

POWER AND WATER CORPORATION

Statement of Corporate Intent

2006 - 2007



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## Introduction

This Statement of Corporate Intent (SCI) outlines the Corporation's scope of activities, objectives and performance targets agreed with its Shareholding Minister for the financial year starting 1 July 2006.

Power and Water is a Northern Territory Government Owned Corporation (GOC) and its Board of Directors is responsible to the Shareholding Minister for the Corporation's performance.

## Objectives

In accordance with the *Government Owned Corporations Act 2001* (GOC Act), the objectives of the Corporation are:

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

## Corporate Mission Statement

The Corporation's mission is to deliver power, water and sewerage services to the people of the Northern Territory in a competitive, efficient and reliable manner, and to meet its mandated environmental obligations.

## Nature and Scope of Activities

The Corporation operates within a framework of:

- 100% Northern Territory Government (NTG) ownership;
- retail contestable price regulation by the NTG;
- price and conduct regulation by the Utilities Commission;
- licensed in the Northern Territory electricity market as a generator, network provider, system controller and retailer;
- licensed to provide water and sewerage services;
- subject to all laws affecting commercial businesses;
- subject to competition in the Northern Territory electricity market; and
- a continuous disclosure obligation to notify the Shareholding Minister if matters arise that will materially affect SCI targets.

The Corporation purchases gas supplies for resale through its wholly owned subsidiary, Gasgo Pty Ltd.

Power and Water holds a 2.5% interest in NT Gas Pty Ltd, the lessee/operator of the Amadeus Basin to Darwin gas Pipeline (ABDP), and 2.5% of the units in the Amadeus Gas Trust, through its wholly owned subsidiary, Darnor Pty Ltd.

The Corporation supports the provision of electricity, water and sewerage services in remote Territory communities through its wholly owned subsidiary business, Indigenous Essential Services (IES) Pty Ltd.

## Ministerial Reporting

The GOC Act requires that the Shareholding Minister be provided with a Statement of Corporate Intent not later than one month before the commencement of the financial year to which the statement relates or by a date agreed between the Board and Shareholding Minister.

This Statement is a negotiated performance agreement between the Corporation's Board and the Shareholding Minister. It sets out the Corporation's business strategies and what the shareholder may expect in terms of performance, both financial and non-financial performance, over a three-year period 2006-07 through 2008-09.

In line with the accountability provisions of the GOC Act, the Shareholding and Portfolio Ministers are to be provided within three months after the end of the financial year a report on the Corporation's performance in relation to its SCI. This information is included as part of the Annual Report.

The Annual Report is provided within three months of the end of the financial year, unless otherwise agreed with the shareholding Minister. It includes:

- commentary on specific factors affecting performance;
- a report against performance targets set in the SCI;
- commentary on risks;
- commentary on strategic and other issues affecting the Corporation's operations during the course of the financial year;
- audited consolidated statutory financial statements;
- statutory information similar to that required of any company under the Corporations Law;
- segmented business statements; and
- particulars of any directions given by either the Shareholding or the Portfolio Minister.

In addition to the above, the GOC Act imposes a continuous disclosure obligation on the Corporation's Board, requiring it to notify the Shareholding Minister of any matters that may prevent or materially affect achievement of either objectives or targets in the Statement of Corporate Intent. To further ensure that the Shareholding Minister is kept informed, the Corporation provides quarterly reports against the SCI targets.

## Corporate Values

The activities of the Corporation during the life of this Statement will be guided by the following value statements.

### Safety is Paramount

We will protect the safety of our people, customers and the community. 'Zero Harm' is our safety goal.

### Our People

We value our people and will encourage them to achieve their full potential. We recognise that we will need to embrace change as an organisation.

### Growth

We will grow the Corporation's business by fostering an efficient, performance-driven culture.

### Our Customers

We will strive for total customer satisfaction with our services.

### Integrity

We will be honest, consistent and fair in all of our dealings with customers, suppliers and our people.

### The Natural Environment

We will protect the natural environment by at least meeting mandated environmental obligations and seeking ways to minimise our environmental footprint.

## Quality, Safety and Risk

The Board has established an enterprise-wide risk-management model in conjunction with the Corporation's internal auditor, Ernst and Young. The Corporation uses the Ernst and Young risk-management rating tool that separates risks according to the following categories:

- financial;
- service delivery/reputation;
- environmental; and
- safety.

