

2020-21  
Statement of  
Corporate Intent

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1.3 million square kilometres

245,800 people

72 remote communities, 66 outstations, 5 major centres, 15 minor centres



93,700 electricity customers

53,500 water and sewerage customers (based on meters)



3 regulated power systems controlled

1,837 gigawatt hours distributed

7,330 km of overhead lines and 56,440 distribution poles maintained

2,640 km of underground cable maintained

3,430 transmission towers maintained



69 billion litres of drinking water sourced

24 billion litres of waste water collected/treated

3,020 km of water mains maintained

1,560 km of sewer mains maintained



90 percent of gas needs to NT grid connected electricity generators

\$4.0 billion in long-term gas supplies managed

40 petajoules per annum



835 employees supporting the NT (full time equivalent, January 2020)



\$3.0 billion of physical assets managed

\$164 million invested in capital works,  
including \$51 million servicing remote communities



\$632 million paid to suppliers and employees

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# 1. Overview

**Power and Water Corporation** is a unique Northern Territory (NT) multi-utility operating across a vast geographic area of 1.3 million square kilometres and within a range of extreme environmental conditions, from the arid dry of the central desert to the tropical monsoon of the top end. Power and Water transmits and distributes electricity, provides water and wastewater treatment services and delivers wholesale gas, across the NT for the benefit of its residents, including remote and isolated Aboriginal communities and outstations.

It is also an enabler of economic development and economic diversity within the NT underpinning key strategic projects.

Power and Water is a government-owned corporation established under the *Power and Water Corporation Act 1987* and the *Government Owned Corporations Act 2001* (GOC Act). The Board of Directors is responsible to the Shareholding Minister for the corporation's operational and financial performance. These expectations are outlined in our 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 NT Government on its investment in the corporation.

It is also recognised that Power and Water has an important role in facilitating the efficient delivery of the NT Government (NTG) social and economic agenda while working constructively with key stakeholders; and is a key responder during and after a natural disaster, helping the community to restore essential services.

Our SCI sets out the nature and scope of our business activities, goals and key strategies, risk management, capital investment plans and performance targets over a four-year period commencing 1 July 2019. It takes in all areas of our multi-utility business and sets the foundation for business unit planning, which in turn guides the development of aligned team and employee plans.

## **Impact of the COVID-19 Pandemic**

Our SCI is being submitted at a difficult time. The emergence of the COVID-19 pandemic in Australia will inflict economic and social hardship on our customers. We remain committed to providing our customers with essential gas, electricity and water services during this time of crisis, and assisting our customers to the full extent possible.

The COVID-19 pandemic has been unfolding at great speed, and at this time we are uncertain of its economic impact across Australia and more specifically, the NT. With Australia in the relatively early stages of the pandemic, a substantial level of uncertainty exists around the ability to accurately forecast the impact on Power and Water and the NTG fiscal policies in the coming years.

These as yet unknown impacts have the potential to re-shape our projected financial position, resulting in significant variances against the financial projections published in this SCI. As a consequence of NTG's response to managing the impact of COVID-19 on the NT economy, Power and Water has applied a tariff (water, sewerage and electricity) freeze in the 2020-21 budget along with increases in hardship allowances and provision for doubtful debts.

## 1.1 Nature and scope of activities

Power and Water activities are focused on the following:

### Power networks and distribution

- We own and operate 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.
- We operate and control the network systems ensuring the electricity network is balanced, stable, safe and reliable through our System Control operations; and operate the interim wholesale electricity market through our Market Operator role.
- We provide electricity (generate, distribute and retail) to remote Aboriginal communities and outstations on behalf of the Department of Local Government, Housing and Community Development.

### Water and wastewater

- We own and operate the large dams and groundwater fields to deliver clean drinking water to households and for business use, and remove and treat wastewater before disposing of it in an environmentally responsible manner.
- We provide water and wastewater services to remote Aboriginal communities and outstations on behalf of the Department of Local Government, Housing and Community Development.

### Serving remote customers

- We manage the arrangements for the provision of electricity, water and sewerage services to remote Aboriginal communities and outstations, through our not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (IES), under agreement with the NTG.

### Gas acquisition and distribution

- We manage large scale gas purchase and transportation arrangements and sell that gas to Territory Generation and other large businesses across the NT, as well as into interstate markets with the completion of the Northern Gas Pipeline. We own and maintain various gas pipeline assets.

### Supporting the NT economy and community

- We facilitate the efficient delivery of the NTG social and economic agenda while working constructively with key stakeholders. We are also a key responder after a natural disaster, helping the community to restore essential services.

## 1.2 Utility trends

We are experiencing much the same change in regulatory, market and technological drivers as other utilities in Australia. These trends present both challenges and opportunities for Power and Water (Section 2.2).

**Customers expect more choice and value than ever before.**

**Customers expect more choice and value than ever before.** Digital advancements and effective customer engagement have given rise to 'liquid expectations' among customers. From their experiences in other industries, consumers expect greater choice, beneficial engagement, seamless experiences and convenience. They expect their evolving needs to be understood and continuously met by any business they interact with.

These influences are affecting our customer expectations in the NT, as well as our wholesale gas customers outside the NT. We must continually improve how we interact with our customers building open, collaborative and mutually beneficial relationships based on trust and respect, demonstrating that we are working in their greater long term interests while being efficient.

**The power, water and gas markets are opening up to increasing levels of competition and regulation.**

reliability and sustainability.

Traditional players in these markets are faced with greater costs to align with policy and regulation. They also face increased oversight as they strive to operate within a paradigm of a capped revenue allowance; set performance outcomes and an appropriate financial return to their owners. Power and Water's Network Distribution Determination arrangements with the Australian Energy Regulator and National Electricity Rules (NT NER), which came into effect from 1 July 2019, is an example of the technical and commercial rigour now required.

**Water scarcity and safe water supply is being impacted by changing climate patterns, growing demand, sub-optimal water management practices, pollution risks and economic constraints.**

consumers that water is a scarce and valuable resource is paramount.

**The power, water and gas markets are opening up to increasing levels of competition** and new standards of accountability and performance. This is being driven by the respective regulators. With consumer's interests at heart, regulators are implementing policies to provide customers with better choice and prices. Operators face the trilemma of ensuring service affordability,

**Water scarcity and the availability of safe water supplies** to communities is also being impacted by variable and changing climate patterns, growing demand, sub-optimal water management practices, pollution risks and economic constraints. These conditions are also being experienced in the NT and it is imperative that we focus on our water source strategies and long-term integrated planning to ensure long-term water security and safe water supply across the NT including all remote communities. Effective demand management practices, community participation and a genuine belief by all

**Emerging technologies are transforming markets and allowing for the entrance of new service providers.**

revolutionary effect of smart new technologies is occurring across all utilities, in water just as much as power.

**Emerging technologies** are transforming markets and allowing for the entrance of new service providers. The rise of the Internet of Things with smart meters, grids and energy efficiency management are creating new, sought after value propositions - demand response, solar, energy storage. The imperative for the industry to adapt and evolve is unnegotiable. The

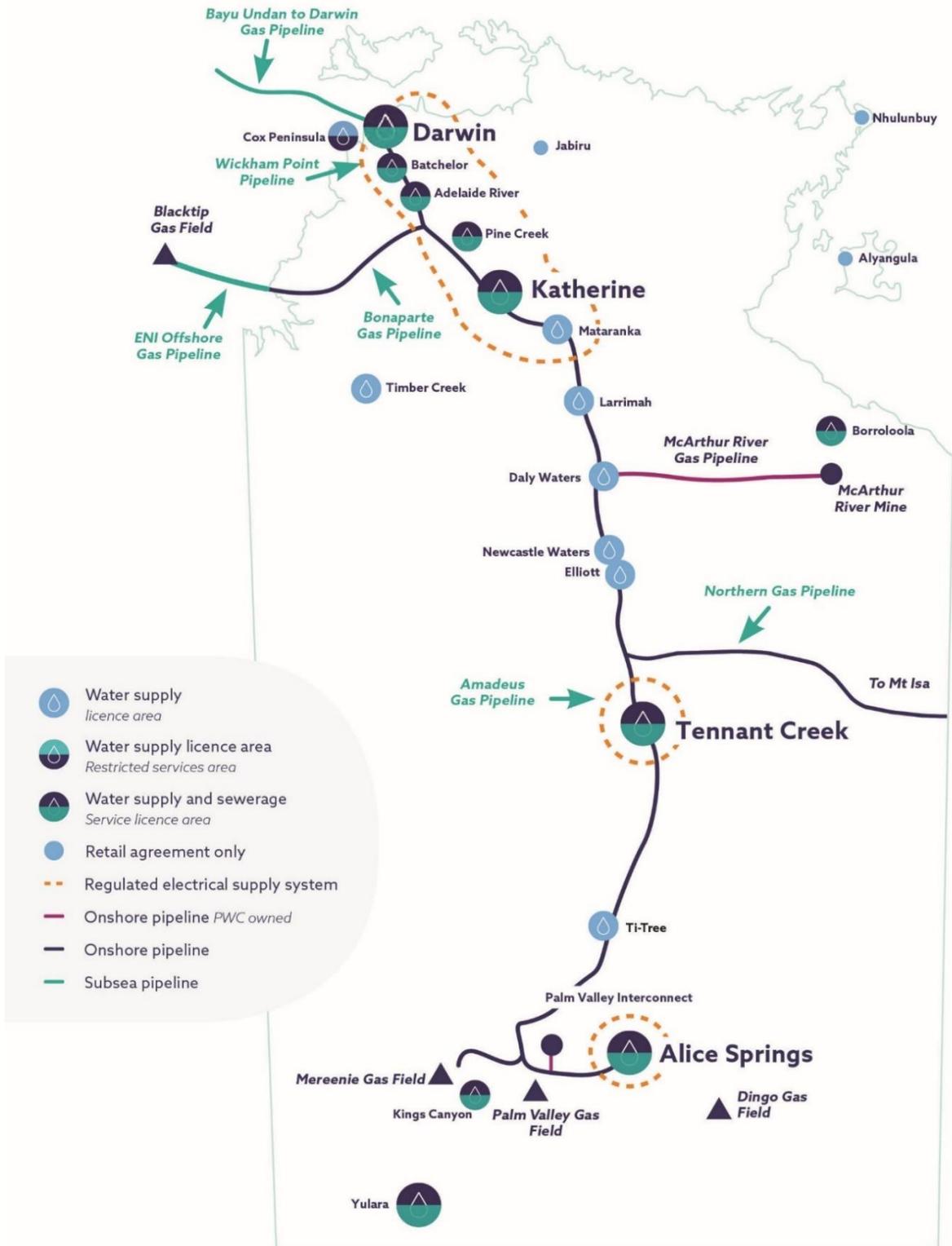
**Energy transition is occurring across Australia with a shift towards renewable energy impacting reliability and security of power networks.**

approach to avoid compromising the security and reliability of the three power systems, whilst continuing to meet the growing expectations of our customers and the community.

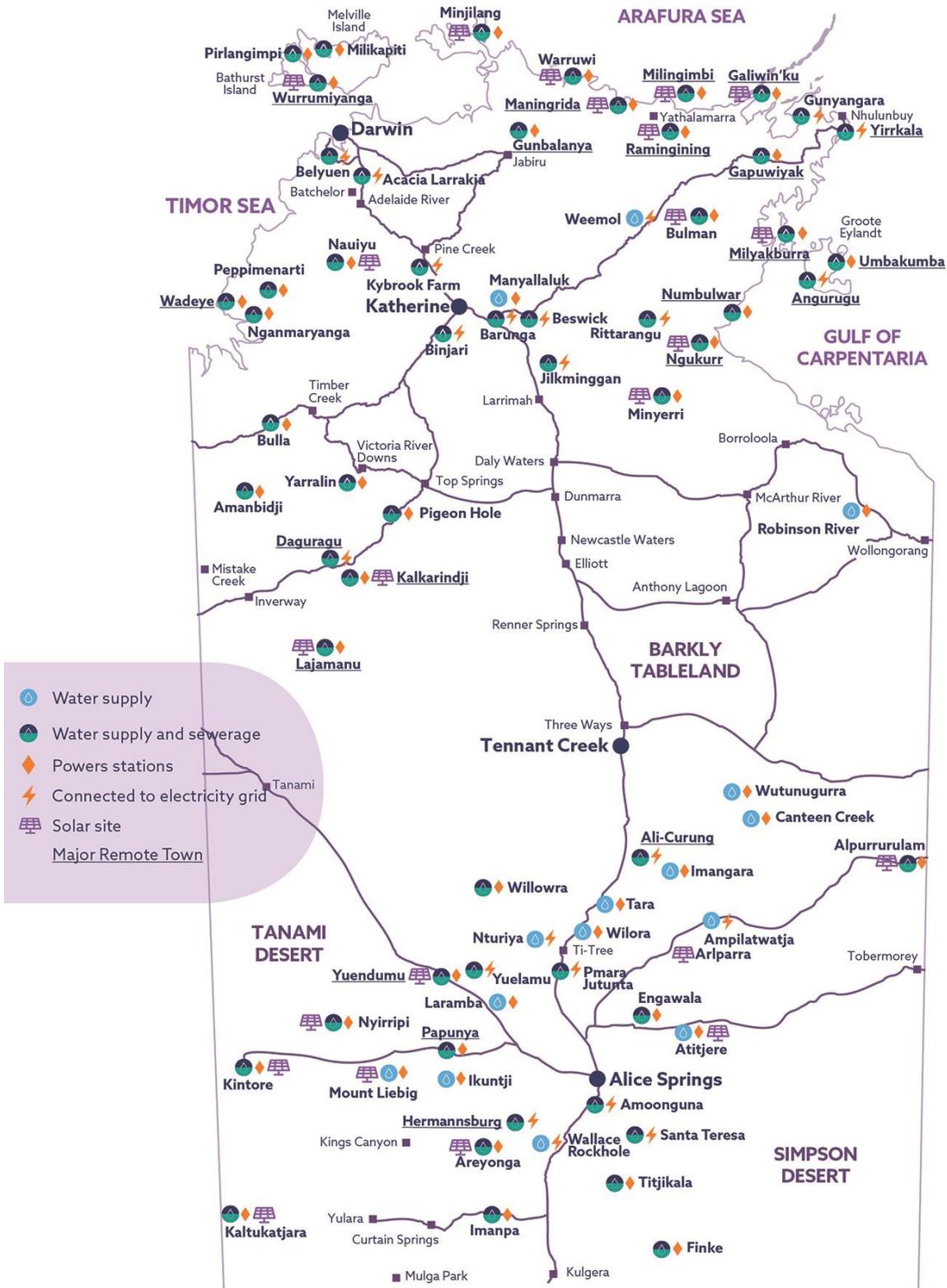
**Energy transition** is occurring across Australia with an ongoing shift towards renewable energy, which is impacting traditional generation sources (coal, gas) and providing challenges for the ongoing reliability and security of power networks. Facilitating the increase in renewable energy in line with NT Government's objective of 50% renewables by 2030 requires a considered

### 1.3 Where we operate

Power networks, water, sewerage and gas



## Remote communities' power, water supply and sewerage services



## 2. Our strategic direction

Power and Water is committed to enriching the future of the Territory, our customers and for each other.

Our strategic direction has been set after consideration of the following aspects:

- **Our mandate** as set by our owners, the NT Government.
- **Growing customer expectations:** putting our customers, community and shareholder at the forefront of all that we do when delivering our essential services, to provide greater customer value and experience.
- **Our business context which is uniquely complex:** a vast landscape, regional and remote communities, cultural sensitivities, extreme weather such as cyclones, and more.
- **Realising significant efficiencies as a multi-utility:** the scope and approach of the services we deliver has changed considerably over the years under different governments and leadership. Our operating structure has been formed through the combination of different businesses, whose varying needs and customisations have increased the complexity of our organisation. Restructuring is critical in order to realise the efficiencies of being a multi-utility.
- **Challenges being faced by Australian utilities:** evolving market and customer expectations, changing regulations, new technologies, energy transition and network stability, climate impacts, water security and demand management.
- **Building further value:** our position as a multi-utility is a base for building greater synergies and new value to take advantage of new business opportunities and to support the NTG in delivering growth and future economic development.

**Our Purpose and Vision** has been developed to encapsulate these aspects.

### Our purpose

Enriching the future of the Northern Territory and the community in which we operate, supporting economically sustainable growth and prosperity.

Enriching the future for our people, by providing growth and development opportunities that enable them to do new things, champion change and make a difference in the work they do.

Enriching the future for our customers by being easy to deal with, and providing customers with knowledge and choice.



### Our vision

To be a best practice, commercially focused and customer centric multi-utility respected by the community for our contribution to the Northern Territory economy and the pursuit of the long-term interests of consumers.

In moving towards our Purpose and our Vision, we have embraced a strong focus on practicing and applying the following **values** in everything we do in our work, to guide our decisions and actions.

- We put people first;
- We value our customers and give them our best;
- We have pride in ourselves and our work; and
- We work better by working together.

### 2.1 Major challenges and opportunities

The future continues to bring both challenges and opportunities for Power and Water in our important role of providing essential services and putting our customer, community and shareholder expectations at the forefront of all that we do; and in supporting the NTG in delivering growth and future economic development. Key considerations in our SCI include the following:

- **Growing expectations of our customers, regulators and other stakeholders** drives the need to enhance our customer focus and deliver a better customer experience by putting our customers at the heart of everything we do; advocating for our customers at all times and for those that support them; and making all customer interactions with us easy and informative. Improving our efficiency and responding to these expectations in an ever changing environment is a major challenge. The way we are organised, our systems and capabilities, are limiting our ability to respond as a modern multi-utility. In meeting these challenges, we will continue to make our customers front and centre in how we think and operate, while implementing business efficiencies, improving our performance and capabilities and leveraging all opportunities where possible, including the adoption of new and developing technology.
- **Entering the regulatory regime of the NT National Electricity Rules (NT NER)** in July 2019, with network revenue being set by the Australian Energy Regulator (AER), provides an exciting opportunity and catalyst for change though implementing new and better ways of delivering our services to our customers and responding to growing community expectations. Moving towards achieving a cost structure and capital discipline in line with the AER Determination, and within the required timeframes, is critical; as is our compliance with the NT National Electricity Rules.
- **The growing penetration of renewable energy**, which is expected to increase significantly over coming years in line the NTG target of 50% by 2030, presents challenges to ensure that the effective integration of renewable energy technologies and fluctuating renewable energy load onto the power system, does not compromise system reliability and security. The successful implementation of the corrective actions resulting from the Alice Springs system black event in October 2019, and other learnings, will be an ongoing focus so that we can meet our customer expectations now and into the future.
- **Variable and changing climate patterns** highlights the need to continue to review our water source strategies to ensure the ongoing availability of a safe, secure water supply; and the availability of water to support business growth. Our focus is on pursuing long-term water security solutions including infrastructure funding (Adelaide River Offstream Water Storage); strengthening water conservation expectations and outcomes; reducing water losses and meeting water quality standards in both major centres and remote communities.
- **Unprecedented change in both the Gas and Energy markets and the regulatory environment** in the NT and more broadly in Australia, poses significant challenges and requires an active and effective voice in shaping regulatory and policy outcomes. Our wholesale gas business plays an important role (directly and indirectly) in supporting economic development and the diversification of the NT economy. Meeting the future demand for wholesale gas while ensuring that the Shareholder's interests are protected; as well as achieving maximum benefit from existing gas purchase, sales and transportation agreements, is a key focus.

**Our new Operating Model is a critical enabler** designed to respond to the above challenges which are creating a pressing need to change and improve how we operate. The successful implementation will allow us to leverage the significant synergies that we have available as a multi-utility service provider of power, water and gas services, by better organising our business structure, replacing end-of-life systems and streamlining processes to improve service delivery and value to our customers and Shareholder; and to ensure ongoing compliance with changing law and regulation.

Our work to embed the new Operating Model is a **significant and complex multi-year program** and we are moving rapidly to implement the key components within regulatory compliance timeframes. Substantial investment is required which will enable Power and Water to deliver ongoing benefits to our customers and to our shareholders, underpinning our successful and sustainable operation into the future. The Power and Water Board and management is committed to getting this right.

## 2.2 Key goals and strategies

Power and Water is on the path of major change in line with our Purpose and Vision. The 2019-20 SCI highlighted the key priority focus areas of Health and Safety; new Operating Model; transition to the National Electricity Rules (NER) / Australian Energy Regulator (AER); remediation of the core ICT systems; and improvement in culture, leadership, and capability.

Since the approval of our 2019-20 SCI in May 2019, we have made good progress in the priority focus areas including the following:

### *Customer:*

- **Improved our customer focus** resulting in an uplift in the level of customer satisfaction. This has included extensive engagement through our Customer Advisory Council.

### *Health and Safety:*

- **Achieved significant improvement in health and safety** systems, awareness and performance, achieving a zero lost time injury frequency rate (LTIFR) in line with our commitment to ZeroHarm.

### *New Operating Model:*

- **Continued a major transformation program** to leverage our position as a multi-utility; specifically, to take advantage of the commonalities in the delivery of Power, Water and Gas through a new Operating Model. A Transformation Office was established to focus on the effective delivery and governance of the Transformation Program.
- **Commenced the Core Capabilities Program** that will provide solutions to address critical compliance requirements for processes and end-of-life systems within the timeframe set out in the Northern Territory National Electricity Rules.
- **Commenced the organisational realignment and lifting capability** in line with new accountabilities and our new Operating Model to provide greater simplicity, greater customer focus and facilitating thinking differently and working together.

### *Culture, Leadership and Capability:*

- **Continued the development of our leaders and capabilities** through a comprehensive Leadership Development Program, designed to build leadership effectiveness and to drive improvement in constructive behavioural competencies and culture.
- **Implemented our Innovate Reconciliation Action Plan (RAP)** and commenced the development of our next *Stretch* RAP which adopts the recommended community consultation approach. The RAP includes key initiatives focused on improving and increasing Aboriginal and Torres Strait Islander recruitment, retention, training and supporting leadership into senior roles.

### *Energy Reform:*

- **Continued the delivery of power services in line with the commercial and technical rigour demanded** by the NT National Electricity Rules (NT NER) and the Australian Energy Regulator's (AER) 2019 -2024 Distribution (revenue) Determination, which came into effect from 1 July 2019; and commenced the implementation of efficiency initiatives which will provide the right cost and capital efficiency outcomes into the future.
- **Supported the NTG in moving towards its renewable energy target** of 50% by 2030 in line with the NTG Roadmap to Renewables program. A review of the Generator Performance Standards and rules governing the connection of new generators to the regulated power systems (Network Technical Code and System Control Technical Code), was carried out and recommendations were made to the Utilities Commission (UC). These changes are designed to facilitate increased renewable generator connections without compromising network security and stability. The UC's final decision was published on 29 February 2020.

