



21 January 2013

Review of regulated retail prices and charges for gas 2013 to 2016

Independent Pricing and Regulatory Tribunal

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Thank you for the opportunity to comment on the *Review of regulated retail prices and charges for gas 2013 to 2016*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON believes that the voluntary transitional pricing arrangements currently in place for the standard suppliers have been beneficial to both retailers and customers. While acknowledging the significant challenges outlined in the Issues Paper in forecasting costs during this three-year period, we support retaining the current arrangements for the 2013 to 2016 period.

We also support regulation of the quantum and application of miscellaneous charges for this regulatory period. EWON considers that wherever possible these charges should be in line with the same charges for electricity.

Period of retail pricing plans

EWON notes that the retailers' proposals outline retail prices for one year only with a request for periodic reviews. The annual reviews in the electricity determination have been triggered by significant movements of the wholesale price and/or cost changes in various green schemes. EWON would prefer to see a proposed three year price path for gas with an expanded special circumstances clause to ensure that unexpected cost increases could trigger a review reopening.

Retail margin

Out of the proposed price increases, the AGL 10.4% increase is the most significant and will have an impact on the most customers. This price will also provide the benchmark for most market customers. IPART notes that the proposed increase in the retail margin to 8% is the "primary driver of its proposed overall increase in the retail component of these tariffs"¹. EWON has not been able to identify the argument to justify this movement in the retail margin and we would appreciate clarification of this point.

¹ *Issues Paper Review of regulated retail prices and charges for gas 2013 to 2016*. IPART November 2012, pg 42



Miscellaneous charges

EWON welcomes the approach of the retailers to only vary miscellaneous charges by a CPI component.

The only variation to this approach is the AGL proposal for a merchant service fee. EWON considers that if such a fee is introduced it is very important that customers are informed in advance of its imposition. Furthermore, the intention of charging a merchant service fee for credit card payments is now common, however EWON is unable to find an example of such a charge being imposed on a debit payment. EWON believes that there should be at least one free payment mechanism for customers and a debit payment seems to be the obvious payment to remain free.

Impact of price rises

In the EWON submission² to the IPART *Review of regulated retail prices and charges for electricity 2013 to 2016 Issues Paper* EWON proposed three key responses to the affordability crises affecting some energy consumers. These were:

1. More effectively target current assistance measures at the customers most in need of assistance
2. Reform of Energy Accounts Payment Assistance (EAPA) scheme
3. National roundtable on energy affordability issues.

EWON notes that for residential customers, the number of gas disconnections for non-payment of bills increased by 15% – from 17,480 last year to 20,118 in 2011/12.³ We consider that this is a reflection of the increasing affordability issue for consumers. A significant increase in the cost of gas could well see a further increase in these numbers. Just as the new national regulatory framework brings gas and electricity together, it is important to ensure that gas issues are included in discussions of energy affordability matters.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy, on 8218 5250.

Yours sincerely

Clare Petre

Energy & Water Ombudsman NSW

² EWON Submission IPART *Review of regulated retail prices and charges for electricity 2013 to 2016, Issues Paper*, November 2012, pg 3

³ IPART *Customer service performance of gas retail suppliers December 2012*, pg 2