



POWER AND WATER CORPORATION

2015-16

STATEMENT OF CORPORATE INTENT

PowerWater 

Our Values

Safety and Environment

PROTECTING THE HEALTH AND WELL-BEING OF STAFF, CONTRACTORS, GENERAL PUBLIC AND ENVIRONMENT.

Accountability

TRANSPARENT AND ACCOUNTABLE FOR ALL OUR ACTIONS.

Commitment to Service

LEADING BY EXAMPLE, CONTINUALLY IMPROVING AND WORKING AS A TEAM TO DELIVER OUR SERVICES WITH PASSION AND PURPOSE.

Communication

OPEN, POSITIVE, CONSTRUCTIVE INTERACTIONS TO ACHIEVE OPTIMAL INDIVIDUAL AND BUSINESS OUTCOMES.

Respect

RESPECT AND TREAT ALL PEOPLE WITH COURTESY, WORKING COHESIVELY TO ACHIEVE OUR GOALS IN A SUPPORTIVE, ENGAGED AND ENTHUSIASTIC MANNER.



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Introduction

Power and Water Corporation (PWC) was established under the Power and Water Corporation Act 2002 and is a Northern Territory Government Owned Corporation under the Government Owned Corporations Act 2001 (GOC Act).

PWC's Board of Directors is responsible to the Shareholding Minister for the Corporation's operational and financial performance and is required to provide an agreed Statement of Corporate Intent (SCI) each financial year.

The SCI sets out PWC's objectives, scope of business, strategies, approach to risk management, and financial performance targets over a four year period commencing 1 July 2015.

In accordance with the *GOC Act*, the Corporation's objectives are to:

- operate at least as efficiently as any comparable business; and
- maximise the sustainable return to the Northern Territory Government on its investment in the Corporation.

Nature and scope of activities

The nature and scope of our activities are detailed below.

Power Networks

We distribute electricity across urban and remote centres in the Northern Territory, to an estimated 243,700 people spread across an area of 1.3 million square kilometres (km), maintaining more than 5,700 km of overhead lines, 2,970 km of underground cable and 37,500 poles and towers. A 400 km high voltage line delivers electricity from the Top End's major power stations to Darwin and Katherine and we own and operate the Tennant Creek and Alice Springs power networks. The Northern Territory environment poses many challenges for us in maintaining the network, including cyclones, severe storms, damage from trees and wildlife, especially flying foxes (bats).

Electricity network services are currently regulated by the Utilities Commission.

Water Services

We provide water and sewerage services in the Territory's five major centres, thirteen minor centres and sewerage services in five of those. Most centres rely on groundwater. However Darwin, Pine Creek and Katherine have combined groundwater and surface water supplies. Excluding Katherine and Yulara, Northern Territory water supplies require limited treatment and in most cases are only disinfected prior to use. In Adelaide River, Alice Springs, Batchelor and Yulara, non-potable water supplies are reticulated to parts of the town for irrigation. Water is pumped through some 2,170 km of mains across 18 centres.

In Darwin, effluent is treated and used to irrigate a sporting complex. Sewer mains in our eight centres stretch 1,080 km. Sewage is mostly treated via waste stabilisation ponds. The Alice Springs Water Reuse Project recycles water for use in horticulture and irrigation. Water from the wastewater stabilisation ponds undergoes treatment in a Dissolved Air Flootation plant before it is pumped 6.2 km to underground aquifers at the Arid Zone Research Institute.

Water and sewerage services are provided under monopoly licences.

Remote Operations

Our Remote Operations' group is responsible for:

- Indigenous Essential Services Pty Ltd (IES);
- Delivery of grant funded initiatives such as the:
 - Solar Energy Transformation Program (SETuP);
 - Low Income Energy Efficiency Program (LIEEP); and
- Operation of five minor centre Power Stations – Timber Creek, Borroloola, Elliott, Daly Waters and Ti Tree.

IES is a wholly owned not-for-profit subsidiary of PWC. IES provides electricity, water and sewerage services to over 35,000 people across the Northern Territory in 72 Indigenous communities, including 20 major remote towns and

66 outstations. These communities are geographically isolated, encompassing both tropical and arid environments. They require design service levels equal to similar-sized urban centres. Rapid development in these regions requires a commitment to working with communities toward sustainable electricity and water use. We contract and train Essential Services Operators through local councils, Indigenous enterprises and private contractors to run facilities.

Remote Operations delivers these essential services through the IES organisation under a 'fee for service' agreement with the Department of Local Government and Community Services (DLGCS).

Infrastructure includes solar-powered water pumps, highly efficient diesel, low emission gas and renewable power stations. Many remote power stations are now controlled by fully-automated systems, requiring a high degree of expertise by the staff involved.

Ninety percent of potable water is groundwater, from 250 production bores, through 160 water storage tanks and 650km of reticulation. A multi-barrier approach is taken to providing drinking water consistent with Australian Drinking Water Guidelines. Chlorination and ultraviolet systems are used as appropriate. Fifty six towns and communities have full water-borne sewerage disposal systems with waste stabilisation ponds. The remainder have individual on-site systems maintained by the community.

Remote Operations delivers a number of grant funded programs which directly benefit remote communities. Current examples include the delivery of SETuP which is a multi-year program for the installation of solar/diesel hybrid power generation facilities in remote communities. This delivers on elements of the environmental commitments made by the Federal and Territory Governments. A second example of grant funded government initiatives is the LIEEP which aims to reduce demand for power and water in the resource limited remote communities. This work uses a



combination of technology and education to reduce demand.

Remote Operations uses its remote community knowledge and technical expertise to operate power stations in the five minor centres of Timber Creek, Borroloola, Elliott, Daly Waters and Ti Tree.

IES services are unregulated. However, performance against agreed outcomes is reported to the DLGCS.

Gas Supply

We purchase natural gas from the offshore Blacktip field in the Bonaparte Gulf south west of Darwin. It is processed onshore near Wadeye and hauled via the transmission pipeline system to customers such as Territory Generation, light industrial users, other power generators and also to virtual pipeline operators, who deliver gas to remote end users. The transmission pipeline system includes the Bonaparte Gas Pipeline, Amadeus Gas Pipeline and the Palm Valley to Alice Springs Pipeline.

We are actively seeking new gas market opportunities.

We have access to emergency gas or back-up gas supplies from Darwin LNG and the soon to be constructed INPEX facility to underpin gas supply reliability and security in the NT.

Retail

Retail provides retailing services, including billing, credit management, customer service (call centre and front counter) to approximately 85,000 customers across urban, rural and remote centres in the Northern Territory. Services provided include electricity retail services to IES, retailing of water and wastewater products and electricity network distribution billing, faults, and outage and emergency services throughout the NT. Retail has expanded its role to become a third party service provider to Jacana Energy providing retail services under a transitional service agreement.

Retail operates under licence from the Utilities Commission.

System Control

System Control has a statutory role in monitoring and controlling the operation of the regulated power systems in the Northern Territory. System Control is responsible for real time operations and planning, power system technical assessments, incident reviews, operational and technical regulatory reporting.

