



enAddress all correspondence to:
The Utilities Commission, GPO Box 915, Darwin NT 0801
Location: 9th Floor, 38 Cavenagh Street, Darwin
E-mail: utilities.commission@nt.gov.au

Telephone: (08) 8999 5480
Facsimile: (08) 8999 6262
Website: www.utilicom.nt.gov.au

POWER AND WATER NETWORKS
RECOVERY OF MAXIMUM ALLOWABLE REVENUE
FOR 2002-03

In accordance with clause 26 of Power and Water Corporation’s (“Power and Water”) Network licence, Power and Water has advised the Commission of the recovery of regulated network revenue for the 2002-03 financial year, as follows:

Regulated Network	Regulated revenue cap	Revenue recovered	Difference	Variation (%)
Northern Network	\$60,798,000	\$62,131,285	\$1,333,285	+2.19%
Alice Springs	\$10,550,000	\$11,643,041	\$1,093,041	+10.36%
Tennant Creek	\$3,101,000	\$3,542,451	\$441,451	+14.24%
Total	\$74,449,000	\$77,316,777	\$2,867,777	+3.85%

Commission’s analysis

Power and Water’s revenue recovery for the 2002-03 financial year exceeded the maximum allowable revenue across all regulated networks. Higher than predicted energy sales growth was the major contributor to this over-recovery, particularly in Alice Springs (4.8% actual versus 0.5% forecast) and Tennant Creek (11.6% actual versus 0.0% forecast). Actual energy delivered over all regulated networks in 2002-03 of 1408GWh was 3.0% higher than the forecast used by the Commission in its determination.

The revenue recovered for the Northern network (Darwin-Katherine) is less than the ±4% upper tolerance limit set by the Commission in its under’s and over’s account arrangements, and as such requires an action plan to resolve the (account) balance within the regulatory period. However, Power and Water have advised the Commission of its intention to provide a rebate to the retailers within the current regulatory period (due to expire on 30 June 2004) to reduce the under’s and over’s account balance to zero.

The revenues recovered for the Alice Springs and Tennant Creek networks are greater than the ±7% upper tolerance limit set by the Commission. Power and Water have advised the Commission of its intention to provide an immediate rebate to the

retailers to reduce this under's and over's account balance to zero, in line with the under's and over's account arrangements.

The Commission expects the retailers concerned to pass on these rebates to individual end-use customers in those instances where any year-on-year variations in network tariffs in the 2002-03 year were borne in full by the end-use customer. In instances where such year-on-year variations were instead borne by the retailer, and not passed on to the end-use customer, the retailer would be justified in retaining the relevant portion of the rebate for its own benefit.

Under's and over's account summary

The under's and over's accounts as at 1 July 2003 (i.e., before rebates) are summarised below.

Northern Network	CR	DR	Balance
Balance as at 1 July 2002 (ie over-recovery for 2001-02)			\$2,661,180 CR
Refund to Retailers		\$2,661,180	
Balance at 30 June 2003			Nil
Over-recovery for 2002-03	\$1,333,285		
Balance as at 1 July 2003			\$1,333,285 CR

Alice Springs Network	CR	DR	Balance
Balance as at 1 July 2002 (ie due to over-recovery for 2001-02)			\$227,329 CR
Refund to Retailers		\$227,329	
Balance at 30 June 2003			Nil
Over-recovery for 2002-03	\$1,093,041		
Balance as at 1 July 2003			\$1,093,041 CR

Tennant Creek Network	CR	DR	Balance
Balance as at 1 July 2002 (ie over-recovery for 2001-02)			\$620,093 CR
Refund to Retailers		\$620,093	
Balance at 30 June 2003			Nil
Over-recovery for 2002-03	\$441,451		
Balance as at 1 July 2003			\$441,451 CR

Based upon this advice, the transactions to be undertaken prior to 30 June 2004 are shown in the table below:

Under's and Over's Account				
Regulated Network	Balance as at 1 July 2003	Held as Over's	Held as Under's	Refund to Retailers
Northern Network	\$1,333,285	\$1,318,568		\$14,717*
Alice Springs	\$1,093,041			\$1,093,041
Tennant Creek	\$441,451			\$441,451
Combined Networks	\$2,867,777	\$1,318,568		\$1,549,209

* The amount attributed to NT Power Generation which ceased operations in September 2002.

Alan Tregilgas
 Utilities Commissioner
 (for the Utilities Commission)
 23 January 2004