Each of the risks are then assessed using the following criteria:

- *consequence*: insignificant, minor, moderate, major, catastrophic; and
- *likelihood*: almost certain, likely, moderate, unlikely, rare.

## Identification of Material Risks

A comprehensive risk register has been compiled detailing the following 16 key corporate risks:

1. public health;
2. safety;
3. environment;
4. gas supply management;
5. fraud;
6. compliance;
7. failure to supply core services;
8. inadequate mix of staff skills;
9. industrial action;
10. regulation and competition;
11. contract management;
12. communication and shareholder management;
13. long-term asset planning and maintenance;
14. asset and plant information;
15. credit risk; and
16. information technology and communications.

A number of the strategies for minimising the material risks faced by the Corporation are included in the section outlining corporate strategies as well as mentioned in individual sections throughout this SCI. In addition, the Board, through its Audit and Compliance Committee, examine in detail two of the key corporate risks at each meeting. This includes the current status of the risk, risk mitigation and strategies. Key risks are also examined and subject to external audit in relation to the certification activities for ISO9001 (Quality Management Systems), ISO14001 (Environmental Management Systems) and AS4801 (Occupational Health and Safety Management). The Board reviews on an annual basis the currency of the risk register and receives updates on the status of the key risk areas from management.

### Minimising the Risks

The Board has also defined the process for on-going risk identification, analysis and treatment and finalised the risk-reporting format. The procedure describes the following four general key areas of risk management, which ensures that risk is considered at all levels in the Corporation:

1. corporate risk management, which outlines the identification and management of key risks;
2. business unit strategic risk management, which outlines the identification and management of key strategic risks within a business unit;
3. operational risk management, which is the detailed risk management of risks within a business unit; and
4. task risk management, which is the day-to-day risk management undertaken by staff and contractors.

The Corporation has developed an enterprise risk-management system which currently include the following key components:

- risk-management procedures;
- definition of the Board's risk tolerance and risk-evaluation framework;
- definition and classification of risks and of key risks to the business;
- shared understanding of the risks that matter and risk map;
- key risk register and key risk reporting format;
- review process for corporate risks;
- prevention of fraud and dishonesty policy;
- development of OH&S and environmental operational risk registers for key business units; and
- establishment of a task based risk management committee and programs.

Having developed the core governance systems for both enterprise and business unit risk management, 2006-07 to 2008-09 will continue to provide the skills, systems and capabilities necessary for the Corporation's staff to embed risk management into Power and Water's culture at both the strategic and operational levels.

Du Pont safety training for staff has been conducted across the Corporation. This includes the training that is necessary for staff in all business areas to have the skills and capabilities to undertake risk management for themselves, as well as to measure and monitor risk-management performance. The emphasis on Safe Act Observations and active reporting of incidents/near-hits will continue in 2006-07 to 2008-09. The Du Pont training is ongoing and the Corporation is currently authorized to deliver the Actions Employees Can Take training modules. Results of the training have included:

- raised levels of awareness of OH&S issues across the Corporation;
- increased levels of safety monitoring in all parts of the Corporation;
- increased reporting of incidents and near hits; and
- more extensive inclusion of OH&S issues in the corporate risk management system.

## Certification

It is expected that the Corporation will gain certification in the following standards in 2006-07 after a final audit in June 2006;

- ISO9001 Quality Management Systems;
- ISO14001 Environmental Management Systems; and
- AS4801 Occupational Health and Safety Management Systems.

Certification in these standards will continue to increase efficiency and create value to the Corporation and its activities. In a practical sense the Corporation will benefit from:

- a. an improvement in our measuring, monitoring and auditing activities;
- b. reduction or elimination of hazards, near hits, OH&S incidents, illness or environmental incidents;
- c. preventing the duplication of resources and avoiding overlap in documentation;
- d. enhanced public image of Power and Water;
- e. improved customer satisfaction; and
- f. improved control, distribution and availability of corporate documentation.