The statutory obligations are also pursuant to the System Control Licence issued by the Utilities Commission.

Shared Corporate Services

Information technology systems, procurement, employee, organisational and other services are provided by the Corporation to its employees, other business lines within PWC and third parties. PWC continues to support some Jacana Energy operations via temporary transitional service agreements to ensure a smooth transition without disruption to customers or service levels. In 2015-16, Jacana Energy will continue to establish itself as a stand-alone entity and wind back these transitional service agreements with our assistance.

Our Strategy

Our vision is to be a respected, reliable and customer-focussed utility provider, living within our means.

Our strategic framework was reset in 2014-15 giving clarity on the key result areas of our business. These will continue during the 2015-16 period with three areas of focus being:

- Zero Harm – protecting the health and wellbeing of our workers and the general public;
- providing safe, reliable utilities services at least cost, over the life of the assets, to our customers; and
- enhancing corporate governance practices through the implementation of frameworks and cultural change.

We recognise the important role we play in supporting growth in the Northern Territory economy, looking after its natural resources, and providing our customers with secure and reliable electricity and water supplies.

The *Framing the Future* strategic plan sets out the Northern Territory Government's policy that will underpin service delivery for all Territorians. The *Framing the Future* strategic plan will help maximise the new and evolving opportunities within the Territory, Northern Australia and with our Asian neighbours.

We will support the Government to achieve its goals under the *Framing the Future* strategic plan where they relate to PWC including implementation of its electricity market reform program. Under the NT Electricity Market Reform Program, our regulated network business will become subject to the relevant provisions of the national energy laws and rules, under the jurisdiction of the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER). We are working to support the Northern Territory Government implement its electricity market reform agenda including:

- finalising structural separation activities including financial management system separation;
- working with Government to inform the development of the new regulatory framework; and
- establishment of a wholesale electricity market.



During 2015-16, we will implement strategies to deliver positive outcomes for commercial sustainability, our people, customers and stakeholders as well as our operational, safety and environmental performance.

We will continue to deliver on our purpose of providing safe and reliable services to our customers, while maintaining a focus on financial sustainability. This will be achieved by developing and implementing strategies to support revenue recovery, managing expenditure growth, improving operating performance and ensuring debt is at a sustainable and prudent level.

As Power and Water's agreement with the Shareholding Minister, this SCI reflects the Government's commitment to minimise prices paid by residential and small to medium sized business customers to ease cost of living pressures on Territorians, rather than collecting dividends. Our Board will seek to retain dividends and reinvest these in the business. We will also continue to develop and implement initiatives to reduce consumption and peak demand, where the cost of supply over the life of the asset exceeds revenue recovered, in order to defer capital

investment in electricity, water and sewerage infrastructure.

Over the SCI period we will manage the financial, operational and safety risks associated with the:

- allocation of debt arising from structural separation and the financial impact on interest cover levels;
- allocation of community service obligations payments (CSOs). The Department of Treasury and Finance (DTF) has undertaken to review CSOs during 2015;
- reprioritisation of capital investment due to financial constraints; and
- delivery of Remote Operations services while being constrained by budget and stakeholder requirements.

Our overarching strategic direction is defined to meet the challenges and opportunities facing the Corporation in delivering utility services and to achieve its vision.

The strategic direction is underpinned by seven key goals encompassing financial and operational performance, safety, customer service, people, environment and the future.

We will continue to report to the government on our performance against the strategies and targets set out in the SCI. These goals and strategies are summarised in the table below.

KEY RESULT AREA	GOAL	STRATEGIES
Safety	Zero Harm	<ol style="list-style-type: none"> 1. Implement a management system for the safety of our workers, the general public and assets 2. Enhance safety culture through active leadership
People	Maintain an engaged, capable, accountable and diverse workforce	<ol style="list-style-type: none"> 1. Build and retain a capable workforce 2. Build and promote regional and Indigenous capability and opportunities 3. Encourage and promote an engaged workforce and environment 4. Build a workforce of high performance and accountability
Financial Performance	Commercial sustainability	<ol style="list-style-type: none"> 1. Constrain expenditure growth and improve operating performance within SCI levels 2. Improve financial transparency 3. Ensure debt is at a sustainable and prudent level 4. Maintain and enhance revenue recovery
Operational Performance	<p>Meet our service standards for delivery of water, wastewater and electricity</p> <p>Demonstrate least cost and compliant operating practices</p>	<ol style="list-style-type: none"> 1. Demonstrate improved asset management practices 2. Drive continuous improvement in business efficiency 3. Remain focussed on legal compliance
Customer Service	Provide safe and reliable utilities services at least cost to our customers	<ol style="list-style-type: none"> 1. Provide customer focused service and timely response to enquiries 2. Align systems and processes to improve business efficiency and customer interaction 3. Continue professional and constructive engagement with stakeholders
Environment	Performer in Environmental Management	<ol style="list-style-type: none"> 1. Implement a revised Environmental Management System 2. Develop a Corporate Environment Strategy 3. Identify and implement business unit environmental opportunities compatible with the Corporate Environment Policy
Future	Position ourselves for the future	<ol style="list-style-type: none"> 1. Develop strategies to respond to future business drivers, opportunities and risks

GOAL: ZERO HARM

Protecting the health and wellbeing of workers and the general public is one of our fundamental values and underpins all our activities. Through active safety leadership and maintaining an effective safety management program, we will pursue the goal of Zero Harm.

Strategies

IMPLEMENT A MANAGEMENT SYSTEM FOR THE SAFETY OF OUR WORKERS, THE GENERAL PUBLIC AND ASSETS

- Continue to embed the Safety Policy and review our supporting Safety Management System to minimise risk to our workers and the public in accordance with the *Workplace Health and Safety (WHS) (National Uniform Legislation) Act 2011* (NT) and supporting regulations.
- Monitor the implementation of the safety management program with a view to continuously improving performance.
- Document and implement new Security Management and Emergency Management Frameworks which will improve our organisational resilience and ability to respond to and recover from unforeseen or disruptive events.
- Continue to review our security and emergency management risks and controls using an all hazards risk management approach to protect our people, contractors, the general public, information and assets.

ENHANCE SAFETY CULTURE THROUGH ACTIVE LEADERSHIP

- Empower our leaders to exhibit safety leadership by demonstrating diligent safety behaviours, monitoring compliance and continuously improving systems and performance.

Key Performance Indicators

MEASURE	2014-15 YTD ¹	2015-16 TARGET	2016-17 TARGET	2017-18 TARGET	2018-19 TARGET
Number of LTIs ²	<4 ³	<3	<2	<1	0
Rolling Lost Time Injury Frequency Rate ⁴	3.4	3	2	1	0
Rolling Combined Injury Frequency Rate ⁵	6.74	5	4	3	0

¹ YTD: Year to date – December 2014, unless otherwise indicated.

² Number of all Lost Time Injuries.

³ 2014-15 target is in accordance with the Safety Incentive Scheme contained in the 2010-2015 Enterprise Agreement.

