

POWER AND WATER CORPORATION

# 2010-11 statement of corporate intent





# Contents

<b>GLOSSARY</b> .....	<b>4</b>
<b>1 INTRODUCTION</b> .....	<b>6</b>
Strategic direction.....	6
Scope and nature of activities.....	7
<b>2 STRATEGIES</b> .....	<b>8</b>
Financial sustainability.....	8
In good operational and asset health.....	8
Organisationally capable.....	9
Environmentally sustainable.....	10
Trusted.....	10
Indigenous Essential Services.....	10
<b>3 MAJOR ASSUMPTIONS</b> .....	<b>12</b>
Demand forecasts.....	12
Revenue projections.....	13
Operating costs.....	14
Fuel supplies.....	15
Repairs and maintenance expenditure.....	15
Renewable Energy Target scheme.....	15
Dividend moratorium.....	15
Other financial assumptions.....	15
<b>4 FINANCIAL PROJECTIONS</b> .....	<b>16</b>
<b>5 TARGETS</b> .....	<b>17</b>
Tracking and reporting progress.....	17
Strategic management framework.....	17
Key performance indicators.....	18
<b>6 RISKS</b> .....	<b>22</b>
Sustainable financial position.....	22
Capital investment program delivery.....	22
Environmental considerations.....	22
Regulatory environment changes.....	22
Corporate risk register.....	23
<b>7 CAPITAL EXPENDITURE</b> .....	<b>24</b>
Generation.....	24
Power Networks.....	25
Water Services.....	25
Other major investment.....	26
<b>APPENDIX: Comparison of Australian utility tariffs</b> .....	<b>27</b>



## Glossary

ABDP	Amadeus Basin to Darwin Pipeline
ABS	Australian Bureau of Statistics
AMC	Asset Management Capability project
BGP	Bonaparte Gas Pipeline, being constructed between the Eni's gas plant at Wadeye and the ABDP near Adelaide River
BPS	Berrimah Power Station
CBD	Central Business District
CO <sub>2</sub> -e	Measurement of total greenhouse gas emissions expressed as carbon dioxide equivalent
COAG	Council of Australian Governments
CIPS	Channel Island Power Station
CPI	Consumer Price Index
CPRS	Carbon Pollution Reduction Scheme
CSO	Community Service Obligation
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
Eni	Eni Australia BV, a subsidiary of Eni S.P.A., an international energy company
ESAA	Energy Supply Association of Australia
FFO	Free Funds from Operations
FRC	Full Retail Contestability (Competition)
GOC Act	<i>Government Owned Corporations Act</i>
GWh	A Gigawatt-hour, the electrical energy resulting from a steady Gigawatt use or production over one hour
IES	Indigenous Essential Services Pty Ltd
ICT	Information and communication technology
kL	Kilolitre
KPI	Key Performance Indicator
KPS	Katherine Power Station
KRA	Key Result Area
kV	Kilovolt, 1,000 volts
KWh	Kilowatt hour
LNG	Liquefied Natural Gas
LTI	Lost time injury
M	Million
ML	Megalitre, 1,000,000 litres
MW	Megawatt, 1,000,000 watts
MWh	A megawatt-hour, the electrical energy resulting from a steady megawatt use or production over one hour
MVA	Megavolt Ampere
n-2 criterion	A deterministic planning or operational standard. A system of n components can provide appropriate quality service following the two most onerous credible contingencies
n-3 criterion	A deterministic planning or operational standard. A system of n components can provide appropriate quality service following the three most onerous credible contingencies

NPAT	Net Profit After Tax
NRETAS	Department of Natural Resources, Environment, The Arts and Sport
NT	Northern Territory
NTG	Northern Territory Government
Power and Water	Power and Water Corporation
R&M	Repairs and Maintenance
RAMP	Remedial Asset Management Program
REC	Renewable Energy Certificate, established under the <i>Renewable Energy (Electricity) Act</i>
RET	Renewable Energy Targets, established under the <i>Renewable Energy (Electricity) Act</i>
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
SIHIP	Strategic Indigenous Housing and Infrastructure Program
T1	Tranche 1 electricity customer – those who consume more than 4 GWh per annum
T2	Tranche 2 electricity customer – those who consume more than 3 GWh per annum
T2030	Territory 2030 Strategy
T3	Tranche 3 electricity customer – those who consume more than 2 GWh per annum
T4	Tranche 4 electricity customer – those who consume more than 750 MWh per annum
T5	Tranche 5 electricity customer – those who consume more than 160 MWh per annum
T6	Tranche 6 electricity customer – those who consume less than 160 MWh per annum
Titan	Solar Titan 130 gas turbine, an example of which is currently located at Ron Goodin Power Station
Utilities Commission	The Utilities Commission of the Northern Territory established by Part 2 of the <i>Utilities Commission Act</i>
WSAAfacts	WSAAfacts is the Water Services Association of Australia's yearbook presenting data on the performance of the water industry

# 1

## Introduction

The 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 Corporation's Act 2001* (GOC Act).

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

This SCI provides information for the three financial years starting 1 July 2010, including Power and

Water's strategies, risks, investment plans and performance targets. The Shareholding Minister is invited to approve the budget for the financial year to which the SCI relates and note the financial projections for the following two years.

Ernst and Young provided independent limited assurance on the assumptions and financial projections in this SCI.

### Strategic direction

In accordance with the GOC Act, Power and Water's objectives are to:

- Operate at least as efficiently as any comparable business; and

- Maximise the sustainable return to the Territory on its investment in the Corporation.

