

# STATEMENT OF CORPORATE INTENT 2014-15



# Our Values

## Safety and Environment

Protecting the health and well-being of staff, contractors, general public and environment.

## Accountability

Transparent and accountable for all our actions.

## Commitment to Service

Leading by example, continually improving and working as a team to deliver our services with passion and purpose.

## Communication

Open, positive, constructive interactions to achieve optimal individual and business outcomes.

## Respect

Respect and treat all people with courtesy, working cohesively to achieve our goals in a supportive, engaged and enthusiastic manner.

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# Executive Summary

**This Statement of Corporate Intent (SCI) sets out Power and Water Corporation’s strategies and initiatives for the 2014-15 financial year and financial plans and projections for the period up to 2017-18. The SCI represents the agreement between the Board of Directors and the Shareholding Minister on the Corporation’s performance objectives for 2014-15.**

Power and Water Corporation (PWC) enters the 2014-15 financial year under a new structure as the electricity generation and electricity retail functions are separated into distinct government owned corporations from PWC. Legislation for the new electricity generation and electricity retail corporations was passed on 6 May 2014 by the Northern Territory Legislative Assembly and operations commenced on 1 July 2014.

PWC will continue to provide safe and reliable services to our customers, while maintaining a focus on financial sustainability. This is achieved by developing and implementing strategies to support revenue recovery, managing expenditure growth, improving operating performance within SCI levels and ensuring debt is at a sustainable and prudent level. The Corporation’s financial projections for the SCI period meet industry standard sustainability targets and show an improved financial outlook.

During 2014-15, PWC will implement strategies to deliver positive outcomes for commercial sustainability and our people, customers and stakeholders, as well as our operational, safety and environmental performance. The Corporation will support the Northern Territory Government to achieve its goals under the *Framing the Future* policy and implementation of its electricity market reform program.

As the Corporation’s agreement with the Shareholding Minister, this SCI reflects the Government’s commitment to minimise prices paid by residential and small to medium sized business customers to ease cost of living pressures on Territorians, rather than collecting dividends. During 2014-15, PWC will continue to develop strategies to improve its financial position by increasing revenues from alternate revenue streams.



# Introduction

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

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

This SCI provides information for the period up to 2017-18 and includes the Corporation's strategies, risks,

opportunities, investment plans and performance targets. The Shareholding Minister is invited to approve the budget for the financial year to which the SCI relates and note the financial projections for the following three years.

## The Corporation's objectives

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

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

## Nature and scope of activities

In December 2013 the Northern Territory Government announced that PWC would be restructured to improve efficiency as part of a suite of electricity market reforms. In February 2014, legislation was introduced in Parliament to separate PWC into three separate corporations, Power Retail Corporation (Jacana Energy), Power Generation Corporation (Territory Generation) and Power and Water Corporation retaining residual functions. These arrangements are summarised in the diagram below.

### Power and Water Corporation

- Power Networks
- Water and Sewerage
- Remote Operations
- System Control
- Gas
- Shared Corporate Services
- Retail – water, sewerage and remote

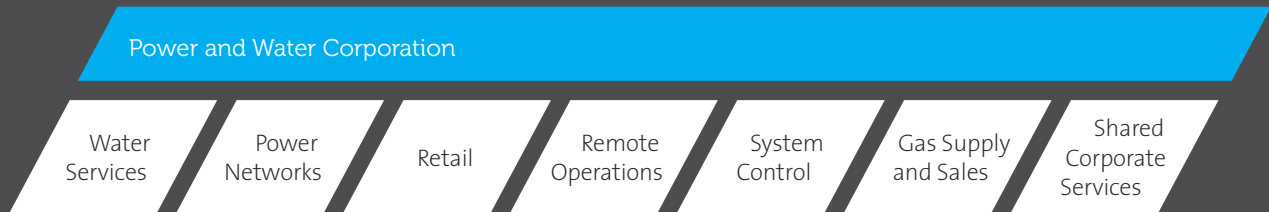
### Power Retail Corporation

- Darwin-Katherine
- Alice Springs
- Tennant Creek
- Yulara
- Borroloola
- Ti Tree
- Timber Creek
- Kings Canyon
- Daly Waters
- Elliott

### Power Generation Corporation

- Darwin-Katherine
- Alice Springs
- Tennant Creek
- Yulara
- Borroloola
- Ti Tree
- Timber Creek
- Kings Canyon
- Daly Waters
- Elliott

This SCI relates to the Power and Water Corporation and the diagram below shows the current functions of the Corporation.



PWC provides safe and reliable utility services to customers across the NT, including:

- **Water Services** – sourcing, treatment, storage and supply of potable and non-potable water and the collection and treatment and disposal and/or reuse of wastewater;
- **Power Networks** – electricity transmission, distribution and metering;
- **Retail** – water and wastewater retail services to approximately 85 000 customers throughout the NT, electricity retail services to Indigenous Essential Services (IES) and support services such as call centre and billing on behalf of Jacana Energy;

- **Remote Operations** – provides power, water and wastewater services to 72 remote communities and 57 outstations under an Agreement with the Department of Community Services (DCS) to deliver the IES program. Remote Operations also provides services to a number of minor centres.
- **System control** – overall management of the electricity system.
- **Gas** – purchase and sale of gas to electricity generators and other major gas users; and
- **Shared corporate services** – IT systems, procurement, employee, organisational and other services.

These services are either regulated or open to competition, as follows:

- Electricity network services are regulated by the Utilities Commission.
- Water and sewerage services are provided under monopoly licences.
- IES services are unregulated, however performance against agreed outcomes is reported to the DCS.



# Business Planning Framework

**The Corporation's vision is to be a respected and reliable utility provider, living within its means. The Corporation recognises the important role it plays in supporting growth in the Northern Territory economy, looking after its natural resources, and ensuring security of electricity and water supplies.**

The Corporation provides safe, reliable electricity, water and sewerage services to its customers at least cost over the life of the assets. The Corporation's overarching strategic direction has been defined to meet the challenges and opportunities facing the Corporation in delivering these services and to achieve its vision.