⁴ Ratio of the total number lost-time injuries divided by the total hours worked expressed by per million hours worked.

⁵ Combined number of all injury types (Lost Time Injury and Medical Treated Injury) divided by the total hours worked expressed by per million hours worked.

GOAL: MAINTAIN AN ENGAGED, CAPABLE, ACCOUNTABLE AND DIVERSE WORKFORCE

The achievement of our strategies and initiatives is underpinned by capable and engaged employees.

Strategies

BUILD AND RETAIN A CAPABLE WORKFORCE

- Implement our framework for developing a capable workforce (People Plan).
- Continue to embed Workforce Capability and Succession Plans throughout the business.

BUILD AND PROMOTE REGIONAL AND INDIGENOUS CAPABILITY AND OPPORTUNITIES

- Align our Indigenous Employment and Career Development Strategy with the Northern Territory Public Sector Indigenous Employment and Career Development Strategy 2015-2020 to ensure regional development continues.

ENCOURAGE AND PROMOTE AN ENGAGED WORKFORCE AND ENVIRONMENT

- Implement action plans for opportunities identified through the annual engagement survey to promote a committed workforce and a collaborative environment.

BUILD A WORKFORCE OF HIGH PERFORMANCE AND ACCOUNTABILITY

- Continue to embed the employee MyPlan framework to provide role clarity, accountability, training and development aligned to business goals.

Key Performance Indicators

MEASURE	2014-15 YTD ⁶	2015-16 TARGET	2016-17 TARGET	2017-18 TARGET	2018-19 TARGET
Engagement survey result (%) ⁷	66 ⁸	>70	>70	>70	>70
Engagement survey participation rate (%)	73 ⁹	>75	>75	>75	>75
Staff turnover (%) ¹⁰	18	<20	<20	<20	<20
Indigenous employment ¹¹	35	39	43	47	52

⁶ YTD: Year to date – December 2014, unless otherwise indicated.

⁷ This target relates to the level of favourable engagement for all staff and is based on the number of survey respondents. Measured annually over the survey period.

⁸ 2014-15 Actual.

⁹ 2014-15 Actual.

¹⁰ Reflective of number of employees (permanent and fixed term) who have terminated during the period. New KPI for 2015-16.

¹¹ Reflective of FTE number of employees identifying as Indigenous employees (permanent and fixed term). Target has been calculated on a percentage of total FTE (permanent and fixed term employees) basis.

GOAL: COMMERCIAL SUSTAINABILITY

We are working towards commercial sustainability. Commercial sustainability is defined as earning sufficient revenue to meet operating and debt servicing costs, a return of capital (depreciation), and a commercial return on capital. We have made significant progress towards commercial sustainability through implementation of streamlined business processes and identification of measures to ensure we are living within our means. The Corporation will continue to work towards a more sustainable position over the forward projected period. The target for financial sustainability aligned to industry standards is an interest cover ratio greater than 2 and a gearing ratio target below 60 percent. The current level of debt does not meet the interest cover ratio target and we will need to continue to implement commercial sustainability strategies to improve this.

A major risk to achieving commercially sustainable outcomes relates to securing the Darwin region's next water source. Reducing water consumption is critical to deferring the requirement for significant investment in water supply infrastructure. In April 2014 we launched the Living Water Smart program that aims to reduce water consumption by 10 gigalitres over five years.

During 2014-15 PWC changed its asset valuation methodology to fair value from the previous historical cost approach which has resulted in the interest cover ratio being much lower. Fair value, rather than historical cost, better reflects the value of assets and the costs of ownership of assets. In an infrastructure business, such as ours, it is important to understand the real costs of building, operating, maintaining and replacing assets. Fair value assists in achieving this and improved financial transparency.

Successful implementation of the strategies detailed below will lay a solid foundation for the achievement of financial sustainability in 2015-16 and commercial sustainability in the medium term.

Strategies

CONSTRAIN EXPENDITURE GROWTH AND IMPROVE OPERATING PERFORMANCE WITHIN SCI LEVELS

- Perform and manage ongoing reviews of operational expenses to ensure cost efficiency.
- Develop financial improvement programs for each business line.
- Contribute to DTF's review of community service obligations payments.
- Encourage consumer water efficiency and reduce network water losses under the Darwin Region Water Supply Strategy.

IMPROVE FINANCIAL TRANSPARENCY

- Provide improved financial transparency, identification of the level of profitability in each line of business, and strategies to further establish the commercial sustainability of Power and Water businesses through completion of financial separation under the Financial Management System (FMS) program.

ENSURE DEBT IS AT A SUSTAINABLE AND PRUDENT LEVEL

- Review debt level and allocate appropriately to business lines.
- Living Water Smart is an important strategy to delay expensive water infrastructure investment.

MAINTAIN AND ENHANCE REVENUE RECOVERY

- Develop and implement strategies to support revenue recovery and comply with new regulations such as streetlight maintenance.
- Implement a corporate gas strategy.
- Pursue opportunities for the sale of surplus gas.

Key Performance Indicators

MEASURE	2014-15 BUDGET	2014-15 FORECAST	2015-16 TARGET	2016-17 TARGET	2017-18 TARGET	2018-19 TARGET
NPAT (\$M) ¹²	47.7	-63.6 ¹³	9.8	25.3	43.3	46.4
EBIT ¹⁴ (\$M)	121.5	-31.6 ¹³	70.8	97.3	128.2	139.5
Return on Total Assets ¹⁵ (%)	7.0	-1.4 ¹³	2.7	3.6	4.6	4.8
Gearing Ratio ¹⁶ (%)	58.0	48.0	43.9	44.8	45.3	46.6
Cash from operating activities (\$M)	138.6	139.3	87.6	104.9	123.5	124.4
FFO to interest times ¹⁷	3.0	3.0	2.8	2.9	3.2	3.2
Interest Cover (times) ¹⁸	2.3	-0.5 ¹³	1.2	1.6	1.9	1.9
Average water demand (kL per household) ¹⁹	D:418 A: 441	D:347 A: 431	D: 405 A: 430	D: 393 A: 426	D: 380 A: 420	D: 367 A: 414

¹² NPAT – Net Profit After Tax.

¹³ 2014-15 one-off impacts not forecast arising from: \$104M write down of generation assets transferred from Territory Generation, \$10M reduction in uniform tariff CSO, increased depreciation following the move to fair value (from historical cost).

¹⁴ EBIT – Earnings before interest and tax.

¹⁵ Return on assets EBIT/Average Total assets. Asset values presented in the 2015-16 SCL are on a fair value asset basis.

¹⁶ Gearing Ratio (<60%) Debt/(Net Debt plus Equity).

¹⁷ FFO to interest times (>2) EBITDA less Gifted assets less tax paid/Interest Expense.

¹⁸ Interest Coverage times (>2) EBIT/Interest Expense.

¹⁹ YTD: Year to date – December 2014, unless otherwise indicated. Reduction in average water use is essential to deferring significant financial expense associated with securing the Darwin region's next water source.

