTHERN ENERGY***

## **1. ISSUES**

### **1.1 Coverage of regulation**

PIAC's main concern about consumers consuming gas between 1 TJ and 10 TJ not being covered by a regulated tariff is that while competition may be keenly contested within AGL's area, it may not be keenly contested in the areas served by Origin or Great Southern Energy (GSE). This being said, PIAC represents small residential consumers and all these customers would be covered by a regulated tariff if these were restricted to households consuming from 0 - 1 TJ per annum.

### **1.2 Regulation of other areas**

PIAC supports the Government's policy framework to support full retail contestability and the *Gas Supply Amendment (Retail Competition) Bill 2001* ('the Bill') makes it clear that all small gas consumers should have a regulated tariff. PIAC agrees that the Tribunal needs to consider the appropriate level of any default tariffs for those areas that presently do not have regulated tariffs because there are different risks and cost factors.

### **1.3 Form of regulation**

It is PIAC's understanding that the Minister for Energy and Utilities, the Hon Kim Yeadon in his second reading speech on the Bill, indicates that AGLRE's voluntary pricing principles will only operate for a period of 12 months and that after this time, a gas pricing order will be imposed on AGL. If PIAC's understanding is correct, there will be cogent arguments for making gas pricing orders on all the other incumbent gas retailers in NSW. The most obvious argument is that all residential consumers of gas in NSW should have the benefits of a more rigorous regulatory approach, not just AGL residential customers. PIAC will be making these arguments to the NSW Government.

If the Tribunal decides to adopt voluntary pricing principles for GSE and Origin we would suggest that it only be for a limited period, for example, twelve months and during this time, the Government's position on applying a gas pricing order on all incumbent gas retailers should become clear.

### **1.4 Setting price limits**

PIAC notes that price increases for both Origin and GSE exceed the allowable price increases for AGLRE's customers, and these price increases could be an additional 2% or \$5 whatever is greater. We understand that GSE want a higher retail margin comparable to AGLRE's, however our major concern is the price outcomes for residential consumers. The Issues Paper suggests that for GSE the Tribunal will consider higher price increases because the increase in network charges will take up the current limit.

Price increases of more than 5% are unacceptable to PIAC and could be considered as creating price shocks for residential households. Price increases of more than 5% become more unacceptable when the average gas bill of a small gas customer is approximately \$70. Further, there does not appear to be the opportunity to structure smaller price increases over a number of years because the network increase is an annual charge. PIAC said in their submission to GSE's access arrangement that the increase in network charges were inappropriate for residential consumers in Wagga Wagga.

### **1.5 Retail margins**

PIAC accepts that GSE's retail margin that is too low relative to other NSW gas and electricity utilities, however a higher retail margin should not be considered if it will mean price shocks for residential consumers as discussed above in 1.4.

### **1.6 Miscellaneous charges**

PIAC is of the view that all miscellaneous charges imposed by the gas incumbent businesses in NSW need to be regulated because there needs to be a consistent regulatory approach across the industry. PIAC has argued this point for the regulation of AGLRE's miscellaneous charges and the need for consistency with the electricity industry. PIAC was pleased that the Tribunal accepted this argument when it decided to regulate AGLRE's miscellaneous charges.

There needs to be some caution exercised here, particularly in the case of Origin's miscellaneous charges because they do not impose many nor are they the same level as AGLRE's. PIAC would suggest that both GSE's and Origin's miscellaneous charges be frozen at their present levels and that they not be increased without prior approval of the Tribunal for the period of this Determination. This will avoid the undesirable outcome of GSE and Origin imposing new or increasing existing miscellaneous charges.

### **1.7 Treatment of contestability costs**

PIAC has always held the view that only those households that benefit from the introduction of retail competition should pay the costs. PIAC notes that the Tribunal in both the AGLRE and regulated retail prices for electricity determinations that these costs will be recovered through regulated tariffs – either outside or inside these tariffs. This effectively means that those customers who do not enter the market for whatever reason will pay the costs of those households that do, that is, those households that benefit from competition.

As this is the case and while PIAC considers this an undesirable outcome, there is an argument for consistency across the gas industry and for the Tribunal to treat GSE's and Origin's costs, the same as the Tribunal has determined for AGLRE.

We acknowledge that the costs for households could be relatively high because of the low customer base in Albury and Wagga and we urge the Tribunal to consider the negative impacts of these costs on households when these costs become known.