In 2009, as a result of staff feedback and consultation, the Board and Executive Management Team formulated its 'Framework for Success', as illustrated below, to guide Power and Water's strategic direction. The Framework for Success sets a clear Vision for the Corporation, defines a Purpose to drive the Corporation's endeavours, and identifies the Values that guide the behaviour of employees through their actions and decisions. The framework also outlines the five strategies to achieve our Vision.

### Framework for success

**OUR VISION** We aspire to be a leading utility business valued and respected in the community

#### OUR PURPOSE

We will focus on meeting the power, water and sewerage needs of our customers, whilst acknowledging the expectations of our shareholders

#### OUR STRATEGIES

Trusted

Environmentally sustainable

Organisationally capable

In good operation and asset health

Financially sustainable

#### OUR VALUES

##### Safety

Protecting the health and well-being of ourselves, contractors and the general public to achieve zero harm

##### Integrity

Engendering trust through open, honest and ethical behaviours

##### Communication

Engaging in an open positive and constructive way to obtain better individual and business outcomes

##### Teamwork

Working together for a common purpose, achieving our goals in a supportive, respectful and enthusiastic manner

##### Commitment

Leading by example, continually improving, accountable for our actions, and carrying them out with passion and purpose

## Scope and nature of activities

Power and Water provides power, water and sewerage services to customers throughout the Northern Territory. These services are either regulated or open to competition, as follows:

- Electricity Network services are regulated by the Utilities Commission;
- Electricity Generation services are open to competition;
- Water and Sewerage services are provided under monopoly licences;
- Retail electricity services are contestable and open to competition. Medium to large

businesses can negotiate an electricity supply contract. Small to medium businesses and residential customers are protected by their current tariff arrangements for a two-year grace period after the introduction of full retail contestability on 1 April 2010.

Power and Water purchases gas supplies for electricity generation through its wholly owned subsidiary, Gasgo Pty Ltd. Power and Water holds a 2.5 per cent interest in NT Gas Pty Ltd, the lessee / operator of the Amadeus Basin to Darwin gas pipeline (ABDP), and 2.5 per cent of the units in the Amadeus Gas Trust, through its wholly owned subsidiary, Darnor Pty Ltd.

Another subsidiary company, BGP Tenure Holdings Pty Ltd, was established in early 2008 to hold the Corporation's land tenure interests in the Bonaparte Gas Pipeline project. This company is jointly owned with APT Bonaparte Pty Ltd.

Power and Water provides electricity, water and sewerage services to 72 communities and 82 outstations throughout the Northern Territory through the wholly owned, not for profit subsidiary company, Indigenous Essential Services Pty Ltd (IES). IES has an agreement with the Northern Territory Government, through the Department of Housing, Local Government and Regional Services for the reliable and equitable delivery of essential services to these communities.

## 2

# Strategies

Power and Water's key strategies have been developed to meet the challenges facing the Corporation and achieve our Vision. The business and operational plans for each business unit are designed to execute these strategies to improve the responsiveness, reliability and efficiency of the services delivered.

## Power and Water strategies and key objectives

### Financial sustainability

- Achieve financially sustainable returns through a combination of cost reflective tariffs, Community Service Obligation (CSO) funding and other revenues
- Enhance management of capital and operating expenditure through better cost control and gains in efficiency whilst delivering business agility

### In good operational and asset health

- Fully implement and leverage the Asset Management Capability Program
- Drive improved asset performance, balancing both commercial and stakeholder perspectives

### Organisationally capable

- Have a safe workplace
- Develop a skilled, capable and competent workforce
- Develop an achievement oriented organisational culture

### Environmentally sustainable

- Meet our environmental and sustainability obligations in a commercially responsible fashion
- Establish an effective response to climate change

### Trusted

- Effectively engage with key interest groups, Government, statutory bodies, customers and the wider community through sound policies and open, consultative relationships that result in a positive image of Power and Water as a responsible and reliable organisation
- Achieve high level of customer and employee satisfaction

In 2010-11, Power and Water will undertake the following initiatives towards achieving these key objectives:

### Financial sustainability

Despite the tariff increase announced in April 2009, the Corporation's financial sustainability remains challenging. The substantial increase in capital investment is essential to accommodate demand growth and to refurbish or replace ageing generation and network assets.

To meet the growth in demand, key capital asset development and refurbishment projects have been brought forward. This has driven the need for additional borrowings, as the net cash from operations is not sufficient to fund the capital investment required. The increased capital investment will be funded by a mix of borrowings and debt to equity swaps with the NT Government over the SCI period.

Financial sustainability means that revenue would:

- Cover the costs for the electricity, water and sewerage services;
- Enable appropriate asset investment and maintenance; and
- Cover the repayments of borrowings and interest.

In the longer-term, aligning revenue with costs is essential for Power and Water to be consistent with the Government Owned Corporations Act and to operate like any comparable business. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective tariffs and increased Community Service Obligation (CSO) payments, effective revenue and cost management, together with prudent and efficient investments in capital works and maintenance programs.

The Corporation also continues to improve the planning, management and control of its capital, operating and maintenance programs. These improvements focus on the quality and control of project estimates, budgets and actual costs, project milestones, and effective management of key risks.

The Corporation has welcomed the expanded role of the Utilities Commission including reviews of the capital investment program, prices, customer standards and system reliability. The Corporation will benefit from a regulatory regime that sets and administers customer standards of services, monitors prices and makes recommendations on regulated retail tariffs and CSO payments.

While the Corporation is taking steps to improve its financial sustainability, it remains exposed to considerable downside risks as discussed in chapter 6.

