

Gas price increases

PREDICTABLY enough, the managements of the two state-owned gas utilities — Sui Southern and Sui Northern — have filed their revenue requirements for next year and asked for a tariff increase of utterly unsustainable proportions. This was expected all along because it is what the managements of these public-sector utilities have always done: pass on the costs of their own ineptitude to the consumer. Luckily, there is a system in place to check this. The companies can only submit their revenue requirements to the regulator, who then has to hold an open hearing and decide how much of the amount requested can be allowed to be raised through tariff increases, and how much must come from raising operational efficiency and other means. After that, another layer serves as a further check, where the government has to notify the price determined by the regulator, which they can do in totality or only partially. So for now the managements of the gas companies have demanded more than doubling of the gas tariffs for consumers in order to meet their revenue requirements for next year. But there is ample space within which to deny this request, question its assumptions, and return to the companies a tariff that encourages them to raise next year's revenues through system improvement and plugging leakages.

At some point in the future, there is no doubt that the government will have to undertake the task of deep-rooted gas price reform. This is apart from the reform of the state-owned entities and their governance. The pricing regime under which our gas sector operates is woefully outdated and should have been reformed towards greater flexibility and market-based pricing many years ago. There is little doubt as well that such reform will push the price of gas up for most consumers and thereby exact a steep political cost from the government, perhaps one reason why no government has shown much eagerness for the job. Through it all, the government must ensure that it remains in the driving seat as the reforms are implemented. Vested interests in the gas utilities and their managements, as well as industry, will stir mightily when this moment arrives, and keeping up the initiative will be a big challenge. Preparation for that moment begins with telling the errant gas companies that the days of billing the consumers for the managements' failures are over.

Editorial