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Falling gas prices are good for consumers, but innovation is too

Gas networks in South Australia and the ACT will deliver falling network charges to gas customers in draft decisions by the Australian Energy Regulator for Australian Gas Networks and ActewAGL.

Energy Networks Association CEO John Bradley said falling gas network charges meant lower retail gas bills for customers using this low-emission energy source.

"Falling network costs is good news for customers and it is good news for the environment given the environmental benefits of natural gas.

"These decisions reflect the pass through by networks of lower input costs since the last regulatory decisions, including financing costs and reduced demand pressures," Mr Bradley said.

Gas networks in South Australia and the ACT had proposed to lower average network charges below inflation over the next five years.

"Networks will evaluate the draft decisions by the AER, which reduce network funding further, with an upfront reduction in network charges of 22% for South Australian customers and a 26% reduction in network charges for ActewAGL's customers," Mr Bradley said.

Mr Bradley warned against aspects of the regulator's decision which would put a hand-brake on incentive schemes that are focused on innovation and improving service delivery.

"One disappointing aspect of the decision is the regulator has rejected the introduction of new incentive schemes in South Australia that seek to deliver benefits for customers.

"Australian Gas Networks proposed incentives, which would share the benefits of innovation, are based on modern approaches introduced for electricity network businesses in both Australia and the United Kingdom.

"These incentive frameworks keep the focus on the customer and we welcome the AER indicating it is open to considering such reforms in an industry-wide approach.

"The bad news for South Australian gas customers is this means the benefits of these new incentive schemes will be delayed unnecessarily," Mr Bradley said

ENA is further examining elements of the decision, including the proposed rejection of significant elements of proposed mains replacement, which has been proposed by Australian Gas Networks as consistent with maintaining the safe and efficient operation of the 'backbone' of the gas network. ENA notes however that the decision calls for further information from the business before this expenditure is approved.

Mr Bradley said gas networks have an important part to play in the domestic energy mix.

"Australia's network of natural gas infrastructure complements the electricity network and also assists in mitigating peak electricity demand, the primary driver of long-term electricity network costs.

"For households that have adopted solar energy to reduce their emissions, natural gas also plays an important role when the sun is not shining in achieving ongoing reductions in carbon emissions," Mr Bradley said.

ENDS.

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ENA is the peak national body for Australia's energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.