### In good operational and asset health

The 2008 Mervyn Davies Inquiry into the Casuarina Zone Substation incident and into Power and Water's substation maintenance practices recommended in summary:



- A move to a more 'condition-based' approach to substation maintenance;
- A significant human resources development program;
- A condition assessment and remedial program for all zone and distribution substation equipment; and
- Replacement of the Casuarina Zone Substation switchboard.

Power and Water continues to fully implement the Inquiry's recommendations through the Remedial Asset Management Program (RAMP) and the Long Term Action Plan. The identified remedial program requires substantial additional capital investment to that identified in previous SCIs.

Power and Water also developed a Generation Investment Strategy in response to strong demand for electricity in the Darwin-Katherine system and increasing recognition of the need for major refurbishment and life extension work on the 25-year old Channel Island Power Station (CIPS). This strategy advances the acquisition and installation of generating units to provide security of supply while a 4 year life extension program is completed on CIPS units one to six.

The Asset Management Capability (AMC) project continues to develop and roll out improvements to the Corporation's asset management systems, processes and practices. Key activities in the coming year include refining the Corporate asset management strategy and policy, establishing consistent asset management roles and structures across the Corporation, cleansing and converting available asset information, and roll-out, including training of new processes and supporting Asset Management and Geographic Information Systems.

Initially, improved asset performance depends on the delivery of the capital and maintenance programs outlined in this SCI. In the medium-term, the solution and tools provided by the AMC project will provide the Corporation with a more detailed understanding of asset condition, criticality and capability. This knowledge supports development of improved asset management strategies and detailed plans to achieve service level, reliability and supply security targets.

### Organisationally capable

The initial focus on safe work practices and culture has improved Power and Water's safety record and provides a solid foundation as the Corporation begins to focus on improved asset management practices to improve the security and reliability of service delivery. This increased focus on supply security and reliability has resulted in increased staff resources necessary to deliver the expanded R&M and capital investment programs. As this SCI progresses, the focus will shift to building the Corporation's leadership and workforce capabilities to deliver a more achievement oriented culture.

The Corporation continues to improve its workplace safety as shown by the reduction in Lost Time Injuries (LTI). In 2006-07, the Corporation recorded 23 LTIs. In the following year, this was dramatically reduced to 13, and in 2008-09 this was reduced further to 9. The Corporation's target for 2009-10 is 6 LTIs. Power and Water remains committed to its pursuit of its goal of zero harm.

The Human Resources Strategy 2008-13 identified an approach and initiatives to develop the Corporation's workforce to meet the future workplace and business

demands. Subsequent events, including the Mervyn Davies Inquiry and an Organisation Culture survey, further reinforced the need to enhance leadership and management capability.

To address these recommendations, the Corporation developed a Culture and Leadership Plan to:

- Define an agreed vision across the Corporation;
- Identify shared values and behaviours that underpin the preferred organisational culture;
- Build an understanding of workforce demographics, skills and capacities;
- Design and implement skill development frameworks to ensure applicable skills for the future;
- Implement strategies and approaches to develop and reinforce the preferred values and behaviours in the organisational culture;
- Develop leadership and management capabilities at all levels of the organisation through a structured program;
- Improve human resource and safety capabilities and knowledge at all levels in the organisation; and
- Ensure employee engagement through effective communication processes and activities.

These substantial activities are the initial steps in a process that will contribute towards a significant shift in organisational culture. Leadership development and culture change of this nature will take time to emerge, generally 3 to 5 years.



## Environmentally sustainable

The release of the Territory 2030 Strategy and Climate Change Policy by the Northern Territory Government in late 2009 provides the foundation for the Corporation to frame its strategy for environmentally sustainability.

The development of a Climate Change Strategy during 2010-11 will consolidate current initiatives, such as the Indigenous Energy Source Strategy, Sustainable Energy Strategy and the Corporate Environment Plan. Crucially, this strategy will assess the potential operational and financial impacts of the various sustainability and climate change initiatives.

The Corporation will investigate a range of scenarios and remediation measures, including:

- Reducing the level of greenhouse gas emissions through higher efficiency power generation;
- Enhancing water sustainability through moderation of water demand and an appropriate use of recycled water;
- Deploying alternative energy sources, particularly to displace diesel as a primary fuel for power generation in remote communities; and
- Assessing the means to reduce the Corporation's own ecological footprint.

As a member of the Northern Territory Government's Green Energy Taskforce, Power and Water supports the development of renewable and low emission energy and products in the Territory to achieve a renewable energy target of around 300 GWh per annum by 2020.

## Trusted

Power and Water continues to build customer confidence by delivering the Mervyn Davies Inquiry's recommendations, fixing the supply and reliability problems and by keeping the public informed about progress by communicating openly and transparently with customers, the community and Government.

During this SCI period, Power and Water will further refine its communications strategy to improve communications through the use of modern media techniques, particularly the use of on-line methods to provide more timely and relevant information on the Corporation's activities to its customers and various stakeholders.

The communications strategy will cover existing targeted community sponsorship and business partnerships, build on previous energy and water efficiency campaigns to influence community behaviour and increase customer understanding of the Corporation's services and capabilities.

## Indigenous Essential Services

Over the SCI period, Indigenous Essential Services Pty Ltd (IES) faces key challenges from the Strategic Indigenous Housing and Infrastructure Program (SIHIP) and Water for Healthy Communities.

## SIHIP

Over the last 12 months, a range of Council of Australian Governments (COAG) National Partnerships Agreements (NPA) have been negotiated with the Commonwealth Government which have direct

impact on the delivery of services to remote locations in the Northern Territory. Additionally, the Northern Territory Government has agreed through COAG to adopt the national principles for Investment in Remote Locations. These principles include statements that remote Indigenous communities are entitled to standards of service and infrastructure broadly comparable with those in non-Indigenous communities of similar size, location and need elsewhere in Australia.

