

Contact Officer: Claire Preston
Contact Phone: (03) 9290 1995

18 March 2019

Djuna Pollard
Executive General Manager, Power Services
Power and Water Corporation
GPO Box 1921
DARWIN NT 0801

Dear Ms Pollard 

Re: The AER's operating expenditure productivity growth forecast for the 2019–24 distribution determination

We published the final decision paper for our operating expenditure (opex) productivity growth forecast review on 8 March 2019. Based on the available evidence, we are satisfied that a 0.5 per cent annual opex productivity growth forecast reflects a reasonable expectation of the opex productivity growth that an efficient and prudent distributor can achieve. Our reasons for this decision are set out in our final decision paper, which we sent to you as an embargoed copy on 7 March 2019.

We noted in our draft decision for Power and Water's 2019–24 distribution determination that we would take the outcome of the opex productivity growth review into consideration in our final decision and that it may change our approach to forecasting productivity growth. Following our review, we propose to adopt the 0.5 per cent annual opex productivity growth forecast to develop our alternative estimate in the final decision for Power and Water's 2019–24 distribution determination due on 30 April 2019. Taking this into account, as well as our analysis of Power and Water's revised opex forecast, we are likely to reject the revised forecast as we do not consider it reasonably reflects the opex criteria. The opex productivity growth forecast is one of the drivers of the difference between Power and Water's revised opex forecast and our alternative estimate.

Power and Water made a submission to our opex productivity growth forecast review. We have taken that submission, and all other submissions, into account in determining our annual opex productivity growth forecast of 0.5 per cent. If Power and Water considers the final decision on productivity growth raises additional issues, and would like to make a submission, please do so before 5:00pm, Monday 1 April 2019. We request that any submission you make be limited to the application of the productivity growth forecast to Power and Water's revised proposal.

Please contact Claire Preston on (03) 9290 1995 if you have questions.

Yours sincerely,



Chris Pattas
General Manager, Distribution
Australian Energy Regulator

Sent by email on 18 March 2019.