Operational Performance

GOAL: MEET OUR SERVICE STANDARDS FOR DELIVERY OF WATER, WASTEWATER AND ELECTRICITY

GOAL: DEMONSTRATE LEAST COST AND COMPLIANT OPERATING PRACTICES

As a high-value asset based organisation it is imperative that we implement and maintain effective strategic asset planning, delivery and management. Effective strategic asset management will ensure we continue to supply reliable, safe, essential services across the Territory in a prudent and efficient manner and meet our service standards.

Strategies

DEMONSTRATE IMPROVED ASSET MANAGEMENT PRACTICES

- Implement improved governance arrangements and business processes for asset management.
- Continue asset condition monitoring and reporting.
- Progress completion of the strategic asset management plans for water and wastewater facilities and infrastructure.
- Deliver the 2015-16 capital investment and repairs and maintenance programs of work in a prudent, efficient and least cost manner where the cost is over the life cycle of the assets.
- Promote water and wastewater reliability and efficiency through the Asbestos Cement (AC) Water Main Replacement and Sewer Relining Programs.
- Implement the Darwin Region Water Supply Strategy.

DRIVE CONTINUOUS IMPROVEMENT IN BUSINESS EFFICIENCY

- Develop and implement an Information and Communication Technology strategy.
- Embed the new Procurement Framework.
- Continually improve the Quality Management System.
- Finalise implementation of the structural separation program.
- Drive operational efficiency through identifying synergies across electricity network, gas, water and sewerage business practices and processes.

REMAIN FOCUSED ON LEGAL COMPLIANCE

- Transition the Power Networks business to meet its obligations under the new National Electricity Rules framework.
- Enhance capabilities in line with the Australian Drinking Water Guidelines.
- Further develop a plan for the implementation of a Power Networks Meter Data Management System.

Key Performance Indicators

MEASURE	2014-15	2015-16	2016-17	2017-18	2018-19
	YTD ²⁰	TARGET	TARGET	TARGET	TARGET
CAPEX within SCI proposed (%)	15 ²¹	±10	±10	±10	±10
OPEX <SCI proposed	92	<SCI	<SCI	<SCI	<SCI
SAIDI²² #: Networks duration interruption (mins)					
CBD Feeder	0.0	18.8	18.8	18.8	18.8
Urban Feeder	48.3	136.1	136.1	136.1	136.1
Rural Short Feeder	87.1	496.3	496.3	496.3	496.3
Rural Long Feeder	69.1	2164.9	2164.9	2164.9	2164.9
SAIFI²³ #: Networks frequency interruption (mins)					
CBD Feeder	0.0	0.4	0.4	0.4	0.4
Urban Feeder	0.8	2.5	2.5	2.5	2.5
Rural Short Feeder	1.5	8.1	8.1	8.1	8.1
Rural Long Feeder	3.0	35.1	35.1	35.1	35.1

[#] The SAIDI and SAIFI targets in the table above reflect the targets approved by the Utilities Commission in the new Electricity Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019. Further discussion is to be undertaken with the Utilities Commission during 2015-16 regarding these measures.

²⁰ YTD: Year to date – December 2014, unless otherwise indicated.

²¹ % variance is 2014/2015 SCI Budget compared to 2014/2015 SCI Forecast.

²² System Average Interruption Duration Index (SAIDI). 12 month rolling average.

²³ System Average Interruption Frequency Index (SAIFI). 12 month rolling average.

GOAL: PROVIDE SAFE AND RELIABLE UTILITIES SERVICES AT LEAST COST TO OUR CUSTOMERS

It is important that Power and Water is competent and provides timely and appropriate information, efficient customer interface options, as well as safe and reliable services to our customers. Providing alternative avenues for doing business with us will provide our customers with choice as to how they interact with us. Continuing to align systems and processes will ensure we respond to customer and stakeholder requirements, risks and management of assets in a constantly changing operating environment.

Strategies

PROVIDE CUSTOMER FOCUSED SERVICE AND TIMELY RESPONSE TO ENQUIRIES

- Refresh the PWC brand to reinforce customer service values of: Dependable, Community-minded, Progressive and Responsive, and embed these values through the customer experience.
- Implement social media and communication channels for connecting with our customers.
- Improve real time information about Power and Water service interruptions to our customers.
- Improve water and energy efficiency information through social media and communication channels, website, call centre and retail shopfronts.

ALIGN SYSTEMS AND PROCESSES TO IMPROVE BUSINESS EFFICIENCY AND CUSTOMER INTERACTION

- Development of customer portal to view and update meter data.
- Continue to streamline processes and reduce timeframes for developer connections to essential services.
- Improve customer service.

CONTINUE PROFESSIONAL AND CONSTRUCTIVE ENGAGEMENT WITH STAKEHOLDERS

- Implement the corporate Stakeholder Engagement Plan.
- Maintain professional partnerships and commercial relationships.
- Continue a targeted approach to community partnerships.

Key Performance Indicators

MEASURE	2014-15 YTD ²⁴	2015-16 TARGET	2016-17 TARGET	2017-18 TARGET	2018-19 TARGET
Customer Satisfaction Index ²⁵ (%)	71	80	80	80	80

²⁴ YTD: Year to date – December 2014, unless otherwise indicated.

²⁵ Percentage of customers that rate their overall satisfaction with the Corporation's services as either good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population.

GOAL: PERFORMER IN ENVIRONMENTAL MANAGEMENT

We are committed to being a solid performer in environmental management within five years. We plan to go beyond compliance by adopting an approach of 'continual improvement'. This approach is also the backbone of Australian and International Standards on management of environment, safety, quality and risk.

An important project delivering on one of our strategic actions, to displace diesel in remote communities where it is cost effective to do so, is SETuP which will integrate a total of 10MW of solar systems into existing diesel power stations in more than 30 remote Indigenous communities over four years and deliver 94 million litres of diesel savings over the 25 year life of the project.

Strategies

IMPLEMENT A REVISED ENVIRONMENTAL MANAGEMENT SYSTEM

- Develop and implement an Environmental Management System as the primary action framework for the Corporate Environment Strategy.
- Embed the Environmental Management System into our operations.

DEVELOP A CORPORATE ENVIRONMENT STRATEGY

- Develop a five year Corporate Environment Strategy to mark the path for our environmental performance objectives.
- Develop an environmental awareness program for our employees.

IDENTIFY AND IMPLEMENT BUSINESS UNIT ENVIRONMENTAL OPPORTUNITIES COMPATIBLE WITH THE CORPORATE ENVIRONMENT POLICY

- Implement the Catchment and Water Source Policy and Strategy.
- Replace diesel in remote communities with cleaner, cheaper sources such as solar and gas, wherever possible.
- Continue to deliver the LIEEP (Manymak) in East Arnhem Land communities.
- Develop and implement the Darwin Region Sewerage Strategy.
- Deliver the Living Water Smart Program.
- Promote remote community water resource sustainability.