The NPA on Remote Service Delivery specifically targets 15 of the 20 Territory Growth Towns, as does the National Partnership Agreement on Remote Indigenous Housing. These 15 towns will receive significant housing and related infrastructure works to be delivered through the SIHIP. The 20 Territory Growth Towns, targeting investment in building infrastructure including water, sewerage, and electricity are Maningrida, Gunbalanya, Gapuwiyak, Ramingining, Wadeye, Milingimbi, Yuendumu, Hermannsburg, Borroloola, Ngukurr, Yirrkala, Papunya, Galiwin'ku, Numbulwar, Lajamanu, Elliott, Nguiu, Angurugu/Umbakumba, Daguragu/Kalkarindji, and Ali Curung.

SIHIP capital works are now underway in seven of the nominated growth towns: Nguiu; Angurugu; Wadeye; Maningrida; Gunbalanya; and Galiwin'ku. Capital works activity for the remaining communities is expected to commence within the next 12 months.

## Water for Healthy Communities

Under the Northern Territory Climate Change policy, Power and Water has committed to the development of Community Water Plans for Territory Growth Towns and remote communities to ensure the sustainable management of water supplies. This includes risk assessment of water supply sustainability and water quality, and the publication of Annual Drinking Water Quality and Sustainable Water

Management Reports detailing progress against these initiatives.

In 2009 a Sustainable Water Management Strategy was established for remote communities to improve the reliability and responsible use of water resources across Indigenous communities. The Strategy is delivered through risk-based Community Water Plans that address both water quality and quantity issues to meet future domestic and development needs for water.

IES is developing a Wastewater Management Strategy to provide direction and action plans for the management of these systems. The strategy will include an assessment of the current wastewater systems to prioritise the implementation, operational management, water quality monitoring programs, infrastructure investment and compliance and regulatory requirements.

# 3

## Major assumptions

This chapter describes the most significant assumptions used to prepare the financial projections included with this SCI.

### Demand forecasts

#### Electricity demand

Underlying electricity demand growth is based on historical trends for organic growth as well as projected demand from major customers, analysis of new building developments, and medium term weather patterns. The following table shows the 2010-11 electricity demand forecasts for the Northern Territory for total energy consumption and the Darwin-Katherine region for peak demand.

Organic demand growth in future years is estimated at 2.23 per cent per annum for energy consumption and 2.5 per cent for peak demand in the Darwin-Katherine and Alice Springs regions. This compares to

1.77 per cent for energy and 2.5 per cent for peak demand reported in the previous SCI. A relatively high growth in energy demand has been experienced in recent years and the increased energy consumption projection is consistent with this. Trends in peak demand growth are harder to establish than trends in energy demand growth due to different weather conditions each year.

Experience indicates that speculative growth (such as new mines) is difficult to predict but potentially adds significantly to energy demand.

Peak demand forecasts drive the capital investment program. Forecast energy consumption is used to determine fuel requirements and calculate revenue projections. Customer numbers are used for projections of fixed daily charge revenue. Increases in customer numbers are based on forecast population growth.<sup>1</sup>

#### Water demand

Water demand forecasts are based on extrapolation of historical demand growth. The following table shows forecast demand growth for the Northern Territory.

Demand for water consumption for 2010-11 and future years is projected to increase by 2.04 per cent per annum. The baseline forecasts do not account for any prospective developments such as major new industrial customers. Increases in customer numbers are based on forecast population growth.

#### 2010-11 ELECTRICITY DEMAND FORECAST

Description	Total NT Energy Consumption (GWh)	Darwin-Katherine Peak Demand (MW)
2009-10 Base	1883.6	273.7
Change in demand	84.1	21.5
2010-11 Forecast Total	4.46% 1967.6	7.86% 295.2

#### 2010-11 WATER DEMAND FORECAST

Description	Total Water Consumption (ML)
2009-10 Base	53,717
Organic growth	+ 2.04% 1,094
2010-11 Forecast Total	+ 2.04% 54,811

## Power and water demand for remote communities

Significant housing and other investment in some communities will continue to see large growth in electricity demand above the assumed baseline. The growth will result from implementation of the Commonwealth Government and Northern Territory Government initiatives, specifically, the Strategic Indigenous Housing, Infrastructure Program, Closing the Gap of Indigenous Disadvantage plan of action, and the 20 Growth Towns policy.

Electricity, water and sewerage consumption for IES in 2009-10 is forecast to increase at the rates listed below.

The high rates applied to IES water consumption revenue growth reflect the impact of the Northern Territory Government and Power and Water

initiative of installing water meters in Indigenous communities from 2008-09 and extending a user pays policy to Shire Councils and customers other than domestic Indigenous households. It is expected that after this program is completed in 2011-12, growth levels will return to more historic organic rates.

## Revenue projections

### Electricity, water and sewerage tariffs

The revenue projections provided in this SCI are based on the tariff price increases for electricity, water and sewerage for the four year period to 2012-13 announced during 2008-09. The table below shows the approved increases for 1 July 2010 and 1 July 2011, with increases for the outer year based on projections of the Consumer Price Index (CPI). In practice, outer year increases will be

based on the actual CPI as reported by the Australian Bureau of Statistics for the relevant year.

The electricity tariff increases relate only to Tranche 4 (T4), Tranche 5 (T5) and Tranche 6 (T6) customers. Tranche 1, Tranche 2 and Tranche 3 (T1-3) customers are subject to negotiated contracts. Within this SCI, T1-3 tariffs have been conservatively adjusted by 5.5% in 2010-11 and CPI thereafter. In reality, T1-3 customer tariff increases will depend on factors at the time of contract negotiation including the cost of providing supply, the approved networks tariff, customer demand profile, contract length and risk.