The strategic direction is underpinned by seven key goals encompassing financial and operational performance, safety, customer service and stakeholder engagement, people, environment and the future. These goals are summarised in the table below:

Key Result Area	Goal	Strategy
<b>Safety</b>	Zero Harm	<ul style="list-style-type: none"> <li>• Implement effective safety policies and procedures for safety of the public, staff and contractors</li> <li>• Enhance safety through active leadership</li> </ul>
<b>People</b>	Maintain a professional, capable, accountable and diverse workforce	<ul style="list-style-type: none"> <li>• Build capability and retain a skilled workforce</li> <li>• Build and promote regional and Indigenous capability and opportunities</li> <li>• Promote a committed workforce and a collaborative environment.</li> <li>• Maintain a workforce of high performance and accountability</li> </ul>
<b>Financial Performance</b>	Commercial Sustainability	<ul style="list-style-type: none"> <li>• Constrain expenditure growth and improve operating performance within SCI levels</li> <li>• Ensure debt is at a sustainable and prudent level</li> <li>• Maintain and enhance revenue recovery</li> <li>• Improve financial sustainability</li> </ul>
<b>Operational Performance</b>	<p>Meet our service standards for delivery of water, wastewater and electricity</p> <p>Demonstrate least cost and compliant operating practices</p>	<ul style="list-style-type: none"> <li>• Demonstrate improved asset management practices</li> <li>• Drive continuous improvement in business efficiency</li> <li>• Remain focussed on legal compliance</li> </ul>
<b>Customer service and stakeholder engagement</b>	Be a valued and respected utility within the community	<ul style="list-style-type: none"> <li>• Provide customer focused service and timely response to enquiries</li> <li>• Continue professional and constructive engagement with stakeholders</li> </ul>
<b>Environment</b>	Minimise environmental impact	<ul style="list-style-type: none"> <li>• Implement effective environmental policies and procedures</li> </ul>
<b>Future</b>	Position ourselves for the future	<ul style="list-style-type: none"> <li>• Develop strategies to respond to future business drivers, opportunities and risks</li> </ul>

The Corporation will report to the Government on its operational and financial performance against the strategic actions and targets.

PWC's focus for 2014-15 is to:

- improve financial sustainability by managing expenditure growth, ensuring debt is at a sustainable and prudent level, improving business efficiency, improving asset management practices and enhancing revenue recovery;
- develop initiatives to reduce consumption where the cost of supply over the life of the asset exceeds revenue recovered and peak demand to defer capital investment in electricity, water and sewerage infrastructure;
- support the Territory Government to achieve its electricity market reform agenda including working with Government to inform the development of the new regulatory framework that is consistent with good industry practice and is appropriate for the Territory context; and
- support the Territory Government to achieve its goals under the *Framing the Future* strategic plan where they relate to PWC.

The *Framing the Future* strategic plan sets out the Government's policy that will underpin service delivery for all Territorians. The *Framing the Future* strategic plan will help maximise the new and evolving opportunities within

the Territory, Northern Australia and with our Asian neighbours. *Framing the Future* sets out a plan for the way forward, by focusing on four strategic goals:

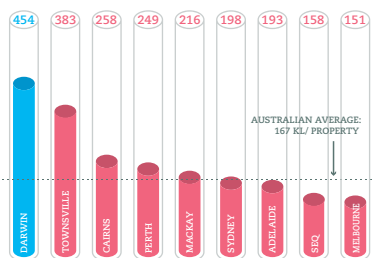
- **Prosperous Economy** – the Corporation supports the government's commitment to an economy that is open, competitive and innovative. The Corporation has restructured and is contributing to the broader electricity market reforms to provide a more level playing field for other electricity market entrants to compete and invest in the Territory. The Corporation supports economic growth through the provision of safe, reliable, least cost essential services as one of the largest employers in the Territory and is accordingly, contributing to the Northern Australia Development plan. The Corporation strengthens the Territory's private sector through industry development, capacity building and the procurement of local goods and services.
- **Strong Society** – the Corporation delivers essential services that support and enable Territorians to make a contribution to and participate in society and the economy. Protecting the health and wellbeing of staff, contractors

and the general public is a priority for the Corporation, both in delivery of services and provision of a safe workplace. Additionally, the Corporation makes provision for the most vulnerable and remote Territorians in providing these services.

- **Balanced Environment** – the Corporation is committed to minimising its own environmental impact and implementing effective environmental policy and procedures through various initiatives including a refreshed Environmental Management System, the Low Income Energy Efficiency Program (Manymak), the treatment, disposal and reuse of wastewater and displacement of distillate for power generation in remote communities.
- **Confident Culture** – the Corporation is a significant contributor to the culture of the Territory by providing sponsorships of events and community organisations and clubs, and as a major employer focusing on maintaining a safe, respectful, positive and accountable organisational culture.

The following section details each of the Corporation's Key Result Areas, goals and strategies.

AVERAGE ANNUAL RESIDENTIAL WATER SUPPLIED (KL/PROPERTY)



(NATIONAL PERFORMANCE REPORT 2012-2013)





SAFETY

# Goal 1: Zero Harm

Strategies:

- Implement effective safety policies and procedures for the safety of the public, staff and contractors
- Enhance safety through active leadership

Protecting the health and well-being of staff, contractors and the general public is one of the Corporation’s fundamental values and underpins all of its activities. Through safety leadership and an effective safety management system, including required training, the Corporation will reach its goal of Zero Harm.

The Corporation will continue to implement its Safety Management

System to minimise the risk to workers and the public in accordance with the *Workplace Health and Safety (WHS) (National Uniform Legislation) Act* and regulations. The Corporation has reviewed its obligations under the WHS legislation and has developed new controls where necessary to address risks, particularly material risks, and acted to put these controls in place. Monitoring compliance with the

Safety Management System will be an ongoing focus.

Exhibiting safety leadership is pivotal to achieving our safety goal of Zero Harm and there will be continued effort to ensure that the leaders of the Corporation demonstrate exemplary safety behaviours and compliance with the Corporate Safety Management System on a daily basis.

Key Performance Indicators – Safety

Measure	2013-14 Estimated Actual	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
Number of Lost Time Injuries <sup>1</sup>	9 <sup>2</sup>	<4	TBA <sup>3</sup>	TBA	TBA
Rolling Lost Time Injury Frequency Rate (LTIFR) <sup>4</sup>		3	3	3	3
Rolling Total Recordable Injury Frequency Rate (TRIFR) <sup>5</sup>		25	25	25	25
Incidents reported in GRACE within 24 hours of occurring (%) <sup>6</sup>	54	80	TBA	TBA	TBA
Increased reporting for all incidents – 10% on previous year <sup>7</sup>	298 <sup>8</sup>	+10%	TBA	TBA	TBA

1 In accordance with the Safety Incentive Scheme contained in the 2010-2015 Enterprise Agreement  
 2 2013/14 Actual  
 3 To be advised following establishment of new Enterprise Agreement  
 4 New KPI for 2014-15  
 5 New KPI for 2014-15  
 6 To be advised following establishment of new Enterprise Agreement  
 7 Increased reporting of all incidents in GRACE (hazards, near misses and injuries.) 10% improvement on previous year until 17/18 when event reporting will be fully embedded and will level out. TBA: To be advised following establishment of new Enterprise Agreement  
 8 2013-14 Actual



## PEOPLE

## Goal 2: Maintain a professional, capable, accountable and diverse workforce

### Strategies:

- Build capability and retain a skilled workforce
- Build and promote regional and Indigenous capability and opportunities
- Promote a committed workforce and a collaborative environment
- Maintain a workforce of high performance and accountability

The Corporation will rely on its people to achieve the goals in this Statement of Corporate Intent and recognises the importance of appropriate training and support for staff to acquit their responsibilities and be fulfilled in their careers. The MyPlan performance management framework will continue for all employees to provide role clarity, accountability and training and

development in alignment with the Corporation's goals.

