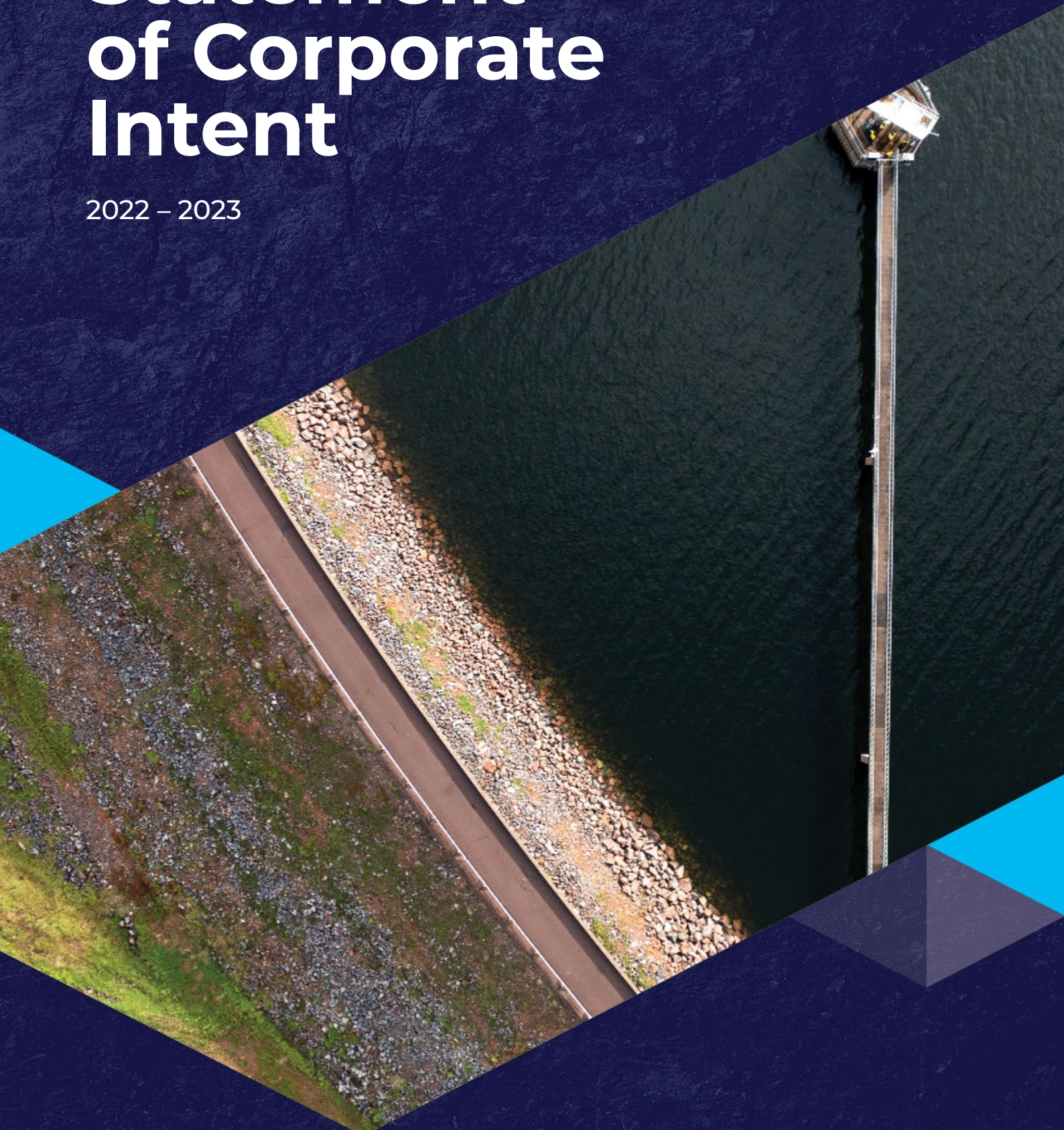


# Statement of Corporate Intent

2022 – 2023



@PowerWaterCorp



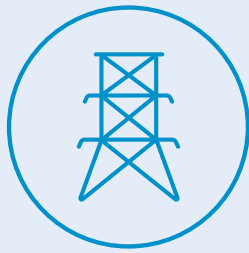


Power and Water operates across all regions of the Northern Territory. In the spirit of reconciliation we acknowledge the Traditional Custodians of Country throughout the Territory and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



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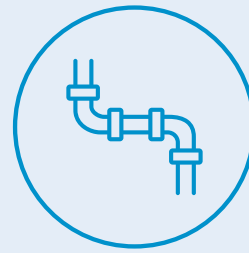
**87,169**

Power network  
customers



**49,554**

Water  
customers



**61,000**

Wastewater  
customers



**74,723**

customer calls



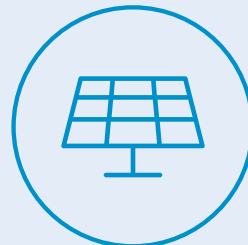
**27,612**

customer emails



**1,496**

live chats



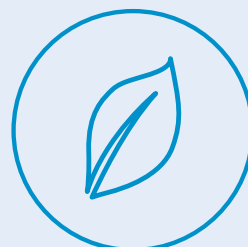
**1,891**

solar photovoltaic  
(PV) applications



**10,530**

online services  
including web  
forms submitted



**2,726**

requests via  
Power and  
Water app

# 1. Executive Summary

Power and Water Corporation is pleased to present Power and Water's 2022-23 Statement of Corporate Intent (SCI). The Statement of Corporate Intent is an agreement between Power and Water and the Northern Territory Government, and between Power and Water and the people of the Northern Territory, about priorities, what will be delivered over the next four years, and how Power and Water makes a difference to the lives of Territorians.

Power and Water is a complex multi-utility business with many competing priorities. Power and Water's operations span the entire supply chain of the energy, water and waste water industries, plus a gas business. The passion, commitment and innovation of our people is critical to delivering our services safely and reliably across the Territory's 1.3 million square kilometres.

Setting the scene for this 2022-23 Statement of Corporate Intent is what Power and Water has achieved in 2021-22 as our journey continues to become a more efficient, more customer focused organisation.

Safety and compliance systems protect our people and the business and are always front and centre in our thinking. In 2022 Power and Water launched a new Health, Environment, Risk, Compliance and Safety system that enables employees to capture comprehensive details about any incident and hazard, document the consequences of an incident and investigation findings, record corrective actions and link events to other key risk management functions such as risks, compliance obligations or audits. This new capability will provide improved trending and management reporting.

Power and Water also began an Accelerated Strategic Sourcing program that will ultimately allow standardised and optimised supply chain and inventory management across the business, delivering improved value, streamlined processes and cost-efficiencies. It brings together critical components of Power and Water's supply chain including planning, design, procurement and contract management to deliver better value and outcomes for this key area of the business.

Power and Water achieved a major milestone with the release of the detailed business case for the return to service of Manton Dam and the development of the Adelaide River Off-stream Water Storage (AROWS) projects. These additional water sources will provide a sustainable, secure water supply that meets the demands of the community today and into the future. They will also be essential in realising economic and population growth, and making a difference to the lives of Territorians.

Mindful of our key role in the Territory's economic recovery, a key priority for 2021-22 has been the creation of a Project Prioritisation Framework. Once fully implemented the framework will help to qualify, evaluate, assess and score projects against business goals and strategic objectives in order to support strategic decision-making and ultimately maximise the efficiency and deliverability of our capital investment program.

With these achievements providing the business with a solid base from which to grow, we must now consider where to from here? For a business as diverse as ours, this can be quite a complicated task. How do you prioritise maintaining a water tank in a remote community over replacing a HV switchboard on one of our minor generation centre plants? How do you prioritise research and development in water treatment, over the here-and-now demands of asset condition assessment?

The Board has considered these complex issues and, together with the specialised and dedicated employees of Power and Water, has identified eight priority areas in this year's Statement of Corporate Intent.

The Board has considered these complex issues and, together with the specialised and dedicated employees of Power and Water, has identified eight priority areas in this year's Statement of Corporate Intent.

**1. Continue to evolve and implement our Operating Model reforms.** Without a well-functioning business equipped with the necessary tools and training and processes, all of our best laid plans are in jeopardy. We started this journey a number of years back and it is paramount we stay the course. In 2022-23, the most important element of this will be the delivery of our new meter-to-cash system. This work involves the development of systems to meet the compliance requirements of the NT National Electricity Rules, all the way through to ensuring customers receive and can pay their bills. The Operating Model will continue to evolve during its implementation, based on customer and stakeholder needs as well as better organizational practices and standards.

**2. Delivery of the 2024 – 2029 regulatory proposal to the Australian Energy Regulator (AER).** Power and Water is halfway through its first regulatory control period under the AER and the business has made significant advancements in becoming a compliant, regulated business under the new regime. As Power and Water embed the learnings from the first regulatory control period under the AER, Power and Water is preparing to submit our new regulatory proposal for the next period. The first notable achievement will be bringing our customers with us via forums like the People's Panels as Power and Water produce a compliant, timely and considered submission to the AER for the 2024–2029 regulatory control period.

**3. Economic regulatory reform in the water industry.** The Northern Territory Strategic Water Plan presents an opportunity for the entire portfolio to make a step change forward and one of the biggest areas for Power and Water will be the establishment of a fit-for-purpose economic regulatory framework.

The framework will govern how Power and Water invests in assets, what products and services are offered to our customers, how Power and Water charge for those services and, most importantly, the value proposition delivered to our customers.

**4. A continued strong focus on water security and quality** across all of our 92 service locations. Power and Water understands the great trust our community places in us as their water provider and it will always be one of our top priorities.

**5. Renewable energy** is where our future lies. As the electricity network service provider, the Power System Controller, the Market Operator and the provider of electricity in our remote communities, Power and Water must invest in the technology to ensure the electricity system is ready for the opportunities and challenges renewable energy brings.

**6. Uplifting the standard of service in our remote communities.** As the operator of the water and electricity services in 72 remote communities across the Territory, Power and Water has a responsibility to work closely with government to find better ways of delivering and funding those services and finding ways to uplift the standard of those services for the individuals and businesses living and operating in some of the most remote places in the country.

**7. Our Gas Services business** is a relatively small part of the business by the size of the team, but in dollar terms it is one of the biggest contributors to our financial position and ensuring it is operating on a sustainable financial footing is a key focus for the Board. The wholesale gas we supply to Territory Generation powers the generators that keep the lights on, while the gas we provide to our other customers powers the Northern Territory economy.

**8. Remain outward looking to our external environment.** As a diverse multi-utility, it could be easy to be inward looking and focus only on the here and now. At Power and Water, we put people first and are committed to giving our customers our best. Power and Water focus on the role we play in our customers' homes and businesses, in working with developers to grow our community and with the big commercial enterprises and projects that drive our economy. Power and Water is committed to staying in touch with our customers and our stakeholders, listening to what they want, understanding what they need and making sure plans are in place to deliver now and into the future.

The 2022-23 Statement of Corporate Intent provides a clear framework for Power and Water to achieve these strategic objectives for the benefit of our customers and our stakeholders.

**Peter Wilson AM**  
Chair



**Djuna Pollard**  
Chief Executive Officer

## 2. Overview

Power and Water Corporation (“Power and Water” or “the Corporation”) is a Northern Territory Government (NTG) owned utility that operates across 1.3 million square kilometres and in diverse environmental conditions, ranging from the arid dry of the central desert to the tropical monsoon of the Top End. Power and Water generates, transmits and distributes electricity, supplies water and wastewater treatment services across the Northern Territory (NT) for the benefit of all Territorians.

Power and Water is an enabler of economic development within the NT, often underpinning key strategic projects through its gas supply and transportation businesses and the secure supply of water.

Power and Water is established under the *Power and Water Corporation Act 2002* and the *Government Owned Corporations Act 2001* (GOC Act). It has a Board of Directors which is responsible to the Shareholding Minister for Power and Water’s operating and financial performance. The way Power and Water intends to meet the expectations of its shareholder are outlined in this Statement of Corporate Intent (SCI). In accordance with the GOC Act, Power and Water’s objectives are to:

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

Power and Water has an important role in facilitating the efficient delivery of the NTG’s economic and renewables agenda. It works constructively with key stakeholders and is a front-line responder during and after a natural disaster, helping to restore essential services to the community.

This Statement of Corporate Intent sets out the nature and scope of the Corporation’s business activities, goals, key strategies, risk management, capital investment plans and performance targets over the four-year period commencing 1 July 2022.



## 2.1 Nature and scope of activities

Power and Water provides services to the community across the end-to-end water and electricity supply chains and through its gas supply and transportation arrangements. This is in addition to its regulatory obligations as the Power System Controller and Market Operator.

### Power networks and system control

Power and Water owns and operates the regulated electricity network and parts of the unregulated electricity network in licenced areas, distributing electricity through three power networks, from the wires to the meters.

It also owns and operates generation plant in five minor centres and plant in remote communities.

Power and Water has the responsibility of being the System Controller, which involves operating and controlling the Territory's three power systems and ensuring these power systems are balanced, stable, safe, secure and reliable.

As the Market Operator, Power and Water operates the interim wholesale electricity market in the Northern Territory.

### Water and wastewater

Power and Water owns and operates the large dams and groundwater fields delivering water to households and businesses.

It also removes and treats wastewater before disposing of it in an environmentally responsible manner.

Power and Water is licensed to provide water and wastewater services to five major urban centres and five of the 13 minor urban centres, with the remaining minor centres provided with water services only.

### Serving remote customers

Power and Water manages the provision of electricity, water and wastewater services to remote Aboriginal communities and outstations on behalf of the Department of Territory Families, Housing and Communities (DTFHC). These arrangements are through Indigenous Essential Services Pty Ltd (IES), a not-for-profit subsidiary of Power and Water, under agreement with the Northern Territory Government (NTG).

### Gas acquisition and distribution

Power and Water owns and maintains various gas pipeline assets, along with the management of a large gas wholesale supply and transportation portfolio that includes sales to electricity generators, large businesses across the NT and into interstate markets.

### Customer and business support

Centralised functional support is provided across Power and Water encompassing such aspects as customer experience, people and culture, health, safety, and environment, information technology, finance, corporate affairs, governance, strategy, pricing and economic analysis, regulatory, risk and compliance services.

### Supporting the NT economy and community

Power and Water facilitates the efficient delivery of the NTG economic agenda while working constructively with key stakeholders. Additionally, it is a key responder after a natural disaster, helping to restore essential services to the community.

