



2014 NETWORK PRICE DETERMINATION

FINAL DETERMINATION PART B – NETWORK PRICE DETERMINATION

April 2014

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Inquiries

Any questions regarding this *Network Price Determination* should be directed in the first instance to the Executive Officer, Utilities Commission at any of the following:

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CHAPTER 1

General

1.1 Introduction

- (a) This document is the *Network Price Determination* for the supply of *regulated network access services* by *PWC Networks* during the *2014 – 19 regulatory control period*.
- (b) The reasons in support of this *Network Price Determination* are set out in the *Statement of Reasons* (see Part A – Statement of Reasons).

1.2 Authority

- (a) This *Network Price Determination* is made by the *Commission* pursuant to its powers to:
 - (i) make a pricing determination under sections 20 and 21 of the *Utilities Commission Act* and section 43 of the *Electricity Reform Act*; and
 - (ii) determine a *revenue cap* or *price cap* under clause 66 of the *Network Access Code*.
- (b) Clause 66(3) of the *Network Access Code* requires the *Commission* to determine the *revenue cap* or *price cap* to apply to the supply of *regulated network access services* for a *regulatory control period* in a manner that:
 - (i) in the *Commission's* opinion, most effectively achieves the desired outcomes set out in clause 63 of the *Network Access Code*; and
 - (ii) is consistent with *general accepted regulatory practice* at the time.
- (c) The *Commission* has formed the opinion that the method for determining the *revenue cap* or *price cap* to apply to *PWC Networks* for the *2014 – 19 regulatory control period* which most effectively achieves the desired outcomes set out in clause 63 of the *Network Access Code*, is to generally apply the approach used by the *AER* for the economic regulation of distribution services provided by electricity distribution network businesses in the *NEM* jurisdictions.
- (d) This also reflects *generally accepted regulatory practice* at this time. That is, applying Chapter 6 of the *NER* and the conventions and procedures applied by the *AER* in relation to the making of distribution determinations represents *generally accepted regulatory practice*, to the extent that:
 - (i) those requirements are not inconsistent with applicable Territory laws; and
 - (ii) the application of the *NER* requirements to *PWC Networks* takes into account *PWC Networks'* resourcing constraints and economies of

scale and the practicalities of applying the *NER* requirements in full to *PWC Networks*.

1.3 Term and commencement

- (a) This *Network Price Determination*:
 - (i) commences on 1 July 2014; and
 - (ii) applies for the *2014 – 19 regulatory control period*, being the period from 1 July 2014 to 30 June 2019.

1.4 Definitions and interpretation

- (a) Words and phrases printed in italics like *this* will have the meaning given in Schedule 1 of this *Network Price Determination*.
- (b) This *Network Price Determination* must be interpreted according to the interpretation principles set out in Schedule 1 of this *Network Price Determination*.

1.5 Application of this *Network Price Determination*

- (a) This *Network Price Determination*:
 - (i) specifies which of *PWC Networks'* *network access services* will be *regulated network access services* and which will be *excluded network access services* for the *2014 – 19 regulatory control period*;
 - (ii) sets the *annual revenue requirement* (or *revenue cap*) that will apply to the first *regulatory year* of the *2014 – 19 regulatory control period*;
 - (iii) specifies the methodology by which the *annual revenue requirement* (or *revenue cap*) for the second *regulatory year* and each of the following *regulatory years* in the *2014 – 19 regulatory control period* is to be derived and the *X factors* that will be used in that methodology;
 - (iv) sets the maximum permissible percentage (that is, the *side constraint*) by which the weighted average revenue to be raised from a *tariff class* may be increased in a *regulatory year* as compared to the previous *regulatory year*;
 - (v) provides for an *unders and overs account* to manage the under-recovery or over-recovery of revenue from the supply of *regulated network access services* during a particular *regulatory year* with the *annual revenue requirement* for that *regulatory year*;
 - (vi) provides for permitted adjustments to this *Network Price Determination*; and
 - (vii) specifies the principles and procedures which should be applied by *PWC Networks* when determining and submitting its proposed *reference tariffs* for *standard network access services* for each *regulatory year* of the *2014 – 19 regulatory control period* to the *Commission* for its approval in accordance with section 78 of the *Network Access Code*.

1.6 Notices

- (a) A notice is properly given under this *Network Price Determination* to a person if:
- (i) it is personally served;
 - (ii) a letter containing the notice is prepaid and posted to the person at an address (if any) supplied by the person to the sender for service of notices;
 - (iii) it is sent to the person by facsimile or electronic mail to a number or reference which corresponds with the address referred to in clause (ii);
or
 - (iv) the person receives the notice.
- (b) A notice is treated as being given to a person by the sender:
- (i) where sent by post in accordance with clause (a)(ii) to an address in the central business district of a capital city of Australia, on the second *business day* after the day on which it is posted;
 - (ii) where sent by post in accordance with clause (a)(ii) to any other address, on the third *business day* after the day on which it is posted;
 - (iii) where sent by facsimile in accordance with clause (a)(iii) and a complete and correct transmission report is received:
 - on the day of transmission if a *business day* or, if the transmission is on a day which is not a *business day* or is after 4.00 pm (addressee's time), at 9.00 am on the following *business day*;
 - (iv) where sent by electronic mail in accordance with clause (a)(iii):
 - on the day when the notice is recorded as having been first received at the electronic mail destination if a *business day* or, if that time is after 4.00 pm (addressee's time) or the day is not a *business day*, at 9.00 am on the following *business day*; or
 - (v) in any other case, when the person actually receives the notice.
- (c) Where a specified period (including a particular number of days) must elapse or expire from or after the giving of a notice before an action may be taken, neither the day on which the notice is given nor the day on which the action is to be taken may be counted in reckoning the period.
- (d) In this clause 1.6, a reference to an addressee includes a reference to an addressee's officers, agents, or employees or any person reasonably believed by the sender to be an officer, agent or employee of the addressee.

1.7 Retention of records and documents

- (a) Unless otherwise specified in this *Network Price Determination*, all records and documents prepared for or in connection with this *Network Price Determination* must be retained for a period of at least 7 years after the commencement of the *2014-19 regulatory control period*.

1.8 Territory law prevails

- (a) In the event that this *Network Price Determination* is found to be inconsistent with any applicable Territory law, the applicable Territory law will prevail over this *Network Price Determination* to the extent of that inconsistency.

CHAPTER 2

Constituent Decisions

2.1 Service classification

- (a) In accordance with clause 72(1) of the *Network Access Code*, the *Commission's* decision on the classification of services provided by *PWC Networks'* during the course of the *2014 – 19 regulatory control period* is that:
 - (i) *excluded network access services* are those *network access services* specified in Schedule 3 of this *2014 Network Price Determination*; and
 - (ii) *regulated network access services* are all *network access services* provided by *PWC Networks* other than *excluded network access services*.

2.2 Building block determination

2.2.1 Total revenue requirement

- (a) The *Commission* does not accept the *total revenue requirement* proposed by *PWC Networks*.
- (b) The *Commission's* decision on the *total revenue requirement* required by *PWC Networks* for the provision of *regulated network access services* for the *2014 –19 regulatory control period* is:
 - (i) \$992.2 million (nominal); plus
 - (ii) an additional \$42.0 million (nominal) carried over from the 'cost pass through' approved by the *Commission* in May 2013 (that is, the approved increase in the costs of providing *regulated network access services* arising from the implementation of the Davies Review recommendations during the *2009-14 regulatory control period*).

2.2.2 Annual revenue requirement

- (a) The *Commission* does not accept *PWC Networks'* proposed *annual revenue requirement* for each *regulatory year* of the *2014 – 19 regulatory control period*.
- (b) The *Commission's* decision on the *annual revenue requirement* for *PWC Networks'* for each *regulatory year* of the *2014 – 19 regulatory control period* is set out in Table 1 below.
- (c) The methodology used to determine the *annual revenue requirement* for each *regulatory year* of the *2014 – 19 regulatory control period* was the building block approach, calculated on a pre-tax basis.
- (d) The *Commission's* considerations and reasons for this decision are set out in Chapter 14 of the *Statement of Reasons*.

Table 1: *Commission determination on PWC Networks' annual revenue requirement (\$M, nominal)*

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Return on capital	73.01	76.01	76.91	77.24	78.16	381.33
Regulatory depreciation	27.78	30.46	26.52	28.39	30.73	143.88
<i>Operating and maintenance expenditure</i>	100.63	96.74	95.42	90.02	84.19	466.99
Unsmoothed <i>annual revenue requirement</i>	201.41	203.21	198.85	195.64	193.08	992.20
Carryover adjustment (2013 cost pass through)	7.18	7.75	8.36	9.02	9.72	42.03
Total unsmoothed <i>annual revenue requirement</i>	208.60	210.96	207.21	204.66	202.80	1 034.23

Source: Utilities Commission, NTRM

2.3 *Capital expenditure*

- (a) The *Commission* does not accept *PWC Networks'* proposed *capital expenditure* forecast for the 2014 – 19 regulatory control period.
- (b) The *Commission's* decision in relation to the forecast of the required *capital expenditure* for the 2014-19 regulatory control period is set out in Table 2 below.
- (c) The *Commission's* considerations and reasons for this decision are set out in Chapter 9 of the *Statement of Reasons*.

Table 2: *Commission determination on PWC Networks' forecast capital expenditure (\$M, 2013 – 2014)*

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
PWC Networks proposed capex	79.14	66.83	45.71	42.89	57.89	292.46
Commission adjustments	- 3.78	- 15.06	- 4.77	5.98	-0.80	- 18.43
Total capex	75.36	51.77	40.94	48.87	57.09	274.04

Source: Utilities Commission

2.4 *Operating and maintenance expenditure*

- (a) The *Commission* does not accept *PWC Networks'* proposed *operating and maintenance expenditure* forecast for the 2014 – 19 regulatory control period.
- (b) The *Commission's* decision in relation to the forecast of the required *operating and maintenance expenditure* for the 2014-19 regulatory control period is set out in Table 3 below.
- (c) The *Commission's* considerations and reasons for this decision are set out in Chapter 10 of the *Statement of Reasons*.

Table 3: *Commission determination on PWC Networks' forecast operating and maintenance expenditure (\$M, 2013 – 2014)*

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
<i>PWC Networks proposed opex</i>	106.43	105.29	107.11	104.72	104.60	528.14
Commission adjustments	- 8.86	- 13.90	- 19.26	- 23.97	- 31.01	- 97.00
Total <i>opex</i>	97.57	91.39	87.85	80.75	73.58	431.14

Source: Utilities Commission

2.5 **Contingent projects**

- (a) The *Commission* has decided that the following proposed *contingent projects* are *contingent projects* for the purposes of this *Network Price Determination*:
- (i) PRD30600 – New Mitchell Street Switching Station;
 - (ii) PRD30309 – Darwin – Construct Stage 2 of East Arm Zone Substation.
- (b) The scope, drivers and *trigger events* applying to these *contingent projects* are set out in Chapter 3 of this *Network Price Determination*.
- (c) This *Network Price Determination* may be adjusted by the *Commission* for a *contingent project* in accordance with Chapter 3 of this *Network Price Determination*.
- (d) The *Commission's* considerations and reasons for this decision are set out in Chapter 13 of the *Statement of Reasons*.

2.6 **Allowed rate of return**

- (a) The *Commission's* decision on the *WACC* parameters applicable to *PWC Networks' allowed rate of return* are set out in Table 4 below.
- (b) The *Commission's* considerations and reasons for this decision are set out in Chapter 12 of the *Statement of Reasons*.

Table 4: *Commission* determination on *WACC* parameters for *PWC Networks*

Set parameters	PWC Networks
Nominal risk-free rate	4.11% ¹
Market risk premium (MRP)	6.00%
Equity beta	0.7
Debt risk premium	2.48% ²
Gearing	60:40
Inflation rate	2.59 ³
Corporate tax rate	30.00%
Gamma	50.00%
Pre-tax nominal <i>WACC</i>	7.86%

Source: Utilities Commission

1. Calculated as the yield on 10-year CGS averaged over 20 *business days* from 4 March 2014 to 31 March 2014

2. Taken from the most recent *AER* determination (that is, the SPAusnet 2014-17 final determination published in January 2014)

3. RBA Statement on Monetary Policy, February 2014.

2.7 *Regulatory asset base*

2.7.1 Opening value of the *regulatory asset base*

- (a) The *Commission* has decided that the opening *regulatory asset base* for *PWC Networks* as at 1 July 2014 is \$928.3 million (nominal).
- (b) The *Commission's* considerations and reasons for this decision are set out in Chapter 6 of the *Statement of Reasons*.

2.7.2 Roll-forward of the *regulatory asset base*

- (a) The *Commission's* decision on the rolling forward of *PWC Networks'* *regulatory asset base* during the 2014 – 19 *regulatory control period* is set out in Table 5 below.
- (b) The *Commission's* considerations and reasons for this decision are set out in Chapter 14 of the *Statement of Reasons*.

Table 5: *Commission* forecast roll-forward of *PWC Networks' RAB* for the 2014 – 19 regulatory control period (\$M, nominal)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening <i>RAB</i>	928.34	966.49	977.94	982.09	993.82
Net <i>capex</i> ^(a)	65.93	41.91	30.67	40.12	50.37
Indexation of the opening <i>RAB</i>	24.04	25.03	25.33	25.44	25.74
Straight-line depreciation	51.82	55.49	51.85	53.82	56.47
Closing <i>RAB</i>	966.49	977.94	982.09	993.82	1,013.46

Source: Utilities Commission, NTRM

Note: the straight-line depreciation less the indexation of the opening *RAB* provides the regulatory depreciation building block allowance

^(a) In accordance with the timing assumptions of the *NTRM* (and the AER's *PTRM*), the nominal *capex* values include a half *WACC* allowance to compensate for the average six-month period before *capex* is added to the *RAB* for revenue modelling purposes.

2.7.3 Indexation of the *regulatory asset base*

- (a) The *Commission* has decided that the appropriate methodology for indexation of the *PWC Networks' regulatory asset base* during the 2014-19 regulatory control period should be the same as that used to escalate the form of control mechanism for the relevant *regulatory year*.
- (b) The *Commission's* considerations and reasons for this decision are set out in Chapter 14 of the *Statement of Reasons*. In particular, see paragraphs 14.45 – 14.48 of the *Statement of Reasons*.