## Occupational Health and Safety

Throughout the 2006-07 to 2008-09 period the Corporation will continue the campaign to improve occupational health and safety. The focal point of the campaign is a commitment from the Board to continuously improve occupational health and safety performance so that workplace injury and illness can be eliminated. As part of this initiative the following strategies are being applied:

- provide transparent communication and consultation processes so employees, contractors, visitors, customers, suppliers and other interested external parties can contribute to, and are kept informed of, safety and health developments;
- ensure that OH&S roles and responsibilities are documented, and are clearly communicated, understood, and accepted;
- ensure the OH&S policy is available to all interested parties and is periodically reviewed so that it remains relevant and appropriate to operations.
- safety training for new employees; and
- continuation of the Safe Act Observation audit process.

## Major Challenges

The Corporation manages its business in the context of the broader economic and infrastructure environment in the Northern Territory.

The Board has identified the following major challenges to the management of the business over the life of this Statement:

- attracting and retaining high quality staff;
- sustaining a viable set of suppliers and contractors in the Northern Territory;
- continuing to improve the standard of electricity, water and sewerage services delivered to remote communities; and
- continuing to improve the standard of electricity, water and sewerage services delivered to customers in urban areas.

## Business Outlook

The performance of the Corporation is affected by the environment in which it operates. The Board has considered the following factors in establishing the targets set in this Statement.

### Gas Supply Procurement

As existing gas contracts are due to terminate predominantly in 2009, the Corporation has been actively seeking new long term contracts for the supply of gas.

In December 2005, a Heads of Agreement was reached between the Corporation and Eni Australia to exclusively work towards negotiating a Gas Supply Agreement to take gas from the Blacktip field from early 2009.

The Corporation is also actively pursuing the development of a gas pipeline by a suitable third party to haul Blacktip gas from the Wadey delivery point to the ABDP.

The final price negotiated for the purchase and haulage of gas to the ABDP will have an impact on the future profitability of the Corporation, as gas represents the largest single cost to the Corporation.

### Economic Outlook in the Northern Territory

Since the Corporation currently conducts its business wholly within the Northern Territory, local economic and population growth drive its business development. The current NT Treasury forecast is for growth of 4.5% per annum in the five years to 2009-10 for the Northern Territory economy. However, a portion of this growth is being driven by offshore activity which will not generate demand for the Corporation's services.

The Corporation does not currently have any competitors in the Northern Territory electricity market. No loss of market share has been assumed in this Statement. For 2006-07 the forecast is for growth of 1.5% in the electricity market. The Corporation continues to monitor the potential for competition in the contestable electricity sector.

During 2006-07 it is anticipated that there will be growth of 1.5% in water services and 1.5% in sewerage services.

## Growth Opportunities

Power and Water's growth depends on the growth of the Territory.

The Corporation aims to seek available commercial opportunities from the following potential developments:

### *Territory*

- establishment of gas related industries;
- establishment of exporters at the Business Park and Darwin Port;
- Darwin City Waterfront Redevelopment;
- establishment of new mines;
- construction activity within the housing sector;
- changes in the affordability of air-conditioning;

### *Power and Water*

- opportunities for the sale of treated effluent throughout the Territory;
- opportunities in communications and fibre-optic networks;
- developments in renewable-energy technology; and
- business partnerships to support core business activities.

## Regulatory Environment

In 1995, the Council of Australian Governments agreed to a National Competition Policy that would enable and encourage competition. A major part of these reforms has been to allow privately-owned businesses to compete with Government-owned businesses on an equal footing, and encouraging improvement in the business practices of Government-owned businesses and value for money for the taxpayer. Where effective competition does not apply, economic regulation is undertaken to promote economic efficiency and interests of consumers.

There are a number of Territory and National bodies that affect the economic regulatory environment, the major ones being the Regulatory Minister and the Utilities Commission (UC).

The UC was established by the NTG in March 2000 to facilitate price and performance monitoring. The UC is responsible for the regulation of prices for certain monopoly services, licensing of regulated industry participants, and monitoring the performance of regulated operators. The UC also investigates and helps to resolve complaints relating to the conduct of licensees, provides consumers and others with information and provides advice to the Regulatory Minister.