## 2.2 Licences and operating areas

Power and Water holds operating licences for electricity and water supply for the majority of the NT. The following table illustrates the types of operating licences held and the areas for which it is licenced to deliver those services

License Type	Areas
System Control	Darwin to Katherine, Tennant Creek and Alice Springs
Electricity Generation	Elliott, Daly Waters, Ti-Tree, Timber Creek, Borroloola and IES communities
Electricity Network	<p><b>Regulated Networks:</b> Darwin, Katherine, Tennant Creek and Alice Springs</p> <p><b>Non-regulated networks:</b> Daly River, Jabiru, Borroloola, Timber Creek, Daly Waters, Elliot, Newcastle Waters, Yulara, Ti-Tree, Kings Canyon, Nhulunbuy (surrounding rural areas only), Groote Eylandt and IES communities</p>
Electricity Retail	Jabiru, Nhulunbuy, Alyangula and IES communities
Water including Retail	<p><b>Major Urban:</b> Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara</p> <p><b>Minor Urban:</b> Batchelor, Adelaide River, Pine Creek, Borroloola, Timber Creek, Daly Waters, Elliott, Newcastle Waters, Ti-Tree, Larrimah and Mataranka</p> <p><b>Restricted service area:</b> Cox Peninsula, Wagait Beach and IES communities</p>
Wastewater including Retail	<p><b>Major Urban:</b> Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara</p> <p><b>Minor Urban:</b> Batchelor, Adelaide River, Pine Creek, Kings Canyon, Borroloola and IES communities</p>

Power and Water also manages major gas supply and transportation agreements. These account for approximately 90 per cent of the NT's domestic gas market supply and meet demand for gas from a large number of businesses operating in the NT, as well as the East Coast via the Northern Gas Pipeline.



## 2.3 Our service delivery area



## 2.4 Major challenges

Power and Water is facing a range of changes in its operating environment. Over recent years it has seen its regulated energy business become subject to the requirements of the AER. The first regulatory determination for Power and Water was delivered in 2019 and a second determination is due in 2024. Power and Water's regulated electricity network pricing proposals are approved annually by the AER, which can result in greater variability in annual revenues. Meeting the information needs of the AER has seen increases in operating costs that are, together with revenue impacts, reflected through the SCI.

Power and Water is also working to support the delivery of the NTG's objective of reaching 50 per cent renewable energy by 2030. Estimates suggest that there will be 77MW of large scale renewable generation added to the network over the coming 12-15 months, which is on top of approximately 75MW of small scale (behind the meter) rooftop solar photovoltaic (PV) currently installed and increasing at around 0.4MW per month. By the end of 2022-23 the Darwin-Katherine grid is anticipated to have as much as 160MW of solar generation. This contrasts with an average dry season demand of 136MW, which has dropped to as low as 67MW (May 2020). Managing this mix of generators to ensure system stability, security and reliability is a priority for Power and Water.

The NTG's Electricity Market Priority Reforms concerning dispatch, settlement, essential system services and reliability will require Power and Water, in its role as Market Operator, to develop systems and market tools, and employ the necessary resources to operate the market. A gateway review of the proposed market design is underway and is supported by Power and Water to ensure a fit-for-purpose market is implemented and achieves the best outcomes for our customers. The review will require a delay to the implementation of the reforms, however substantial work will be undertaken in this SCI period to meet the NTG's objectives. Power and Water will continue to prioritise those initiatives that support system security, but will defer a number of market initiatives for 12 months. This will result in a further extension of a number of 'interim' market related measures, which may impact system participant commercial outcomes.

Supporting the market reforms along with facilitating the transition to renewables has required significant effort and resources from Power and Water that are yet to be funded. To limit the fiscal impact, Power and Water has prioritised these activities and deferred a number of other initiatives. It is anticipated that recovery of these costs will commence in July 2024 with an initial upfront cost recovery of historical operational costs followed by an ongoing increase to recover ongoing operational and capital cost recovery. Earlier recovery may be possible, but would rely on the NTG supporting an expedited cost pass-through application process or alternative funding source.

As part of ensuring security of the long term supply of water across the Territory, the NTG has committed to the investigation and development of major water source augmentation projects. Power and Water, as the owner and operator of the Territory's major water sources, plays a key role in this endeavour. In February 2022, the NTG accepted the findings of a detailed business case that the Manton Dam Return to Service and AROWS projects were the preferred long-term water security solutions for the greater Darwin region. The AROWS project, at circa \$1 billion, is one of the biggest capital projects contemplated in the history of Power and Water and the NTG. As such, preparation for these projects feature prominently in this SCI period.

To meet these challenges and opportunities, Power and Water needs to change and adapt. The Operating Model program has been developed to shape our business structure and processes to drive new ways of operating and improve business efficiency and effectiveness. A key aspect of the program involves replacing ageing Information, Communication and Technology (ICT) systems. Across 2022-23 we will implement new meter data management and customer billing systems. These are urgently needed to address end-of-life- system functionality and integration issues relating to customer interaction, basic billing, collection and financial reporting, reducing costs of re-work, compliance shortfalls and to address significant business risk.



Supporting large projects and significant energy market reform creates a challenging operating environment, exacerbated by concurrent efforts to drive improvements in core business. Further, PWC operates in an economy with upward pressure on costs, an external regulatory framework looking to drive efficiency and low appetite for increases to customer tariffs. Over this planning period this operating context is driving a reduction

in capital investment programs. This leverages historic investment in PWC's asset base, in both power and water, however must be balanced carefully in the medium term by additional investment to manage potential asset and public safety risks. However, medium term increases in capital programs, at least in the AER regulated areas of the business, may be hampered by a regulatory framework that may not support an accelerated asset spend in future periods and negatively impact future revenue allowances in the next 2024-29 regulatory period.

The update of the Critical Infrastructure Act will influence the Corporation's posture in all aspects of system security. From protecting our water supplies, to ensuring cyber security mechanisms are in place, to protecting continuity of service for the NT's population against a rising threat of hostile actors globally. Once the Act is updated remediation plans will be put in place to transition to the new obligations for responsible entities.

The impact of COVID-19 on the NT population and Power and Water workforce will be a constant throughout the 2022-23 financial year as the disease reaches its endemic state. Power and Water will continue to work within the Northern Territory Emergency Management Framework to ensure its business continuity plan is best placed to deal with the changing nature of the virus.

Power and Water's IES subsidiary delivers essential services to 72 remote communities and 79 outstations. The governance framework for delivery of these services is under considerable pressure to ensure the ongoing financial viability of IES and that standards of service reflect community expectations. There is a growing divergence between these expectations and the standard of service provided to some of the most vulnerable Territorians. Our aim is to move towards re-establishing a financially sustainable position for IES to ensure our customers receive electricity and water services aligned with modern utility standards.

# 3. Market trends and opportunities

The future will continue to bring both opportunities and challenges for Power and Water in its important role of providing essential services. Understanding its customers and being responsible to its community and shareholder expectations are imperative to ensuring their needs are at the forefront of all that Power and Water does.

The Territory Economic Reconstruction Commission (TERC) identified a number of recommendations to drive economic development in the NT. The report urges the NTG to *strategically target investment in the right infrastructure, in the right place, at the right time to enable economic development including improved access to power and water*. These are key philosophies in use by Power and Water. Further recommendations provided by the TERC form key inputs to the opportunities available. Considerations in this SCI include:

## **Regulation driving higher standards and lower allowances**

Regulation nationally is resulting in greater scrutiny leading to higher standards of performance. With the Corporation moving to the new NT National Electricity Rules (NER) regime, there has been significant downward pressure on regulatory allowances (-18.3 per cent from the 2014-19 to the 2020-24 period) and an increase in the cost of compliance for Power and Water.

## **Renewables integration into the energy grid poses opportunities and challenges**

The NT has access to an abundance of renewable energy resources and the NTG has announced a 50 per cent renewable target by 2030. The NT's access to renewables presents an attractive proposition for mass-adoption, but it also poses key challenges to the security and stability of the local grid.

## **Energy storage and grid modernisation**

The growth of battery storage goes hand-in-hand with grid modernisation efforts including the transition to smart grids. Batteries help unlock the full potential of the new intermittent renewable energy generation

technologies. Focus will be on developing and implementing a fit for purpose renewables integration and enablement strategy, including clarity of Power and Water's role in future energy storage and generation.

These projects represent a unique opportunity for Power and Water to be actively involved in undertakings that are at the forefront of renewable energy technology.

## **Declining energy and water consumption per household**

The standard value offering for traditional utilities is weakening as households increase their energy and water efficiency. This shift is resulting in lower consumption per household and a smaller base from which to recover what are largely fixed infrastructure costs. Combined with the falling cost of producing solar PV modules and the prevalence of smart technologies, this trend will accelerate moving forward.

## **NT economy and population level/growth impacting on sentiment**

The NT Gross State Product (GSP) fell 0.6 per cent in 2020-21, recording the weakest growth in GSP of all states and territories.

Mining Gross Valued Added (GVA) fell by 12.1 per cent driven by oil and gas extraction where production volumes reduced in response to the falling commodity price<sup>1</sup>.

<sup>1</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release>



### **Evolving customer expectations driving higher standards**

Service standards are increasing across all industry sectors and the NT community will continue to demand high standards from Power and Water. Improving efficiencies and responding to these expectations in an ever changing environment is a major challenge. The way Power and Water's systems and capabilities are organised is limiting its ability to respond as a modern multi-utility. In meeting these challenges, Power and Water will continue to give its customers its best in how it thinks and operates, while implementing business efficiencies, improving performance and capabilities and leveraging all possible opportunities.

### **Gas opportunities**

The transition from thermal generation toward renewable energy sources, will significantly reduce overall gas demand in the generation sector. Power and Water is investigating opportunities to utilise contracted gas supply for other sales opportunities as they can be developed to support the NT economy.

### **Securing long-term gas supply for the NT**

New energy intensive industries require long term gas supply to underpin viability. Power and Water's unique role supplying gas for the NT has come with a key enabling role in driving economic growth in Australia's north, as outlined in the 'Our North, Our Future' strategic white paper.

### **Climate Change**

Utilities face the highest combined physical risk from climate hazards like water stress, storms and bushfires. Extreme weather events are likely to become more frequent and intense as a result of rising temperatures, increasing the physical and financial impacts<sup>2</sup>. Ensuring the climate resiliency of infrastructure is critical to limiting impacts.

Managing the use of natural resources, particularly water, is imperative in meeting customer expectations, but this impacts Power and Water's traditional business model.

### **Decarbonisation**

The world is progressing down a path to reduce carbon emissions. This presents both opportunities and risk for Power and Water and in particular its gas business. If decarbonisation initiatives and government policy in this area progress faster than anticipated, there is risk to Power and Water's gas and electricity businesses due to reduced asset use and potential stranding of assets. A number of decarbonisation opportunities that are being explored, including hydrogen as a fuel source, present exciting opportunities for the organisation.

<sup>2</sup> Utilities face greatest threat as climate risks intensify | S&P Global Market Intelligence (spglobal.com)

# 4. Strategy

At Power and Water, employees work hard every day to keep the lights on, the water running and gas supplies flowing. It is what they do as an essential services provider that **makes a difference to the lives of Territorians**. This not only conveys the critical nature of the foundational services that are provided, but it speaks to the important role Power and Water plays in growing and enabling a vibrant Northern Territory.

Power and Water's strategy reflects its future aspirations of being a **proud, trusted, modern multi-utility delivering value now and into the future**.

Power and Water's strategy focuses on putting customers and community at the centre, meeting increasing customer demands and building relationships to become a trusted partner.

In recent years, Power and Water has experienced significant changes in its regulatory, economic, industry and social environments. It is anticipated to continue to experience further increasing pressure to operate as an effective and profitable corporation.

Power and Water continues to focus on ensuring its Operating Model is fit to meet the challenges ahead. Investing in uplifting the workforce capability and culture, upgrading technical competencies, redoubling its 'safety first' focus in all that is done and working to ensure commercial sustainability to build an agile, productive and efficient one Power and Water capable of making a difference to the lives of Territorians.

It is committed to strengthening financial management and prudent cost practices and optimising revenue generation ensuring it will be ready for the future.

The Corporation's purpose and vision links to strategic pillars, big rocks (key strategic focus areas) and established values. This strategy map, along with underpinning business unit, team and employee performance plans, sets clear direction, accountabilities and responsibilities to ensure a coherent strategy.



## 4.1 Big rocks (key strategic focus areas) and strategic programs

Two big rocks have been defined for each strategic pillar. These represent focus areas underpinned by several strategic programs that, when completed, prepare us for the future. This table highlights strategic programs over the SCI period.

### One Power And Water

Power and Water's operating model, supported by a constructive culture, enables the achievement of its goals.

Big Rock	Strategic Programs	Start Timeframe
<b>Embed our Future Operating Model</b>  led by  <b>Transformation</b>	<b>Implement Wave 1 Operating Model</b> – Implementation of a new Meter to Cash ICT solution with improved business processes, Supply Chain Fundamentals - aimed at optimising supply chain and Revenue Assurance.	2021-22
	<b>Implement Wave 2 Operating Model</b> – Continuation of Power and Water ICT solutions upli-ft.	2023-24
	<b>Organisational and Process Alignment</b> – Aligning structures and processes to future state Operating Model.	2021-22
<b>Agile and Capable Workforce</b>  led by  <b>People, Culture and Safety</b>	<b>Workforce Capability and Cultural Uplift</b> – Deliver effective frameworks and programs to support skills development in the areas of safety, leadership, compliance and technical capability.	Ongoing
	<b>Strengthen Leadership Capability</b> – Drive culture and employee engagement in a disciplined way by developing leaders to build a high performing, capable, accountable and engaged workforce.	Ongoing

### Always Safe

Power and Water puts its people and customers safety first in all that it does.

Big Rock	Strategic Programs	Start Timeframe
<b>Embed a Proactive Safety Culture</b>  led by  <b>People, Culture and Safety</b>	<b>Implement One Safety Management System and Processes</b> – Improve accessibility in the field, visibility and management of safety events, corrective actions and safety audit outcomes.	2021-22
	<b>Proactive Safety Culture</b> – Mature the culture around safety from 'Reactive' to 'Proactive' as measured by the Hudson Maturity Model.	Ongoing
<b>Improve Public Health and Safety</b>  co-led by  <b>Water Services Power Services</b>	<b>Comply with Safe Drinking Water Guidelines</b> – Maintain current preventative and mitigating controls and invest in the implementation of proposed controls to ensure the supply of safe water.	2021-22
	<b>Public Safety Asset Assurance</b> – Continuous improvement of Power and Water's safe design approach to asset management.	Ongoing



## Customer and community at the centre

Power and Water places its customers and community at the centre of its attention.