2.8 Depreciation

- (a) The *Commission* accepts the depreciation schedules submitted by *PWC Networks* (subject to the adjustments set out below) on the basis that:
 - (i) the schedules depreciate using a profile that reflects the nature of the assets or category of assets over the economic life of that asset or category of assets;
 - (ii) the sum of the real value of the depreciation that is attributable to any asset or category of assets over the economic life of that asset or category of assets is equivalent to the value at which that asset or category of assets was originally included in *PWC Networks' RAB*; and
 - (iii) the economic life of the relevant assets and the depreciation methods and rates underpinning the calculation of depreciation for the 2014 - 19 regulatory control period are consistent with those determined for the same assets on a prospective basis in this *Network Price Determination*.
- (b) The *Commission's* adjustments to *PWC Networks'* proposed forecast *capital expenditure*, asset lives and opening *RAB* require an alteration to *PWC Networks'* depreciation allowance for the 2014 – 19 regulatory control period.

- (c) The *Commission's* amendments result in a depreciation allowance of \$143.9 million (nominal) to apply to *PWC Networks* for the 2014 – 19 regulatory control period as shown in Table 6 below.
- (d) The *Commission's* considerations and reasons for this decision are set out in Chapter 11 of the *Statement of Reasons*. In particular, see paragraphs 11.30 to 11.36 of the *Statement of Reasons*.

Table 6: *Commission* determination on *PWC Networks's* depreciation allowance (\$M, nominal)

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Depreciation (DORC)	27.78	30.46	26.52	28.39	30.73	143.88

Source: Utilities Commission

2.9 Schemes

- (a) The *Commission* has decided to only apply the *GSL* scheme (as specified in the *GSL Code*) during the 2014 – 19 regulatory control period.
- (b) At this stage, no other incentive schemes will be applied by the *Commission* during the 2014 – 19 regulatory control period. However, the *Commission* is proposing to progressively develop and introduce similar incentive schemes to those currently applying under the *AER* during the 2014-19 regulatory control period with a view to including those schemes within the *Post 2019 Network Price Determination* process.

2.10 Other amounts, values and inputs

- (a) The *Commission* does not accept the demand forecasts proposed by *PWC Networks*.
- (b) The *Commission's* decision on demand forecasts that reflects a realistic expectation of demand is explained in Chapter 7 of the *Statement of Reasons*.

2.11 Control mechanism

- (a) In accordance with the *Commission's Framework Statement*, the *Commission* has decided to apply a *revenue cap* or *annual revenue requirement* of the prospective *CPI minus X* form to *PWC Networks's regulated network access services* revenues during the 2014 – 19 regulatory control period.
- (b) The revenue control formula for *PWC Networks's revenue cap* is set out in Schedule 4 of this *Network Price Determination*.
- (c) The maximum permissible percentage (that is, the *side constraint*) by which the weighted average revenue to be raised from a *tariff class* may be increased in a *regulatory year* as compared to the previous *regulatory year* is to be calculated in accordance with the *side constraints* formula set out in Schedule 4 of this *Network Price Determination*.
- (d) The *Commission's* decision on the *side constraint* to apply to *PWC Networks* for the 2014 – 19 regulatory control period is 2 per cent.
- (e) The *Commission's* decision on the *X factors* to apply to *PWC Networks* for the 2014 – 19 regulatory control period are set out in Table 7 below.

Table 7: *Commission determination on PWC Networks' X factors* (\$M, nominal)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total unsmoothed <i>annual revenue requirement</i>		208.60	210.96	207.21	204.66	202.80
Expected revenues (smoothed revenue)	138.75	184.74	204.68	216.29	217.45	218.62
Forecast <i>CPI</i> (%)		2.59	2.59	2.59	2.59	2.59
<i>X factors</i> (%) ^(a)		-29.78	-8.00	-3.00	2.00	2.00

Source: Utilities Commission, NTRM

^(a) Negative values for X indicate real revenue increases under the CPI-X formula.

2.12 Compliance with control mechanism

2.12.1 General

- (a) The *Commission* has decided that compliance with the control mechanism for *regulated network access services* will be monitored through:
- (i) the *unders and overs account*; and
 - (ii) a review of the detailed information provided by *PWC Networks* to support the annual pricing schedule approval process under Chapter 7 of the *Network Access Code*.

2.12.2 *Unders and overs account*

- (a) To demonstrate compliance with the *annual revenue requirement* and this *Network Price Determination* during the 2014 – 19 regulatory control period, *PWC Networks* must:
- (i) maintain an *unders and overs account* in accordance with Schedule 5 of this *Network Price Determination*; and
 - (ii) provide such information in relation to the balance of this account to the *Commission* as part of its annual pricing schedule proposal as the *Commission* considers is required in order to demonstrate and verify compliance by *PWC Networks* with the requirements of this *Network Price Determination*.

2.12.3 Annual pricing schedule proposal

- (a) Under clause 78 of the *Network Access Code*, *PWC Networks* must provide to the *Commission* a statement setting out its proposed *reference tariffs* for *standard network access services* that will apply during a *regulatory year* at least 60 days prior to the start of that *regulatory year*.
- (b) The statement must:
- (i) set out *PWC Networks'* proposed *reference tariffs* and charges for the *standard network access services* it will be supplying during that *regulatory year*;
 - (ii) set out the proposed components for each *reference tariff*;

- (iii) detail how each *reference tariff* has been calculated by applying the principles set out in Chapter 7 of the *Network Access Code* and the requirements of this *Network Price Determination*; and
- (iv) demonstrate compliance with the requirements of this *Network Price Determination* (including the relevant formulae in Schedule 4 of this *Network Price Determination*) by providing such supporting information as is reasonably required by the *Commission* to demonstrate and verify compliance by *PWC Networks* with the requirements of this *Network Price Determination*.

2.13 Pass through events

- (a) As set out in Chapter 3 of this *Network Price Determination*, the *Commission* has decided that the following events are *pass through events* for *PWC Networks* for the 2014 – 19 regulatory control period:
 - (i) a *regulatory change event*;
 - (ii) a *service standard event*;
 - (iii) a *tax change event*;
 - (iv) a *retailer insolvency event*;
 - (v) a *terrorism event*;
 - (vi) an *insurance event*;
 - (vii) a *natural disaster event*; and
 - (viii) a *structural separation event*.
- (b) The definitions of these *pass through events* are set out in Schedule 1 of this *Network Price Determination*.
- (c) This *Network Price Determination* may be adjusted for a *pass through event* in accordance with Chapter 3 of this *Network Price Determination*.

2.14 Assigning retail customers to tariff classes

- (a) The *Commission* has decided that the procedures for assigning *retail customers* to *tariff classes*, or reassigning *retail customers* from one *tariff class* to another *tariff class* (including any applicable restrictions) outlined in Schedule 6 of this *Network Price Determination* are to apply to *PWC Networks* for the 2014 – 19 regulatory control period.

2.15 Depreciation relating to establishing the RAB value for the commencement of the Post 2019 regulatory control period

- (a) The *Commission* has decided that depreciation for establishing the *regulatory asset base* as at the commencement of the *Post 2019 regulatory control period* is to be based on actual *capital expenditure*.

CHAPTER 3

Permitted Adjustments to the *2014 Network Price Determination*

3.1 Cost pass through

3.1.1 Pass through events

- (a) Any of the following is a *pass through event* for this *Network Price Determination*:
 - (i) a *regulatory change event*;
 - (ii) a *service standard event*;
 - (iii) a *tax change event*;
 - (iv) a *retailer insolvency event*;
 - (v) a *terrorism event*;
 - (vi) an *insurance event*;
 - (vii) a *natural disaster event*; or
 - (viii) a *structural separation event*.

3.1.2 Application by PWC Networks for approval of *positive pass through amount*

- (a) If a *positive change event* occurs during the *2014 – 19 regulatory control period*, *PWC Networks* may seek the approval of the *Commission* to pass through to *network users* a *positive pass through amount*.
- (b) To seek the approval of the *Commission* to pass through a *positive pass through amount*, *PWC Networks* must submit to the *Commission*, within 90 *business days* of the relevant *positive change event* occurring, a written statement that specifies:
 - (i) the details of the *positive change event* concerned;
 - (ii) the date on which the *positive change event* occurred;
 - (iii) the *eligible pass through amount* in respect of that *positive change event*;
 - (iv) the *positive pass through amount* *PWC Networks* proposes in relation to the *positive change event*;
 - (v) the amount of the *positive pass through amount* that *PWC Networks* proposes should be passed through to *network users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred; and

- (vi) evidence:
 - (A) of the actual and likely increase in costs referred to in clause 3.1.2(b)(iii);
 - (B) that such costs occur solely as a consequence of the *positive change event*; and
 - (C) in relation to a *retailer insolvency event*, of:
 - (I) the amount to which *PWC Networks* is entitled under any relevant *credit support*;
 - (II) the maximum amount of *credit support* (if any) that *PWC Networks* was entitled to request the *retailer* to provide under the *applicable regulatory instruments*; and
 - (III) any amount that *PWC Networks* is likely to receive on a winding-up of the *retailer*; and
 - (D) such other information as may be required by the *Commission* under any relevant *regulatory information notice*.

3.1.3 Determination of *positive pass through amount* by the *Commission*

- (a) If the *Commission* determines that a *positive change event* has occurred in respect of a statement provided by *PWC Networks* under clause 3.1.2, the *Commission* will determine:
 - (i) the *approved pass through amount*; and
 - (ii) the amount of that *approved pass through amount* that should be passed through to *network users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred,

taking into account the matters referred to in clause 3.1.7 below.
- (b) The *Commission* may, by service of a written notice on *PWC Networks* specifying the additional information required and the time period by which it must be provided, require *PWC Networks* to provide additional information to the *Commission*. If *PWC Networks* receives such a notice, *PWC Networks* must comply with that notice.
- (c) Subject to clause 3.1.8(c)3.1.8(b), the *Commission* will make a determination referred to in clause 3.1.3(a) within 40 *business days* from the later of the date the *Commission* receives *PWC Networks'* statement (including the accompanying evidence) under clause 3.1.2(b), and the date the *Commission* receives any additional information required under clause 3.1.3(b) .
- (d) If the *Commission* fails to make a determination referred to in clause 3.1.3(a) within the period prescribed by clause 3.1.3(c):
 - (i) the *positive pass through amount* as proposed in *PWC Networks'* statement under clause 3.1.2(b) is the *approved pass through amount* in respect of that *positive change event*; and

- (ii) the amount of that *positive pass through amount* that *PWC Networks* proposes in its statement under clause 3.1.2(b) should be passed through to *network users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *positive change event* occurred, is the amount that should be so passed through in each such *regulatory year*.

3.1.4 Required pass through for *negative change event*

- (a) If a *negative change event* occurs during the *2014 – 19 regulatory control period*, the *Commission* may require *PWC Networks* to pass through to *network users* a *negative pass through amount*.
- (b) Within 90 *business days* of becoming aware of the occurrence of a *negative change event*, *PWC Networks* must submit to the *Commission* a written statement which specifies:
 - (i) the details of the *negative change event* concerned;
 - (ii) the date on which the *negative change event* occurred;
 - (iii) the costs in relation to the provision of the *regulated network access services* that *PWC Networks* has saved and is likely to save as a result of the *negative change event* until:
 - (A) unless clause 3.1.4(b)(iii)(B) applies – the end of the *2014 – 19 regulatory control period*; or
 - (B) if the *Post 2019 Network Price Determination* does not make any allowance for the pass through of those cost savings – the end of the *Post 2019 regulatory control period*;
 - (iv) the aggregate amount of those saved costs that *PWC Networks* proposes to pass through to *network users*;
 - (v) the amount of the costs referred to in clause 3.1.4(b)(iv) *PWC Networks* proposes should be passed through to *network users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred; and
 - (vi) such other information as may be required by the *Commission* under any relevant *regulatory information notice*.
- (c) If *PWC Networks* does not notify the *Commission* of the occurrence of the *negative change event* as required by clause 3.1.4(b) then, as soon as reasonably practicable and before making a determination as referred to in clause 3.1.5(a), the *Commission* will notify *PWC Networks* of the occurrence of that *negative change event*.

3.1.5 Determination of *required pass through amount* by the *Commission*

- (a) If a *negative change event* occurs during the *2014 – 19 regulatory control period* (whether or not the occurrence of that *negative change event* is notified by *PWC Networks* to the *Commission* under clause 3.1.4(b) and the *Commission* determines to impose a requirement on *PWC Networks* in relation to that *negative change event*, the *Commission* will determine:

- (i) the *required pass through amount*; and
- (ii) taking into account the matters referred to in clause 3.1.7:
 - (A) how much of that *required pass through amount* should be passed through to *network users* (that is, the '**negative pass through amount**'); and
 - (B) the amount of that *negative pass through amount* that should be passed through to *network users* in the *regulatory year* in which, and each *regulatory year* after that in which, the *negative change event* occurred.
- (b) The *Commission* may, by service of a written notice on *PWC Networks* specifying the additional information required and the time period by which it must be provided, require *PWC Networks* to provide additional information to the *Commission*. If *PWC Networks* receives such a notice, *PWC Networks* must comply with that notice.
- (c) Subject to clause 3.1.8(b), the *Commission* will make a determination referred to in clause 3.1.5(a) within 40 *business days* from:
 - (i) where *PWC Networks* notifies the *Commission* of the occurrence of the *negative change event* under clause 3.1.4(b) – the later of the date the *Commission* receives *PWC Networks*' statement under clause 3.1.4(b) and the date the *Commission* receives any additional information required under clause 3.1.5(b); or
 - (ii) where *PWC Networks* does not notify the *Commission* of the occurrence of the *negative change event* under clause 3.1.4(b) – the later of the date the *Commission* notifies *PWC Networks* under clause 3.1.4(c) and the date the *Commission* receives any additional information required under clause 3.1.5(b).
- (d) If the *Commission* fails to make a determination referred to in clause 3.1.5(a) within the period prescribed by clause 3.1.5(c) then the *Commission* is taken to have determined that the *required pass through amount* is zero.