Long term workforce planning is critically important for the success of the organisation. The workforce planning framework will cater for PWC's diverse workforce and contribute towards the development of succession planning, targeted

learning and development initiatives, talent management, retention of critical skills and reduced recruitment costs. Under the framework, workforce plans will provide an understanding of resourcing requirements and associated competency needs for the immediate and long term to deliver on the above strategies.

### Key Performance Indicators – People

Measure	2013-14 Estimated Actual	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
Business Unit Training Plans developed (%)#		100	100	100	100
Implemented Workforce and Succession Plan across the business (%)#		100	100	100	100
Engagement survey completed (%)#		>70	>70	>70	>70
Staff satisfaction index <sup>9</sup>	NC <sup>10</sup>	82	83	83	83
Individual MyPlans in place (%)#	98	>70	>70	>70	>70

# New KPI for 2014-15

<sup>9</sup> This target relates to percentage of staff rating satisfaction of 6/10 or better, measured annually over the survey period. Covers all staff and is based on the number of survey respondents

<sup>10</sup> NC: not conducted, staff satisfaction survey not undertaken in 2013-14



## FINANCIAL PERFORMANCE

## Goal 3: Commercial sustainability

### Strategies:

- Constrain expenditure growth and improve operating performance with SCI levels
- Ensure debt is at a sustainable and prudent level
- Maintain and enhance revenue recovery
- Improve financial sustainability

PWC is working towards commercial sustainability. Commercial sustainability is defined as earning sufficient revenue to meet operating and debt servicing costs and a return of, and a commercial return on, capital. PWC has made significant progress towards commercial sustainability through implementation of streamlined business processes and identification of measures to ensure it is living within its means. These early reforms have moved the Corporation to a financially sustainable footing. Successful implementation of the strategies detailed below will lay a solid foundation for the achievement of financial sustainability in 2014-15 and commercial sustainability in the medium term.

Due to the structural separation of the Corporation, the 2013-14 financial year presented in this SCI has been revised for comparability with 2014-15 and outer years' projections and excludes transactions relating to Territory Generation and Jacana Energy.

Asset values presented in the 2014-15 SCI are based on historical values, however PWC's intention in 2014-15

is to move to a fair value asset basis, which is appropriate to progress towards commercial sustainability.

The 2013-14 financial year has seen the reversal of prior year's asset impairment adjustments (\$235 million) due to conditions changing from when they were applied and asset write downs (\$33 million) due to the verification asset alignment project undertaken by PWC. These accounting adjustments are non-cash transactions and therefore the underlying position for 2013-14, when excluding impairment adjustment and asset write downs, is a net profit after tax of \$57 million.

The current 2014-15 SCI position over the forward estimate period represents:

- net profit after tax of \$47.7 million to \$73.1 million;
- earnings before interest and tax of \$121.5 million to \$169.6 million;
- return on total assets of 7 per cent to 8 per cent;
- gearing ratio of 58 per cent to 59 per cent; and
- cash from operating activities of \$138.6 million to \$129.4 million.

The target for financial sustainability aligned to industry standards is a FFO interest ratio greater than 2 and a gearing ratio target below 60 per cent.

Strategies of the Corporation will assist in delivering the key objective and support PWC into the future following restructure.

The Corporation's major risk to achieving commercially sustainable outcomes relate to bringing forward short to medium term capital projects associated with securing the Darwin region's next water source. Reduction in average water use is essential to deferring significant capital expense. The Corporation has put in place Living Water Smart as part of the Darwin Region Water Supply Strategy to encourage consumer water efficiency and reduce network water loss. The strategy addresses water tariff pricing signals and potential water restriction options. Achieving results in these key areas will provide significant, positive financial outcomes.

### Key Performance Indicators – Financial Performance

Measure	2013-14 Revised*	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
NPAT (\$M)	259.4	47.7	67.2	72.2	73.1
EBIT (\$M) <sup>#</sup>	311.0	121.5	151.1	161.4	169.6
Return on assets (%) <sup>#</sup>	17%	7%	8%	8%	8%
Gearing Ratio (%) <sup>#</sup>	59%	58%	58%	58%	59%
Cash from operating activities (\$M)	106.6	138.6	116.3	127.5	129.4
FFO to interest times <sup>#</sup>	3	3	4	4	4
Average water demand <sup>11</sup> (kL per household)	D:407 <sup>12</sup> A:466 <sup>13</sup>	D: 418 A: 441	D: 405 A: 430	D: 393 A: 426	D: 380 A: 420
Water losses/ per connection <sup>14</sup>	D: 235 <sup>15</sup> A: 61 <sup>**</sup>	270	220	180	170

\* 2013-14 revised for comparability with 2014-15 representing restructured Power and Water Corporation

<sup>#</sup> Impairment reversal in 2013-14 of adjustments in 2009-10 and 2010-11

\* Asset values are based on historical cost in SCI

<sup>11</sup> KL/Household

<sup>12</sup> 2013-14 Actual

<sup>13</sup> 2013-14 Actual

<sup>14</sup> Real water losses (L/service connection/day).  
D: Darwin, A: Alice Springs

<sup>15</sup> 2013-14 Actual

\*\* 2013-14 Actual

<sup>#</sup> EBIT – Earnings before interest and tax. Return on assets EBIT/Average Total assets. Gearing Ratio (<60%) Debt/(Net Debt plus Equity). FFO to interest times (>2) EBITDA less Gifted Assets less tax paid/Interest Expense.

## OPERATIONAL PERFORMANCE

## Goal 4: Meet our service standards for delivery of water, wastewater and electricity

## Goal 5: Demonstrate least cost and compliant operating practices

### Strategies:

- Demonstrate improved asset management practices
- Drive continuous improvement in business efficiency
- Remain focused on legal compliance

As a high-value asset based organisation it is imperative the Corporation implement and maintain effective strategic asset management planning and delivery processes. This strategy encompasses whole-of-life asset management. Effective strategic asset management will ensure PWC continues to supply reliable, safe, essential services across the Territory and meet its service standards. Implementation of asset condition monitoring and reporting and delivery of the 2014-15 program of work in a prudent manner at least cost over the life cycle of the asset, will support the improving operating performance of the Corporation.

The Corporation is committed to identifying opportunities and implementing least cost business processes, over the life of the asset, demonstrating that it is operating efficiently against comparable business benchmarks. Implementing the new procurement framework, continually improving the Quality Management System and continued

implementation of the structural separation program are part of a suite of measures driving business efficiency.