Big Rock	Strategic Programs	Start Timeframe
Enhance Customer Experience and Engagement  led by  Customer Strategy and Regulation	<b>Customer Channel Optimisation</b> – Defining and mapping the end-to-end customer experiences across all Power and Water’s customer interactions.	2022-23
	<b>End-to-end Customer Experience Enhancements</b> – Delivering greater customer value and experience through an enhanced customer focus and putting our customers at the heart of everything that we do.	2023-24
Trusted Partner  co-led by  People, Culture and Safety  Customer Strategy and Regulation	<b>Reconciliation Action Plan</b> – Power and Water’s vision for reconciliation is that Aboriginal and Torres Strait Islander people have the same opportunities in health, employment and education as other Territorians.	Ongoing
	<b>Support Market and Regulation Reform</b> – This program sees Power and Water working across government and the community to ensure it can continue to provide the essential services customers want through robust policy and economic frameworks.	2021-28

## Living within our means

Power and Water lives within its means to ensure commercial sustainability.

Big Rock	Strategic Programs	Start Timeframe
Cost Prudence  co-led by  Customer Strategy and Regulation	<b>Embed Project Prioritisation Framework and Project Governance</b> – Embed the framework to support management in strategic decision making and balancing through the introduction of a mechanism to qualify, evaluate, assess and score projects against business goals and strategic objectives.	2021-22
	<b>Embed Financial Controls for Budget Repair</b> – Initiatives designed to promote prudent budget management and ensure the Corporation operates within its means.	2021-22
Finance and Business Services  Information, Communication and Technology (ICT)	<b>Implement Cost Control / Reduction Program</b> – Focused on ensuring a cost reduction and emphasis on uplifting a financial accountability culture.	2021-22
	<b>Leverage Information as an Asset</b> – Address an increased need for integrated information to analyse, manage, and optimise organisation performance.	2022-23

Big Rock	Strategic Programs	Start Timeframe
<b>Optimise Revenue</b>  co-led by  <b>Customer Strategy and Regulation</b>  <b>Gas Services</b>	<b>IES Reform</b> – The program is focused on achieving efficiencies and improving service standards.	2021-22
	<b>Gas Book Optimisation</b> – Improve the future valuation of the existing gas supply 'book' and reduce risk using a range of commercial, contractual and operational levers and without material further capital investment.	2021-22
	<b>Secure Long-term Gas Supply</b> – Secure opportunities with new energy intensive industries requiring long term gas supply to underpin the viability of their projects.	2022-23
	<b>Uplift Core Service Revenue</b> – Revisit all of Power and Water prices and cost to serve, particularly given the changes to the demands on its services and to the market.	2021-24
	<b>Unregulated Revenue Expansion</b> – Develop opportunities for growth that benefit customers through the exploration of new revenue opportunities via the development of new products and service offerings.	2022-23

### Sustainable solutions for the future

Power and Water has clarified the big shifts required based on the challenges it will face over the next 10 years.

Big Rock	Strategic Programs	Start Timeframe
<b>Renewables Enablement</b>  co-led by  <b>Core Operations Power Services</b>	<b>Renewables Enablement Strategy</b> – The first stage of a multi-year plan to maintain system security in the NT's regulated power systems.	2021-22
	<b>Real Time Market and Network Operating Systems</b> – Power and Water is committed to modernising business processes and ICT systems to meet its obligations as System Controller, Market Operator and Network Operator, both now and in the future as the electricity market evolves.	2021-28
<b>Sustainable Energy and Water Services</b>  co-led by  <b>Water Services</b>  <b>People, Culture and Safety</b>  <b>Customer Strategy and Regulation</b>  <b>Information, Communication and Technology</b>	<b>Secure Long-term Water Supply</b> – Continue to plan and develop the most cost efficient options to ensure water reliability and security.	2021-22
	<b>Enterprise Environmental Strategy</b> – Develop and implement an enterprise-wide environmental strategy.	2023-24
	<b>Commercial Strategic Partnering and Collaboration</b> – Explore funding and partnering options for key projects to enable the long-term growth of the NT.	2023-24
	<b>Implement Smart Systems and Advanced Technology</b> – Invest in emerging technologies to develop innovative value propositions and solutions for its customers.	2024-25

## 4.2 2022-23 Strategic programs

This table highlights strategic programs that are expected to begin or continue in 2022-23.

### One Power And Water

Big Rock	Strategic Programs
Embed our Future Operating Model	<p><b>Implement Wave 1 Operating Model</b> – The Operating Model project is designed to create greater efficiencies and more defined accountabilities within Power and Water. It is aimed at better organising itself as a multi-utility, leveraging synergies and improving systems to provide services customers expect of their utility. Its approach includes a combined roadmap of capability building projects (including major ICT re-platforming) and implementing efficiency reforms.</p> <p>Supply Chain Fundamentals is the primary efficiency reform for 2022-23 with a follow up sourcing program aimed at reinforcing strategic sourcing processes and ways of working developed through the first Accelerated Strategic Sourcing Project.</p> <p>The major ICT re-platforming project for 2022-23 is the Meter-to-Cash Program. This program addresses current technology and process challenges to support the metering and billing functions. Implementation of the system is expected in mid-2023.</p> <p>Preliminary work will be undertaken to examine the need and potential scope of an Advanced Distribution Management System to support greater real time visibility of our distribution network. Such visibility is of increasing importance with the growing level of variable renewable energy in our networks.</p> <p><b>Organisational and Process Alignment</b> – Power and Water have commenced increasing the effectiveness of operations by driving accountability through an aligned functional organisational structure and improving the way the Corporation works. This includes combining like functions, adopting a business partner model for enabling functions, aligning processes to improve ways of working and ensuring the lines of business are effectively structured and supported to deliver customer outcomes.</p>
Agile and Capable Workforce	<p><b>Workforce Capability and Cultural Uplift</b> – Deliver effective frameworks and programs to support skills development in the areas of safety, leadership, compliance and technical capability.</p> <ul style="list-style-type: none"> <li>• Talent and Succession Planning has been established at Level Two and needs to be embedded into Level Three of the organisation.</li> <li>• Change Management as a sub-function was established in 2019-20, and will focus on building leader capability to drive and own change.</li> <li>• Learning and Development strategies to be refined, developed and implemented to ensure leadership capability uplift (including Safety Leadership, compliance and legislative technical skills development)</li> </ul> <p><b>Strengthen Leadership Capability</b> – Drive culture and employee engagement in a disciplined way by developing leaders to build a high performing, capable, accountable and engaged workforce.</p> <ul style="list-style-type: none"> <li>• Power and Water's focus will be on developing organisational and individual leadership capability, reviewing and re-setting the Leadership Development Program to enable us to embed lessons learnt and ensure skills development is aligned with the competency framework.</li> <li>• Drive culture and employee engagement in a disciplined way, aligning performance plans to culture and engagement target outcomes. Culture and Engagement is everyone's business.</li> </ul>



Big Rock	Strategic Programs
<b>Embed a Proactive Safety Culture</b>	<p><b>Implement One Safety Management System and Processes</b> – Power and Water’s Safety Management System enabled with a fit-for-purpose technology platform to improve accessibility in the field, visibility and management of safety events, corrective actions and safety audit outcomes.</p> <p>The object of safety improvement has been to mature the safety culture from ‘Reactive’ to ‘Proactive’ as measured by the Hudson Maturity Model. Power and Water strives to be leaders in health, safety and environmental management.</p> <p><b>One Power and Water Safety Management System</b></p> <ul style="list-style-type: none"> <li>• Previously spread across one corporate function and three operational business units, the team has been centralised and a body of work is in progress to provide a centre of excellence and carry out safety functions consistently across Power and Water.</li> <li>• Build and enable one Power and Water Safety Management System (SMS) – a policy, standard and procedure has been developed and work is being undertaken to further centralise safety procedures into One Safety Management System.</li> </ul> <p><b>Proactive Safety Culture</b> – The continued development of a safety management system and the delivery of a safety leadership program to provide a platform for cultural adaptation and embedding of safety. With the introduction of HERCS in 2022, we will remeasure our Safety Culture using the Hudson Maturity Model in February 2023.</p>
<b>Improve Public Health and Safety</b>	<p><b>Comply with Safe Drinking Guidelines</b> – Implement year three of the Safe Water Plan to continue to reduce risk and increase data reliability across the water systems.</p> <p><b>Public Safety Asset Assurance</b> – Continuous improvement of Power and Water’s safe design approach to asset management to prevent injury and improve useability of product, systems and facilities.</p>

## Customer and community at the centre

Big Rock	Strategic Programs
<b>Enhance Customer Experience and Engagement</b>	<b>Customer Channel Optimisation</b> – Defining and mapping the end-to-end customer experiences across all Power and Water’s customer interactions. Focusing on digital conversion and innovation solutions to improve the customer experience through effective interactions while also being cost-effective.
<b>Trusted Partner</b>	<p><b>Trusted Partner Reconciliation Action Plan (RAP)</b> – Power and Water’s vision for reconciliation is that Aboriginal and Torres Strait Islander peoples have the same opportunities in health, employment and education as other Territorians. Power and Water promotes reconciliation across the NT by building relationships, respect and creating employment opportunities for Aboriginal Territorians.</p> <p>Power and Water is developing and implementing a second Innovate RAP that will leverage work already completed. Power and Water is adopting a community consultation approach to build external community support (managing expectations around funding access and availability). This is integrated into the Corporation’s business ensuring involvement and ownership from our Strategic Leadership and RAP working groups.</p> <p><b>Implement the Government Priority Reform Program for the Northern Territory Electricity Market (NTEM)</b> – Co-develop and implement the rules required to give effect to the NT Government priority reforms for generator dispatch, settlement, essential system services and capacity mechanism. Support NT Government in the consultation, development and implementation of the rules. This includes the development and deployment of a fit-for-purpose market management system/s to manage the integration of all participants and maintain power system security across Power and Water’s regulated electricity networks.</p> <p><b>Support Market and Regulation Reform</b> – A major focus over the SCl period remains the AER distribution determination process which will determine revenues for the regulated electricity network for 2024–2029. The objective is to ensure revenues are sufficient for Power and Water to efficiently run its electricity network over the 2024–29 regulatory period with associated relational objectives to the ensure AER and stakeholders understand and generally support Power and Water’s proposed expenditure activities. Power and Water will continue to advocate for robust economic frameworks that allow it to recover the costs for essential services Territorians need. A key focus in the next 12 months will surround economic frameworks to support important reforms in the water sector. Other activities relate to annual regulatory pricing processes for electricity networks, system control and market operation.</p>

## Living within our means

Big Rock	Strategic Programs
Cost Prudence	<p><b>Embed Project Prioritisation Framework and Project Governance</b> – Embed the Project Prioritisation Framework to support management in strategic decision-making and balancing through the introduction of a mechanism to qualify, evaluate, assess and score projects against business goals and strategic objectives. The framework is designed to be integrated across the existing project, investment and risk management standards and be used by the Enterprise Portfolio Management Office (EPMO) to provide project and portfolio reporting to the Executive Leadership Team.</p> <p><b>Embed Financial Controls for Budget Repair</b> – Initiatives designed to promote prudent budget management and ensure that Power and Water operates within its means. These initiatives include increasing financial accountability and transparency, and organisational realignment through coordinating functions more efficiently and effectively.</p> <p><b>Implement Cost Control / Reduction Program</b> – Initiatives focused on controls such as enforcing the Delegation of Authority, creating hard purchase order financial limits/thresholds, and ensuring compulsory Finance and Business Services investment analysis prior to business case submission. From a cost reduction perspective, this initiative will focus on corporate overhead allocations as well as the need, use and value of professional services. These activities are in conjunction with an emphasis of improving the financial accountability culture.</p> <p><b>Leverage Information as an Asset</b> – Address an increased need for integrated information to analyse, manage, and optimise organisation performance.</p>
Optimise Revenue	<p><b>IES Reform</b> – The program is focused on achieving efficiencies and improving service standards. It continues the integration of the remote community essential service delivery functions across the organisation, supporting continuous improvement in the level of services and standards definition. This is partnered with the Essential Service Operator (ESO) competency and compliance framework that leads to an authorisations process improving work based safety knowledge and the ability of the ESOs in community.</p> <p><b>Gas Book Optimisation</b> – Improve the future valuation of the existing gas supply 'book' and reduce risk using a range of commercial, contractual and operational levers and without material further capital investment.</p> <p><b>Secure Long-term Gas Supply</b> – Secure opportunities with new energy intensive industries requiring long term gas supply to underpin the viability of their projects.</p> <p><b>Uplift Core Service Revenue</b> – Revisit Power and Water's prices and cost to serve (excluding areas regulated by the AER), particularly given the changes to the demands on services and to the market.</p> <p><b>Unregulated Revenue Expansion</b> – Develop opportunities for growth that benefit customers through the exploration of new revenue opportunities via the development of new products and service offerings.</p>



## Sustainable solutions for the future

Big Rock	Strategic Programs
Renewables Enablement	<p><b>Renewables Enablement Strategy (RES)</b> – The first stage of a multi-year plan to maintain system security in the NT’s regulated power systems. This includes a high share of renewable energy generation that supports the NTG’s 50 per cent renewables target by 2030. Power and Water is developing the recommended actions and reforms needed to keep operating the NT’s power systems securely, now and as the power system transitions.</p> <p>As part of the first stage in 2021-22, Power and Water assisted the NTG with the provision of power system data for undertaking the required modelling and analysis on how the NT’s power system is expected to operate under different scenarios. Power and Water will assist the NTG in developing technical perspectives on emerging system security requirements to operate the NT’s power systems with high penetration of renewables.</p> <p>Power and Water will continue to develop and update market procedures to cater for activities to facilitate the operation of an increased number of market participants and contestability in the Interim Northern Territory Electricity Market (I-NTEM) until 2027-28.</p> <p><b>Real Time Market and Network Operating Systems</b> – Power and Water is committed to modernising business processes and ICT systems to meet its obligations as System Controller, Market Operator and Network Operator both now and in the future as the electricity market evolves.</p> <p>Immediate priority in 2022-23 is to:</p> <ul style="list-style-type: none"> <li>• Develop and implement robust transitional power system operational tools along with a new dispatch and forecasting engine to support real-time operation of the power system and meet the I-NTEM rules and obligations. Real-time operation encompasses the dispatch of renewable generators seeking connection to the power system and provides better forecasts of behind the meter solar variability to the control room.</li> <li>• Develop a replacement settlement system that supports the ongoing operation of the I-NTEM with increasing system participants and smart meters.</li> <li>• Upgrade the hardware of the existing network operating system, the Energy Management System (EMS). The upgrade is in anticipation of a future software upgrade that would provide several benefits including enhancing the functionality to execute the controls or dispatch instructions to market participants, managing power system security and stability, as well as many other essential applications and training simulators that are essential for reliable and safe operation of the power system.</li> </ul> <p>Further details will be defined post decision by the NTG of NTEM rules, which at the time of publication is under development.</p>
Sustainable Energy and Water Services	<p><b>Secure Long-term Water Supply</b> – Power and Water continues to plan and develop the most cost efficient options to ensure water reliability and security. Plans for Darwin water source augmentation include Manton Dam Return to Service and to develop the AROWS water infrastructure options. This is subject to an assessment of future demand for water in the NT across all sectors (urban, agriculture, industry). Power and Water is working with the Department of Industry, Tourism and Trade (DITT) and other government agencies to develop a strategy to meet demand, including securing funding and the timing of approvals to proceed.</p>

# 5. Key performance indicators (KPIs)

Power and Water's 2022-23 SCI (excluding IES) is measured against the following KPIs and NTG fiscal strategy targets, in accordance with the NTG Fiscal Strategy Panel's Final Report and 2019-20 Budget Outlook and Strategy.