- **Supported the NTG with the design and implementation of reforms to the Interim NT Electricity Market (I-NTEM)** to support the operation of multiple new independently owned renewable generators on the Darwin-Katherine Network.

#### *Water Security and Quality:*

- **Commenced an assessment of future demand for water in the NT** across all sectors (urban, agriculture, industry) working with the NT Department of Trade, Business and Innovation (DTBI) and other government agencies to develop a strategy to meet future demand. The priority focus is the Darwin region and the development of a business case for a major water source augmentation in that area.
- **Successfully managed the impact of PFAS groundwater contamination at Katherine** through water conservation measures working closely with the Katherine community; and working with the Department of Defence to deliver a PFAS water treatment plant to provide the required level of clean and safe drinking water in the short term with a second, larger water treatment plant in progress going forward.
- **Embedded our Drinking Water Quality Management System** to identify, assess and manage drinking water risks in a structured way to meet the requirements of the Australian Drinking Water Guidelines.
- **Ongoing delivery of PWC's 'Living Water Smart' water efficiency program** including the development and launch of Power and Water's new 'Weather Web' which aims to save 120 million litres of water annually in Darwin using information from a network of rooftop weather stations installed at almost 40 schools.

#### *Wholesale Gas:*

- **Commenced the sale of gas into the East Coast market** with the commissioning of the Northern Gas Pipeline, and continued to support the development of the NT economy, for example, through the provision of gas to the Tanami region to power Newmont Goldcorp's Granites gold mine. A Gas Strategy was developed and approved by the Power and Water Board to drive additional value from existing and new gas purchase, sales and transportation arrangements.

**Our SCI for the four year period, July 2020 to June 2024**, builds off the previous year's SCI and is focused on the things we need to do to progress towards achieving our Purpose and Vision; particularly the ongoing implementation of our new Operating Model in the short to medium-term which will enable us to proactively deliver on the growing expectations of our customers and other stakeholders. This includes:

- **Moving towards achieving a 'proactive' safety culture** in line with the Hudson maturity model.
- **Continue building a customer focused culture** and establish a customer strategy that supports a high level of engagement and advocacy for all our customers and key stakeholders.
- **Providing effective and efficient power services** in line with the commercial and technical rigour demanded by the AER Network Pricing Determination arrangements and the NT National Electricity Rules.
- **Ensuring safe, reliable and secure power systems** that support major increases in renewable energy load.
- **Facilitating competitive wholesale energy pricing** through reforms to the I-NTEM.
- **Ensuring water security** to support population growth and industry development.
- **Ensuring quality water and efficient wastewater services** supporting environmental, social, health, cultural and economic value.
- **Developing the gas business** to further improve commercial outcomes, support industry development and the diversification of the NT economy.
- **Improving organisational effectiveness, culture and capability** to deliver on goals.

Our key result areas and goals are summarised below. Our key strategies to deliver on these goals are summarised in our **Strategic Framework** (section 2.3).

## Our goals

### Health and Safety



A proactive safety culture across the organisation based on accountability, trust and ethical behaviour.

### People and Culture



A high performing, diverse workforce that has the capability and works together to drive business effectiveness.

### Financial Performance



A financially robust and commercially sustainable organisation with a strong capital discipline framework and delivering appropriate returns to our shareholders.

### Operational Performance



An efficient provider of services to our customers supported by strong asset management, governance and protection of the environment.

### Customer



A customer centric organisation that is easy to deal with and offers better choices.

Our major initiatives and outcomes over the SCI period are summarised below:

Major Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Transition towards a 'proactive' safety culture in line with the Hudson safety maturity model	1. One Safety Management System in place – policy, standards and procedures.	June 2021
	2. Safety Management System enabled with a fit-for-purpose technology platform to improve visibility and management of safety events, corrective actions and safety audit outcomes.	July 2021
Water quality management	3. Stakeholder Engagement Plan developed and implemented across key areas of Biosolids, Licences and Environmental Management Plans.	June 2021
<b>Customer</b>		
Long-term water security solution	4. Support the Department of Trade, Business and Innovation (DTBI) led development of the NT Strategic Water Plan which will include consideration of AROWS and other water supply augmentation options.	June 2021
	5. Complete the next phase of planning and investigation activities for Manton Dam return to service.	June 2021
	6. Investigations into aquifer sustainability for 'Very High' risk water stressed communities completed.	June 2021
Water conservation focus	7. Reduced water demand by a further one gigalitre per annum through extensive community and industry engagement and effective leak management.	June 2021
Improve customer focus	8. Establish a common customer understanding and approach.	June 2022

Major Initiative	Outcomes	Timeframe
	9. Provide “guiding principles” to align the organisation on a shared ambition of Power and Water’s desired customer experiences.	June 2022
<b>People and Culture</b>		
Build culture, leadership and capability	10. Reconciliation Action Plan (Stretch) implemented. 11. Employee engagement/culture level lifted. 12. Culture program retesting completed to support move to more constructive culture. 13. Legislative and Compliance Training Program developed and delivered. 14. Continuation of the Essential and Leadership Development Program to build relevant and aligned skills and behaviours in our people. 15. Technical Capability Project to review the current approach to building technical capability; accelerate technical training programs for Power Services and System Control; then Water Services.	Dec 2020 June 2021 June 2021 Ongoing with 2 year refresher cycle to Dec 2022 Dec 2022 June 2022
<b>Financial Performance</b>		
Gas business development	16. Adverse impacts of the changing regulatory environment on customer demand mitigated through engagement with NTG and energy regulators. 17. Gas pipeline augmentation underpinned by existing customers and new projects. 18. Options to underpin large scale energy customers in Darwin region.	Dec 2020 June 2022 Dec 2024
Facilitate competitive wholesale energy pricing through reforms to the interim NT Electricity Market (I-NTEM)	19. Support the Department of Treasury and Finance and the Department of Trade, Business and Innovation in the implementation of I-NTEM 2.0.	June 2021
<b>Operational Performance</b>		
Implement our new Operating Model in line with the approved transformation program	20. Organisational structure realigned so that our new Accountability Manuals can take effect. 21. Additional capability and competencies in place where needed. 22. Core Capabilities program delivered in line with transformation program (Customer Experience, Meter to Cash, Service Delivery, Asset Management, Physicals to Financials programs).	Progressively to June 2023 Progressively to June 2023 June 2024
Provide effective and efficient power services in line with the Australian Energy Regulator Network Pricing Determination (NPD) and NT National Electricity Rules (NT NER)	23. Capital program delivered in line with NPD. 24. Cost structure improved in line with NPD revenue.	June 2024 June 2024
Enable new renewable energy load without compromising power system reliability and security	25. Revised Generator Performance Standards fully implemented.	June 2021

## 2.3 Strategic framework



## 2.4 Key performance indicators

Power and Water Corporation's 2020-21 SCI (excluding IES) is measured against the following fiscal strategy targets, as per the NT Government's Fiscal Strategy Panel's Final Report and 2019-20 Budget Outlook and Strategy.

**Ongoing objective and target:** Ensure government owned corporation operating expenditure growth does not increase at a rate greater than operating revenue growth (growth over SCI period).

Power and Water Corporation (excl. IES)	2019-20 to 2023-24 FY21 SCI	2018-19 to 2022-23 FY20 SCI
	%	%
Revenue	21.6	17.9
Operating expenditure	24.2	10.4
Target met	no	yes

Operating expenditure in the SCI period (2020-21 to 2023-24) is materially impacted by the corporation's investment in the operating model project. The successful implementation of this project is set to deliver perpetual benefits that extend beyond the current SCI window which will allow Power Services to operate within Australian Energy Regulator's 'efficient level', before the next regulatory reset in 2024, and for the corporation to become more sustainable through the enhanced ability to manage working capital.

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

**Target:** 100 per cent of appropriate targets as agreed with the shareholding minister reported.

Power and Water Corporation		2019-20 SCI	2019-20 Forecast <sup>20</sup>	2020-21 Budget	2021-22 Target	2022-23 Target	2023-24 Target
<b>Health and safety</b>							
Health and safety index <sup>1</sup>	%	80	-	<b>80</b>	80	80	80
<b>People and culture</b>							
Employee engagement <sup>2</sup>	%	47	-	<b>50</b>	55	60	70
Aboriginal employment <sup>3</sup>	Headcount	87	-	<b>97</b>	105	108	110
<b>Financial performance</b>							
Return on capital employed <sup>4</sup>	%	> 4.0	3.2	<b>&gt; 4.0</b>	> 4.0	> 4.0	> 4.0
Return on assets <sup>5</sup>	%	1.2	1.1	<b>1.4</b>	1.4	2.7	2.0
Return on equity <sup>6</sup>	%	3.2	2.9	<b>3.8</b>	4.0	7.2	5.3
Debt to equity ratio <sup>7</sup>	Times	< 1.3	1.2	<b>1.2</b>	1.2	1.2	1.1
Free cash flow <sup>8</sup>	\$M	(35.6)	(13.6)	<b>(56.2)</b>	(40.3)	42.9	18.5
Statutory net profit after tax <sup>8</sup>	\$M	> 42.9	30.9	<b>40.9</b>	44.5	83.7	64.6
Earnings before interest and tax (EBIT) <sup>10</sup>	\$M	127.7	109.3	<b>118.5</b>	125.0	181.1	151.7
Earnings before interest, tax, depn, amortn (EBITDA) <sup>11</sup>	\$M	261.1	237.1	<b>237.8</b>	242.1	295.6	274.6
Underlying EBITDA <sup>12</sup>	\$M	> 230.1	199.1	<b>201.8</b>	208.6	264.3	245.7
<b>Operational performance</b>							
System avg interruption duration index (NT system) <sup>13</sup>	Min	175.8	-	<b>175.8</b>	175.8	175.8	175.8
System avg interruption frequency index (NT system) <sup>13</sup>	Min	2.6	-	<b>2.6</b>	2.6	2.6	2.6
Water demand Darwin <sup>14</sup>	KL per household	384	-	<b>378</b>	372	366	363
Unplanned water supply interruptions <sup>15</sup>	Min	120	-	<b>120</b>	120	120	120
Sewerage chokes and blockages per 100 km <sup>16</sup>	No.	22	-	<b>21</b>	20	20	20
Wastewater treatment plant discharges are licensed <sup>17</sup>	%	100	-	<b>100</b>	100	100	100
<b>Customer</b>							
Customer satisfaction index <sup>18</sup>	Residential / Non-residential %	80 / 80	-	<b>80</b>	80	80	80
Complaints resolution <sup>19</sup>	Average business days	12	-	<b>11</b>	10	10	10

All targets reflect Power and Water unconsolidated.

Key Performance Indicator Definitions:

- <sup>1</sup> **Health and safety index:** Reflects a composite measure of health and safety indicators focusing on employee, contractor and public safety performance, effectiveness and verification.
- <sup>2</sup> **Employee engagement:** The level of favourable engagement for employees based on survey respondents measured annually. Previous SCI targets and scores were derived using the Insync Employee Engagement methodology which is no longer used. Targets have been reset to reflect the Kincentric methodology (previously known as AON Hewitt). The 2019-20 Power and Water engagement result was 36% using the Kincentric methodology.
- <sup>3</sup> **Aboriginal employment:** Number of employees identifying as Aboriginal (permanent and fixed term, excluding contractors) as at 30 June each year.
- <sup>4</sup> **Return on capital employed (ROCE):** EBIT/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 also at Fair Value + Borrowings.
- <sup>5</sup> **Return on assets (ROA):** (NPAT / Average total assets)\*100
- <sup>6</sup> **Return on equity (ROE):** (NPAT / Total shareholder equity)\*100
- <sup>7</sup> **Debt to Equity ratio:** (Term debt + current debt)/equity.
- <sup>8</sup> **Free cash flow:** Operating cash flow less capital expenditure.
- <sup>9</sup> **Statutory net profit after tax (NPAT):** In line with Statutory Accounts.
- <sup>10</sup> **Earnings before interest and tax (EBIT):** In line with Statutory Accounts.
- <sup>11</sup> **Earnings before interest, tax, depreciation and amortisation (EBITDA):** In line with Statutory Accounts.
- <sup>12</sup> **Underlying earnings before interest, tax, depreciation and amortisation (EBITDA):** Total revenue less total operating expenditure excluding non-cash impairments / leasing standard impacts.
- <sup>13</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>14</sup> **Water demand Darwin:** Rolling 12 month average for Darwin households.
- <sup>15</sup> **Unplanned water supply interruptions:** Average duration of unplanned water supply interruptions in Darwin and Alice Springs.
- <sup>16</sup> **Sewerage chokes and blockages:** Number of chokes and blockages per 100km Darwin and Alice Springs.
- <sup>17</sup> **Wastewater treatment plant discharges:** All wastewater treatment plants are licensed or have a current licence submission.
- <sup>18</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>19</sup> **Complaints resolution:** Average number of business days taken to resolve customer complaints.
- <sup>20</sup> **Forecast:** Financial forecast reflects the 2019-20 forecast prepared January 2020 based on year-to-date actuals to 31 December 2019.

**Ongoing objective:** Debt ratios should improve annually.

**Target:** Debt to equity ratio (where applicable) maintained or improved over the SCI period.

Power and Water Corporation (excl. IES)	2019-20 Forecast	2020-21 Budget	2021-22 Projection	2022-23 Projection	2023-24 Projection	Target met
Debt to equity <sup>7</sup>	1.2	1.2	1.2	1.2	1.1	Yes

**Ongoing objective:** Reduce controllable costs and improve operating efficiencies.

**Target:** Operating costs (less cost of sale) maintained or reduced over the SCI period.

Power and Water Corporation (excl. IES)	2019-20 Forecast	2020-21 Budget	2021-22 Projection	2022-23 Projection	2023-24 Projection	Target met
	\$m	\$m	\$m	\$m	\$m	
Operating Expenditure	237.6	216.6	229.8	216.9	237.0	no

Refer first Objective and Target comment.

**Medium-term objective:** Increased returns for government in the form of dividends.

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

Power and Water Corporation (excl. IES)	2019-20 Forecast	2020-21 Budget	2021-22 Projection	2022-23 Projection	2023-24 Projection	Target met
	\$m	\$m	\$m	\$m	\$m	
Dividends paid	15.5	20.4	22.2	41.9	32.3	yes

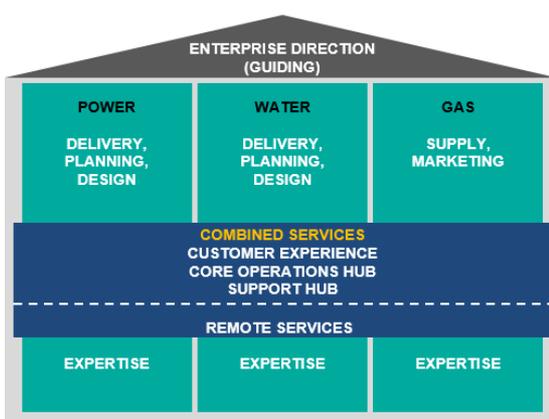
## 3. Our business

### 3.1 Operating Model

In 2018 we reviewed our Operating Model (which is defined as how we operate, not just our organisational structure) with two objectives in mind: how to create greater efficiencies and more defined accountabilities within our organisation. This review resulted in the redesign and adoption of a new Operating Model aimed at better organising ourselves as a multi-utility and leveraging synergies, which will enable us to more effectively and efficiently deliver our services to our customers and respond to the expectation of our community, Government and regulators.

Our chosen Operating Model is the blueprint that describes how the major parts of our business — people, assets, systems, data, processes, locations, technology — will work with each other to deliver value to our customers and other stakeholders. It translates our strategy into mature, effective, ongoing action and enables us to extract the value of what we are – a unique multi-utility.

Our new Operating Model has **three key goals** – simplify the way we work, increase our focus on customers and enable more effective collaboration across the business by thinking differently and working together. There are **five major structural changes** within our new operating model aimed at maximising multi-utility synergies while enhancing front line accountabilities.



#### 1. Reduced lines of business (LOB)

For greater simplicity and efficiency, we are reducing the Lines of Business from 5 to 3 – **Power Services, Water Services and Gas.**

#### 2. Enhanced LOB Operational Capabilities

These Lines of Business will have all the expertise, planning, design, project management and delivery capabilities to provide their services.

#### 3. Creation of guiding, core operations and support platforms

The platforms will organise core capabilities and clearly distinguish between guiding, operational and support activities and the accountabilities for each.

#### 4. Creation of three key hubs

As well as providing common functions across the lines of business, 'Centralised Synergies' will also provide three enhanced functions.

##### 1. Customer Experience

An enhanced function to manage all planning and interactions with customers to provide a more consistent experience and be easier to deal with.

##### 2. Core Operations Hub

Managing all the operations, monitoring and fault rectification of assets. It will enable predictive decision making based on live feeds and advanced analytics, working across organisational functions and barriers to respond faster in delivering customer outcomes.

##### 3. Support Hub

Providing better support to the rest of the business by enhancing the capability of existing shared services, plus the inclusion of new capabilities such as analytics and reporting. These support areas will treat the lines of business as their customer through a business partnership model (Transformation; Information Communication and Technology; Customer, Strategy and Regulation; People, Culture and Safety; Finance and Business Services).

#### 5. Integration of Regions and Remote Services

Regions and Remote Operations (RRO) was previously a multi-utility within a multi-utility; RRO functions were duplications of work done elsewhere in the business. By integrating RRO, remote locations can benefit from the capability of greater PWC, such as asset management discipline, and PWC can offer better career paths as more roles service remote communities.

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## 3.2 Transformation

Our Transformation program is the vehicle that enables Power and Water to transition to our new Operating Model. It is a program that is aimed at leveraging the significant synergies that we have available as a multi-utility service provider of gas, water and power services, by better organising our business structure, replacing end-of-life systems and streamlining processes to better deliver value to our customers and Shareholder.

This is a significant and complex multi-year program of work and we are moving rapidly to implement key components to address regulatory compliance requirements within the timeframe set out in the NT National Electricity Rules.

The Transformation program comprises several initiatives focused across the following capability areas:

- **Improved customer billing and service** outcomes. This includes addressing issues with meter data management and billing systems, driving regulatory compliance and end-to-end traceability of meter asset and consumption data.
- **An Operations Hub capability** to improve control room operations for better service to power, water and gas customers across the NT with 24/7 real-time operations' support and better fault response.
- **Consolidated asset management and capital project delivery** functions to drive improved and standardised practices and governance.
- **Consolidated service delivery works management** function and system to enable a standard approach to works' planning, scheduling and dispatch and integrated resource planning.
- **Increased commercial acumen**, including end-to-end supply chain management and improving finance processes.
- **A better organised, more efficient structure** with clear accountabilities and grouping of like-functions.

A key priority under our Operating Model program is to **improve our 'Core Capabilities'** across metering, billing, financial management, asset management, customer experience and service delivery. In 2020, we will be working to develop the detailed business and technical requirements across these capabilities to enable a business case to be developed for approval and solutions to be procured prior to end 2020. Implementation is planned to commence thereafter to deliver the process, system, technology improvements and upskilling of our people.

A critical and urgent need which the Core Capabilities initiative will deliver on, is new system functionality to achieve regulatory compliance for metering capability under the NT National Electricity Rules by 1 January 2022. Outcomes will also support the operation and settlement of the NT Electricity Market and increasing renewable energy.

We are working with our business experts and technical specialists with experience and expertise in delivering new Operating Model Programs of this kind so that we develop the right solutions for Power and Water and the NT. Delivery of these solutions will see an increase in people and resources in the shorter-term until the new Operating Model Program is implemented and the business returns to an 'operate and maintain' state.

**We have commenced the organisational realignment** in line with our new Operating Model to provide greater simplicity, greater customer focus and facilitating thinking differently and working together. This has included the following:

- Commencement of the realignment of functional groups in line with the new accountability structure; and lifting capability where needed to deliver effective and efficient services.
- Establishing clearer delineation between our works planning and scheduling functions within Power Services aimed at better equipping our field crews with the right tools and information to perform their work.

- Consolidation of health and safety teams into one to provide consistency in standards and practices in line with moving towards a 'Proactive' safety culture.
- Establishment of a Core Operations unit to more efficiently undertake the work that is common to water, power and gas service delivery, with an initial focus on system control, market operations, remote services and consolidated SCADA and communications and metering functions.
- Integration of power and water remote service delivery into the Power Services and Water Services lines of business, with a shared focus and capability for delivery of essential services to remote communities.
- Establishment of a Customer, Strategy and Regulation unit focused on the creation and capture of new value and revenue; greater focus on our customers and ensuring our strategy is aligned to improving customer and stakeholder outcomes.

Over the SCI period, we will continue to make further changes to align Power and Water functions to our new Operating Model structure so that our people and our customers can be clearer about which team in the business performs each function.

**The Transformation Office** has been established to ensure that Power and Water is positioned to achieve its goals over the long term, through the effective delivery of the Transformation Program. Its focus is to:

- Facilitate leader-led engagement and communication to drive transformation activity.
- Lead the development of the Operating Model Program and Roadmap.
- Apply effective program governance and controls to achieve integration, manage risk and resourcing issues and maximise benefits realisation.
- Operate the Transformation Architecture and Design Authority function to ensure the detailed technical design elements of the program align to the intended Operating Model design.

## Transformation Program

The Transformation Program is comprised of 11 key initiatives being delivered over the SCI period.

Key Components	Outcomes	Proposed Timeframe
Core Capabilities – <b>Meter to Cash</b>	Deliver compliant and efficient meter to cash systems, processes and roles in line with NT NER requirements. 'Meter to Cash Enablement' is a sub-project focused on supporting regulatory compliance, improving system integration and reducing revenue leakage.	2021/22
Core Capabilities – <b>Service Delivery Optimisation</b>	Improve works planning and optimise scheduling and dispatch to efficiently use our skills base across all locations. It aims to create a more streamlined and consistent approach to the way we plan and schedule work so that we can better align maintenance and construction with resource availability, optimise the volume of regulated and unregulated work, and create greater flexibility with field crew skill sets.	2023/24
Core Capabilities – <b>Asset Management Standardisation</b>	Enhance asset management capability by aligning to common best practice asset management frameworks and processes and making better use of asset information to optimise asset maintenance activity.	2023/24
Core Capabilities – <b>Physicals to Financials</b>	Improve the efficiency of cost allocation, accounting and reporting processes to improve decision making and enhance the connection between assets, work and financials.	2023/24
Core Capabilities – <b>Transform Customer Experience</b>	Sharpen our customer focus and make customers front and centre in how we think and operate. Enable a single view of our customer interactions to enable a more consistent experience.	2026/27

Key Components	Outcomes	Proposed Timeframe
Core Capabilities – Consolidate Capital Projects Delivery	Enhance project management capabilities.	2023/24
Operations Hub	Improve our capability relating to control room operations and operational and system planning intelligence for better services to power, water and gas customers across the NT (24/7 real time operations support and better fault response).	2026/27
Supply Chain Fundamentals	Standardise and optimise supply chain and inventory management for the whole of the corporation.	2023/24
Integrate Regions and Remote Operations	Continue to uplift service delivery in remote communities and establish organisation-wide responsibility for remote service delivery.	Ongoing 2024
Enhance Support Hub	Formalise and improve shared service delivery and support for the lines of business and align to future accountabilities structures.	2022/23
Knowledge Management	Build and manage the Intellectual Property of our business and develop a process centre of excellence to retain and extend gains.	2026/27

## Investment and benefits

Based on the current scope, which may be refined as the Transformation Program evolves, \$88.1 million capital investment is planned over the four year SCI period, of which \$41.6 million is included in the 2020-21 budget. The program will deliver efficiency improvements and importantly, it will deliver benefits mainly in the form of regulatory compliance, improved service response times and customer experience in line with our vision of becoming a customer centric multi-utility in pursuit of the long term interest of consumers.