3.1.6 Consultation on *pass through event*

- (a) Before making a determination under clause 3.1.3(a) or 3.1.5(a), the *Commission* may consult with *PWC Networks* and such other persons as the *Commission* considers appropriate, on any matters arising out of the relevant *pass through event* the *Commission* considers appropriate.

3.1.7 Relevant factors

- (a) In making a determination in respect of *PWC Networks* under clause 3.1.3(a) or 3.1.5(a), the *Commission* will take into account:
 - (i) the matters and proposals set out in any statement given to the *Commission* by *PWC Networks* under clause 3.1.2(b) or 3.1.4(b); and
 - (ii) in the case of a *positive change event*, the increase in costs in relation to the provision of *regulated network access services* that

PWC Networks has incurred and is likely to incur as a result of the occurrence of the *positive change event*, until:

- (A) unless clause 3.1.7(a)(ii)(B) applies – the end of the *2014 – 19 regulatory control period*;
 - (B) if the *Post 2019 Network Price Determination* does not make any allowance for the recovery of that increase in costs – the end of the *Post 2019 regulatory control period*; and
- (iii) in the case of a *negative change event*, the costs in relation to the provision of *regulated network access services* that *PWC Networks* has saved and is likely to save as a result of the occurrence of the *negative change event*, until:
- (A) unless clause 3.1.7(a)(iii)(B) applies – the end of the *2014 – 19 regulatory control period* ; or
 - (B) if the *Post 2019 Network Price Determination* does not make any allowance for the pass through of the saved costs to *network users* – the end of the *Post 2019 regulatory control period*;
- (iv) the efficiency of *PWC Networks'* decisions and actions in relation to the risk of the *positive change event*, including whether *PWC Networks* has failed to take any action that could reasonably be taken to reduce the magnitude of the *eligible pass through amount* in respect of that *positive change event* and whether *PWC Networks* has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that *positive change event*;
- (v) the time cost of money based on the *allowed rate of return* for *PWC Networks* for the *2014 – 19 regulatory control period*;
- (vi) the need to ensure that *PWC Networks* only recovers any actual or likely increment in costs under this clause 3.1.7 to the extent that such increment is solely as a consequence of a *pass through event*;
- (vii) in the case of a *tax change event*, any change in the way another *tax* is calculated or the removal or imposition of another tax, which in the *Commission's* opinion, is complementary to the *tax change event* concerned;
- (viii) whether the costs of the *pass through event* have already been factored into the calculation of *PWC Networks'* *annual revenue requirement* for the *2004 – 09 regulatory control period*, *2009 – 14 regulatory control period* or *2014 – 19 regulatory control period*;
- (ix) the extent to which the costs that *PWC Networks* has incurred and is likely to incur are the subject of a previous determination made by the *Commission* under this clause 3.1; and
- (x) any other factors that the *Commission* considers relevant.

3.1.8 Extension of time limits

- (a) The *Commission* will, by written notice to *PWC Networks*, extend a time limit fixed by clause 3.1.2(b) or 3.1.4(b) if the *Commission* is satisfied that the difficulty of assessing or quantifying the effect of a relevant *pass through event* justifies an extension.
- (b) If the *Commission* is satisfied that the making of a determination under clause 3.1.3(a) or 3.1.5(a) involves issues of such complexity or difficulty that the time limit fixed in clause 3.1.3(c) or 3.1.5(c) should be extended, the *Commission* may extend that time limit by a further period of up to 60 *business days*, provided that it gives written notice to *PWC Networks* of that extension not later than 10 *business days* before the expiry of that time limit.
- (c) If the *Commission* extends a time limit under clause 3.1.8(b), it must make available on its website a notice of that extension of time as soon as is reasonably practicable.
- (d) Subject to clause 3.1.8(g), if the *Commission* gives a written notice to *PWC Networks* stating that it requires information from an *Authority* in order to make a determination under clause 3.1.3(a) or 3.1.5(a) then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when the *Commission* receives that information from that *Authority* is to be disregarded.
- (e) Subject to clause 3.1.8(g), if the *Commission* gives a written notice to *PWC Networks* stating that, in order to make a determination under clause 3.1.3(a) or 3.1.5(a), it requires information that it anticipates will be made publicly available by a judicial body or royal commission then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when that information is made publicly available is to be disregarded.
- (f) Where the *Commission* gives a notice to *PWC Networks* under clause 3.1.8(d) or (e), it must:
 - (i) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.1.8(d) or (e), as the case may be, has commenced;
 - (ii) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.1.8(d) or (e), as the case may be, has ended; and
 - (iii) if the information specified in that notice is required from an *Authority*, promptly request that information from the relevant *Authority*.
- (g) Clauses 3.1.8(d) and (e) do not apply if the *Commission* gives the notice specified in those clauses to *PWC Networks* later than 10 *business days* before the expiry of the time limit fixed in clauses 3.1.3(c) or 3.1.5(c).

3.1.9 *Retailer insolvency event*

- (a) For the purposes of calculating the *eligible pass through amount* in relation to a *positive change event* which is a *retailer insolvency event*, the increase in costs is the *retailer insolvency costs* excluding:
 - (i) any amount recovered or recoverable from a *retailer* or a guarantor of a *retailer* under any relevant *credit support*; and
 - (ii) amounts that *PWC Networks* is likely to receive on a winding-up of the *retailer*; and
 - (iii) any costs that are recoverable on account of the *retailer insolvency* under any retailer of last resort scheme established under the *applicable regulatory instruments*.
- (b) The amount the *Commission* determines should be passed through to *network users* in respect of a *retailer insolvency event* will be taken to be a cost that can be passed through and not a revenue impact of the event.

3.2 *Contingent project*

3.2.1 *Contingent projects*

- (a) The following projects will be *contingent projects* for this *Network Price Determination*:
 - (i) PRD30600 – New Mitchell Street Switching Station project as described in the *Statement of Reasons*; and
 - (ii) PRD30309 – Darwin – Construct Stage 2 of East Arm Zone Substation project as described in the *Statement of Reasons*.

3.2.2 *Contingent project trigger events*

- (a) **PRD30600 – New Mitchell Street Switching Station *Contingent Project***
 - (i) The driver for the New Mitchell Street Switching Station *contingent project* is the possibility that *PWC Networks* will need to vacate the existing Mitchell Street Switching Station site if the City of Darwin Council does not agree to extend the term of the lease which *PWC Networks* has over this site for at least five years (to 2023). The Mitchell Street Switching Station is used by *PWC Networks* to supply electricity to the Darwin CBD.
 - (ii) The scope of this *contingent project* involves the construction of a new switching station on a block of land owned by *PWC* adjacent to the existing Mitchell Street Switching Station site. *PWC Network's* current forecast of the total *capital expenditure* for this *contingent project* is \$15.2 million (2013-14).
 - (iii) The *trigger event* for this *contingent project* is *PWC Networks* receiving a formal notification from City of Darwin Council that it will not agree to extend the term of the current lease until at least 2023

having exhausted all other reasonable avenues for securing the necessary tenure for the Mitchell Street Switching Station site.

(b) PRD30309 – Darwin – Construct Stage 2 of East Arm Zone Substation Contingent Project

- (i) The driver for this *contingent project* is that following completion of Stage One Works¹ (including installation of a Nomad or equivalent substation and design of Stage Two Works²), Berrimah Zone Substation, Palmerston Zone Substation and high voltage feeders in the East Arm area are unable to meet the projected growth in the areas of East Arm, Robertson Barracks, Wishart and Berrimah.
- (ii) The scope of the *contingent project* involves the construction of a new zone substation in the East Arm area. *PWC Network's* current forecast of the total *capital expenditure* for this *contingent project* is \$15.8 million (2013-14).
- (iii) The *trigger event* for this *contingent project* is *PWC Networks* having completed the Stage One Works including:
 - (A) installation of a Nomad or equivalent substation; and
 - (B) detailed design for the Stage Two new Zone Substation, and Berrimah Zone Substation, Palmerston Zone Substation and high voltage feeders in the East Arm area being unable to meet the projected load growth, based on demand projections developed in accordance with *good electricity industry practice*, in the areas of East Arm, Robertson Barracks, Wishart and Berrimah, which confirm that the cyclic rating of the modular transformer installed in Stage One will be exceeded.

3.2.3 Application by *PWC Networks* to amend this *Network Price Determination* on account of a *contingent project*

- (a) Subject to clause 3.2.2, *PWC Networks* may, during the 2014 – 19 *regulatory control period*, apply to the *Commission* to amend this *Network Price Determination* where a *trigger event* for a *contingent project* has occurred.
- (b) An application by *PWC Networks* under clause 3.2.3(a):
 - (i) must not be made within 90 *business days* prior to the end of a *regulatory year*;
 - (ii) subject to sub-clause 3.2.3(b)(i), must be made as soon as practicable after the occurrence of the *trigger event*;
 - (iii) must contain the following information:

¹ Power and Water Corporation, August 2013, 'Business Needs Identification PRD30309 – Darwin East Arm Zone Substation', Appendix B Network Planning Report East Arm Zone Substation (ref D2012/636415), Section 4.1, p. 13.

² *ibid*, Section 4.2, p. 14.

- (A) an explanation that substantiates the occurrence of the *trigger event*;
 - (B) a forecast of the total *capital expenditure* for the *contingent project*;
 - (C) a forecast of the *capital expenditure* and incremental *operating expenditure*, for each remaining *regulatory year*, which *PWC Networks* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (D) how the forecast of the total *capital expenditure* for the *contingent project* exceeds the *contingent project threshold*;
 - (E) the intended date for commencing the *contingent project* (which must be during the *2014 – 19 regulatory control period*);
 - (F) the anticipated date for completing the *contingent project* (which may be after the end of the *2014 – 19 regulatory control period*); and
 - (G) an estimate of the incremental revenue which *PWC Networks* considers is likely to be earned in each remaining *regulatory year* of the *2014 – 19 regulatory control period* as a result of the *contingent project* being undertaken as described in sub-clause 3.2.3(b)(iii)(C); and
- (iv) the estimate referred to in sub-clause 3.2.3(b)(iii)(G) must be calculated:
- (A) in accordance with the requirements of the NTRM;
 - (B) in accordance with the requirements of the RFM;
 - (C) using the *allowed rate of return* for *PWC Networks* for the *2014 - 19 regulatory control period*;
 - (D) in accordance with the requirements for depreciation referred to in clause 2.15 of this *Network Price Determination*; and
 - (E) on the basis of the *capital expenditure* and incremental *operating expenditure* referred to in sub-clause 3.2.3(b)(iii)(C).

3.2.4 Commission approval of occurrence of *trigger event*

- (a) As soon as practicable after its receipt of an application made in accordance with clauses 3.2.3(a) and 3.2.3(b), the *Commission* will publish the application, together with an invitation for written submissions on the application.
- (b) The *Commission* may, by service of a written notice on *PWC Networks* specifying the additional information required and the time period by which it must be provided, require *PWC Networks* to provide additional information to the *Commission*. If *PWC Networks* receives such a notice, *PWC Networks* must comply with that notice.
- (c) The *Commission* will consider any written submissions made under clause 3.2.4(a) and will make its decision on the application within 40 *business days* from the later of the date the *Commission* receives the application and the

date the *Commission* receives any information required under clause 3.2.4(b). In doing so the *Commission* may also take into account such other information as it considers appropriate, including any analysis (such as benchmarking) that is undertaken by it for that purpose.

- (d) If the *Commission* is satisfied that the *trigger event* has occurred, and that the forecast of the total *capital expenditure* for the *contingent project* meets the *threshold*, it will:
- (i) determine:
 - (A) the amount of *capital expenditure* and incremental *operating expenditure*, for each remaining *regulatory year*, which the *Commission* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (B) the total *capital expenditure* which the *Commission* considers is reasonably required for the purpose of undertaking the *contingent project*;
 - (C) the likely commencement and completion dates for the *contingent project*; and
 - (D) the incremental revenue which is likely to be required by *PWC Networks* in each remaining *regulatory year* as a result of the *contingent project* being undertaken as described in sub-clauses 3.2.4(d)(i)(A) and (B), such estimate being calculated in accordance with sub-clause 3.2.4(d)(ii);
 - (ii) calculate the estimated referred to in sub-clause 3.2.4(d)(i)(D):
 - (A) on the basis of the *capital expenditure* and incremental *operating expenditure* referred to in sub-clause 3.2.4(d)(i)(A); and
 - (B) otherwise in accordance with sub-clause 3.2.3(b)(iv); and
 - (iii) amend this *Network Price Determination* in accordance with clause 3.2.6.
- (e) In making a determination referred to in sub-clause 3.2.4(d)(i), the *Commission* will accept the relevant amounts and dates, contained in *PWC Networks'* application, as referred to in sub-clause 3.2.3(b)(ii) to 3.2.3(b)(iv), if the *Commission* is satisfied that:
- (i) the forecast of the total *capital expenditure* for the *contingent project* meets the *contingent project threshold*;
 - (ii) the amounts of forecast *capital expenditure* and incremental *operating expenditure* reasonably reflect the *capital expenditure criteria* and the *operating expenditure criteria*, taking into account the *capital expenditure factors* and the *operating expenditure factors* respectively, in the context of the *contingent project*;
 - (iii) the estimates of incremental revenue are reasonable; and
 - (iv) the dates are reasonable.

3.2.5 Relevant factors

- (a) In making the determinations referred to in sub-clause 3.2.4(d)(i) and 3.2.4(e), the *Commission* will have regard to:
- (i) the information included in or accompanying the application;
 - (ii) submissions received in the course of consulting on the application;
 - (iii) such analysis as is undertaken by or for the *Commission*;
 - (iv) the expenditure that would be incurred in respect of a *contingent project* by an efficient and prudent owner of operator of an *electricity network* in circumstances similar to *PWC Networks*;
 - (v) the actual and expected *capital expenditure* of *PWC Networks* for *contingent projects* during any preceding *regulatory control periods*;
 - (vi) the extent to which the forecast *capital expenditure* for the *contingent project* is referable to arrangements with a person other than *PWC Networks* that, in the opinion of the *Commission*, do not reflect arm's length transactions;
 - (vii) the relative prices of operating and capital inputs in relation to the *contingent project*;
 - (viii) the substitution possibilities between *operating expenditure* and *capital expenditure* in relation to the *contingent project*; and
 - (ix) whether the *operating expenditure* and *capital expenditure* forecasts for the *contingent project* are consistent with any incentive scheme or schemes that apply to *PWC Networks* (if any).

