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POWER AND WATER NETWORKS **RECOVERY OF MAXIMUM ALLOWABLE REVENUE** **FOR 2001-02**

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 2001-02 financial year, as follows:

Regulated Network	Regulated revenue cap	Revenue recovered	Difference	Variation (%)
Northern Network	\$59,767,000	\$62,428,180	\$2,661,180	+4.45%
Alice Springs	\$10,123,000	\$10,470,464	\$347,464	+3.43%
Tennant Creek	\$3,064,000	\$3,684,093	\$620,093	+20.24%
Total	\$72,954,000	\$76,582,737	\$3,638,737	+4.97%

Commission's analysis

Power and Water's revenue recovery for the 2001-02 financial year exceeded the maximum allowable revenue across all regulated networks. Higher than predicted energy sales growth was the major contributor to this over-recovery, with energy growth for the Northern Grid of 3.25% (versus forecast 2.5%), for Alice Springs of 8.08% (versus forecast 2.0%), and for Tennant Creek of 5.87% (versus forecast nil).

Both the revenue recovered for the Northern network (Darwin-Katherine) and the revenue recovered for the Alice Springs network are within the Commission's tolerance limit of between $\pm 4\%$ and $\pm 7\%$ of the determined regulated revenue cap, which requires an action plan to resolve the (account) balance at the first subsequent change to network tariffs. Power and Water have advised the Commission of its intention to provide an immediate rebate to the retailers to reduce the under's and over's account balance for each of these networks to zero.

The revenue recovered for the Tennant Creek network is greater than the $\pm 7\%$ upper tolerance limit set by the Commission. Power and Water have advised the Commission of its intention to provide an immediate rebate to the retailers to reduce this under's and over's account balance to zero, in line with the under's and over's account arrangements.

The Commission expects the retailers concerned to pass on these rebates to individual end-use customers in those instances where any year-on-year variations in network tariffs in the 2001-02 year were borne in full by the end-use customer. In instances where such year-on-year variations were instead borne by the retailer, and not passed on to the end-use customer, the retailer would be justified in retaining the relevant portion of the rebate for its own benefit.

Under's and over's account summary

The resulting under's and over's accounts are summarised below.

Northern Network	CR	DR	Balance
Balance as at 1 July 2001 (ie over-recovery for 2000-01)			\$1,190,742 CR
Refund to Retailers		\$1,190,742*	
Balance at 30 June 2002			Nil
Over-recovery for 2001-02	\$2,661,180		
Balance as at 1 July 2002			\$2,661,180

* In accordance with the Commission's direction

Alice Springs Network	CR	DR	Balance
Balance as at 1 July 2001 (ie under-recovery for 2000-01) <i>Plus</i> interest for 1 July 2001 to 30 June 2002 at 5.59% (3-year Commonwealth Bond rate as at 2 July 2001)			\$113,442 DR
Balance at 30 June 2002		\$6,693	\$120,135 DR
Over-recovery for 2001-02	\$347,464		
Balance as at 1 July 2002			\$227,329 CR

Tennant Creek Network	CR	DR	Balance
Balance as at 1 July 2001 (ie under-recovery for 2000-01)			\$212,974 CR
Refund to Retailers		\$212,974	
Balance at 30 June 2002			Nil
Over-recovery for 2001-02	\$620,093		
Balance as at 1 July 2002			\$620,093 CR

Under's and Over's Account				
Regulated Network	Balance as at 1 July 2002	Held as Over's	Held as Under's	Refund to Retailers
Northern Network	\$2,661,180			\$2,661,180
Alice Springs	\$227,329			\$227,329
Tennant Creek	\$620,093			\$620,093
Combined Networks	\$3,638,737			\$3,638,737

Alan Tregilgas
 Utilities Commissioner
 (for the Utilities Commission)
 29 May 2003