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APPROVAL OF ELECTRICITY NETWORK ACCESS TARIFFS **1 APRIL TO 30 JUNE 2000**

In accordance with section 45 of the *Utilities Commission Act 2000* and clause 78 of the Network Access Code ("the Code"), the tariffs and charges which PAWA Networks is to apply between 1 April and 30 June 2000 are approved as follows.

Usage	Darwin	Katherine
>4GWh per year, supplied and metered at high voltage	4.20 cents per kWh	4.85 cents per kWh
>4GWh per year, supplied and metered at low voltage ^(a)	4.40 cents per kWh	not applicable
<4 GWh per year	5.70 cents per kWh	6.60 cents per kWh

^(a) relates to customers connected at the normal utilisation voltage of 415/240 volts

The Commission's reasons are outlined at Annexure A.

With respect to the proposal for the payments made by PAWA for use of the Darwin-Katherine Transmission Line (DKTL) to be recovered from users of that line other than PAWA Generation/Retail, the Commission does approve this proposal at this time. The Commission's reasons are outlined at Annexure B.

Utilities Commission
24 March 2000

ANNEXURE A

Network Tariffs, PAWA Networks 1 April 2000 to 30 June 2000

Usage	Darwin	Katherine
>4GWh per year, supplied and metered at high voltage	4.20 cents per kWh	4.85 cents per kWh
>4GWh per year, supplied and metered at low voltage ^(a)	4.40 cents per kWh	not applicable
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^(a) relates to customers connected at the normal utilisation voltage of 415/240 volts

Commission Comment: The requirement for network prices to be approved and in place by 1 April 2000 has constrained the Commission from conducting the approval process in as transparent a manner as it would usually desire. In the circumstances, the Commission has approved these above tariffs on the basis that:

- the tariffs to apply during 1 April to 30 June period are simply structured on a cents per kilowatt-hour basis; and
- the pricing principles and associated level and structure of prices that will apply from 1 July 2000 will be conducted in a more open and transparent manner and in conjunction with a coordinated program of information provision and customer education, directed at ensuring that key information on market development is made available to all parties on a competitively neutral basis.

Utilities Commission
24 March 2000

ANNEXURE B

Recovery of PAWA's costs for usage of the Darwin-Katherine Transmission Line ("the DKTL")

Background

The DKTL is a 132kV electricity transmission system owned by NT Power Transmission ("NTPT").

Under a contractual arrangement with NTPT, the Commission understands PAWA pays in excess of \$5 million per annum for the use of the DKTL.

PAWA Networks proposed recovery of the DKTL payment by allocating the cost involved between PAWA Generation/Retail and other Generation/Retail users of PAWA's networks on the basis of respective shares of nominated peak capacity from the line for various customer locations.

In the Revenue Cap determination, the Interim Utilities Commissioner recognised that an amount of \$6.3 million required recovery in 1999-00, but indicated that:

- this recovery would be outside the network revenue cap; and
- the question of how that amount would be allocated among users of PAWA's networks was a pricing consideration.

Regulatory requirements

Section 5 of the *Electricity Networks (Third Party Access) Act 2000* ("the Act") provides that the Network Access Code ("the Code") does not apply to the DKTL. However, Section 5 contemplates that the Minister may provide for the DKTL to be regulated under the Code at some point in the future. In the meantime, the DKTL is not subject to the Code, and the tariffs and charges for usage of that line are not to be regulated by the Commission.

However, payments made by a regulated network provider to other network providers are recognised in the Code. In particular, among the factors set out in Clause 68 of the Code which the Commission as regulator must take into account in setting a revenue cap for a regulated network provider is:

"...the right of a network provider to recover reasonable costs for tariffs and charges paid to other network providers irrespective of whether these tariffs and charges are regulated under this Code." (Clause 68(f)(ii))

Reasons for decision

The Commission does not disagree that the DKTL payments are a cost which PAWA can expect to recover from its customers. At issue is which part of PAWA, from which customers and are the costs reasonable.

The Commission considers it does not have the information available to it necessary to decide whether it is appropriate for the DKTL payments made by PAWA to be recovered from users of its own networks other than PAWA Generation/Retail, let alone on what basis.

The Commission nonetheless recognises that the competitive neutrality concerns expressed by PAWA may have some basis—depending upon the charging arrangements applied by NTPT for usage of the DKTL once there are users of the line other than PAWA. From a competition perspective, the most important requirement for the transmission line is that the pricing for its use be competitively neutral; ie it should not favour either PAWA or any potential new entrants.

In summary, the parties need to agree as to the nature of the access arrangements before it is appropriate for the Commission to determine the appropriate treatment of such payments. A number of aspects need clarification:

1. *The nature of the contract.* Do PAWA's payments confer a right to the line? If so, is it an exclusive right?
2. *Who are the parties to the contract?* The contract is between NTPT and PAWA but is the contract with PAWA as a network operator or PAWA as a retailer/generator?
3. *The nature of the service provided by the line.* Is the line part of the meshed network that provides part of the general network capacity rather than a dedicated asset?
4. *The appropriateness of the payments for use of the line.* Are the payments cost reflective and non-discriminatory between users (in terms defined under Clause 74 of the Code)? Are the payments otherwise reasonable under Clause 68 of the Code?

Utilities Commission
24 March 2000