Capital expenditure for 2020-21 mainly relates to the following:

- Core Capabilities Program.
- Operations Hub Establishment Program.
- Support Hub Enhancement Program.
- Supply Chain Fundamentals Program.

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## 3.3 Power Services

### Overview

Power Services plans, builds, operates and maintains safe, efficient and reliable electricity networks, both regulated and non-regulated, to transmit electricity between generators and customers in the NT.

Power Services operates under a Network Licence issued by the Utilities Commission that authorises it to own and operate electricity networks within the geographic area of Darwin-Katherine, Tennant Creek and Alice Springs; and connect the electricity network to another electricity network (e.g. customer network) in accordance with the terms and conditions of the Network Licence.

In addition, Power Services provides electricity services to geographically isolated and dispersed Aboriginal communities and outstations across the NT on behalf of Indigenous Essential Services (IES), as funded by the Department of Local Government, Housing and Community Development (DLGHCD); and manages related assets on behalf of IES. Our remote customer services include the generation and retailing of electricity for many rural towns and 72 remote Aboriginal communities, from medium scale gas turbines, smaller scale diesel machines and integrated solar-diesel and battery storage arrangements.

### Key challenges and opportunities

Providing these services across the NT poses challenges in that:

- We service by a considerable margin, the smallest customer base in Australia compared to other electricity markets (e.g. approximately 8.5% of the Western Australia market, or approximately 1% of the National Electricity Market); at the same time having the second largest service area of any electricity distribution network in Australia.
- Our three networks are not interconnected and remote communities require standalone operations resulting in a higher cost structure compared to operating a single integrated network.
- We manage and operate the multiple networks in challenging climatic conditions with our remote geographic location, compared to other Australian population centers, putting upward pressure on our operating costs.

Following extensive consultation with our customers and market participants, Power and Water submitted its regulatory proposal to the Australian Energy Regulator (AER) in January 2019. The overarching intent of the proposal was to maintain service standards across the three isolated electricity networks, while targeting service level improvements in under-performing areas, ensuring the lowest possible price for consumers and allowing Power and Water the capacity to provide a return to the NTG on its investment. Power and Water became the first non-interconnected network provider to operate under the AER Distribution Determination arrangements and National Electricity Rules (NER), as applicable to the NT, from 1 July 2019.

The AER's role is to promote the long term efficient investment and delivery of energy services in the interests of consumers. As part of this, it sets network prices every five years so that energy consumers pay no more than necessary for the safe, secure and reliable delivery of electricity services. It also ensures compliance with the NER and establishes service standards for electricity distribution network service providers.

Further information on the regulatory proposal and Distribution Determination for 2019-2024 is available on the AER website<sup>1</sup>.

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<sup>1</sup> <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/power-and-water-corporation-determination-2019-24>

**The COVID-19 pandemic** has been unfolding at great speed, and at this time we are uncertain of its economic impact in the Northern Territory. We expect lower tourism and global demand will materially reduce energy consumption and demand volumes of our non-residential sector. However due to the inherent uncertainty of the impact of the pandemic, we have been unable to incorporate the expected reduction in volumes into our forecasts.

We note that this gives rise to a price volatility risk in subsequent regulatory years as, should we be unable to recover the target revenue due to lower volumes than forecast, we would need to recover the revenue shortfall by increasing network bills in later years. This requires further discussion with the AER and our stakeholders to find a pragmatic way forward.

**Moving to the new regulatory regime** has provided the catalyst for change though implementing new and better ways of delivering our services to our customers and responding to growing community expectations; at the same time, moving towards achieving a cost structure and capital discipline in line with the AER Determination and required timeframes; and complying with the NT NER.

The major opportunities and challenges for Power Services throughout the SCI period are primarily related to the following:

- Continuing to deliver our services in line with the commercial and technical rigour demanded by the AER Distribution Determination arrangements and the NT National Electricity Rules.
- Continuing to meet the growing expectations of our customers and the community.
- Facilitating the increase in renewable energy in line with NTG's objective of 50% renewables by 2030 without compromising the security and reliability of the three power systems.

Our people are critical in enabling us to meet these challenges and to continue to successfully provide our services across the NT; as is having an efficient and effective organisational structure, processes, systems and technology, in line with our new Operating Model. Power Services' strategic focus is on the ongoing improvement in safety, customer services, organisational culture, leadership and capabilities, governance, commercial drivers, and asset and risk management.

## Key strategies and initiatives

Power Services' focus is aligned to the achievement of the corporation's goals with particular emphasis on:

- **Developing a strong and proactive safety culture** through improved safety leadership and ownership supported by improved systems to deliver sustained improvement in health and safety performance.
- **Delivering capital programs and operating efficiencies** in line with the 2019 -2024 AER Distribution Determination.
- **Developing capability to enable distributed energy resources and meet future customer requirements** including actively engaging with customers and facilitating the connection of large and small scale renewable energy resources, and enabling solutions such as smart meters.

Specific initiatives and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Move towards a 'Proactive' Safety Culture.	<ul style="list-style-type: none"> <li>Safety initiatives achieved and safety leadership behaviours demonstrated to enable our safety culture to move from 'Calculative' to 'Proactive' (Hudson Maturity Model).</li> </ul>	Ongoing June 2021
Comply with robust Safety Management System (including public Safety).	<ul style="list-style-type: none"> <li>Implement High Voltage Operator (HVO) work program.</li> </ul>	March 2021
<b>Customer</b>		
Improve customer confidence	<ul style="list-style-type: none"> <li>Demonstrated improvement in meeting customers' expectations including field services resulting in improved reliability and performance.</li> </ul>	Ongoing June 2021
<b>People and Culture</b>		
Reorganising and lifting capability to align to the new Operating Model accountabilities.	<ul style="list-style-type: none"> <li>Recruitment to new Senior Manager roles.</li> <li>Support the orderly transition of functions to new business units.</li> </ul>	Dec 2020 Progressively to June 2023
Develop People Plan.	<ul style="list-style-type: none"> <li>Develop "new starter" induction process and refresh existing people, including site specific.</li> </ul>	Dec 2020
Engage with Aboriginal workforce and opportunities.	<ul style="list-style-type: none"> <li>Organise at least one internal event for National Reconciliation Week each year.</li> <li>Develop at least one commercial relationship per year with an ATSIC owned business.</li> </ul>	June 2021
<b>Financial Performance</b>		
Maximise Value from contract and procurement arrangements.	<ul style="list-style-type: none"> <li>Deliver on Electrical Parts and Consumables Contract.</li> </ul>	June 2021
Efficient Governance of Capital Investment.	<ul style="list-style-type: none"> <li>Develop Future Capital Works program that is risk prioritised.</li> </ul>	June 2021
<b>Operational Performance</b>		
Ensure all designs, standard assets, construction standards and associated change management are aligned with best practice Safety in Design (SID) principles.	<ul style="list-style-type: none"> <li>Update/develop business processes to incorporate SID principles (including external engagements).</li> </ul>	Dec 2020
	<ul style="list-style-type: none"> <li>New/changes to standards, materials and construction designs follow a process that applies SID elements in a measurable and documented way.</li> </ul>	Dec 2020
Effective reporting and collection.	<ul style="list-style-type: none"> <li>Incorporate Regulatory Information Notices as business as usual processes.</li> </ul>	Dec 2020
	<ul style="list-style-type: none"> <li>Establish Standard Estimates / Comparative Unit.</li> </ul>	Dec 2020
Efficient and effective real time operations.	<ul style="list-style-type: none"> <li>Negotiate a new Service Level Agreement with System Control.</li> </ul>	March 2021
Enhance workforce versatility.	<ul style="list-style-type: none"> <li>Further development of the workforce optimisation plan.</li> </ul>	June 2021
Develop configuration management system and process.	<ul style="list-style-type: none"> <li>Revise standard assets documents.</li> </ul>	June 2021
	<ul style="list-style-type: none"> <li>Investigate options for drawing management system.</li> </ul>	Dec 2020
Efficient, effective and consistent planning and works delivery.	<ul style="list-style-type: none"> <li>Develop, write and present Distribution Annual Planning Report for network growth.</li> </ul>	Jan 2021 (Annually)

## Capital investment program

The Power Services capital investment program is developed through assessing its capabilities to deliver services, including those outlined by the Network Planning Criteria and Electricity Standards of Services Code, against the forecast need. This includes meeting growth in local electricity demand, the replacement of network assets to maintain service standards, customer connections and non-network assets.

The capital investment program represents a balanced approach between efficient cost, stakeholder performance requirements and risk. This program has been accounted for in the 2020-21 SCI, including the risks and resource capability to deliver these projects on time and within budget. The capital investment program totals \$267.8 million over the four-year SCI period of which \$79.4 million is included in the 2020-21 budget.

**Major projects** over the SCI period include the following:

• Alice Springs: Sadadeen 11kV switchboard installation.	• Darwin: Energy Management System upgrade.
• Alice Springs: Corroded distribution pole replacement program.	• Darwin: Schools undergrounding power program.
• Darwin Katherine Transmission Line Protection System upgrades.	• Darwin: Humpty Doo Zone Substation upgrade.
• Multiple external major connection projects including load and generator (solar and gas).	• Darwin: Wishart load growth network solution.
• Darwin: Trevor Horman Zone Substation (Berrimah Zone Substation replacement).	• Darwin: Cosmo Howley Transformers replacement.
• Darwin: Cox Peninsula 66/11kV Substation replacement.	• Darwin: Port Feeder replacement.
• Darwin: Hudson Creek spare 132kV Transformer.	• Darwin: 19 Mile turning lane and building improvements.

## Financial summary

POWER SERVICES	2019-20 BUDGET \$M	2019-20 FORECAST \$M	2020-21 BUDGET \$M	2021-22 PROJECTION \$M	2022-23 PROJECTION \$M	2023-24 PROJECTION \$M
Revenue	200.2	194.4	177.4	184.1	189.6	195.6
Operating costs	96.5	94.9	92.4	89.5	85.9	85.2
Earnings before interest, tax, depreciation and amortisation	103.8	99.6	85.0	94.6	103.7	110.4
Net profit after tax	28.5	23.2	13.8	19.3	25.7	30.0
Capital expenditure	94.3	81.6	79.4	79.0	55.5	53.8

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## 3.4 Water Services

### Overview

Water Services plans, constructs, operates and maintains water and sewerage infrastructure assets for the long-term to provide safe, reliable and efficient water and sewerage services to five major centres (Darwin, Katherine, Tennant Creek, Alice Springs and Yulara) and five of the 15 minor centres, with the remaining minor centres provided with water services only.

In addition, Water Services provides water and sewerage services to geographically isolated and dispersed Aboriginal communities and outstations across the NT on behalf of Indigenous Essential Services (IES), as funded by the Department of Local Government, Housing and Community Development. Services are provided to 72 Aboriginal communities and 66 outstations, of which 15 communities are provided with water services only.

### Key challenges and opportunities

The economic prosperity of the NT and the wellbeing of its residents are dependent on the long term security of water sources, storage, treatment and delivery infrastructure. Water consumption per capita in the NT is excessively high when compared with other Australian States or Territories and better utilisation of existing water sources is essential. Achieving this will require an ongoing focus on the challenges relating to water quality, water security, developing new water sources, water conservation initiatives and the timing of ongoing infrastructure investment.

Water Services remains committed to providing safe drinking water to consumers in line with the health and aesthetic values set out in the Australian Drinking Water Guidelines and is progressively achieving compliance with the Guidelines. Our Safe Water Plan approved by the Board in 2019, maps out our continuous improvement journey for drinking water using a risk based approach. Protecting water supplies against the risk of pathogens remains a priority and a key project for 2020-21 is to commission and maintain the Poly-fluorinated alkyl substances (PFAS) water treatment plant to work closely with affected communities and NT government agencies to ensure the safe supply of drinking water.

Water Services continues to plan and develop the most cost efficient options to ensure water reliability and security. Plans for Darwin water source augmentation include returning Manton Dam to service by 2025-26 and to develop the AROWS water infrastructure with a view to completion in 2031-32. This is subject to an assessment of future demand for water in the NT across all sectors (urban, agriculture, industry) working with the Department of Trade, Business and Innovation (DTBI) and other government agencies to develop a strategy to meet that demand; and securing funding and timing approvals to proceed.

Better utilisation of existing water sources is essential to help offset future major capital investment in infrastructure. The Darwin Region water demand and supply strategy reflects a strengthened demand management focus and deferral of costly water infrastructure investment (where possible) within an acceptable water security risk profile. This strategy includes initiatives to raise community and consumer awareness and helping customers identify and realise significant water saving opportunities; incentivise changes to consumer behaviour including government agencies; and to reduce water losses. Our 'Living Water Smart' program continues to drive water conservation and efficiency activities across Darwin. In 2020-21, the program will reduce consumption by one gigalitre per annum and is targeted to incrementally reduce water demand by approximately 7.6 gigalitres by 2025-26.

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Water supply and demand management strategies will continue being developed for each of the minor centres and remote communities. These strategies will address water source security based on a level of service, potential water source capacity, network complexities and possible supply and demand options.

The remote operating environment poses a number of challenges to providing reliable and efficient services in Aboriginal communities. These challenges include an ageing asset base, limited asset capacity constraining development and growth, and threatened water security compounded by high consumption and leakage. The NTG is committed to improving housing in these remote communities with the 10 year \$1.1 billion remote housing program. This necessary and significant investment into remote Aboriginal communities places an additional pressure on the existing services provided and requires significant support by Water Services for land servicing and additional infrastructure investment.

Securing long term water supplies for these communities is dependent on effective collaboration with NTG agencies and Aboriginal organisations to implement improved technologies, reduce costs and enhance local service delivery capability for whole-of-government.

Services will continue to be delivered using Aboriginal inclusive employment and contracting principles to provide effective support to our customers, communities and businesses and will continue to contract and develop Essential Services Operators through local councils and private contractors to safely operate, monitor and service infrastructure.

Our environmental management is guided by Power and Water's Environment and Sustainability Policy and our commitment to minimising our impact to the environment. We will focus on innovative technological solutions that leverage off our climatic conditions to deliver on community expectations to continually improve our environmental performance.

The relevant key strategies, initiatives and capital investment for the delivery of remote water and sewerage services are outlined in the Core Operations section.

## Key strategies and initiatives

Water Services' focus is aligned to the achievement of the corporation's goals with particular emphasis on the implementation of our new Operating Model, which will underpin our ability to improve the effective and efficient delivery of water and wastewater services.

Strategies and initiatives are aligned to managing the following three strategic risks:

- Supply of unsafe water.
- Interruption to service delivery.
- Water supply security.

Specific initiatives and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Maintain current preventative and mitigating controls and invest in the implementation of proposed controls to ensure the supply of safe water.	<ul style="list-style-type: none"> <li>Complete commissioning of the PFAS water treatment plant at Katherine.</li> <li>Implement Year 2 of the Safe Water Strategy.</li> <li>Complete Tranche 2 of the Chlorine Disinfection reliability project. Commence Tranche 3.</li> <li>Linkages strengthened between strategic documents and operational and capital programs.</li> </ul>	<p>Dec 2020</p> <p>June 2021</p> <p>June 2021</p> <p>October 2020</p>
Develop and implement targeted engagement strategies for Department of Health and Department of Environment and Natural Resources.	<ul style="list-style-type: none"> <li>Develop and implement engagement plans across key areas of Biosolids, Licences, Environment Assessment Plans and Water Allocation Plans.</li> </ul>	June 2021
<b>Customer</b>		
Improve customer confidence	<ul style="list-style-type: none"> <li>Demonstrated improvement in meeting customers' expectations including field services resulting in improved reliability and performance.</li> </ul>	Ongoing June 2021
Maintain preventative and mitigating controls and implement proposed controls to secure long term water supplies.	<ul style="list-style-type: none"> <li>Support the Department of Trade, Business and Innovation (DTBI) led development of the NT Water Strategy . which will include consideration of AROWS and other water supply augmentation options</li> <li>Complete next phase of planning and investigation activities for Manton Dam return to service.</li> <li>Complete investigations into aquifer sustainability for 'Very High' risk water stressed communities.</li> </ul>	<p>June 2021</p> <p>June 2021</p> <p>June 2021</p>
<b>People and Culture</b>		
Actively contribute to the Reconciliation Action Plan (RAP) working group through the completion of at least two actions within the RAP.	<ul style="list-style-type: none"> <li>Facilitate the placement of five Technical Trainees through the Aboriginal Employment Program.</li> <li>Support the development and implementation of the 'Stretch' stage of the RAP.</li> </ul>	<p>Dec 2020</p> <p>Dec 2020</p>
<b>Financial Performance</b>		
Understand our cost to serve.	<ul style="list-style-type: none"> <li>Deliver prudent and efficient price outcomes to our customers and Shareholder.</li> </ul>	June 2021
<b>Operational Performance</b>		
Maintain preventative and mitigating controls and implement proposed controls to maintain service delivery.	<ul style="list-style-type: none"> <li>Remote and Urban Preventative and Planned maintenance programs reviewed and consolidated.</li> <li>Business continuity and contingency plans completed for defined critical assets, facilities, and 'Very High' risk communities.</li> </ul>	<p>June 2021</p> <p>June 2021</p>
Strengthen data governance and processes, reporting and metrics to assure business performance and compliance.	<ul style="list-style-type: none"> <li>Compliance obligations (legislative and regulatory) fully documented, gap analysis completed, assurance and attestation process established.</li> <li>Reporting requirements fully mapped out.</li> </ul>	<p>Dec 2020</p> <p>Dec 2020</p>

Key Initiative	Outcomes	Timeframe
	<ul style="list-style-type: none"> <li>Tier 2 and 3 metrics identified and implemented.</li> <li>Data sources and needs identified and consolidated.</li> </ul>	<p>Oct 2020</p> <p>June 2021</p>
Formalise and consolidate our research and development program, to enable a strategic view to drive continuous improvement.	<ul style="list-style-type: none"> <li>R&amp;D Strategy reviewed and targeted areas for research identified.</li> <li>Progress report on research underway: Electro-chlorination (PWC); Capacitive Deionisation (UNSW); Remote wastewater (UQ); Burkholderia; Renal &amp; Diabetes (Department of Health).</li> </ul>	<p>Dec 2020</p> <p>June 2021</p>
Implement asset improvement program aligned to ISO 55000.	<ul style="list-style-type: none"> <li>Implement Year 1 of updated Asset Management Improvement Plan (AMIP).</li> <li>Achieve 80% compliance with the relevant ISO requirements.</li> </ul>	<p>June 2021</p> <p>June 2021</p>

## Capital investment program

The capital investment program for the Water Services business unit totals \$240.3 million over the four-year SCI period of which \$48.4 million is included in the 2020-21 budget. A financial four year outlook for water and sewerage capital investment for IES has been prepared separately and is not included in the Water Services financial outlook.

### Water

The proposed water capital program is focused on delivering improvements and renewal of assets to increase water supply security and network reliability. The capital program totals \$146.6 million over the four-year SCI period of which \$30.4 million is included in the 2020-21 budget. Based on an analysis of risk, the 2020-21 capital program includes:

- Renewal/Replacement:** Upgrade of current asset infrastructure to meet optimum levels of service. Works are planned to improve the reliability of the distribution system across the NT through a water main replacement program, upgrade of various critical water tanks, Sadadeen tank floor joint resealing, and other various water reticulation and transmission improvements in 2020-21.
- Growth:** New infrastructure to service planned growth. Planning continues for the implementation of major projects in line with the Darwin Region Water Supply Strategy including Manton Dam Return to Service and the development of new water sources to support NT future growth including the Darwin Region Water Supply Source.
- Extensions:** Extend services into non-serviced areas and upgrade capacity to meet new developments. The next stage in the ongoing upgrade of the Darwin River Dam pump station continues with the procuring of long lead plant and mechanical items, such as pumps.
- Service Improvement:** Improve the efficiency of service delivery. The projects associated with the Water Quality Disinfection Reliability Strategy aligning water treatment, delivery and monitoring systems with Australian Drinking Water Guidelines are expected to be completed in 2020-21.

Investigations and concept design work will be undertaken for the integration of a secondary disinfection and delivery well pump station upgrade at the Katherine Water Treatment Plant.

Upgrades are planned for supply sources at Adelaide River and Batchelor which will ensure supply and improve service delivery.

Ongoing measures continue to be undertaken to reduce water leakage and loss in Alice Springs and Darwin including a customer meter replacement program and smart meter installations.

## Sewerage

The proposed sewerage capital program is focused on delivering capacity improvements to meet increased demand and compliance requirements. The capital program totals \$93.7 million over the four year SCI of which \$18.0 million is included in the 2020-21 budget. Based on an analysis of risk, the 2020-21 capital program includes:

- Renewal/Replacement:** Upgrade of current asset infrastructure to meet optimum levels of service. Works are planned to improve the reliability of the distribution and treatment system across the NT through desludging programs, sewer pump replacement, sewer main relining, new switchboard and cabling at the Yulara Waste Water Treatment Plant and other sewer reticulation improvements.
- Service Improvement:** Improve the efficiency of service delivery. Planning continues for the inlet works to the Ludmilla Wastewater Treatment Plant, chlorine plant upgrade and the replacement of the roof, both at the Ludmilla Wastewater Treatment Plant.
- Compliance:** Meet increased regulatory and licencing requirements.