The Northern Territory Government has restructured the Corporation into three separate Government Owned Corporations (GOCs), Jacana Energy, Territory Generation and Power and Water Corporation retaining residual functions. Initially, PWC will support some Jacana Energy and Territory Generation operations via temporary transitional service agreements. The implementation of temporary transitional service agreements will ensure a smooth transition without disruption to customers or service levels. In 2014-15, Jacana Energy and Territory Generation will continue to establish themselves as stand-alone entities and wind back these transitional service agreements with the assistance of the PWC.

The Corporation is committed to delivering quality essential services and demonstrating it is operating at least cost over the life of the asset

and in compliance with the legal and regulatory frameworks that apply to it. Among other initiatives the Corporation will focus on enhancing capability in line with the Australian Drinking Water Guidelines, promoting water and wastewater reliability and efficiency through the AC Water Main Replacement and Sewer Relining Programs and developing plans for transitioning to the National Electricity Rules and National Energy Retail Rules.

The Northern Territory Government has announced its intention to apply the National Electricity Rules and National Energy Retail Rules to the Northern Territory's regulated electricity market with appropriate derogations applied. This includes the establishment of a wholesale market. A plan detailing the work involved in transitioning the Power Networks and System Control business units to meet their obligations under the new regulatory framework will be developed.

## Key Performance Indicators – Operational Performance

Measure	2013-14 Estimated Actual	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
Key assets with documented maintenance plans (%)#	85	100	100	100	100
Maintenance plans established in AMS (%)#	65	75	82	90	95
Key assets with appropriate Asset Strategy and 5 year capital and operational plans approved by the general manager (%)#	25	62	71	82	85
<b>Water main breaks per 100km Darwin and Alice Springs</b>	D: 20.5 <sup>16</sup> A: 11.2 <sup>17</sup>	20	15	15	14
<b>Sewerage chokes and blockages per 100km</b>					
Darwin	8.5 <sup>18</sup>	27	26	25	24
Alice Springs	1.4 <sup>19</sup>	27	26	25	24
CAPEX within SCI proposed		±10%	±10%	±10%	±10%
OPEX < SCI proposed		<SCI	<SCI	<SCI	<SCI
<b>SAIDI<sup>20</sup> Networks duration interruption (mins)</b>					
CBD	0.2	18.8	18.8	18.8	18.8
Urban	65.0	136.1	136.1	136.1	136.1
Rural short	230.0	496.3	496.3	496.3	496.3
Rural long	2164.9	2164.9	2164.9	2164.9	2164.9
<b>SAIFI<sup>21</sup> Networks frequency interruptions</b>					
CBD	0.1	0.4	0.4	0.4	0.4
Urban	1.5	2.5	2.5	2.5	2.5
Rural short	3.5	8.1	8.1	8.1	8.1
Rural long	35.1	35.1	35.1	35.1	35.1

# New KPI for 2014-15

<sup>16</sup> 2013-14 Actual

<sup>17</sup> 2013-14 Actual

<sup>18</sup> 2013-14 Actual

<sup>19</sup> 2013-14 Actual

<sup>20</sup> System Average Interruption Duration Index (SAIDI): Reflects distribution reliability targets approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019, 12 month rolling average

<sup>21</sup> System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019, 12 month rolling average

## CUSTOMER SERVICE AND STAKEHOLDER ENGAGEMENT

## Goal 6: Be a valued and respected utility within the community

### Strategies:

- Provide customer focused service and timely responses to enquiries
- Continue professional and constructive engagement with stakeholders

It is important to the Corporation that customers see it as competent and providing reliable services. Continuing to develop and improve the Corporation is important to ensure it is responding to customer requirements, risks and managing assets in a constantly changing operating environment. Involving stakeholders who may be affected by decisions or can influence the implementation of these decisions is a key aspect of the process. Engaging regularly with stakeholders promotes a proactive approach to doing

business. A sustainable organisation learns from its stakeholders through continuous consultation, improvement, measurement and reporting. PWC's stakeholders are the people it does business with, the communities it works in and provides services to, its employees, government shareholders and industry regulators, its suppliers and allied industry associates. The Corporation works diligently to meet stakeholder expectations and actively engage with them to ensure it understands their needs and expectations.

The Corporation is committed to providing appropriate and timely information to customers through its website, call centre and retail shopfronts including provision of water and energy efficiency information and a range of payment options.

The Corporation will maintain professional partnerships and commercial relationships with its stakeholders. In this regard, the Corporation has implemented changes to streamline the process and reduce timeframes for developer connections to essential services.

### Key Performance Indicators – Customer Service

Measure	2013-14 Estimated Actual	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
Average call response time <sup>22</sup> (%)#	25.4	63	63	63	63
Customer Satisfaction Index: Domestic & Commercial <sup>23</sup> (%)	71 <sup>24</sup>	80	80	80	80
New connections in CBD and urban areas <sup>25</sup> within 5 working days (%)	96 <sup>26</sup>	90	90	90	90
Customer complaints <sup>27</sup> #	117 <sup>28</sup>	100	100	100	100

# New KPI for 2014-15

<sup>22</sup> Call response: percentage of calls answered within 20 seconds reflecting the outcome of the UC's Standards of Service Review to report performance

<sup>23</sup> Percentage of customers that rate their overall satisfaction with the Corporation's services as good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population

<sup>24</sup> 2013-14 Actual

<sup>25</sup> New connections: Reflects performance category approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019

<sup>26</sup> 2013-14 Actual

<sup>27</sup> Customer Complaints: Total number of customer complaints – 12 month rolling monthly average – target maximum 100 complaints

<sup>28</sup> 2013-14 Actual

ENVIRONMENT

# Goal 7: Minimise environmental impact

Strategy:

- Implement effective environmental policies and procedures

The Corporation has developed a “Roadmap to Improved Environmental Performance” to facilitate reduced environmental impact and pursue continual improvement. The roadmap supports a structured approach to achieving enhanced performance within the organisation to manage environmental risks, implementing strategies for achieving compliance and positive outcomes and realising the associated benefits of sound environmental practices. This structured approach to environmental management, including ensuring an awareness of legislative requirements, potential impacts and event management and reporting protocols, is designed

to improve the Corporation’s environmental performance.

There are a range of key initiatives the Corporation is implementing to deliver on its goal to minimise environmental impact, including:

- refreshing its Environmental Management System to be targeted, customised and relevant to the operational requirements of essential service delivery in the Northern Territory. This will include developing measurable environmental objectives and targets;
- development of an environmental awareness program for staff and contractors;

- implementing the Catchment and Water Source Policy and Strategy;
- displacing diesel in remote communities where it is cost effective to do so;
- delivery of the Low Income and Energy Efficiency Program (Manymak) in East Arnhem Land;
- development of Regional Waste Treatment Strategies; and
- promoting remote community water resource sustainability.

