



**enAddress all correspondence to:**  
The Utilities Commission, GPO Box 915, Darwin NT 0801  
**Location:** 9<sup>th</sup> Floor, 38 Cavenagh Street, Darwin  
**E-mail:** [utilities.commission@nt.gov.au](mailto:utilities.commission@nt.gov.au)

**Telephone:** (08) 8999 5480  
**Facsimile:** (08) 8999 6262  
**Website:** [www.utilicom.nt.gov.au](http://www.utilicom.nt.gov.au)

## **POWER AND WATER NETWORKS** **RECOVERY OF MAXIMUM ALLOWABLE REVENUE** **FOR 2003-04**

In accordance with clause 26 of Power and Water Corporation's ("Power and Water") Network licence, Power and Water has advised the Commission of the recovery of regulated network revenue for the 2003-04 financial year, as follows:

Regulated Network	Regulated revenue cap	Revenue recovered	Difference	Variation (%)
Northern Network	\$61,302,000	\$60,573,469	-\$728,531	-1.19%
Alice Springs	\$10,931,000	\$11,081,048	\$150,048	+1.37%
Tennant Creek	\$3,120,000	\$3,054,734	-\$65,266	-2.09%
Total	\$75,353,000	\$74,709,251	-\$643,749	-0.85%

This overall under-recovery of revenue in 2003-04 offsets an accumulated over-recovery of revenues during the preceding years of \$1,318,568. As a result, at the end of the first regulatory period, Power and Water Networks had over-recovered revenue relative to the revenue caps set by the Commission by \$674,819. This is the balance left in what is termed the *under's and over's account* at the end of the first regulatory period

The resultant under's and over's accounts as at 30 June 2004 are summarised below.

<b>Northern Network</b>	CR	DR	Balance
Balance as at 1 July 2003 (ie over-recovery for 2002-03)			\$1,333,285 CR
Refund to Retailers		\$14,717*	
Balance at 30 June 2004			\$1,318,568 CR
Under-recovery for 2003-04		\$728,531	
Balance as at 1 July 2004			\$590,037 CR

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

<b>Alice Springs Network</b>	CR	DR	Balance
Balance as at 1 July 2003 (ie over-recovery for 2002-03)			\$1,093,041 CR
Refund to Retailers		\$,1,093,041	
Balance at 30 June 2004			Nil
Over-recovery for 2003-04	\$150,048		
Balance as at 1 July 2004			\$150,048 CR

<b>Tennant Creek Network</b>	CR	DR	Balance
Balance as at 1 July 2003 (ie over-recovery for 2002-03)			\$441,451 CR
Refund to Retailers		\$441,451	
Balance at 30 June 2004			Nil
Under-recovery for 2003-04		\$65,266	
Balance as at 1 July 2004			\$65,266 DR

### **Commission's analysis**

Power and Water's revenue recovery for the 2003-04 financial year was within the tolerances allowed by the Commission across all networks, with the Northern and Tennant Creek networks recording small under-recoveries against the MAR, and the Alice Springs network recording a small over-recovery.

Given the change in price regulation methodology for the second regulatory control period, i.e., the move from a revenue cap methodology to a price cap methodology, the Commission considers that it is impractical to attempt to make an adjustment to future tariffs to take account of previous under- or over-recoveries.

As a consequence, the Commission requires that, for those networks where a credit balance is held in the under's and over's account, Power and Water Networks provide an immediate refund to the retail arm of Power and Water to reduce this under's and over's account balance to zero.

With respect to the Tennant Creek network, where a small debit balance remains, given the small quantum (\$65,266 or approximately 0.5% of total revenue collected from Tennant Creek users over the regulatory control period), the Commission directs that Power and Water Networks take no action to recover this amount.

It is the Commission's expectation that the retail arm of Power and Water will apply these refunds to the benefit of individual end-use customers in those instances where any year-on-year variations in network tariffs over the regulatory control period were borne in full by the end-use customer.

In sum, the transactions to be undertaken by Power and Water Networks with effect prior to 30 June 2004 are shown in the table below:

<b>Under's and Over's Account</b>				
Regulated Network	Balance as at 1 July 2004	Held as Over's	Held as Under's	Refund to Retailer
Northern Network	\$590,037 CR			\$590,037
Alice Springs	\$150,048 CR			\$150,048
Tennant Creek	\$65,266 DR			
Combined Networks	\$674,819 CR			\$740,085

Alan Tregilgas  
 Utilities Commissioner  
 (for the Utilities Commission)  
 9 March 2005