In performing these functions, the UC has regard to the need to promote competitive and fair market conduct and to prevent the misuse of monopoly or market power, as well as to facilitate entry into the market and to promote economic efficiency. In addition, the UC seeks to ensure that consumers benefit from competition and efficiency, and to protect their interests with regard to reliability and quality of services and supply. The UC must also consider the need to maintain the financial viability of regulated industries and to ensure an appropriate rate of return on regulated infrastructure assets.

While the UC was established initially to play a regulatory role in the Territory's electricity supply market, its functions have been expanded to include a regulatory role in the water and sewerage services industries.

During 2005-06 relevant decisions and reviews undertaken by the UC included:

- Electricity Standards of Service Code;
- Electricity Standards of Service Code – Procedural Guidelines;
- Reversal of Contestability Guidelines;
- 2005 Annual Power System Review; and
- Network Pricing Principles approval.

Issues within the regulatory environment that will likely have an impact on the Corporation during the life of this SCI include the following:

- Review into a framework for future regulated electricity, water and wastewater tariffs,
- CSO Review,
- NT Electricity Market Reform Review
- Ring Fencing Code Review,
- Contestability Reversibility Regulations and Guidelines, and
- Network Pricing Principles Review and Network Prices Rebalancing.

Tranche 5 and full retail contestability have been deferred until 2008, and 2010 respectively, and will be subject to a public benefit test. This creates some certainty for the Corporation's non-contestable retail sector during the period of this Statement.

## Electricity Standards of Service Code

The UC has published a Northern Territory Electricity Standards of Service Code effective from 1 January 2006. The code which is made under s24 of the *Utilities Commission Act*, will only apply to the Power and Water Corporation for the foreseeable future.

The Code establishes minimum standards of reliability, quality and customer service in the NT electricity supply industry. The Code also puts into place arrangements for the monitoring and reporting of standards of service.

The initial minimum standards will be those that prevailed during the year before the commencement of the *Electricity Reform Act* (2000). The initial standards under the Code will therefore vary from the targets set in this SCI. In the future it is likely that the standards under the Code and the targets agreed in the SCI will become increasingly congruent.



## Capital Investments

### Capital Investment Program

In order to meet growing demand and expectations for the Corporation's services, to replace existing infrastructure and provide required additional infrastructure the Corporation undertakes a capital investment program.

Power and Water's 2006-07 to 2008-09 capital investment program is set out in the following table. Note that the program for 2007-08 to 2008-09 is indicative. The investment program has been developed after consideration of demand projections, strategic priorities and the condition and suitability of the current infrastructure.

Power and Water <i>Not Consolidated</i>	2004-05 \$000 Actual	2005-06 \$000 Forecast	2006-07 \$000 Target	2007-08 \$000 Projection	2008-09 \$000 Projection
TOTAL	65,497	65,305	87,132	66,526	66,218

### NT Government Funded Capital Investments

From time to time, the Corporation and the NTG may jointly fund capital projects, which are either not commercial, or only partly commercial. Under these circumstances the Corporation funds the commercial portion of the projects and these amounts are included in the Capital Investment program above. The NTG's contributions are included and are shown in the accounts as contributions from owners.

#### Nightcliff Undergrounding Project

Annually \$3.0 million from the NT Government will be added to \$1.2 million of Power and Water capital investment to further the Nightcliff Undergrounding project during 2006-07.

#### Indigenous Essential Services Capital Investment

The Department of Planning and Infrastructure (DPI) funds Power and Water for capital investments required for power, water and sewerage infrastructure in remote communities. The funding for 2006-07 is \$10.6 million.

#### Dundee Beach

Ongoing work related to the initial project to connect Dundee beach to the Darwin - Katherine grid will occur at an estimated cost of \$1.1 million.

### Supply of Essential Services to Remote Communities

Following Power and Water's corporatisation in 2002, funding to provide electricity, water and sewerage services to Territorians living in remote communities is now provided to DPI. DPI's role is to coordinate infrastructure development and the provision of essential services in remote communities throughout the Northern Territory.

The Corporation is a service provider to DPI, through its subsidiary IES, delivering these services on behalf of the NTG. The Corporation delivers these services on a fee-for-service basis with the shortfall in revenue collected from customers offset by service charges received from DPI. An agreement between IES and DPI is currently under review and is expected to be completed by 30 June 2006.