Key Performance Indicators – Environment

Measure	2013-14 Estimated Actual	2014-15 Target	2015-16 Target	2016-17 Target	2017-18 Target
Remote Operations Emission intensity <sup>29</sup>	773	773	773	773	773

29 kg (CO<sub>2</sub>-e/MWh) sent out. Target based on 2011/12 National Greenhouse Emissions Report



## FUTURE

## Goal 8: Position ourselves for the future

### Strategy:

- Develop strategies to respond to future business drivers, opportunities and risks

This financial year the Corporation will develop a range of strategies to position itself for the future to achieve its goals. It is important to take this longer term view because:

- operational assets have long term planning horizons;
- the environment in which PWC operates is constantly evolving;
- improvements in technology and capability will occur; and
- the requirements and expectations of customers and stakeholders will change over time.

The Corporation will balance utility objectives, technology and business models with long-term direction. PWC will develop strategies that provide a whole-view, integrated approach to addressing infrastructure, technology and business issues. The strategies will provide a basis to move forward and balance short-term business objectives with long-term direction. In 2014-15, the Corporation will progress the following strategic bodies of work for Board approval:

- develop a corporate gas strategy;
- progress completion of the strategic asset management plans for water and wastewater facilities and infrastructure;
- develop a corporate networks strategy; and
- develop and implement a commercial retail service delivery strategy.





# Financial projections

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

## Summary of Projected Financial Results

	2013-14* Revised	2014-15 Budget	2015-16 Projection	2016-17 Projection	2017-18 Projection
Total Revenue (\$M)	562.3	592.4	621.5	636.1	637.5
Operating Costs (\$M)	390.9	407.0	404.7	409.8	404.0
NPAT (\$M)	259.4	47.7	67.2	72.2	73.1
Capital Investment (\$M)	129.2	161.6	136.1	114.2	138.4
Loan Drawdowns (\$M)	121.5	30.0	104.0	45.0	293.0
Cash at Bank (\$M)	45.9	20.1	20.3	20.0	20.6
Interest cover (times)	6.0	2.3	2.7	2.8	2.6
Gearing	59%	58%	58%	58%	59%
FFO to Interest (times)	3	3	4	4	4
Return on Total Assets	17%	7%	8%	8%	8%

\* 2013-14 revised for comparability with 2014-15 representing restructured Power and Water Corporation

\* Impairment reversal in 2013-14 of adjustments in 2009-10 and 2010-11

\* Assets based on historical cost value in SCI

The financial sustainability of the Corporation's 2014-15 SCI is maintained throughout the forward projected period as a result of:

- Total revenue increasing from \$592.4 million in 2014-15 through to \$637.5 million in 2017-18, an 8 per cent increase.
- Total operating costs are declining by 1.0% from \$407 million in 2014-15 through to \$404 million in 2017-18.
- Capital expenditure is maintained at the required levels and varies year on year due to the magnitude and timing of capital projects across PWC.

- Interest cover improves from 2.3 in 2014-15 to 2.6 times in 2017-18. An interest cover of between 2 to 3 times provides reasonable assurance that debt servicing costs can be met.
- Return on Total Assets (ROA) improves from 7 per cent to 8 per cent over the duration of the 2014-15 SCI. ROA is a measure of how effectively a company uses its assets.

A net profit after tax is budgeted at \$47.7 million in 2014-15, a decrease of \$211.7 million compared to \$259.4 million in 2013-14, mainly due to:

- A reversal of asset impairment values for Power Networks and

Water Services (\$235.5 million) from prior years as conditions have changed from when they were applied and asset write downs (\$33 million) due to the verification asset alignment project undertaken by PWC. (The underlying position when excluding both of these non-cash transactions is a net profit after tax of \$57 million.)

## Projected revenues

	2013-14* Revised \$M	2014-15 Budget \$M	2015-16 Projection \$M	2016-17 Projection \$M	2017-18 Projection \$M
Electricity Network	153.8	160.0	173.1	177.5	182.1
Water	96.7	104.9	109.7	110.3	113.0
Sewerage	60.4	66.4	70.9	73.5	76.4

\* 2013-14 revised for comparability with 2014-15 representing restructured Power and Water Corporation

Total revenue of PWC, including CSOs, gifted assets and other revenue, in the 2014-15 SCI are projected to increase by \$46 million from \$592 million in 2014-15 to \$638 million in 2017-18.

## Expenses

Operating expenses are forecast in the 2014-15 SCI to decline slightly by \$3.0 million from \$407 million in 2014-15 to \$404 million in 2017-18.

This reflects the efficiency measures introduced in previous years that have carried through into the 2014-15 SCI forecasting in conjunction with constraining expenditure growth. In addition, due to the 2014 Network Price Final Determination, Power Networks' regulated expenditure is reducing over the forward estimate period.

Constraining expenditure growth and improving operating performance will therefore assist in achieving financial sustainability.

## Community Service Obligations

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

	2013-14* Revised \$M	2014-15 Budget \$M	2015-16 Projection \$M	2016-17 Projection \$M	2017-18 Projection \$M
Community Service Obligation	24.0	24.3	24.9	25.3	25.8

\* 2013-14 revised for comparability with 2014-15 representing restructured Power and Water Corporation

## Operating costs

Operating costs in the outer years are projected to increase by Consumer Price Index (CPI) of 2.5 per cent.

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

## Repairs and maintenance expenditure

The 2014-15 SCI repairs and maintenance expenditure totals \$258 million from 2014-15. This covers the on-going planned and preventative maintenance necessary to improve service delivery and reliability.

The table below provides a breakdown of repairs and maintenance expenditure by business line.

### Repairs and Maintenance

	2013-14* Revised \$M	2014-15 Budget \$M	2015-16 Projection \$M	2016-17 Projection \$M	2017-18 Projection \$M	SCI Total \$M
Power Networks	36.6	38.1	37.9	41.4	37.9	191.9
Water	11.9	10.5	11.0	12.0	12.1	57.6
Sewerage	11.5	11.5	11.7	11.1	11.3	55.1
Other	2.7	2.4	4.1	2.6	2.6	14.5
<b>Total</b>	<b>62.8</b>	<b>62.6</b>	<b>64.7</b>	<b>67.2</b>	<b>63.9</b>	<b>319.1</b>

\* 2013-14 revised for comparability with 2014-15 representing restructured Power and Water Corporation

## Projections

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

Tariff increases have been based on the Government approved tariff increases until December 2015, with the remainder of the SCI period based on a CPI increase.

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

Personnel numbers are budgeted to remain constant over the forward estimate period.

Repairs and maintenance expenditure remains at \$64 million per annum on average over the 2014-15 SCI period (an average of 4 per cent of the average written down value of property, plant and equipment per annum).

Annual controllable cost increases are contained at CPI on average. Revenues and expenditures have both been adjusted for Regulated Networks in order to align with the Network Price Determination report and Ministerial Direction.

