

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Mr Dunham

to Minister for Essential Services

Community Service Obligation – undergrounding power in Darwin

Why was the \$1.5 million for undergrounding power in Darwin not treated as a Community Service Obligation?

Is this the only CSO to Power Water to be treated in this way?

ANSWER

A community service obligation (CSO) payment is made by government to a Government Owned Corporation (GOC) to compensate the GOC for losses made in implementing government social policy. CSO payments are operational in nature – that is, they appear on the Statement of Income and Expenditure as revenue.

The \$1.5m appears on the Capital Works Program, and is treated the same as expenditure for new roads, schools, police stations, etc. Power and Water treats this as a capital contribution; such contributions are also received from government as part of land development activities (eg provision of power, water and sewerage facilities to a new suburb). In addition, Power and Water receives such contributions from private developers and customers under the Distribution System Extension Policy (DSEP) and the Water and Sewerage System Extension Policy (WASSEP).

Power and Water requires a capital contribution wherever the expected net revenue from a capital project does not cover all of the capital related costs – ie return on capital and depreciation. In the case of the undergrounding project, a total reduction in operating costs is expected on completion of the project, however, the reduction in operating costs only justifies Power and Water funding part of the work. Consequently, a capital contribution is required to make the project commercially viable.