## Drinking-Water Quality

The Corporation published its fourth drinking-water quality study in 2005. Based on these studies the action items for 2006-07 to improve drinking water quality are:

- continuation of the rollout of Hazard Analysis and Critical Control Points for water quality risk management to all major centres;
- investigation into a new water storage and treatment facility at Adelaide River;
- research chemical and physical water quality improvement at Daly Waters;
- review of further improvements to the disinfection system for Darwin;
- investigation into the optimization of the Katherine Water Treatment Plant;
- construction of a new water supply pump station for Tennant Creek; and
- research chemical and physical water quality improvement at Timber Creek.

In addition the Portfolio Minister in October 2004 issued a direction to the Corporation to the effect that the supply of drinking water to the Tennant Creek community is not to be subject to continuous chlorination; and is to be subject to more frequent monitoring of water quality and hand chlorination if indicated. This direction followed a referendum on the issue of chlorination of drinking water in which 75% of the voters decided they did not want to have their water supply chlorinated.

## Environment

### Environmental Excellence Awards

Power and Water is the proud sponsor of the annual Environmental Excellence Awards. These awards recognise outstanding achievements in water efficiency, energy management and waste minimisation in the community and support the Corporation's strategy to respect the environment.

### Trade-Waste Management

The Corporation introduced a trade-waste management system in 2002. Reducing trade-waste volumes will result in improved reliability of the sewer systems and reduced discharge to the environment. During 2006-07 emphasis will be placed on working directly with customers to minimize waste, customer liaison and education, and the monitoring and inspection program.

Outcomes of the introduction of the trade waste management system since 2002 include:

- visits to over 1,300 businesses territory wide for the purposes of liaison, inspection and education;
- provision of advice and guidance to businesses on trade waste compliance;
- receipt of over 750 trade waste applications;
- issue of over 560 discharge certificates; and
- inspection of businesses who are, or are at risk of, being non-compliant.

## Greenhouse Emissions

The Corporation has agreed on a generator efficiency program with the Australian Greenhouse Office. Action plans for emissions management and reduction will be in place during 2006-07. The plans include a number of strategies to increase generator efficiency and reduce greenhouse emissions. These include:

- upgrading control systems;
- installation of evaporative coolers;
- upgrading engine governors; and
- review of the spinning reserve policy.

## Renewable Energy Program

The key driver for the Corporation's renewable energy goals is its obligations under the *Renewable Energy (Electricity) Act 2000* (Cth), which includes the requirement nationally for wholesalers of electricity to source an additional 9 500 GWh of their supplies from new renewable sources by 2010 (with annual milestones until 2010). For the Corporation the liability ramps up to 61,000 MWh in 2010 and remains at that level until 2020. The Renewable Energy Certificate targets for the calendar years 2006 and 2007 are 29,917 and 36,385 respectively.

A Renewable Energy Roadmap has been developed which identifies and defines the Corporation's renewable energy goals, details the options available for meeting these goals and assesses the risks of available and potential renewable energy projects. A recommended action plan has been developed for achieving the renewable energy objectives in the most effective and cost-efficient manner. The recommendations contained within the Roadmap have been subject to industry consultation and extensive research.

The Corporation have met targets and satisfied the milestone obligations in the first few years of the legislation predominantly by purchasing Renewable Energy Certificates (RECs) associated with solar hot water systems. That source of supply is insufficient to meet future requirements and is subject to volatility.

The action plan recommended in the Roadmap identifies the most preferred renewable energy options ranked primarily based on cost. In addition to cost, consideration has been given to yield (number of RECs), risks and contribution to the Corporation's environmental obligations, including the associated public image considerations. Projects outlined in the Roadmap include the trial / implementation of the following technologies:

- solar dish concentrators;
- wind turbines;
- biodiesel substitution for distillate; and
- biomass.

## Corporate Strategies

Power and Water's 14 key strategies are:

### Customers and Community

#### 1. Customer Management

**GOAL:** To ensure that our customers are satisfied with the products, pricing and service provided by the Corporation.

Power and Water will serve its customers by:

- treating its customers fairly;
- communicating regularly with customers;
- implementing a comprehensive service response program; and
- providing appropriate levels of service at efficient prices.