**Ongoing objective:** Adopt agreed commercial operational benchmarks in the SCI.

**Target:** 100 per cent of appropriate targets met.

## One Power And Water

KPI	Reporting Frequency	Measure	2022-23	2023-24	2024-25	2025-26
Overall Engagement Score <sup>1</sup>	Annually	%	52 – 69%	52 – 69%	52 – 69%	=>70%
			Moderate Zone			Top Quartile
Aboriginal Employment <sup>2</sup>	Quarterly	##FTE	10%	11%	12%	13%

## Always Safe

KPI	Reporting Frequency	Measure	2022-23	2023-24	2024-25	2025-26
Total Recordable Injury Frequency Rate (TRIFR) <sup>3</sup>	Monthly	#	5.75	5.25	4.75	4.5
Lost Time Injury (LTI) <sup>4</sup>	Monthly	#	≤2	≤2	≤2	≤2

## Customer and community at the centre

KPI	Reporting Frequency	Measure	2022-23	2023-24	2024-25	2025-26
Customer Satisfaction Index <sup>5</sup>	Half Yearly	%	80%	80%	80%	80%
Complaints Resolution <sup>6</sup>	Monthly	Average business days	10	10	10	10
System average interruption duration index (SAIDI) <sup>7</sup>	Monthly	Mins	175.8	175.8	175.8	175.8
System average interruption frequency index (SAIFI) <sup>8</sup>	Monthly	Mins	2.6	2.6	2.6	2.6
Water main breaks per 100km of pipe <sup>9</sup>	Monthly	#	16	16	15	15
Sewerage chokes and blockages per 100 km <sup>10</sup>	Monthly	#	15	15	15	15
Average duration of unplanned water supply interruptions <sup>11</sup>	Monthly	Mins	120	120	120	120
Unplanned Water Supply Interruption Events affecting ≤60 customers <sup>12</sup>	Monthly	#	5	4	4	4

## Living within our means

KPI	Reporting Frequency	Measure	2022-23	2023-24	2024-25	2025-26
Profitable Operations (Underlying EBITDA) <sup>13</sup>	Monthly	\$M	Greater than or equal to SCI target			
Free Cash Flow from Operations <sup>14</sup>	Monthly	\$M	46.5	46.5	46.5	46.5
Financials Within SCI Budget <sup>15</sup>	Monthly	-	Financials Within Target			
Return on Capital Employed <sup>16</sup>	Monthly	%	≥4.0	≥4.0	≥4.0	≥4.0
Return on Assets <sup>17</sup>	Monthly	%	≥1.5	≥1.5	≥1.5	≥1.5
Return on Equity <sup>18</sup>	Monthly	%	≥3.5	≥3.5	≥3.5	≥3.5
Debt to Equity Ratio <sup>19</sup>	Monthly	#	≥1.7	≥1.7	≥1.6	≥1.5
Statutory Net Profit After Tax <sup>20</sup>	Monthly	\$M	42.0	44.0	46.3	47.3
EBIT <sup>21</sup>	Monthly	\$M	100.8	105.6	107.8	108.9
EBITDA <sup>22</sup>	Monthly	\$M	226.8	236.9	238.9	245.1



## Sustainable solutions for the future

KPI	Reporting Frequency	Measure	2022-23	2023-24	2024-25	2025-26
Maintaining System Security with Renewables Dispatch <sup>23</sup>	Monthly	-	No preventable load shedding occurs (100%)			
Water Demand Darwin <sup>24</sup>	Monthly	KL	365	365	365	365
# of significant environmental compliance issues <sup>25</sup>	Monthly	#	0	0	0	0

## Key Performance Indicator Definitions:

- <sup>1</sup> Overall Engagement Score: The level of favourable engagement for employees based on survey respondents measured annually utilising the Kincentric methodology (previously known as AON Hewitt).
- <sup>2</sup> Aboriginal employment: Percentage of employees identifying as Aboriginal (including permanent, fixed term and hosted trainees and apprentices, excluding contractors) as at 30 June each year. From FY23 onwards working towards the global target of 16% as outlined in the NTPS Aboriginal Employment and Career Development Strategy 2021-2025.
- <sup>3</sup> Total Recordable Injury Frequency Rate: Calculated = Lost Time Incident x Medical Time Incident x Restricted work Injuries
- <sup>4</sup> Lost Time Injury: Number of lost-time injuries incurred over a twelve month reporting period.
- <sup>5</sup> Customer satisfaction index: 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. Measurement reflects '7+ out of 10' scoring basis for improved insights. The 2019-20 forecast reflects the actual result of the survey completed during the year.
- <sup>6</sup> Complaints resolution: Average number of business days taken to resolve customer complaints.
- <sup>7,8</sup> System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets. Rolling 12 month average for the Northern Territory system.
- <sup>9</sup> Water main breaks per 100km of pipe: Water Main Breaks per 100km of pipe (12 month rolling average Darwin & Alice Springs).
- <sup>10</sup> Sewerage chokes and blockages per 100km: Number of chokes and blockages per 100km (12 month rolling average Darwin & Alice Springs).
- <sup>11</sup> Average duration of unplanned water supply interruptions: Average duration of unplanned water supply interruptions in Darwin (12 month rolling average.).
- <sup>12</sup> Unplanned Interruption Events affecting more than 60 customers: Represents the number of interruptions that cause  $\leq 60$  customer to experience a loss of water from an unplanned event.
- <sup>13</sup> Profitable Operations (Underlying earnings before interest, tax, depreciation and amortisation): Total revenue less total operating expenditure excluding accounting standard and other adjustments.
- <sup>14</sup> Free cash flow from operations: Operating cash flow less net capital expenditure
- <sup>15</sup> Financials within SCI budget: Revenue and operating expenditure as per the SCI 2022-25 budget.
- <sup>16</sup> Return on capital employed (ROCE):  $\text{EBIT} / \text{Capital Employed}$  where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Fair Value for asset valuations; and Capital Employed = Equity adjusted for assets
- <sup>17</sup> Return on assets (ROA):  $(\text{NPAT} / \text{Average total assets}) * 100$
- <sup>18</sup> Return on equity (ROE):  $(\text{NPAT} / \text{Total shareholder equity}) * 100$
- <sup>19</sup> Debt to Equity ratio:  $(\text{Term debt} + \text{current debt}) / \text{equity}$ . It should be noted that the receipt of Government capital infrastructure grant funds in relation to specific projects, forecast to be in the order of \$97 million by 30 June 2024 and \$189 million by 30 June 2025, is classified as an unearned revenue liability until project completion in 2025-26. While the receipt of these funds and their subsequent expenditure has made no net difference to the forecast liquidity or net asset position of Power and Water it is noted that, until the offsetting of the unearned revenue liability with the capital expenditure occurs in 2025-26, upon successful completion of the related capital infrastructure, Power and Water's debt to equity ratio will increase. As this is an expected result of the accounting treatment for this transaction Power and Water has adjusted its targeted debt to equity Ratio in impacted years, before reverting to 1.5 in 2025-26.
- <sup>20</sup> Statutory net profit after tax (NPAT): In line with Statutory Accounts.
- <sup>21</sup> Earnings before interest and tax (EBIT): In line with Statutory Accounts.
- <sup>22</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA): In line with Statutory Accounts.
- <sup>23</sup> Maintaining System Security with Renewables Dispatch: Maintenance of system security through ensuring no load shedding that is preventable occurs (target measured at 100%).
- <sup>24</sup> Water demand Darwin: Rolling 12 month average for Darwin households.
- <sup>25</sup> # of significant environmental compliance issues: Occurrence of any significant environmental compliance issues.

## 5.1 Fiscal strategy targets

The NTG Fiscal Strategy Panel developed a plan for budget repair over the medium term implementing key fiscal targets that focused on ensuring government operates within its means, including Government Owned Corporations (GOCs).

### Revenue and operating expenditure growth

**Target:** Ensure operating expenditure growth does not increase at a greater rate than operating revenue growth.

**Test:** Operating expenditure growth  $\leq$  Revenue growth

**Where:** Operating expenditure growth =  $\text{Opext1}/\text{Opext0} \times 100 - 1$ , Revenue growth =  $\text{Revenuet1}/\text{Revenuet0} \times 100 - 1$

Power and Water Corporation (excl. IES)	2022-23 to 2025-26 FY23 SCI	2021-21 to 2024-25 FY22SCI
	%	%
Revenue	22	13
Operating expenditure	12	11
Target met	Yes	Yes

Note: Operating expenses exclude depreciation, impairments, interest and tax expenses

### Debt to equity ratio

**Target:** Debt to equity ratio maintained or improved over the SCI period

**Test:** Debt to equity ratio in t1  $\leq$  Debt to equity ratio in t0,

**Where:** Debt to equity ratio = gross debt / equity

Power and Water Corporation (excl. IES)	2021-2022 FY22SCI	2022-2023 Budget	2025-2026 Projection	Target met
Debt to equity	1.0	1.1	1.0	Yes

Note: Gross debt = total borrowings and loans. End of financial year values are to be used.



### Controllable costs (less energy costs)

**Target:** Controllable costs are maintained or reduced over the SCI period.

**Test:** Controllable costs in t1 <= Controllable costs in t0

Power and Water Corporation (excl. IES)	2021-2022 FY22SCI	2022-2023 Budget	2025-2026 Projection	Target met
	\$M	\$M	\$M	
Controllable costs	256	207	203	Yes

Note: Controllable costs = total operating expenses less cost of sales, depreciation, impairments, interest and tax expenses

### Dividends paid

**Target:** Dividends paid/payable greater than zero.

**Test:** Dividends forecast to be paid in each financial year as per cash flow statement > 0

Power and Water Corporation (excl. IES)	2021-2022 FY22SCI	2022-2023 Budget	2023-2024 Projection	2024-2025 Projection	2025-2026 Projection	Target met
	\$M	\$M	\$M	\$M	\$M	
Dividends paid	0	2	2	13	22	Yes

### Reference Periods

t1 = final financial year of the SCI period (2025-26)

t0 = First SCI financial year (2022-23)

# 6. Financial projections

## Financial Summary

Power and Water's financial projections over the SCI period.

## Summary of Financial Results

Power and Water Corporation Unconsolidated	2021-22 Budget \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
Total revenue	680.8	657.4	658.0	752.4	813.5	802.7
Earnings before interest, tax and depreciation	165.4	167.7	184.7	235.6	265.7	274.4
Earnings before interest and tax	33.3	35.7	58.7	104.2	134.6	138.2
Net profit after tax	(15.2)	(13.6)	3.2	30.1	47.3	47.3
Cashflow from operations	118.6	96.5	141.8	224.1	262.8	190.2
Capital Investment	136.9	109.4	237.7	277.0	222.8	163.1
Return on assets	(0.50)	(0.45)	0.10	0.92	1.41	1.49
Return on equity	(1.30)	(1.14)	0.27	2.39	3.58	3.50
Funds from operations to interest ratio	1.85	1.95	2.26	2.72	2.54	2.49
Debt to equity ratio (GOC)	1.00	1.00	1.10	1.10	1.04	1.02
Quick ratio	0.47	0.39	0.35	0.44	0.32	0.42

## 2021-22 – Forecast vs Budget

For the purposes of preparing the 2022-23 Statement of Corporate Intent, the 2021-22 forecast was based on December 2021 actual results. Pleasingly, March 2022 year-to-date actuals indicates a further forecasted improvement to this year's result, however the following commentary reflects performance against the 2021-22 forecast from the December 2021 quarter. To this end, Power and Water's underlying earnings before interest, tax, depreciation and amortisation (EBITDA) is forecast to slightly exceed its 2021-22 budget of \$165 million in 2021-22. While Power and Water has seen a significant reduction to revenue, this has been offset by a corresponding reduction in expenditure.

An overall drop in revenue by \$23.4 million (3%) is primarily driven by a reduction in Gas supply volumes from the Blacktip gas field. Higher average unit prices for gas spot sales have helped to reduce the gas revenue decline for 2021-22.

Operating expenditure is forecast to reduce by \$25.7 million (5%) which is due to a \$26.6 million reduction in gas purchase costs being offset by a marginal net increase in other costs.

Capital expenditure in 2021-22 is forecast to be underspent against budget by \$27.5 million (20%). Much of this variance relates to operational business units such as Power Services which has continued to see impacts from COVID-19 travel restrictions limit some of its scheduled capital works.

## 2022-23 Budget plus 2023-26 Projections

For the purposes of preparing the 2022-23 Statement Power and Water's key financial metrics in terms of EBITDA and NPAT continue to trend up across the full SCI period. EBITDA has improved by \$41.6 million over the four year FY22 to FY25 comparative period versus the current published SCI. NPAT has improved by \$11.5 million in the same period against the current published SCI.