3.2.6 Amendment of this *Network Price Determination* for *contingent projects*

- (a) Amendments to this *Network Price Determination* as referred to in sub-clause 3.2.4(d)(iii) must only vary this *Network Price Determination* to the extent necessary:
- (i) to adjust the forecast *capital expenditure* for the *2014 – 19 regulatory control period* to accommodate the amount of *capital expenditure* determined under sub-clause 3.2.4(d)(i)(A);
 - (ii) to adjust the forecast operating expenditure for the *2014 – 19 regulatory control period* to accommodate the amount of incremental *operating expenditure* determined under sub-clause 3.2.4(d)(i)(A); and
 - (iii) to reflect the effect of any resultant increase in forecast *capital expenditure* and forecast *operating expenditure* on:
 - (A) the *annual revenue requirement* for each *regulatory year* in the remainder of the *2014 – 19 regulatory control period*; and
 - (B) the *X factor* for each *regulatory year* in the remainder of the *2014 – 19 regulatory control period*.

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- (b) If the *Commission* amends this *Network Price Determination* under clause 3.2.6(a), that amendment will take effect from the commencement of the next *regulatory year*.

3.2.7 Extension of time limit

- (a) If the *Commission* is satisfied that the making of a determination under clauses 3.2.4(d)(iii) and 3.2.6(a) involves issues of such complexity or difficulty that the time limit fixed in clause 3.2.4(c) should be extended, the *Commission* may extend that time limit by a further period of up to 60 *business days*, provided that it gives written notice to *PWC Networks* of that extension not later than 10 *business days* before the expiry of that time limit.
- (b) If the *Commission* extends a time limit under clause 3.2.7(a), it must make available on its website a notice of that extension of time as soon as is reasonably practicable.
- (c) Subject to sub-clause 3.2.7(f), if the *Commission* gives a written notice to *PWC Networks* stating that it requires information from an *Authority* in order to make a determination under clause 3.2.3(a) then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when the *Commission* receives that information from that *Authority* is to be disregarded.
- (d) Subject to clause 3.2.7(f), if the *Commission* gives a written notice to *PWC Networks* stating that, in order to make a decision on an application made by *PWC Networks* under clause 3.2.3(a), it requires information from a judicial body or royal commission then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when that information is made publicly available is to be disregarded.
- (e) Where the *Commission* gives a notice to *PWC Networks* under clause 3.2.7(c) or (d), it must:
 - (i) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.2.7(c) or (d), as the case may be, has commenced;
 - (ii) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.2.7(c) or (d), as the case may be, has ended; and
 - (iii) if the information specified in that notice is required from an *Authority*, promptly request that information from the relevant *Authority*.
- (f) Clauses 3.2.7(c) or (d) do not apply if the *Commission* gives the notice specified in those clauses to *PWC Networks* later than 10 *business days* before the expiry of the time limit fixed in clause 3.2.4(c).

3.3 Reopening for *capital expenditure*

3.3.1 Application by *PWC Networks* to reopen *Network Price Determination* for *capital expenditure*

- (a) Subject to clause 3.3.1(c), *PWC Networks* may, during the *2014 –19 regulatory control period*, apply to the *Commission* to revoke and substitute this *Network Price Determination* where:
- (i) an event that is beyond the reasonable control of *PWC Networks* has occurred during the *2014 –19 regulatory control period* and the occurrence of that event (or an event of a similar kind) during that period could not reasonably have been foreseen by *PWC Networks* at the time of the making of this *Network Price Determination* (**'the event'**);
 - (ii) no forecast *capital expenditure* was accepted or substituted by the *Commission* for the *2014 –19 regulatory control period* in relation to the event that has occurred;
 - (iii) *PWC Networks* proposes to undertake *capital expenditure* to rectify the adverse consequences of the event;
 - (iv) the total of the *capital expenditure* required during the *2014 –19 regulatory control period* to rectify the adverse consequences of the event:
 - (A) exceeds 5 per cent of the value of the *regulatory asset base* for *PWC Networks* for the *2014-15 regulatory year*; and
 - (B) is such that, if undertaken, it is reasonably likely (in the absence of any other reduction in *capital expenditure*) to result in the total actual *capital expenditure* for the *2014 –19 regulatory control period* exceeding the total of the forecast *capital expenditure* for the *2014 –19 regulatory control period* as accepted or substituted by the *Commission* in accordance with this *Network Price Determination*;
 - (v) *PWC Networks* can demonstrate that it is not able to reduce *capital expenditure* in other areas to avoid the consequence referred to in clause 3.3.1(a)(iv)(B) without materially adversely affecting the reliability and security of the *electricity network*;
 - (vi) a failure to rectify the adverse consequences of the event would be likely to materially adversely affect the reliability and security of the *electricity network*; and
 - (vii) the event is not a *pass through event* or a *contingent project*.
- (b) In clause 3.3.1(a), a reference to an 'event' includes a series of events or a state of affairs, which may include a greater than anticipated increase in the demand for *regulated network access services*.
- (c) An application referred to in clause 3.3.1(a) must not be made within 90 *business days* prior to the end of a *regulatory year*.

3.3.2 *Commission approval to revoke and substitute Network Price Determination*

- (a) Following receipt of an application made by *PWC Networks* in accordance with clause 3.3.1, the *Commission* will:
 - (i) consult with *PWC Networks* and such other persons as it considers appropriate in relation to the application; and
 - (ii) make its decision on the application within 40 *business days* from the later of the date the *Commission* receives the application and the date the *Commission* receives any information required by the *Commission* under clause 3.3.2(b).
- (b) The *Commission* can, by service of a written notice on *PWC Networks* specifying the additional information required and the time period by which it must be provided, require *PWC Networks* to provide additional information to the *Commission*. If *PWC Networks* receives such a notice, *PWC Networks* must comply with that notice.
- (c) The *Commission* will only revoke this *Network Price Determination* following an application made by *PWC Networks* in accordance with clause 3.3.1 if the *Commission* is satisfied of each of the matters referred to in clause 3.3.1(a) and it appears to the *Commission* that the event otherwise satisfies the requirements of the clause 71(c) of the *Network Access Code*.
- (d) If the *Commission* revokes this *Network Price Determination* under clause 3.3.2(c), the *Commission* will make a new *Network Price Determination* in substitution for the revoked *Network Price Determination* to apply for the remainder of the 2014 –19 regulatory control period.
- (e) The substituted *Network Price Determination* must only vary from the revoked *Network Price Determination* to the extent necessary:
 - (i) to adjust the forecast *capital expenditure* for 2014 –19 regulatory control period to accommodate the amount of such additional *capital expenditure* as the *Commission* determines is appropriate; and
 - (ii) to reflect the effect of any resultant increase in forecast *capital expenditure* on:
 - (A) the forecast *operating expenditure* for the remainder of the 2014 –19 regulatory control period;
 - (B) the *annual revenue requirement* for each regulatory year in the remainder of the 2014 –19 regulatory control period; and
 - (C) the *X factor* for each of the remaining regulatory years of the 2014 –19 regulatory control period.
- (f) If the *Commission* revokes and substitutes this *Network Price Determination* under clause 3.3.2(d), that revocation and substitution must take effect from the commencement of the next regulatory year.

3.3.3 *Extension of time limit*

- (a) If the *Commission* is satisfied that the revocation and substitution of this *Network Price Determination* under clauses 3.3.2(c) and 3.3.2(d) involves

issues of such complexity or difficulty that the time limit fixed in sub-clause 3.3.2(a) should be extended, the *Commission* may extend that time limit by a further period of up to 60 *business days*, provided that it gives written notice to *PWC Networks* of that extension not later than 10 *business days* before the expiry of that time limit.

- (b) If the *Commission* extends the time limit under clause 3.3.3(a), it must make available on its website a notice of that extension as soon as is reasonably practicable.
- (c) Subject to clause 3.3.3(f), if the *Commission* gives a written notice to *PWC Networks* stating that it requires information from an *Authority* in order to make a decision on an application made by *PWC Networks* under clause 3.3.1(a) then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when the *Commission* receives that information from that *Authority* is to be disregarded.
- (d) Subject to clause 3.3.3(f), if the *Commission* gives a written notice to *PWC Networks* stating that, in order to make a decision on an application made by *PWC Networks* under clause 3.3.1(a), it requires information that it anticipates will be made publicly available by a judicial body or royal commission then, for the purpose of calculating elapsed time, the period between when the *Commission* gives that notice to *PWC Networks* and when that information is made publicly available is to be disregarded.
- (e) Where the *Commission* gives a notice to *PWC Networks* under clause 3.3.3(c) or (d), it must:
 - (i) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.3.3(c) or (d), as the case may be, has commenced;
 - (ii) as soon as is reasonably practicable make available on its website a notice stating when the period referred to in clause 3.3.3(c) or (d), as the case may be, has ended; and
 - (iii) if the information specified in that notice is required from an *Authority*, promptly request that information from the relevant *Authority*.
- (f) Clauses 3.3.3(c) and (d) do not apply if the *Commission* gives the notice specified in those clauses to *PWC Networks* later than 10 *business days* before the expiry of the time limit fixed in clause 3.3.2(a).

3.4 Changes in *applicable regulatory instruments*

3.4.1 Amendments to reflect changes to *applicable regulatory instruments*

- (a) If an applicable regulatory instrument is amended or enacted during the *2014 - 19 regulatory control period* and that amended or new *applicable regulatory instruments* expressly requires the *Commission* to amend this *Network Price Determination*, the *Commission* will consult with *PWC Networks* and such other persons as the *Commission* considers appropriate, before making the required amendments to this *Network Price Determination*.
- (b) If:
 - (i) an *applicable regulatory instrument* is amended or enacted during the *2014 –19 regulatory control period*; and

- (ii) it appears to the *Commission* that this *Network Price Determination* needs to be amended in order to:
 - (A) reflect that amended or new *applicable regulatory instrument*; and
 - (B) most effectively achieve the desired outcomes set out in clause 63 of the *Network Access Code* after taking into account the amended or new *applicable regulatory instrument*,

then the *Commission* must consult with *PWC Networks* and such other persons as the *Commission* considers appropriate, concerning the need to amend this *Network Price Determination*, the proposed amendments to this *Network Price Determination* (including whether transitional arrangements will be required) and any other matters which the *Commission* considers may arise as a consequence of the proposed amendments before proceeding to make those amendments to this *Network Price Determination*.

3.4.2 Amendments to reflect changes in *generally accepted regulatory practice*

- (a) If:
 - (i) Chapter 6 of the *NER* is amended during the *2014 –19 regulatory control period*; and
 - (ii) that amendment relates to the manner in which existing distribution determinations or any component of an existing distribution determination are administered; and
 - (iii) it appears to the *Commission* that this *Network Price Determination* needs to be amended in order to:
 - (A) reflect that amendment; and
 - (B) most effectively achieve the desired outcomes set out in clause 63 of the *Network Access Code* after taking into account that amendment,

then the *Commission* must consult with *PWC Networks* and such other persons as the *Commission* considers appropriate, concerning the need to amend this *Network Price Determination*, the proposed amendments to this *Network Price Determination* (including whether transitional arrangements will be required) and any other matters which the *Commission* considers may arise as a consequence of the proposed amendment before proceeding to make that amendment to this *Network Price Determination*.

SCHEDULE 1

Definitions and Interpretation

1.1 Definitions

2004 – 09 regulatory control period	The <i>regulatory control period</i> from 1 July 2004 to 30 June 2009.
2009 – 14 regulatory control period	The <i>regulatory control period</i> from 1 July 2009 to 30 June 2014.
2014 – 19 regulatory control period	The <i>regulatory control period</i> from 1 July 2014 to 30 June 2019.
2009 Network Price Determination	The <i>Network Price Determination</i> applying to the <i>2009 – 14 regulatory control period</i> . ³
2014 Network Price Determination	The <i>Network Price Determination</i> relating to the supply of <i>regulated network access services</i> during the <i>2014 – 19 regulatory control period</i> set out in this Part B.
AER	The Australian Energy Regulator, which is established by section 44E of the <i>Competition and Consumer Act 2010</i> (Cth).
allowed rate of return	The <i>allowed rate of return</i> for a <i>regulatory year</i> will be the weighted average of the return on equity for the <i>2014 – 19 regulatory control period</i> and the return on debt for that <i>regulatory year</i> (both as estimated by the <i>Commission</i>) determined on a pre-tax nominal basis in accordance with clause 2.6 of this <i>Network Price Determination</i> .
annual revenue requirement	An amount representing the maximum allowed revenue from the supply of <i>regulated network access services</i> by <i>PWC Networks</i> , for each <i>regulatory year</i> of the <i>2014 – 19 regulatory control period</i> , as determined by the <i>Commission</i> in accordance with clause 2.2.2(b) and Schedule 4 of this <i>Network Price Determination</i> (also called the 'revenue cap' in the <i>Network Access Code</i>).
applicable regulatory instruments	All laws, regulations, orders, licences, codes, determinations and other regulatory instruments which apply to <i>PWC Networks</i> from time to time, including: (a) the <i>Electricity Reform Act</i> ;

³ Utilities Commission, [Final Determination Networks Pricing: 2009 Regulatory Reset](#), March 2009.