Power and Water has compared its tariffs to those in other jurisdictions with the results provided in the appendix. When compared with those for residents in other states, the results demonstrate that current tariffs for electricity and sewerage

PROJECTED IES ELECTRICITY, WATER AND SEWERAGE CONSUMPTION GROWTH				
Description	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Electricity	8.5%	8.5%	8.5%	8.5%
Water	25.0%	25.0%	25.0%	1.2%
Sewerage	21.9%	21.9%	21.9%	1.2%

\* Estimated increase. In practice, outer year increases will be based on the actual CPI (ABS Cat.no. 6401.0 All groups, Weighted average of eight capital cities, Year to December Quarter).

APPROVED AND PROJECTED TARIFF INCREASES				
	Increase effective from:			
	1 July 2010 approved cpi	1 July 2011 projected cpi	1 July 2012 projected cpi	
Electricity (Tranche 4, 5 & 6)	5.0%	2.5%*	2.5%*	
Water and Sewerage	20.0%	20.0%	2.5%*	

\* Estimated increase. In practice, outer year increases will be based on the actual CPI (ABS Cat.no. 6401.0 All groups, Weighted average of eight capital cities, Year to December Quarter).



are in line with the Australian average. NT residents' tariffs for water are currently the lowest in Australia.

Recently there have been significant regulated price increases announced in other Australian jurisdictions. The result will be continued divergence of, particularly, electricity prices between the NT and other states such that tariffs in the NT will be amongst the lowest in Australia. In contrast, different fuel sources, long distances, remote locations, the need for reserve capacity and limited operational scale result in higher service delivery costs than in other jurisdictions. This mismatch between the Corporation's tariffs and its cost structure is a cause for concern as the resulting cash flow is insufficient to fund the capital investment program necessitating large and on-going borrowings.

Power and Water revenues are projected to increase steadily over the period, reflecting demand growth and the price path for water, sewerage, trade waste, T4, T5 and T6 electricity customer prices to 2012-13. The following table shows the resulting revenues for Power and Water.

#### Community Service Obligations

The Northern Territory Government sets the Community Service Obligation (CSO) funding included in this SCI.

The CSO funding includes the pensioner concession scheme to ensure that pensioners are not impacted by the tariff rise. All other revenue items are projected to increase in line with CPI over the life of this SCI.

#### Operating costs

The budget for 2010-11 operating costs is based on detailed cost estimates. Operating costs in the outer years are projected to increase by CPI. The Northern Territory Treasury sets the CPI assumption which is presented below.

The 2010-11 personnel budget also incorporates a 4.1 percent staff increase from 2009-10 forecast levels. The increase in personnel is due to three factors as follows:

- The projects being undertaken by the Corporation, including the Retail Management System upgrade, the Remedial Asset Management Program and the Asset Management Capability project. The personnel working in these projects hold fixed term contract positions;

COMMUNITY SERVICE OBLIGATIONS				
(\$M)	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
CSO funding	63.9	66.5	69.2	70.9

PROJECTED REVENUES (POWER AND WATER CORPORATION UNCONSOLIDATED)				
(\$M)	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Electricity	302.5	340.3	372.9	388.8
Water	55.0	69.3	84.3	87.5
Sewerage	31.7	38.8	47.3	49.1

OPERATING ASSUMPTIONS (POWER AND WATER CORPORATION UNCONSOLIDATED)				
	2010-11 Budget	2011-12 Projection	2012-13 Projection	
CPI	2.8%	2.5%	2.5%	

- The increasing level and number of capital and maintenance programs and projects. In the 2010-11 year it is anticipated that 16% of personnel costs will be capitalised; and
- There are a number of newly created positions as a result of the Power Networks restructure which arose as a consequence of the Mervyn Davies Inquiry recommendations.

## Fuel supplies

The new gas supply from Eni has been available from the Blacktip field in the Bonaparte Gulf since January 2010.

The financial projections in this SCI assume that the Blacktip gas field will provide the vast majority of gas supplies for electricity generation. Back-up gas supplies are available from the Darwin LNG plant via the Wickham Point interconnect pipeline. Diesel fuel is needed only in case of emergency, with the bulk of it used to power remote communities. The use of diesel fuel in Remote Communities will gradually reduce in favour of low emission fuels in line with the Northern Territory Government's Climate Change Policy and Territory 2030 Strategy.

## Repairs and maintenance expenditure

The following table provides a breakdown of repairs and maintenance (R&M) expenditure.

The forecast R&M expenditure for 2010-11 represents an 8 per cent increase over the 2009-10 forecast. R&M is a factor of major plant overhauls in accordance with their cyclical maintenance schedules and replacement of ageing plant with new equipment.

## Renewable Energy Target scheme

The expanded Renewable Energy Target (RET) scheme was established to encourage the generation of electricity from renewable energy sources to meet a Commonwealth Government commitment to achieve a 20% share of renewable sources in the national electricity supply by 2020. The legislation places a legal liability on wholesale electricity purchasers to proportionately contribute to an additional 45,000 GWh of renewable energy by 2020.

In the case of RET, Power and Water's liability depends on the Northern Territory target, which is proportionate to the national target. The Renewable Power Percentage is set annually by the Office of

the Renewable Energy Regulator to establish the proportion of renewable energy required. If Power and Water is not able to fully source its Renewable Energy Certificate (REC) requirements within the Territory, it must purchase the remainder in the national market. Thus, Power and Water's financial liability is subject to the market price for RECs. During the latter part of 2009 REC prices were low, but recent market trading and future price projections indicate a rising trend.