The Corporation's gearing ratio on average per annum is 58 per cent in the 2014-15 SCI with FFO to interest on average per annum 4 times over the same period.

The projections assume the continuance of a 50 per cent dividend payment policy.



# 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 Expenditure (OPEX) and Capital Expenditure (CAPEX).

## Electricity demand

Peak demand is one of the major drivers of Power Networks' capital investment program. The following table shows the 2014-15 peak demand forecasts for the Darwin-Katherine and Alice Springs networks.

### Peak Demand (MW)

	Darwin- Katherine	Alice Springs
2013-14 Base	301.94	55.89
Growth	2.7%	0%
2014-15 Forecast Total	310.09	55.89

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

## Water demand

The following table shows the 2014-15 demand forecasts for Darwin and Alice Springs.

### Total Consumption (ML)

	Darwin	Alice Springs
2013-14 Base	36,081	7,780
Growth	-0.97%	-1.88%
2014-15 Forecast Total	35,731	7,634

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

Demand for water is expected to continue to decrease in the outer years of the forecast as the Corporation's demand management initiatives are progressively implemented. Lowering demand delays the augmentation of the water supply. The success of the Living Water Smart program will affect when a new source of water is required. The forecasts account for prospective developments including major new industrial customer such as Inpex.

## Electricity, water and sewerage demand in remote communities

Demand growth forecasts for remote Indigenous communities serviced by IES have returned to moderate levels, after a number of high growth years resulting from significant housing and infrastructure investment by the Australian and Northern Territory Governments.

Forecast growth rates for electricity, water and sewerage services consumption for IES in 2014-15 is shown in the table below.

Description	2014-15 Budget	Average Growth over SCI period (2014 to 2018)
Electricity – kWh	3.78%	3.81%
Water – kL	-4.51%	-0.18%
Sewerage	0.97%	0.97%

## Retail electricity, water and sewerage tariffs

The revenue projection provided in this SCI for 1 January 2015 is based on the tariff increases announced by Government. CPI has been assumed by PWC, and has not been approved by Government, in the outer years.

Increase effective from:	1 Jan 2015	1 Jan 2016	1 Jan 2017	1 Jan 2018
Electricity (Pricing Order Customers)	5%	CPI	CPI	CPI
Water and Sewerage	5%	CPI	CPI	CPI

\*CPI = Consumer Price Index

## Electricity network tariffs

The electricity network revenue projections provided in this SCI are based on the revenue increases outlined in the Ministerial Direction. Electricity network tariffs are charged to electricity retailers including Jacana Energy, QEnergy and PWC Retail.

Increase effective from:	1 Jul 2014	1 Jul 2015	1 Jul 2016	1 Jul 2017
Electricity Network Tariffs	8.2%	8% + CPI	CPI	CPI

\*CPI = Consumer Price Index

## Fuel supplies

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

## Other financial assumptions

New loans are assumed to be interest only at around 6 per cent with interest revenue rates for cash at bank to be 2.0 per cent.

This SCI assumes that the Corporation will be largely unaffected by fluctuations in AUD/USD exchange rates due to relatively low exposure to expenditure in USD.

The dividend policy is based on 50 per cent of Net Profit After Tax. It has been budgeted that PWC will be in a dividend payable position from 2014-15 onwards.

# Capital expenditure

The capital investment program for 2014-15 of \$161.6 million is detailed in the table below. PWC's capital investment program for the period 2014-15 to 2017-18 totals \$550.3 million.

## 2014-15 SCI Capital Investment Program

	2013-14 Revised \$M	2014-15 Budget \$M	2015-16 Projection \$M	2016-17 Projection \$M	2017-18 Projection \$M	SCI Total \$M
Power Networks	83.4	75.4	51.8	41.0	48.9	300.6
Water	19.8	42.4	51.6	42.5	41.6	197.9
Sewerage	17.2	24.2	16.1	24.5	38.9	120.9
Corporate	8.8	19.6	16.5	6.1	9.0	60.1
<b>Total (excluding Remote Operations)</b>	<b>129.2</b>	<b>161.6</b>	<b>136.1</b>	<b>114.2</b>	<b>138.4</b>	<b>679.5</b>
Remote Operations	36.2	18.0	17.6	18.1	18.5	108.4
<b>Total (including Remote Operations)</b>	<b>165.4</b>	<b>179.6</b>	<b>153.7</b>	<b>132.3</b>	<b>156.9</b>	<b>787.9</b>

Capital investment per annum on average over the 2014-15 SCI period is around \$137 million primarily funded by Net Cash provided by Operating Activities, with a shortfall of \$51.5 million being funded through new borrowings. Over the 2014-15 SCI period, interest expense increases from \$53.3 million to \$65.2 million.

	2013-14 Revised \$M	2014-15 Budget \$M	2015-16 Projection \$M	2016-17 Projection \$M	2017-18 Projection \$M	SCI Total \$M
<b>Required Capital Expenditure</b>	<b>129.2</b>	<b>161.6</b>	<b>136.1</b>	<b>114.2</b>	<b>138.4</b>	<b>679.6</b>
<i>To be funded from:</i>						
Cash from Operations	106.6	138.7	116.4	114.2	129.6	605.5
Borrowings	22.6	22.9	19.7	0.0	8.9	74.1
<b>Total Funding</b>	<b>129.2</b>	<b>161.6</b>	<b>136.1</b>	<b>114.2</b>	<b>138.4</b>	<b>679.6</b>

As part of the Corporation's overarching target to become commercially sustainable, it is imperative that the capital investment program is managed effectively to achieve the highest possible value for money. This section outlines the Corporation's Capital Investment Program and describes the Corporation's primary investment drivers and major projects.

Under the Capital Investment Delivery Framework, the projected projects will be subject to business case review.

Over the SCI period investment in the power networks, water and sewerage infrastructure will cater for both growth and service reliability.



## Power Networks

The 2014-15 SCI includes the Utilities Commission's Final Determination on the capital expenditure projects included in the 2014 Network Price Determination. The Power Networks capital investment program has been developed on the basis of compliance with the planning criteria for load growth and with an objective need approach for asset replacement. Risks and resource capability have also been considered to ensure the program is delivered as forecast.

Delivering Power Networks' capital investment program of \$217.1 million over the SCI period is an achievable challenge. The program includes the following major projects:

- replacement of the Berrimah and Strangways Zone Substations;
- replacement of the Casuarina Zone Substation 66kV Outdoor Switchyard;
- construction of the Wishart Modular Substation;
- construction of a new 66kV transmission line from Archer Zone Substation to Palmerston Zone Substation; and
- rebuild of the Elizabeth River crossing section of the Channel Island Power Station to Hudson Creek 132kV transmission line.

## Water Services

For the 2014-15 SCI, Water Services reviewed and prioritised the capital works program to match project delivery resource capability. This enabled improved planning, a clearer focus on essential compliance programs and more effective project delivery.