	<p>(b) all regulations made and licences issued under the <i>Electricity Reform Act</i>;</p> <p>(c) the <i>Electricity Networks (Third Party Access) Act</i>;</p> <p>(d) the <i>Network Access Code</i>;</p> <p>(e) the <i>Utilities Commission Act</i>;</p> <p>(f) all regulations and determinations made under the <i>Utilities Commission Act</i>; and</p> <p>(g) all regulatory instruments applicable under the licences,</p> <p>but only to the extent that they regulate or contain terms and conditions relating to access to an <i>electricity network</i>, connection to an <i>electricity network</i>, the provision of <i>regulated network access services</i>, <i>regulated network access service prices</i> or <i>extensions</i> to an <i>electricity network</i>.</p>
approved pass through amount	<p>In respect of a <i>positive change event</i> for <i>PWC Networks</i>:</p> <p>(a) the amount the <i>Commission</i> determines should be passed through to <i>network users</i> under clause 3.1.3(a)(ii) of this <i>Network Price Determination</i>; or</p> <p>(b) the amount the <i>Commission</i> is taken to have determined under clause 3.1.3(d)(i) of this <i>Network Price Determination</i>,</p> <p>as the case may be.</p>
Authority	Any government, government department, instrumentality, Minister, agency, statutory authority or other body in which a government has a controlling interest, and includes the <i>Commission</i> and its successors.
building block	The sum of underlying components or “building blocks” consisting of return on capital, return of capital, <i>operating expenditure</i> , and various other components as mechanisms for a forward looking review of expected reasonable expenditure.
building block proposal	The part of <i>PWC Networks' regulatory proposal</i> relevant to the regulation of <i>regulated network access services</i> .
business day	A day that is not a Saturday or Sunday or observed as a public holiday in the Territory.
capex or capital expenditure	Expenditure on large cost items that are capitalised in the <i>PWC Networks</i> accounts and for which <i>PWC Networks</i> may expect to earn a rate of return on investment and of investment (depreciation). For example, <i>capex</i> may include expenditure on items such as plant and equipment, poles and wires, vehicles and facilities.
capital expenditure criteria	<p>The <i>capital expenditure criteria</i> are as follows:</p> <p>(a) the efficient costs of achieving the <i>capital expenditure objectives</i>;</p> <p>(b) the costs that a prudent operator would require to achieve the <i>capital</i></p>

	<p><i>expenditure objectives</i>; and</p> <p>(c) a realistic expectation of the demand forecast and cost inputs required to achieve the <i>capital expenditure objectives</i>.</p>
<p>capital expenditure factors</p>	<p>The <i>capital expenditure factors</i> are as follows:</p> <p>(a) the most recent annual benchmarking report that has been published by the <i>AER</i> (or any equivalent benchmarking report that has been prepared by or for the <i>Commission</i>) and the benchmark <i>capital expenditure</i> that would be incurred by an efficient <i>network service provider</i> over the <i>2014-19 regulatory control period</i>;</p> <p>(b) the actual and expected <i>capital expenditure</i> of <i>PWC Networks</i> during any preceding <i>regulatory control period</i>;</p> <p>(c) the extent to which the <i>capital expenditure</i> forecast includes expenditure to address the concerns of electricity <i>retail customers</i> as identified by <i>PWC Networks</i> in the course of its engagement with electricity <i>retail customers</i>;</p> <p>(d) the relative prices of operating and capital inputs;</p> <p>(e) the substitution possibilities between <i>operating</i> and <i>capital expenditure</i>;</p> <p>(f) whether the <i>capital expenditure</i> forecast is consistent with any incentive scheme or schemes that apply to <i>PWC Networks</i> under the <i>2014 Network Price Determination</i>;</p> <p>(g) the extent the <i>capital expenditure</i> forecast is referable to arrangements with a person other than <i>PWC Networks</i> that, in the opinion of the <i>Commission</i>, do not reflect arm's length terms;</p> <p>(h) whether the <i>capital expenditure</i> forecast includes an amount relating to a project that should more appropriately be included as a <i>contingent project</i> under clause 2.5 and Chapter 3 of the <i>2014 Network Price Determination</i>;</p> <p>(i) the extent to which <i>PWC Networks</i> has considered, and made provision for, efficient and prudent non-network alternatives;</p> <p>(j) any relevant final project assessment report relating to a regulatory investment test for distribution project published by <i>PWC Networks</i>; and</p> <p>(k) any other factor the <i>Commission</i> considers relevant and which the <i>Commission</i> has notified to <i>PWC Networks</i> in writing, prior to the submission of its <i>revised regulatory proposal</i>, is a <i>capital expenditure factor</i>.</p>
<p>capital expenditure objectives</p>	<p>The <i>capital expenditure objectives</i> are as follows:</p> <p>(a) meet or manage the expected demand for <i>regulated network access services</i> over the <i>regulatory control period</i>;</p> <p>(b) comply with all applicable <i>regulatory obligations or requirements</i></p>

	<p>associated with the provision of <i>regulated network access services</i>;</p> <p>(c) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to:</p> <p>(i) the quality, reliability or security of supply of <i>regulated network access services</i>; or</p> <p>(ii) the reliability or security of the <i>electricity network</i> through the supply of <i>regulated network access services</i>,</p> <p>to the relevant extent:</p> <p>(iii) maintain the quality, reliability and security of supply of <i>regulated network access services</i>; and</p> <p>(iv) maintain the reliability and security of the <i>electricity network</i> through the supply of <i>regulated network access services</i>; and</p> <p>(d) maintain the safety of the <i>electricity network</i> through the supply of <i>regulated network access services</i>.</p>
Commission	The Utilities Commission of the Northern Territory established in April 2000 in accordance with the <i>Utilities Commission Act</i> or such other <i>Authority</i> who is responsible from time to time for the administration of this <i>Network Price Determination</i> .
connection point	Has the meaning given in the <i>Network Access Code</i> .
connection services	Has the meaning given in the <i>Network Access Code</i> .
contingent project	A project that is listed in clause 2.5 and Chapter 3 of this <i>Network Price Determination</i> as a 'contingent project' for the purposes of this <i>Network Price Determination</i> .
contingent project threshold	Either \$15 million (nominal) or 5 per cent of the <i>annual revenue requirement</i> for the first <i>regulatory year</i> of the <i>2014 – 19 regulatory control period</i> , whichever is the larger amount.
consumer price index or CPI	<p>As at a particular time, the Consumer Price Index: All Group Index Number, weighted average of eight capital cities published by the Australian Bureau of Statistics for the most recent quarter that precedes that particular time and for which the index referred to has been published by the Australian Bureau of Statistics as at that time.</p> <p>If that index ceases to be published or is substantially changed, CPI will be such other index as is determined by the <i>Commission</i> as a suitable benchmark for recording general movements in prices.</p>
cost pass through	The mechanism for reviewing and adjusting this <i>Network Price Determination</i> to pass through to <i>network users</i> an amount incurred or saved during the <i>2014 – 19 regulatory control period</i> as a consequence of the occurrence of a <i>pass through event</i> .
credit support	A security supporting the obligations of a <i>retailer</i> to <i>PWC Networks</i> .

electricity network	Has the meaning given in the <i>Network Access Code</i> (this term is equivalent to the term 'distribution system' used in the <i>NER</i>).
eligible pass through amount	In respect of a <i>positive change event</i> , the increase in costs in the provision of <i>regulated network access services</i> that, as a result of that <i>positive change event</i> , <i>PWC Networks</i> has incurred and is likely to incur (as opposed to the revenue impact of that event) until: <ul style="list-style-type: none"> (a) unless subparagraph (b) applies – the end of <i>2014 – 19 regulatory control period</i>; or (b) if <i>Post 2019 Network Price Determination</i> does not make any allowance for the recovery of that increase in costs (whether or not in the forecast <i>operating expenditure</i> or forecast <i>capital expenditure</i> accepted or substituted by the <i>Commission</i> for the <i>Post 2019 regulatory control period</i>) – the end of the <i>Post 2019 regulatory control period</i>.
excluded network access services	The <i>network access services</i> specified in Schedule 3 of this <i>Network Price Determination</i> which are services supplied by <i>PWC Networks</i> for which the associated costs and revenue are excluded from this <i>Network Price Determination</i> .
extension	Has the meaning given in the <i>Network Access Code</i> .
Framework Statement	The '2014-2019 Network Price Determination – Framework and Approach' decision paper published by the <i>Commission</i> in November 2012 ⁴ .
generally accepted regulatory practice	The conventions, rules and procedures in use at a particular time by leading jurisdictional regulators in Australia when choosing and applying economic regulation methodologies to a power system for the generation, transmission, distribution and supply of electricity and consistent with applicable laws.
generator user	Has the meaning given in the <i>Network Access Code</i> .
GSL or guaranteed service level	The minimum guaranteed service level which <i>retail customers</i> are entitled to receive from <i>PWC Networks</i> , as defined in the <i>GSL Code</i> .
GSL Code	Guaranteed Service Level Code which took effect from 1 January 2012 as amended from time to time.
GSL payment	A payment made, or required to be made, by <i>PWC Networks</i> to a <i>retail customer</i> when the <i>retail customer</i> received service at a level worse than the prescribed <i>GSL</i> . <i>PWC Networks</i> must make <i>GSL payments</i> in accordance with the <i>GSL Code</i> .

⁴ Utilities Commission, [2014-19 Network Price Determination: Framework and Approach Decision Paper](#), December 2013.

insurance event	An <i>insurer credit risk event</i> or a <i>liability above insurance cap event</i> .
insurer credit risk event	The insolvency of a nominated insurer of <i>PWC Networks</i> , as a result of which <i>PWC Networks</i> : <p>(a) incurs <i>materially</i> higher or lower costs for insurance premiums than those allowed for in the <i>2014 Network Price Determination</i>; and</p> <p>(b) (in respect of a claim for a risk that would have been insured by that insurer) is subject to a <i>materially</i> higher or lower claim limit or a <i>materially</i> higher or lower deductible than would have applied under the policy but for the insolvency of that insurer.</p>
liability above insurance cap event	Any event beyond the control of <i>PWC Networks</i> for which external insurance has been provided and the loss suffered by <i>PWC Networks</i> as a result of the occurrence of that event exceeds the policy limit under that insurance and the excess loss borne by <i>PWC Networks</i> <i>materially</i> increases the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i> .
maintenance costs	Is used in this <i>Network Price Determination</i> to describe expenditure relating to the maintenance of the <i>PWC Networks electricity network</i> .
materially	For the purposes of the application of clause 3.1 of the <i>2014 Network Price Determination</i> , an event results in <i>PWC Networks</i> incurring <i>materially</i> higher or <i>materially</i> lower costs if the change in costs (as opposed to the revenue impact) that <i>PWC Networks</i> incurred and is likely to incur in any <i>regulatory year</i> in the <i>2014 – 19 regulatory control period</i> , as a result of that event, exceeds 1 per cent of the <i>annual revenue requirement</i> for that <i>regulatory year</i> .
natural disaster event	Any major fire, flood, earthquake or other natural disaster beyond the reasonable control of <i>PWC Networks</i> (but excluding those events for which external insurance or self-insurance has been included within <i>PWC Networks' forecast operating expenditure</i>) that occurs during the <i>2014 – 19 regulatory control period</i> and <i>materially</i> increases the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i> .
negative change event	A <i>pass through event</i> which entails <i>PWC Networks</i> incurring <i>materially</i> lower costs in providing the <i>regulated network access services</i> than it would have incurred but for that event.
negative pass through amount	In respect of a <i>negative change event</i> for <i>PWC Networks</i> , an amount that is not greater than a <i>required pass through amount</i> as determined by the <i>Commission</i> under clause 3.1.5(a) of this <i>Network Price Determination</i> .
NEL	The National Electricity Law as set out in the schedule to the <i>National Electricity (South Australia) Act 1996 (SA)</i> and as applied in each of the participating jurisdictions.
NEM or national	Has the meaning given in Chapter 10 of the <i>NER</i> .

electricity market	
NER or Rules	Has the meaning given in the <i>NEL</i> and when used in this <i>Network Price Determination</i> will mean version 61 of the NER.
Network Access Code	The Electricity Networks (Third Party Access) Code, which is a schedule to the <i>Electricity Networks (Third Party Access) Act</i> .
network access service	Has the meaning given in the <i>Network Access Code</i> and includes <i>regulated network access services</i> and <i>excluded network access services</i> .
Network Price Determination	A determination made by the <i>Commission</i> relating to the prices of <i>regulated network access services</i> under section 20 and 21 of the <i>Utilities Commission Act</i> , section 43 of the <i>Electricity Reform Act</i> and clause 66 of the <i>Network Access Code</i> .
network service provider	Has the meaning given to the term 'network provider' in the <i>Network Access Code</i> . ⁵
network user	A <i>generator user</i> , <i>retailer</i> or <i>retail customer</i> .
NTRM or Northern Territory Revenue Model	The <i>AER's</i> post tax revenue model as modified by the <i>Commission</i> to the minimum extent the <i>Commission</i> considered necessary to use a pre-tax approach.
operating costs	Is used in this <i>Network Price Determination</i> to describe <i>opex</i> minus expenditure relating to the maintenance of the <i>PWC Networks electricity network</i> .
opex or operating and maintenance expenditure	Expenditure on the delivery of <i>regulated network access services</i> using the <i>electricity network</i> and may include such items as staff costs, repairs and maintenance of plant and equipment, taxes and financing fees and charges.
operating expenditure criteria	The <i>operating expenditure criteria</i> are as follows: <ul style="list-style-type: none"> (a) the efficient costs of achieving the <i>operating expenditure objectives</i>; (b) the costs that a prudent operator would require to achieve the <i>operating expenditure objectives</i>; and (c) a realistic expectation of the demand forecast and cost inputs required to achieve the <i>operating expenditure objectives</i>.
operating expenditure factors	The <i>operating expenditure factors</i> are as follows: <ul style="list-style-type: none"> (a) the most recent annual benchmarking report that has been published by the <i>AER</i> (or any equivalent benchmarking report that has been prepared by or for the <i>Commission</i>) and the benchmark <i>operating expenditure</i> that would be incurred by an efficient <i>network service</i>

⁵ This term has been used to align with the terminology used in the *NER*.

