



PowerWater

PowerWater

PowerWater

2016-17

Statement of Corporate Intent

PowerWater

Our Values

Safety and environment

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

Accountability

Transparent and accountable for all our actions.

Commitment to service

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

Communication

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

Respect

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

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Introduction

Power and Water Corporation 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.

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

The SCI sets out our objectives, scope of business, strategies, approach to risk management, and performance targets over a four-year period commencing 1 July 2016.

In accordance with the *Government Owned Corporations Act 2001*, Power and Water Corporation 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.

Power and Water is on the path of major transformation in line with the Northern Territory Government's objectives of improving competition and efficiency. This transformation was initiated with the structural separation of Territory Generation and Jacana Energy from 1 July 2014. Our goal is to transform Power and Water into a best-practice multi-utility, keeping our customers at the centre of this transformation by providing services that are highly valued and meet both our customers' requirements and shareholder expectations.

Nature and scope of activities

Power and Water is responsible for providing electricity distribution, gas supply, water and sewerage services to customers across the Northern Territory, as well as electricity generation in five minor centres. Power and Water's not-for profit subsidiary Indigenous Essential Services Pty Ltd (IES Pty Ltd) provides power, water and sewerage services to 72 remote Indigenous communities and 66 outstations. Power and Water provides customer services to approximately 85,000 electricity and water customers.

The corporation is structured along five business lines supported by the Business Services group.

Power Networks

Power Networks is responsible for planning, building and maintaining reliable electricity networks to transmit electricity between electricity generators and electricity consumers in the Northern Territory. Electricity is distributed to an estimated 243,700 people across an area of 1.3 million square kilometres. Electricity network services are still subject to the regulatory regime of the 2014 Network Price Determination but since 1 July 2015, the responsible regulator of that regime transferred from the Utilities Commission to the Australian Energy Regulator. This change forms part of the Northern Territory electricity market reform agenda that involves the phased adoption of the National Electricity Rules by 1 July 2019.

Water Services

Water Services provides water supply and sewerage treatment services in the Northern Territory's five major centres. Water is also supplied in 13 minor centres and sewerage services in five minor centres. These services are provided under monopoly licences. Water Services also plan for the long-term security of water supply for the Northern Territory including delivering water demand management initiatives.

Remote Operations

Remote Operations is responsible for providing electricity, water and sewerage services to 72 geographically isolated and dispersed remote Indigenous communities and 66 outstations and generating electricity in five minor centres. These services are delivered through IES Pty Ltd, a wholly owned not-for-profit subsidiary of Power and Water, under an agreement with the Department of Local Government and Community Services. Power and Water uses an Essential Service Operator (ESO) delivery model to maximise opportunities for local and Indigenous employment and training.

System Control

System Control has a statutory role in monitoring and controlling the operation of the power systems in the Northern Territory and is responsible for overseeing the safe, secure and reliable operation of the regulated power systems. The System Control Licence, which is issued by the Utilities Commission, determines Power and Water's statutory obligations. Since 27 May 2015, System Control has been performing the trading and dispatch functions of the Interim Northern Territory Electricity Market and will continue to provide these functions along with other market operator functions upon commencement of the Northern Territory Electricity Market.

Gas Supply

Gas Supply is responsible for the management of long-term gas acquisition, sales and pipeline haulage contracts to ensure quality gas is delivered to electricity generators and other major gas customers in a timely manner. It is also focused on seeking new gas market opportunities and maximising the use of pipeline transmission capacity including the new Northern Gas Pipeline project.

Business Services

The Business Services group provides business support across the corporation encompassing customer services, people and culture, information technology, finance, communications, governance, risk and compliance services.

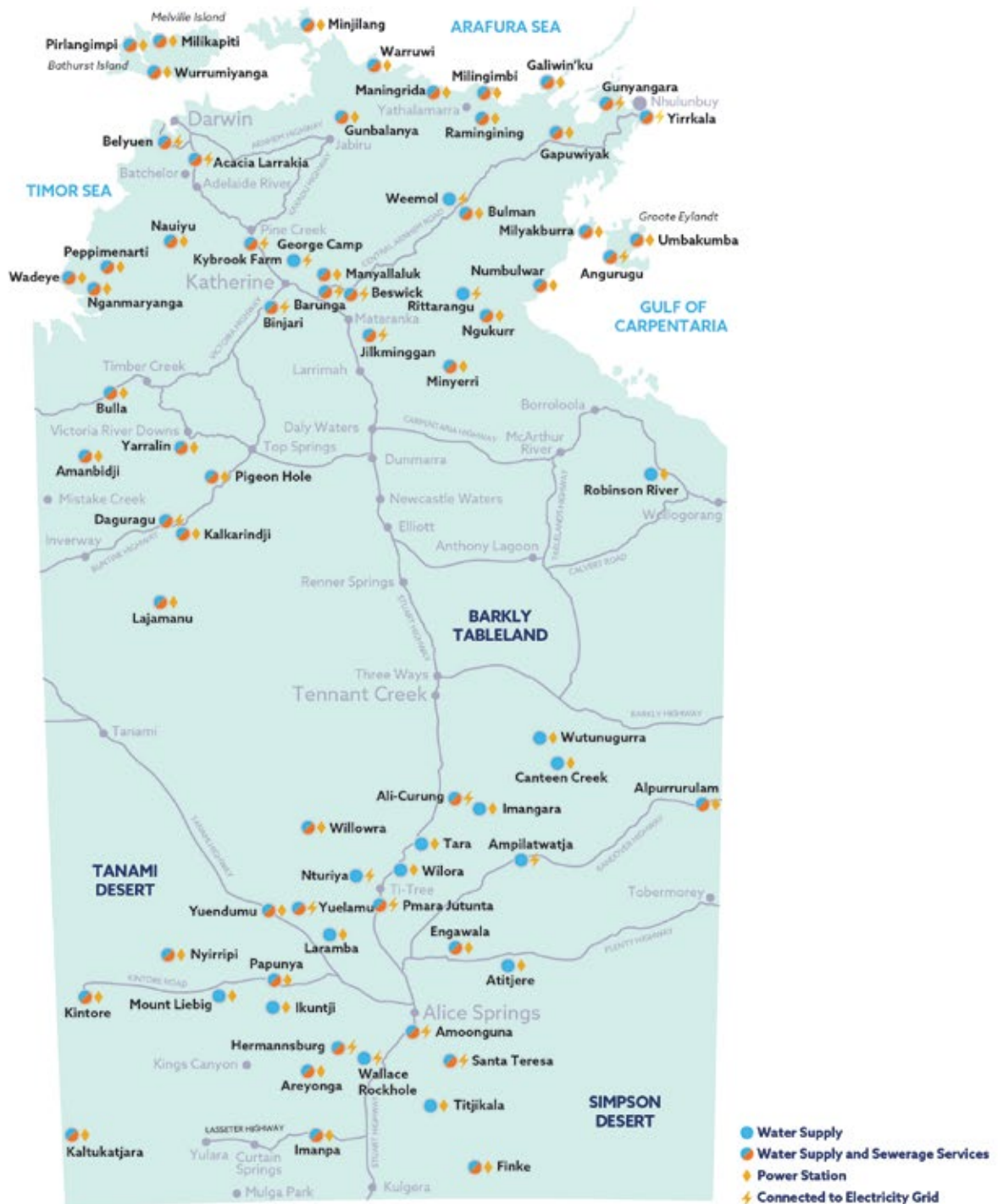


Where we operate

Power networks, water, sewerage and gas



Indigenous communities' power, water supply and sewerage services



Our strategy



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

Given the unique and challenging operating environment that we service, a new approach to our business model is required to ensure a vibrant and sustainable future. This is an exciting time as we carefully consider the best solution to maximise the synergies and benefits of being a multi-utility in a market that is vastly different to any other throughout the country.

