

STATES OF JERSEY



GAS TARIFFS: REVIEW BY JERSEY COMPETITION REGULATORY AUTHORITY

**Lodged au Greffe on 24th March 2015
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to request the Minister for Treasury and Resources, or another Minister as appropriate, to bring forward Regulations for approval by the States, under the powers assigned by Article 89(1) of the Jersey Gas Company (Jersey) Law 1989, in order to vary the Jersey Gas Company's domestic and commercial tariffs by 1st October 2015 in the light of the recommendations of the Jersey Competition Regulatory Authority resulting from its review of fuel markets.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Following the decision of Jersey Gas to reduce its tariffs by 3.5% earlier this month, which I am convinced was directly due to my lodging of P.18/2015 requesting Ministers to act on my call for a 5% reduction in gas prices, and the support that proposition gathered, the Council of Ministers has produced a set of comments, presented on 23rd March.

The comments provide a useful guide to actions that are required to understand and control the fuel market in general, and the gas market in particular. They propose a review of fuel prices to be conducted on an open-book basis by the JCRA over the coming months. As the comments correctly state –

“We need to fully understand the issues in the local market before we can start to prescribe solutions.”

I could not agree more with this statement. We do indeed need to understand the gas tariff structure, and the market, if we are to rationally ensure correct pricing. The gas company has gone some way to opening up its policies around hedging, and the Minister is to some degree correct when he describes my previous proposition as *“arbitrary price regulation”*. How could it be otherwise in the absence of an open-book approach? Nonetheless, I remain convinced that a 3.5% reduction in prices is probably at the low end of what could be justified.

Jersey Gas has stated that it does not envisage a price rise in the coming year, which is to be welcomed. However, I believe that we can go one step further, in that it seems highly unlikely, given the lack of world and European demand, that LPG prices will rise significantly in the coming 12 months. Not only should we see no price rise before March 2016, we could be looking at a further price reduction from Jersey Gas over the coming months. The results of the JCRA review will tell us what this might be. This proposition requests that the appropriate Minister brings any such change to the States for approval.

Furthermore, the Minister puts no timescale on the JCRA review. The important factor to consider is that of protecting consumers throughout the coming winter 2015 – 16. This puts the appropriate timescale on any potential price rise. Should the market go the other way, and we see world prices take off, then this proposition ensures that the appropriate Minister brings a proposal, along with a report containing a detailed explanation of the need for a price rise, to the States for approval.

Financial and manpower implications

There are no additional financial or manpower implications for the States arising from this proposition.