	<p><i>provider over the 2014-19 regulatory control period;</i></p> <ul style="list-style-type: none"> (b) the actual and expected <i>operating expenditure</i> of <i>PWC Networks</i> during any preceding <i>regulatory control period</i>; (c) the extent to which the <i>operating expenditure</i> forecast includes expenditure to address the concerns of electricity <i>retail customers</i> as identified by <i>PWC Networks</i> in the course of its engagement with electricity <i>retail customers</i>; (d) the relative prices of operating and capital inputs; (e) the substitution possibilities between <i>operating</i> and <i>capital expenditure</i>; (f) whether the <i>operating expenditure</i> forecast is consistent with any incentive scheme or schemes that apply to <i>PWC Networks</i> under the <i>2014 Network Price Determination</i>; (g) the extent the <i>operating expenditure</i> forecast is referable to arrangements with a person other than <i>PWC Networks</i> that, in the opinion of the <i>Commission</i>, do not reflect arm's length terms; (h) whether the <i>operating expenditure</i> forecast includes an amount relating to a project that should more appropriately be included as a <i>contingent project</i> under clause 2.5 and Chapter 3 of the <i>2014 Network Price Determination</i>; (i) the extent to which <i>PWC Networks</i> has considered, and made provision for, efficient and prudent non-network alternatives; (j) any relevant final project assessment report relating to a regulatory investment test for distribution project published by <i>PWC Networks</i>; and (k) any other factor the <i>Commission</i> considers relevant and which the <i>Commission</i> has notified to <i>PWC Networks</i> in writing, prior to the submission of its <i>revised regulatory proposal</i>, is an <i>operating expenditure factor</i>.
<p><i>operating expenditure objectives</i></p>	<p>The <i>operating expenditure objectives</i> are as follows:</p> <ul style="list-style-type: none"> (a) meet or manage the expected demand for <i>regulated network access services</i> over the <i>regulatory control period</i>; (b) comply with all applicable <i>regulatory obligations or requirements</i> associated with the provision of <i>regulated network access services</i>; (c) to the extent that there is no applicable <i>regulatory obligation or requirement</i> in relation to: <ul style="list-style-type: none"> (i) the quality, reliability or security of supply of <i>regulated network access services</i>; or (ii) the reliability or security of the <i>electricity network</i> through the supply of <i>regulated network access services</i>, <p>to the relevant extent:</p> <ul style="list-style-type: none"> (iii) maintain the quality, reliability and security of supply of

	<p><i>regulated network access services</i>; and</p> <p>(iv) maintain the reliability and security of the <i>electricity network</i> through the supply of <i>regulated network access services</i>; and</p> <p>(d) maintain the safety of the <i>electricity network</i> through the supply of <i>regulated network access services</i>.</p>
overs	Where the sum of the revenue received by <i>PWC Networks</i> for the supply of <i>regulated network access services</i> during a <i>regulatory year</i> exceeds the <i>annual revenue requirement</i> for that <i>regulatory year</i> .
pass through event	An event defined as such by the Commission under Chapter 3 of this <i>Network Price Determination</i> .
positive change event	A <i>pass through event</i> which entails <i>PWC Networks</i> incurring <i>materially</i> higher costs in providing the <i>regulated network access services</i> than it would have incurred but for the that event, but does not include a <i>contingent project</i> or an associated <i>trigger event</i> .
positive pass through amount	An amount (not exceeding the <i>eligible pass through amount</i>) proposed by <i>PWC Networks</i> under clause 3.1.2(b) of this <i>Network Price Determination</i> .
Post 2019 Network Price Determination	The <i>Network Price Determination</i> for the <i>regulatory control period</i> following the 2014 – 19 <i>regulatory control period</i> .
Post 2019 regulatory control period	The <i>regulatory control period</i> following the 2014 – 19 <i>regulatory control period</i> .
price cap	Has the meaning given in the <i>Network Access Code</i> .
PWC	The Power and Water Corporation, the government owned corporation established under the <i>Power and Water Corporation Act</i> .
PWC Generation	The generation business division of <i>PWC</i> .
PWC Networks	The networks business division of <i>PWC</i> .
PWC Retail	The retail business division of <i>PWC</i> that sells electricity to <i>retail customers</i> with premises connected to the <i>PWC Networks</i> ' regulated <i>electricity network</i> .
PWC System Control	The system control business division of <i>PWC</i> .
RAB or regulatory asset base	The regulatory asset base maintained by <i>PWC Networks</i> relating to the provision of <i>regulated network access services</i> .
reference tariff	Has the meaning given in the <i>Network Access Code</i> .
regulated network access services	Has the meaning given in the <i>Network Access Code</i> .

regulatory change event	A change in a <i>regulatory obligation or requirement</i> that: <ul style="list-style-type: none"> (a) falls within no other category of <i>pass through event</i>; and (b) occurs during the course of the <i>2014 – 19 regulatory control period</i>; and (c) substantially affects the manner in which <i>PWC Networks</i> provides <i>regulated network access services</i>; and (d) <i>materially</i> increases or <i>materially</i> decreases the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i>.
regulatory control period	The period between major <i>network access service price</i> reviews during which time the methodology used in setting prices for <i>regulated network access services</i> is held constant.
regulatory obligation or requirement	Any obligation or requirement applicable to <i>PWC Networks</i> under an <i>applicable regulatory instrument</i> .
regulatory year	Each consecutive period of 12 calendar months in a <i>regulatory control period</i> , the first such 12 month period commencing at the beginning of the <i>regulatory control period</i> and the final 12 month period ending at the end of the <i>regulatory control period</i> .
relevant tax	Any tax or tax equivalent payable by <i>PWC Networks</i> other than: <ul style="list-style-type: none"> (a) income tax and capital gains tax; (b) stamp duty, financial institutions duty and bank accounts debits tax; (c) penalties, charges, fees and interest on late payments, or deficiencies in payments, relating to any tax; or (d) any tax that replaces or is the equivalent of or similar to any of the taxes referred to in subparagraphs (a) to (c) (including any Northern Territory taxes).
required pass through amount	In respect of a <i>negative change event</i> for <i>PWC Networks</i> , the costs in the provision of the <i>regulated network access services</i> that <i>PWC Networks</i> has saved and is likely to save as a result of the <i>negative change event</i> until: <ul style="list-style-type: none"> (a) unless subparagraph (b) applies – the end of the <i>2014 – 19 regulatory control period</i>; or (b) if the <i>Post 2019 Network Price Determination</i> does not make any allowance for the pass through of the saved costs – the end of the <i>Post 2019 regulatory control period</i>.
retailer	A person who is authorised by licence, or exempt from being licenced, to sell electricity under the <i>Electricity Reform Act</i> .
retail customer	A person to whom electricity is sold by a <i>retailer</i> at a premises that is connected to the <i>PWC Networks</i> ' regulated <i>electricity network</i> .
retailer insolvency	The failure of a <i>retailer</i> during the <i>2014 – 19 regulatory control period</i> , to

event	<p>pay <i>PWC Networks</i> an amount to which <i>PWC Networks</i> is entitled for the provision of <i>regulated network access services</i>, if:</p> <p>(a) a receiver, receiver and manager, administrator, provisional liquidator, liquidator, trustee in bankruptcy or person having a similar or analogous function has been appointed in respect of that <i>retailer</i>; and</p> <p>(b) <i>PWC Networks</i> is not entitled to payment of that amount in full under the terms of any <i>credit support</i> provided in respect of that <i>retailer</i>.</p>
revenue cap	Has the meaning given in the <i>Network Access Code</i> .
RFM or Roll Forward Model	The <i>AER's</i> roll forward model (for distributors) published on 26 July 2008.
RIN or regulatory information notice	A notice prepared and served by the <i>Commission</i> on <i>PWC Networks</i> under section 25 of the <i>Utilities Commission Act</i> (or any other relevant <i>applicable regulatory instrument</i>) that requires <i>PWC Networks</i> to provide to the <i>Commission</i> the information specified in the notice, prepared, maintained or kept in a manner and form specified in the notice.
service standard event	<p>A legislative or administrative act or decision that:</p> <p>(a) has the effect of:</p> <p>(i) substantially varying, during the course of the <i>2014 – 19 regulatory control period</i>, the manner in which <i>PWC Networks</i> is required to provide a <i>regulated network access service</i>; or</p> <p>(ii) imposing, removing or varying, during the course of the <i>2014 - 19 regulatory control period</i>, minimum service standards applicable to the <i>regulated network access services</i>; or</p> <p>(iii) altering, during the course of the <i>2014 – 19 regulatory control period</i>, the nature or scope of the <i>regulated network access services</i> provided by <i>PWC Networks</i>; and</p> <p>(b) <i>materially</i> increases or <i>materially</i> decreases the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i>.</p>
side constraint	A controlling effect on tariff movements to minimise the volatility and reduce the commercial uncertainty for network users. A <i>side constraint</i> is effectively a limit on the amount by which the <i>reference tariffs</i> can change from <i>regulatory year</i> to <i>regulatory year</i> .
standard network access services	Has the meaning given in the <i>Network Access Code</i> .
Statement of Reasons	The document headed 'Part A – Statement of Reasons for the <i>2014 Network Price Determination</i> ' which accompanies this <i>Network Price Determination</i> and sets out the reasons for the determinations made by the <i>Commission</i> in this <i>Network Price Determination</i> .

structural separation event	The legal separation of <i>PWC Generation</i> , <i>PWC Retail</i> or <i>PWC System Control</i> from <i>PWC Networks</i> after the date on which this <i>Network Price Determination</i> is published by the <i>Commission</i> or during the <i>2014 – 19 regulatory control period</i> which substantially affects the manner in which <i>PWC Networks</i> provides <i>regulated network access services</i> and <i>materially</i> increases or <i>materially</i> decreases the costs to <i>PWC Networks</i> of providing <i>regulated network access services</i> .
tariff class	A class of <i>retail customers</i> for one or more <i>regulated network access services</i> who are subject to a particular reference tariff or particular reference tariffs.
tax	Any tax, levy, impost, deduction, charge, rate, rebate, duty, fee or withholding which is levied or imposed by an <i>Authority</i> .
tax change event	A tax change event occurs if: (a) any of the following occurs during the course of the <i>2014 – 19 regulatory control period</i> for <i>PWC Networks</i> : (i) a change in a <i>relevant tax</i> , in the application or official interpretation of a relevant tax, in the rate of a relevant tax, or in the way a <i>relevant tax</i> is calculated; (ii) the removal of a <i>relevant tax</i> ; (iii) the imposition of a <i>relevant tax</i> ; and (b) in consequence, the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i> are <i>materially</i> increased or <i>materially</i> decreased.
Territory	The Northern Territory of Australia.
terrorism event	An act (including the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear) and which <i>materially</i> increases the costs to <i>PWC Networks</i> of providing the <i>regulated network access services</i> .
total revenue requirement	An amount representing the revenue calculated for the whole of the <i>2014 - 19 regulatory control period</i> in accordance with this <i>Network Price Determination</i> .
trigger event	In relation to a <i>contingent project</i> , a specific condition or event described in clause 3.2.2 of this <i>Network Price Determination</i> , the occurrence of which, during the <i>2014 – 19 regulatory control period</i> , may result in the amendment of the <i>2014 Network Price Determination</i> under Chapter 3 of this <i>Network Price Determination</i> .

<i>unders</i>	Where the sum of the revenue received by <i>PWC Networks</i> for the supply of <i>regulated network access services</i> during a <i>regulatory year</i> is less than the <i>annual revenue requirement</i> for that <i>regulatory year</i> .
<i>unders and overs account</i>	The account that is required to be maintained by <i>PWC Networks</i> in which any <i>overs</i> or <i>unders</i> are recorded, verified and reconciled.
<i>X factor</i>	The amount by which <i>PWC Networks</i> is allowed to escalate <i>reference tariffs</i> (on average) relative to the rate of consumer price inflation.
<i>WACC</i> or <i>weighted average cost of capital</i>	The cost of capital as measured by the return required by investors in a commercial enterprise with a similar nature and degree of non-diversifiable risk as that faced by <i>PWC Networks</i> .

1.2 Interpretation

- (a) In this *Network Price Determination*, unless the context otherwise requires:
- (i) headings are for convenience only and do not affect the interpretation of this *Network Price Determination*;
 - (ii) words importing the singular include the plural and vice versa;
 - (iii) words importing a gender include any gender;
 - (iv) when italicised, other parts of speech and grammatical forms of a word or phrase defined in this *Network Price Determination* have a corresponding meaning;
 - (v) an expression importing a natural person includes any company, partnership, trust, joint venture, association, corporation or other body corporate and any government agency;
 - (vi) a reference to anything includes a part of that thing;
 - (vii) a reference to a chapter, condition, clause, schedule or part is to a chapter, condition, clause, schedule or part of this *Network Price Determination*;
 - (viii) a reference to any statute, regulation, proclamation, order in council, ordinances or by-laws includes all statutes, regulations, proclamations, orders in council, ordinances and by-laws varying, consolidating, re-enacting, extending or replacing them and a reference to a statute includes all regulations, proclamations, orders in council, ordinances, by-laws and determinations issued under that statute;
 - (ix) a reference to a document or a provision of a document includes an amendment or supplement to, or replacement or novation of, that document or that provision of that document;

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- (x) a reference to a person includes that person's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
 - (xi) mentioning anything after include, includes or including does not limit what else might be included;
 - (xii) a period of time:
 - (A) which dates from a given day or the day of an act or event is to be calculated exclusive of that day; or
 - (B) which commences on a given day or the day of an act or event is to be calculated inclusive of that day;
 - (xiii) an event which is required under this *Network Price Determination* to occur on or by a stipulated day which is not a *business day* may occur on or by the next *business day*;
 - (xiv) the schedules to this *Network Price Determination* form part of this *Network Price Determination*;
 - (xv) all tariffs and tariff components calculated under this *Network Price Determination* must be rounded to the accuracy, in terms of the number of decimal places, required by *PWC Networks'* charging and billing systems;
 - (xvi) a tariff that has been calculated and rounded under the principles in clause (xv) must not be rounded to a different level of accuracy when utilised in calculations made under this *Network Price Determination*;
 - (xvii) when a calculation is required under this *Network Price Determination*:
 - (A) *regulatory year "t"* is the *regulatory year* in respect of which the calculation is being made;
 - (B) *regulatory year "t-1"* is the *regulatory year* immediately preceding *regulatory year "t"*;
 - (C) *regulatory year "t-2"* is the *regulatory year* immediately preceding *regulatory year "t-1"*;
 - (D) *regulatory year "t-i"* is the *regulatory year* that is *i* years preceding *regulatory year t*; and
 - (E) *regulatory year "t-i-j"* is the *regulatory year* that is *j* years preceding *regulatory year t-i*; and
 - (xviii) for the purposes of calculating *CPI*, all calculations must be rounded to four decimal places.

