

2015.12.01

### **4.3 Deputy K.C. Lewis of St. Saviour of the Minister for Economic Development regarding gas tariffs:**

Further to news that the Island's gas tariffs are changing yet again, what action, if any, is the Minister taking to prevent gas prices rising beyond the reach of people on low income?

#### **Senator L.J. Farnham (The Minister for Economic Development):**

Members will know that Senator Ozouf is responsible for the relationship with the Jersey Competition Regulatory Authority. It is this authority that has been entrusted by the States with making sure that unregulated markets, including gas work in the interests of Jersey consumers through competition legislation. By commissioning back in April this year the independent review by Oxera of the J.C.R.A. (Jersey Competition Regulatory Authority) and agreeing the terms of reference for the J.C.R.A. fuel market review, the Council of Ministers has acted to make certain that the highest priority is being given to and every action being considered to ensure the consumers' interests are best protected both in the gas market and the wider economy. If I understand the Deputy's question rightly, he may be suggesting that the States step in to regulate pricing. As I have said recently in the Assembly, it is not currently proposed to introduce price regulation to the sector because formal price regulation is a significant step that would require the States to use exceptional powers contained within the law and should not be undertaken lightly, particularly as it would have costs associated with it that could ultimately be borne by the consumer. Officers are currently working with the J.C.R.A. to determine the actions required to meet the 23 recommendations from Oxera to strengthen the competition framework. In addition, officers are also working with C.I.C.R.A. (Channel Island Competition Regulatory Authority) to establish whether further analysis of the gas market, or of the margins contained within that market, is required to shine more light on the situation. Members will of course be kept informed of the next steps and timescales.

#### **4.3.1 Deputy K.C. Lewis:**

I thank the Minister for his reply and I am aware that Senator Ozouf is looking into this. Would the Minister inform the Assembly when this review will be published? Last time the gas company put up the price of gas it was because, and I quote: "People were using less." Does the Minister not find this approach ludicrous?

#### **Senator L.J. Farnham:**

The first statement of findings of the review of the fuel market was published on 20th November and is available on the J.C.R.A. website, and I am quite happy to forward the link again to Members if necessary. It is all there. I am not sure when the full report will be published. It is not mine to publish. It is the J.C.R.A.'s but I do know that they are meeting on 9th December and are being pushed by Senator Ozouf.

#### **4.3.2 Deputy G.P. Southern:**

First, can I complain this is the second week on the run that the Minister responsible for this particular issue has not been here in the House? I think it is a shame that such is the case. Instead we get a bland non-answer from the Minister. Can the Minister accept that in the paragraph, which sums up the findings of the J.C.R.A., there is no mention at all whatsoever of the continuing descent in price for propane in the wholesale market, something like another 27 per cent over the course of the last year?

[10:00]

Will he publish figures to show what proportion of the gas price we are paying is down to the price of wholesale gas, i.e. the fundamental thing that we are selling? What proportion is due to other factors? Will he seek to advise Jersey Gas Company that in the light of this reduction in price of wholesale propane they should be considering a further tariff cut before the cold weather sets in, in January?

**Senator L.J. Farnham:**

The figures required to answer the Deputy's question are not available to E.D.D. (Economic Development Department). They are sitting with the J.C.R.A. who are working on the study of the gas market. I understand that the assessment already given is unlikely and I think it is unlikely to be sufficient to give Members or consumers the comfort that they need about the level of gas prices at this stage. But we have to make sure we are comparing apples with apples. The gas product we import over here is not natural gas. We do not have natural gas in Jersey. It is a liquid petroleum gas. It is air-mixed at La Collette and distributed. Gas volumes have fallen by over a half since 2003 and the gas company have maintained the same costs and overheads. Also in line with the U.K. (United Kingdom) Competition and Markets Authority, they have ruled that the cost of capital employed is within the remit. The report suggests there are no excess profits being taken at this stage. However, we are all concerned that the price of gas has not fallen in line with market prices and that is something I know the Senator is very keen to get to the bottom of.

**4.3.3 Deputy G.P. Southern:**

I do not wish to receive the Minister's comfort on this unless it is to say that he and his Assistant Minister will be actively pursuing negotiations with the Jersey Gas Company so that we can see, if appropriate, a reduction in the price of gas to both domestic and commercial users this winter before the cold weather sets in. Will he do so?

**Senator L.J. Farnham:**

That work is already being done via the J.C.R.A. fuel study, which is currently underway.

**4.3.4 Deputy M. Tadier:**

Does the Minister accept that individuals listening to this Assembly who may be elderly, retired and on fixed incomes, are fully aware that when it comes to it the Council of Ministers is quite able and willing to take swift and decisive action when it comes to reducing their amount of disposable income so that they have less money in the bank to pay their bills this winter? But when it comes to doing something which is proactive and helpful for their interests they seem to be more reticent to do it. Will the Minister perhaps respond to that point first?

**Senator L.J. Farnham:**

The Deputies do not have the monopoly on caring about these people. The Government have taken action. In fact they have taken action long before this and the action they have taken is by commissioning the review of the fuel market. That is decisive action. This Government believes in free market, it believes in free choice, it believes in strong competition and it believes in strong regulation. Those are the things that are going to help the less well-off in our society to deal with this problem and that is why the Government has commissioned these reports, and Senator Ozouf is working hard to see them through to their conclusion.

**4.3.5 Deputy M. Tadier:**

We, or any other States Member, may not have the monopoly on caring but the Minister does have the monopoly on being able to take action against Jersey Gas when their prices are not coming down. Will the Minister accept that if we have a situation where wholesale prices are falling, and they are the lowest that they have been for 5 years, and that those savings are not being passed on to the customer, then that is essentially, on the face of it, a case of profiteering taking place. Where there is profiteering going on, and it has to be said in a company in which the States of Jersey has an interest, then it is his duty, and it is incumbent on him with an Island-wide mandate, to look after the very people who put him in office. The question is: will the Senator be taking action, stop giving us platitudes and help people to see their gas prices fall for this winter and in subsequent winters?

**Senator L.J. Farnham:**

I have already stated that the Government has taken action by commissioning this review, but let me be clear. If this review manages to find evidence of excessive price taking or profiteering by the gas company, upon advice, it would have no problem with stepping in to rectify the problem. Ultimately that will be the decision of this Assembly but I want to make it clear that if evidence of excessive profits had been taken then we will act.

**4.3.6 Deputy K.C. Lewis:**

The Minister has just said that he believes in free choice. Unlike the U.K. one does not have a choice in Jersey of supplier. One either uses gas or one does not, that being the choice. The literature sent around recently: "How will the gas tariff affect me? You will see an increase in the amount of standing charge you pay but a decrease in the cost per unit. Some will see a small increase and others a small decrease, depending on the volumes of gas they use." Even if one cuts back considerably on the gas they use there is still an increase in the standing charge. I think the Minister has gauged the mood of the Assembly. Will he undertake to treat this as a priority with his colleague, Senator Ozouf?

**Senator L.J. Farnham:**

Yes, it does appear the gas company are giving with one hand and taking back with another. I can confirm again, we are, through Senator Ozouf, giving this the highest priority. We do want to make sure that the market is working properly for consumers and we undertake to try to get to the bottom of the matter as soon as possible.