The Water Services' capital investment program totals \$178.1 million over the 2014-15 SCI period and includes the following projects:

- the Living Water Smart program contains a range of initiatives to reduce water consumption and network losses in order to defer large scale water supply source capital investments;

- development of a Darwin River Dam pumping station for the Darwin region water supply that will allow the capacity of the Darwin River Dam to be more fully utilised;
- Palmerston augmentation will include new pumping and transmission infrastructure with a new water tank to service the significant growth in the Palmerston region;
- Berrimah and northern suburbs water strategy will include transmission infrastructure and water tanks to service the development planned for the northern suburbs; and
- the Howard East Borefield project will increase the redundancy at the borefield and enable the maximum extraction against the licensed groundwater allocation. It will also enable an extraction rate equivalent to 25 per cent of average wet weather flow, thus achieving the targeted emergency supply capacity required against a possible short term supply interruption.

## Other major investment

Other major capital investment is aimed at improving the quality and efficiency of the Corporation's business. Major investment works planned over the life of this SCI include:

- phase II of the implementation of the Asset Management Capability Project – this phase will be completed and ready for use in 2015-16. Considerable effort has been employed to define assets, determine and produce process flows. The introduction of the new systems provides opportunities to improve the management of assets, particularly in the areas of asset planning, maintenance planning and condition monitoring. Works will continue to realise the full potential of the system and features.

## Sewerage Services

The proposed capital investment program includes significant investment in wastewater treatment and recycling infrastructure upgrades. Improvement works are proposed for Ludmilla, Leanyer, Sanderson, Alice Springs, Katherine and Borroloola.

The capital investment program for Sewerage Services is \$103.7 million over the 2014-15 SCI period and includes the following major projects:

- completion of the Larrakeyah Outfall Closure Plan – this project has involved the diversion of sewage from Larrakeyah and the Darwin CBD to the Ludmilla Wastewater Treatment Plant (WWTP) and upgrading the capacity of the Ludmilla WWTP. The finalisation of these major works includes the completion of the rising main to East Point and the significant extension of the ocean outfall; and

# Risks and opportunities

**The SCI is based on the best information that is currently available, however several external risks exist that may affect the attainment of projected financial and operational outcomes. The Corporation recognises that risks are inherent in the provision of utility services. The Corporation's integrated Risk Management Framework aims to identify and manage these risks. The corporate risk categories each contain a number of individual risks that when combined give each category its overall risk rating.**

The following risks have been identified as those that have the potential to materially affect the SCI financial projections. These risks will be managed under the Corporation's Risk Management Framework with mitigating actions identified. These risks will be closely managed by the Corporation's Audit and Risk Management Committee.

## System black

On 12 March 2014 the Darwin-Katherine Interconnected System experienced a system black incident. PWC has responded to the serious incident by establishing an independent Project Management Office (PMO) to implement recommendations outlined in both System Control's and the Utilities Commission's reports on the system black event. AECOM has been engaged as the PMO to oversee and manage report recommendations.

The PMO is obtaining input from key personnel in order to:

- identify actions and underlying plans against each of the recommendations;
- prioritise recommendations using a multi-criteria analysis approach with

risks assessed in accordance with PWC's risk assessment framework; and

- verify actions that have been completed.

The Treasurer, Minister for Essential Services, the Utilities Commission and PWC staff will be provided with regular updates by the PMO as implementation progresses. Putting in place corrective actions to mitigate against future system black events is critically important to demonstrate our capability and reliability of services to customers.

## NT Electricity Market Regulatory Reform Program

Under the proposed NT Electricity Market Reform Program, the Corporation's regulated network business will become subject to the relevant provisions of the national energy laws and rules, under the jurisdiction of the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER). To mitigate against the risk of increased exposure to compliance penalties, appropriate resources will need to be allocated to meet new regulatory requirements and ensure a smooth and successful transition, including providing input into development of appropriate derogations for the Northern Territory.

## 2014 Network Price Determination – Ministerial Direction

Power and Water's Shareholding Minister directed the Corporation, under Section 8(4) (a) of the *Government Owned Corporations Act*, to adopt an alternate network revenue path over the 2014-19 regulatory period to that determined by the Utilities Commission in their 2014 Network Price Determination (NPD) Final Determination. The Ministerial Direction states that this is to be achieved by accepting a lower return on equity, and therefore lower dividends to Government.

The Corporation has concerns that the reduced revenue cap will result in insufficient cash flows to cover Power Networks' costs because it comes on top of the 27 per cent efficiency gains already built into the Utilities Commission NPD Final Determination. PWC's Shareholding Minister has stated that Department of Treasury and Finance will continue to closely monitor the Corporation's financial performance and sustainability over the 2014-15 SCI period.

## Cost pass through (Power Networks)

Unanticipated regulatory or taxation changes have the potential to increase PWC's cost base beyond those projected in the SCI. Cost pass through provisions in Power Networks' regulatory arrangements may not enable sufficient recovery of such costs. Improved system data capturing and reporting will enable PWC to effectively demonstrate to the regulator when trigger events have occurred and justify cost pass through applications and contingent projects when required.

## Guaranteed Service Level (GSL) Scheme

From 1 January 2012, the GSL Scheme commenced providing rebates to customers where defined standards of service for networks are not met. Based on previous network performance, the liability for penalty payments in accordance with the GSL Scheme could be around \$1.75 million per annum. The Corporation will continue to pursue opportunities to improve asset performance where the additional capital or operational expenditure involved is offset by a reduction in the penalty payment.



## Waste Discharge Licences

Waste Discharge Licences (WDL) are held for facilities in Darwin, Katherine and Alice Springs. Licences are currently issued by the NT Environment Protection Authority for a period of two years and include conditions related to performance improvement. There are also around 30 remote communities that are subject to WDLs.

The Corporation has undertaken significant work to progressively reduce the impact of wastewater discharge to the environment including closing the Larrakeyah Outfall in 2012 and upgrading the Ludmilla wastewater treatment plant. Major capital work continues to extend the East Arm Outfall and implement improvements to wastewater treatment plants to accommodate future developments and population growth in that area. Planning is progressing for implementation of treatment and discharge improvements at the Leanyer and Sanderson wastewater treatment plant.

To address this risk the Corporation regularly conducts environmental monitoring and risk assessments for the discharge from wastewater treatment plants and continues to work with the environmental regulator and Government to ensure that costs of regulatory compliance are understood.

## Weather variability

El Nino Southern Oscillation neutral weather patterns are forecast to prevail to July 2014 and the weather pattern for the four-year SCI period is assumed to align with average weather conditions, as indicated by the Bureau of Meteorology. Any variation to assumed weather patterns has the potential to impact revenue.