## Financial summary

WATER SERVICES	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	217.7	217.5	220.5	225.2	230.7	236.3
Operating costs	85.2	80.5	85.3	79.4	75.3	75.7
Earnings before interest, tax, depreciation and amortisation	132.4	137.0	135.2	145.7	155.4	160.6
Net profit after tax	27.4	33.7	36.3	44.4	51.3	55.1
Capital expenditure	41.2	41.1	48.4	61.5	59.8	70.6

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## 3.5 Gas Services

### Overview

Gas Services operates in a highly competitive gas market and is accountable for the effective management and maximising the value of Power and Water's gas business. The key activities include gas supply, transport, asset maintenance, marketing and sales, gas trading and regulatory compliance.

The **strategic objectives** for Gas Services are to:

- Support energy security in the NT by ensuring certainty of competitively priced gas supply to the NT electricity sector.
- Secure profitable growth by leveraging our competitive advantage in the NT gas value stream to:
  - Aid in the broader economic development of the NT; and
  - Contribute to national energy security outside of the NT.

Gas Services has been successful in the implementation of its previous gas strategy which covered the past three years. It is expected that this strategy will deliver a significant financial improvement through to the end of Power and Water's current agreements.

The commissioning of the Northern Gas Pipeline (NGP) in January 2019 has opened a new and significant market for NT gas into the East Coast Australian domestic gas market (East Coast). The East Coast domestic gas market is now in a position where forecast demand is expected to exceed supply in the mid 2020's, which is a reversal of conditions over the past few years.

At the same time, the market for gas in the NT also looks set to grow through economic development initiatives underway in the NT which Gas Services is supporting. All this is being progressed without comprising gas supply for the NT electricity sector. Power and Water achieved record gas sales during 2019 and continues to engage with a number of parties in relation to new project sales. Power and Water intends to replicate the successful model used on the Newmont Tanami conversion from diesel to gas which has seen a 20% reduction in cost by switching fuels and significant reductions in CO2 emissions (the equivalent to removing 8000 cars from the roads).

### Key challenges and opportunities

There are some key challenges that may have a material impact on gas operations in the medium to long term, including the following:

- **Unprecedented change in both the Gas and Energy markets** in the NT and more broadly in Australia is leading to unprecedented changes in the regulatory environment that can have material impact on our position, risk and opportunities within the gas market. The connection of the NT gas market to the East Coast gas market via the NGP has resulted in National Gas Law and National Gas Regulation requirements becoming applicable to the NT. We are continuing the transition to the new requirements and we continue to engage with the Australian Energy Market Commission (AEMC), Australian Competition and Consumer Commission (ACCC), Australian Energy Regulator (AER) and NTG on current and proposed arrangements and regulatory changes which affect the Territory.
- **Pipeline constraints** are impacting our ability to sell gas into other markets and we are continuing to engage with a number of parties in relation to gas supply and pipeline capacity to support the development of NT based projects and sell additional gas into the East Coast domestic gas market.

- **Displacement of gas fired generation with alternative technologies** (e.g. renewable energy) is reducing overall gas demand while exacerbating the variability of daily gas requirements from the power generation market.

The key challenge in this environment is to support economic development particularly in the NT, while ensuring that the Shareholder’s interests are protected and maximum benefit is derived from the existing gas portfolio and any potential new gas purchase, sale and transportation agreements.

The focus for the next four years will include monetising achievements of the past few years; capturing current market opportunities to maximise gas sales and utilisation of gas transportation capacity; and identifying new gas supplies and augmenting gas transport capacity to facilitate future economic development of the NT.

Our success in achieving this will be dependent upon, amongst other factors, close collaboration with other NT Agencies including the Gas Taskforce. Critical to this is maintaining respected relationships with our key gas stakeholders and ensuring our existing expertise is retained and complemented to meet new challenges.

## Key strategies and initiatives

The focus of Gas Services is aligned to the achievement of the corporation’s goals, including the key priority focus areas, with particular emphasis on:

- **Strategically developing our gas business to grow market share and improve profitability by:**
  - Competitively marketing and trading gas to existing and new customers both in the local and East Coast gas markets.
  - Maximising opportunities associated with gas transportation infrastructure including the NGP.
  - Supporting the development of new energy intensive industrial and extractive industries.
- **Effectively engaging with customers and stakeholders** to build and maintain mutually beneficial business relationships, deliver accurate and timely advice and to improve the delivery of gas services and infrastructure in line with customer expectations.
- **Positioning Gas Services for the future** by maintaining a highly skilled team and structure able to dynamically respond to risks and opportunities associated with changing market conditions including competition, expansion and gas demand.

**Specific initiatives** and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Move towards a ‘Proactive’ Safety Culture.	<ul style="list-style-type: none"> <li>• Safety initiatives achieved and safety leadership behaviours demonstrated to enable our safety culture to move from ‘Calculative’ to ‘Proactive’ (Hudson Maturity Model).</li> </ul>	Ongoing June 2021
Ensure alignment in workplace health and safety standards and processes.	<ul style="list-style-type: none"> <li>• Review current workplace health and safety standards and processes with outsourced providers to ensure alignment with new Power and Water standards.</li> </ul>	Dec 2020
<b>Customer</b>		
Consider gas pipeline augmentation to support existing customers and develop new business opportunities.	<ul style="list-style-type: none"> <li>• Enables additional sales to new customers and supports new start up projects.</li> <li>• Provides risk mitigation across the portfolio.</li> </ul>	June 2022
Secure new capability to support future growth.	<ul style="list-style-type: none"> <li>• Support the current strong growth in the Gas Services business.</li> </ul>	June 2021
<b>People and Culture</b>		
Organisational review of the Gas Services unit.	<ul style="list-style-type: none"> <li>• Improved efficiency in delivery and management of gas services operations.</li> </ul>	Sep 2020

Key Initiative	Outcomes	Timeframe
Workforce Development Plan.	<ul style="list-style-type: none"> <li>Workforce Development Plan in place to strengthen and retain a competent and motivated workforce through effective engagement, training and team development programs</li> </ul>	Jan 2021
<b>Financial Performance</b>		
Engage with NTG and energy market regulators to improve regulatory environment.	<ul style="list-style-type: none"> <li>Mitigate the negative impact of regulation on customer demand.</li> <li>Provide a more efficient environment in which to operate.</li> </ul>	Dec 2020 Dec 2020
Optimise existing arrangements to improve financial outcomes.	<ul style="list-style-type: none"> <li>Improved financial outcomes from existing arrangements.</li> </ul>	Dec 2021
Secure large scale energy customers in Darwin region.	<ul style="list-style-type: none"> <li>New large scale project developments in the NT supported.</li> <li>Increased sales and profitability.</li> </ul>	Dec 2024
Minimise costs.	<ul style="list-style-type: none"> <li>Current portfolio optimised.</li> </ul>	June 2021
<b>Operational Performance</b>		
Migrate pipeline asset information from third party systems into PWC systems.	<ul style="list-style-type: none"> <li>Improved visibility of asset condition</li> <li>Greater control over work management including safety related procedures.</li> </ul>	March 2021

## Capital investment program

The capital investment program totals \$1.3 million over the four-year SCI period, the majority of which is included in the 2020-21 budget.

Major projects include:

- Data Management System.

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## 3.6 Core Operations

### Overview

Core Operations is a new team established in line with our new Operating Model and, from July 2020, will be accountable for Remote Services, System Control, Meter Strategy, SCADA and Communications; and the Emergency Management function.

During 2020-21, further accountabilities for Asset Strategy, Works Planning and Scheduling, Capital Project Delivery and Performance, Reporting and Improvement will transition into Core Operations from other parts of the organisation, whilst Remote Services will move to the Customer, Strategy and Regulation team. The above represents the final structure of Core Operations and will take some time beyond 2020-21 for all aspects of these functions to be fully embedded.

More specifically:

**Remote Services** has accountability for the obligations included in the Service Level Agreement (SLA) between the Northern Territory Government (NTG) and Indigenous Essential Services (IES) for the provision of essential water, sewerage and electricity services to customers in remote areas including 72 remote communities and nominated outstations.

The service delivery for essential services is provided in a collaborative working partnership within the lines of business in Power Services and Water Services.

Over the SCI period, Remote Services key strategic and operational actions are focussed on addressing our service delivery challenges within limited tariff revenues and confirmed subsidies that currently is unlikely to support the delivery of an optimised long-term asset strategy, increasing compliance requirements, ageing asset infrastructure approaching or beyond economic life and the ongoing challenges of operating remotely. This is centred on the continuous improvement in our management of \$1.7 billion of assets (replacement value).

Remote Services will continue to build the collaborative relationship with other NTG and Australian Government Agencies and stakeholders to effectively manage risks associated with service delivery, improve financial sustainability, reduce cross government subsidisation and increase our accountability. An opportunity and challenge is the future status of remote communities and the need for NTG policy on potential “normalisation” of larger remote communities, whilst clarifying appropriate service standards and related funding gaps.

Underlying the successful delivery of services is an engaged, capable and diverse workforce to provide a proactive approach to risk and compliance in health and safety, water quality, environmental and other risk drivers.

**System Control** is accountable for the monitoring and operational control of the three regulated power systems in the NT, ensuring regulatory compliance within system security and reliability targets and timely reporting to the Utilities Commission (UC). It is also accountable for providing the trading, generator dispatch and market services functions of the Interim Northern Territory Electricity Market 2.0, and aims to be a modern, efficient multi-utility control centre (supervisory system and market operation and system planning activities).

System Control also provides network operation and control functions for Power Services (network service provider). Some of these services include the operation of an electricity network fault call centre, recording of fault information, planned switching, and crew dispatch. These services are underpinned by a Service Level Agreement (SLA) between System Control and Power Services and a new SLA is required to be negotiated by March 2021. These arrangements could be separated into the future if greater independence was required of System Control, however the existing synergies would be eroded and have an adverse financial impact on electricity prices.

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The changing regulatory environment and the move towards implementing a wholesale electricity market in the NT, provide an opportunity for influencing the ongoing development, implementation and refinement of the wholesale electricity market and rules.

During October 2019, the Alice Springs System sustained a “black start” event and as result of the subsequent UC investigation into the event, System Control has made significant improvements in response to the UC report recommendations as required by our Shareholding Minister. As well as delivering against the recommendations of the “black start” report, our focus is to continue building on the broader service improvements undertaken in 2019-20 and to manage system security affected by the existing generation and network infrastructure configuration and maintenance requirements.

System Control has seen unprecedented demand for system connections of commercial solar generation in response to the NTG’s objective of a 50 per cent renewable energy target by 2030. This presents opportunities to influence the effective integration of renewable energy technologies into the power system in a way which does not compromise system security and meets our customer expectations.

Underlying the successful ongoing provision of system control and market services is the improvement in our culture, financial management, risk management, governance and customer focus. A strong customer focus and the use of technology is key to ensure a continuing high level of service delivery including improved response times for faults and outages and improved information to customers and participants. This is driven by an efficient and effective organisational structure, processes, systems and technology which is the focus of our new Operating Model.

**Meter Strategy** is primarily accountable for defining the metering strategy for Power and Water (including bulk metering). This incorporates meter rollout programs, replacement of meters including determining the specification of new meters and meter testing. Additional accountabilities include the management and identification of metering routes and meter reading and the management of meter data.

During 2019-20 significant effort has been put into understanding the current state of meter management within Power and Water and with the adoption of Chapter 7A of the Northern Territory National Electricity Rules (NT NER). The Meter Strategy team will continue its focus on Chapter 7A compliance as set out in the NT NER. Whilst all process changes are planned for completion during 2019-20, work will continue in the development and implementation of new Meter to Cash systems during the SCI period.

**SCADA and Communications** accountabilities include the selection, implementation and support for:

- SCADA devices and device programming.
- Communications between SCADA devices and local servers.
- Communications to SCADA devices at unmanned sites.
- Operations specific stand-alone applications (e.g. engineering tools on portable devices).
- Local non-network PC’s to support local SCADA devices.

**Performance, Reporting and Improvement** will play a critical role as a support group within Core Operations by:

- Participating in the development of PWC long term strategy, the SCI and budget processes (facilitated by the Customer, Strategy and Regulation team). This includes recommending the scope of services that should be delivered by Core Operations.
- Translating the approved PWC Strategies, SCI and budgets into Business Unit Plans that enable effective and efficient execution of Core Operations’ accountabilities.
- Using data analytics outcomes to support the identification of continuous improvement opportunities for all operational parts of Core Operations; and collating data required to meet PWC internal reporting processes.

- Coordinating the identification and development of innovation and improvement initiatives and the implementation of approved business improvement projects in Core Operations.
- Performing first line of defence risk assurance activities, process monitoring and assurance to support process maturity and improvement.

**Asset Management and Capital Delivery Program** accountabilities include:

- Ensuring that a single source of Asset Management Policy, Standards and Processes are defined and drive continuous improvement in Asset Management practices and performance.
- Defining and governing the overarching Asset Management Strategy to guide the Lines of Business in the preparation of Asset Management Plans that take a life-of-asset and portfolio approach.
- Supporting the identification and leveraging of synergies across power and water assets and activities; and defining the asset information management hierarchy, standards, processes and data quality requirements.
- Defining and maintaining the PWC project delivery framework and supporting processes and tools based on the standards set by the Enterprise Portfolio Management Office.
- Preparing project plans and executing major projects in accordance with the approved scope, budget and schedule.
- Supporting the Lines of Business to scope capital projects and ensuring effective and efficient execution of post-project reviews in accordance with the project management framework.

**Works Planning and Scheduling** accountabilities include:

- Ensuring there is effective and efficient Works Planning and Scheduling by forecasting and integrating resource planning and scheduling for all work activities to optimise delivery, utilising available resources (internal and external), matched to Lines of Business field delivery capabilities and services.
- Identifying external resourcing options for delivery of work programs to be sourced via PWC supply function and establishing and maintaining arrangements for the provision of Essential Service Operator (ESO) services including the on-boarding and induction of ESO's.
- Developing the two year Rolling Works Program and five year Resource Plan for Line of Business review and approval, building the six week Rolling Works Program schedule, assigning resources (people and equipment) and securing required supplies and external services required to complete work.
- Monitoring the progress of activity delivery against the schedule, validating work closeout information and executing closeout in the work management system.

## Key strategies and initiatives

Core Operations' focus is aligned to the achievement of the corporation's goals with particular emphasis on:

- **Implementation of the new Operating Model.**
- **Effective implementation of an improved IES Service Level Agreement** beyond the current 2019-20 Agreement based on an output based funding model; and improving the alignment of available funding with the cost of meeting our customer needs by working constructively with the DTF and DLGHCD.
- **Supporting the achievement of the NTG renewable energy target** in line with the NTG 'Roadmap to Renewables', whilst ensuring the security and reliability of the electricity network system.
- **Supporting the development and implementation of the interim NT electricity market (INTEM 2.0)** as the Independent Market Operator and Power System Controller.
- **Supporting the business with a focus on providing effective services** such as metering; asset management; project delivery; works planning and scheduling; and incident management.

Specific initiatives and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Move towards a 'Proactive' Safety Culture.	<ul style="list-style-type: none"> <li>Safety initiatives achieved and safety leadership behaviours demonstrated to enable our safety culture to move from 'Calculative' to 'Proactive' (Hudson Maturity Model).</li> </ul>	Ongoing June 2021
Optimise the safe delivery of services.	<ul style="list-style-type: none"> <li>Effective safety management and through continued investment in remote monitoring and controls through satellite and 3G telemetry SCADA systems.</li> </ul>	June 2022
<b>Customer</b>		
Incident Management Framework.	<ul style="list-style-type: none"> <li>Development and implementation of a new Incident Management Framework to drive improved organisational response to major disruption events.</li> </ul>	June 2021
Reduce energy costs and conserve scarce water resources.	<ul style="list-style-type: none"> <li>Strategies implemented.</li> </ul>	June 2021
Support the NTG Housing Program.	<ul style="list-style-type: none"> <li>Active participation in program governance and coordination forums; and building and resourcing a land servicing team focused on the program's core deliverables.</li> </ul>	Ongoing June 2021
Support the achievement of the NTG renewable energy target through enabling new renewable energy load without compromising power system reliability and security.	<ul style="list-style-type: none"> <li>Continue working with government agencies in the implementation of the Roadmap to Renewables.</li> <li>Revised Generator Performance Standards fully implemented.</li> <li>Improved governance systems and processes to ensure key investigation outcomes are managed and actions implemented as identified in the Utilities Commission 'system black' report.</li> </ul>	Ongoing June 2021 June 2021 Dec 2020
Support the implementation of the interim NT electricity market (INTEM 2.0).	<ul style="list-style-type: none"> <li>Development and implementation of processes, procedures, systems and contracts to support market commencement as the Independent Market Operator and Power System Controller.</li> <li>Continue to provide technical support to the DTF as the INTEM 2.0 is defined and developed.</li> </ul>	June 2021
<b>People and Culture</b>		
Implement the accountabilities in line with the new Operating Model and establish key competencies where required to effectively support the business.	<ul style="list-style-type: none"> <li>New structure implemented.</li> <li>New structure and functions fully embedded, with additional capability in place where needed.</li> </ul>	June 2021 June 2024
Essential and Leadership training.	<ul style="list-style-type: none"> <li>Uplift in leadership skills and behaviours through participation in People and Culture initiatives, designed to positively influence our culture.</li> </ul>	Ongoing June 2021
<b>Financial Performance</b>		
Support the NTG with reforms to the ancillary service provision and charging arrangements in the I-NTEM.	<ul style="list-style-type: none"> <li>Technical implementation of the refined ancillary service provision to allow the Darwin – Katherine Power System to be operated with clearer technical guidelines and structure regarding ancillary services.</li> </ul>	Indicative June 2021
Effective implementation of an improved revision of the IES SLA beyond the current 2019-20 Agreement.	<ul style="list-style-type: none"> <li>Establish a roadmap towards an output based funding model; and improving the alignment of available funding with the cost of meeting our customer needs by working constructively with the DTF and DLGHCD.</li> </ul>	Dec 2020
Optimising the safe delivery of services.	<ul style="list-style-type: none"> <li>Improved Essential Service Operator commercial arrangements and accountabilities in place.</li> </ul>	June 2022

Key Initiative	Outcomes	Timeframe
<b>Operational Performance</b>		
Ten year forward capital planning for key communities and assets.	<ul style="list-style-type: none"> <li>Approach developed, incorporating a risk and priority matrix assessment alongside each key project and/or asset replacement.</li> </ul>	Dec 2020
Improved power system reliability.	<ul style="list-style-type: none"> <li>System Control operational tools (Stage 2 and 3) including modernising the logging and monitoring of the power system.</li> </ul>	Dec 2020
Managing Alice Springs and Tennant Creek Regulatory Control Transfer (Harmonisation Stage 2).	<ul style="list-style-type: none"> <li>Improved technical effectiveness of the network for security constrained economic dispatch. This will include the development of the appropriate processes and procedures to support the control room in both the transition and ongoing operations.</li> </ul>	June 2021
Metering strategy.	<ul style="list-style-type: none"> <li>A clearly defined organisational metering strategy and operational technology solutions in place.</li> </ul>	June 2021
Asset management.	<ul style="list-style-type: none"> <li>A clearly defined common Asset Management and continuous improvement approach (policy, standards and processes) in place.</li> </ul>	June 2021
Project delivery.	<ul style="list-style-type: none"> <li>A common project delivery framework with project planning and execution of major projects in place.</li> </ul>	June 2021
Works planning and scheduling.	<ul style="list-style-type: none"> <li>Effective and efficient Works Planning and Scheduling, resource planning and monitoring in place.</li> </ul>	June 2022

## Capital investment program

The Indigenous Essential Services current capital investment program is primarily aimed at economic asset renewal, delivering strategic initiatives and transitioning to new technologies, particularly solar technologies. Most new capacity growth is expected to result from the implementation of the NTG Housing Program, and the DLGHCD as the developer, will retain responsibility for the separate funding of such infrastructure enhancements. The capital investment program totals \$93.3 million over the four-year SCI period for IES of which \$31.9 million is included in the 2020-21 budget.

Priority projects include:

- Numerous major and minor recurrent investment programs to mitigate key risks with ageing infrastructure through a new major recurrent funding stream and the ongoing minor asset replacement recurrent fund.
- Improved disinfection control through upgraded chlorination systems and increased SCADA control.
- Connecting an enhanced ground water source to improve water quality outcomes at Pirlangimpi in the Tiwi Islands.
- Generation plant replacement programs that optimises solar through low load diesel technologies and optimise cost through sustained capital investment, rather than investing in expensive midlife refurbishments.
- Planning and delivery of essential service infrastructure to support the delivery of the NTG Remote Housing Program funded through the DLGHCD.

Separately, in consultation with the DLGHCD, IES will continue to agree programs to design activities for the next agreed priority asset infrastructure replacements. DLGHCD has separate funding available to progress major asset renewals on behalf of IES and provide as gifted assets.

## Financial summary

CORE OPERATIONS	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	4.7	9.6	10.3	10.4	10.3	10.3
Operating costs	11.0	17.0	17.5	25.5	28.6	29.2
Earnings before interest, tax, depreciation and amortisation	(6.2)	(7.4)	(7.3)	(15.2)	(18.3)	(19.0)
Net profit after tax	(4.4)	(5.2)	(5.1)	(10.6)	(12.8)	(13.3)
Capital expenditure (excluding Remote Services)	0.0	0.0	0.0	0.0	0.0	0.0

## 3.7 Customer, Strategy and Regulation

### Overview

Customer, Strategy and Regulation is a new team which is in the process of being established in line with our new Operating Model. It is an enabling function with the following accountabilities:

- Delivering greater customer value and experience through an enhanced customer focus and putting our customers at the heart of everything that we do.
- Facilitating the development and execution of enterprise strategy including the creation and capture of new value and revenue across Power and Water.
- Enhancing Power and Water's brand and reputation through customer and stakeholder relations, effective external communications and marketing campaigns.
- Ensuring a strong regulatory and commercial focus in line with changing energy market and NT National Electricity Rules.
- Effective demand management, account management and developer services.
- Governance and monitoring of projects across the organisation through an effective framework and systems overseen by the Enterprise Project Management Office.