Power and Water is on the path of major transformation to develop and implement the best operating model for the future. This path is in line with the Northern Territory Government's objectives of improving competition and efficiency as well as supporting growth in the Northern Territory economy, looking after its natural resources, and providing customers with safe, secure, reliable and value for money electricity, gas, water and sewerage services. This transformation was initiated with the structural separation of Territory Generation and Jacana Energy from 1 July 2014. Now that Jacana Energy and Territory Generation have established themselves as standalone entities requiring minimal support from Power and Water, we are refocusing our attention on our business.

This transformation of Power and Water will encompass all aspects of our business including our internal structure, and will put each line of our business on a more commercial footing. We are redefining our approach to our customers, stakeholders, safety, environment, commercial sustainability, asset management, internal service provision and most importantly our people.

Our goals

We will continue to deliver on our purpose of providing safe and reliable services to our customers, while maintaining a focus on commercial sustainability. Our strategic framework was reset in 2014-15 and has continued to evolve. In 2016-17 we have defined long term goals giving further clarity on our transformational journey encompassing safety, people, financial and operational performance, customers, stakeholders and the environment.

These long term goals are:

- **Safety** – achieve a proactive safety culture to achieve zero harm to our people, contractors and the public.
- **People** – a high performing, diverse workforce that has the capability to drive business effectiveness.
- **Financial performance** – achieve commercial sustainability whilst delivering value for money to our customers and shareholder.
- **Customer service** – to be a customer-centric business which understands our customer's needs and expectations, with the responsibility for providing a positive customer experience embedded in all parts of our business.
- **Stakeholder engagement** – lead the industry in engagement practice.
- **Operational performance** – to be a best-practice multi-utility that continuously improves the services we provide and asset management practices and leveraging synergies across our lines of business.
- **Environment** – to be a solid performer in environmental management.

A key focus for Power and Water is to support the Northern Territory Government to achieve its goals under the *Framing the Future* strategic plan where it relates to Power and Water, including working with the government to implement the Northern Territory Electricity Market Reform Program. On 1 July 2016, application of the relevant provisions of the National Energy Law and Rules will commence in the Northern Territory as part of the phased adoption of the full suite of regulation under the Australian Energy Regulator from 1 July 2019.

The 2016-17 SCI has been structured to reflect the business unit focus. We will continue to report on our performance against the key strategies and targets set out in the SCI.

Our key strategies and initiatives

Safety

Protecting the health and wellbeing of our people, contractors and the public is one of our fundamental values and underpins all our activities. Through active safety leadership and developing a strong proactive safety culture supported by full visibility of safety outcomes and effective safety management, we will continue to target zero harm to our employees, contractors and public. Our focus for 2016-17 is on consolidating safety performance and initiating the development of a proactive safety culture.

People

The achievement of our strategies and initiatives is underpinned by capable and engaged employees. During 2016-17, we will unlock the potential of our organisation, build capability and support our people through this transformation. We will be implementing a cultural change program to drive accountability, business effectiveness, collaboration and performance, as well as developing strong leadership and effective workforce planning.

In addition, we will:

- continue to build and promote regional and Indigenous capability and opportunities by developing our attraction, selection and retention initiatives under the Indigenous Employment and Career Development Strategy.
- continue to improve workforce planning including succession and talent management planning.
- identify opportunities for enhanced agility through continuous improvement of our employment framework.

Financial performance

We recognise the importance of being a financially strong organisation, providing value for money services to our customers and delivering consistent returns for the Northern Territory Government. Our financial strategy is aimed at achieving commercial sustainability in the longer term. In the shorter term, we will manage expenditure whilst maintaining safety and service reliability, maximise revenue opportunities and manage financial risks.

Our focus during 2016-17 is to improve financial performance through greater financial transparency along with a greater focus on commercial management, operational efficiencies and leveraging synergies in the utilisation of systems, processes and capability throughout Power and Water.

Operational performance

As a high-value asset-based organisation it is imperative that we implement and maintain effective strategic asset planning, delivery and management. Effective strategic asset management will ensure that we continue to supply reliable, safe, essential services across the Northern Territory in a prudent and efficient manner and meet our service standards. Our focus for 2016-17 is to consolidate our asset management practices and leverage improvement across the business units, and to develop our asset management strategy based on appropriately benchmarked standards to maintain reliable services and become a best practice multi-utility.

In addition, we will:

- drive continuous improvement in business efficiency through implementation of the Information and Communication Technology Strategy and improvement in the Quality Management System
- continue work on maximising internal operational efficiencies and synergies in the use of systems, processes and capability throughout Power and Water.

Customer service

We recognise that our customer landscape is changing in response to prices, climatic conditions, the introduction of new technologies and new value chain participants. These factors will shape our market in the future as customers move towards taking more control and look to manage their utilities services far more efficiently than they can today. It is essential that we become a customer-centric business, in which we understand our customer needs and expectations and where the responsibility for providing a positive customer experience and providing customer solutions is embedded in all parts of our business.

Our focus for 2016-17 is to engage with our customers to fully understand their needs and expectations, defining our position and services and aligning our systems and process to deliver on these. This will include Power and Water working in partnership with the Northern Territory Government and Indigenous Territorians to deliver economic and cultural success for customers living remotely.

Stakeholder engagement

As a provider of essential utility services throughout the Northern Territory, it is imperative that we have the trust and respect of all our stakeholders. Our focus for 2016-17 is to continue our proactive, professional and constructive engagement with our stakeholders, aligning and building respected business relationships and building stakeholder confidence in all that we do. Our longer-term goal is to lead the industry in engagement practice.

Environment

We are committed to mature into a solid performer in environmental management. In the shorter term, our focus is on continuing to build environmental awareness across Power and Water through education and embedding of the environmental management system, standardised tools and processes. Our longer-term goal is the development of a proactive environmental culture.

We are on a transformational journey to becoming a customer centric multi-utility that is highly valued and respected in the community. For 2016-17 we have defined the goals and strategies in the table below.

