

## **Investigation of Gas Prices in the Isle of Man**

In February 2000, the Office of Fair Trading requested permission from the Council of Ministers to carry out an investigation into gas prices on the Island due to the high level of complaints the Office had received and the rise in gas prices. Later that month the request was approved and in April 2000 the Office was designated under the Fair Trading Act 1996 as the Commission for the purposes of the investigation and terms of reference were drawn up.

The Investigation was conducted under Section 19 of the Fair Trading Act 1996 and was the first time that this Section had been invoked.

The key recommendations of the Report which received the approval of the Council of Ministers were as follows:-

### **Price Controls**

- The Council of Ministers should set up a sub-committee to investigate the feasibility of introducing a system of direct price control for gas. The Commission considered introducing administrative conditions without direct price or terms of sale controls but rejected this in the light of Manx Gas's failure to provide adequate notice of price increases.

### **Gas quality and tariffs**

- The Gas Regulation Act 1995, which has not been brought into operation, should be reviewed in the light of this report as regards the testing of gas quality and also provision of advice on tariff suitability.
- Tariffs should be simplified and the same tariffs should operate in the former Douglas Gas Ltd areas and the former Calor Manx Gas Ltd areas.
- In the long term a consolidated tariff should be introduced to equalise the price of gas across the Island and this principle should also apply to the community networks.

However due to new legislation in the form of the Fair Trading (Amendment) Act 2001 (which came into force in January 2002 and gives the Council of Ministers further powers to investigate and regulate prices if appropriate) the Office agreed with Manx Gas Ltd that a number of conditions be put in place to ensure that the Office has adequate information and advance notice of price movements which have made the investigation into the feasibility of introducing a system of direct price control for gas unnecessary.

The Office now receives monthly information on the price of the raw materials, costs and overheads of the company and is provided with prior notice of any price changes which has allowed it to monitor closely their appropriateness. Manx Gas is also committed to simplifying its tariff structures and improving communications with customers.