Key Performance Indicators

MEASURE	2014-15 YTD ²⁶	2015-16 TARGET	2016-17 TARGET	2017-18 TARGET	2018-19 TARGET
Number of outstanding significant environmental compliance issues ²⁷	0	0	0	0	0

²⁶ YTD: Year to date – December 2014, unless otherwise indicated.

²⁷ Number of outstanding significant environmental compliance issues without endorsed planning in place to rectify over time (endorsed by regulator).

GOAL: POSITION OURSELVES FOR THE FUTURE

We will continue to position ourselves for the future and achieve our goals in the long term. It is important to take this longer term view because:

- *our operational assets have long planning horizons as far as 20 years;*
- *the environment in which we operate is constantly evolving;*
- *improvements in technology and capability will occur; and*
- *the requirements and expectations of our customers and stakeholders will change over time.*

Our customer landscape is changing in response to prices, climate change and competitor offerings. The landscape is also changing at the micro-level with the introduction of new technologies and new value chain participants that can assist customers to take control of their power and water management, generation and storage. These customer and technology factors will shape our market in the future. We will need to respond to the changing needs of the market to meet our Shareholder, stakeholder and customer objectives. This will require constant review of business and operating models to ensure we are providing appropriate services and meeting customer needs while maintaining acceptable returns to the Shareholder.

Traditional large scale power utilities are losing market position as customers take greater control of their own energy and water supply needs. To survive and prosper the 'utility of the future' will have to provide reliable supply and respond to a diverse range of customer, business and community demands and do so in a rapidly changing regulatory and technological environment. The utility of the future is unlikely to control the value chain but will need to enable or facilitate customer energy and water solutions. We will focus on five drivers that will be fundamental in the future utility market:

1. Customers are taking control of their supply and demand and will look to manage their utilities services far more effectively than they can today.
2. Electricity and water source generation and networks will be and are being transformed – the value chain is currently subject to change, and this will accelerate. Innovation will protect and increase PWC and Shareholder value.
3. The role of utilities will transform into that of a service company that enables service solutions and in many cases home solutions. This will require major transformation of business and operating models.
4. Data will play a dominant role in the future utilities services value chain – new value will be found within the data underlying customer usage patterns.
5. Governments and regulators are reshaping our markets to keep pace with customer needs.



We will balance utility objectives, technology and business models with long-term direction. We will develop strategies that provide a whole-view, integrated approach to addressing infrastructure, technology and business issues. Our strategies will provide a basis to position ourselves for the future and balance short-term business objectives with long-term direction.

Financial Projections

The table below highlights the Corporation's Financial Projections over the SCI period.

SUMMARY OF PROJECTED FINANCIAL RESULTS	2014-15 BUDGET	2014-15 FORECAST	2015-16 BUDGET	2016-17 PROJECTION	2017-18 PROJECTION	2018-19 PROJECTION
Total Revenue (\$M)	592.4	583.8	579.2	617.6	624.6	644.1
Operating Costs (\$M)	407.1	394.5	407.4	428.8	405.0	412.9
Depreciation (\$M)	63.9	117.2	101.0	91.6	91.3	91.8
NPAT (\$M)	47.7	-63.6	9.8	25.3	43.3	46.4
Dividend (\$M)	23.8	0.0	4.9	12.6	21.6	23.2
Capital Investment (\$M)	161.6	155.6	154.9	128.1	114.6	157.2
Loan Drawdowns (\$M)	30.0	10.0	161.0	78.0	255.0	300.0
Cash at bank (\$M)	20.1	-5.3	17.8	23.9	23.7	20.7
Interest cover (times)	2.3	-0.5	1.2	1.6	1.9	1.9
Gearing	58.0%	48.0%	43.9%	44.8%	45.3%	46.6%
FFO to Interest (times)	3.0	3.0	2.8	2.9	3.2	3.2
Return on Total Assets	7.0%	-1.4%	2.7%	3.6%	4.6%	4.8%

During the 2014-15 financial year the structural separation of Jacana Energy and Territory Generation from the Corporation was substantially completed. Finalisation of structural separation involves completion of activities including financial management system separation. As part of the separation we were allocated \$60 million more debt and \$20 million less cash than had been projected in the 2014-15 SCI. In addition, it was determined that the CSO payments to us would be around \$10 million less than was approved in the 2014-15 SCI for the 2014-15 financial year. These two adjustments (cash allocation and CSO) were made nine months through the 2014-15 financial year and we have had insufficient time to curtail expenditure sufficiently to respond. Hence, we are expected to have a negative cash position (- \$5.3 million) at the end of the 2014-15 financial year. We have requested an overdraft to cover this cash shortfall.

These outcomes will be ameliorated by our continued focus on improving financial sustainability by managing expenditure growth, improving business efficiency through implementation of new work practices and deployment of new technologies, improving asset management practices and enhancing revenue recovery.

Depreciation has significantly increased from the 2014-15 Budget to the 2014-15 Forecast and into the future. This is as a result of PWC moving asset valuation to fair value from the previous historical cost approach. Fair value, rather than

historical cost, better reflects the value of assets and the costs of ownership of assets. In an infrastructure business such as ours, it is important to understand the real costs of building, operating, maintaining and replacing assets. Fair value assists in achieving this. The change to fair value has increased our asset values by approximately \$745 million (net of accumulated depreciation) and depreciation by approximately \$53 million.

As a result of the higher than anticipated level of debt and lower than anticipated level of cash, the risk of the Corporation not achieving its goal of financial sustainability is increased. We will work towards a more sustainable position over the forward projected period by:

- increasing total revenue from \$579 million in 2015-16 through to \$644 million in 2018-19, an 11 percent increase over the four year period;
- increasing total operating costs by 1.3 per cent from \$407 million in 2015-16 through to \$413 million in 2018-19, as we implement strategies to constrain expenditure growth;
- investing in capital at the required levels to maintain existing assets and to respond to growth. Capital investment varies year on year due to the magnitude and timing of capital projects across our business;
- improving the interest cover ratio from 1.2 in 2015-16 to 1.9 times in 2018-19. We aim to achieve an interest cover of between 2 to 3 times, which provides reasonable assurance that debt

servicing costs can be met. This ratio has been impacted by the move to fair value (on 1 July 2014), which increased depreciation. The ratio was further impacted by the allocation of debt and cash during the separation of Jacana Energy and Territory Generation, and the reduced CSO in 2014-15. We will develop strategies during the 2015-16 year which limit debt and increase profitability to ensure that this ratio improves toward the minimum of 2 and provides reasonable assurance that we will be able to afford debt servicing costs;

- improving the Return on Total Assets (ROA) from 2.7 percent to 4.8 percent over the duration of the 2015-16 SCI. ROA is a measure of how effectively a company uses its assets; and
- seeking approval from the Shareholding Minister to retain and reinvest dividends in the business.

A net profit after tax of \$9.8 million is budgeted in 2015-16, representing an increase of \$73.4 million compared to the loss of \$63.6 million forecast in 2014-15. The 2014-15 net profit after tax is adversely affected by the following items, which were not able to be predicted at the time of producing the 2014-15 SCI:

- CSOs reduced by around \$10 million; and
- a one-off \$104 million asset write down resulting from generation assets transferring to Territory Generation.