Key result area	2016-17 goals	Strategies
Safety	Consolidating safety performance	<ol style="list-style-type: none"> 1. Implement a safety culture model 2. Embed the safety management system for the safety of our workers, the general public and assets
People	Create a change ready workforce	<ol style="list-style-type: none"> 1. Build and retain a high performing, engaged and accountable workforce 2. Build and promote regional and Indigenous capability and opportunities
Financial performance	Achieve SCI KPIs	<ol style="list-style-type: none"> 1. Develop and implement the commercial sustainability plan including a plan for delivering consistent shareholder returns 2. Improve financial transparency, accountability and reporting 3. Achieve financial separation of the business units 4. Develop the gas business to increase profitability
Operational performance	Consolidating asset management	<ol style="list-style-type: none"> 1. Develop and implement an asset management strategy 2. Leverage synergies across business units 3. Support implementation of NT electricity market reforms 4. Transition Power Networks to the National Electricity Rules 5. Manage security, reliability and safety of water and power supply 6. Enhance capability in line with the Australian Drinking Water Guidelines 7. Drive continuous improvement in business efficiency through implementation of the Information and Communication Technology Strategy and improvement in the Quality Management System 8. Establish sustainable funding models for Indigenous Essential Services and Water and Sewerage services 9. Implement the new Protective Security Management and Emergency Management Frameworks
Customer service	Understand our customers and set service standards	<ol style="list-style-type: none"> 1. Develop and implement the Customer Experience Strategy
Stakeholder engagement	Establish strong relationships	<ol style="list-style-type: none"> 1. Develop and implement the Stakeholder Engagement Strategy
Environment	Environmentally conscious workforce	<ol style="list-style-type: none"> 1. Finalise and implement the Environmental Management Strategy

Our performance indicators

		2015-16 Budget	2015-16 YTD ¹	2016-17 Budget	2017-18 Target	2018-19 Target	2019-20 Target
Safety							
Lost time injuries (LTI)	No.	<3	3	<2	<1	0	0
Lost time injury frequency rate (LTIFR) ²	Rate	3	2.4	2	1	0	0
Combined injury frequency rate (CIFR) ³	Rate	3	13.9	4	3	0	0
People							
Employee engagement survey result ⁴	%	>70	70	>70	>70	>70	>70
Survey participation rate ⁵	%	>75	82	>75	>75	>75	>75
Staff turnover ⁶	%	<20	8.2	<20	<20	<20	<20
Indigenous employment ⁷	FTE	39	32	46	53	60	67
Financial performance							
Return on assets ⁸	%	2.7	1.7	3.7	3.8	2.8	5.0
Funds from operations to interest ⁹	Times	2.8	3.0	3.0	3.0	2.8	3.3
Debt to equity ratio ¹⁰ (new)	Times	0.9	0.8	1.3	1.3	1.3	1.3
Cash Coverage ¹¹ (new)	Weeks	0.6	0.2	2.9	4.6	4.2	4.0
Quick ratio ¹² (new)	Times	0.7	1.7	1.3	1.3	1.3	1.1
Operational performance							
Capital investment within SCI	%	+/-10	-10.2	+/-10	+/-10	+/-10	+/-10
Operating expenditure better than SCI	%	<SCI	-2.5	<SCI	<SCI	<SCI	<SCI
Water demand per household ¹³							
Darwin	kL	405	413	393	380	370	360
Alice Springs	kL	430	433	426	420	415	410
Water quality – <i>Escherichia coli</i> detection ¹⁴ (new)	No.			0	0	0	0
System average interruption duration index (SAIDI) ¹⁵							
CBD feeder	Min	18.8	0.8	18.8	18.8	18.8	¹⁴
Urban feeder	Min	136.1	129.0	136.1	136.1	136.1	¹⁴
Rural short feeder	Min	496.3	416.0	496.3	496.3	496.3	¹⁴
Rural long feeder	Min	2,164.9	649	2,164.9	2,164.9	2,164.9	¹⁴
System average interruption frequency index (SAIFI) ¹⁵							
CBD feeder	No.	0.4	0.1	0.4	0.4	0.4	¹⁴
Urban feeder	No.	2.5	1.7	2.5	2.5	2.5	¹⁴
Rural short feeder	No.	8.1	5.4	8.1	8.1	8.1	¹⁴
Rural long feeder	No.	35.1	5.9	35.1	35.1	35.1	¹⁴
Customer service and stakeholders							
Customer satisfaction index ¹⁶	%	80	June 2016	80	80	80	80
Environment							
Outstanding significant environmental compliance issues ¹⁷	No.	0	0	0	0	0	0

¹ YTD: Year to date to 31 December 2015 unless otherwise stated

² LTIFR: Total number of lost-time injuries divided by the total hours worked expressed by per million hours worked. Rolling 12 month average.

³ CIFR: Combined injuries (Lost Time Injury and Medical Treated Injury) / Total hours worked expressed by per million hours worked. Rolling 12 month ave.

⁴ Engagement: The level of favourable engagement for all staff based on the number of survey respondents. Measured annually.

⁵ Participation rate: Total number of people who participated in the survey out of the total possible participants

⁶ Turnover: Reflective of number of employees (permanent and fixed term) who have terminated during the period

⁷ Indigenous employment: Full time equivalent (FTE) employees identifying as Indigenous employees (permanent and fixed term, excluding contractors).

⁸ Return on assets: EBIT / Average total assets.

⁹ Funds from operations to interest times: EBITDA less gifted assets less tax paid / interest expense.

¹⁰ Debt to Equity ratio: (Term debt + current debt) / equity

¹¹ Cash Coverage: Average cash balance / ((operating expenditure + capital expenditure) / 52 weeks).

¹² Quick ratio: (Current assets – inventories) / current liabilities

¹³ Water demand per household: Rolling 12 month average.

¹⁴ Water quality: Number of samples in which *Escherichia coli* (E. coli) is detected to establish compliance with the Australian Drinking Water Guidelines' stated performance measure for monitoring for *E. coli* in supplied water. Assessed across five major and 15 minor urban centres over the financial year.

¹⁵ System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets approved by the Utilities Commission in the Standards of Service Code. Rolling 12 month average. Targets for 2019-20 are yet to be set by the AER.

¹⁶ Customer satisfaction index: Percentage of customers that rate their overall satisfaction with the Corporation's services as either good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population.

¹⁷ Outstanding significant environmental compliance issues: Number of outstanding significant environmental compliance issues without endorsed planning in place to rectify over time (endorsed by regulator).

Power Networks



Business overview

Power Networks is responsible for planning, building and maintaining safe, efficient, reliable and cost effective electricity networks to transmit electricity between electricity generators and electricity consumers in the Northern Territory, including the provision of metering services.

Electricity is distributed to an estimated 243,700 people across an area of 1.3 million square kilometres maintaining more than 5,700 km of overhead lines, 2,970 km of underground cable and 37,500 poles and towers.

Power Networks operates under a Network License issued by the Utilities Commission and is subject to the Utilities Commission's 2014 Network Price Determination, which sets Power Networks' maximum allowable revenue over the 2014-19 regulatory period. This revenue is based on the capital, operating and maintenance expenditure that the Utilities Commission determined was required for Power Networks to continue to provide a safe, secure and reliable supply of electricity.

Power Networks operates within the context of delivering the work programs that have been approved by the Utilities Commission and assessed as being prudent and efficient, while also recognising that priorities may shift over time. Power Networks efficiently manages its expenditure to ensure that it maintains the quality, reliability, safety and security of electricity supply and complies with all applicable regulatory obligations.

Under the Northern Territory Electricity Market reform program, the applicable provisions in the National Electricity Law and National Electricity Rules begin to apply from 1 July 2016 to the Darwin to Katherine, Tennant Creek and Alice Springs regulated electricity networks under the jurisdiction of the Australian Energy Regulator (AER) and Australian Energy Market Commission. Within the new regulatory environment, there are opportunities for Power Networks to develop its workforce capability and drive operational changes to deliver improvements providing greater visibility of its performance through the AER benchmarking process.

With the increasing penetration of renewable energy sources into the market, and with the shift towards customers taking greater control of their energy supply and usage, there is a growing challenge for Power Networks to manage the impact on the power systems stability and voltage management.

Key strategies and actions

Power Networks is contributing to the achievement of the corporation's goals with particular emphasis on:

- **preparation for the transition to the new regulatory energy framework** – including developing internal capability, stakeholder engagement and initiatives to support the new commercial and regulatory environment.
- **preparation for the next Network Price Determination** – for the regulatory control period 2019-24 for regulation by the AER including work on benchmarking Power Networks according to the AER approach and in the context of the operating environment.