## Dividend moratorium

A continuation of the existing dividend moratorium has been assumed for the life of the 2010-11 SCI.

## Other financial assumptions

New loans are assumed to be interest only, and draw downs forecast for 2010-11 and beyond at 7.25 per cent, consistent with NT Treasury advice. Interest Revenue on cash at bank is assumed to be 4 per cent.

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

### PROJECTED STAFF INCREASES

	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Staff numbers	921	959	953	945
Percent increase	N/A	4.1%	(0.6)%	(0.8)%

### SCI REPAIRS & MAINTENANCE POWER AND WATER CORPORATION UNCONSOLIDATED)

\$M	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Total	53.7	57.8	56.0	64.8

## 4

## Financial projections

This chapter comments on the resulting projections of Power and Water's financial performance and fiscal position.

Key financial results for the period of this SCI are summarised in the table below. The results shown in this section are unconsolidated, that

is, excluding subsidiaries Indigenous Essential Services Pty Ltd, Darnor Pty Ltd and Gasgo Pty Ltd.

To meet the growth in demand, key capital asset development and refurbishment projects have been brought forward. This has driven the need for additional borrowings,

as the net cash from operations is not sufficient to fund the capital investment required. The increased capital investment will be funded by a mix of borrowings and debt to equity swaps with the NT Government over the SCI period.

SUMMARY OF FINANCIAL RESULTS (POWER AND WATER CORPORATION UNCONSOLIDATED)					
	2009-10 Budget	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Total Revenue (\$M)	568.7	539.0	676.3	601.7	624.9
Operating Costs (\$M)	387.4	428.5	553.2	412.6	433.5
NPAT (\$M)	51.6	- 5.2	- 10.8	18.9	13.8
Capital Investment (\$M)	246.6	365.6	379.4	264.7	231.9
Loan draw downs (\$M)	200.0	345.0	293.0	192.0	151.0
Cash at bank (\$M)	10.4	65.0	10.7	10.7	10.3
Debt to Equity swap (\$M)	-	-	112.6	41.7	63.8
Debt to equity ratio (%)	105%	114%	137%	141%	140%
Interest cover (times)	0.9	0.8	0.8	1.3	1.2
Gearing (%)	51%	53%	58%	59%	58%
FFO to Interest (times)	2.1	2.4	1.8	2.2	2.0
Return on Total Assets (%)	3%	2%	3%	5%	5%

\* In 2009-10 and 2010-11 Total Revenue and Operating Costs have been grossed up by \$30.4 million and \$133.9 million respectively to reflect a Gas Sales Agreement.



# 5 Targets

## Tracking and reporting progress

Two measures are used to assess progress in achieving the Corporation's strategic objectives including, first, a set of Key Performance Indicators and, second, the Key Result Areas. Both are reported and reviewed regularly by the Board and management.

The Key Performance Indicators (KPIs) recognise success with a quantifiable measurement. In some cases, they reflect a legislated or regulated requirement. The KPI targets adopted by the Corporation

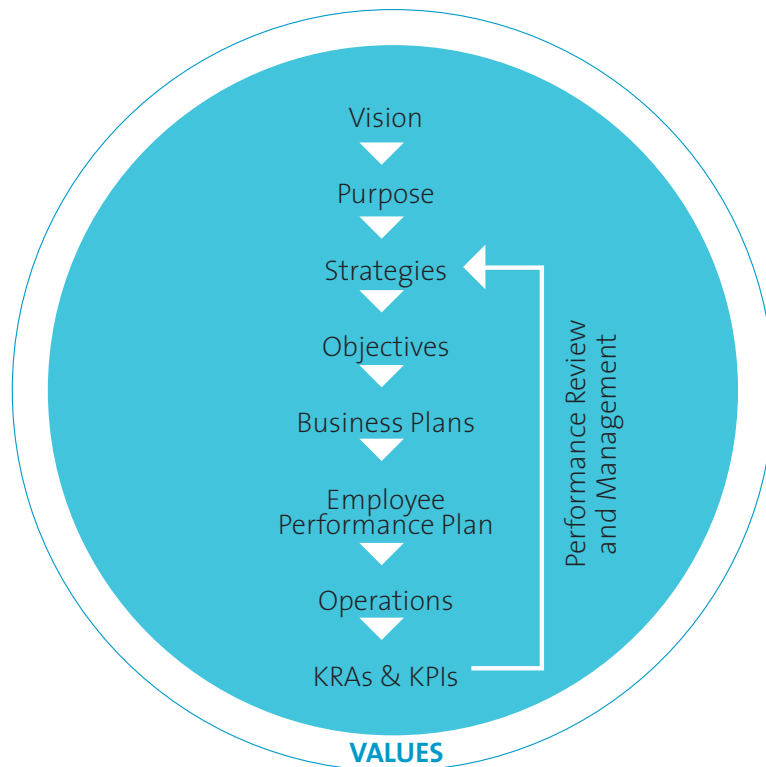
currently meet and in some cases exceed the relevant minimum standards established by regulatory authorities. It is to be expected a strengthened Utilities Commission may wish to re-examine the current targets.

The Key Result Areas (KRAs) represent less quantifiable but important milestones that must be delivered to attain the strategic objectives, including activities in 2010-11 to upgrade infrastructure and systems, undertake the transformation of processes and change the way we work together and interact with our stakeholders.