Projected revenues

Total revenue, including CSO funding, gifted assets and other revenue, in the 2015-16 SCI is projected to increase by \$65 million (11 percent) from \$579 million in 2015-16 to \$644 million in 2018-19. Revenue associated with support services provided to the newly formed Territory Generation and Jacana Energy is expected to decrease as those organisations become more stand-alone and source alternative service providers. The reduction is \$15.4 million per annum phased in over the current financial year and 2015-16.

PROJECTED REVENUES	2014-15 BUDGET	2014-15 FORECAST	2015-16 BUDGET	2016-17 PROJECTION	2017-18 PROJECTION	2018-19 PROJECTION
Electricity Network (\$M)	160.0	160.6	181.4	185.9	190.6	195.3
Systems Control (\$M)	1.8	1.7	1.8	1.9	1.9	1.9
Water (\$M)	104.9	108.9	109.9	111.7	115.3	119.1
Gas (\$M)	168.8	173.9	161.0	166.8	149.9	155.4
Sewerage (\$M)	66.4	67.7	68.6	71.3	74.3	77.5

Community Service Obligations

The CSO funding in this SCI includes funding from the Department of Health for the Pensioner and Carer Concession Scheme to provide concessions to eligible customers for electricity, water and sewerage services.

As part of structural separation, it was determined that the CSO payments to the Corporation to maintain uniform tariffs across the Northern Territory would be \$10 million less than that approved in the 2014-15 SCI for the 2014-15 year.

Finalisation of the structural separation arrangements has seen the Corporation allocated responsibility for the operation of five minor centre power generation facilities for which CSO funding arrangements have yet to be determined.

COMMUNITY SERVICE OBLIGATIONS	2014-15 BUDGET	2014-15 FORECAST	2015-16 BUDGET	2016-17 PROJECTION	2017-18 PROJECTION	2018-19 PROJECTION
Uniform Tariff Concession (\$M)	16.4	6.4	5.8	6.0	6.3	6.6
Pensioner and Carer Concession (\$M)	7.9	7.2	8.3	8.5	8.7	9.0

Expenses

Tight cost control will see forecast operating expenses in the 2015-16 SCI increase only slightly by \$5.5 million (1.3 percent) from \$407 million in 2015-16 to \$413 million in 2018-19.

This reflects the efficiency measures introduced in previous years that have carried through into the 2015-16 SCI forecasting, combined with continued efficiency and expenditure growth constraints. In addition, due to the Final 2014 Network Price Determination (NPD), Power Networks' regulated expenditure is reducing over the forward estimate period. Costs associated with providing the support services to Territory Generation and Jacana Energy are not able to be decreased as quickly as the revenue is reducing due to a number of costs being fixed over the short term. Associated cost savings of \$5 million commence in 2016-17 and increase by \$5 million per annum each year thereafter until these cost savings have been achieved.

Operating costs, excluding savings and efficiencies, in the outer years are projected to increase by Consumer Price Index (CPI) of 2.5 percent.

The personnel budget assumes an annual base salary increase of 3.0 percent and provides for allowances, in accordance with the 2010-15 Enterprise Agreement. Superannuation is based on conditions of service at the commencement of an individual's employment, 5.5 percent payroll tax, leave loading and fringe benefits tax as per the current arrangements.

Power Networks' operations and maintenance expenditure budget has been developed based on the Utilities Commission's (the Commission) 2014 NPD approved expenditure, including the Commission's unallocated efficiency adjustment.

Initiatives such as the implementation of Power Networks' Works Management Project, the implementation of the revised Network Capital Contributions Policy, streamlining processes for both Power Networks and customers, and a continuing focus on reducing operational costs are supporting the achievement of efficiency gains. It is expected that these initiatives will also assist Power Networks meet the Commission's 2015-16 efficiency target.

Meeting the Commission's 27 percent unallocated efficiency adjustment over the 2014-19 regulatory period will be challenging. Further analysis will be required to determine the effect on Power Networks' repairs and maintenance programs and staffing levels and the resulting impact on system reliability (power outage frequency and duration), customer satisfaction, etc. This analysis will be performed over the next 18 months when the impact of the Works Management Project and the introduction of the new Enterprise Agreement are known.

Repairs and Maintenance Expenditure

The 2015-16 SCI Repairs and Maintenance expenditure totals \$254 million over the period of the SCI. Expenditure decreases from \$65 million in 2015-16 to \$60 million in 2018-19. This covers the on-going planned and preventative maintenance necessary to maintain, and where possible, improve service delivery and reliability.

The table below provides repairs and maintenance expenditure by business line. Reductions in Power Networks repairs and maintenance align with those set by the Final 2014 NPD.

REPAIRS AND MAINTENANCE	2014-15 BUDGET	2014-15 FORECAST	2015-16 BUDGET	2016-17 PROJECTION	2017-18 PROJECTION	2018-19 PROJECTION	SCI TOTAL
Power Networks	38.1	36.7	39.3	38.9	35.2	32.8	146.1
Water	10.5	10.5	12.5	12.7	12.9	12.9	51.1
Sewerage	11.5	11.5	10.2	10.4	10.4	10.4	41.5
Other	2.4	2.3	3.2	4.8	3.4	3.4	14.9
Total	62.6	61.0	65.2	66.9	62.0	59.6	253.7

Projections

Major assumptions used to complete the outer years projections are described in the Assumptions chapter.

Retail Electricity, Water and Sewerage tariff increases have been based on the Government approved tariff increases until December 2015. Retail Electricity, Water and Sewerage tariffs are charged to customers by retailers.

Electricity Network revenues are based on the Ministerial Direction made by the Shareholding Minister pursuant to the GOC Act. Electricity network tariffs are charged to electricity retailers including Jacana Energy, QEnergy and PWC Retail.

We currently provide the NT Government a dividend equal to 50 percent of our net profit after tax. However, it is noted that the Ministerial Direction in relation to Power Networks revenue allowed for reduced dividends to offset the reduced revenue. We are currently investigating how this could be implemented.

Gas supply costs increase in line with changes in demand and increases in gas, pipeline haulage tariffs under escalation provisions of the applicable contracts. Long-term arrangements with known escalation generally provide for a stable cost growth profile.

Personnel numbers are budgeted to reduce slightly (4.5 percent) over the forward estimate period in line with reducing costs associated with providing reduced support services to Territory Generation and Jacana Energy, with direct personnel costs reducing from \$121.9 million in 2015-16 to \$116.4 million in 2018-19.

Repairs and maintenance expenditure reduces from \$65 million in 2015-16 to \$60 million in 2018-19, which is 2.6 percent of the written down value of property, plant and equipment in 2015-16, decreasing to 2.3 percent in 2018-19. This is largely driven by the Utilities Commission's NPD. Any reduction in repairs and maintenance expenses must be carefully considered to ensure that maintenance is undertaken to appropriate standards.

Annual controllable cost increases are contained at CPI on average.