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- **Development of our Asset Management Strategy** – to improve network security, reliability and capability and to leverage synergies across Power and Water, including delivery of programs such as the pole replacement program in Alice Springs to manage the impact of aggressive soils on steel power poles.
 - **Implementation of the Metering Services Strategy** – including a meter data management system solution to improve efficiency and cost effectiveness of the metering business and take advantage of smart metering technology to reduce operational costs and estimated meter reads.
 - **Investigating demand management opportunities** – to identify opportunities to defer capital investment and optimise asset utilisation.
 - **Developing capability to respond to ‘disruptive technologies’ and meet future customer requirements** – including actively engaging with customers and facilitating energy solutions such as smart meters, tariff and metering services reform and advanced energy management and power quality systems.

Capital investment program

The Power Networks business unit capital investment program is developed in accordance with the planning criteria for load growth and an objective need approach to asset replacement. In 2014, the Utilities Commission endorsed a program of capital investment in its 2014 Network Price Determination. This program has been accounted for in the 2016-17 SCI, including the risks and resource capability to deliver these projects on time and within budget. The capital investment program for Power Networks totals \$186.1 million over the four-year 2016-17 SCI period of which \$64.0 million is included in the 2016-17 budget.

Major projects include:

- rebuilding the 132kV Transmission Line at Elizabeth River Crossing section
- installation of Sadadeen 11kV Switchboard
- replacement of the Casuarina Zone Substation 66kV Outdoor Switchyard
- construction of a new 66kV transmission line from Archer Zone Substation to Palmerston Zone Substation.

Water Services



Business overview

The Water Services business unit is responsible for providing safe, efficient, reliable and cost effective water and sewerage services in the Northern Territory's five major centres of Darwin, Katherine, Tennant Creek, Alice Springs and Yulara. Water is also supplied in 13 minor urban centres and sewerage services in five minor urban centres.

Drinking water sources include surface water catchments and groundwater sources. Major urban centre water supplies are provided with limited treatment apart from Katherine and Yulara, and water is pumped through some 2,300 km of mains pipeline across the Northern Territory. Sewage is treated and is transferred through 1,175 km of pipework. These services are provided under monopoly licences.

Water Services also plans for the long-term security of water supply for the Northern Territory including implementing water demand management initiatives to defer investment in additional water assets.

Key strategies and actions

Water Services is contributing towards achieving Power and Water's goals with particular emphasis on:

- **Enhancing capability in line with the Australian Drinking Water Guidelines framework** – this aligns with our fundamental value of protecting the health and wellbeing of our staff, contractors and the public. The alignment of water quality management with the Australian Drinking Water Guidelines framework and extending our safety and focus to encompass the provision of safe and good quality drinking water is essential. The progressive implementation of an approved Water Quality Health Check plan to improve drinking water quality management is a key action for 2016-17.
- **Managing sustainability of water supply** – ensuring the security and adequate redundancy of our water sources across the Northern Territory in line with demand requirements. This will be delivered through the implementation of the Darwin Region Water Supply Strategy along with a continued focus on reducing water consumption through the *Living Water Smart Program*, which is aimed at deferring the need for investment in additional water source assets. The focus is also on ensuring adequate redundancy of water systems in Katherine, Tennant Creek, Alice Springs and Yulara.
- **Planning for future sewerage infrastructure** – ensuring the ongoing ability to treat and dispose of sewage. In addition to complying with the wastewater discharge licence conditions, a key focus for 2016-17 is the development of the Darwin Region Sewer Strategy along with appropriate strategic asset plans in other centres.
- **Deliver reliable water and sewerage services** – underpinning this is the deployment of the Power and Water's asset management capability program across the business and leveraging synergies. Further industry asset management benchmarking is planned for 2016-17 to focus on addressing performance gaps.
- **Establish an optimum funding model** – enable the funding of large scale investment such as Darwin's future water source development without impacting the commercial sustainability of the business. The focus for 2016-17 is on determining the viability of different funding models.

Capital investment program

The capital investment program for the Water Services business unit totals \$321.0 million over the four-year 2016-17 SCI period of which \$57.7 million is included in the 2016-17 budget.

Water

The proposed water capital program is focused on delivering increased water supply capacity and improvements to assets to increase water supply reliability. The capital program totals \$227.2 million over the four-year 2016-17 SCI period of which \$37.7 million is included in the 2016-17 budget. The capital program includes:

- **Water transmission (pumping, mains, storage)** – This program is focused on delivering increased supply capacity due to growth and asset condition improvement for increased reliability. Increasing demand from population and industrial growth in Darwin will require new investment and the augmentation of the water transmission infrastructure including pump stations (Darwin River Dam, Strauss, Berrimah, Palmerston booster pumps) and transmission mains (Manton Dam, water transmission program). Work on the Alice Springs water infrastructure and upgrading of critical water tanks in Darwin will deliver improvements in water transmission reliability.
- **Water distribution (mains, services, meters)** – This program will deliver extensions for growth and asset condition improvements to increase supply reliability. A number of major developments in Palmerston and Darwin, plus continuing infill and development, have increased water demand requiring various network upgrades to provide and maintain the level of service. A number of measures are being taken as part of the strategy for leakage and loss reduction in Alice Springs and Darwin. Improved reliability of the distribution system will result from water mains replacement program and various water reticulation improvements.

Sewerage

The proposed sewerage capital program is focused on delivering the required capacity improvements driven by increased demand and compliance requirements. The capital program totals \$93.8 million over the four year 2016-17 SCI period of which \$20.0 million is included in the 2016-17 budget. The capital program includes:

- **Sewerage collection and transport (mains and pumping)** – Projects to extend sewer mains in Palmerston east and Berrimah will deliver the capacity improvements required driven by increased demands. The significant outcomes from a reliability perspective will be asset condition improvements due to sewer re-lining, sewer reticulation upgrades and critical sewer pump station renewals.
- **Sewerage treatment (plants and ponds)** – This program will improve treatment plants and related infrastructure to enhance process efficiency and meet compliance requirements. Major augmentation works are proposed at the Leanyer/Sanderson wastewater treatment plant to ensure effluent discharge complies with waste discharge licence conditions. The pond de-sludging program will deliver sewerage treatment efficiencies. To meet waste discharge licence compliance requirements, the Larrakeyah outfall has been closed and in 2016-17 planning for the East Point outfall extension will continue.

Remote Operations



Business overview

Remote Operations is the operator responsible for providing safe, reliable and cost effective electricity, water and sewerage services to 72 geographically isolated and dispersed, remote Indigenous communities and 66 outstations across the Northern Territory. Remote Operations also owns and operates five power stations in the remote minor centres of Timber Creek, Daly Waters, Borroloola, Elliott and Ti-Tree.

Ninety percent of potable water is drawn from groundwater from some 250 production bores. Full water-borne sewerage disposal systems with waste stabilisation ponds are provided in 56 remote towns and communities with the remainder having individual on-site systems maintained by the community. Electricity is generated by isolated power stations using diesel, diesel-solar hybrid or gas energy sources or supplied from one of the major electricity networks.

These services are delivered through Indigenous Essential Services Pty Ltd (IES), a wholly owned not-for-profit subsidiary of Power and Water, under an Agreement with the Department of Local Government and Community Services (DLGCS). Remote Operations operates within the Strategic Policy and Funding Framework set by the Northern Territory Government through DLGCS.

