

010305jha

5 March 2001

Mr Alan Tregilgas  
Utilities Commissioner  
NT Utilities Commission  
GPO Box 915  
DARWIN NT 0801

Dear Alan,

Thank you for opportunity to provide you with our comments on the

*Issues Paper,  
Regulatory Treatment of the Darwin to Katherine Transmission Line*

NTPG have responded under your specific queries and these are detailed below, NTPG look forward to discussion in relation to further issues that may arise following receipt of comments from the involved parties.

Before commenting on the specific points the Utilities Commissioner has requested the parties views on, NTPG would wish to draw your attention to an error within the document namely,

Page 8 Section 3.3 second dot point Channel Island future power station site has been negotiated on a long-term lease, not purchased as stated.

**Issues for Consideration page 13**

1. In the main the Commission has correctly identified and characterised the relevant features of the DKTL, NTPG would draw your attention to the statement on page 13 first dot point, loads in the area may come and go on relatively short notice the generating facility at the Pine Creek Power Station is of a long term nature with a contractual arrangement between PAWA and Energy Developments Limited (EDL).
2. The Commission must be aware there are limitations on the transfer capacity of the DKTL and NTPG would refer the Commission to system study reports commissioned by PAWA and NTPG.
3. NTPG would wish to highlight an apparent contradiction in the words used in the footnote 2, which in our view is stating that the DKTL is a network connection asset, which NTPG agrees with, however on page 13 the last dot point the Commission would appear to be implying that the DKTL is a generation connection asset, NTPG does not support this assertion.

### **Issues for Consideration page 17**

Before addressing the specific points as raised in the Commission's issue paper on page 17 NTPG would wish to make the following comments,

The price paid by PAWA in acquiring the line at \$43,000,000 had a number of components that the Commission has described as settlement payments, before addressing any value to these settlement payments, if any, NTPG would state that the original cost of the line (\$52,000,000) was affected by other factors that NTPG assume were acceptable at the time, and this has influenced the current payment in acquiring the DKTL.

NTPG believe that when establishing an acceptable capital cost it must be based on the replacement cost, and also recognise the application of an acceptable depreciated optimised replacement cost (DORC).

1. NTPG believe there should be no value given to the settlement benefits, and the normal accepted procedures of applying replacement costs with an acceptable DORC .
2. This question is not relevant if NTPG's position is the correct one, which we believe it is, and settlement payments should come from consolidated revenue.
3. NTPG believe that there are no downsides by including the DKTL in the overall network, but rather only upsides as described by the Commission in section 4.6, 4.7 pages 12 & 13.
4. NTPG believe that the depreciated life of the line should 50 – 60 years the Commission state not 40 – 50 years as. This is due to the sparse population and its geographic location as compared to other jurisdictions.
5. NTPG state that the costs for O&M will not depart from appropriate industry benchmarks.

### **Issues for Consideration page 24**

1. NTPG believe that a modified form of the existing tariffs apply to the Darwin and Katherine distribution networks. This statement is on the basis that all of the users of the network benefit from the DKTL. The statements made in Section 4.6 & 4.7 pages 13 & 14 support this assertion.
2. To NTPG's knowledge there are no congestion problems on the line in the foreseeable future. NTPG would refer you to the system studies conducted by PAWA and NTPG.
3. NTPG believe there is no requirement at this point in time to apply specific usage charges.
4. NTPG accept that the locational signals as described in footnote 2 of the document are an accurate and concise discourse in relation to discouraging an inappropriate siting of generating capacity.
5. NTPG have stated that no specific charges should be applied on the DKTL and if they were in NTPG's view consistency would be impossible to achieve.
6. NTPG believe that the revenue recovered on the DKTL, should be by the application of an averaged charge, as the DKTL benefits all consumers.

NTPG are firmly of the view that a consolidation of the DKTL into the total PAWA network is the appropriate methodology and sends the right signals to future users both upstream and downstream, it also has the benefit of assisting existing users within the defined revenue cap of the network.

Regards

**NT Power Generation Pty Ltd**

**Jeff W. Hutchison**  
**Chief Executive**