

POWER AND WATER CORPORATION STATEMENT OF REASONS REGARDING THE STRUCTURE OF NETWORK TARIFFS, 2004-05

(Extract of relevant sections - letter from Power and Water Corporation to the Utilities Commission dated 19 March 2004).

The structure of Power and Water's 2004-05 network access tariffs has not been changed from 2003-04, with all components of all tariffs being increased over their 2003-04 levels by 5.15%, as allowed by the "CPI + Z - X" constraint contained in the Commission's Networks Pricing: 2004 Regulatory Reset Final Determination.

Power and Water intends to review its tariff structures during 2004-05, and will seek approval from the Commission prior to implementing any changes in future regulatory years.

Power and Water considers that the 2004-05 tariff schedule complies with the approved Pricing Principles Statement because:

- The structure of the 2004-05 tariffs is unchanged from that approved by the Regulator for use between 2000-2001 and 2003-04; and
- The 2000-01 - 2003-04 tariff structure was deemed to comply with clause 74 of the Code.

As allowed by the Commission's Final Determination, Power and Water also confirms that it has opted not to undertake any re balancing of individual tariff components in setting prices for 2004-05, and therefore chooses to utilise the CPI+10% side constraint in the setting of tariffs for 2005-06.