

Estimates Committee 2015
Questions Taken On Notice

(26/05/2015 to 4/06/2015)

Date: 04/06/2015 Output:
Sub Output:
Subject: Stranded costs; staff, property leases, assets, ICT systems, licences, etc.

From:Ms Nicole Manison to Board Chairman Alan Tregilgas
Power and Water Corporation

Question: **10-3**
Can Power and Water Corporation provide the list of potential stranded costs with staff, property leases, assets, ICT systems, licences and any other costs?

Answer:
Answered On: 18/06/2015

GOVERNMENT OWNED CORPORATIONS SCRUTINY COMMITTEE Question Taken on Notice

Date: 15 June 2015
Subject: Question on Notice
From: Ms Nicole Manison
To: Mr Alan Tregilgas, Board Chair
Corporation: Power and Water Corporation

Number: 10.3

Question: Can Power and Water Corporation provide the list of potential stranded costs with staff, property leases, assets, ICT systems, licences and any other costs?

Answer:

While the three Government Owned Corporations are operating under Transitional Service Arrangements (TSA's), whereby PWC continue to provide services to both Jacana Energy and Territory Generation, any future stranded costs cannot be estimated with any degree of accuracy.

Decisions taken by Jacana and Territory Generation to either in-source services, out-source to other providers or retain PWC as a service provider may give rise to stranded costs.

The timing of any changes to the provision of PWC services is also an important factor. If PWC has adequate notification of changes to service delivery requirements, it can take appropriate action to reduce costs to offset any reduction in revenue.

In some cases, as has already occurred, Jacana and Territory Generation may take whole functions from PWC, including staff, which has resulted in no stranded costs related to those services.

It should also be noted that any stranded costs are expected to be short term in nature while PWC takes action to reduce costs. An example of the type of action to be undertaken would be the renegotiation of IT licence agreements on their annual renewal.

The PWC Statement of Corporate Intent includes details of the anticipated reduction in revenues associated with the provision of support services and actions to be taken to offset this decrease with corresponding decreases in expenditure.