The provision of essential services to communities that are geographically isolated and that encompass both tropical and arid environments is challenging. These communities require design service levels equal to similar-sized urban centres and rapid development in these regions requires a commitment to working with communities toward sustainable electricity and water use. The safe and effective delivery of these services also requires community knowledge and technical expertise along with appropriate funding.

Remote Operations has an effective Indigenous inclusive employment and contracting practise that effectively supports our customers, communities and businesses. In 2016-17 Remote Operations will continue to contract and train Essential Services Operators through local councils, Indigenous enterprises and private contractors to operate and maintain essential service infrastructure.

Key strategies and actions

Remote Operations is contributing to achieving Power and Water's goals with particular emphasis on:

- **Working with DLGCS to update the IES Pty Ltd funding agreement** – to achieve better alignment with an output-based structure and an improved approach to governance, funding management, reporting, strategic planning and design.
- **Ongoing implementation of the water source and quality strategy** – to deliver improved water quality in line with the Australian Drinking Water Guidelines and support water source sustainability, including implementation of water smart meters to enable demand management in water stressed communities.

- **Ongoing implementation of the energy strategy** – to maintain a cost efficient supply considering capital and operational expenses including:
 - electricity grid connections to replace ageing diesel power stations and displacement of diesel fuel with solar
 - upgrading old, discontinued electricity metering technology across all communities with new remotely read prepayment meters to ensure continuity of revenue recovery.
- **Ongoing implementation of the wastewater strategy** – to manage wastewater treatment to achieve health outcomes and comply with environmental regulation.

Capital investment program

The Remote Operations capital investment program is primarily funded through grants. The program is inclusive of current grant-funded items and works currently supported in concept for possible grant funding. The capital investment program totals \$158.2 million over the four-year 2016-17 SCI period of which \$73.6 million is included in the 2016-17 budget.

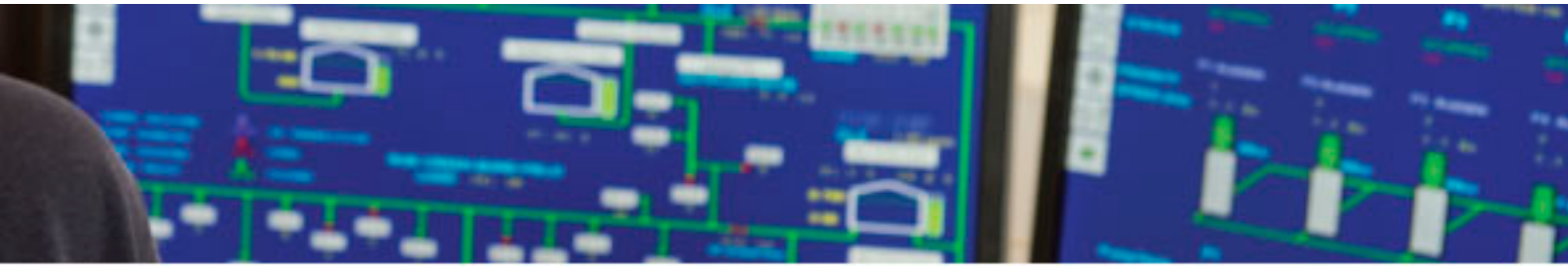
Three projects are expected to deliver reliability and environment benefits in conjunction with economic benefits through reduced energy costs and capital deferral:

- **The Solar SETuP program** – involves the large roll out of 10 MW of solar systems across 30 remote communities, with 94 million litres of diesel savings forecast over 25 years.
- **The grid connection initiative to Nganmariyanga (Palumpa) and Peppimenarti** – is proposed to use available gas capacity in lieu of diesel and mitigate the need to replace the ageing diesel plants.
- **The smart water metering program** – will facilitate a user pays model within water stressed elements of the remote water sector aimed at enhancing demand management and associated major capital deferral.

Other priority planned capital projects include:

- providing support to Northern Territory Government post-cyclone developments in Galiwinku
- supplying new or enhanced water sources to Robinson River, Yuendumu and Ngukurr
- addressing asset deterioration and improved environmental and health outcomes at Angurugu, Ali Curung, Wadeye and Numbulwar.

System Control



Business overview

System Control has a statutory role in monitoring and controlling the operation of the power systems in the Northern Territory and is responsible for overseeing the safe, secure and reliable operation of the regulated power systems. It is also responsible for the real-time operations, planning, contingency development, system risk, power system technical assessments, incident reviews, and operational and technical regulatory reporting. The System Control Licence, which is issued by the Utilities Commission, determines Power and Water's statutory obligations.

Since 27 May 2015, System Control has been performing the trading and dispatch functions of the Interim Northern Territory Electricity Market.

Key strategies and actions

System Control is contributing towards achieving Power and Water's goals with particular emphasis on:

- **Managing Alice Springs and Tennant Creek Regulatory Control Transfer** – scheduled to occur from 1 July 2016 with the need to manage technical and other challenges associated with this structural change.
- **Contributing to the introduction of the Northern Territory Electricity Market** – including developing and implementing appropriate processes, procedures, systems and contracts to support market commencement.
- **Ensuring the security and reliability of the power systems**, including the following:
 - **Implement an Outage Management System** – to improve quality and reliability of supply and timely information about interruptions to our customers.
 - **Frequency Load Shedding Schemes** – design and implement modern, system specific protection schemes, with required equipment upgrades undertaken by Power Networks, to ensure increased system security and reliability.
- **Build respected business relationships with customers and stakeholders** – this includes providing independent and transparent execution of regulatory functions and establishing an improved understanding of customer and stakeholder requirements.

Gas Supply



Business overview

The Gas Supply business unit is responsible for the management of long term gas supply and pipeline haulage arrangements to ensure quality gas is delivered to electricity generators and other major gas customers in a timely manner. Its main customer is currently Territory Generation. It is also responsible for ensuring that any Power and Water initiated modifications or augmentation to the existing pipeline transmission system are delivered in a timely and cost effective manner.

The Gas Supply unit is also focused on seeking new gas market opportunities and maximizing gas sales including the use of existing pipeline transmission capacity and new capacity such as the anticipated Northern Gas Pipeline project. The Gas Supply unit is responsible for providing expertise in securing gas resources to meet the future gas demand within the Northern Territory, and ensuring that the shareholder's interests are protected and maximum benefit is derived from the gas purchase, sales and transportation agreements.

The changing and developing energy (electricity and gas) markets in the Northern Territory and uncertain commodity prices creates challenges and opportunities for the purchase, transportation and sales of gas.

Key strategies and actions

The Gas Supply unit is contributing towards achieving Power and Water's goals with particular emphasis on:

- **Strategically developing our gas business to grow market share and improve profitability** by:
 - actively marketing and trading gas to existing and new customers both in local and external markets to maximise gas profitability
 - maximising opportunities associated with gas transportation infrastructure including the Northern Gas Pipeline
 - supporting development of new gas resources and infrastructure required for growth of the industrial and mineral extractive industries and for electricity generation by deploying expertise to assist in the delivery of value-for-money projects
 - supporting development of the Northern Territory Gas Market.
- **Engage effectively with customers and stakeholders** to build and maintain effective business relationships, deliver accurate and timely advice and to improve the delivery of gas services and infrastructure in line with customer expectations.
- **Position the Gas Supply unit for the future** by maintaining a highly effective skills base and structure to dynamically respond to risks and opportunities associated with a changing market factors including competition, expansion and demand for gas.

