



Independent Auditor's Report

To the Directors of Power and Water Corporation

Report on the audit of the Standard Control Services Revenue Calculation

Opinion

We have audited the accompanying **Standard Control Service Revenue Calculation** of Power and Water Corporation.

In our opinion, the accompanying **Standard Control Service Revenue Calculation** of Power and Water Corporation for the regulatory year ended 30 June 2019 is prepared, in all material respects, in accordance with the requirements of the Utilities Commission's 2014-19 Service Classification, and reflects the revenue earned by PWC in the 2018-19 regulatory year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Standard Control Services Revenue Calculation* section of our report.

We are independent of Power and Water Corporation in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Information in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

The Standard Control Service Revenue for the regulatory year 2018-19 has been prepared in accordance with the Utilities Commission's 2014-19 Service Classification and reflects the revenue earned by PWC in the 2018-19 regulatory year.

This report and the accompanying Standard Control Service Revenue calculations have been prepared for the Management of PWC for the purpose of fulfilling their annual pricing proposal reporting obligations to the AER. As a result, our report and the accompanying Standard Control Service Revenue calculations may not be suitable for another purpose.

We disclaim any assumption of responsibility for any reliance on this report, or on the Standard Control Service Revenue calculations to which it relates, to any person other than PWC and the Australian Energy Regulator or for any other purpose than that for which it was prepared.



Responsibilities of Management for the Standard Control Services Revenue Calculation

Management is responsible for:

- the preparation of the Standard Control Service Revenue for the regulatory year 2018-19; and
- such control as they consider necessary to prepare and present fairly the Standard Control Service Revenue calculations that are free of material misstatement whether due to fraud or error.

Auditor's responsibilities for the audit of the Standard Control Services Revenue Calculation

Our objective is:

- to obtain reasonable assurance about whether the Standard Control Services as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Standard Control Services Revenue Calculation.

A further description of our responsibilities for the audit of the Standard Control Services Revenue Calculation is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

David Howie

Partner

Darwin

30 October 2019



Power and Water Corporation Special Purpose Report: 2020-21 Network Pricing Proposal (SCS Revenue)

Purpose of Report

Power and Water Corporation's (Power and Water) regulated electricity networks operate under a revenue-cap form of economic regulation that ensures Power and Water cannot earn additional revenue if demand is higher than forecast when setting tariffs. Likewise, there are countervailing measures that allow Power and Water to be 'made-whole' if it earns less revenue than allowed under the revenue cap. These provisions under the NT version of the National Electricity Rules (NT NER) are consistent with similar provisions under the Utilities Commission's regime reflected in the 2014-19 Network Price Determination.

As per the Australian Energy Regulator's (AER) final decision for the 2019-24 regulatory control period (RCP), actual revenue data must be audited for inclusion in a pricing proposal's unders and overs account. To fulfil this requirement, the AER normally relies on the Standard Control Services (SCS) revenue reported in a distributor's Regulatory Information Notice (RIN) submission. However, due to a change in service classifications between regulatory control periods, our RIN does not provide a true reflection of the revenue earned under the current Ministerial Direction allowance. This is because the AER requires Power and Water to report 2018-19 RIN data using the AER's 2019-24 Service Classification rather than the Utilities Commission's 2014-19 Service Classification.

This Special Purpose Report therefore calculates the 2018-19 actual revenue for the purposes of use in Power and Water's 2020-21 Network Pricing Proposal, and has been developed in accordance with the service classification set by the Utilities Commission for the 2014-19 RCP.

Basis of preparation

The revenue disclosed in this Special Purpose Report is in accordance with the Utilities Commission's 2014-19 Service Classification, in that Standard Control Service charges include Types 1 to 6 metering services, which for the AER's 2019-24 RCP are treated as Alternative Control Services (ACS) Metering.

Standard Control Service Revenue

Financial Year	Standard Control Services Revenue (Actual, \$nominal)
1 July 2018 to 30 June 2019	\$170,806,001

Certification

We certify that the Standard Control Service Revenue disclosed in this Special Purpose Report has been calculated in accordance with the Service Classification set by the Utilities Commission for the 2014-19 RCP, and reflects the audited financial accounts.

Peter Billing
General Manager Power Services
22 October 2019

Fleur Crowe
Business Manager Power Services
22 October 2019