Power and Water are continuously managing risks to ensure Power and Water gas customers are supplied. In the 2021-22 year and for the 2022-23 SCI period, this has required the business to access alternate and more costly supply arrangements when compared to prior 2021-22 projections. This adversely impacts all financial years through to 2024-25 when compared to the prior SCI. Gas supply limitations are expected to be resolved by January 2023.

Overall gas sales volumes have reduced by approximately 10% over the four year SCI period resulting in an EBITDA reduction of \$50.1 million for Gas Services when comparing the published SCI to the current SCI forecasts to 2024-25.

Power and Water's SCI financial estimates for 2022-23 and for the future three years to 2025-26 have been prepared on the assumption the COVID-19 pandemic will not materially impact the NTG fiscal policies in the coming years. There are considerable risks in this assumption and delays in the recovery from the COVID-19 pandemic and its impacts on supply chains including material and labour costs have the potential to generate significant variances in the financial projections published in this SCI.

As well as the uncertainties related to COVID-19, Power and Water's finances will continue to be impacted by the policy measures taken by the NTG as it pursues economic objectives and renewable energy targets across the Territory's energy and water markets.

## Revenue

### Summary of Revenue by Business Unit

Power and Water Corporation Unconsolidated	2021-22 Budget \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
Gas Services	275.2	248.8	253.7	323.0	350.1	341.5
Water Services	217.6	217.6	214.6	217.3	222.0	226.9
Power Services	167.1	170.1	160.8	181.2	183.1	190.8
Core Operations	11.8	11.8	20.0	20.3	47.7	34.2
Customer Strategy and Regulation	6.2	6.2	5.9	6.2	6.2	6.5
Transformation (Benefit)	0.7	0.7	1.4	3.0	3.3	1.7
Finance and Business Services	2.2	2.2	1.6	1.4	1.0	1.1
<b>Total</b>	<b>680.8</b>	<b>657.4</b>	<b>658.0</b>	<b>752.4</b>	<b>813.5</b>	<b>802.7</b>



Gas revenues for 2021-22 and 2022-23 are 10% and 16% less than the 2021-22 SCI budgeted levels respectively, due to the impact of gas supply limitations on sales during these years. Gas revenues of \$323.0 million in 2023-24 reflect a 27% increase on the 2022-23 level, reflecting the assumption of a return to full supply by January 2023. Projections for 2023-24 and 2024-25 gas revenues are higher when compared to the 2021-22 SCI due to updated pricing assumptions while volume assumptions have remained steady.

Power Services projected revenues under the AER's current pricing determination covers the five year period to 2023-24. Under the AER regime, total electricity revenues collected across the full regulatory period (2019- 24) must not exceed allowances determined by the AER. Where actual revenues received are higher than allowed, future years' revenue are set to lower levels to compensate. The Power Services' revenues for the remainder of the current determination period have been adjusted to reflect this. The 2024-25 and 2025-26 years are estimates of the expected revenues under the next, yet to be finalised, 2024-29 AER Determination.

The Core Operations revenues shown across the four years from 2022-23 to 2025-26 include estimated tariff revenue recoveries which are designed to offset expenditures currently being incurred by Power and Water in relation to NTEM activities. Activities are presently being undertaken to negotiate, establish and secure these revenue

streams however it has been assumed that full cost recovery will begin in 2024-25. The overall revenue uplift across the SCI period is conservative however as it assumes that those operational costs incorporated from 2021-22 to 2023-24 will be recovered in a one-off funding increase in 2024-25, pending a successful funding submission process.

Water Services' projected revenues are commensurate with projected Consumer Price Index (CPI) forecasts and hence slight tariff increases. However, revenue from Water Sales has been forecast to reduce by 2% against estimates provided in prior year SCI projections. The major driver of this is an alignment of future forecasts with the latest historical water sales revenue and additional demand management activities to support guaranteed levels of service. Power and Water also continues to support efforts being made across the NTG to secure funding for the incorporation of future head works assets providing additional capacity and water supply security in outer years.

The Operating Model project is expected to deliver \$9.4 million of revenue benefits over the SCI period, through the delivery of the Meter to Cash and Revenue Assurance programs. This is an overall reduction of \$12.7 million over the previously forecast benefit primarily as a result of the final business case providing a more detailed assessment of benefits originally estimated in the preliminary business case.

## Community service obligations (CSO)

### Summary Of Community Service Obligations

Power and Water Corporation Unconsolidated	2021-22 Budget \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
Uniform Tariff Concession (Water)	7.4	7.4	7.5	7.7	7.8	8.0
Pensioner and Carer Concession	5.0	5.0	4.3	4.4	4.5	4.5
Gas Concession	14.5	14.5	14.4	0.0	0.0	0.0
Jabiru Concession	1.0	1.0	1.9	2.1	2.0	1.8
<b>Total</b>	<b>27.9</b>	<b>27.9</b>	<b>28.1</b>	<b>14.2</b>	<b>14.3</b>	<b>14.4</b>

The SCI assumes CSO funding for the Uniform Tariff Concession and Pensioner and Carer Concession schemes along with specific initiative-related concessions for costs incurred for supply and operation of the Jabiru electricity network.

In addition, a CSO related to gas pricing and transportation costs will continue for 2022-23. Power and Water notes that it intends to apply for greater levels of CSO funding specifically in relation to costs it is currently absorbing due to renewable generation connections.

## Operating costs

### Summary of Controllable Operating Costs by Business Unit

Power and Water Corporation Unconsolidated	2021-22 Budget \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
Gas Services	265.6	239.5	259.7	316.8	340.2	317.5
Power Services	59.6	62.2	57.1	55.8	60.5	60.2
Water Services	54.3	62.7	62.4	60.8	62.0	62.9
Corporate	72.1	66.1	72.8	72.0	72.9	73.9
Core Operations	37.2	27.9	39.1	41.9	43.0	41.9
Customer Strategy and Regulation	26.2	28.7	34.9	29.9	29.3	32.1
Transformation (Benefit)	9.6	11.9	16.2	3.9	(3.1)	(2.0)
<b>Total</b>	<b>524.6</b>	<b>498.9</b>	<b>542.3</b>	<b>581.1</b>	<b>604.7</b>	<b>586.3</b>

Power and Water continues to ensure its operating costs are as low as possible. A comparison of total controllable operating costs (excluding cost of sales, depreciation, impairments, interest and tax expenses) across the SCI period shows a marginal decline - a significant outperformance of anticipated CPI growth, driven by organisational efficiency targets embedded in SCI projections.

In relation to outer year projections, it should be noted the 2022-23 SCI reflects a change to the process of estimating allocation of network and corporate overheads to align Power and Water's accounting treatment to other electricity network distributor service providers and alignment with assumptions under the AER. This update means that overhead expenditure, in the order of \$48-60 million per annum, directly associated with the delivery of the capital investment programs of Power Services, Water Services and Core Operations is now classified as Capital Expenditure. Similarly, Repairs and Maintenance projects are also now allocated a percentage of direct overheads of approximately \$25 million per annum. This accounting update is neutral from a fiscal impact perspective, however this adjustment

does impact comparisons with prior years' published SCIs.

Both Power Services and Water Services costs are stable across the forward years. The Power Services' costs include the impact of AER determinations on efficient cost levels across the regulated electricity business.

Personnel costs, gross of Capital and Operational recoveries, are expected to remain flat across the SCI period ranging between \$155 and \$159 million a year. A key factor driving these personnel cost estimates will be the outcome of Enterprise Agreement (EA) negotiations to replace the existing Agreement which expired on 15 July 2021. The flat profile of these expenses across the forward years is in contrast to recent years where there has been significant growth in average full time equivalent (FTE) staff costs. This revised outlook is contingent on the outcome of new EA negotiations, namely Power and Water adopting the NTG position of a \$4,000 one off bonus in 2021-22 and a flat \$2,000 annual bonus thereafter in place of the most recent EA compounding CPI-based pay point increases.

Another factor impacting staff costs is the proposed investment in new people capabilities as part of the Operating Model capability uplift program. The Operating Model program is intended to provide Power and Water with an enhanced human resource capability to meet the Government's policy objectives, reduce reliance on external skills and to make the business more responsive to customers.

Power and Water will continue to invest in its employees and build core business capabilities, however there are major reform programs that require short term specialist capabilities to ensure successful delivery. Professional fees are forecast to peak in 2022-23 at \$40.2 million before reducing over the remaining SCI period to \$21.5 million in 2025-26. Reflecting the ongoing efforts in NTEM reform, managing the Operating Model implementation of an updated Meter to Cash platform and preparing the extensive submissions required for the next AER review in 2024-25.

ICT costs are anticipated to be higher than historic trends, driven by the need to establish ICT architecture to support the ongoing Operating Model transition and continued efforts in NTEM market reform and transition to renewable energy integration.

The Operating Model transformation project is expected to deliver \$36.1 million of cost reduction (incorporated in the Transformation line in the table above) over the SCI period, commencing from 2022-23 to 2025-26, through improvements in supply chain and procurement programs.

### **Net profit after tax**

A statutory net profit after tax of \$3.2 million is budgeted for 2022-23, which is an improvement compared to a budgeted loss of \$15.2 million in 2021-22 and a budgeted 2022-23 loss of \$0.8 million in the published 2021- 22 SCI.

A significant favourable component impacting the 2022-23 budget is the adoption of increased overhead capitalisation adjustments (\$60.4 million) to reflect Power and Water's alignment of capitalisation practices and methodologies to industry standard levels adopted by distributed network service providers in Australia.

Offsetting this are the unfavourable impacts on earnings of Gas Services (\$31.6 million), Network revenue reductions driven by prior year over recoveries (\$13.2 million) and the increased cost of contractors (\$7.6 million) to deliver Transformation and NT Government renewable energy policy initiatives.

Year on year, NPAT is forecast to increase in each subsequent year. The continuation of the abovementioned overhead capitalisation methodologies impact on the earning results at similar levels. The unfavourable earnings impacts of the gas business continue at reducing levels until 2024-25.

### **Cash flow and borrowings**

Excluding the impact of Government capital grant funding, operating cash flow is forecast at \$96.5 million in 2021-22 and \$141.8 million in 2022-23. Operating cash flows are forecast to grow to \$262.8 million in 2024- 25, reflecting the final capital grant funding cash inflows for the Manton Dam Return to Service Project, before reverting to a level more representative of the underlying business of 190.2 million in 2025-26. Cash outflows from Investing Activities will peak in 2023-24 at \$277.0 million as the business commences major works on the Manton Dam Return to Service project whilst also finalising major capital works related to its current electricity network regulatory control period which will conclude in 2023-24. Free Cash Flow generation will return to surplus in 2024-25 at \$39.9 million holding steady at \$27.1 million into 2025-26.

Total borrowings, which are forecast to be on budget at \$1.19 billion as at 30 June 2022 are expected to increase to \$1.38 billion during 2023-24 and reduce to \$1.37 billion across 2024-25 and 2025-26. This increase in borrowing reflects a number of strategic drivers that are decreasing the free cash flows of the organisation over SCI projections. A spike in capital investment related to the completion of the Power Services' capital program endorsed by the current AER determination, as well as increased investment in Power and Water's billing and market management systems, are key drivers of this movement with the recovery of this expenditure spread over future periods. In addition, the reduction in Gas Margin due to the localised supply constraints described above is a significant factor in this overall decrease.

## Capital investment program

### Summary of Capital Investment by Business Unit

Power and Water Corporation Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M	4 Year SCI Total \$M
Power Services	67.1	56.9	104.2	105.1	76.2	81.6	367.1
Water Services	46.9	38.9	63.3	144.1	127.3	39.4	374.0
Gas Services	4.9	1.3	1.3	0.0	0.0	0.0	1.4
Transformation	7.0	3.3	27.1	3.3	2.7	14.1	47.2
Corporate	10.9	6.1	10.7	11.2	9.7	4.7	36.3
Core Operations	0.00	3.0	31.3	13.3	6.8	23.3	74.6
<b>Total</b>	<b>136.9</b>	<b>109.4</b>	<b>237.7</b>	<b>277.0</b>	<b>222.8</b>	<b>163.1</b>	<b>900.7</b>

Power and Water's capital investment program is estimated to be \$900.7 million from 2022-23 to 2025-26.

Power and Water's investment in the energy network and water and sewerage infrastructure over the SCI period is driven by asset replacement, service reliability, business efficiency and demand growth. Growth in the Power Services' capital program has been driven by zone substations upgrades. In addition, the Power Services' capital program now includes an upgrade to the Jabiru electricity distribution network, which will be funded directly by the NTG.

As noted above this capital investment program projection includes externally funded projects – High Voltage powerline undergrounding, Manton Dam Return to Service and Strauss Water Treatment Plant Stage 1 - totalling approximately \$230 million which are neutral to the business in relation to cash flow and largely neutral in relation to Net Asset position over the SCI period.

In order to ensure Power and Water is not negatively impacting the fiscal position of the NTG across the SCI period, a risk-based approach has been taken in the prioritisation of capital projects and spend across 2022-2026. Programs of work in the asset management portfolio have been assessed and where the risk- profile has been considered tolerable, some asset renewal projects have been deferred outside the SCI period.

Power and Water is focused on preparing for the future and has developed initiatives aimed at leveraging significant synergies available to the Corporation as a government owned utility service provider of gas, water and power services. The increasing impact of renewables on the supply of essential energy and water and sewerage services to the Northern Territory requires careful planning and investment. Reorganising the business structure, replacing end-of-life systems and streamlining processes will enable better delivery of value to customers and the shareholder. This is a significant and complex multi-year program designed to address regulatory compliance requirements, government economic initiatives and to realise future cost savings. As part of the Operating Model program, Power and Water is implementing a centralised asset management framework and works management capabilities within our Core Operations business unit. This will assist prioritisation of capital spend across Power and Water and incorporate a team focussed on planning and actively monitoring major capital delivery.



# 7. Key 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 forecasts.

## Consumer Price Index (CPI)

Where applicable, relevant revenue (including retail electricity, water and sewerage tariffs) and operating expenditure projections provided in this 2022-23 SCI are based on the assumption of escalation in line with the following NT consumer price index movements as outlined in the Department of Territory and Finance's *Northern Territory 2021-22 Mid-Year Report*.

Increase effective from:	2021-2022 <sup>^</sup>	2022-2023	2023-2024	2024-2025	2025-2026
CPI (NT)	1.1%	1.4%	1.8%	2.2%	2.5%

Note: Year ending June, year-on-year percentage change.

