



Media Statement

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Economic Regulation Authority decision means lower gas prices for consumers

The Economic Regulation Authority's (ERA) rejection of ATCO Gas Australia's (ATCO) proposed pricing changes could result in lower gas prices for most consumers if the cost reductions are passed through by gas retailers.

ATCO, which owns the gas network that retailers such as Alinta and Kleenheat use to deliver natural gas to homes and businesses in the south west (Busselton, Mandurah, Perth) and Mid-West (Geraldton), is subject to regular reviews by the ERA.

ERA chairman Dr Stephen King said the decision means an average residential gas customer should see annual gas bill savings of approximately \$5.00 when the new five-and-a-half year access arrangement commences, with these savings increasing to around \$76.00 in the final year of the access arrangement period.

"Our decision should result in lower usage charges for all customers, although there will be an increase in fixed charges for residential customers. But overall most gas consumers will pay less", Dr King said.

"ATCO did not demonstrate that all of its proposed operating costs and capital expenditure was prudent or efficient. The ERA's required reductions to ATCO's proposed costs will result in lower gas costs for consumers than ATCO proposed, while still allowing ATCO to maintain and expand its gas network.

"ATCO proposed that it should be allowed to recover total revenue of \$1,124.52 million during the fourth access arrangement period and the ERA's decision has allowed \$914.04 million, a reduction of \$210.49 million (or 18.7%).

"ATCO sought to justify much of its expenditure on the basis of an increase in the rate of return it was seeking to earn on its network assets as well as increases in its forecast costs over the period of the access arrangement," Dr King said.

The Authority reduced ATCO's proposed return on assets from 7.64% to 6.01%.

The ERA's decision and relevant information is available on the ERA website at <https://www.erawa.com.au/home>.

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