Capital investment program

The capital program for the Gas Supply business unit is focused on new gas infrastructure to support power generation competition within the Northern Territory and gas customer requirements. The capital investment program totals \$15.7 million over the four-year 2016-17 SCI period of which \$6.9 million is included in the 2016-17 budget. The capital investment program includes the following key projects:

- **Final commissioning of the Wickham Point INPEX Lateral** in line with INPEX project timing to enhance access to back-up gas.
- **Metering assets to interface with a possible new pipeline serving Newmont's operations.** An estimate has been included for Power and Water to design procure, construct and commission metering assets.
- **Upgrade to the Channel Island Bridge pipeline.**
- **Implementation of a Gas Data Management System** to enable real time gas monitoring, trending, reporting and billing in accordance with contract management requirements.

Business Services



Business overview

Business Services has multiple functions and provides services to our five lines of business, employees, customers and stakeholders, including:

- the Customer Service Centre, providing billing, call centre, credit management and commercial services, including some services provided on behalf of Jacana Energy
- stakeholder engagement and communications, ministerial liaison and client advocacy
- whole-of-business strategy development, strategic issues management and policy advisory services
- commercial and legal functions including company secretary, legal and property, regulatory compliance
- finance and economic services
- Information and Communication Technology (ICT) systems, safety and the environment services, employee services, security and emergency management, procurement and supply chain management, facilities management, risk and audit services and asset management development services.

Key strategies and actions

Business Services will support the transformation of the Power and Water operating model. By working with each line of business to increase its internal capability to deliver on Power and Water's goals, manage its business and through the alignment of systems, processes and people, we aim to gain synergies and economies of scale to help us achieve commercial sustainability.

In 2016-17 Business Services, in partnership with each line of business, will implement the following strategic initiatives to support Power and Water to achieve its goals:

- **Drive improvements in organisational culture, including a safety culture** by providing project management support for the implementation of the culture program.
- **Lead the development and implementation of the Commercial Sustainability Plan** including delivering financial systems and process changes to achieve financial separation and transparency of each line of business and finance capability improvement.
- **Provide expert advice and support to the Northern Territory Electricity Market Reform Program** including advice on legislative and regulatory changes to establish the wholesale electricity market.
- **Drive the development of our customer and stakeholder strategies** to improve the customer and stakeholder interaction experience.
- **Lead delivery of the Information and Communications Technology Strategy** to achieve business efficiency improvements.
- **Manage the implementation of Workforce Plans and the Indigenous Employment Strategy**
- **Drive development and implementation of the Asset Management Strategy** to achieve business-wide synergies and performance improvement.

-
- **Manage implementation of the Environment Strategy** and collaborate with each line of business to embed performance improvements.
 - **Drive improvement in organisational strategic planning** including our reporting framework and organisational capability.
 - **Implement the new Protective Security Management Framework and develop and implement the new Emergency Management Framework.**

Capital investment program

The capital investment program for Business Services is aimed at improving the quality and efficiency of our services. The capital program totals \$60.6 million over the four-year 2016-17 SCI period of which \$28.7 million is included in the 2016-17 budget.

Key projects include the following:

- **Phase II of the Asset Management Capability** program will continue with an increased focus on asset management strategy, process improvement and the development of a 'Blue-Print' design detailing the IT systems that support Power and Water's asset management capability. Implementation of the 'Blue-Print' design will commence in 2016-17 and when completed, will provide support to the business processes that align with the asset management strategies for each business.
- An upgrade to the **Retail Management System (RMS)** will support key Power and Water strategic initiatives in relation to customer engagement (self-service) as well as provide a more contemporary billing solution for the changing needs of Power and Water business units (Water Services, Power Networks and Remote Operations). The upgrade will also support the decoupling of the meter and meter data management function that resides in the current version of RMS and allow this function to be transitioned to the meter data management solution.

Financial projections

Financial summary

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

SUMMARY OF FINANCIAL RESULTS		2015-16 BUDGET	2015-16 FORECAST	2016-17 BUDGET	2017-18 PROJECTION	2018-19 PROJECTION	2019-20 PROJECTION
Net profit after tax	\$M	9.8	5.8	26.8	28.3	9.9	48.9
Earnings before interest and tax	\$M	70.8	65.2	97.2	103.3	77.8	140.3
Cashflow from operations	\$M	87.6	34.6	119.5	138.6	120.9	146.7
Capital investment	\$M	154.9	144.1	157.4	126.4	119.4	180.4
Return on Assets	%	2.7	2.6	3.7	3.8	2.8	5.0
Funds From Operations to Interest ratio	times	2.8	2.7	3.0	3.0	2.8	3.3
Debt to Equity ratio	times	0.9	1.2	1.3	1.3	1.3	1.3
Quick ratio	times	0.7	1.2	1.3	1.3	1.3	1.1
Operating Expenditure Cash Cover	weeks	0.8	1.7	4.0	5.9	5.2	5.5
Operating + Capital Expenditure Cash Cover	weeks	0.6	1.2	2.9	4.6	4.2	4.0

Net profit after tax (NPAT) for 2016-17 is budgeted at \$26.8 million, \$21.0 million more than the 2015-16 forecast. Revenue is budgeted to be \$631.0 million, which is \$41.8 million in excess of the 2015-16 forecast. Expenditure for 2016-17 is budgeted to be \$425.6 million, which is \$4.8 million more than the 2015-16 forecast. Depreciation is projected to be \$5.0 million more than the 2015-16 forecast, and interest expense \$0.7 million more than the 2015-16 forecast. The tax expense is estimated at \$10.2 more than the 2015-16 forecast.

Revenue

Total revenue, including community service obligations (CSO) funding, gifted assets and other revenue, in the 2016-17 SCI is projected to increase by \$144.7 million (24.6 percent) from \$589.2 million forecast in 2015-16 to \$733.9 million in 2019-20. The main reason for the expected increase relates to additional gas sales, which is projected to increase by \$120.6 million over the period. Sewerage revenue is also expected to increase by \$8.5 million over the period 2015-16 to 2019-20 driven by population growth.

REVENUE excluding CSO funding, gifted assets and other revenue	2015-16 BUDGET \$M	2015-16 FORECAST \$M	2016-17 BUDGET \$M	2017-18 PROJECTION \$M	2018-19 PROJECTION \$M	2019-20 PROJECTION \$M
Electricity Network	181.4	184.4	186.1	187.4	189.2	190.0
Systems Control	1.8	1.8	1.7	1.7	1.8	1.8
Water	109.9	121.9	112.6	114.5	118.0	121.8
Sewerage	68.6	70.5	72.0	74.3	76.6	79.0
Gas	161.0	156.2	182.7	205.5	245.4	276.8

Community service obligations (CSO)

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

COMMUNITY SERVICE OBLIGATIONS	2015-16 BUDGET \$M	2015-16 FORECAST \$M	2016-17 BUDGET \$M	2017-18 PROJECTION \$M	2018-19 PROJECTION \$M	2019-20 PROJECTION \$M
Uniform Tariff Concession	5.8	6.6	6.6	6.7	6.7	7.1
Pensioner and Carer Concession	8.3	7.6	7.9	8.2	8.5	8.5
Other	0.0	0.0	18.0	18.7	0.0	0.0

Expenses

EXPENSES	2015-16 BUDGET \$M	2015-16 FORECAST \$M	2016-17 BUDGET \$M	2017-18 PROJECTION \$M	2018-19 PROJECTION \$M	2019-20 PROJECTION \$M
Power Networks	104.1	103.7	99.9	93.5	90.3	90.1
System Control	10.0	12.2	12.5	11.7	11.4	11.7
Water Services	98.8	104.7	97.4	93.7	92.9	92.0
Gas	188.5	202.4	218.5	250.8	312.1	290.2

After eliminating the projected increase in energy costs of \$101.8 million, due to increased gas sales, operating expenses are projected to decrease by \$48.0 million over the period of the SCI. These decreases are as a result of Power and Water working to become more efficient and remove costs from the business.