#### 2. Being Socially Responsible

**GOAL:** To meet our social responsibilities to the communities in which we operate.

Power and Water will participate in the community by:

- encouraging Indigenous employment within Power and Water;
- supporting Territory-based businesses and community groups in line with Corporation policy and within the framework of NT Government policies;
- developing close ties with Charles Darwin University for training and research; and
- undertaking a broad-based annual sponsorship program across the Territory.

## Our Staff

### 3. Safety Management

**GOAL:** To consistently achieve "zero harm" targets for safety.

Power and Water will manage its safety responsibilities by:

- committing to a zero harm workplace;
- undertaking AS4801 Occupational Health and Safety Management systems accreditation;
- ensuring adequate supervision of workers and contractors; and
- undertaking a comprehensive safety training and culture change program.

### 4. Employee Development

**GOAL:** To improve the satisfaction level, skills, motivation and performance of all employees.

Power and Water will manage its employees by:

- treating its employees fairly;
- ensuring that every employee has a job description, performance appraisal and a training development plan;
- managing performance;
- implementing an "Action Needed"/staff feedback program; and
- managing employee crisis situations.

### 5. Leadership Development

**GOAL:** To develop a high achieving management team.

Power and Water will develop leaders by:

- individually tailored development programs;
- developing specific goals;
- providing regular feedback;
- managing performance;
- encouraging all managers to gain a management qualification; and
- opportunities for ongoing management "stretch" skill development.

### 6. Cultural Change

**GOAL:** To move to a high performance culture.

Power and Water will develop the organisation by:

- developing and implementing a comprehensive cultural change program;
- implementing a flat management structure;
- providing a single senior management contact in each town/centre;
- de-centralising the Executive Management team; and
- establishing formal relationships with several Australian utilities to access expertise.

## The Business

### 7. Capital Asset Management

**GOAL:** To optimise the cash committed to capital and operational expenditure by gaining a risk/consequence based understanding of the underlying capital needs of the business and subsequent impact on maintenance expenditure.

Power and Water will manage its assets by:

- developing rolling 1,3 and 10 year asset management plans;
- regular communication of those plans to suppliers and the community;
- building and maintaining the most appropriate plant and equipment;
- improving physical security of Power and Water facilities and assets; and
- developing a comprehensive facilities management plan.

### 8. Financial Management

**GOAL:** To operate all financial aspects of the Corporation in an efficient and timely manner.

Power and Water will manage its finances by:

- achieving Statement of Corporate Intent financial targets;
- ensuring that appropriate financial policies and procedures are in place;
- developing strategies to improve financial performance;
- developing more accurate, appropriate and flexible forecasting models and techniques; and
- ensuring that it complies with all necessary Accounting standards.

### 9. Business Development

**GOAL:** To actively seek ways to minimise risk and to provide growth opportunities for the Corporation.

Power and Water will develop the business by:

- securing a reliable supplier of gas post 2009 at the best possible price;
- implementing new services which leverage off existing infrastructure and facilities;
- using existing competencies in new markets; and
- actively seeking partnerships to share risk in new business ventures.

### 10. Productivity Improvement

**GOAL:** To improve returns to the Shareholder, and outcomes for customers by continuously pursuing opportunities for efficiency.

Power and Water will increase efficiency by:

- seeking ways to minimise costs and improve operational outcomes;
- improving debtor management;
- ensuring timely implementation of audit recommendations; and
- undertaking ISO9001 Quality Management Systems accreditation.

### 11. Environmental Management

**GOAL:** To be seen as a leader in environmental management and compliance in the Territory.

Power and Water will manage its impact on the environment by:

- complying with, and where possible exceeding, its legal and statutory obligations;
- undertake ISO14001 Environmental Management systems accreditation; and
- continuing the annual Environmental Excellence Awards.

## Accountability

### 12. Stakeholder Management

**GOAL:** To build a high level of trust with stakeholders.

Power and Water will manage its stakeholders by:

- providing timely and appropriate information to the Shareholding and Portfolio Ministers;
- developing a consultative relationship with unions representing Power and Water employees;
- developing stronger ties with the Territory business community; and
- developing closer relationships with electronic and print media in the Territory.

### 13. Crisis Management

**GOAL:** To respond gracefully to any reasonably foreseeable crisis.

Power and Water will manage crisis situations by:

- Implementing a risk-management regime to meet the ISO9001 standard;
- developing and implementing crisis response and business continuity plans; and
- developing a crisis communications strategy.

