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REGULATORY ACCOUNTS **FOR THE YEAR ENDED 30 JUNE 2004**

Under clause 4(a) of the Northern Territory Electricity Ring Fencing Code (“Code”), the Power and Water Corporation (“Power and Water”) is obliged to establish and maintain a separate set of financial accounts and reports in respect of each of its prescribed businesses and its electricity business as a whole (“Regulatory Accounts”). In establishing these Regulatory Accounts, Power and Water must observe the requirements of Schedule 2 of the Code, and in particular the approved Accounting and Cost Allocation Procedures.

The Procedures establish the annual reporting of Regulatory Accounts to the Commission and provide for the public disclosure of a selection of these accounts, namely pro formas A1, A2, A3, and A4 referred to in those Procedures. These publicly available extracts relate to Power and Water’s prescribed businesses that benefit from an ongoing statutory monopoly. Those parts of the Regulatory Accounts that are not to be published involve commercially sensitive information which the Commission examines but does not disclose.

The Regulatory Accounts for the 2003-04 year have been submitted by Power and Water and the publicly available extracts are attached. The Commission confirms that the accounts provided satisfy the requirements of the Code and Accounting and Cost Allocation Procedures in so far as they relate to the preparation and disclosure of financial accounts for ring-fencing purposes.

The Commission’s acceptance of these accounts does not imply that they are suitable for direct application for price regulation purposes. The Commission has serious concerns about the consistency of the information provided in the Regulatory Accounts over the first regulatory control period. Improving the consistency of the Regulatory Accounts going forward will be addressed as part of a review of the Ring-fencing Code and associated Cost Allocation and Accounting Procedures during the first half of 2005.

The explanatory notes added by the Commission under the “Commission’s Notes” heading do not form part of the Regulatory Accounts, and are provided to assist in the interpretation of the published accounts.

Alan Tregilgas
Utilities Commissioner
(for the Utilities Commission)
19 January 2005

Power Networks – Statement of Financial Performance
For the period ended 30 June 2004

<i>Item</i>	<i>Amount (\$000s)</i>	<i>Commission's notes</i>
Income		(a)
Sales of goods and services	83,288	
Community service obligations	-	
Customer contributions	5,267	
Net gain on disposal of plant, property and equipment	102	
Interest and investment income	-	
Other	970	
Total	89,627	
Expenses		(b)
Operating costs	26,134	
Maintenance costs	5,718	
Depreciation ¹	23,269	
Other	9,853	
Total	64,974	
Earnings before interest and tax	24,653	

Power and Water's Notes

¹ The period's depreciation charge on a DORC basis.

Commission's Notes

(a) Sales of goods and services are comprised of the following items:

<i>Items</i>	<i>Actual revenues (\$000s)</i>	<i>Targeted revenues (\$000s)</i>	<i>variance* (\$000s)</i>
Regulated network access charges:			
Northern region	\$60,573	\$61,302	-\$729
Alice Springs	\$11,081	\$10,931	\$150
Tennant Creek	\$3,055	\$3,120	-\$65
Sub-total	\$74,709	\$75,353	(\$644)
Other**	\$8,579	-	-
Total	\$83,288	-	-

* The Commission has addressed the variances between the regulated actual and targeted revenues separately.

** This amount is an accounting entry associated with works in progress.

(b) The "other" item comprises common operating costs allocated to Networks. The separate "operating cost" component incorporates only those operating costs directly attributable to Networks.

Power System Control – Statement of Financial Performance
For the period ended 30 June 2004

<i>Item</i>	<i>Amount (\$000s)</i>	<i>Commission's notes</i>
Income		
Sales of goods and services	1,410	
Community service obligations	-	
Customer contributions	-	
Net gain on disposal of plant, property and equipment	-	
Interest and investment income	-	
Other	1	
Total	1,411	
Expenses		
Operating costs	1,534	
Maintenance costs	14	
Depreciation ¹	32	
Other	1,816	
Total	2,308	
Earnings before interest and tax	(793)	

Power and Water's Notes

¹ The period's depreciation charge on a book basis as a DORC basis is not available.

Power Networks – Statement of Capital Employed
For the period ended 30 June 2004

<i>Item</i>	<i>Amount (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ¹	502,207	(a)
Working capital ²	3,4080	(b)
Total capital employed	505,615	

Power and Water's Notes

¹ Plant, Property and Equipment is valued according to the December 2004 desktop exercises.

² Working capital has been calculated using the following formula:

$$WC = (C - D) / 365 * O + M$$

Where:

C= number of days revenue is received with a lag; and

D= number of days opex is incurred after an activity has been performed (a lead).

Commission's Notes

(a) Plant, property and equipment increased by 13% over the previous year following a desktop audit of asset registers carried out by Power and Water in conjunction with the off-ramp Networks Regulatory Reset program.

(b) The Commission has developed a modified methodology for measuring working capital as part of its 2004 Reset Determination. This change takes effect in the 2003-04 regulatory accounts.

Power System Control – Statement of Capital Employed
For the period ended 30 June 2004

<i>Item</i>	<i>Amount (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ¹	165	(a)
Working capital ²	166	
<i>Total capital employed</i>	331	

Power and Water's Notes

¹ The period's balance is carried forward on a DORC basis.

² Working capital has been calculated using the following formula:

$$WC = (C - D) / 365 * O + M$$

Where:

C= number of days revenue is received with a lag; and

D= number of days opex is incurred after an activity has been performed (a lead).

Commission's Notes

(a) *The Commission has developed a modified methodology for measuring working capital as part of its 2004 Reset Determination. This change takes effect in the 2003-04 regulatory accounts.*