<sup>^</sup> 2021-22 rate shown for comparative purposes. This rate was used in 2021-22 published SCI calculations and was sourced from Northern Territory Mid-Year Report 2020-21.

## Electricity demand

The forecast energy consumption included in the table below reflects Power and Water's 2022-23 Annual Network Pricing Proposal submitted to the AER on 31 March 2022. It aligns with the forecast for Standard Control Service revenue included in the income statement. Consumption forecasts for 2024-25 & 2025-26 align to the draft 2024-29 regulatory proposal.

## Annual Energy Consumption Forecast (GWh) – Regulated Network

Year	Total	Darwin-Katherine Interconnected System	Tennant Creek	Alice Springs
2021-22	1,650.7	1,436.1	24.8	189.8
2022-23	1,675.2	1,457.4	25.1	192.6
2023-24	1,691.8	1,471.9	25.4	194.6
2024-25	1,679.1	1,460.8	25.2	193.1
2025-26	1,666.5	1,449.9	25.0	191.7

The forecast energy consumption included in the table below reflects Power and Water Corporation's non-regulated networks. This covers the three Power and Water retailing centres, eight minor centres and all IES communities. The consumption forecast reflects stable growth of two percent per annum moving forward based on trends identified through trailing averages over the last four to five years.

This trend has continued through the first half of 2021 with non-regulated consumption remaining stable through the COVID-19 global pandemic. Power and Water is expecting to see a slight increase in activity over the coming year due to the economy recovering after COVID-19 impacts, primarily in the southern minor centre regions of Yulara and Kings Canyon.

## Annual Energy Consumption Forecast (GWh) – Regulated Network

Year	Total	Northern Region	Katherine Region	Barkley Region	Southern Region
2021-22	178.7	77.6	43.5	8.7	48.9
2022-23	182.8	79.1	44.7	8.9	50.0
2023-24	186.4	80.7	45.7	9.1	50.9
2024-25	190.1	82.3	46.7	9.3	51.8
2025-26	193.9	83.9	47.8	9.5	52.7

### Water demand

Regional growth rates were developed taking into consideration system demand, population growth, natural growth, weather normalisation and demand management initiatives.

Weather patterns have been considered for Katherine, Tennant Creek and Alice Springs to align with historical average consumption trends. Weather adjustments for Darwin La Nina weather conditions have been applied and potential impact of COVID-19 recovery.

The table below reflects billable consumption. Water demand management initiatives are primarily focusing on water losses in the distribution system and it is predicted to have a low impact on consumption levels.

Potential large industrial projects have not been included in the water consumption forecast.

Previously, demand forecasts for Darwin included demand management measures required only in

relation to maintaining Power and Water levels of services to existing customers in lieu of planned additions to Darwin Water Source Headworks.

Demand management continues to be instrumental in managing the short to medium term water supply and demand balance in the greater Darwin region. The funding application to the National Water Grid Authority assumes the Manton Dam Return to Service and AROWS projects are primarily to provide future water sources for industry and agriculture. As such, Power and Water will need to undertake demand management to minimise urban water demand. Subsequently, the demand management targets have now been revised upwards to a cumulative reduction of 2.4 gigalitres (GL) per annum by 2025-26 as part of the overall NTG NT Strategic Water Plan. The 2.4 GL target ensures that Power and Water maintains the current standards of service risk level. Once the forecast industrial and agricultural demand increases, Power and Water will need to increase demand management activity.

## Annual Water Consumption Forecast (ML)

Year	Total	Darwin	Katherine	Alice Springs	Tennant Creek
2021-22	47,884	35,553	3,225	7,773	1,333
2022-23	47,893	35,555	3,228	7,778	1,332
2023-24	47,900	35,554	3,231	7,784	1,331
2024-25	47,905	35,551	3,233	7,790	1,331
2025-26	47,908	35,547	3,236	7,795	1,330

Note: Annual system production volumes used for water network planning purposes differ from the consumption assumptions above.

## Electricity, water and sewerage in remote communities

Demand growth forecasts for remote communities serviced by IES reflect natural growth and trend adjustment factors.

### Forecast growth rates for remote electricity, water and sewerage services

Average growth per annum	2022 to 2026
Electricity (kWh)	0.30%
Water (kL)	-0.23%
Sewerage	0.0%

Above table growth rates are calculated based on a five-year historical annual growth rate. The calculation is adjusted to align with the 10 year trend lines considering population growth and the NTG's remote housing program.

Growth rates for water may be revised pending outcomes of demand management options under development with NTG as part of the NT Strategic Water Plan. The demand management program under consideration is assumed to be fully funded by the NTG.

### Community Service Obligations (CSO)

CSO funding is provided for the Uniform Tariff Policy and Pensioner, Carer Concession schemes and Jabiru. In outer years CSO funding has been forecast to reduce in the expectation of the renegotiation of Gas Supply agreements resulting in commercial returns.

### Electricity network tariffs

Power Services has been regulated under the NT NER and by the AER's Electricity Network Pricing Determination since 1 July 2019. Power and Water's forecasted revenue for the five-year regulatory period has been used for the SCI period to reflect the AER's Final Determination, which was released on 30 April 2019. Details of the Final Determination can be found on the AER website via the following link: <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/power-and-water-Corporation-determination-2019-24>

The annual Maximum Allowable Revenue is adjusted each year to reflect the latest forecast and is submitted to the AER in March of each year. The 2022-23 Annual Pricing Proposal will be submitted to the AER by 31 March 2022. The pricing in this SCI is based upon the approved AER 2022-23 Annual Pricing Proposal.

### Renewable energy integration

As the Network Provider, Market Operator and Power System Controller, Power and Water facilitates the connection and dispatch of large renewable generators to the power system and plays a significant role in enabling the NTG's 50 per cent renewable target by 2030.

Estimates suggest there will be 77MW of large scale renewable generation connected to the network over the coming 12-15 months, which is in addition to approximately 75MW of small scale (behind the meter) rooftop solar photovoltaic (PV) currently installed and increasing at around 0.4MW per month. By the end of 2022-23 the Darwin – Katherine grid is anticipated to have as much as 160MW of solar generation. This contrasts with an average dry season demand of 136MW, which has dropped to as low as 67MW (May 2020). This will have significant impacts on system stability, security and reliability. Power and Water will leverage the Alice Springs Future Grid project to investigate opportunities for Distribution Energy Resources.

The forecast increase in demand for renewable connections is largely driven by the NTG renewables target, general evolution of the industry and the penetration of behind the meter rooftop solar PV. This growth was not anticipated at the time of submitting the AER final regulatory proposal or included in the System Control charges approved by the UC and is therefore currently unfunded.

The 2021-22 SCI does not include all necessary funding required to plan and prepare for future renewable penetration and ensure the security of the system. DITT has recently published a high level Darwin–Katherine Electricity System Plan which highlights technical requirements to meet the renewables target. Of particular note is the proposed development and connection of a renewable energy hub by the end of the planning period. It is anticipated that Power and Water as the Network Provider will be accountable for the connection of this service, which is anticipated

to cost approximately \$200 million. Similarly the plan highlights the need for 105MW of High-Spec Security Batteries procurement should be accelerated due to worldwide demand for similar systems and human resources to implement. It is also anticipated that Power and Water will contribute in some form towards the provision of this service. At this stage there is uncertainty around the obligation, timing, sourcing model and possible cost recovery mechanisms for the requirements under the Plan.

### Other financial assumptions

Assumption	Description
<b>Borrowing costs</b>	Borrowing costs reflect advice from NT Treasury Corporation based on the budgeted debt profile.
<b>Onerous gas contract</b>	Power and Water notes that should gas supply constraints currently being experienced persist, the potential for an onerous gas contract increases. However this is uncertain and is not proposed to be reflected in the 2022-23 SCI.
<b>Dividends</b>	<p>Ordinary dividends are calculated based on 50 per cent of the statutory net profit after tax of the Corporation, with adjustments for material non-cash transactions, including gifted assets, fair value movements in fixed assets and movements in the onerous gas contract provision. The liquidity and capital requirements of the Corporation are also considered.</p> <p>The Board recommends an ordinary dividend by 31 August of each year. This recommendation is amended or approved by the shareholding Minister by 30 September and payment is made by 1 December, in accordance with the <i>Government Owned Corporations Act 2001</i>.</p> <p>The shareholding Minister may direct the Board to declare a special dividend, at which point it will be included in the SCI.</p>
<b>Accounting policies</b>	This SCI has been prepared based on accounting policies outlined in the 2021-22 Financial Statements. Power and Water notes that it has revised its overhead capitalisation policy to more closely align statutory reporting to the reporting required by the AER. This change has been incorporated in this SCI.



# 8. Key risks

Power and Water has developed a risk management framework to ensure that regular assessments are undertaken to identify and manage significant risks to the community as a result of its activities. These risks include health and safety, hazards and security, service delivery, financial, legal and regulatory, environmental and reputational risks. The risks are managed throughout the organisation in line with the Audit and Risk Management Committee's Charter and risk management process. The risk management framework is now well established and is reviewed annually as part of the business planning process. Power and Water is currently undertaking an assessment of its risk management systems to enhance the current process.

Power and Water is continuing to improve its methodology for making investment decisions and reducing costs associated with risk exposure to the business. Power and Water's risk appetite statements, which are aligned with the SCI KPIs, are used to guide decision making by explicitly stating the boundaries of acceptable risk and providing a baseline for comparing risk ratings.

The table presented below outlines the current strategic and business risks facing Power and Water and the proposed controls (financial and non-financial) over this SCI period.

Strategic risks	Key mitigation strategies 2022-2026
<b>Safety performance</b> Due to the diverse nature of operations, there are threats to the health and safety of the public, contractors and the Corporation's people. There is a need to reinforce safety processes and systems to safeguard future performance.	<ul style="list-style-type: none"> <li>• Ongoing safety culture improvement, including accountability and leadership, with the aim of achieving a proactive safety culture.</li> <li>• The Work Health Safety Management System (WHSMS) will enable the business to easily capture data in line with AS 1885.</li> <li>• IT Enabled WHSE Management System (HERCS) will enable improved lead/lag safety monitoring, centralised WHSMS and WHS auditing improvements.</li> <li>• Emergency Management Framework.</li> </ul>
<b>Employee attraction and retention</b> Due to restrictive employment processes, there is a risk to the successful recruitment and retention of the people Power and Water needs to develop the business.	<ul style="list-style-type: none"> <li>• Talent and Succession Framework.</li> <li>• Simplified and effective recruitment experiences and processes.</li> <li>• Review of remuneration levels and role progression options.</li> <li>• Alternative employment arrangements.</li> <li>• Leverage the Power and Water brand.</li> </ul>

Strategic risks	Key mitigation strategies 2022-2026
<p><b>Maintaining power system security while transitioning to renewables</b></p> <p>Due to the increase in renewables there is a risk that the security of our power systems will be impacted.</p>	<ul style="list-style-type: none"> <li>• Understand customer's needs, wants and values to enable us to deliver on changing expectations with a high level of community engagement.</li> <li>• Assist NT Government with NT Electricity Market reform implementation.</li> <li>• Manage energy assets to community benefit.</li> <li>• Ensure electricity network system security and reliability.</li> <li>• Increased proactive media communications to drive positive media narrative.</li> <li>• Utilise power system and electricity network modelling to forecast impact of incoming renewable generators.</li> <li>• Generator Performance Standard (GPS) compliance.</li> </ul>
<p><b>Transformation</b></p> <p>Due to the potential impacts of resourcing challenges, slow change adoption, increasing costs and delays to the delivery of the transformation program there is a risk the program will not deliver the expected net benefits within the required timeframe.</p>	<ul style="list-style-type: none"> <li>• Manage the Transformation Office and governance including the implementation of Benefits Management Plans.</li> <li>• Manage program delivery in accordance with defined governance arrangements including the Portfolio Investment Prioritisation and Delivery Framework.</li> <li>• Effective change management and appropriate resourcing to improve employee and stakeholder engagement.</li> <li>• Establish a quality review function reporting to the Chief Executive Officer and Board on effectiveness of delivery.</li> </ul>
<p><b>Water supply security</b></p> <p>Due to the nature of our water supply systems, there is a threat of extended loss of supply via reticulated networks due to water source failure or imbalance of supply/demand.</p>	<ul style="list-style-type: none"> <li>• Demand management programs.</li> <li>• Identify alternate water source options, via drilling programs, geophysical assessments, etc.</li> <li>• Water level and water quality monitoring programs (e.g. monitoring salinity levels).</li> <li>• Water resource capacity assessments.</li> <li>• Leak detection and pressure control and monitoring.</li> </ul>
<p><b>Water quality</b></p> <p>Due to the nature of our water supply services, there is a risk that Power and Water could supply unsafe drinking water, which could result in illness, or in an extreme case, fatalities in the community.</p>	<ul style="list-style-type: none"> <li>• Rolling program of sanitary surveys to identify hazards and update water safety plans.</li> <li>• Water Safety Plans to inform infrastructure upgrades and operational improvements.</li> <li>• Real-time monitoring of chlorine residuals in drinking water.</li> <li>• Annual backflow compliance program.</li> <li>• Preventative maintenance and inspection programs.</li> <li>• Implementation of catchment plans for Darwin River Dam and Howard East bore fields.</li> </ul>

Strategic risks	Key mitigation strategies 2022 2026
<p><b>Cyber security</b></p> <p>Due to increasing levels of cyber threats, there is a risk of loss of data or damage to IT systems, applications or infrastructure, resulting in business interruption, financial loss or service delivery impacts.</p>	<ul style="list-style-type: none"> <li>• Leverage NTG ICT Security Management Framework, including network intrusion detection and 'cloud' policy.</li> <li>• Continue to develop and improve Power and Water's ICT Framework through the implementation of cyber security assessments and audit findings.</li> <li>• Increase the level of security penetration testing within IT and OT environments.</li> <li>• Fully utilise, develop and review the IT / SCADA systems and the cyber security protections in place.</li> <li>• Uplifting risk management and risk mitigation across the Corporation to meet the obligations outlined within the revised Critical Infrastructure, Systems of National Significance Legislation.</li> </ul>
<p><b>Gas business expansion</b></p> <p>Due to expanding markets for gas supply there is an opportunity to develop strategies to address market opportunities and position Power and Water to take advantage of new business for financial benefit and development of the NT economy.</p>	<ul style="list-style-type: none"> <li>• Develop a long term gas supply plan, including gas expansion, in line with stakeholder strategies.</li> <li>• Leverage stakeholder and customer engagement strategies to work collaboratively ensuring reliable, cost effective and sustainable electricity supply to the NT in line with requirements and expectations.</li> <li>• Understand the impact of alternative energy sources and work collaboratively with stakeholders and regulators to mitigate impacts of change.</li> <li>• Leverage competitive advantage.</li> </ul>

## Changes to key risk profile

The following risk heat maps show the expected change to Power and Water's current key risk profile as a result of risk treatment plans that are either in place or will be implemented across the SCI period.