## 14. Performance Measurement

**GOAL:** To ensure timely compliance with all statutory reporting obligations, and to provide meaningful information to all stakeholders.

Power and Water will measure performance by:

- reporting achievement against Statement of Corporate Intent targets;
- regular reporting of progress against the capital investment and repairs and maintenance programs; and
- developing and regularly reporting Key Performance Indicators.

## Forecast Assumptions

### Accounting Policies

Power and Water's accounting policies are consistent with requirements under the Corporations law. Financial Statements contained in this Statement adopt the historic cost convention and fair value of some non-current assets and reflect the accrual basis of accounting.

The accounting policies for 2006-07 will be consistent with those applied in the 2005-06 financial year, which have been updated for the implementation of Australian Equivalents to International Accounting Standards.

### Retail Market Share

Throughout the period covered by this Statement, it is assumed that the Corporation will retain 100% of the retail market in the Northern Territory, except for supply to Nhulunbuy, Alyangula, isolated station properties and mining operations.

### Generation Market Share

Throughout the period covered by this Statement, it is assumed that the Corporation will retain 100% of the generation market in the Northern Territory, except for those areas subject to current power purchase arrangements.

### Price and Revenue Assumptions

Cabinet approved a 2.6% tariff increase for 2006-07 with no further increases incorporated into the SCI.

### Community Service Obligation

The NTG has a uniform tariff policy that provides for certain customers to pay the same for electricity, water and sewerage regardless of their location or the cost of providing the services. The effect of this policy is that the rate charged for the services does not provide a commercial return to Power and Water. The shortfall in income to the Corporation is referred to as a CSO.

The Government makes CSO payments to the Corporation in recognition of the impact of Government policy. However, the Government has decided not to provide full funding for CSO, therefore the Corporation bears a portion of the cost of non-commercial services which results in lower profits. In electing not to fully fund the CSO, the Government accepts a lower rate of return on its investment in the Corporation. This lower return is reflected in the financial performance benchmarks agreed between the Shareholding Minister and the Board of the Corporation.

The CSO receipts included in the revenue projections for this statement are provided in the table below:

CSO	2006-07 (\$000)	2007-08 (\$000)	2008-09 (\$000)
Total CSO	55,638	56,927	58,250

CSO funding in relation to Tranche 4 came into effect on 1 April 2004 and represents the shortfall between cost-reflective tariffs and regulated maximum prices for medium-sized electricity customers that used between 0.75 and 2.0 gigawatt hours per annum when they became contestable.

### Capital Financing

Over the period of this statement the Corporation is expected to source the funding of its operations partly through a mix of cash from operating activities and debt.

### Expenditure Assumptions

A CPI increase of 2.7% has been applied to non-fuel expenses.

Fuel (gas) costs are based on contract rates and are determined by the volume of gas (or diesel) required to produce the electricity output needed to satisfy the forecast.

### Taxation Equivalent Payments

The Corporation pays income tax in accordance with the National Tax Equivalent Regime administered by the Australian Taxation office. The Corporation is subject to a notional tax rate of 30% and is expected to pay tax during the period of this statement and appropriate provisions and forecasts are included.

### Dividend Policy

Consistent with the Government's policy position the Corporation will pay dividends based on 50% of the Net Profit After Tax results.

## Non-Financial Key Performance Indicators

### Customer Service

Customer Satisfaction Index	80% of customers rate their overall satisfaction with Power and Water services as good or better
Connection to existing electricity supply properties in an urban centre	98% of customers connected within 24hrs
New subdivisions in major urban areas	98% of customers connected to an electricity supply within five working days of receipt and verification of certificate of compliance from the contractor
New subdivisions in major urban areas where minor extensions or augmentation is required	90% of customers connected to an electricity supply within 18 weeks
Average call response time	80% of calls to the Customer Service Call Centre answered within 20 seconds