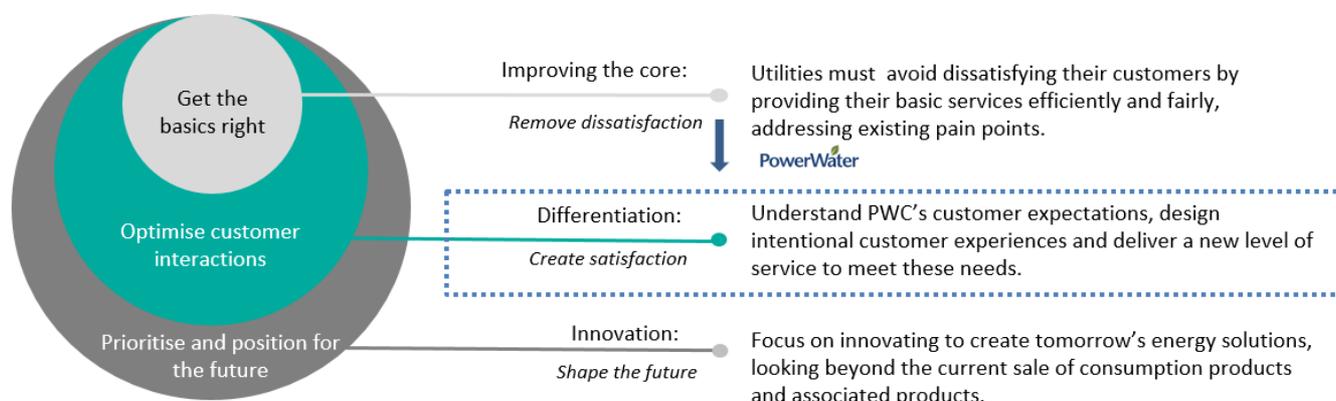
Transitioning to the new structure and establishing key competencies where required to effectively support the business, will continue during 2020-21.

The Customer, Strategy and Regulation team will also assume responsibility for the delivery of essential water, sewerage and electricity services to customers in remote Aboriginal communities and outstations across the NT, ensuring effective arrangements and relationships are in place with the Department of Local Government, Housing and Community Development, Indigenous Essential Services (IES) and the power and water lines of business. Note that Remote Services remains within Core Operations until such time that it transitions to Customer, Strategy and Regulation in line with the staged implementation of the new Operating Model.

More specifically:

#### Customer Service

Power and Water has in excess of 93,700 electricity customers and in excess of 53,500 water and wastewater customers. Our customers and the community must be at the centre of everything we do. Our customers expect greater choice, seamless experiences and convenience. But first they expect us to get the basics right such as accurate billing, improved reliability and faster resolution of enquiries.



Customer Service's prime role is to drive enhanced customer focus and customer experience; advocating for our customers at all times and for those that support them; and raising the prominence and capability of all customer interactions, campaigns and approaches.

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Our objective is to align our business to the needs of our customers, enhancing their experience through greater understanding, quality information and improved engagement.

We must continually improve how we interact with our customers and we need to demonstrate we are working in their greater long term interests while being efficient and professional. We are committed to building open, collaborative and mutually beneficial relationships based on trust and respect.

The Customer team is working closely with all parts of the organisation to achieve the following:

- End-to-end customer experience, including the development and implementation of the Customer Experience Strategy.
- Customers being well informed and provided with better information to assist with more effective consumption decisions through improved metering capability.
- Contemporary billing and Customer Relationship Management systems that provide our customers with choice through self-service functionality improving their overall customer experience.
- A consistent approach to how we manage complaints that actively identifies trends, gaps and advocates for improvements across the business.
- Well-defined credit management practices that proactively engages with our customers in a fair and respectful way.
- Making our customers Power and Water's priority across the business through heightened awareness, setting expectations of our teams and customer engagement training.

We are laying the foundations to meet customer's needs and understand customer motivations and behaviours. Our objective is to align our business to the needs of our customers enhancing their experience through greater understanding, quality information and further developing our two-way communication.

**Enterprise Strategy and Planning** facilitates the development of Power and Water's Strategic Plan and the Statement of Corporate Intent, providing key analysis and insights on utility industry trends, technology trends and future customer expectations to inform PWC strategy development. It also facilitates the identification and implementation of options to create and capture new value and revenue; and provides visibility on strategy execution and goal achievement.

The major focus for 2020-21 is embedding a fit-for-purpose strategic planning process; refreshing the Strategic Plan and aligning the organisation; implementing a whole of Power and Water approach to the identification and management of strategic projects; and establishing the necessary capabilities to support the organisation with effective strategy development and execution.

**Enterprise Portfolio Management Office** accountabilities are closely aligned with Enterprise Strategy and Planning and are focused on the following:

- Ensuring clear line of sight between Enterprise Strategy and major projects.
- Integrating planning across all PWC projects, informed by the Core Operations Works Program and including strategic initiatives.
- Recommending a prioritised PWC wide portfolio of projects optimised for resourcing and sequencing.
- Providing challenge to projects and conducts quality assurance to ensure consistency.
- Supporting and enables the stage gate process (through the Investment Review Committee).
- Providing insight and depth on key projects reporting to senior management.
- Continuing to embed project methods and support the development of organisational project management capability.
- Implementing value management tools to assess and track project benefits against strategic objectives.
- Building buy-in and commitment to the change journey by ensuring leadership alignment to the portfolio.

- Ensuring the right resources and assets are made available by working with Supply Chain and reviewing scope variations.
- Defining the Enterprise Project Management Office governance framework and providing secretariat support.
- Defining the Investment Review Committee governance framework and providing secretariat support.
- Providing the Portfolio Control Group governance framework and secretariat support.

**Regulation, Economics and Pricing** accountabilities are focused on the following:

- Ensuring a strong regulatory and commercial focus in line with changing energy market and NT National Electricity Rules.
- Defining pricing and tariffs for the Power and Water Lines of Business.
- Developing PWC Economic Regulatory Strategy.
- Facilitating the proactive development of PWC position on key economic regulation policy issues that represent material risks and opportunities.
- Preparing and submitting formal submissions to consultation and regulatory impact assessment processes relating to proposed changes to economic regulation.
- Monitoring for potential changes to economic policy and regulation.
- Preparing and submitting applications and other material to economic regulators, including the Australian Energy Regulator and Utilities Commission.
- Performing economic modelling required as an input into regulatory submissions, cost to serve analysis and tariff development.

The best electricity network businesses are actively responding to the changing energy market, with a keen understanding of what it means for the bottom line. Electricity network businesses are also grappling with how to gain back the trust of the customer and ways to bring them along the improvement journey. Our challenges relate to how we:

- Respond to changing energy market and understanding what it means.
- Re-imagine the electricity network to deliver a better commercial outcome.
- Leverage technology to improve efficiency and service.
- Show customers that there is value in what we provide.
- Modernise the customer experience.

The major focus of the Regulation team over the SCI period is resetting the AER Regulatory Proposal for 2025-2029. The objective is to secure a commercially sustainable Network Pricing Determination (NPD) for this period by having demonstrated our credibility to the AER by delivering our services within the commercial and technical rigor of the 2019-2024 NPD; through strong and early engagement with the AER and other key stakeholders; and a focus on co-designing the electricity networks vision outside of the reset process.

Having the right capability and available resourcing is a challenge as the development of the Regulatory Proposal involves an intense workload for approximately two years. This is in addition to the annual peak required to coordinate information requirements of the AER (Regulatory Information Notices) and the pricing proposal; and our business as usual activity including customer and stakeholder engagement, policy advocacy, advice to the business, compliance and reporting (shaping, forming, adapting).

**Marketing, External Communications and Government Relations** accountabilities include the following:

- Developing and implementing Power and Water's Brand Strategy (including our Living Water Smart brand).
- Delivering integrated and effective marketing campaigns, social media and external communications services.
- Facilitating media responses.

- Performing non-Government stakeholder mapping (e.g. industry groups) and preparing Stakeholder Engagement Plans where required.
- Defining PWC Government Relations Framework including Government Engagement Strategy and Policy.
- Developing effective Government Stakeholder Engagement Plans and supporting the implementation.
- Preparing Government submissions including Ministerial requests and briefing notes.

A key focus is strengthening our reputation and brand through active consumer engagement and effective integrated marketing campaigns designed to change consumer consumption behaviours and create awareness in the community.

**Demand Management, Account Management and Developer Services** is accountable for the following:

- Developing Power and Water’s Demand Management Strategy.
- Designing and delivering behavioural change programs to reduce demand for water across the NT.
- Designing and delivering proactive customer-facing programs and engaging with customers in relation to demand response events.
- Defining the account management framework including policies, standards, processes and toolkits that govern PWC account management; and monitoring compliance with the framework.
- Performing key account management services, including the service of customers with highest risk and / or complex needs (including retailers, government, industry groups and highest volume consumers).
- Provision of developer services.

The aim of our demand management focus is to have our customers and communities understand the value of water, to become invested in conservation initiatives through changing their beliefs and behaviours; and to become advocates of Power and Water.

We will continue to progress this through integrated marketing campaigns, consumer education and active stakeholder engagement, adopting ‘a whole of NT’ approach.

## Key strategies and initiatives

The key focus across the SCI period is to:

- **Implement the accountabilities in line with the new Operating Model** and establish key competencies where required to effectively support the business.
- **Enhance the customer experience** by strengthening Power and Water’s brand in the community and establishing a customer centric model that can be nurtured throughout the organisation. Continue building a customer focused culture and establish a customer strategy that supports a high level of engagement and advocacy for all our customers and key stakeholders.
- **Drive improvement in organisational strategic and business planning outcomes** including our planning framework, capability, goal alignment and visibility on strategy execution.
- **Drive an enterprise focus and approach to strategic projects** through the coordination of the creation and capture of new value and revenue opportunities.
- **Facilitate the proactive development of Power and Water’s position on key economic regulation policy issues** that represent material risks and opportunities.
- **Prepare and submit information and views to economic regulators**, including the Australian Energy Regulator and Utilities Commission, performing economic modelling required including cost to serve analysis and tariff development.
- **Engage with our key stakeholders** in a cohesive and collaborative way in line with Stakeholder Engagement Plans.

- **Promote Power and Water’s brand** through marketing, social media and external communications in line with stakeholder engagement plans.
- **Drive a reduction in demand for electricity and water** in line with our Demand Management Strategy through proactive and strong engagement with our customers and communities.
- **Enhance key account management services**, including the service of customers with highest risk and/or complex needs (including developers, retailers, government, industry groups and high volume consumers).
- **Provide effective services to remote communities** (once transitioned from Core Operations) through a strong and respected relationship with the Department of Local Government, Housing and Community Development and relevant Minister, working within the remote service delivery framework and the Indigenous Essential Services Contract.

**Specific initiatives** and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Move towards a ‘Proactive’ Safety Culture.	<ul style="list-style-type: none"> <li>• Safety initiatives achieved and safety leadership behaviours demonstrated to enable our safety culture to move from ‘Calculative’ to ‘Proactive’ (Hudson Maturity Model).</li> </ul>	Ongoing June 2021
<b>Customer</b>		
Water Demand Management - extensive engagement with our customers and communities	<ul style="list-style-type: none"> <li>• Reduced water demand by a further one gigalitre per annum through extensive community and industry engagement aimed at extensive behaviour change moving towards the perception of water as being precious.</li> <li>• Education campaign highlighting how Power and Water is protecting the community’s water source.</li> <li>• Giving customer’s greater visibility of their water usage, comparisons and easy ways to reduce water use.</li> <li>• Continue the leak management program, prioritising the identification and rectification of major leaks.</li> </ul>	June 2021  2020-2023  June 2021
Understanding the community	<ul style="list-style-type: none"> <li>• Understanding Power and Water’s customers through the establishment of a community engagement platform, conducting focus groups, online surveys, and continuation of the Customer Advisory Council.</li> </ul>	2020-2023
First contact resolution	<ul style="list-style-type: none"> <li>• Continue to embed Power and Water’s first contact resolution initiative in our call centre and through our account managers.</li> <li>• Improving our ability to resolve customer problems, questions or needs the first time they call, with no follow-up required.</li> </ul>	2019-2022
Customer Choice – Digital Pipeline	<ul style="list-style-type: none"> <li>• Adapting current technology and investigating new options.</li> <li>• Providing easy ways to engage with Power and Water and growing social media as a two way communication; tailor communications to customer segments; improve communication options for planned outages notifications and billing (e.g. SMS, email).</li> </ul>	2019-2023
<b>People and Culture</b>		
Implement the accountabilities in line with the new Operating Model and establish key competencies where required to effectively support the business.	<ul style="list-style-type: none"> <li>• New Customer, Strategy and Regulation structure implemented.</li> <li>• Additional capability in place where needed.</li> </ul>	June 2021  June 2021

Key Initiative	Outcomes	Timeframe
Essential and Leadership training.	<ul style="list-style-type: none"> <li>Uplift in leadership skills and behaviours through participation in People and Culture initiatives, designed to positively influence our culture.</li> </ul>	Ongoing June 2021
<b>Financial Performance</b>		
Lift the focus on strategy development and execution in line with becoming a customer centric organisation.	<ul style="list-style-type: none"> <li>A fit-for-purpose strategic planning framework embedded into the organisation.</li> <li>Additional capability in place to develop the Strategic Plan and align the organisation.</li> <li>Improved visibility on strategy execution (goals, key initiatives, corporation performance).</li> <li>Business Model planning completed with the focus on strategic projects that capture new value.</li> </ul>	June 2021  March 2021  June 2021  June 2021
Enterprise-wide view and governance of all significant projects.	<ul style="list-style-type: none"> <li>Project Investment Delivery Framework fully embedded.</li> <li>Enterprise Project Management System fully embedded.</li> </ul>	June 2021 June 2021
Regulation, Economics and Pricing capability in place.	<ul style="list-style-type: none"> <li>The right capability and resourcing in place to enable the development of the 2025-2029 Regulatory Proposal.</li> </ul>	Dec 2020
<b>Operational Performance</b>		
Telling our story, our commitment	<ul style="list-style-type: none"> <li>Strengthen Power and Water's reputation in the community by highlighting our commitment and support of the community. Actively telling our story through news articles featuring our people, major projects, partnerships, initiatives and the benefits to the community.</li> <li>Improving stakeholder engagement and establishing "the why" to gain customers support and minimise disruption to everyday life.</li> </ul>	2020-2023

## Financial summary

CUSTOMER, STRATEGY & REGULATION	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	6.0	4.7	5.1	6.9	5.0	5.0
Operating costs	12.1	16.4	19.5	22.8	27.3	26.9
Earnings before interest, tax, depreciation and amortisation	(6.1)	(11.7)	(14.4)	(15.8)	(22.3)	(21.9)
Net profit after tax	(4.1)	(8.1)	(10.1)	(11.1)	(15.6)	(15.4)
Capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0

## 3.8 Information, Communication and Technology

### Overview

The primary focus for the Information, Communications and Technology (ICT) team is to support the wider business and enable the achievement of the corporation's goals.

It does this through delivering fit for purpose solutions that support standardised business processes, protecting ICT assets and intellectual property and enabling the business through effective Information Technology performance. ICT defines the strategies, policies and standards to select, deliver, maintain, and support ICT and operational technology (OT) infrastructure, services and solutions.

Accountability areas in line with our new Operating Model include the following:

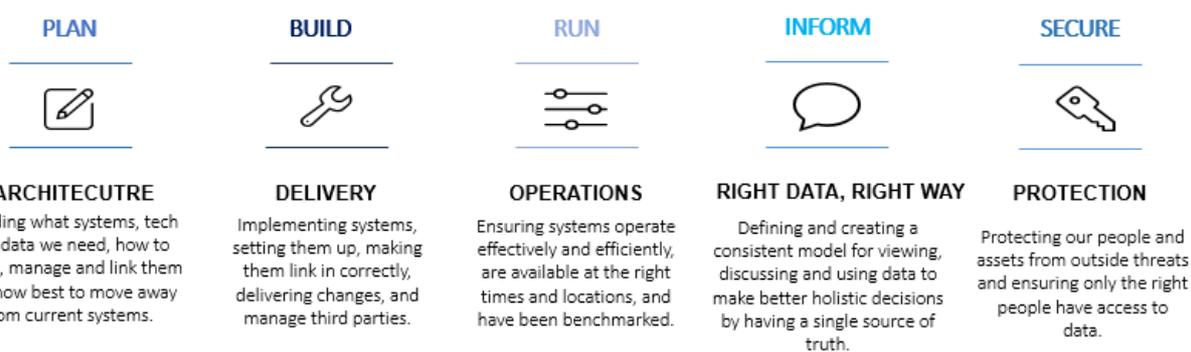
- Strategy and Architecture.
- ICT Projects and Change.
- ICT Operations.
- Service and Integration Management.
- Business Intelligence and Data Governance.
- Cyber and Information Security.

### Key strategies and initiatives

The key focus for 2020-21 is to **implement the new accountabilities and associated structural changes** in line with the new Operating Model; and to establish key competencies required to effectively support the Transformation Program and business requirements.

This includes building and delivering systems, running systems to ensure business continuity, informing the business by providing consistent readily available information and securing Power and Water systems and information to reduce likelihood of services to our customers and the community being adversely impacted.

ICT is transitioning to the following structure in line with the new Operating Model.



In line with business requirements and the broader **Transformation Program, 24 work packages** have been developed spanning the 2020-24 SCI period. There will be an increasing focus on maturing the Enterprise Architecture standards to support the Transformation Program, as well as an increasing focus on cyber security services.

Specific initiatives and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Risk, Safety and Compliance Management System	<ul style="list-style-type: none"> <li>Implementation of a single Safety, Risk and Compliance System (monitoring compliance to legislation, licence requirements and management standards).</li> </ul>	July 2021
<b>Customer</b>		
Integrated Communications	<ul style="list-style-type: none"> <li>Replacement of Avalanche, Upgrade of Touchpoint, Review of Telephony, Redundancy availability (consolidate systems where possible and create a better user/customer experience).</li> </ul>	Dec 2021
<b>People and Culture</b>		
Implement the accountabilities in line with the new Operating Model and establish key competencies where required to effectively support the business.	<ul style="list-style-type: none"> <li>New ICT structure embedded.</li> <li>Additional capability in place where needed.</li> </ul>	July 2021 July 2021
<b>Financial Performance</b>		
Enabling Transformation	<ul style="list-style-type: none"> <li>Support Meter to Cash initiatives and Works Management for Power Services. Systems reconfigured (Maximo, FMS and RMS) to align with the new accountabilities/structures to enable accurate costing and recoveries.</li> </ul>	2022-2023
<b>Operational Performance</b>		
Work Package Implementation	<ul style="list-style-type: none"> <li>Staged implementation to both increase internal capability, standardise engagement with business units and vendors and prepare ICT for the upcoming Transformation Program.</li> </ul>	2023
Support Business in Electricity Market Reform	<ul style="list-style-type: none"> <li>Implementation of enterprise systems to control market settlements and market participants.</li> </ul>	July 2021
Mature Cyber Security Program	<ul style="list-style-type: none"> <li>Review and update of the Cyber Security Plan improve cyber security resilience.</li> </ul>	July 2021
Enterprise Data Model	<ul style="list-style-type: none"> <li>Roll out of Enterprise Data Models to improve information management; and to facilitate the data requirements identified by the Transformation Design Authority to improve process effectiveness.</li> </ul>	July 2021
Enterprise Data Historian	<ul style="list-style-type: none"> <li>Enterprise Data Historian available to all business units under single contract and licencing agreement (consistent recording and availability of operational data while achieving savings through consolidation of platforms).</li> </ul>	July 2021
GIS Stage 2 Upgrade	<ul style="list-style-type: none"> <li>Software upgrade to ESRI and supported software to provide business units with additional functionality as well as consolidating the ESRI platform to ensure security of information and access to latest security patches.</li> </ul>	Feb 2021

## Capital investment program

The capital investment program for ICT totals \$93.7 million over the four-year SCI period of which \$45.2 million is included in the 2020-21 budget. Capital expenditure for 2020-21 mainly relates to the following:

- Safety, Risk and Compliance System.
- NTEM program of works (Dispatch and Market Settlement tools).
- Integrated communications (including mobile telephony).
- Multiple enterprise system upgrades and/or replacement.
- Hardware replacement.
- Capability uplift to support future state Operating Model.

## Financial summary

INFORMATION, COMMUNICATION & TECHNOLOGY	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs	19.1	30.8	28.3	30.9	29.7	32.0
Earnings before interest, tax, depreciation and amortisation	(19.1)	(30.8)	(28.3)	(30.9)	(29.7)	(32.0)
Net profit after tax	(13.4)	(21.5)	(19.8)	(21.6)	(20.8)	(22.4)
Capital expenditure	14.1	2.1	45.2	17.6	12.3	18.6

## 3.9 People, Culture and Safety

### Overview

The People, Culture and Safety team ensures that Power and Water maintains a capable workforce that is values aligned; enabling the business to achieve its objectives with a focus on high health, safety and environmental outcomes.

Accountabilities in line with our new Operating Model include the following:

- Health, Safety and Environment
- People Strategy and Talent Management
- Aboriginal Employment
- Human Resource Management Services
- Learning and Development
- Business Partnering
- Employee Relations
- Change Management
- Internal Communications and Employment Brand

Strategic accountabilities are focused on achieving the following:

- **Capability** – Building workforce capability and ensuring return on investment for training and development.
- **Health Safety and Environment** – Power and Water’s Health Safety and Environment (HSE) strategy and ensuring we operate within relevant law and regulations.
- **Employee Experience and Industrial Relations** – Defining our employee relations agenda so that we deliver a consistent experience to all employees.
- **Diversity and Inclusion** – Implementing our Reconciliation Action Plan (RAP) and providing equal employment opportunities across the organisation.

People, Culture and Safety also defines, verifies and reports on people and safety governance and provides guidance and coaching to the organisation so that it is consistently and compliantly implemented:

- **People and Safety Strategies** – defining, verifying and reporting on our People Strategy and Organisational Structure.
- **People and Safety Policies** – defining, verifying and reporting on policies, standards, processes and procedures that enables a consistent employee experience in line with relevant regulations.
- **People and Safety Reporting** – defining, verifying and reporting on data that tracks our people’s performance, the implementation of the Reconciliation Action Plan and our HSE performance.
- **People and Safety Frameworks** – defining, verifying and reporting on the frameworks and tools required to manage our people and support workforce capability and competence.

### Key strategies and initiatives

A key focus for 2020-21 is to implement the new accountabilities and associated structural changes in line with the new Operating Model; and to establish key competencies where required to effectively support the business.

#### Safety and Environment

The objective of the Safety Improvement Project has been to mature our safety culture and move from ‘Reactive’ to ‘Proactive’ as measured by the Hudson Maturity Model. Key strategies to achieve this include:

- **Centralise the safety functions** across Power and Water into one and adopt a business partner model.
- Build and enable **one Safety Management System (SMS)** – policy, standards and procedures.
- Enable the SMS with a **fit-for-purpose technology platform** to improve reporting, transparency and management actions around safety events, corrective actions and safety audit outcomes.

- Improve and streamline the **Access to Apparatus Rules** governance frameworks, inclusive of systems and training to employees and contractors.
- **Proactively monitor and inspect** our safety performance through a range of disciplines being expanded or introduced including High Potential Incident management; ICAM review panels; internal and external audit programs; and employee wellbeing programs.