## Strategic management framework

Power and Water's Strategic Management Framework is designed to ensure day to day operations and activities are aligned to the Corporation's strategic direction. Core values encompass our work and guide our interaction with other employees, and our dealings with customers, community and other stakeholders in delivering the Corporation's purpose. Performance review and management provides the mechanism to drive the achievement of results and provide an opportunity for continuous improvement. The framework is illustrated in the diagram below.

## Strategic Management Framework





## Key performance indicators

KPI's and targets are set out in the following tables. The performance targets are shown as annual projections over the SCl period,

and are subject to revisions each year to reflect the Corporation's commitment to continuous improvement.

### Financially sustainable KPI measures

(POWER AND WATER CORPORATION UNCONSOLIDATED)					
Objective	Measure	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Achieve sustainable returns through a combination of cost reflective tariffs, CSO funding and other revenues	Capital expenditure (\$M)	365.6	379.4	264.7	231.9
	New borrowings (\$M)	345.0	293.0	192.0	151.0
	Gearing ratio <sup>2</sup>	53%	58%	59%	58%
	Cash flow from operating activities (\$M)	33.4	34.5	71.3	80.2
	FFO to interest (times) <sup>3</sup>	2.4	1.8	2.2	2.0
	Return on assets <sup>4</sup>	2.3%	2.6%	5.0%	4.7%
	Enhance management of capital and operating expenditure through better cost control and gains in efficiency whilst delivering business agility	Adjusted EBITDA <sup>5</sup> (\$M)	19.3	45.6	108.7

<sup>2</sup> Debt/(Net Debt plus Equity)

<sup>3</sup> EBITDA less gifted assets less tax paid/Interest Expense

<sup>4</sup> EBIT/ Average Total Assets

<sup>5</sup> EBITDA less CSO funding less Gifted Assets less capital contributions

**In good operational and asset health KPI measures**

Objective	Measure	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
Drive improved asset performance, balancing both commercial and stakeholder perspectives	SAIFI <sup>6</sup>				
	Networks				
	Frequency Interruptions				
	Darwin	3.9	3.8	3.7	3.6
	Katherine	4.9	4.8	4.7	4.6
	Tennant Creek	4.9	4.8	4.7	4.6
	Alice Springs	2.5	2.4	2.4	2.3
	SAIDI <sup>7</sup>				
	Networks				
	Duration Interruption				
	Darwin	195	190	185	180
	Katherine	195	190	185	180
	Tennant Creek	95	90	85	80
	Alice Springs	95	90	85	80
	Average duration unplanned interruption - water <sup>8</sup>				
	Darwin	90	90	90	90
Alice Springs	120	120	120	120	
Average frequency of unplanned interruptions - water <sup>9</sup>					
Darwin	210	210	210	200	
Alice Springs	90	90	90	80	
Average sewerage interruption <sup>10</sup>					
Darwin	120	120	120	110	
Alice Springs	150	150	150	140	

6 Average number of times customer supply is interrupted per annum. Covers Darwin, Katherine, Tennant Creek and Alice Springs.

7 Average outage time in minutes each customer can expect to be off supply per annum. Covers Darwin, Katherine, Tennant Creek and Alice Springs.

8 Average duration a customer is without supply of drinking water for the year (minutes).

9 Frequency customers are without access to the water supply service (per 1000 customers).

10 Average duration a customer is without sewerage services for the year (minutes).



### Organisationally capable KPI measures

Objective	Measure	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
Have a safe workplace	Lost time injuries <sup>11</sup>	6	4	3	2
	Lost Time Injury Frequency Rate <sup>12</sup>	3.4	2.1	1.6	1.0
Develop an achievement oriented organisational culture	Staff Satisfaction Index <sup>13</sup>	81%	81%	81%	82%

### Environmentally sustainable KPI measures

Objective	Measure	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
Meet our environmental and sustainability obligations in a commercially responsible fashion	* Emission Performance kg CO <sub>2</sub> -e / MWh sent out				
	Combined Major and Minor Power Stations	N/A	582	560	558
	* Water Demand				
	Darwin	N/A	473	454	434
	Alice Springs	N/A	554	531	508

\* Note the Territory 2030 Strategy: Power and Water will investigate, model and assess the specific impacts to its financial requirements for capital investment and operational expenditure in attaining the prescribed milestones and targets inherent in these Northern Territory Government initiatives.

- By 2015, reduce greenhouse gas emissions intensity of power generation at the Power and Water Corporation's Channel Island and Weddell Power Stations by 10% compared to 2009 levels. (2008-09 606 kg CO<sub>2</sub>-e/MWh sent out baseline figure adjusted to reflect normal operations with adequate gas resources. Figures do not include remote community power stations).
- Reduce the amount of water that Territory households use by 20% by 2015 and a further 10% by 2020 compared to 2009 consumption (2008-09 Darwin = 493 litres/household; Alice Springs = 533 litres/household).

<sup>11</sup> In accordance with the Enterprise Agreement, the target is represented as a 33% reduction from performance in the preceding year. A workplace injury resulting in an absence from work of one full shift or more; covers all Power and Water staff (excluding Contractors).

<sup>12</sup> Number of lost time injuries per million hours worked; Targets are in accordance with the Enterprise Agreement. Covers all Power and Water staff (excluding Contractors).

<sup>13</sup> This target relates to a satisfaction rating of 6 or better. Percentage of staff rating satisfaction of 6/10 or better, measured annually over the survey period. Covers all Power and Water staff and is based on number of survey respondents.

<sup>14</sup> Water Demand expressed as KL per property.