Our gearing ratio on average is 45 percent per annum in the 2015-16 SCI. Interest cover on average is 1.7, which does not meet the Corporation's independently verified minimum of 2. We will be exploring opportunities to improve this ratio during the 2014-15 year.

Assumptions

The key economic and operational assumptions used to prepare the financial projections included in this SCI are detailed below. The assumptions outline the expected business environment, reflect corporate strategies and provide the basis for financial modelling and the development of Operating and Capital Expenditure.

Electricity demand

Peak demand is one of the major drivers of Power Networks' capital investment program. The following table shows the 2015-16 peak demand forecasts for the Darwin-Katherine, Tennant Creek and Alice Springs networks.

PEAK DEMAND (MW)	DARWIN-KATHERINE	TENNANT CREEK	ALICE SPRINGS
Forecast 14-15 SWMD*	310 MW	7.2 MW	62 MW
Forecast 15-16 SWMD*	315 MW	7.2 MW	62 MW
10 yr. forecast CAGR**	2.10%	0.50%	0.30%

*SWMD – Standard Weather Maximum Demand

**CAGR – Compound Annual Growth Rate

Peak demand growth rates are expected to continue at these levels over the SCI period.

Water demand

The following table shows the 2015-16 demand forecasts for Darwin and Alice Springs.

TOTAL CONSUMPTION (ML)	DARWIN-KATHERINE	ALICE SPRINGS
2014-15 Base	35,305	8,058
Growth	0.92%	0.40%
2015-16	35,630	8,090

Overall growth forecasts for each region for water demand have been determined based on historical consumption for natural growth, projected demand from major customers, one-off growth events, medium term weather patterns, price elasticity impacts and demand management initiatives.

Demand for water is expected to continue to grow negligibly in the outer years of the forecast as our demand management initiatives are progressively implemented. Lowering demand delays the augmentation of the water supply. The success of the Living Water Smart program and industrial and commercial demand will determine when a new source of water is required. The forecasts account for prospective developments including major new industrial customers such as INPEX.

Electricity, water and sewerage demand in remote communities

Demand growth forecasts for remote Indigenous communities serviced by IES have stabilised, after a number of high growth years resulting from significant housing and infrastructure investment by the Australian and Northern Territory Governments. The IES electricity retail sales forecast is based on 2013-14 electricity consumption (kWh). IES usage growth rates have been conservatively set at 0 percent for both electricity and water based on advice that most of the significant projects (i.e. housing projects) have been completed and therefore population and consumption levels will stabilise.

No growth has been forecast for electricity, water and sewerage services consumption for IES in 2015-16 as shown in the table below.

DESCRIPTION	2015-16 BUDGET	AVERAGE GROWTH OVER SCI PERIOD (2015 TO 2019)
Electricity – kWh	0%	0%
Water – kL	0%	0%
Sewerage	0%	0%

Fuel supplies

The financial projections in this SCI assume that the Blacktip gas field will continue to provide the majority of gas supply for electricity generation in the major centres. Emergency gas supply is available from Darwin LNG via the Wickham Point interconnect pipeline and further back-up gas supply is also expected from INPEX in early 2017.

Other financial assumptions

New loans are assumed to be interest only at around 4.5 percent for 2015-16, 5.5 percent for 2016-17, and 6.5 percent for the remainder of the SCI period. Interest revenue rates for cash at bank are assumed to be 2.5 percent for the SCI period. This SCI assumes that we will be largely unaffected by fluctuations in AUD/USD exchange rates due to relatively low exposure to expenditure in USD. The dividend policy is based on 50 percent of Net Profit After Tax. It has been budgeted that we will be in a dividend payable position from 2015-16 onwards. The SCI Financial Projections include the allocation of written down Territory Generation assets following structural separation.

We are currently investigating the implications of the allocation of assets as a result of the structural separation into three government owned corporations. As part of this separation, assets have been transferred from the Corporation to Territory Generation at a value lower than these assets were held on PWC's asset register. The current estimate of the difference in values is \$104 million. This difference is likely to be a write off in our financial statements and negatively impact our profit in the 2014-15 year and has been included in the forecast within this document. In addition, Territory Generation is moving to using its own asset management (AMS) and financial management (FMS) systems. This may result in the AMS and FMS systems of the Corporation being impaired, which also would negatively impact our profit in 2014-2015. Investigation into this matter is in early stages and has the potential total impact of between \$10 million and \$30 million. Due to the uncertainty of this matter, this adjustment has not been included in the financial statements.

Capital Investment

2015-16 SCI Capital Investment Program

The capital investment program for 2015-16 of \$155 million is detailed in the table below. Our capital investment program for the SCI period 2015-16 to 2018-19 totals \$555 million.

CAPITAL INVESTMENT PROGRAM	2014-15 BUDGET	2014-15 FORECAST	2015-16 BUDGET	2016-17 PROJECTION	2017-18 PROJECTION	2018-19 PROJECTION	SCI TOTAL
Power Networks	75.4	75.4	58.9	49.5	38.4	63.1	209.9
Water	42.4	33.2	54.8	45.1	40.1	66.3	206.2
Sewerage	24.2	29.4	16.6	22.4	27.7	14.4	81.2
Other	19.6	17.6	24.6	11.2	8.3	13.4	57.5
Total (excluding Remote Operations)	161.6	155.6	154.9	128.1	114.6	157.2	554.8
Remote Operations	18.0	31.9	34.3	33.3	33.5	23.8	124.9
Total (including Remote Operations)	179.6	187.6	189.2	161.4	148.0	181.0	679.6

2015-16 SCI Capital Investment Program Funding

Capital investment per annum on average over the 2015-16 SCI period is around \$139 million funded by a mix of Net Cash provided by Operating Activities and new borrowings. Over the 2015-16 SCI period, interest expense increases from \$56.8 million to \$73.2 million.

Effective fiscal management of the capital investment program underpins our overarching target to become commercially sustainable. This section outlines our Capital Investment Program and summarises primary investment drivers and major projects. Under the Capital Investment Delivery Framework, the planned projects will be subject to business case review.

Our investment in power network, water and sewerage infrastructure over the SCI period will cater for growth and service reliability.

Power Networks

The Power Networks capital investment program is developed in accordance with the planning criteria for load growth and an objective need approach for asset replacement. In 2014, the Utilities Commission endorsed a program of capital investment in its Final 2014 NPD. This program has been accounted for in the 2015-16 SCI, including the risks and resource capability to deliver these projects in time and within budget. In the 2015-16 SCI Power Networks capital investment program of \$209.9 million over the SCI period includes the following major projects:

- rebuilding the 132kV Transmission Line at Elizabeth River Crossing section;
- replacement of the Casuarina Zone Substation 66kV Outdoor Switchyard;
- construction of a new 66kV transmission line from Archer Zone Substation to Palmerston Zone Substation; and
- replacement of the Strangways (McMinns) Zone Substation.