## People and Culture

There are four key objectives with a range of human resource management strategies deployed to achieve desired outcomes:

- **Build Capability** through ongoing talent and succession planning (embedding into Level Three of the organisation); building change management capability (continue to build tools, frameworks and leadership capability); and establishing a fourth service line for learning and development focused on safety (currently Essential and Leadership, Legislative and Compliance, Technical).
- **Improve Leadership, Engagement and Culture** through the following:
  - Continue to deliver and drive the Leadership Development Program, inclusive of a line management 101 style development course;
  - Drive culture and employee action planning through the senior leader group and other leaders in a more disciplined way; and align performance plans to culture and engagement target outcomes;
  - Commence building the employment brand, underpinned by our Values and ways of working as developed through the Operating Model implementation; and
  - Enable the accountability to manage change through to leaders/line management.
- **Enable a Business Partnering approach** within the People and Culture Team (shifting the focus from a transactional to a strategic advisory function) in line with the new Operating Model; and facilitate employee self-service through system enablement.
- Implement a **Reconciliation Action Plan** (at Stretch level) which includes community consultation in our approach, bolstered further by our Senior Leader Group members; as well as continue to leverage the internal cultural and employment framework work completed to date.

**Specific initiatives** and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
High Potential Incident Management Refresh.	<ul style="list-style-type: none"> <li>• A new procedure in place to priority manage High Potential Incidents, providing a systemic approach to the management of events and placing greater ownership and accountability on the responsible manager for the event management.</li> </ul>	June 2020
Safety Audit Program.	<ul style="list-style-type: none"> <li>• A rolling WHS Audit program in place and met, to ensure that Power and Water and our suppliers/contractors meet WHS compliance and assurance obligations. The scheduled audit activities planned to 30 June 2020 will continue for each year.</li> </ul>	Ongoing June 2021
Safety Leadership Training Development.	<ul style="list-style-type: none"> <li>• Development of a Safety Leadership Program focused on the safety leadership behavioural competencies required to enable Managers to demonstrate the desired safety leadership behaviours to enable our safety culture to move from 'Calculative' to 'Proactive' (Hudson Maturity Model).</li> </ul>	Aug 2020
Safety Management System Improvement - Technology Platform.	<ul style="list-style-type: none"> <li>• A fit for purpose technology platform in place to provide an Incident Management System that enables the business to capture data in line with AS 1885.</li> </ul>	July 2021

Key Initiative	Outcomes	Timeframe
Access to Apparatus Rules Refresh (AAR) Project.	<ul style="list-style-type: none"> <li>Consolidation of the various AAR documents, guidelines etc. into one AAR document which will apply to all operational businesses. This is designed to streamline process, remove duplication and ensure that the potential for non-compliance and life threatening injury is minimised.</li> </ul>	June 2020 (ready for implementation)
<b>Customer</b>		
Improve business support.	<ul style="list-style-type: none"> <li>An effective Business Partnering approach in place within the People and Culture Team (shifting the focus from a transactional to a strategic advisory function) in line with the new Operating Model.</li> <li>Facilitate employee self-service through system enablement.</li> </ul>	Ongoing June 2021
<b>People and Culture</b>		
Implement the accountabilities in line with the new Operating Model and establish key competencies where required to effectively support the business.	<ul style="list-style-type: none"> <li>New People, Culture and Safety structure embedded.</li> <li>Additional capability in place where needed.</li> </ul>	June 2021 June 2021
Reconciliation Action Plan (Stretch).	<ul style="list-style-type: none"> <li>A new 'Stretch' RAP implemented through robust stakeholder consultation; to support improved outcomes for Aboriginal employees and other stakeholders and build on the previous iteration, 'Innovate'.</li> </ul>	Dec 2020
Culture Program.	<ul style="list-style-type: none"> <li>Retesting on Organisational Culture Inventory (OCI) and Lifestyles Inventory (LSI) for Senior Leaders and Middle Managers to support move to more constructive culture.</li> </ul>	Ongoing June 2021
Engagement/Culture Survey 2021.	<ul style="list-style-type: none"> <li>Employee Engagement surveys will occur at least annually, using the Kincentric methodology, and will focus on key driver areas for improvement each year.</li> <li>Organisational Culture, using Human Synergistics methodology, will be tested bi-annually in combination with the annual engagement survey deployment.</li> </ul>	Ongoing June 2021
Essential and Leadership training.	<ul style="list-style-type: none"> <li>Build relevant and aligned skills and behaviours in our people to positively influence our culture to achieve business outcomes: <ul style="list-style-type: none"> <li>Continue to deliver and drive the Leadership Development Program, inclusive of a front-line manager development course.</li> </ul> </li> </ul>	Dec 2022
Legislative and Compliance training.	<ul style="list-style-type: none"> <li>Continue to work with accountable and responsible managers to develop, deliver and drive the legislative and compliance training program.</li> <li>A rolling two year refresher cycle of targeted training programs that address the organisations top 17 identified legislative risks from the Enterprise Risk Management Framework (ERMF). The programs ensure employees are aware of what they are required to do, to ensure compliance, and provides course completion data via system reporting.</li> </ul>	Ongoing with two year refresher cycle to Dec 2022
Graduate intake.	<ul style="list-style-type: none"> <li>Research and implement a centrally managed Power and Water Graduate Program, across multiple disciplines, with structured development activities.</li> </ul>	July 2020 ongoing
<b>Financial Performance</b>		

Key Initiative	Outcomes	Timeframe
Plan for new Enterprise Agreement.	<ul style="list-style-type: none"> <li>Planning completed for an improved Enterprise Agreement ready for negotiations in 2021.</li> </ul>	Dec 2020
<b>Operational Performance</b>		
Technical Capability Project.	<ul style="list-style-type: none"> <li>A Technical Capability Framework that is aligned with industry best practice to enable the delivery of strategic and operational objectives, now and in the future: <ul style="list-style-type: none"> <li>Stage 1 – Accelerate technical training programs for Power Services and System Control;</li> <li>Stage 2 – Review and deliver technical training programs for Water Services, Engineers/Professionals.</li> </ul> </li> </ul>	June 2020 - June 2022
Technical training.	<ul style="list-style-type: none"> <li>Continue to review, deliver and drive technical training through the delivery of Job Model training, as well as safety refresher training and other identified technical training needs.</li> </ul>	Ongoing

## Financial summary

PEOPLE, CULTURE & SAFETY	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs	13.6	16.2	15.3	18.5	15.9	17.0
Earnings before interest, tax, depreciation and amortisation	(13.6)	(16.2)	(15.3)	(18.5)	(15.9)	(17.0)
Net profit after tax	(9.5)	(11.3)	(10.7)	(12.9)	(11.2)	(11.9)
Capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0

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## 3.10 Finance and Business Services

### Overview

Finance and Business Services provides support to the wider business and in the effective delivery of the following services.

Accountability areas in line with our Operating Model include the following:

- Enterprise Risk and Resilience
- Business Integrity
- Corporate Finance
- Business Finance
- Legal and Company Secretariat
- Records and Document Management
- Supply Chain
- Procurement
- Fleet Management
- Property Management
- Facilities Management

These services are delivered by the following functional groups – Finance, Legal, Supply Chain; and Risk, Controls and Compliance.

### Key strategies and initiatives

A key focus for Finance and Business Services over the SCI period is to:

- **Implement the new accountabilities** and associated structural changes in line with the new Operating Model.
- **Establish key competencies** where required to effectively support the business, improve accountability and performance.
- **Facilitate improvements in organisational culture and employee engagement** through participation in the leadership development and culture change programs; and nurturing employee engagement initiatives.
- Maintain focus on **health and safety**.

More specifically:

#### Finance

- Ongoing financial improvement, strengthening commercial capability, financial competency and an effective control framework.
- Improvement to core financial systems for better planning and decision support. Facilitating the upgrades of out-of-support systems, retiring legacy systems, and seamless integration of current enterprise systems.

#### Legal Services (legal, company secretariat, business integrity, records management)

- An adaptive leadership program to enable behaviours needed to be an effective and efficient team.
- Prioritise and complete high revenue/cost saving and strategic commercial agreements.
- Defend and protect Power and Water's reputation and interests through litigation, compliance and government affairs.
- Build capability within legal team.

## Supply Chain Strategy and Operation (Supply Chain, Fleet, Property, Facilities Management, Security)

- Drive commercial benefits across the business in line with the supply chain strategy.
- Effective procurement and Contract Management Frameworks and compliance, guidance and advice.
- Beneficial supplier, industry and government engagement.
- Effective, facilities, fleet and property management.

## Risk, Controls and Compliance

- Ongoing development of the risk management and governance maturity of the Power and Water risk and governance frameworks, processes and capability.
- Ensuring our strategic and operational risks are systematically identified, assessed and managed through an enterprise wide risk register with clearly assigned accountabilities.
- Deliver a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes, verified through a strategic internal audit plan designed to provide the Audit and Risk Management Committee and management with assurance on the adequacy and effectiveness of controls.
- Provision of business expert advice to build the required capability within Power and Water.

Specific initiatives and outcomes are summarised below:

Key Initiative	Outcomes	Timeframe
<b>Health and Safety</b>		
Move towards a 'Proactive' Safety Culture.	<ul style="list-style-type: none"> <li>• Safety initiatives achieved and safety leadership behaviours demonstrated to enable our safety culture to move from 'Calculative' to 'Proactive' (Hudson Maturity Model).</li> </ul>	Ongoing June 2021
<b>Customer</b>		
Reorganise and lift level of legal support to the business to deliver commercially focused legal services; ensure compliance with legal, ethical and regulatory obligations; effective company secretarial services; and business integrity framework.	<ul style="list-style-type: none"> <li>• Build capability and expertise to deliver services.</li> <li>• Develop and commence implementation of the Legal Services Strategic Business Plan.</li> <li>• Implement Legal Panel Contract for 2019 -2022.</li> <li>• Finalise policies and frameworks to support good governance.</li> </ul>	Dec 2021 July 2020 Ongoing 2020-2021 Dec 2020
<b>People and Culture</b>		
Implement the accountabilities in line with the new Operating Model and establish key competencies where required to effectively support the business.	<ul style="list-style-type: none"> <li>• New Finance and Business Services structure embedded.</li> <li>• Additional capability in place where needed.</li> </ul>	Dec 2020 Dec 2020
Develop an overarching People and Capability Strategy for the broader Supply Chain Strategy and Operations group.	<ul style="list-style-type: none"> <li>• A review of functional responsibilities, roles and capability development requirements for future state workforce post implementation of new Operating Model.</li> <li>• A strong ongoing commitment to actions identified in the Employee Engagement Survey.</li> <li>• Continuation of the Chartered Institute of Procurement and Supply (CIPS) professional development and accreditation program.</li> </ul>	Sep 2020 June 2021 June 2021
Essential and Leadership training.	<ul style="list-style-type: none"> <li>• Uplift in leadership skills and behaviours through participation in People and Culture initiatives, designed to positively influence our culture.</li> </ul>	Ongoing June 2021

Key Initiative	Outcomes	Timeframe
<b>Financial Performance</b>		
Implement and deliver the Supply Chain Fundamentals Program.	<ul style="list-style-type: none"> <li>Rationalisation/consolidation of contracts.</li> <li>Simplification of Sourcing, Procurement and Contract Management.</li> <li>Simplification of Warehouse and Inventory Management.</li> <li>Supply Chain Centralisation.</li> </ul>	March 2021 March 2021 March 2021 March 2021
Audit and Controls.	<ul style="list-style-type: none"> <li>Audit Framework reviewed and Self-Assessment Control Tools developed across the business.</li> </ul>	July 2022
<b>Operational Performance</b>		
Management Governance and Assurance Framework Horizon 3.	<ul style="list-style-type: none"> <li>All legacy procedure documents identified and reviewed completed and business supported to develop remediation plans.</li> </ul>	July 2022
Risk Management Framework refresh.	<ul style="list-style-type: none"> <li>Refreshed risk framework embedded and Tier 3 Risk Registers developed.</li> </ul>	June 2023
Governance, Risk, Compliance and Event Information Management System.	<ul style="list-style-type: none"> <li>Integrated governance, risk compliance and event information management system implemented for improved visibility and management of compliance to legislation, licence requirements and management standards.</li> </ul>	July 2021
Improved governance across Power and Water.	<ul style="list-style-type: none"> <li>Improved internal controls implemented with particular focus on IES governance.</li> </ul>	Dec 2021
Develop a Facilities and Property Management Strategy for non-production assets.	<ul style="list-style-type: none"> <li>A review of lease building policy, profile and strategies to ensure efficient operation.</li> <li>A review of current state security arrangements (physical, electronic, static, patrols) and a strategy to address gaps in infrastructure.</li> <li>Assessment of building assets to ensure compliance with relevant legislation.</li> </ul>	Dec 2021 June 2021 June 2021

## Capital investment program

The capital investment program totals \$8.0 million over the four-year SCI period of which \$3.4 million is included in the 2020-21 budget. Capital expenditure for 2020-21 mainly relates to the following:

- Security upgrades.
- Fire system upgrades.
- Facilities.

## Financial summary

FINANCE & BUSINESS SERVICES	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	2.1	3.8	2.0	5.0	7.1	7.0
Operating costs	(36.9)	(33.7)	(34.8)	(30.5)	(33.7)	(28.4)
Earnings before interest, tax, depreciation and amortisation	38.9	37.5	36.8	35.6	40.8	35.4
Net profit after tax	38.1	25.1	28.7	28.4	33.3	23.6
Capital expenditure	2.7	2.6	3.4	1.6	1.5	1.5

## 4. Financial projections

### Financial summary

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

SUMMARY OF FINANCIAL RESULTS							
SUMMARY OF FINANCIAL RESULTS		2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
Total revenue	\$M	711.9	699.5	746.2	785.5	820.0	851.0
Earnings before interest, tax and depreciation	\$M	261.1	237.1	237.8	242.1	295.6	274.6
Earnings before interest and tax	\$M	127.7	109.3	118.5	125.0	181.1	151.7
Net profit after tax	\$M	42.9	30.9	40.9	44.5	83.7	64.6
Operating cost efficiency	%	47.5	67.5	69.4	70.4	65.1	68.9
Operating cost ratio	%	100.5	102.3	112.1	119.7	115.7	127.0
Cashflow from operations	\$M	150.2	124.1	157.4	149.5	185.8	165.8
Capital investment	\$M	185.9	137.7	213.6	189.8	142.9	147.3
Return on assets	%	1.2	1.1	1.4	1.4	2.7	2.0
Return on equity	%	3.2	2.9	3.8	4.0	7.2	5.3
Funds from operations to interest ratio	times	4.1	3.9	4.2	4.1	4.7	4.6
Debt to equity ratio	times	1.1	1.2	1.2	1.2	1.2	1.1
Quick ratio	times	1.0	0.9	0.8	0.8	0.7	0.8

### 2019-20 – Forecast vs Budget

Forecast earnings before interest, tax, depreciation and amortisation (EBITDA) for the year is \$24.0 million less than the budgeted amount in the 2019-20 SCI. This is primarily a result of lower than anticipated revenue of \$12.4 million, most notably from gas sales, gifted assets and developer and capital contributions along with \$11.6 million above budget operational expenditure, primarily driven by higher than forecast spend on professional fees in relation to the AER framework and workforce management projects.

Depreciation expense was \$5.6 million lower than expected due to a downward revaluation of the Water Services asset base in 2018-19. Additionally, interest expense was favourable against budget by \$1.3 million as a result of favourable interest rates.

Capital expenditure saw the impact of the COVID-19 travel restrictions limit some of the scheduled works planned for the latter half of the financial year and this in part contributed to the underspend against budget of \$48.2 million. Power Services is forecast to be underspent compared to the 2019-20 SCI by \$12.7 million and Gas Services is expected to be \$7.4 million under budget. Further to this, investment in the transformation program has begun but will not be fully recognised as capital expenditure until the program progresses further and the classification between operational and capital expenses can be more clearly delineated. \$25.7 million of associated costs were expected to be capitalised in the current year in the 2019-21 SCI however, the current 2019-20 forecast is projected to be \$4.4 million.

### 2020-21 Budget and 2022-23 Projections

Power and Water Corporation's Statement of Corporate Intent (SCI) 2020-21 budget and 2021-24 projections have been prepared without taking into account an estimate of the full impact of the Novel Coronavirus (COVID-19) pandemic. With Australia in the relatively early stages of the pandemic, a substantial level of uncertainty exists around the ability to accurately forecast the impact to Power and Water and the NT Government fiscal policies in the coming years. This has the potential to re-shape Power and Water's projected financial position resulting in significant variances against the financial projections published in this SCI.

As a consequence of NT Government's response to managing the impact of COVID-19 on the NT economy, Power and Water has applied a tariff (water, sewerage and electricity) freeze in the 2020-21 budget. Other COVID-19 related reforecasts include increases in hardship allowances and provision for doubtful debts.

## Revenue

Total revenue is projected to increase from \$699.5 million in 2019-20 to \$746.2 million in 2020-21, primarily driven by higher third party gas sales. Water and sewerage services revenue is assumed to decrease in line with current Department of Treasury and Finance (DTF) growth assumptions. Electricity revenue is based on the AER Distribution Determination and is locked in until the next AER Determination in 2025. Electricity revenue also includes System Control and Market Operator tariff increases from 2020-21 onwards, approved by the Utilities Commission of the Northern Territory in April 2020.

Gas revenue is forecast to increase by 22% from 2019-20 to 2020-21 and then further increase in each subsequent year of the SCI period as new gas customers come online over the course of 2019-20 and beyond. Revenue projections in the outer years of the SCI are based on increased gas sales volumes due to the compression of the pipeline system which will enable additional capacity through to the East Coast market. Gas revenue assumes a continuation of current pricing arrangements with Territory Generation however, the anticipated increase of solar photovoltaic (PV) installations in the NT is expected to result in a \$40 million reduction to gas sales.

Community Service Obligations (CSO) funding is expected to slightly decrease to \$27.2 million in 2020-21 and between \$26.0 and \$27.0 million for the remainder of the SCI period. Gifted asset revenue, which is provided to Power and Water as part of new developments, is expected to increase to \$14.3 million in 2020-21 and gradually reduce down to \$11.6 million in 2023-24 due to the anticipated slowdown in residential and commercial developments in the NT.

The operating model project is expected to deliver \$20.2 million of revenue benefits over the SCI period, starting from 2020-21, through the delivery of the Meter-to-Cash program.

REVENUES						
REVENUES	2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Power Services	200.2	194.4	177.4	184.1	189.6	195.6
Water Services	217.7	217.5	220.5	225.2	230.7	236.3
Gas Services	276.6	269.6	326.0	348.3	372.4	391.8
Core Operations	4.7	9.6	10.3	10.4	10.3	10.3
Corporate Services and other	12.7	8.4	12.0	17.6	17.1	17.1
<b>Total</b>	<b>711.9</b>	<b>699.5</b>	<b>746.2</b>	<b>785.5</b>	<b>820.0</b>	<b>851.0</b>

## Community service obligations (CSO)

The SCI assumes CSO funding for the Uniform Tariff Concession and Pensioner and Carer Concession schemes. The following CSO's have been reflected in the SCI subject to confirmation by the Department of Treasury and Finance.

COMMUNITY SERVICE OBLIGATIONS	2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Uniform Tariff Concession	6.8	6.8	7.4	7.6	7.6	7.6
Pensioner and Carer Concession	6.0	5.9	5.2	4.4	4.5	4.7
Gas Concession	14.9	14.9	14.6	14.5	14.4	14.4
<b>Total</b>	<b>27.6</b>	<b>27.6</b>	<b>27.2</b>	<b>26.5</b>	<b>26.5</b>	<b>26.7</b>

## Operating costs

Operating costs in 2020-21 are budgeted to be \$45.9 million higher than the 2019-20 forecast, primarily as a result of higher gas energy costs (\$66.6 million) due to higher gas sale volumes, and personnel direct costs (\$8.7 million). These are partially offset by decreased professional fees (\$10.8 million) and other costs (\$15.0 million).

Personnel Direct costs is expected to be higher in the SCI period than previous projections. This is due to the additional cost of delivering efficiencies and the re-alignment of the business structure to future state accountabilities as part of the implementation of the new operating model. Power and Water is expecting to benefit from the implementation of the new operating model, with the benefits offsetting the cost of the project as well as the residual operating cost of the Transformation team. The investment in the transformation project will provide PWC with the enablers to make the business more sustainable in the future. The SCI period (2021 to 2024) is the investment window for the operating model project. The successful implementation of this project is expected to deliver perpetual benefits that extend beyond the current SCI window.

Information, Communication and Technology (ICT) costs are anticipated to be higher due to the cost of getting ICT architecture ready for transformation and servicing business as usual systems that were not previously budgeted for. Insurance costs are also higher in the SCI period due an unexpected increase in insurance premiums as a result of a global increase in natural disasters and hence a raised cost of reinsuring. The cost to implement I-NTEM 2.0 and other System Control compliance strategies will add \$7.4 million in professional fees, however, this will be absorbed by savings in other non-critical initiatives. Other expected savings include the reduction of external service agreement costs due to the anticipated reduction of ICT contractors as a result of the business transformation program.

OPERATING COSTS	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Power Services	96.5	94.9	92.4	89.5	85.9	85.2
Water Services	85.2	80.5	85.3	79.4	75.3	75.7
Core Operations	11.0	17.0	17.5	25.5	28.6	29.2
Other (Corporate Services etc)	16.6	33.8	15.3	25.7	19.5	38.4

<sup>1</sup>The provision for onerous contracts is revalued annually based upon the net present value of the future projected liability, with any resultant movement in the provision being charged to the profit and loss account.

## Non-cash impairments and write-downs

### Banked gas and onerous gas contracts

As detailed in the key assumptions section (banked gas), under existing gas supply contracts where the delivery time is in an undetermined future period, Power and Water is required to pay for gas not yet delivered,. These payments are capitalised as an intangible asset and referred to as “banked gas”. The relevant accounting standards require Power and Water to write-off banked gas purchased if the future forecast cash flows of the gas business are insufficient to support the recognition of an asset in relation to banked gas.

A provision for onerous gas contracts has previously been recognised to reflect the present value of the future outlays that Power and Water is presently obligated to make under non-cancellable onerous gas supply contracts, less revenue expected to be earned on anticipated gas sales contracts. At 30 June 2019, the estimate for the onerous contract provision was \$66.7 million, which was calculated by deducting the unavoidable cash outflows from gas purchase and associated transportation agreements from the estimated cash inflows from future gas sales.

