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Our Ref: UTCDOC 2013/0016
Your Ref: F2012/6956 D2013/55944

Mr Andrew Macrides
Managing Director
Power and Water Corporation
GPO Box 1921
DARWIN NT 0801

Dear Andrew

RE: Network Cost Pass Through Application

The Commission acknowledges receipt of your letter of 5 February 2013 seeking a cost pass through of expenditure as a direct consequence of implementation of the Davies Review recommendations, in addition to that allowed for by the Commission in the 2009 Network Price Determination.

The Commission will consider PWC's application to determine whether a cost pass through is warranted and, if so, the amount of the efficient costs involved and the extent to which existing (and future) end-users should bear these costs. The Commission will undertake a public consultation process prior to making a final determination.

The Commission notes that PWC's application seeks a pass through of all operating and capital expenditure incurred (or forecast to be incurred) in the current regulatory control period above that allowed by the Commission in the 2009 Network Price Determination. The Commission is not convinced that all expenditure over that allowed is directly related to the implementation of the Davies Review recommendations.

The Commission seeks further information as follows:

- details of the projects initiated to implement the Davies Review recommendations, including relevant costs;
- details of any project that was re-scoped to implement the Davies Review recommendations, including original forecast costs and revised forecast costs for re-scoped project; and
- details of any step-change costs associated with changes to work procedures and/or staffing levels arising the Davies Review recommendations.

With respect to PWC's proposal for a three stage approach to the recovery of the cost pass through amount via customer tariffs, the Commission will consider this as part of its determination on the cost pass through application.

Please contact Vanessa Sutcliffe, Director Utilities Commission on (08) 8999 5480 should you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dr Patrick Walsh', with a long horizontal flourish extending to the right.

Dr Patrick Walsh
Utilities Commissioner
14 March 2013