

May 2025

## Statement of Reasons: Power and Water Corporation's Pricing Proposal

The AER approves Power and Water Corporation's 2025–26 pricing proposal which contains tariffs that are due to commence on 1 July 2025. Power and Water Corporation's approved tariffs are set out on [our website](#).

### *Estimated network cost movements*

We estimate the average network price impact for Power and Water Corporation's customers to be an increase of \$662.48 for residential customers and a decrease of \$1,420.82 for small business customers in 2025–26 compared to 2024–25.

The network price movements reflect a decrease in revenue that Power and Water Corporation is allowed to recover in 2025–26. A forecast increase in consumption contributes to this. We provide more detailed information on Power and Water Corporation's consumption forecasts in the following pages.

The small decrease in overall revenue is predominantly due to the return of previously over-recovered revenue. This is partially offset by the increases associated with the revenue path set in the applicable determination and actual inflation.

The Northern Territory Government sets regulated prices for retail customers consuming less than 750 MWh of electricity each year. Price movements outlined in this document may not be experienced by customers for this reason.

Actual bill impacts for individual customers will vary from our estimates as customers may be on different tariffs or consume different amounts of energy from our assumptions. Our analysis is based on flat rate or block tariffs, which have historically been the most common tariffs for residential and small business customers across the NEM. Varying movements across different components that make up tariffs may mean some tariffs increase while others decrease.

### *Under/over recovered revenues*

Although we set the revenues the distributors can recover, the revenue they ultimately receive over an individual year is determined by the amount of actual energy consumed in that year. This is because:

- Actual energy consumption can fluctuate from forecast consumption because of a number of factors such as weather, increased uptake of solar PV, or the rate of electrification (that is, the shift from gas to electricity). These fluctuations in energy consumption result in distributors recovering more or less than the allowable revenue we set.

To 'true-up' these variations in revenue, adjustments are made to allowable revenues for the upcoming financial year to ensure that over time, a distributor only recovers the revenue it is allowed.

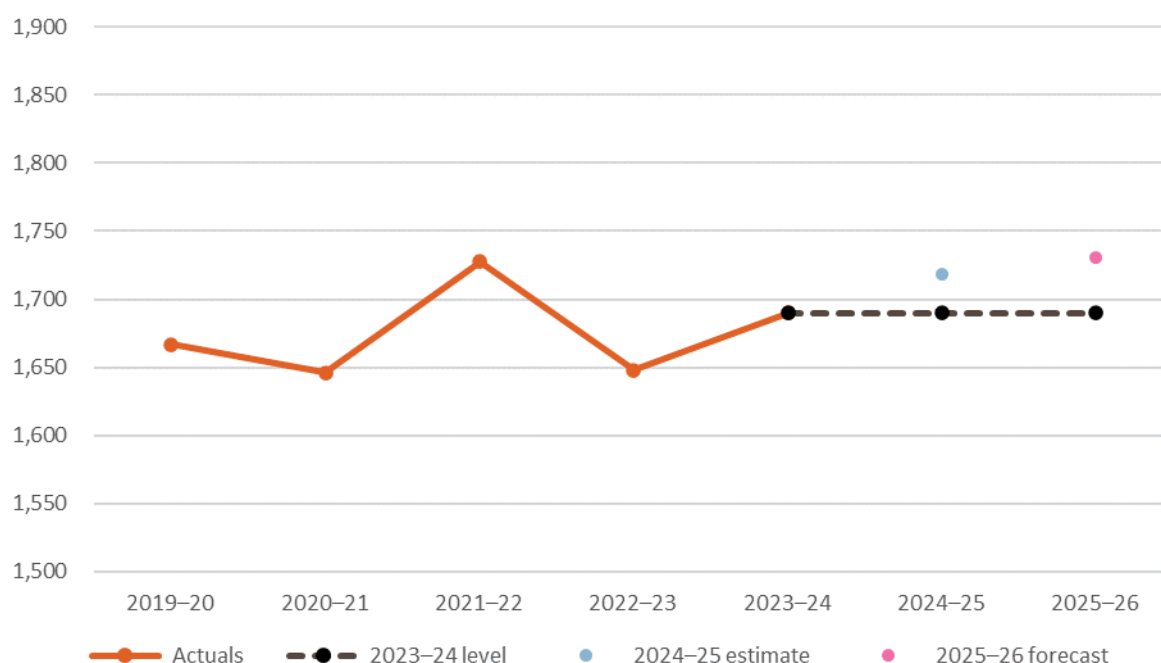
## Consumption forecasts

Electricity distributors operate under a revenue cap which sets the annual allowed revenue they can recover to deliver safe and reliable electricity within their networks. Prices are determined based on forecast consumption for that year, allowing distributors to recover their allowed revenue. If distributors forecast lower consumption, then other things being equal, prices are expected to be higher to allow them to recover the revenue allowed.

Our assessment of the distributors' consumption forecasts includes analysis of historical consumption trends and the reasons put forward for any departure from them. This includes changes in consumption following Australia's response to COVID-19 and emerging trends, such as a result of the energy transition.

Figure 1 shows that Power and Water Corporation has forecast a slight increase in energy consumption for 2025–26. This increase is on trend from previous years.

**Figure 1 Energy volumes (GWh)**



Source: AER analysis; RIN data; Power and Water Corporation's 2025–26 pricing proposal.

We consider Power and Water Corporation's consumption forecasts are reasonable based on our analysis and the supporting information provided by Power and Water Corporation.