

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**WRITTEN QUESTION**

Mr Dunham

to Treasurer

Community Service Obligations

At page 287 of Budget Paper Three, Community Service Obligations work nearly doubled from \$20.3 million in 2001/2002 to \$39.4 million.

Why has the subsidy for uniform tariffs increased by this margin. Was it independently audited?

Has the decision to peg domestic electricity tariffs been included in this?

ANSWER**Legislative Assembly Written Question 24**

An identical question was asked by Mr Steve Dunham MLA during the 2002-03 Estimates Committee process, with a similar question from Mr Mike Reed MLA. The answer to Legislative Assembly Written Question 24 is the same as the answer provided to the question from Mr Mike Reed MLA.

Hansard transcripts confirm that the response to Mr. Mike Reed MLA was delivered on 18 September 2002. Hansard also confirms that Mr. Steve Dunham MLA was satisfied that the response answered his question.

The uniform tariff CSO was increased by around \$19 million in 2002-03 to \$39.4 million. The CSO was increased in order to fully fund the shortfall in PowerWater's annual income against the recovery of efficient costs for electricity services provided to non-contestable customers. The prices for these customers are determined by Government, not PowerWater.

The increase in the CSO is because:

- the value of the CSO was previously calculated on the basis of bringing PowerWater's rate of return on services provided outside Darwin up to the level prevailing in Darwin;
- a Utilities Commission review of the CSO showed that, after factoring in efficient costs at prevailing tariffs, PowerWater would be unable to earn a commercial rate of return on services provided in Darwin; and
- if the return earned in Darwin was at a commercial level, the CSO required to raise returns outside Darwin up to the level prevailing in Darwin would be higher.

Fully funding the CSO for electricity:

- provides the right economic incentives for PowerWater's Board to make commercial decisions in a competitive environment;
- ensures that PowerWater's Board be subject to commercial performance targets;
- facilitates assessment of PowerWater's performance, in particular benchmarking against similar entities;
- increases the transparency of the CSO arrangements; and
- avoids the use of cross subsidies.

As part of its advice on the value of, and methods for setting, PowerWater's CSOs, the Utilities Commission developed a methodology for estimating the CSO in future years. The CSO for 2002-03 has been developed in accordance with this methodology, and indexed for cost increases.

Full funding of the electricity CSO takes account of the decision to freeze electricity tariffs for non-contestable customers at the current level. Had electricity tariffs for domestic customers increased by CPI (2.5%) from 1 July 2002, the resultant reduction in the CSO for 2002-03 would have been approximately \$1.3 million.

Funding for the water and sewerage components of the CSO has been left unchanged at \$4.975 million per annum.