Heat Map - Current Risk

	Insignificant	Minor	Moderate	Major	Severe
Almost certain	Medium	High	Very High	Extreme	Extreme
Likely	Low	Medium	High 2	Very High 4, 5	Extreme 3
Possible	Low	Low	Medium	High 6	Very High 7, 9
Unlikely	Low	Low	Medium	High 1	High 8
Rare	Low	Low	Low	Medium	Medium

## Preventative and mitigating controls

Heat Map - Target Risk

	Insignificant	Minor	Moderate	Major	Severe
Almost certain	Medium	High	Very High	Extreme	Extreme
Likely	Low	Medium	High 4	Very High	Extreme
Possible	Low	Low	Medium 2	High	Very High 3
Unlikely	Low	Low	Medium 5	High 1, 6	High 7, 8, 9
Rare	Low	Low	Low	Medium	Medium

Note that the numbering in the table is for reference only and is not a ranking of each risk.



Strategic and key business risks	Current risk rating	Target risk rating
1. Safety performance	High	High
2. Employee attraction and retention	High	Medium
3. Financial and commercial sustainability	Extreme	Very High
4. Maintaining power system security while transitioning to renewables	Very High	High
5. Transformation	Very High	Medium
6. Water Supply Security	High	High
7. Water Quality	Very High	High
8. Cyber Security	High	High
9. Gas Business Expansion	Very High	High

# Appendix 1

## Financial Data: Power and Water Corporation (unconsolidated)

### Statement of Profit or Loss and Other Comprehensive Income

Power and Water Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Revenue</b>						
Electricity Network	155.0	162.0	159.5	180.2	181.9	189.8
Electricity Retail	3.6	3.6	3.6	3.8	3.8	4.4
Water	117.0	117.0	116.8	119.0	121.5	124.6
Gas	254.6	228.3	235.7	319.3	346.5	338.0
Sewerage	78.7	78.7	79.5	81.3	83.4	85.3
Community Service Obligations	27.9	27.9	28.1	14.2	14.3	14.4
Developer and Capital Contributions	4.1	1.4	1.8	1.9	2.0	2.1
Gifted assets	8.4	7.1	7.0	5.3	5.1	4.3
Interest Received	2.5	2.5	1.9	1.7	1.3	1.3
Other Revenue	29.0	29.0	24.1	25.8	53.6	38.6
<b>Total Revenue</b>	<b>680.8</b>	<b>657.4</b>	<b>658.0</b>	<b>752.4</b>	<b>813.5</b>	<b>802.7</b>
<b>Operating Expenditure</b>						
Personnel - Direct	150.3	144.5	155.4	157.2	158.2	159.0
Personnel - Operational Recovery (R&M)	(21.8)	(21.8)	(27.9)	(28.1)	(32.3)	(32.1)
Personnel - Operational Recovery (CAPEX)	(47.9)	(35.0)	(31.5)	(32.4)	(25.9)	(26.3)
Personnel - Operational Recovery (OTHER)	(2.7)	(2.7)	(5.4)	(5.7)	(5.5)	(5.2)
Contract Labour	7.3	7.7	15.0	9.5	8.1	6.7
<b>Total Personnel Costs</b>	<b>85.3</b>	<b>92.7</b>	<b>105.6</b>	<b>100.6</b>	<b>102.7</b>	<b>102.1</b>
Energy	267.6	241.0	258.9	316.3	339.8	317.4
Repairs & Maintenance	55.9	55.9	89.5	80.4	90.1	102.3
IT & Communications	21.5	13.7	13.2	15.3	16.6	16.4
Vehicle Costs	2.1	2.1	1.6	1.7	1.7	1.7
Travel Costs	1.6	1.6	2.2	1.9	1.8	1.9
Training Costs	2.8	3.1	2.9	2.8	2.8	2.6
Professional Fees	30.5	28.7	40.2	26.5	17.9	21.5
Insurance	3.8	3.8	5.0	5.1	5.2	5.3
Materials	5.2	5.2	4.5	4.5	4.6	4.7
External Service Agreements	13.5	13.5	16.5	17.9	18.0	18.2
Cost of Sale	6.1	5.4	7.9	7.7	8.2	8.3
Property Charges	18.0	18.0	14.9	14.5	14.9	15.3
Bad & Doubtful Debts	2.5	2.5	2.2	2.2	2.2	2.2
Laboratory Fees	2.1	2.1	2.1	2.2	2.3	2.3
Grants & Subsidies	1.3	1.3	1.3	1.3	1.3	1.3
Bank Fees	0.3	0.3	0.3	0.3	0.3	0.3
Other Costs (Inc. OH Recovery)	4.4	7.8	(26.5)	(20.2)	(25.7)	(37.5)
<b>Total Controllable OPEX</b>	<b>524.6</b>	<b>498.9</b>	<b>542.3</b>	<b>581.1</b>	<b>604.7</b>	<b>586.3</b>

Power and Water Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Inter Company Allocations</b>						
Business Services	(5.9)	(5.9)	(6.0)	(6.1)	(6.2)	(6.4)
Initial Capitalised Overhead Recovery & Internal Consumption	(0.0)	(0.0)	(60.4)	(55.6)	(48.0)	(48.9)
Transfer Pricing	(2.0)	(2.0)	(1.9)	(1.9)	(1.9)	(2.0)
Service Level Agreements	(1.3)	(1.3)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Inter Company Allocations</b>	<b>(9.2)</b>	<b>(9.2)</b>	<b>(69.0)</b>	<b>(64.3)</b>	<b>(56.9)</b>	<b>(58.0)</b>
<b>Total Operating Expenditure</b>	<b>515.4</b>	<b>489.7</b>	<b>473.3</b>	<b>516.8</b>	<b>547.8</b>	<b>528.3</b>
<b>EBITDA</b>	<b>165.4</b>	<b>167.7</b>	<b>184.7</b>	<b>235.6</b>	<b>265.7</b>	<b>274.4</b>
Depreciation & Amortisation	103.6	103.6	99.5	105.4	105.5	110.9
Depreciation (Internal re-charge)	0.0	0.0	(4.0)	(3.6)	(3.1)	(3.0)
Amortisation - Leases	28.4	28.4	30.5	29.6	28.7	28.4
<b>EBIT</b>	<b>33.3</b>	<b>35.7</b>	<b>58.7</b>	<b>104.2</b>	<b>134.6</b>	<b>138.2</b>
Interest Expense	45.7	45.7	45.2	52.9	59.4	63.8
Interest - Finance lease	9.3	9.3	8.9	8.4	7.6	6.8
<b>Net Profit Before Tax</b>	<b>(21.7)</b>	<b>(19.4)</b>	<b>4.6</b>	<b>43.0</b>	<b>67.6</b>	<b>67.5</b>
Tax expense/(benefit)	(6.5)	(5.8)	1.4	12.9	20.3	20.3
<b>Net Profit After Tax</b>	<b>(15.2)</b>	<b>(13.6)</b>	<b>3.2</b>	<b>30.1</b>	<b>47.3</b>	<b>47.3</b>

## Statement of Financial Position

Power and Water Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Current Assets</b>						
Cash at Bank	84.4	44.2	49.6	56.5	75.6	53.7
Receivables	101.4	70.5	70.5	80.6	87.2	86.0
Inventories	18.2	32.9	28.1	28.6	29.2	29.9
Prepayments	0.0	14.3	14.8	16.6	17.7	17.6
Other Current Assets	0.8	21.3	22.0	29.7	32.3	31.5
Lease receivables	2.0	2.0	2.0	2.1	2.2	2.2
Intra-entity Receivable Account	0.0	10.8	11.1	11.4	11.7	11.9
<b>Total Current Assets</b>	<b>206.8</b>	<b>195.9</b>	<b>198.2</b>	<b>225.6</b>	<b>255.7</b>	<b>232.9</b>
<b>Non-Current Assets</b>						
Non-Current Receivables	25.0	17.9	17.9	17.9	17.9	17.9
NC Finance lease receivables	20.0	20.4	18.4	16.3	14.1	11.9
Property, Plant & Equipment	2,275.0	2,131.7	2,114.9	2,230.6	2,276.2	2,383.5
Intangible Assets	65.2	61.4	56.4	42.4	21.4	21.4
Net Right of use (leased) assets	303.9	329.8	299.3	269.7	240.9	212.6
Other NC Assets	16.1	16.1	16.1	16.1	16.1	16.1
Capital Work in Progress	72.1	217.9	383.9	443.7	513.7	266.9
<b>Total Non Current Assets</b>	<b>2,777.3</b>	<b>2,795.3</b>	<b>2,906.9</b>	<b>3,036.7</b>	<b>3,100.4</b>	<b>2,930.3</b>
<b>Total Assets</b>	<b>2,984.0</b>	<b>2,991.1</b>	<b>3,105.0</b>	<b>3,262.2</b>	<b>3,356.1</b>	<b>3,163.2</b>
<b>Current Liabilities</b>						
Payables	15.0	23.7	25.5	28.0	29.3	28.3
Accruals	37.6	26.7	29.0	31.1	32.4	31.4
Unearned Revenue	33.8	59.1	75.3	170.6	263.2	74.1
Borrowings	245.0	245.0	282.0	142.0	279.0	245.0
Provision for Tax	9.3	(13.0)	(9.2)	1.7	16.0	30.1
Finance Lease Liabilities	25.6	29.5	29.3	29.4	30.0	28.9
Provisions	38.8	44.9	48.3	48.9	49.2	49.4
<b>Total Current Liabilities</b>	<b>405.2</b>	<b>416.0</b>	<b>480.2</b>	<b>451.7</b>	<b>699.1</b>	<b>487.2</b>
<b>Non-Current Liabilities</b>						
Non-Current Employee Provisions	5.9	6.0	6.8	6.5	6.6	6.6
Government Loans	948.0	948.0	1,039.0	1,240.0	1,094.0	1,128.0
Intra-entity Payable Account	0.0	0.0	0.0	0.0	0.0	0.0
Net Deferred Tax Liability	92.7	77.6	58.6	14.9	(27.7)	(42.1)
NC Lease liability	313.6	332.7	303.4	274.0	244.0	215.0
Unearned Revenue	0.0	18.4	18.4	18.4	18.4	18.4
Other Non-Current Provisions	14.7	0.0	0.0	0.0	0.0	0.0
<b>Total Non Current Liabilities</b>	<b>1,375.0</b>	<b>1,382.6</b>	<b>1,426.2</b>	<b>1,553.7</b>	<b>1,335.3</b>	<b>1,325.9</b>
<b>Total Liabilities</b>	<b>1,780.1</b>	<b>1,798.6</b>	<b>1,906.4</b>	<b>2,005.4</b>	<b>2,034.4</b>	<b>1,813.1</b>
<b>Net Assets</b>	<b>1,203.9</b>	<b>1,192.6</b>	<b>1,198.6</b>	<b>1,256.8</b>	<b>1,321.7</b>	<b>1,350.1</b>



Power and Water Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Shareholder Equity</b>						
Contributed equity	84.3	44.3	49.2	79.3	110.1	113.1
Asset Revaluation	469.7	518.3	518.3	518.3	518.3	518.3
Opening Retained profits	665.1	645.4	629.9	631.1	659.2	693.3
Retirement moved from asset revaluation reserve	0.0	0.0	0.0	0.0	0.0	0.0
Profit / Loss	(15.2)	(13.6)	3.2	30.1	47.3	47.3
Dividends	0.0	(2.0)	(2.0)	(2.0)	(13.2)	(21.9)
<b>Closing Retained Profits</b>	<b>649.8</b>	<b>629.9</b>	<b>631.1</b>	<b>659.2</b>	<b>693.3</b>	<b>718.7</b>
<b>Total Shareholder Equity</b>	<b>1,203.9</b>	<b>1,192.6</b>	<b>1,198.6</b>	<b>1,256.8</b>	<b>1,321.7</b>	<b>1,350.1</b>

## Statement of Cash Flows

Power and Water Unconsolidated	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Cash Flow from Operating Activities</b>						
Net (loss)/profit	(15.2)	(13.6)	3.2	30.1	47.3	47.3
<b>Adjustments for:</b>						
Depreciation and amortisation	132.0	132.0	126.0	131.3	131.1	136.2
Contributed assets provided free of charge	(8.4)	(7.1)	(7.0)	(5.3)	(5.1)	(4.3)
<b>Changes in assets and liabilities:</b>						
(Increase)/decrease in inventories	(0.3)	(5.8)	4.8	(0.5)	(0.5)	(0.7)
(Increase)/decrease in trade and other receivables	5.5	4.5	1.6	(8.4)	(4.7)	3.0
(Increase)/decrease in current intangible assets	0.0	0.0	5.0	14.0	21.0	0.0
(Increase)/decrease in prepayments	0.0	(3.6)	(0.5)	(1.8)	(1.1)	0.1
Decrease in net deferred tax payable	9.3	(17.4)	(19.0)	(43.7)	(42.6)	(14.4)
(Decrease)/increase in current tax liabilities	3.2	0.3	3.8	10.9	14.3	14.1
(Decrease)/increase in trade and other payables	0.5	(1.5)	1.8	2.6	1.3	(1.0)
Increase in government grants	0.0	0.0	0.0	0.0	0.0	0.0
(Decrease)/Increase in provisions	2.6	2.0	4.2	0.2	0.5	0.2
Increase in unearned revenue	(10.7)	0.0	16.2	100.3	102.6	10.0
(Increase)/decrease in Other Assets	0.0	7.7	(0.7)	(7.8)	(2.5)	0.8
(Decrease)/increase in Other Liabilities	0.0	(1.1)	2.3	2.1	1.3	(1.0)
<b>Net Cash Generated by Operating Activities</b>	<b>118.5</b>	<b>96.5</b>	<b>141.8</b>	<b>224.1</b>	<b>262.8</b>	<b>190.2</b>
<b>Cash Flow from Investing Activities</b>						
Payments for property, plant and equipment	(136.9)	(109.4)	(237.7)	(277.0)	(222.8)	(163.1)
<b>Net Cash Used in Investing Activities</b>	<b>(136.9)</b>	<b>(109.4)</b>	<b>(237.7)</b>	<b>(277.0)</b>	<b>(222.8)</b>	<b>(163.1)</b>
<b>Cash Flow from Financing Activities</b>						
Dividends Paid	0.0	(2.0)	(2.0)	(2.0)	(13.2)	(21.9)
Movement in Borrowing	36.0	36.0	128.0	61.0	(9.0)	0.0
Repayment of lease liabilities	(27.1)	(28.7)	(29.5)	(29.3)	(29.4)	(30.1)
Proceeds from Equity injection	10.0	(30.0)	4.9	30.1	30.8	3.0
<b>Net Cash Provided by/(Used in) Financing Activities</b>	<b>18.9</b>	<b>(24.7)</b>	<b>101.4</b>	<b>59.8</b>	<b>(20.8)</b>	<b>(49.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>0.5</b>	<b>(37.7)</b>	<b>5.4</b>	<b>6.8</b>	<b>19.1</b>	<b>(21.9)</b>
Cash and cash equivalents at beginning of year	83.9	81.9	44.2	49.6	56.5	75.6
<b>Closing Cash Balance</b>	<b>84.4</b>	<b>44.2</b>	<b>49.6</b>	<b>56.5</b>	<b>75.6</b>	<b>53.7</b>