SCHEDULE 2

Constituent Decisions

This *Network Price Determination* is predicated on the following decisions (**constituent decisions**) made by the Commission.

Topic	Constituent Decision	Reference
Service classification	A decision on the classification of the services to be provided by <i>PWC Networks'</i> during the course of the <i>2014 – 19 regulatory control period</i> .	Clause 2.1 of this <i>Network Price Determination</i> Chapter 3 of the <i>Statement of Reasons</i>
Building block determination	A decision on <i>PWC Networks'</i> current <i>building block proposal</i> in which the <i>Commission</i> either approves or refuses to approve: <ul style="list-style-type: none"> <li data-bbox="516 919 1130 1052">(i) the <i>annual revenue requirement</i> for <i>PWC Networks'</i>, as set out in the <i>building block proposal</i>, for each <i>regulatory year</i> of the <i>2014 - 19 regulatory control period</i>; and <li data-bbox="516 1066 1130 1167">(ii) the commencement and length of the <i>regulatory control period</i> as proposed in the <i>building block proposal</i>. 	Clause 2.2 of this <i>Network Price Determination</i> Chapter 14 of the <i>Statement of Reasons</i>
Capital expenditure	A decision in which the <i>Commission</i> either: <ul style="list-style-type: none"> <li data-bbox="516 1245 1130 1377">(i) accepts the total of the forecast <i>capital expenditure</i> for the <i>2014 – 19 regulatory control period</i> that is included in the <i>building block proposal</i>; or <li data-bbox="516 1392 1130 1755">(ii) does not accept the total of the forecast <i>capital expenditure</i> for the <i>2014 – 19 regulatory control period</i> that is included in the <i>building block proposal</i>, in which case the <i>Commission</i> must set out its reasons for that decision and an estimate of the total of the <i>PWC Networks'</i> required <i>capital expenditure</i> for the <i>2014 – 19 regulatory control period</i> that the <i>Commission</i> is satisfied reasonably reflects the <i>capital expenditure criteria</i>, taking into account the <i>capital expenditure factors</i>. 	Clause 2.3 of this <i>Network Price Determination</i> Chapter 9 of the <i>Statement of Reasons</i>
Operating and maintenance expenditure	A decision in which the <i>Commission</i> either: <ul style="list-style-type: none"> <li data-bbox="516 1833 1130 1929">(i) accepts the total of the forecast <i>operating expenditure</i> for the <i>2014 – 19 regulatory control period</i> that is included in the <i>building block</i> 	Clause 2.4 of this <i>Network Price Determination</i> Chapter 10 of the

	<p><i>proposal</i>; or</p> <p>(ii) does not accept the total of the forecast <i>operating expenditure</i> for the 2014 – 19 <i>regulatory control period</i> that is included in the <i>building block proposal</i>, in which case the <i>Commission</i> must set out its reasons for that decision and an estimate of the total of the <i>PWC Networks'</i> required <i>operating expenditure</i> for the 2014 – 19 <i>regulatory control period</i> that the <i>Commission</i> is satisfied reasonably reflects the <i>operating expenditure criteria</i>, taking into account the <i>operating expenditure factors</i>.</p>	<i>Statement of Reasons</i>
Contingent projects	<p>A decision in which the <i>Commission</i> determines:</p> <p>(i) whether each of the proposed <i>contingent projects</i> (if any) described in the current regulatory proposal are <i>contingent projects</i> for the purposes of this <i>Network Price Determination</i> in which case the decision must clearly identify each of those <i>contingent projects</i>;</p> <p>(ii) the <i>capital expenditure</i> that it is satisfied reasonably reflects the <i>capital expenditure criteria</i>, taking into account the <i>capital expenditure factors</i>, in the context of each <i>contingent projects</i> as described in <i>PWC Networks'</i> current regulatory proposal;</p> <p>(iii) the <i>trigger events</i> in relation to each <i>contingent project</i> (in which case the decision must clearly specify those <i>trigger events</i>); and</p> <p>(iv) if the <i>Commission</i> determines that such a proposed <i>contingent project</i> is not a <i>contingent project</i> for the purposes of this <i>Network Price Determination</i>, its reasons for that conclusion.</p>	<p>Clause 2.5 of this <i>Network Price Determination</i></p> <p>Chapter 13 of the <i>Statement of Reasons</i></p>
Allowed rate of return	<p>A decision on the <i>allowed rate of return</i> for each <i>regulatory year</i> of the 2014 – 19 <i>regulatory control period</i>.</p>	<p>Clause 2.6 of this <i>Network Price Determination</i></p> <p>Chapter 12 of the <i>Statement of Reasons</i></p>
Return on debt	<p>A decision on how the return on debt is to be estimated (i.e. what methodology should be used) and the formula that is to be applied.</p>	<p>Clause of 2.6 this <i>Network Price Determination</i></p> <p>Chapter 12 of the <i>Statement of Reasons</i></p>
Imputation credits	<p>Not applicable to this <i>Network Price Determination</i>.</p>	<p>Not applicable</p>
Regulatory asset base	<p>A decision on the <i>regulatory asset base</i> as at the commencement of the 2014 – 19 <i>regulatory control</i></p>	<p>Clause 2.7 of this <i>Network Price</i></p>

	<i>period.</i>	<i>Determination</i> Chapters 6 and 14 of the <i>Statement of Reasons</i>
Corporate income tax	A decision on the estimated cost of corporate income tax to the <i>PWC Networks</i> for each <i>regulatory year</i> of the <i>2014 – 19 regulatory control period</i> .	Clause 2.6 of this <i>Network Price Determination</i> Chapter 12 of the <i>Statement of Reasons</i>
Depreciation	A decision on whether or not to approve the depreciation schedules submitted by <i>PWC Networks</i> and, if the <i>Commission</i> decides against approving them, a decision determining depreciation schedules.	Clause 2.8 of this <i>Network Price Determination</i> Chapter 11 of the <i>Statement of Reasons</i>
Schemes	A decision on how any applicable efficiency benefit sharing scheme, capital expenditure sharing scheme, service target performance incentive scheme, demand management and embedded generation connection incentive scheme or small-scale incentive scheme is to apply to the <i>PWC Networks</i> .	Clause 2.9 of this <i>Network Price Determination</i> Chapter 2 of the <i>Statement of Reasons</i>
Other amounts, values and inputs	A decision in which the <i>Commission</i> decides other appropriate amounts, values or inputs.	Clause 2.10 of this <i>Network Price Determination</i> Chapter 14 of the <i>Statement of Reasons</i>
Control mechanism for regulated network access services	A decision on the form of the control mechanisms (including the <i>X factors</i>) for <i>regulated network access services</i> (to be in accordance with the relevant <i>framework statement</i>) and on the formulae that give effect to those control mechanisms.	Clause 2.11 of this <i>Network Price Determination</i> Chapter 4 of the <i>Statement of Reasons</i>
Control mechanism for alternative control services	A decision on the form of the control mechanisms for alternative control services (if any) (to be in accordance with the relevant <i>framework statement</i>) and on the formulae that give effect to those control mechanisms.	Not applicable
Compliance with control mechanism	A decision on how compliance with a relevant control mechanism is to be demonstrated.	Clause 2.12 of this <i>Network Price Determination</i> Chapter 4 of the <i>Statement of Reasons</i>
Pass throughs	A decision on the <i>pass through events</i> that are to apply for the <i>2014 – 19 regulatory control period</i> .	Clause 2.13 of this <i>Network Price Determination</i> Chapter 13 of the <i>Statement of Reasons</i>

Negotiating framework	Not applicable to this <i>Network Price Determination</i> .	Not applicable
Negotiated Distribution Service Criteria	Not applicable to this <i>Network Price Determination</i> .	Not applicable as explained in Chapter 3 of the <i>Statement of Reasons</i> .
Assigning customers to tariff classes	A decision on the procedures for assigning <i>retail customers</i> to <i>tariff classes</i> , or reassigning <i>retail customers</i> from one <i>tariff class</i> to another (including any applicable restrictions).	Clause 2.14 of this <i>Network Price Determination</i> Chapter 4 of the <i>Statement of Reasons</i>
Dual function assets	Not applicable to this <i>Network Price Determination</i> .	Not applicable.
Depreciation for establishing RAB as at commencement of the following regulatory control period	A decision on whether depreciation for establishing the <i>regulatory asset base</i> as at the commencement of the <i>Post 2019 regulatory control period</i> is to be based on actual or forecast <i>capital expenditure</i> .	Clause 2.15 of this <i>Network Price Determination</i> Chapter 11 of the <i>Statement of Reasons</i>
Designated pricing proposal	Not applicable to this <i>Network Price Determination</i> .	Not applicable
Jurisdictional scheme	Not applicable to this <i>Network Price Determination</i> .	Not applicable
Connection policy	Not applicable to this <i>Network Price Determination</i> .	Not applicable

SCHEDULE 3

Excluded Network Access Services

Excluded network access services not subject to effective competition

Service group	Activities description
<u>Quoted services</u>	
Quoted network services	<p><i>Network access services</i> provided at the request of a <i>network user</i> with higher (or lower, where permissible) quality or reliability standards than are required under applicable <i>regulatory obligations or requirements</i>.</p> <p>Quoted network services include above standard or non-standard services associated with:</p> <ul style="list-style-type: none"> • planning, designing and constructing the <i>electricity network</i>; • maintaining and operating the <i>electricity network</i>; • emergency response and administrative support; and • other associated services <p>to the performance standard agreed with the <i>network user</i>.</p> <p>Under quoted network services, <i>network users</i> are only charged the incremental cost of the work above the cost of the mandated <i>standard network access service</i>.</p> <p>Quoted network services exclude above standard or non-standard <i>Connection Services</i> which make use of dedicated assets.</p>
Quoted connection services	<p><i>Connection services</i> provided at the request of a <i>network user</i> with higher (or lower, where permissible) quality or reliability standards than are required under applicable <i>regulatory obligations or requirements</i>.</p> <p>Quoted connection services include above standard or non-standard services associated with:</p> <ul style="list-style-type: none"> • commissioning of connection assets; • service connection; • installation inspection; and • operating and maintaining connection assets <p>to the performance standard agreed with the <i>network user</i>.</p> <p>Quoted connection services also include:</p> <ul style="list-style-type: none"> • supply abolishment; and • ancillary <i>connection services</i>. <p>Associated services for which <i>PWC Networks</i> may seek payment from the <i>network user</i> include:</p> <ul style="list-style-type: none"> • responding to enquiries in relation to the provision of the above standard or non-standard <i>connection services</i>; • provision of technical specifications in relation to the connection; • provision of duplicate or underground supply where requested by a

Service group	Activities description
	<p><i>network user</i>; and</p> <ul style="list-style-type: none"> • preliminary communications with potential or existing <i>network user</i> where more than 6 hours work is or is likely to be required. <p>Under Quoted connection services, <i>network users</i> are only charged the incremental cost of the work above the cost of the mandated standard <i>connection service</i>.</p> <p><i>Connection services</i> are provided at the request of a <i>network user</i> and are dedicated to the individual <i>network user</i>. Connection assets include all of the dedicated electrical equipment that is used to transfer electricity to (entry) or from (exit) the shared <i>electricity network</i> at the <i>connection point</i>.</p>
Quoted metering services	<p>Metering services, including meter data services, provided at the request of a <i>network user</i> of a type that exceeds the normal requirements for the type of <i>network user</i>.</p> <p>Quoted metering services include:</p> <ul style="list-style-type: none"> • provision, installation and commissioning of additional or above standard or non-standard metering assets; • periodic accuracy testing of additional or above standard or non-standard metering assets; and • maintenance and replacement of additional or above standard or non-standard metering assets. <p>Quoted meter data services include:</p> <ul style="list-style-type: none"> • reading, either locally or remotely, of additional or above standard or non-standard meters provided at the request of the <i>network user</i>; • installing and maintaining communications for additional or above standard or non-standard remotely read meters; and • transfer of meter data to the meter data system and management of the stored meter data, for additional or above standard or non-standard meters. <p>Quoted ancillary metering services include:</p> <ul style="list-style-type: none"> • non-standard read of a standard meter, either locally or remotely; and • non-routine transfer of meter data to participant billing systems or <i>network users</i>. <p>Under Quoted Metering Services, <i>network users</i> are only charged the incremental cost of the work above the cost of the mandated standard Metering Service.</p> <p>Several of the more commonly provided excluded metering services are subject to standard fees (Fee based services).</p>
Asset relocation, temporary disconnection and reconnection	Removal, relocation or other permanent or temporary change to the <i>electricity network</i> at the request of a <i>network user</i> .
Emergency recoverable works	Repairs to shared <i>electricity network</i> or connections caused by a third party (for example due to vehicle accident).
Services associated with temporary supply	<p>Services associated with temporary supply include:</p> <ul style="list-style-type: none"> • provision electric plant or stand-by generator for temporary supply at the request of a <i>network user</i>; and • provision of temporary supplies at both low and high voltage at the

Service group	Activities description
	request of a <i>network user</i> .
Illegal connections and damage to network equipment	Costs incurred by <i>PWC Networks</i> as a result of a <i>network user</i> not complying with relevant contractual obligations. Repair of equipment damaged by a <i>network user</i> or third party.
Provision of non-standard street light assets	Provision, construction and maintenance of street light assets based on non-standard designs or new technology such as LED.
Wasted attendance	Additional costs incurred by <i>PWC Networks</i> where service provision could not be undertaken and/or completed as planned due to action or inaction of a <i>network user</i> or their agent.
Asset location and identification services	<i>PWC Networks</i> ' identification of its assets, including location of buried cables, at the request of a <i>network user</i> .
High load transport escorts	Provision of high load transport escort, including administration costs.
Covering of low voltage mains	Insulation coverage of low voltage mains at the request of a <i>network user</i> or other person.
<u>Fee-based services</u>	
Fee-based metering services	<p>Fee-Based Metering service provided at the request of a <i>network user</i> include:</p> <ul style="list-style-type: none"> • out of sequence (unscheduled) meter reading services; • meter program changes; • testing or inspection of metering assets; • removal or relocation of metering assets; • the exchange or replacement of metering assets; • installation of prepayment meters; and • provision of a permanent three-phase service. <p>The provision of less routine services is subject to quotation (Quoted Services).</p>
Street light services	Provision, construction and maintenance of street lighting assets.
Non-standard data services	Provision of non-standard data services of a routine nature.
Disconnection and reconnection	Providing temporary disconnection and reconnection of supply at a <i>connection point</i> at the request of a <i>network user</i> or <i>retailer</i> and in accordance with the terms of the Network Technical Code.
Fault response – not PWC Networks equipment	Attendance in response to advice of a fault by a <i>network user</i> where the fault is not associated with <i>PWC Networks</i> ' <i>electricity network</i> or metering equipment.
Installation of minor equipment to the network	<p>This includes:</p> <ul style="list-style-type: none"> • installation of tiger tails on <i>PWC Networks</i> assets; • polylogger test equipment at the <i>network user's</i> premises; and • rental cost of minor equipment.
Travel costs	Where <i>PWC Networks</i> personnel are required to attend rural locations more than 100kms from the relevant <i>PWC Networks</i> depot.

