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## The Relationship between Electricity and Gas Industries in Australia

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### Abstract

*Electricity and gas industries are major industries in the Australian economy. Significant reforms were initiated in these industries in the early 1990s, with a core objective of improving their efficiencies through recourse to market competition. Further, these reforms were being undertaken separately for each industry, in total disregard of the relationship that may exist between these two industries. Several studies have alluded to the need for examining the nature of this relationship as it may provide useful insights for developing more meaningful reform program for each of these industries. This paper is an attempt in that direction. This relationship is examined both through qualitative (historical) and quantitative analyses. The qualitative analysis is supported by cross price elasticities of demand between electricity and gas, at the national and state levels. These elasticities are estimated using simultaneous demand functions for electricity and gas. While this paper focuses on Australia, its findings should be relevant for other countries that are in the process of reforming their electricity and gas industries.*

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