

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Ms Manison to the Treasurer:

Expenditure on Splitting the Power and Water Corporation

1. With respect to activities in relation to the split up of the Power and Water Corporation:
 - a. What is the total expenditure incurred to date by the Northern Territory Government?

In its capacity as owner of the Power and Water Corporation (PWC) and with a view to improving the commercial performance of its investment in the Territory's electricity supply industry, in September 2013 the Government decided to divest PWC of two businesses operating in that industry: Power Generation and Power Retail. As such, PWC's structural separation involves the creation of two new government owned corporations (GenCorp and RetailCorp). Power Networks and Power System Control are both to remain with PWC.

Expenditure in relation to PWC's structural separation is being incurred by PWC itself, by the Department of the Chief Minister (DCM) and by the Department of Treasury and Finance (DTF). The bulk of PWC's expenditure will be recovered from the two new corporations after their establishment, and so will be a cost borne by these new corporations rather than the ongoing PWC.

This expenditure involves the incremental (or additional) costs directly arising as a result of planning for and implementing the structural separation. These costs do not count the use of existing staff or resources (except where backfilling of their positions is involved), nor the costs of regulatory reform or business improvement.

Since the Government made the decision in mid-September 2013 to proceed with the separation, the total expenditure on PWC's structural separation that had actually been incurred amounts to \$764,000 as at 31 March 2014. This comprises:

- i) \$435,000 by PWC,
- ii) \$205,000 by DCM, and
- iii) \$124,000 by DTF.

- b. What is the estimated total expenditure by the Northern Territory Government in 2013/2014?

As Treasurer, I have approved expenditure totalling \$2.8 million as the amount to be spent by the Northern Territory Government on PWC's structural separation in 2013-14. This remains the estimated total cost of structural separation in the current financial year. This estimate will be reviewed by the New Corporations Unit within DCM once the enabling legislation has been passed.

All but \$400,000 of this amount is once off and not recurrent in nature.

- c. What is the estimated total cost of splitting up the Power and Water Corporation?

The total cost of PWC's structural separation comprises the amounts to be spent during 2013-14 (as listed in (b) above) plus the additional annual Board, management, staffing and operational costs of the two new corporations (GenCorp and RetailCorp) which would not be incurred by PWC in the absence of structural separation.

Total expenditure to be incurred in 2014-15 and beyond is a matter for discussion and agreement as part of negotiations of the Statements of Corporate Intent (SCIs) that are yet to take place with the two new corporations. I am advised by the New Corporations Unit in DCM that the additional annual costs of the two new corporations could total up to \$4 million annually. This amount includes an allowance for additional user charges that may be necessary to recover any additional spend by the ongoing PWC on IT systems essential to the efficient provision of shared services to the two new corporations.

These costs will not be passed onto electricity consumers. Instead, they are expected to be recovered by improved efficiency and operations made possible only by the financial transparency, focussed governance and heightened competitive pressure associated with effective structural separation.
