

EXPLANATORY STATEMENT

REFERENCE TO INDEPENDENT PRICING & REGULATORY COMMISSION

INSTRUMENT NO. 65 OF 2001

GAS RETAIL TARIFFS

Section 15 of the Independent Pricing and Regulatory Commission Act 1997 provides that an industry reference may be referred to the Commission in relation to prices for regulated services.

Section 16 of the Act provides that the referring authority may, by instrument, determine terms of reference for an investigation on an industry reference.

The Minister for Urban Services has provided an industry reference to the Independent Competition and Regulatory Commission in relation for natural gas tariffs in the ACT.

Since 1992 tariffs for gas consumers using less than 10 terajoules of gas per annum have been aligned to AGL's NSW tariffs by an authorisation condition under relevant ACT gas legislation. As a result tariffs have been increased every 12 months in accordance initially with a gas price control formula and, more recently, voluntary price setting guidelines in each case approved by the NSW Independent Pricing and Regulatory Tribunal (IPART).

The 1990 ACT Gas Regulation Report is the most recent review of ACT gas pricing. Since that time, the gas industry has changed radically as a result of the national competition reforms. The former vertically integrated industry has now effectively been separated into gas production, transmission pipeline, distribution networks and retailing sectors. Access arrangements for third parties to existing and new pipelines to transport and distribute gas from gas fields to consumers are now in place. New sources of gas from Victoria should be available to consumers as early as May this year. Domestic use of natural gas in the ACT is high and increased competition in gas retailing is imminent.