

# Consumer Advocacy Panel

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## PANEL-INITIATED RESEARCH PROGRAM

### INVITATION TO SUBMIT GRANT APPLICATIONS TO UNDERTAKE RESEARCH ON GAS PRICING

***The Consumer Advocacy Panel is inviting a small group of consultants and individuals to submit a grant application to undertake research to identify the likely scenarios in which gas prices will increase, the timing of those scenarios, and the likely impact on classes of consumers. Applications are sought by close of business 19 June 2009.***

#### Background

The Consumer Advocacy Panel has two research programs in 2008/09:

- o Research initiated by other organisations: the Panel has provided funding totalling \$96,400 (exc GST) to consumer organisations and academic institutions to undertake research on electricity and gas issues; and
- o Research initiated by the Panel: in its 2008/9 budget, the Consumer Advocacy Panel committed a total of \$108,000 for Panel-initiated research in consumer electricity and consumer gas issues.

The Panel undertakes research for the following purpose(s):

1. To raise awareness of emerging consumer energy issues
2. To provide information that can be used to facilitate consumer advocacy; and
3. To stimulate discussion or debate on consumer energy issues.

In choosing issues, the following criteria have been used:

- o Projects directly enhance advocacy by consumer organisations;
- o Projects are of broad benefit to a number of classes of consumer organisations; and
- o Projects add value and do not duplicate other work underway.

The Panel has identified three priorities in its 2008/09 research agenda:

1. Gas pricing – identifying cost drivers and likely impact on consumer classes;
2. Identifying rural consumer issues in the national energy market; and
3. Landscaping consumer energy issues 2009-14.

This paper seeks grant applications on the first priority; information on the others is available at the Panel's website.

#### **Focus of research : Gas pricing – identifying cost drivers and likely impact on consumer classes**

Gas prices are expected to come under increasing pressure, driven by increased demand as gas for business and residential consumer usage competes with gas-fired power generation, Australian consumers potentially compete with international consumers, and governments encourage greater uptake of gas appliances as part of a climate change response.

There has been speculation that prices could triple or quadruple in a reasonably short space of time, raising concerns about affordability going forward. Apart from the financial burden of increased prices, consumers also run the risk that they could be stranded with appliances / assets that are expensive to use, and they cannot afford to replace.

#### *Purpose of research*

The purpose of this research is to inform the position and strategies of consumer organisations to enhance the effectiveness and accuracy of advocacy in relevant policy and regulatory decisions.

#### *Objectives of research*

- To outline the cost drivers for gas prices, and identify the conditions under which they will push prices upwards
- To produce scenarios and timelines indicating how and when wholesale / retail gas prices will increase
  - including the impact on classes of consumers. Consumers can be classified by consumption thresholds and/or by geography. The Panel uses the following classifications: large business, small business, environmental consumers, residential households and domestic disadvantaged.

#### *Methodology*

While the Panel encourages innovative approaches, it envisaged that the research would be primarily a desktop exercise, building on the successful applicant's existing expertise, although the likelihood of certain scenarios could be tested through interviews with key experts from within the gas industry, consumers, government and selected jurisdictional and national regulators.

Applicants should outline their preferred methodology in detail, including the rationale for that approach.

#### *Outputs*

- Report outlining the likely scenarios and timelines for price increases
  - Outlining potential impact on classes of consumers
- Researcher to present seminar on report findings for consumer organisations

#### *Budget*

The budget committed to this research project is \$35,000 (exc GST).

There may be some capacity to increase that amount, depending on the final budget of other research projects in other areas. The Panel therefore recommends that applicants specify in their grant application exactly what work could be done within a budget of \$35,000, and what could be elicited for an increased amount.

## **Process of application**

Applicants should submit a grant application form (the form and guidelines containing advice are available at Panel's website [www.advocacypanel.com.au/applications.htm](http://www.advocacypanel.com.au/applications.htm)) by **close of business 19 June 2009**.

Any questions should be directed to the Panel's Executive Director, Kerry Connors, at [kerry.connors@advocacypanel.com.au](mailto:kerry.connors@advocacypanel.com.au) or by phone 02 8296 7880.