## Major opportunities

### Northern Territory Electricity Market Reform

Since 2000, the NTG has been implementing a number of reforms to improve competition in the Northern Territory electricity market, commencing at that time with retail competition in the large customer market. In 2013-14, the Government announced plans for:

- the structural separation of PWC to create two new GOCs, a Power Retail GOC (Jacana Energy) and a Power Generation GOC (Territory Generation);
- introduction of national energy laws and rules set by the Australian Energy Market Commission (AEMC) with regulation by the Australian Energy Regulator (AER) for electricity networks and retail and customer protection; and
- establishment of a wholesale market for electricity.

The planned NT electricity market reforms aimed at promoting competition presents an opportunity for System Control and Power Networks to demonstrate the efficiency of its operations in the market.

### Water sustainability

Reducing water consumption is critical to deferring the requirement for significant investment in water supply infrastructure. In April 2014 the Corporation launched the Living Water Smart program that aims to reduce water consumption by 10GL over five years, equivalent to almost three months average water supply. Realising this goal will see significant savings to customers through reduced demand, deferment of the requirement to bring Manton Dam back into service as a water supply source and associated capital expenditure deferment savings to the Corporation.

### INPEX and major new industrial demand

The major INPEX gas project will provide the Corporation with additional revenue from the supply of commissioning gas, water and sewerage services during the construction phase. The impact of the INPEX Ichthys LNG project has been included in the forecast from 2014-15.

Once established and commissioned in 2016-17, the INPEX Liquefied Natural Gas (LNG) processing plant will self-generate electricity, however will require the supply of water. Arrangements have been made with INPEX for the supply of contingency gas to PWC.

In response to business opportunities associated with the INPEX project, private investors and the NTG land release program may accelerate the development of new residential and industrial sub-divisions in the greater Darwin, Palmerston and regional areas. An acceleration or increase in demand would present both a challenge and opportunity for the Corporation in meeting the requirements.

The INPEX project is expected to increase the NT's population and drive economic growth from downstream development, particularly in gas related industries for Darwin Port and Middle Arm and surrounding areas. This represents a potential commercial opportunity for the Corporation.

The INPEX development will present a challenge to the Corporation's delivery of services and achievement of the capital investment plan. In a tight competitive market, both in the NT and nationally, the INPEX project will:

- consume the available local contractor and trade resources;
- reduce the availability of material and equipment, with a consequent escalation in price; and
- attract staff from the Corporation's workforce and potential recruits.

### Additional gas sales

For the four-year SCI period the majority of gas supply will continue to be purchased directly from Eni Australia BV (Eni) which operates the Blacktip facility south west of Darwin.

The availability of surplus Blacktip gas provides PWC with an opportunity to market and sell gas to prospective third parties.

A new gas fuelled power station will be commissioned at Wadeye in the SCI period to replace the diesel power station currently servicing the township. Construction of the gas power station will also provide opportunity to pursue the interconnection of Peppimenarti and Palumpa to the Wadeye electricity grid and decommission two diesel power stations.

### Australian Renewable Energy Agency (ARENA)

ARENA is an independent statutory authority established by the Australian Government to:

- fund renewable energy projects;
- support research and development activities; and
- support activities to capture and share knowledge.

The Corporation is working with ARENA on a number of proposals to deliver additional renewable energy projects in the Northern Territory, including a proposal for a wide-scale displacement of distillate with solar for remote community energy generation.

### Developing northern Australia

The development of northern Australia is a priority for both the Federal and Territory Governments. A growing northern economy benefits all of us through investment, infrastructure, jobs and services. The north enjoys geographic advantages from its proximity to a fast growing Asia, however it is widely accepted that more is to be done to achieve the full potential of northern Australia. PWC has a role to play in providing input into the Government's policy directions for northern Australia over the next two, five, 10 and 20 years particularly in relation to electricity networks, water and sewerage infrastructure across the Territory.

### Renewable Energy Target

From January 2011 the Federal Government's *Renewable Energy (Electricity) Act* introduced the Large Renewable Energy Target and the Small Renewable Energy Scheme to drive deployment of renewable energy technology. The legislation creates a market for Renewable Energy Certificates (RECs). PWC owns and operates renewable energy generators that are eligible to produce a locally generated source of RECs and generate additional revenue by selling the RECs to obligated parties under the scheme.

### New technologies

A change from the traditional electricity supply model is being driven by advancements in new energy-related technologies. In particular, there is a significant uptake in customer installed generation and associated energy efficiency and demand response technologies. This trend is expected to continue. The Corporation views the emergence of new energy-related technologies as an opportunity to reduce peak demand and provide demand response products and service offerings to customers.

An additional opportunity that has the potential to deliver peak demand efficiency gains while also indirectly improving energy security, is greater uptake of electric vehicles (EVs). Utilising spare network capacity at off-peak times (eg overnight) to charge EVs would improve the efficiency and operation of the electricity network.

# Glossary

<b>CPI</b>	Consumer Price Index
<b>CSO</b>	Community Service Obligation
<b>DCS</b>	Department of Community Services
<b>EBITDA</b>	Earnings Before Interest Tax Depreciation and Amortisation
<b>Eni</b>	Eni Australia BV
<b>ESO</b>	Essential Services Officer
<b>FFO</b>	Free Funds from Operations
<b>GOC Act</b>	Government Owned Corporations Act
<b>GRACE</b>	Governance, Risk, Audit, Compliance and Event Management System
<b>GSL</b>	Guaranteed Service Level
<b>GSA</b>	Gas Supply Agreement
<b>GWh</b>	Gigawatt-hour
<b>IES</b>	Indigenous Essential Services Pty Ltd
<b>kL</b>	Kilolitre
<b>KPI</b>	Key Performance Indicator
<b>kV</b>	Kilovolt, 1000 volts
<b>kWh</b>	Kilowatt hour
<b>LNG</b>	Liquefied Natural Gas
<b>LTI</b>	Lost Time Injury
<b>M</b>	Million
<b>ML</b>	Megalitre
<b>MW</b>	Megawatt
<b>MWh</b>	Megawatt-hour
<b>NPAT</b>	Net Profit After Tax
<b>NPD</b>	Network Price Determination 2014
<b>NT</b>	Northern Territory
<b>NTG</b>	Northern Territory Government
<b>PWC</b>	Power and Water Corporation
<b>R&amp;M</b>	Repairs and Maintenance
<b>SAIDI</b>	System Average Interruption Duration Index
<b>SAIFI</b>	System Average Interruption Frequency Index
<b>SCI</b>	Statement of Corporate Intent
<b>ToP</b>	Take or Pay
<b>UC</b>	Utilities Commission
<b>WWTP</b>	Wastewater Treatment Plant
<b>ZSS</b>	Zone Substation

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The logo for PowerWater, featuring the word "PowerWater" in a white sans-serif font. A stylized white leaf icon is positioned above the letter "a" in "Water".