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The gas financial outcome included in this SCI reflects the best available forecast at the time of preparing the SCI but is highly likely to change even in advance of the 30 June 2020 year end as a result of further updates to gas sales contracted volumes and pricing assumptions. Consequently, the gas position will be formally reviewed in June 2020 in the normal course of the annual statutory financial statements preparation process.

Beyond 2019-20, the sources of estimation uncertainty in the banked gas and associated onerous contract provision, which have a significant risk of resulting in a material adjustment to this provision position, include the underlying assumption that all gas purchased is sold, the gas price outlook, the outcome of current contract negotiations, the East Coast gas market outlook, renewables penetration and the underlying regulatory framework including, but not limited to, potential domestic gas reservation and changes to the pipeline regulatory framework. As a sensitivity, a change of 10% in the average assumed sales price, or sales volume would result in an overall NPV change of +/- \$350 million.

Whilst the impairment charges included in the SCI are material from an income statement perspective, they are not significant in terms of the remaining fixed cost of the committed gas and purchase contracts through to 2033 which amounts to approximately \$4.0 billion in today's dollars.

### **Asset valuation impacts**

The fixed assets of Power and Water are carried at fair value in accordance with the fair value requirements of the Australian Accounting Standards with the core operational assets of the Power Services and Water Services business units using the income approach. Consistent with the relevant accounting standards, the income approach has a 'purchase of the business perspective' and is based on the net present value of the forecast cash flows of these businesses applying anticipated market conditions. Under accounting standards, increases are recorded against reserves and not through the profit and loss unless the relevant asset values had been impaired through the face of the income statement in prior years. It is important to note that the carrying value of fixed assets in the balance sheet and as a consequence, depreciation in the income statement, differs to a current replacement cost (CRC) basis of valuation which is based on the cost of replacing the assets of the business in their depreciated state.

These movements will be updated in July 2020 for statutory accounting purposes, as they are dependent on the final working capital position, fixed asset additions, depreciation, disposals and the carrying value of capital work in progress and associated tax provisions. Given the potential for material change and the potential for both a balance sheet and income statement impact (which will only be known when the final valuation impact is applied on an asset by asset basis), no adjustment has been reflected in the 2019-20 forecast income statement or balance sheet at this stage.

### **Other expenses**

Depreciation in 2020-21 is budgeted to decrease by \$7.2 million from the 2019-20 forecast. The projected decrease is driven by the downward revaluation of Water Services asset base in 2018-19, with the trend continuing throughout the entire SCI period. The depreciation charge in each year will be influenced by an ongoing review of appropriate asset lives.

Interest expense decreases from \$53.8 million in 2019-20 to \$49.6 million in 2020-21. Borrowings is forecast to increase by \$78.0 million over this period. Borrowing costs are expected to decrease due to lower interest rates forecasted in the SCI period.

## Net profit after tax

Statutory net profit after tax (NPAT) is budgeted in 2020-21 to be \$40.9 million profit compared to a forecast profit of \$30.9 million in 2019-20. The \$10.0 million variance is primarily driven by lower depreciation, as a result of the 2019 asset revaluation, and lower interest expense due to lower interest rates.

NPAT is forecast to steadily increase in 2021-22 and then significantly increase from 2023 to 2024 after access to half price gas is achieved by the gas business unit.

## Cash flow and borrowings

Operating cash flow is forecast at \$124.1 million in 2019-20 and \$157.4 million in 2020-21. Capital expenditure in the 2019-20 and 2020-21 exceed operating cash flow in both years resulting in nil free cash flow. From 2022-23 and onwards, free cash flow is achieved through increased earnings before interest, tax, depreciation and amortisation (EBITDA) and lower capital expenditure in the two outer years of the SCI period.

Borrowings from 2019-20 forecast and 2022-23 projection (\$113.0 million) is \$81.0 million lower than the prior year SCI (\$194.0 million), primarily driven by the \$42.9 million free cash flow in 2022-23.

## Capital investment summary

The capital investment program, excluding Remote Services, totals \$693.6 million over the four-year SCI period of which \$213.6 million is included in the 2020-21 budget. Embedded in Corporate Services in the four-year SCI period is \$82.4 million relating to the new operating model project.

CAPITAL INVESTMENT							
	2019-20 BUDGET \$M	2019-20 FORECAST \$M	2020-21 BUDGET \$M	2021-22 PROJECTION \$M	2022-23 PROJECTION \$M	2023-24 PROJECTION \$M	4 Years SCI TOTAL \$M
<b>Summary</b>							
Power Services	94.3	81.6	79.4	79.0	55.5	53.8	267.8
Water Services	41.2	41.1	48.4	61.5	59.8	70.6	240.4
Gas Services	7.6	0.2	1.3	0.0	0.0	0.0	1.3
Corporate Services	42.5	14.8	84.4	49.2	27.5	22.9	184.1
Other	0.3	-	-	-	-	-	-
<b>Total (excluding Remote Services)</b>	<b>185.9</b>	<b>137.7</b>	<b>213.6</b>	<b>189.8</b>	<b>142.9</b>	<b>147.3</b>	<b>693.6</b>
Remote Services	35.2	36.0	31.9	20.2	20.3	20.8	93.3
<b>Total including Remote Services</b>	<b>221.1</b>	<b>173.7</b>	<b>245.6</b>	<b>210.0</b>	<b>163.2</b>	<b>168.1</b>	<b>786.8</b>

Power and Water's investment in power network, water, sewerage and gas infrastructure and services over the SCI period will cater for service reliability, business efficiency and demand growth. Remote Services is delivered through Indigenous Essential Services.

## 5. 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.

### Electricity demand

The forecast energy consumption included in the table below was used in Power and Water Corporation's 2019-2024 Network Pricing Proposal approved by the Australian Energy Regulator. It aligns with the forecast Standard Control Service revenue included in the Income Statement. The consumption forecast reflects changes in line with the population forecast, restrained by increasing penetration of rooftop photovoltaic (PV).

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

Year	Total Regulated	Darwin - Katherine	Alice Springs	Tennant Creek
2019-20	1,669.9	1,452.0	192.1	25.8
2020-21	1,669.9	1,452.0	192.1	25.8
2021-22	1,670.7	1,452.7	192.2	25.8
2022-23	1,672.2	1,454.0	192.4	25.8
2023-24	1,675.6	1,457.0	192.8	25.9

### Water demand

Regional growth rates were developed taking into consideration weather normalisation adjustments, natural (organic) growth, one-off growth/decline events, population growth and demand management initiatives.

Demand management adjustments have been incorporated in the overall growth rate for Darwin based on Water Services' demand management targets under the 'Living Water Smart' program. This program is targeted to incrementally reduce water demand by approximately 7.6 gigalitres by 2025-26.

#### Annual Water Consumption Forecast (ML)

Year	Darwin	Katherine	Alice Springs	Tennant Creek
2019-20	36,843	3,245	8,046	1,346
2020-21	36,128	3,624	7,967	1,376
2021-22	36,060	3,679	7,995	1,392
2022-23	36,205	3,734	8,022	1,408
2023-24	36,348	3,790	8,050	1,424

Note: Exclusive of internal Power and Water consumption. Annual system production volumes used for 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 increased demand in line with the NTG remote housing program.

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

Average growth per annum 2020 to 2024	
Electricity (kWh)	1.6%
Water (kL)	0.7%
Sewerage	0.0%

## Retail electricity, water and sewerage tariffs

The revenue projections provided in this SCI are based on the assumption that gazetted retail electricity, water and sewerage prices will increase at the NT CPI from 1 July 2021 as forecast by the Department of Treasury and Finance (tariff freeze in 2020-21). The following sets out Power and Water's retail tariff escalation assumptions.

Increase effective from:	2019-20	2020-21	2021-22	2022-23	2023-24
Retail electricity, water and sewerage	1.6%	0%	1.5%	1.7%	1.7%

Note: Year ended June, year-on-year percentage change. A tariff freeze is reflected in 2020-21 in line with the COVID-19 response measure.

## Electricity network tariffs

Power Services has been regulated under the NER and the AER regulated network services pricing Determination since 1 July 2019. Forecast revenue for the SCI period reflects 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>

## Gas supply and sales

SCI projections assume Blacktip and Dingo fields will continue to prioritise gas supply for power generation for all major centres in the NT to 2034. Power and Water will continue to market gas surplus to power generation requirements to third parties. To this end, commercial gas sales arrangements were executed with customers in East Coast markets and in the NT, which were ready to take gas in the first quarter 2019. Total gas sales in calendar year 2019 increased by 65% compared to 2018 and gas sales are expected to grow over the next four to five years as existing customers in the NT expand their operations and new projects start up.

Power and Water is also working with the Gas Task Force to procure new sources of gas supply (both offshore and onshore) for new large scale industrial projects in the Darwin region.

## Operating cost escalation

Non-labour operating costs are escalated in line with CPI as forecast by the DTF in the 2019-20 Mid-Year Report, or in line with goods and services contract provisions as appropriate.

	2019-20	2020-21	2021-22	2022-23	2023-24
Consumer price index	1.6%	1.4%	1.5%	1.7%	1.7%

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

## Other financial assumptions

Power and Water Enterprise Agreement (EA)	The SCI reflects the Power and Water Enterprise Agreement approved in January 2019. An overall average of 5.5% increase per annum in salaries and allowances over the SCI period has been assumed, reflecting 2.5% salary band increase and other increases relating to allowances. The SCI also reflects impacts at Power and Water of the NTG freeze on Executive Contract salaries which came into effect from 23 April 2019.
Operating efficiencies	Operating efficiencies reflected in the SCI are supported by the new Operating Model as well as the successful implementation of other key initiatives. These efficiencies are expressed as negative 'other costs' in the Income Statement.
Borrowing costs	Borrowing costs reflect advice from NT Treasury Corporation based on the budgeted debt profile.

Banked gas impairment	<p>Under existing gas supply contracts to Power and Water, a minimum quantity of gas is required to be purchased each calendar year. Where this gas is not drawn down by Power and Water, delivery can be deferred until a future period however payment is still required in the current year. This gas is referred to as 'banked gas'. Accounting standards require this undelivered gas to be written-off where there is uncertainty on the recoverability of such (both volume and price).</p> <p>Assumptions have been made around the quantities of gas to be delivered in future years and when Power and Water will be able to use banked gas. As the cost of banked gas to date has been expensed through the Income Statement, and where gas is sold from volumes previously 'banked', revenue is recognised for which no cost is shown in the year it is used.</p>
Dividends	<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 Statement of Corporate Intent.</p>
Accounting policies	<p>The SCI has been prepared based on accounting policies outlined in the 2018-19 Annual Accounts.</p>

## 6. 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 on its methodology for making investment decisions and reducing costs associated with risk exposure to the business. The Power and Water Board's approved risk appetite statements, which are aligned with the SCI Key Performance Indicators, are used to guide decision making by explicitly stating the boundaries of acceptable risk and providing a baseline for comparing risk ratings. A review of the risk appetite statements is planned to be completed prior to July 2020.

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

Strategic and key business risks	Key mitigation strategies 2020-2024
<p><b>Safety Performance</b></p> <p>Due to the diverse nature of our operations, there are threats to the health and safety of the public, contractors and our people. Although our current health and safety performance is good, there is a need to reinforce safety processes and systems to safeguard future performance.</p>	<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>• Update the Safety Management System to enable the business to easily capture data in line with AS 1885.</li> <li>• Improve lead/lag safety indicator monitoring.</li> </ul>
<p><b>Business Continuity</b></p> <p>Due to the nature of our business and the significant rise in global threats, including viruses, environmental damage and technological attack, there is a risk of significant challenges to the operation and security of the business.</p>	<ul style="list-style-type: none"> <li>• Implement the Business Continuity Plan and process.</li> <li>• Leverage our strengths in emergency response and crisis management (e.g. COVID-19 response).</li> </ul>
<p><b>Employment Framework</b></p> <p>Due to restrictive employment processes, there is a risk to the successful recruitment and retention of the people which Power and Water needs to develop the business.</p>	<ul style="list-style-type: none"> <li>• Simplify recruitment processes.</li> <li>• Review remuneration levels and role progression options.</li> <li>• Consider alternative employment arrangements.</li> <li>• Leverage the Power and Water brand.</li> </ul>
<p><b>Financial Viability</b></p> <p>Due to income generating constraints and/or the failure to identify and manage potential operating cost risks, there is a risk that the financial viability of Power and Water will be weakened.</p>	<ul style="list-style-type: none"> <li>• Strong government and stakeholder engagement.</li> <li>• Implement the new Operating Model to improve accountabilities with the ability to realise efficiencies.</li> <li>• Effective cost management practices and internal controls across the business.</li> <li>• Risk assessed capital investment and prioritisation in line with regulatory determinations.</li> <li>• Pursue strategic projects that deliver new revenue/value.</li> <li>• Improve formal pricing arrangements (tariffs and revenue).</li> </ul>
<p><b>Systems Capability/Data Integrity</b></p> <p>Due to ageing systems and excessive manual work, there is a risk that the realisation of further efficiencies will be limited.</p>	<ul style="list-style-type: none"> <li>• Implement the new systems as part of the transformation program of work.</li> <li>• Continuous system remediation and data quality enhancements.</li> </ul>

Strategic and key business risks	Key mitigation strategies 2020-2024
<p><b>Energy Transition</b></p> <p>Due to a potential failure to understand and manage customer and stakeholder expectations, there is a risk that Power and Water does not evolve fast enough to meet changing community expectations resulting from energy transition.</p>	<ul style="list-style-type: none"> <li>• Understand our customer's needs, wants and values to enable us to deliver on changing expectations with a high level of community engagement.</li> <li>• Understand our role in the energy transition (renewable energy and prosumer optionality).</li> <li>• Manage energy assets to community benefit.</li> <li>• Ensure electricity network system security and reliability.</li> </ul>
<p><b>Customer Confidence</b></p> <p>Due to a failure to manage customer and stakeholder expectations, there is a risk that Power and Water and our customers may not be aligned, which could result in loss of confidence, loss of funding and increased regulatory and media scrutiny.</p>	<ul style="list-style-type: none"> <li>• Understanding and responding to our customer's needs, wants and values to enable us to deliver on changing expectations.</li> <li>• Effective customer engagement strategies in place including availability of digital options.</li> <li>• Effective community and media engagement.</li> <li>• Demonstrated improvement in customer service including field services resulting in improved reliability and performance.</li> </ul>
<p><b>Transformation</b></p> <p>Due to the potential impacts of resourcing challenges, slow change adoption, delays to the delivery of the transformation program, variations to cost and benefits as the program initiatives progress through governance stage gates and estimates are refined, there is a risk that the transformation 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.</li> <li>• Manage program delivery in accordance with defined governance arrangements including the Project Investment 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 and Board on effectiveness of delivery.</li> <li>• Conduct independent assurance review of the Core Capabilities Program Business Case for ICT investment.</li> <li>• Ensure expedited implementation and benefits realised in accordance with the approved business cases.</li> </ul>
<p><b>Water Security</b></p> <p>Due to the nature of our water and sewerage supply systems, changing rainfall patterns, increasing water demand and the high cost of water infrastructure, there is a threat of sustained interruption to water supply particularly in remote areas and communities.</p>	<ul style="list-style-type: none"> <li>• Increased focus on water demand management programs and effectiveness.</li> <li>• Support the Department of Trade, Business and Innovation led development of the NT Water Strategy (including consideration of AROWS and other water supply augmentation options).</li> <li>• Complete next phase of planning and investigation activities for Manton Dam return to service.</li> <li>• Complete investigations into aquifer sustainability for 'Very High' risk water stressed communities.</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 our community.</p>	<ul style="list-style-type: none"> <li>• Develop updated water safety plans aligned with the Australian Drinking Water Guidelines.</li> <li>• Prioritise the sourcing of water from lower risk bores.</li> <li>• Ongoing improvement in water quality monitoring and treatment.</li> </ul>
<p><b>Climate Change</b></p> <p>Due to the increasing concerns about climate change, there is a need to ensure our activities are aligned with public and government expectations, with our power and water systems managed in line with those expectations and best practice.</p>	<ul style="list-style-type: none"> <li>• Understand potential climate change impacts and public and government expectations.</li> <li>• Evaluate impact of climate change on system operations.</li> </ul>
<p><b>Government and Regulation</b></p> <p>Due to an evolving political and regulatory environment, there is a risk that priorities and compliance requirements reflected in the SCI may change.</p>	<ul style="list-style-type: none"> <li>• Strong understanding and reporting of cost and revenue base.</li> <li>• Ensure managed and strong government and regulatory relationships.</li> <li>• 'Business as usual' business processes are scoped to deliver timely and robust evidence for regulatory purposes.</li> </ul>

Strategic and key business risks	Key mitigation strategies 2020-2024
<p><b>Cyber Security</b></p> <p>Due to increasing levels of cybercrime, 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.</li> <li>• Increase the level of network penetration testing.</li> <li>• Fully utilise and develop the IT / SCADA system.</li> </ul>
<p><b>Core Service Delivery</b></p> <p>Due to the distributed nature of our core power, water and wholesale gas services, there is a risk of interruption to these services which could significantly impact our customers, our stakeholders and our reputation.</p>	<ul style="list-style-type: none"> <li>• Ongoing development of System Control operational processes and tools to allow more consistent recording and availability of operational information to facilitate decision making processes when operating the power system.</li> <li>• Improve gas supply incident management.</li> <li>• Leverage NTG emergency fuel reserve.</li> <li>• Continually improve the Emergency Management Framework.</li> <li>• Fully utilise and develop IT / SCADA system.</li> <li>• Effective customer and stakeholder engagement plans.</li> </ul>
<p><b>Community Engagement</b></p> <p>Due to the ever changing community and stakeholder expectations, there is a risk that Power and Water may not be aligned with community expectations, which could result in loss of confidence, loss of funding and increased regulatory and media scrutiny.</p>	<ul style="list-style-type: none"> <li>• Understand our community's needs, wants and values to enable us to deliver on changing expectations.</li> <li>• Ensure Power and Water plans are aligned to community expectations especially around our stewardship role.</li> <li>• Implement customer and stakeholder engagement strategies.</li> <li>• Leverage the Power and Water brand.</li> </ul>
<p><b>Environmental Management Performance</b></p> <p>Due to the diverse nature of Power and Water operations, there are threats to the environment which could result in significant environmental harm which could have an impact on health, safety, financial, legal, reputation and other areas.</p>	<ul style="list-style-type: none"> <li>• Improve environmental management processes.</li> <li>• Develop new system in step with Safety and Compliance.</li> <li>• Leverage people frameworks and culture program.</li> <li>• Improve customer and stakeholder engagement.</li> </ul>
<p><b>COVID-19</b></p> <p>Due to the emergence of the COVID-19 global pandemic Power and Water may be financially and operationally impacted. While early signs are encouraging, subsequent waves may have major impacts substantially reducing our revenues and possibly our operational capability.</p>	<ul style="list-style-type: none"> <li>• Continual updating of Business Continuity Planning</li> <li>• Ongoing discussions with Government to ensure appropriate burden sharing</li> <li>• Ongoing operation efficiency measures including those already underway as part of our Transformation program.</li> </ul>

### Capital investment impact on overall key risk profile

The major capital investment program for Power and Water was developed by balancing risk with performance and asset condition and determining the investment required to bring risk to an acceptable level, using the Power and Water risk analysis tool. Proposed investments were prioritised based on risk, giving consideration to how the risk profile would be affected if there was no investment during the SCI period. Power and Water is continuing to improve on its methods for quantifying risk and it is expected the accuracy of the identified risk level will improve over time.

### Changes to key risk profile

The following risk heat maps show the expected change to Power and Water's current key risks profile as a result of risk treatment plans which are either in place or will be implemented across the SCI period. These heat maps are based on an initial assessment of the current and proposed residual risk, with further detailed assessments to be carried-out prior to July 2020.