Excluded network access services subject to effective competition

Service group	Activities description
Equipment rental for non-network purposes	Equipment rental charges including: <ul style="list-style-type: none">• for the attachment of communications services such as coaxial or fibre optic cables;• for pole attachments, ducts or conduits; and• for the use of tunnels or ducts by communications or other services.
Investigation and testing services	Investigation and testing services requested by a <i>network user</i> .
Contestable networks engineering consulting services	Consulting services provided by <i>PWC Networks</i> to <i>network users</i> and third parties.

SCHEDULE 4

Formulae

4.1 Revenue control formula

$$\sum_{i=1}^n \sum_{j=1}^m p_t^{i,j} \times q_t^{i,j} \leq R_{t-1} \times (1 + CPI_t) \times (1 - X_t) \times (1 \pm \text{passthrough}_t) \pm \Delta R_t$$

where:

R_{t-1}	is the revenue in <i>regulatory year t-1</i>
CPI_t	is the annual percentage change in <u>CPI</u> in <i>regulatory year t-2</i> to March in <i>regulatory year t-1</i>
X_t	is the allowed real change in revenue from <i>regulatory year t-1</i> to year <i>t</i> of the 2014 – 19 <i>regulatory control period</i> as determined by the <i>Commission</i>
<i>Pass through</i>	is any <i>pass through amount</i> in <i>regulatory year t</i> determined by the <i>Commission</i> , expressed as a percentage of the <i>annual revenue requirement</i>
ΔR_t	is the overs and unders adjustment to revenue in <i>regulatory year t</i>
n	is the number of <i>reference tariffs</i>
m	is the number of tariff components
$p_t^{i,j}$	is the price of component <i>i</i> of tariff <i>j</i> in <i>regulatory year t</i>
$q_t^{i,j}$	is the forecast volume of component <i>i</i> of tariff <i>j</i> in <i>regulatory year t</i>

4.2 Side constraints formula

$$\frac{\sum_{j=1}^m p_t^j \times q_{t-2}^j}{\sum_{j=1}^m p_{t-1}^j \times q_{t-2}^j} \leq (1 + CPI_t) \times (1 - X_t) \times (1 + Y_t) \times (1 \pm \text{passthrough}_t)$$

where:

CPI_t	is the annual percentage change in <i>CPI</i> in <i>regulatory year t-2</i> to March in <i>regulatory year t-1</i>
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X_t	is the allowed real change in revenue from <i>regulatory year t-1</i> to year <i>t</i> of the <i>2014 – 19 regulatory control period</i> as determined by the <i>Commission</i>
Y_t	is the <i>side constraint</i> on revenue recovered from a <i>tariff class</i> or <i>retail customer class</i> from <i>regulatory year t-1</i> to <i>regulatory year t</i> of the <i>2014 – 19 regulatory control period</i> as determined by the <i>Commission</i>
<i>Pass through</i>	is any <i>pass through amount</i> in <i>regulatory year t</i> determined by the <i>Commission</i> , expressed as a percentage of the <i>annual revenue requirement</i>
m	is the number of tariff components
p_t^j	is the proposed price for component j of the <i>tariff class</i> in <i>regulatory year t</i>
p_{t-1}^j	is the price charged for component j of the <i>tariff class</i> in <i>regulatory year t-1</i>
q_{t-2}^j	is the actual volume of component j of the <i>tariff class</i> in <i>regulatory year t-2</i>

SCHEDULE 5

Unders and Overs Account

5.1 Use of *unders and overs account*

- (a) *PWC Networks* must provide the amounts for the following entries in its *unders and overs account* for the most recently completed *regulatory year* ($t-2$), the current *regulatory year* ($t-1$) and the next *regulatory year* (t):
- (i) opening balance for *regulatory year* $t-2$, *regulatory year* $t-1$ and *regulatory year* t ;
 - (ii) an interest charge for one *regulatory year* on the opening balance in *regulatory year* $t-2$ and an interest charge for one *regulatory year* on the opening balance in *regulatory year* $t-1$. These adjustments are to be calculated using the approved nominal weighted average cost of capital (**WACC**). No such interest charge applies to the opening balance for *regulatory year* t ;
 - (iii) the amount of revenue recovered from *regulated network access service charges* in respect of that *regulatory year*, less any adjustments *for overs or unders* approved by the *Commission* for *regulatory year* $t-2$ and *regulatory year* $t-1$, less the *annual revenue requirement* for the *regulatory year* in question;
 - (iv) an interest charge for one *regulatory year* related to the net amounts in item (iii) for *regulatory year* $t-2$ and an interest charge for one year for *regulatory year* $t-1$. These adjustments are to be calculated using the approved nominal *WACC*. No such charge applies to the net amount in item (ii) for *regulatory year* t ; and
 - (v) the total of items (i) – (iv) to derive the closing balance for each *regulatory year*.
- (b) *PWC Networks* must provide details of calculations in the format set out in table S5.1. Amounts provided for the most recently completed *regulatory year* ($t-2$) must be audited. Amounts for the current *regulatory year* ($t-1$) and the next *regulatory year* (t) will be regarded as forecasts.

Table S5.1: Calculation of *unders and overs account*

Element	Year t-2 Actual	Year t-1 Expected	Year t Forecast
Opening balance	Opening _{t-2}	Opening _{t-1} = Closing _{t-2}	Opening _t = Closing _{t-1}
Interest on opening balance	Opening _{t-2} × W	Opening _{t-1} × W	Na
Under/over recovery for the year	ΔR _{t-2}	ΔR _{t-1}	ΔR _t
Interest on under/over recovery for the year	ΔR _{t-2} × V	ΔR _{t-1} × V	Na
Closing balance	Closing _{t-2} = Opening _{t-2} × (1 + W) + ΔR _{t-2} × (1 + V)	Closing _{t-1} = Opening _{t-1} × (1 + W) + ΔR _{t-1} × (1 + V)	Closing _t = Opening _{t-1} + ΔR _{t-1}

Where:

- Opening_t is the balance of the *unders and overs* as at opening balance in year t
- ΔR_t is the difference between the *annual revenue requirement* and revenue recovered in *regulatory year t*
- W is the nominal *WACC* determined by the *Commission* for the *regulatory control period*
- V is the *WACC* applicable to a half *regulatory year* [$V = \sqrt{(W + 1)} - 1$]
- Closing_t is the *unders and overs* closing balance in *regulatory year t*

- (c) In proposing variations to the amount and structure of *reference tariffs* applying to *regulated network access services*, *PWC Networks* is to achieve an expected zero balance on its *unders and overs account* at the end of each *regulatory year* in the *2014 – 19 regulatory control period*, unless *PWC Networks* can demonstrate for a given *regulatory year* that such an adjustment exceeds the tolerance limits set out below. In such circumstances, the balance at the end of the *regulatory control period* will reflect the amount (determined by the *Commission*) by which the adjustment would exceed the applicable tolerance limit (that is, the amount by which the *unders or overs* adjustment would exceed 2 per cent of *PWC Networks' annual revenue requirement* for the next *regulatory year*).
- (d) The proposed prices for *regulatory year t* will be based on the sum of the *annual revenue requirement* for *regulatory year t* plus any *unders or overs* recovery for year t, up to the tolerance level of *PWC Networks' revenues* specified by the *Commission* in this *Network Price Determination*.

5.2 Tolerance limits

- (a) The tolerance limits to apply to the adjustment to revenues for *unders or overs* recoveries for the *2014 – 19 regulatory control period* are:
- (i) less than 2 per cent –the *unders or overs* is to be cleared within one *regulatory year*;

- (ii) between 2 per cent and 5 per cent – the *unders* or *overs* may be spread over two *regulatory years*; and
 - (iii) greater than 5 per cent – *PWC Networks* must submit a plan to the *Commission* detailing how it proposes to clear the balance.
- (b) In the event of any doubt concerning the application of the tolerance limits to a particular adjustment, the *Commission* will determine the number of *regulatory years* over which the adjustment will be recovered or reimbursed.

SCHEDULE 6

Assigning *Retail Customers* to *Tariff Classes*

6.1 Procedures for assigning or reassigning *retail customers* to *tariff classes*

- (a) The procedures outlined in this Schedule apply to *regulated network access services*.

6.1.2 Assignment of existing *retail customers* to *tariff classes* at the commencement of the 2014 – 19 *regulatory control period*

- (a) Each *retail customer* will be assigned to a *tariff class* as at 1 July 2014 in accordance with the approved *NPPS* for the 2014-15 *regulatory year*.

6.1.3 Assignment of new *retail customers* to a *tariff class* during the 2014 – 19 *regulatory control period*

- (a) If, after 1 July 2014, *PWC Networks* becomes aware that a person will become a *retail customer* of *PWC Networks*, then *PWC Networks* must determine the *tariff class* to which the new *retail customer* will be assigned.
- (b) In determining the *tariff class* to which a *retail customer* or potential *retail customer* will be assigned, or reassigned, in accordance with paragraphs 6.1.3(a) or 6.1.4(a) of this Schedule, *PWC Networks* must take into account one or more of the following factors:
 - (i) the nature and extent of the *retail customer's* usage;
 - (ii) the nature of the *retail customer's* connection to the *electricity network*; and
 - (iii) whether remotely-read interval metering or other similar metering technology has been installed at the *retail customer's* premises as a result of a *regulatory obligation or requirement*.
- (c) In addition to the requirements under paragraph 6.1.3(b) of this Schedule, *PWC Networks*, when assigning or reassigning a *retail customer* to a *tariff class*, must ensure the following:
 - (i) that *retail customers* with similar connection and usage profiles are treated equally; and
 - (ii) that *retail customers* which have micro-generation facilities are not treated less favorably than *retail customers* with similar load profiles without such facilities.

6.1.4 Reassignment of existing *retail customers* to another existing or a new *tariff class* during the 2014 – 19 regulatory control period

- (a) If *PWC Networks* believes that an existing *retail customer's* load characteristics or connection characteristics (or both) have changed such that it is no longer appropriate for that *retail customer* to be assigned to the *tariff class* to which the *retail customer* is currently assigned or a *retail customer* no longer has the same or materially similar load or connection characteristics as other *retail customers* in the *retail customer's* existing *tariff class*, then it may reassign that *retail customer* to another *tariff class*.
- (b) In determining the *tariff class* to which a *retail customer* will be reassigned, *PWC Networks* must take into account paragraphs 6.1.3(b) and 6.1.3(c) of this Schedule.

6.1.5 Objections to proposed *tariff class* assignments and reassignments

- (a) *PWC Networks* must notify the *retail customer* concerned in writing of the *tariff class* to which the *retail customer* has been reassigned by it, 20 *business days* prior to the reassignment occurring.
- (b) A notice under paragraph 6.1.5(a) must include advice that the *retail customer* may request further information from *PWC Networks* and that the *retail customer* may object to the proposed reassignment. This notice must specifically include:
 - (i) either a copy of *PWC Networks'* internal procedures for reviewing objections or the link to where such information is available on *PWC Networks'* website; and
 - (ii) that if the objection is not resolved to the satisfaction of the *retail customer* under *PWC Networks'* internal review system, the *retail customer* is entitled to escalate the matter to *Commission*.
- (c) If, in response to a notice issued in accordance with paragraph 6.1.5(b), *PWC Networks* receives a request for further information from a *retail customer* in relation to the *tariff class* assignment, then it must provide such information. If any of the information requested by the *retail customer* is confidential then it is not required to provide that information to the *retail customer*.
- (d) If, in response to a notice issued in accordance with paragraph 6.1.5(b), a *retail customer* makes an objection to *PWC Networks* about the proposed reassignment, *PWC Networks* must reconsider the proposed reassignment, taking into consideration the factors in paragraphs 6.1.3(b) and 6.1.3(c) of this Schedule, and notify the *retail customer* in writing of its decision and the reasons for that decision.
- (e) If a *retail customer's* objection to a *tariff class* reassignment is upheld by the relevant body noted in paragraph 6.1.5(b)(ii), then any adjustment which needs to be made to tariffs will be done by *PWC Networks* as part of the next annual review of prices.
- (f) If a *retail customer* objects to *PWC Networks* about a *tariff class* assignment, *PWC Networks* must provide the information set out in paragraph 6.1.5(b) of this Schedule and adopt and comply with the arrangements set out in

paragraphs 6.1.5(c), (d) and (e) in respect of requests for further information by the *retail customer* and resolution of the objection.

6.1.6 System of assessment and review of the basis on which a *retail customer* is charged

- (a) Where the charging parameters for a particular *tariff class* result in a basis of charge that varies according to the *retail customer's* usage or load profile, *PWC Networks* must set out in its annual pricing proposal a method by which it will review and assess the basis on which a *retail customer* is charged.
- (b) If the *Commission* considers that the method provided under paragraph 6.1.6(a) does not provide for an appropriate system of assessment and review by *PWC Networks* of the basis on which a *retail customer* is charged, the *Commission* may, at any time, request additional information or request that *PWC Networks* submit a revised pricing method.
- (c) If the *Commission* considers that *PWC Networks'* method for reviewing and assessing the basis on which a *retail customer* is charged is not reasonable it will advise *PWC Networks* in writing.