### Supply Reliability

#### Electricity

	2004-05 Actual	2005-06 Target	2006-07 Target	2007-08 Target	2008-09 Target
<b>Networks Frequency Interruptions (SAIFI)</b> <i>Average number of times customer supply is interrupted per annum</i>					
Darwin	3.2	3.3	3.6	3.6	3.6
Katherine	9.0	4.7	7.0	7.0	7.0
Tennant Creek	1.2	3.4	3.4	3.4	3.4
Alice Springs	3.2	2.0	2.0	2.0	2.0
National Average 2.44					
<b>Network Duration Interruption (SAIDI)</b> <i>Average outage time in minutes each customer can expect to be off supply per annum</i>					
Darwin	215	157	177	177	177
Katherine	303	177	241	241	241
Tennant Creek	41	97	97	97	97
Alice Springs	123	80	80	80	80
National Average 263.13	123	80	80	80	80
<b>Network Customer Outage (CAIDI)</b> <i>Average duration in minutes each customer can expect to be off supply per outage</i>					
Darwin			49	49	49
Katherine		CAIDI targets not previously included	34	34	34
Tennant Creek			29	29	29
Alice Springs			40	40	40
National Average 108.64					

## Water and Sewerage

	2004-05 Actual	2005-06 Target	2006-07 Target	2007-08 Target	2008-09 Target
<b>Water Interruptions</b>					
<i>Average outage duration in hours</i>					
Darwin (unplanned)	0.90	2.00	1.50	1.50	1.50
Darwin (planned)	1.32	3.10	2.50	2.50	2.50
Alice Springs (unplanned)	1.81	2.00	2.00	2.00	2.00
Alice Springs (planned)	2.18	3.10	2.50	2.50	2.50
<b>Sewerage Interruptions</b>					
<i>Average outage duration in hours</i>					
Darwin (unplanned)	1.89	3.00	2.50	2.50	2.50
Alice Springs (unplanned)	1.53	3.00	2.50	2.50	2.50

The supply reliability targets for electricity, water and sewerage are based on normal operating conditions that do not include extraordinary situations and circumstances such as extreme weather or other major incidents that affect the delivery of services.

## Greenhouse Gas Emissions Targets

The Corporation is targeting the following emission levels for 2006-07:

Channel Island Power Station

672 kilograms of Co2 per MWh generated at 60% of Full Load

Ron Goodin Power Station

1051 kilograms of Co2 per MWh generated at 50% of Full Load

## Staff Indices

	2004-05 Actual	2005-06 Target	2006-07 Target	2007-08 Target	2008-09 Target
Lost Time Injuries	18	<6	11	8	6
Lost Time Injury Frequency Rate	13	<6	8	5	4
Staff Satisfaction Index <i>(rating satisfaction 5/10 or better)</i>	71.4%	82%	82%	82%	83%

The Corporation sets non-financial performance benchmarks based on the unique operating conditions throughout the Northern Territory and international practice in the electricity, water and sewerage industries. The targets, while ambitious, also reflect a balance between setting performance benchmarks that will see increasing performance improvement and the economics of delivering substantial improvements in service standards.

## Financial Key Performance Indicators

Power and Water –Consolidated

	2005-06 Forecast \$000s	2006-07 Target \$000s	2007-08 Projection \$000s	2008-09 Projection \$000s
Total Revenue	508,781	504,363	508,790	518,978
Total Operation & Maintenance Expenditure	396,303	378,943	381,758	408,814
EBITDA	112,478	127,920	127,032	110,164
EBIT	59,181	72,827	68,374	50,484
Net Profit after Tax (NPAT)	24,238	33,552	30,986	18,201
Dividend Provided for	11,994	16,763	15,189	8,551
Capital Investment	69,220	91,832	71,226	70,918
Profitability (excluding Remote/IES Revenue) (EBIT/Revenue)	13.2%	15.9%	14.9%	10.8%
Return on Equity (NPAT/Average Equity)	3.7%	5.0%	4.5%	2.6%
Debt to Equity (Debt/Average Equity)	50.4%	53.1%	52.1%	53.4%
Gearing (Debt/Debt+Equity)	33.3%	34.4%	34.0%	34.7%
Leverage (Total Liabilities/Net Assets)	66.5%	69.4%	67.5%	67.8%
Return on Total Assets (EBIT/Average Total Assets)	3.6%	4.3%	3.9%	2.9%
Interest Cover (# Times) (EBITDA/Interest Expense)	4.6	5.1	5.3	4.5