Heat Map – Current Residual Risk



Heat Map – Proposed Residual Risk



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	Proposed risk rating
1 Safety Performance	High	Medium
2 Business Continuity	High	Medium
3 Employment Framework	High	Medium
4 Financial Viability	High	Medium
5 Systems Capability/Data Integrity	Very High	High
6 Energy Transition	Very High	High
7 Customer Confidence	Very High	Medium
8 Transformation	Very High	Medium
9 Water Security	Very High	High
10 Water Quality	Very High	Medium
11 Climate Change	High	Medium
12 Government and Regulation	High	Medium
13 Cyber Security	High	High
14 Core Service Delivery	Very High	High
15 Community Engagement	Medium	Medium
16 Environmental Management Performance	Medium	Low
17 COVID-19	High	Medium

# Appendix 1

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

INCOME STATEMENT						
POWER AND WATER CORPORATION	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
Unconsolidated	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
<b>REVENUE</b>						
Electricity Network	184.3	189.2	177.9	183.8	189.9	195.9
Electricity Retail	4.5	3.2	3.4	3.5	3.6	3.6
Water	118.8	117.8	117.0	119.3	122.4	125.6
Gas	260.3	253.5	310.1	332.5	356.6	376.0
Sewerage	75.2	76.1	78.1	81.1	83.2	85.4
Community Service Obligations	27.6	27.6	27.2	26.5	26.5	26.7
Developer and Capital Contributions	3.7	1.7	1.7	3.9	3.9	3.9
Gifted assets	15.1	12.1	14.3	12.6	11.6	11.6
Recurrent Grant	0.0	0.0	0.0	0.0	0.0	0.0
Capital Grant	4.0	4.0	0.0	0.0	0.0	0.0
Interest Received	2.6	2.6	2.6	2.5	2.4	2.4
Other Revenue	15.7	11.7	14.0	19.8	19.9	19.9
<b>Total Revenue</b>	<b>711.9</b>	<b>699.5</b>	<b>746.2</b>	<b>785.5</b>	<b>820.0</b>	<b>851.0</b>
<b>OPERATING EXPENDITURE</b>						
Personnel - Direct	139.9	146.0	154.7	167.1	159.0	163.0
Personnel - Operational Recovery (R&M)	(26.7)	(26.3)	(27.9)	(30.1)	(28.6)	(29.4)
Personnel - Operational Recovery (CAPEX)	(24.0)	(28.7)	(30.1)	(31.9)	(30.9)	(31.4)
Contract Labour	4.9	4.9	5.0	5.0	5.0	5.2
<b>Total Personnel Costs</b>	<b>94.1</b>	<b>95.9</b>	<b>101.7</b>	<b>110.0</b>	<b>104.5</b>	<b>107.4</b>
Energy	241.6	234.4	301.0	323.0	317.2	349.3
Repairs & Maintenance	57.3	57.0	56.7	61.2	57.4	59.0
IT & Communications	7.6	8.6	10.7	10.9	12.3	12.7
Vehicle Costs	2.8	2.8	3.4	3.6	4.1	4.2
Travel Costs	1.4	1.4	1.5	1.5	1.5	1.5
Training Costs	2.4	2.4	2.5	2.5	2.6	2.7
Professional Fees	14.0	24.5	13.7	15.0	11.1	13.5
Insurance	2.9	5.0	4.2	4.4	4.4	4.5
Materials	5.1	5.1	5.3	5.4	5.6	5.7
External Service Agreements	12.0	12.8	10.9	11.1	10.3	10.9
Cost of Sale	2.5	2.5	2.6	2.7	2.8	2.8
Property Charges	14.7	14.7	14.5	14.9	15.4	15.8
Bad & Doubtful Debts	0.4	0.4	1.4	0.9	1.1	1.2
Obsolete Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Costs	0.0	0.0	0.0	0.0	0.0	0.0
Laboratory Fees	2.1	2.1	2.0	2.1	2.1	2.2
Grants & Subsidies	1.3	1.3	1.5	1.5	1.5	1.5
Bank Fees	0.2	0.2	0.2	0.2	0.2	0.3
Other Costs	(2.0)	1.0	(16.0)	(18.1)	(19.9)	(8.9)
<b>Total Controllable OPEX</b>	<b>460.4</b>	<b>472.0</b>	<b>517.6</b>	<b>552.7</b>	<b>534.1</b>	<b>586.3</b>
<b>Inter Company Allocations</b>	<b>(9.6)</b>	<b>(9.6)</b>	<b>(9.2)</b>	<b>(9.4)</b>	<b>(9.6)</b>	<b>(9.9)</b>
<b>Total Operating Expenditure</b>	<b>450.9</b>	<b>462.5</b>	<b>508.4</b>	<b>543.3</b>	<b>524.5</b>	<b>576.4</b>
<b>EBITDA</b>	<b>261.1</b>	<b>237.1</b>	<b>237.8</b>	<b>242.1</b>	<b>295.6</b>	<b>274.6</b>
Depreciation & Amortisation	106.7	101.1	93.9	93.4	92.4	102.6
Amortisation - Leases	26.7	26.7	25.4	23.7	22.0	20.3
<b>EBIT</b>	<b>127.7</b>	<b>109.3</b>	<b>118.5</b>	<b>125.0</b>	<b>181.1</b>	<b>151.7</b>
Interest Expense	55.1	53.8	49.6	51.6	52.3	50.9
Interest - Finance lease	11.3	11.3	10.6	9.9	9.2	8.5
<b>Net Profit Before Tax</b>	<b>61.2</b>	<b>44.2</b>	<b>58.4</b>	<b>63.5</b>	<b>119.6</b>	<b>92.2</b>
Tax expense/(benefit)	18.4	13.2	17.5	19.1	35.9	27.7
<b>Net Profit After Tax</b>	<b>42.9</b>	<b>30.9</b>	<b>40.9</b>	<b>44.5</b>	<b>83.7</b>	<b>64.6</b>

**BALANCE SHEET**

<b>POWER AND WATER CORPORATION</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>Unconsolidated</b>	<b>BUDGET</b>	<b>FORECAST</b>	<b>BUDGET</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>CURRENT ASSETS</b>						
Cash at Bank	40.0	50.5	45.5	40.0	40.0	40.0
Receivables	81.3	100.0	90.9	87.1	88.2	89.8
Inventories	18.1	18.7	18.7	18.7	18.7	18.7
Prepayments	7.1	5.1	5.1	5.1	5.1	5.1
GST & Other Excise Debtors	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Assets	24.9	25.2	25.2	25.2	25.2	25.2
Cost of Sale WIP	3.2	3.2	3.2	3.2	3.2	3.2
Lease receivables	23.6	23.6	21.9	20.2	18.4	16.4
Intra-entity Receivable Account	10.0	10.0	10.0	10.0	10.0	10.0
<b>Total Current Assets</b>	<b>208.1</b>	<b>236.2</b>	<b>220.4</b>	<b>209.4</b>	<b>208.7</b>	<b>208.3</b>
<b>NON-CURRENT ASSETS</b>						
Non-Current Receivables	27.5	25.0	25.0	14.0	14.0	0.0
NC Finance lease receivables	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equipment	2,311.1	2,109.5	2,181.1	2,231.4	2,292.4	2,472.4
Intangible Assets	11.1	11.1	11.1	11.1	11.1	11.1
Deferred Tax Assets	32.2	76.8	81.1	85.1	88.8	91.9
Net Right of use (leased) assets	322.1	322.1	296.7	273.0	251.0	230.7
Capital Work in Progress	160.7	170.7	233.2	291.7	292.4	168.1
<b>Total Non Current Assets</b>	<b>2,864.6</b>	<b>2,715.2</b>	<b>2,828.1</b>	<b>2,906.3</b>	<b>2,949.7</b>	<b>2,974.2</b>
			<b>3.6</b>			
<b>Total Assets</b>	<b>3,072.7</b>	<b>2,951.4</b>	<b>3,048.5</b>	<b>3,115.7</b>	<b>3,158.4</b>	<b>3,182.5</b>
<b>CURRENT LIABILITIES</b>						
Payables	37.6	19.0	20.5	20.9	19.7	20.1
Accruals	23.3	32.3	35.5	36.1	34.8	38.1
Unearned Revenue	32.8	43.1	43.1	43.1	32.1	32.1
Borrowings	284.0	242.0	284.0	209.0	245.0	262.0
Government Grants	0.0	0.0	0.0	0.0	0.0	0.0
Provision for Tax	1.6	4.5	6.6	6.6	24.3	14.7
Lease liability	0.0	24.0	23.1	22.0	20.9	19.8
Provisions	91.5	110.3	115.2	117.0	136.7	127.1
<b>Total Current Liabilities</b>	<b>470.8</b>	<b>475.2</b>	<b>528.1</b>	<b>454.9</b>	<b>513.5</b>	<b>514.0</b>
<b>NON-CURRENT LIABILITIES</b>						
Non-Current Employee Provisions	7.2	7.2	7.2	7.2	7.2	7.2
Government Loans	1,017.0	993.0	1,029.0	1,158.0	1,110.0	1,110.0
Intra-entity Payable Account	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	71.4	94.3	94.3	94.3	94.3	94.3
NC Lease liability	350.5	326.5	304.3	283.5	263.6	244.9
Other Non-Current Provisions	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total Non Current Liabilities</b>	<b>1,446.2</b>	<b>1,421.2</b>	<b>1,435.0</b>	<b>1,543.2</b>	<b>1,475.3</b>	<b>1,456.6</b>
<b>Total Liabilities</b>	<b>1,917.1</b>	<b>1,896.4</b>	<b>1,963.1</b>	<b>1,998.0</b>	<b>1,988.9</b>	<b>1,970.7</b>
<b>Net Assets</b>	<b>1,155.6</b>	<b>1,055.0</b>	<b>1,085.4</b>	<b>1,117.7</b>	<b>1,169.5</b>	<b>1,211.8</b>
<b>SHAREHOLDER EQUITY</b>						
Contributed equity	54.3	54.3	64.3	74.3	84.3	94.3
Asset Revaluation	458.4	468.8	468.8	468.8	468.8	468.8
Opening Retained profits	621.5	516.4	531.9	552.3	574.5	616.4
Profit / Loss	42.9	30.9	40.9	44.5	83.7	64.6
Dividends	(21.4)	(15.5)	(20.4)	(22.2)	(41.9)	(32.3)
<b>Closing Retained Profits</b>	<b>642.9</b>	<b>531.9</b>	<b>552.3</b>	<b>574.5</b>	<b>616.4</b>	<b>648.7</b>
<b>Total Shareholder Equity</b>	<b>1,155.6</b>	<b>1,055.0</b>	<b>1,085.4</b>	<b>1,117.7</b>	<b>1,169.5</b>	<b>1,211.8</b>

**CASHFLOW STATEMENT**

<b>POWER AND WATER CORPORATION</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>Unconsolidated</b>	<b>BUDGET</b>	<b>FORECAST</b>	<b>BUDGET</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
EBITDA	261.1	237.1	237.8	242.1	295.6	274.6
Add: Impact of valuation	0.0	0.0	0.0	0.0	0.0	0.0
Less: allocated depreciation	0.0	0.0	0.0	0.0	0.0	0.0
Less: gifted assets	(15.1)	(12.1)	(14.3)	(12.6)	(11.6)	(11.6)
<b>Working capital movements</b>						
(Inc)/Dec in receivables	0.2	0.7	9.1	3.8	(1.1)	(1.5)
(Inc)/Dec in inventory	(0.3)	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in payables	1.9	(25.5)	4.6	1.0	(13.1)	4.2
<b>Other balance sheet items</b>						
(Inc)/Dec other assets/lease receivables	(4.9)	(1.3)	0.0	(0.4)	(0.4)	(0.2)
Inc/(Dec) other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non cash items</b>						
Inc/(Dec) in provisions	0.1	(0.0)	0.0	0.0	0.0	0.0
Interest paid	(66.5)	(65.1)	(60.1)	(61.5)	(61.6)	(59.4)
Income tax paid	(26.3)	(9.6)	(19.7)	(23.0)	(21.9)	(40.3)
<b>Operating Cash Flow</b>	<b>150.2</b>	<b>124.1</b>	<b>157.4</b>	<b>149.5</b>	<b>185.8</b>	<b>165.8</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Net capital expenditure	(185.9)	(137.7)	(213.6)	(189.8)	(142.9)	(147.3)
Net investments	0.0	0.0	0.0	0.0	0.0	0.0
Right of use assets	(0.0)	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(185.9)</b>	<b>(137.7)</b>	<b>(213.6)</b>	<b>(189.8)</b>	<b>(142.9)</b>	<b>(147.3)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Net movement in loans to controlled entities	(2.5)	0.0	0.0	11.0	0.0	14.0
Net movement in borrowings	59.0	(7.0)	78.0	54.0	(12.0)	17.0
Payment for finance lease liability	(23.5)	(23.5)	(21.3)	(19.7)	(18.7)	(17.6)
Dividends paid	(7.4)	(9.6)	(15.5)	(20.4)	(22.2)	(41.9)
Equity introduced	10.0	10.0	10.0	10.0	10.0	10.0
<b>Financing Cash Flow</b>	<b>35.6</b>	<b>(30.0)</b>	<b>51.2</b>	<b>34.8</b>	<b>(42.9)</b>	<b>(18.5)</b>
<b>Net Cash Flow</b>	<b>(0.0)</b>	<b>(43.6)</b>	<b>(5.0)</b>	<b>(5.5)</b>	<b>0.0</b>	<b>0.0</b>
Opening cash balance	40.0	94.1	50.5	45.5	40.0	40.0
<b>Closing Cash Balance</b>	<b>40.0</b>	<b>50.5</b>	<b>45.5</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>

# Appendix 2

## Financial Data: Indigenous Essential Services Pty Ltd

INCOME STATEMENT						
INDIGENOUS ESSENTIAL SERVICES	2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
<b>REVENUE</b>						
Electricity Network	0.1	0.1	0.1	0.1	0.1	0.1
Electricity Retail	32.3	32.3	31.1	32.1	33.3	34.1
Water	6.2	6.2	6.3	6.5	6.6	6.8
Sewerage	3.2	3.2	3.3	3.3	3.4	3.5
Gifted assets	39.0	0.0	17.1	24.8	0.0	0.0
Recurrent Grant	58.7	58.7	58.7	60.2	61.2	62.5
Capital Grant	35.2	36.0	31.9	20.2	20.3	20.8
Interest Received	0.5	0.3	0.2	0.1	0.1	0.0
Other Revenue	4.2	4.2	3.8	3.9	4.0	4.2
<b>Total Revenue</b>	<b>179.2</b>	<b>140.9</b>	<b>152.6</b>	<b>151.3</b>	<b>129.1</b>	<b>132.1</b>
<b>OPERATING EXPENDITURE</b>						
Personnel - Direct	17.6	17.6	18.3	19.0	19.8	20.6
Personnel - Operational Recovery (R&M)	(1.8)	(3.0)	(3.0)	(3.1)	(3.1)	(3.1)
Personnel - Operational Recovery (CAPEX)	(3.5)	(3.0)	(2.9)	(2.0)	(2.0)	(2.1)
Contract Labour	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Personnel Costs</b>	<b>12.2</b>	<b>11.6</b>	<b>12.3</b>	<b>13.9</b>	<b>14.7</b>	<b>15.4</b>
Energy	36.2	36.2	37.3	38.4	39.5	40.6
Repairs & Maintenance	16.4	16.4	16.8	17.2	17.6	18.1
IT & Communications	1.6	1.6	1.6	1.7	1.7	1.7
Vehicle Costs	1.0	1.0	0.9	0.9	1.0	1.0
Travel Costs	0.7	0.7	0.8	0.8	0.8	0.8
Training Costs	0.4	0.4	0.4	0.4	0.4	0.4
Professional Fees	1.2	1.2	1.1	1.1	1.1	1.1
Materials	2.1	2.1	2.1	2.2	2.2	2.3
External Service Agreements	15.4	15.4	16.0	16.4	16.8	17.2
Property Charges	0.5	0.5	0.4	0.4	0.4	0.4
Laboratory Fees	0.9	0.9	0.9	0.9	1.0	1.0
Other Costs	3.5	3.5	3.0	3.0	3.1	3.2
<b>Total Controllable OPEX</b>	<b>92.2</b>	<b>91.6</b>	<b>93.6</b>	<b>97.4</b>	<b>100.3</b>	<b>103.4</b>
<b>Inter Company Allocations</b>	<b>8.5</b>	<b>8.5</b>	<b>9.0</b>	<b>9.2</b>	<b>9.5</b>	<b>9.7</b>
<b>Total Operating Expenditure</b>	<b>100.7</b>	<b>100.1</b>	<b>102.6</b>	<b>106.6</b>	<b>109.8</b>	<b>113.1</b>
<b>EBITDA</b>	<b>78.5</b>	<b>40.8</b>	<b>50.0</b>	<b>44.7</b>	<b>19.3</b>	<b>19.0</b>
Depreciation & Amortisation	44.3	66.2	59.2	58.0	54.4	53.6
Amortisation - Leases	1.6	2.5	2.3	2.3	2.3	2.2
<b>EBIT</b>	<b>32.6</b>	<b>(27.9)</b>	<b>(11.5)</b>	<b>(15.6)</b>	<b>(37.4)</b>	<b>(36.8)</b>
Interest Expense	1.5	1.1	1.0	1.0	0.5	0.4
Interest - Finance lease	0.7	1.1	1.0	1.0	1.0	0.9
<b>Net Profit Before Tax</b>	<b>30.4</b>	<b>(30.0)</b>	<b>(13.6)</b>	<b>(17.6)</b>	<b>(38.9)</b>	<b>(38.1)</b>
<b>Net Profit After Tax</b>	<b>30.4</b>	<b>(30.0)</b>	<b>(13.6)</b>	<b>(17.6)</b>	<b>(38.9)</b>	<b>(38.1)</b>

**BALANCE SHEET**

INDIGENOUS ESSENTIAL SERVICES	2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
<b>CURRENT ASSETS</b>						
Cash at Bank	24.8	44.8	31.6	18.5	17.0	1.1
Receivables	0.3	0.2	0.2	0.2	0.2	0.2
Inventories	7.2	7.0	7.0	7.0	7.0	7.0
Prepayments	0.2	0.2	0.2	0.2	0.2	0.2
Other Current Assets	0.0	0.1	0.1	0.1	0.1	0.1
<b>Total Current Assets</b>	<b>32.5</b>	<b>52.3</b>	<b>39.1</b>	<b>26.0</b>	<b>24.5</b>	<b>8.6</b>
<b>NON-CURRENT ASSETS</b>						
Property, Plant & Equipment	742.5	648.1	639.7	651.2	614.7	579.2
Right of use (leased) assets	20.0	21.9	20.3	18.8	17.2	15.6
Capital Work in Progress	31.2	51.0	47.0	20.2	20.3	20.8
<b>Total Non Current Assets</b>	<b>793.7</b>	<b>721.1</b>	<b>707.0</b>	<b>690.2</b>	<b>652.2</b>	<b>615.6</b>
<b>Total Assets</b>	<b>826.2</b>	<b>773.4</b>	<b>746.1</b>	<b>716.2</b>	<b>676.7</b>	<b>624.2</b>
<b>CURRENT LIABILITIES</b>						
Payables	11.8	11.6	11.9	12.4	12.7	13.0
Accruals	5.0	5.0	5.0	5.0	5.0	5.0
Unearned Revenue	5.0	18.4	7.1	8.0	9.7	11.7
Inter-entity Payable	10.0	10.0	10.0	10.0	10.0	10.0
Right of Use Lease Liability	0.0	1.2	1.2	1.3	1.3	1.4
Lease liability	1.0	1.1	1.1	1.1	1.1	1.1
<b>Total Current Liabilities</b>	<b>32.8</b>	<b>47.3</b>	<b>36.4</b>	<b>37.7</b>	<b>39.8</b>	<b>42.2</b>
<b>NON-CURRENT LIABILITIES</b>						
Loans and advances from controlled entities	27.5	25.0	25.0	14.0	14.00	0.0
Right of Use Lease Liability	22.3	22.3	20.7	19.1	17.4	15.8
Lease Liability	9.0	12.5	11.4	10.3	9.2	8.1
<b>Total Non Current Liabilities</b>	<b>58.8</b>	<b>59.9</b>	<b>57.1</b>	<b>43.4</b>	<b>40.7</b>	<b>23.9</b>
<b>Total Liabilities</b>	<b>91.6</b>	<b>107.2</b>	<b>93.5</b>	<b>81.1</b>	<b>80.5</b>	<b>66.1</b>
<b>Net Assets</b>	<b>734.6</b>	<b>666.2</b>	<b>652.6</b>	<b>635.1</b>	<b>596.2</b>	<b>558.0</b>
<b>SHAREHOLDER EQUITY</b>						
Contributed equity	481.5	0.0	0.0	0.0	0.0	0.0
Asset Revaluation	0.0	484.0	484.0	484.0	484.0	484.0
Opening Retained profits	222.7	212.3	182.2	168.7	151.1	112.2
Profit / Loss	30.4	(30.0)	(13.6)	(17.6)	(38.9)	(38.1)
<b>Closing Retained Profits</b>	<b>253.1</b>	<b>182.2</b>	<b>168.7</b>	<b>151.1</b>	<b>112.2</b>	<b>74.1</b>
<b>Total Shareholder Equity</b>	<b>734.6</b>	<b>666.2</b>	<b>652.6</b>	<b>635.1</b>	<b>596.2</b>	<b>558.0</b>

## CASHFLOW STATEMENT

INDIGENOUS ESSENTIAL SERVICES	2019-20 BUDGET	2019-20 FORECAST	2020-21 BUDGET	2021-22 PROJECTION	2022-23 PROJECTION	2023-24 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
EBITDA	78.5	40.8	50.0	44.7	19.3	19.0
Less: gifted assets	(39.0)	0.0	(17.1)	(24.8)	(0.0)	0.0
<b>Working capital movements</b>						
(Inc)/Dec in receivables	0.0	0.0	(0.0)	0.0	(0.0)	0.0
(Inc)/Dec in inventory	(0.2)	(0.8)	0.0	0.0	0.0	0.0
(Inc)/dec in unearned revenue	0.0	(40.5)	(11.3)	0.8	1.8	2.0
Inc/(Dec) in payables	(14.3)	(0.7)	0.3	0.4	0.3	0.4
Other balance sheet items (inc)/dec in other assets	0.0	0.1	0.0	0.0	0.0	0.0
Interest paid	(1.5)	(2.2)	(2.0)	(1.9)	(1.5)	(1.3)
<b>Operating Cash Flow</b>	<b>23.6</b>	<b>(3.3)</b>	<b>19.8</b>	<b>19.2</b>	<b>19.9</b>	<b>20.0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Net capital expenditure	(35.2)	(36.0)	(31.9)	(20.2)	(20.3)	(20.8)
<b>Investing Cash Flow</b>	<b>(35.2)</b>	<b>(36.0)</b>	<b>(31.9)</b>	<b>(20.2)</b>	<b>(20.3)</b>	<b>(20.8)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Finance Lease	0.0	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Right of Use Leases	0.0	1.6	(0.0)	0.0	0.0	0.0
Net movement in controlled entites	2.5	0.0	0.0	(11.0)	0.0	(14.0)
<b>Financing Cash Flow</b>	<b>2.5</b>	<b>0.5</b>	<b>(1.1)</b>	<b>(12.1)</b>	<b>(1.1)</b>	<b>(15.1)</b>
<b>Net Cash Flow</b>	<b>(9.2)</b>	<b>(38.7)</b>	<b>(13.2)</b>	<b>(13.1)</b>	<b>(1.5)</b>	<b>(15.9)</b>
Opening cash balance	33.9	83.5	44.8	31.6	18.5	17.0
<b>Closing Cash Balance</b>	<b>24.8</b>	<b>44.8</b>	<b>31.6</b>	<b>18.5</b>	<b>17.0</b>	<b>1.1</b>

# Appendix 3

## Glossary

ADWG	Australian Drinking Water Guidelines
AER	Australian Energy Regulator
AROWS	Adelaide River Offstream Water Storage
CAPEX	Capital expenditure
CPI	Consumer Price Index
CSO	Community service obligation
DLGHCD	Department of Local Government, Housing and Community Development
EA	Enterprise Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ESO	Essential Service Operator
FTE	Full Time Equivalent
GL	Gigalitre
GOC	Government Owned Corporation
GST	Goods and services tax
H&S	Health and safety
ICT	Information and communication technology
IES	Indigenous Essential Services Pty Ltd
INTEM	Interim Northern Territory Electricity Market
ISO	International Organisation for Standardisation
kL	Kilolitre
Km	Kilometres
KPI	Key Performance Indicator
KRA	Key Result Area
kV	Kilovolt, 1,000 volts
kWh	Kilowatt hour
LNG	Liquefied Natural Gas
ML	Megalitre
MW	Megawatt
NER	National Electricity Rules
NGP	Northern Gas Pipeline
NPAT	Net Profit After Tax
NPD	Network Price Determination
NT	Northern Territory
NTEM	Northern Territory Electricity Market
NTG	Northern Territory Government
NT NER	Northern Territory adaption of the National Electricity Rules
OPEX	Operating expenditure
PFAS	Poly-fluorinated alkyl substances
PV	Photovoltaic
PWC	Power and Water Corporation
RM	Repairs and maintenance
RTC	Remediate the Core project
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition (software application program for gathering of data in real time from remote locations in order to control equipment and conditions)
SCI	Statement of Corporate Intent
T-Gen	Territory Generation
UC	Utilities Commission
WWTP	Wastewater Treatment Plant
ZSS	Zone substation

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