

Extract from Revised Regulatory Proposal

Expected Price Trends for Standard Control Services

Power and Water does not consider that there will be any material deviation from the CPI-X constraint for its network tariffs, except to the extent that:

- there are any material pass through applications made to and accepted by the Commission during the next regulatory control period. Any successful pass through application would require an adjustment to tariffs in excess of the WAPC and side constraints. In the event of a cost pass through, as indicated by the Commission in paragraph 5.57 of the Draft Determination, Power and Water can only advise on the extent of any change to tariffs after the Commission makes a determination regarding the adjustment to the Price Control Mechanism for the cost pass through;
- there are unexpected variations in volume which require Power and Water to re-balance particular network tariffs more than others in order to protect its revenue position. Any re-balancing will be undertaken within required side constraints and within the overall WAPC constraint; and
- Power and Water intends to introduce, over time and within the allowable side constraints, a Northern Territory wide tariff for customers using above 750MWh and for those using less than 750MWh, respectively. Power and Water expects to be able to achieve this for customers using in excess of 750MWh per annum within the third regulatory period, and will seek to broaden this to include customers using less than 750MWh per annum over several regulatory periods.

Expected Price Trends for Alternative Control Services

Power and Water intends to increase its prices for alternative control (fixed fee) services by the CPI-X factor allowed as part of the Final Determination. These increases in fixed fee charges would occur each year when network prices are submitted for approval to the Commission.

Compliance with the Control Mechanism

Power and Water has set all of its prices to comply with the various control mechanisms applied to standard and alternative control services:

- in relation to standard control services, Appendix E and the separate spreadsheet provided to the Commission show that the weighted average price cap constraint has been complied with for 2009-10;
- in relation to alternative control (fixed fee) services, all prices have been established in accordance with the "cost build-up" method outlined in Appendix G; and
- in relation to alternative control (quoted) services, no evidence of compliance is required.