The personnel budget assumes an annual base salary increase of 3.0 percent and provides for allowances, in accordance with the Enterprise Agreement. Superannuation is based on conditions of service at the commencement of an individual's employment, 5.5 percent payroll tax, leave loading and fringe benefits tax in line with the current arrangements. Annual controllable cost increases are contained at CPI on average.

Power Networks' operations and maintenance expenditure budget has been developed based on the Utilities Commission's (the Commission) 2014 Network Price Determination approved expenditure, including the Commission's unallocated efficiency adjustment which is built into the budget numbers. Further efficiencies are built into the budget, which result from a continuous improvement program.

Depreciation increases over the period from \$103.2 million to \$119.0 million due to increased investment in capital assets. It should be noted that the depreciation expense in 2016-17 is expected to change as a result of audit rectification work that will affect the opening value of fixed assets in 2016-17.

Interest expenses increase over the period from \$57.0 million to \$64.5 million. This is mainly attributable to an increase in net borrowings of \$150.2 million over the period. The increased borrowings are required to fund the capital works investment program.

Business services costs were allocated in line with the current allocation basis. This basis is under review, which could result in costs allocated to individual business units being different from the budget.

Power and Water is constantly working to ensure financial sustainability through:

- increasing total revenue from \$589.2 million in 2015-16 through to \$733.9 million in 2019-20, a 24.6 percent increase over the four year period
- actively managing and reducing operating expenditure to ensure that actual expenditure does not exceed projected expenditure
- investing in capital works expenditure at the required levels to maintain existing assets and to respond to growth. Capital investment varies year on year due to the magnitude and timing of capital projects across our business.

Repairs and maintenance

Repairs and maintenance expenditure over the period of the SCI totals \$249.8 million. This includes the on-going planned and preventative maintenance necessary to maintain, and where possible, improve service delivery and reliability.

The table below provides repairs and maintenance expenditure by business line. Reductions in Power Networks repairs and maintenance align with those set by the Final 2014 Network Price Determination along with additional efficiencies.

REPAIRS AND MAINTENANCE	2015-16	2015-16	2016-17	2017-18	2018-19	2019-20	4 Years
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION	SCI TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Power Networks	39.3	36.1	36.5	35.3	34.0	34.0	139.8
Water	12.5	13.1	12.8	13.0	13.2	13.7	52.7
Sewerage	10.2	9.6	10.0	10.0	10.2	10.4	40.7
Other	3.2	3.3	5.9	3.7	3.5	3.6	16.7
Total	65.2	62.1	65.2	62.0	60.9	61.7	249.8

Projections

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

Retail Electricity, Water and Sewerage tariff changes have been based on the Government approved tariffs until December 2016, with the remainder of the SCI period based on the forecast assumption of CPI increases. Retail Electricity, Water and Sewerage tariffs are charged to customers by retailers.

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

Power And Water Corporation currently provides the NT Government a dividend equal to 50 percent of our net profit after tax. However, it is noted that the Ministerial Direction in relation to Power Networks revenue, allowed for reduced dividends to offset the reduced revenue.

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. Sales figures reflect increased sales related to the recently announced Northern Gas Pipeline.

Capital investment summary

The capital investment program excluding Remote Operations totals \$583.5 million over the four-year SCI period of which \$157.4 million is included in the 2016-17 budget. Our investment in power network, water, sewerage and gas infrastructure and services over the SCI period will cater for demand growth, service reliability and business efficiency.

CAPITAL INVESTMENT							
TOTAL CAPITAL INVESTMENT PROGRAM	2015-16	2015-16	2016-17	2017-18	2018-19	2019-20	4 Years
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION	SCI TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Power Networks	58.9	67.3	64.0	40.1	38.5	43.5	186.1
Water	54.6	46.0	37.7	43.5	60.8	85.1	227.2
Sewerage	16.8	14.6	20.0	24.2	9.1	40.6	93.8
Gas Supply	3.4	5.0	6.9	7.3	1.5	-	15.7
Business Services	21.2	11.2	28.7	11.4	9.4	11.1	60.6
Total (excluding Remote Operations)	154.9	144.1	157.4	126.4	119.4	180.4	583.5
Remote Operations	34.3	33.4	73.6	46.4	19.2	19.1	158.2
Total including Remote Operations	189.2	177.5	231.0	172.8	138.5	199.4	741.7

Capital investment averages approximately \$145.9 million per annum over the four-year SCI period. This is funded by a mix of net cash provided by operating activities and new borrowings. Interest expense increases from \$57.0 million per annum to \$64.5 million per annum over the four year period. Effective fiscal management of the capital investment program underpins our overarching target to become commercially sustainable. Under the Capital Investment Delivery Framework, the planned projects are subject to business case review.

Assumptions

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

Electricity demand

Peak demand is one of the major drivers of Power Networks' capital investment program. The following table shows the 2016-17 peak demand forecasts for the Darwin-Katherine, Tennant Creek and Alice Springs networks. Peak demand growth rates are expected to ease over the SCI period.

Peak demand (MW)	Darwin-Katherine	Tennant Creek	Alice Springs
Forecast 2015-16 SWMD	312 MW	7.7 MW	55 MW
Forecast 2016-17 SWMD	319 MW	7.7 MW	55 MW
10 year forecast CAGR	1.8%	0.11%	-0.34%

SWMD – Standard Weather Maximum Demand

CAGR – Compound Annual Growth Rate

Water demand

The following table shows the 2016-17 demand forecasts.

Total consumption (ML)	Darwin	Katherine	Tennant Creek	Alice Springs
2015-16 Base	36,868	3,631	1,237	8,112
Growth	-1.14%	0.9%	1.0%	1.7%
2016-17	36,448	3,664	1,249	8,250

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

Demand management adjustments have been incorporated in the overall growth rate for Darwin based on Water Services' demand management targets under the 'Living Water Smart' program in Darwin. After an initial decline in total growth reflecting an expected return to average wet season following recent poor wet seasons, demand for water in Darwin is expected to increase marginally in future years as demand management initiatives continue to take effect. Demand in Alice Springs shows a negligible growth dependent on natural growth for the region. There have not been any one-off growth events identified that may impact demand.

Electricity, water and sewerage in remote communities

Demand growth forecasts for remote Indigenous communities serviced by IES Pty Ltd 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. The IES electricity retail sales forecast is based on 2014-15 electricity consumption (kWh). IES growth rates have been determined in conjunction with the Remote Operations business unit. Usage growth rates have been conservatively set at 0% growth for electricity and 0.5% for water and sewerage based on advice from Remote Operations that most of the significant projects (such as housing projects) have been completed and therefore population and consumption levels will stabilise. Forecast growth rates for electricity, water and sewerage services consumption for IES in 2016-2017 is shown below.