# Appendix 2

## Financial Data: Indigenous Essential Services Pty Ltd

### Income Statement

Indigenous Essential Services	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Revenue</b>						
Electricity Network	0.1	0.1	0.1	0.1	0.1	0.1
Electricity Retail	34.3	33.6	34.4	35.1	35.9	36.7
Water	5.8	6.5	5.6	5.8	5.9	6.0
Sewerage	3.3	3.3	3.3	3.4	3.4	3.5
Gifted assets	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent Grant	60.7	58.6	66.1	66.3	67.3	68.7
Capital Grant	44.6	44.6	50.5	32.2	32.6	26.0
Interest Received	0.2	0.1	0.2	0.2	0.2	0.2
Other Revenue	0.5	0.7	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>149.6</b>	<b>147.5</b>	<b>160.2</b>	<b>143.1</b>	<b>145.4</b>	<b>141.4</b>
<b>Operating Expenditure</b>						
Personnel - Direct	19.5	18.7	18.7	18.7	18.7	19.1
Personnel - Operational Recovery (R&M)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.2)
Personnel - Operational Recovery (CAPEX)	(2.0)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Contract Labour	0.4	0.3	0.3	0.3	0.3	0.3
<b>Total Personnel Costs</b>	<b>14.7</b>	<b>12.5</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.8</b>
Energy	27.1	35.0	34.9	36.0	37.8	39.0
Repairs & Maintenance	17.6	17.8	17.5	17.2	17.3	17.7
IT & Communications	1.7	1.7	1.7	1.7	1.8	1.8
Vehicle Costs	0.9	0.9	1.0	1.0	1.0	1.0
Travel Costs	0.8	0.8	0.8	0.8	0.8	0.9
Training Costs	0.4	0.3	0.3	0.3	0.3	0.3
Professional Fees	3.1	1.1	1.1	1.1	1.2	1.2
Insurance	0.0	0.0	0.0	0.0	0.0	0.0
Materials	2.2	2.2	2.2	2.3	2.3	2.4
External Service Agreements	20.5	16.3	19.1	19.5	19.9	20.4
Property Charges	0.4	0.4	0.4	0.4	0.4	0.4
Laboratory Fees	0.9	0.9	1.0	1.0	1.0	1.0
Bank Fees	0.0	0.0	0.0	0.0	0.0	0.0
Other Costs	3.0	2.3	2.3	2.3	2.4	2.4
<b>Total Controllable OPEX</b>	<b>93.3</b>	<b>92.3</b>	<b>94.8</b>	<b>96.2</b>	<b>98.8</b>	<b>101.3</b>

Indigenous Essential Services	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
Business Services	6.0	6.0	6.1	6.3	6.5	6.6
Internal Consumption	0.0	0.0	0.0	0.0	0.0	0.0
Transfer Pricing	2.0	2.0	2.0	2.0	2.1	2.1
Service Level Agreements	1.2	0.7	0.7	0.8	0.8	0.8
<b>Inter Company Allocations</b>	<b>9.2</b>	<b>8.7</b>	<b>8.9</b>	<b>9.1</b>	<b>9.3</b>	<b>9.5</b>
<b>Total Operating Expenditure</b>	<b>102.6</b>	<b>101.0</b>	<b>103.7</b>	<b>105.3</b>	<b>108.1</b>	<b>110.8</b>
<b>EBITDA</b>	<b>47.0</b>	<b>46.5</b>	<b>56.5</b>	<b>37.8</b>	<b>37.3</b>	<b>30.5</b>
Depreciation & Amortisation	58.0	58.0	55.0	55.4	39.4	39.1
Amortisation - Leases	2.4	2.4	2.5	2.4	2.3	2.3
<b>EBIT</b>	<b>(13.4)</b>	<b>(13.9)</b>	<b>(1.0)</b>	<b>(20.0)</b>	<b>(4.4)</b>	<b>(10.9)</b>
Interest Expense	1.0	1.0	0.9	0.7	0.3	0.3
Interest - Finance lease	1.4	1.2	1.3	1.3	1.2	1.2
<b>Net Profit Before Tax</b>	<b>(15.8)</b>	<b>(16.0)</b>	<b>(3.2)</b>	<b>(22.0)</b>	<b>(5.9)</b>	<b>(12.4)</b>
Tax expense/(benefit)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit After Tax</b>	<b>(15.8)</b>	<b>(16.0)</b>	<b>(3.2)</b>	<b>(22.0)</b>	<b>(5.9)</b>	<b>(12.4)</b>



## Balance Sheet

Indigenous Essential Services	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Current Assets</b>						
Cash at Bank	27.0	71.5	82.1	82.2	81.8	81.0
Receivables	0.3	10.6	0.3	0.3	0.3	0.3
Inventories	2.9	4.4	4.5	4.5	4.6	4.7
Prepayments	0.1	0.2	0.2	0.2	0.2	0.2
Other Current Assets	0.0	0.3	0.3	0.3	0.3	0.3
Cost of Sale WIP	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>30.3</b>	<b>86.9</b>	<b>87.3</b>	<b>87.5</b>	<b>87.2</b>	<b>86.5</b>
<b>Non-Current Assets</b>						
Intangible Assets	0.2	0.2	0.2	0.2	0.2	0.2
Finance Lease	15.3	16.2	15.9	15.6	15.3	15.0
Right of use (leased) assets	20.3	20.0	17.8	15.7	13.7	11.6
Capital Work in Progress	54.1	70.3	68.9	67.5	60.8	54.7
<b>Total Non Current Assets</b>	<b>706.9</b>	<b>694.9</b>	<b>687.9</b>	<b>662.3</b>	<b>653.2</b>	<b>637.8</b>
<b>Total Assets</b>	<b>737.2</b>	<b>781.8</b>	<b>775.2</b>	<b>749.8</b>	<b>740.5</b>	<b>724.2</b>
<b>Current Liabilities</b>						
Payables	7.4	7.7	7.9	8.1	8.3	8.5
Accruals	3.0	5.5	5.6	5.7	5.9	6.0
Unearned Revenue	16.2	62.4	59.4	56.5	53.3	49.8
Inter-entity Payable	10.0	10.8	11.1	11.4	11.7	11.9
Right of Use Lease Liability	1.5	2.1	2.1	2.1	2.1	2.1
Lease liability	0.6	0.3	0.3	0.3	0.3	0.3
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>38.6</b>	<b>88.7</b>	<b>86.4</b>	<b>84.0</b>	<b>81.5</b>	<b>78.5</b>
<b>Non-Current Liabilities</b>						
Loans and advances from controlled entities	25.0	25.0	25.0	25.0	25.0	25.0
Right of Use Lease Liability	19.9	20.4	19.5	18.7	18.0	17.4
Lease Liability	16.7	17.9	17.7	17.5	17.3	17.1
<b>Total Non Current Liabilities</b>	<b>61.6</b>	<b>63.3</b>	<b>62.2</b>	<b>61.2</b>	<b>60.3</b>	<b>59.5</b>
<b>Total Liabilities</b>	<b>100.2</b>	<b>152.1</b>	<b>148.7</b>	<b>145.3</b>	<b>141.8</b>	<b>138.0</b>
<b>Net Assets</b>	<b>637.0</b>	<b>629.7</b>	<b>626.5</b>	<b>604.5</b>	<b>598.7</b>	<b>586.2</b>

Indigenous Essential Services	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Shareholder Equity</b>						
Asset Revaluation	481.2	478.9	478.9	478.9	478.9	478.9
Opening Retained profits	171.6	166.8	150.8	147.6	125.6	119.7
Profit / Loss	(15.8)	(16.0)	(3.2)	(22.0)	(5.9)	(12.4)
<b>Closing Retained Profits</b>	<b>155.8</b>	<b>150.8</b>	<b>147.6</b>	<b>125.6</b>	<b>119.7</b>	<b>107.4</b>
<b>Total Shareholder Equity</b>	<b>637.0</b>	<b>629.7</b>	<b>626.5</b>	<b>604.5</b>	<b>598.7</b>	<b>586.3</b>

## Cashflow Statement

Indigenous Essential Services	2021-22 Published \$M	2021-22 Forecast \$M	2022-23 Budget \$M	2023-24 Projection \$M	2024-25 Projection \$M	2025-26 Projection \$M
<b>Cash Flow from Operating Activities</b>						
EBITDA	47.0	46.5	56.5	37.8	37.3	30.5
Less: gifted assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Working capital movements</b>						
(Inc)/Dec in receivables	(0.0)	(0.1)	10.3	(0.0)	(0.0)	(0.0)
(Inc)/Dec in inventory	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
(Inc)/dec in unearned	(20.7)	1.4	(3.0)	(2.9)	(3.2)	(3.5)
Inc/(Dec) in payables	1.2	2.3	0.4	0.2	0.4	0.4
Interest paid	(2.3)	(2.1)	(2.2)	(2.0)	(1.5)	(1.5)
<b>Operating Cash Flow</b>	<b>25.0</b>	<b>47.9</b>	<b>61.9</b>	<b>33.0</b>	<b>32.8</b>	<b>25.8</b>
<b>Cash Flow from Investing Activities</b>						
Net capital expenditure	(44.6)	(43.9)	(50.5)	(32.2)	(32.6)	(26.0)
<b>Investing Cash Flow</b>	<b>(44.6)</b>	<b>(43.9)</b>	<b>(50.5)</b>	<b>(32.2)</b>	<b>(32.6)</b>	<b>(26.0)</b>
<b>Cash Flow from Financing Activities</b>						
Finance Lease	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Right of Use Leases	(1.4)	(0.8)	(0.9)	(0.8)	(0.7)	(0.6)
Net movement in controlled entites	0.0	1.8	0.3	0.3	0.3	0.2
<b>Financing Cash Flow</b>	<b>(2.0)</b>	<b>0.8</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(0.6)</b>
<b>Net Cash Flow</b>	<b>(21.6)</b>	<b>4.8</b>	<b>10.6</b>	<b>0.1</b>	<b>(0.4)</b>	<b>(0.8)</b>
Opening cash balance	48.6	66.7	71.5	82.1	82.2	81.8
<b>Closing Cash Balance</b>	<b>27.0</b>	<b>71.5</b>	<b>82.1</b>	<b>82.2</b>	<b>81.8</b>	<b>81.0</b>

# Appendix 3

## Glossary

Abbreviation	Definition
<b>AER</b>	Australian Energy Regulator
<b>AROWS</b>	Adelaide River Off-stream Water Storage
<b>CAPEX</b>	Capital expenditure
<b>CM&amp;C</b>	Department of the Chief Minister and Cabinet
<b>CPI</b>	Consumer Price Index
<b>CSO</b>	Community Service Obligation
<b>DITT</b>	Department of Industry, Tourism and Trade
<b>DTF</b>	Department of Treasury and Finance
<b>DTFHC</b>	Department of Territory Families, Housing and Communities
<b>EA</b>	Enterprise Agreement
<b>EBIT</b>	Earnings Before Interest and Tax
<b>EBITDA</b>	Earnings Before Interest Tax Depreciation and Amortisation
<b>EMS</b>	Energy Management System
<b>EPMO</b>	Enterprise Portfolio Management Office
<b>ESO</b>	Essential Service Operator
<b>ECO</b>	Executive Contract Officers
<b>FTE</b>	Full Time Equivalent
<b>GL</b>	Gigalitre
<b>GOC</b>	Government Owned Corporation
<b>GSP</b>	Gross State Product
<b>GPS</b>	Generator Performance Standard
<b>GST</b>	Goods and services tax
<b>GVA</b>	Gross Value Added
<b>GWh</b>	Gigawatt hours
<b>ICT</b>	Information, Communication and Technology
<b>IES</b>	Indigenous Essential Services
<b>I-NTEM</b>	Interim Northern Territory Electricity Market
<b>ISO</b>	International Organisation for Standardisation
<b>kL</b>	Kilolitre
<b>Km</b>	Kilometres
<b>KPI</b>	Key Performance Indicator
<b>kV</b>	Kilovolt, 1,000 volts
<b>kWh</b>	Kilowatt hour



Abbreviation	Definition
<b>LNG</b>	Liquefied Natural Gas
<b>ML</b>	Megalitre
<b>MW</b>	Megawatt
<b>NER</b>	National Electricity Rules
<b>NGP</b>	Northern Gas Pipeline
<b>NPAT</b>	Net Profit After Tax
<b>NT</b>	Northern Territory
<b>NTEM</b>	Northern Territory Electricity Market
<b>NTG</b>	Northern Territory Government
<b>NT NER</b>	Northern Territory National Electricity Rules
<b>OPEX</b>	Operating expenditure
<b>PV</b>	Photovoltaic
<b>RM</b>	Repairs and maintenance
<b>SCI</b>	Statement of Corporate Intent
<b>TERC</b>	Territory Economic Construction Commission
<b>UC</b>	Utilities Commission
<b>WACC</b>	Weighted Average Cost of Capital





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