Water Services

For the 2015-16 SCI, Water Services' capital investment program is focused on improved planning, a clearer emphasis on essential compliance programs and more effective project delivery. The Water Services' capital investment program totals \$206.2 million over the 2015-16 SCI period and includes the following key projects:

- the Howard East Borefield project will increase the redundancy at the bore field maximising groundwater extraction while complying with existing allocation requirements as per the licence. It will also enable an extraction rate equivalent to 25 percent of average wet weather flow, thus achieving the targeted emergency supply capacity required against a possible short term supply interruption;
- the initiatives under the Living Water Smart program focus on a reduction in water consumption and network losses in order to defer large scale water supply source capital investments;
- augmentation at Palmerston will include new pumping and transmission infrastructure with a new water tank to service the significant growth in the Palmerston region;
- development of a Darwin River Dam pumping station for the Darwin region water supply will allow the capacity of the Darwin River Dam to be more effectively utilised; and

- CBD Transmission Main, Bagot Road to Woolner Road work involves a new water transmission main which will provide greater supply capacity to the Parap/CBD area.

Sewerage Services

The proposed capital investment program includes significant investment in wastewater treatment and recycling infrastructure upgrades. Capital investment is proposed in Larrakeyah, Ludmilla, Leanyer, Sanderson and Palmerston. The capital investment program for sewerage services is \$81.2 million over the 2015-16 SCI period and includes the following major projects:

- completion of the Larrakeyah Outfall Closure Plan. This project has involved the diversion of sewage from Larrakeyah and the Darwin CBD to the Ludmilla Wastewater Treatment Plant (WWTP) and upgrading the capacity of the Ludmilla WWTP. The finalisation of these major works includes the completion of the rising main to East Point and the significant extension of the ocean outfall;
- East Arm Wastewater Treatment Plant Stage 1. Further growth at East Arm requires additional rising main capacity to transfer sewage from the existing and planned pump stations to the Berrimah Waste Stabilisation Ponds (WSP). Continued growth at East Arm has utilised available capacity in the sewerage rising main from the Trade Development Zone Sewerage Pump Station to Berrimah (WSP). The new rising mains will link the future treatment and buffering capacity facility (Stage 2) at East Arm to East Arm Sewage pump stations and the Berrimah WSP. The rising mains are designed to allow flexibility in directing flow to and bypassing the East Arm Facility; and
- construction and augmentation of treatment plants at Leanyer/Sanderson will ensure an effluent discharge that complies with the Waste Discharge Licence conditions. Sewerage treatment efficiencies will be further gained by the continued program for pond de-sludging.

Remote Operations

The capital investment program for Remote Operations is \$124.9 million over the 2015-16 SCI period. Several significant electricity projects across both northern and southern regions of the Northern Territory over the 2015-16 SCI period will be rolled out under SETuP. This project will see the large scale roll out of 10 MW of solar systems across more than 30 remote Indigenous communities. The project is expected to deliver 94 million litres of diesel savings over the 25 year life of the project.

Under the IES Agreement with DLGCS, Remote Operations will deliver a project in Angurugu (Groote Eylandt), to upgrade to a full gravity sewerage system.

Other major investment

Other major capital investment is aimed at improving the quality and efficiency of PWC's business. The capital investment program for Corporate Services is \$57.5 million over the 2015-16 SCI period. Major investment works planned over the life of this SCI include:

- continued focus on Phase II of the Asset Management Capability project with a revised completion date of 2016-17. Considerable effort has been employed to define assets, determine and produce process flows. The introduction of the new systems will assist with improving asset management, particularly in the areas of asset maintenance planning and condition monitoring.



Risks

The SCI is based on the best information that is currently available, however several external risks exist that may affect the attainment of our projected financial and operational outcomes. We recognise that risks are inherent in the provision of utilities services.

Corporate Risk Register

Our integrated Risk Management Framework aims to identify and manage these risks. The 16 corporate risk categories each contain a number of individual risks that when combined give each category its overall risk rating. The individual risks, representing corporate, business unit, operational and project risks, are identified, monitored and reviewed on a regular basis. Our Risk Management Framework has identified the following as the current major risks with mitigating actions identified. A number of corporate risk rankings have been moderated as a result of both internal and external influences, and shifts in the process or risk context and exposure. The resultant corporate risk rankings are portrayed in the residual risk heat map provided below. The table below provides the key to the Corporate Risk categories.

Residual Risk

	Almost certain E	Medium	Medium	Very high	Extreme	Extreme
	Likely D	Low	Medium	High	9 11 12 Very high	Extreme
	Possible C	Low	Low	Medium 16	High 7 14 15	1 2 3 Very high 4 5
	Unlikely B	Low	Low	Medium	High 6 8	High
	Rare A	Low	Low	Medium	Medium	High 10 13
		Insignificant 1	Minor 2	Moderate 3	Major 4	Severe 5
Likelihood						
		Consequence				

RISK ID	RISK DESCRIPTION	KEY RISK MITIGATIONS
C1	Crisis Management	Established Crisis Management Plans and Committees
C2	Public Safety	Safety Management and Mitigation Plan
C3	Staff and Contractor Health and Safety	Safety Management System
C4	Environmental Management	Environmental Management System
C5	Water Quality/Waste Management	Water Testing Program
C6	Fuel Supply Management	Fuel Contracts for long term fuel supply agreements, backup fuel supply
C7	Legal and Regulatory Compliance	Compliance Strategy and Programs
C8	Information Technology, SCADA and Communications	ICT Strategy
C9	Project and Contract Management	Project Management Framework
C10	Terrorism, Security and Vandalism	Security Management Function, barriers at high risk sites
C11	Capacity and Capability	Workforce Planning Framework
C12	Supply of Core Services	Asset Management Framework
C13	Financial Management	Financial Processes and Controls
C14	Corporate Image and Reputation	Public Relations and Brand Strategies
C15	Competition	Unlikely to remain as a Strategic Risk following Structural Separation
C16	Stakeholders	Stakeholder Engagement Strategy

The PWC Board maintains a Risks and Compliance Watch List which is monitored and reviewed on a regular basis. The Watch List identifies the highest risks to the Corporation. The Watch List risk and compliance areas are also integrated and treated under the Risk Management Framework and with key risk mitigations respectively. The Watch List risk and compliance areas include, but are not limited to:

- structural separation;
- financial risk;
- financial sustainability;
- water quality and sewerage discharge licenses;
- remote service delivery;
- safety;
- legal compliance issues; and
- new gas sales.

Glossary

CPI	Consumer Price Index
DLGCS	Department of Local Government and Community Services
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
FFO	Free Funds from Operations
FTE	Full Time Employee
GOC Act	Government Owned Corporations Act
IES	Indigenous Essential Services Pty Ltd
kL	Kilolitre
KPI	Key Performance Indicator
kV	Kilovolt, 1000 volts
kWh	Kilowatt hour
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
M	Million
ML	Megalitre
MW	Megawatt
MWh	Megawatt-hour
NPAT	Net Profit After Tax
NT	Northern Territory
PWC	Power and Water Corporation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
WWTP	Wastewater Treatment Plant

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