Description	2016-17 budget	Average growth over SCI period (2017 to 2020)
Electricity - kWh	0.0%	0.0%
Water - kL	0.5%	0.5%
Sewerage	0.5%	0.5%

Fuel supplies

The financial projections in this SCI assume that the Blacktip Gas Field will continue to provide gas supply for electricity generation in the major centres in the NT. The Blacktip field is backed up by emergency supply contracts with Darwin LNG and Inpex (from 3rd quarter 2017) via the Wickham Point Interconnect Pipeline and the recently completed Inpex Lateral respectively. A third source of back-up gas will become available from the Northern Gas Pipeline once this project is delivered in early 2018.

Other financial assumptions

New loans are assumed to be interest only at 4.5 percent for 2016-17 and 5.0 percent for the remainder of the SCI period. Interest revenue rates for cash at bank are assumed to be 2.5 percent for the SCI period. This SCI assumes that we will be largely unaffected by fluctuations in AUD/USD exchange rates due to relatively low exposure to expenditure in USD. The dividend policy is based on 50 percent of Net Profit After Tax.

A number of the projections are based on balances as at 30 June 2015. As at the time of publication of the 2016-17 Statement of Corporate Intent, the 2014-15 Financial Statements and therefore the 30 June 2015 balances, had not received an audit opinion.

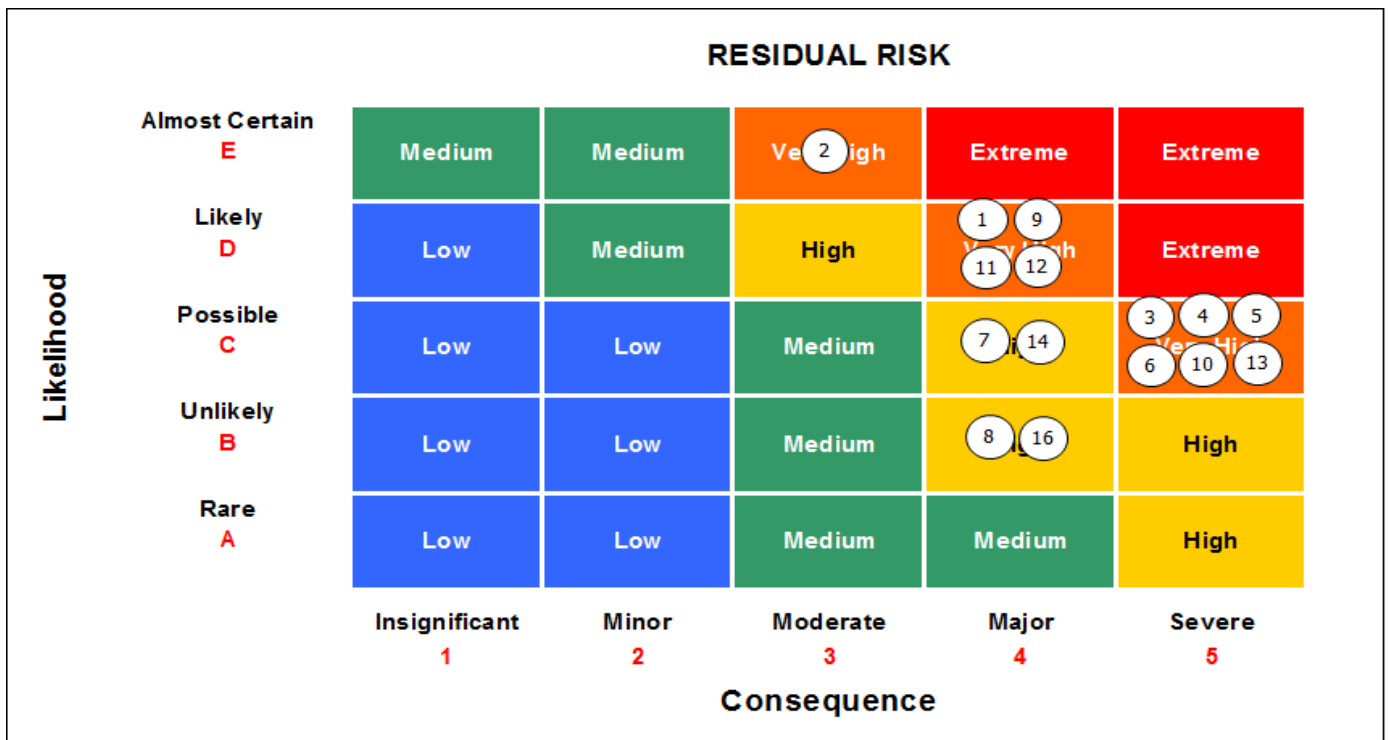
Risks

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

Corporate Risk Register

Our integrated Risk Management Framework aims to identify and manage these risks. The 16 corporate risk categories each contain a number of individual risks that when combined give each category its overall risk rating. The individual risks representing strategic, operational and project risks, are identified, monitored and reviewed in accordance with the Australian/New Zealand Risk Management Standard ISO 31000:2009.

Our Risk Management Framework identifies current major risks and assigns mitigating actions to reduce the exposure and to achieve acceptable risk levels. A number of corporate risk rankings have been moderated as a result of both internal and external influences, and shifts in the process or risk context and exposure. A summary of the resultant corporate risk rankings are portrayed in the residual risk heat map below.



Risk ID	Risk description	Key risk mitigations
1	Crisis management	Established Crisis Management Plans and Committees
2	Public safety	Safety Management and Mitigation Plan
3	Staff and contractor health and safety	Safety Management System
4	Environmental management	Environmental Management System
5	Water quality/waste management	Drinking Water Quality Management System Recycled Water Management System Waste Discharge Licence program
6	Fuel supply management	Fuel Contracts for long term fuel supply agreements, backup fuel supply
7	Legal and regulatory compliance	Compliance Strategy and Programs
8	Information technology, SCADA and communications	ICT Strategy
9	Project and contract management	Project Management Framework
10	Terrorism, security and vandalism	Security Management Function, barriers at high risk sites

Risk ID	Risk description	Key risk mitigations
11	Capacity and capability	Workforce planning framework and training plans
12	Supply of core services	Asset management framework
13	Financial management	Financial processes and controls
14	Corporate image and reputation	Public relations and brand strategies
15	Competition	Under development into a new risk category post structural separation
16	Stakeholders	Stakeholder engagement strategy

Category 15 is under development post structural separation and is not included in the heat map.

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

- structural separation
- financial risk and sustainability
- water quality
- remote service delivery
- safety
- legal compliance issues
- gas contracts.

Glossary

ADWG	Australian Drinking Water Guidelines
AER	Australian Energy Regulator
CPI	Consumer Price Index
DLGCS	Department of Local Government and Community Services
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ESO	Essential Service Operator
FFO	Free Funds from Operations
FTE	Full Time Employee
GOC Act	Government Owned Corporations Act
IES	Indigenous Essential Services Pty Ltd
kL	Kilolitre
KPI	Key Performance Indicator
kV	Kilovolt, 1,000 volts
kWh	Kilowatt hour
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
M	Million
ML	Megalitre
MW	Megawatt
MWh	Megawatt-hour
NEGI	North East Gas Interconnector pipeline
NER	National Electricity Rules
NPAT	Net Profit After Tax
NT	Northern Territory
NTEM	Northern Territory Electricity Market
PWC	Power and Water Corporation
ROA	Return on Assets
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
UC	Utilities Commission
WWTP	Wastewater Treatment Plant



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