## Trusted KPI measures

Objective	Measure	2009-10 Target	2010-11 Target	2011-12 Target	2012-13 Target
Achieve high level of customer and employee satisfaction	Average call response time <sup>15</sup>	80%	80%	80%	80%
	Average time taken to answer a call	20 secs	20 secs	20 secs	20 secs
	Customer Satisfaction Index: Domestic & Commercial <sup>16</sup>	81%	81%	82%	83%
	Connections to existing electricity supply properties within 24 hours <sup>17</sup>	98%	98%	98%	98%
	Connections to new subdivisions in major urban areas within 5 working days <sup>18</sup>	91%	92%	93%	94%
	Connections to new subdivisions in major urban areas where minor extensions or augmentation is required <sup>19</sup>	95%	95%	95%	95%

<sup>15</sup> Percentage of calls to the Customer Service Call Centre answered within 20 seconds. Covers whole of NT.

<sup>16</sup> Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population.

<sup>17</sup> Percentage of customers connected within 24 hours. Covers urban centres (Darwin and surrounding areas, Katherine, Tennant Creek, and Alice Springs).

<sup>18</sup> Percentage of new service connections to an electricity supply within five working days of receipt and verification of certificate of compliance from the contractor. Covers major urban areas.

<sup>19</sup> Percentage of customers connected within 26 weeks of receipt of customer contributions in accordance with Power and Water's Capital Contributions Policy. Covers major urban areas.

# 6

## Risks

Although the SCI is based on the best information that is currently available, several risks exist that may affect achievement of the financial and operational outcomes set out in Chapter 4 Financial Projections and Chapter 5 Targets. These risks include:

- Sustainable financial position;
- Capital Investment Program delivery;
- Environmental considerations;
- Regulatory environment changes; and
- Increased demand for services.

### Sustainable financial position

Steps have been taken to address financial sustainability in the near to medium term; however, if a more sustainable revenue model based on cost reflective tariffs is not achieved by 2013, Power and Water will need to review expenditure to maintain its financial health.

The major components of the Corporation's annual expenditure are the energy costs, interest payments, personnel costs and non-capital repairs and maintenance. The energy costs and interest payments are largely beyond the Corporation's direct control. A pre-mature and unstructured focus to reduce the personnel costs and repairs and maintenance expenditure would reduce the Corporation's capacity to improve service reliability through asset refurbishment or replacement and impede its capability to meet the growth in demand for services.

### Capital investment program delivery

Several risks are associated with the delivery of the Capital Investment Program; in particular, the size of the program will challenge the Corporation's capacity to deliver projects on time and within budget.

Despite the Global Financial Crisis the Australian economy remains strong. Predictions for the Territory's economy are for continued growth driven by significant resource projects in the LNG and mining sectors. Inevitably this will increase competition for contractors and material, drive up costs and increase equipment delivery lead times. This will be felt in local industry sectors, which is contracted to deliver a substantial part of the Capital Investment Program.

To deliver the Capital Investment Program and improve asset management capabilities, Power and Water also needs to build operational capabilities through development and recruitment of technical and professional staff. Failure to attract and retain skilled staff will result in project delays and increased costs to outsource projects to professional services organisations.

Improved understanding of asset condition and the need for asset refurbishment or replacement may affect the scope and timing of projects within the Capital Investment Program.

Additional impacts on the scope and timing of the Capital Investment Program include:

- The Corporation's sewerage discharge licences for the Darwin, Katherine and Alice Springs areas expire at the end of 2011. The terms and conditions for renewal will be negotiated with the relevant authorities, and so currently the specific requirements associated with licence renewal are not known. Compliance to new licence conditions may impact the Capital Investment Program;
- The nature of the Capital Investment Program can be affected by changing community expectations of new projects and

by delays or additional expense to obtain environmental approvals;

- The Utilities Commission's current review of Power and Water's capital and maintenance programs may change the planning and delivery standards thus impacting project scope and timing; and
- If certain proposed residential or industrial developments occur in the near term additional capital.

### Environmental considerations

In the SCI period, the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS) may be enacted. The CPRS is an emissions cap and trade approach to reducing greenhouse gas in the environment. Power and Water would need to purchase permits at auctions or through a secondary market for surrender to cover the carbon emissions from electricity generation.

The practicalities and impact of the CPRS will need to be assessed by the Corporation once the specifics of the legislation are formally introduced.

Climate change has the potential to impact Power and Water's provision of electricity, water and sewerage services. Increasing temperatures will likely change the demand characteristics for electricity, while changing rainfall patterns may adversely affect water catchment yields.

### Regulatory environment changes

#### Market Competition

In January 2010 the Northern Territory Government approved the Utilities Commission's recommendation for the commencement of Full Retail Contestability (FRC) on 1 April 2010

by effectively removing the legislative barrier to competition.

Should retail competition emerge and customer churn rates increase above the minimal levels envisaged, the costs for Power and Water will be significantly higher and would require time to implement the processes to manage the transfer of customers and effectively interact with the other retailer.

### Regulatory reviews

The Utilities Commission's separate reviews into Power and Water's planning and operational activities are as follows:

- 1) Asset Management Capability project;
- 2) Capital and Maintenance Programs;
- 3) Customer Service Incentive Scheme for Electricity Customers;
- 4) Retail Price Monitoring;
- 5) Electricity Standards of Service;
- 6) Electricity System Planning, Monitoring and Reporting;
- 7) Electricity System Planning and market Operation Roles and Structure.

Depending on the outcomes, compliance with the resulting regulatory changes may further affect the Corporation's resources, capital requirements and financial situation.

### Increased demand for services

Notwithstanding potential savings inherent in Territory 2030 and the Climate Change Policy, current projections of the demand for electricity, water and sewerage services may be understated.

First, in more recent years, extensive use of air conditioning has increased peak demand on the power network. Power and Water's current projection for electricity is based on historical trends and may in the longer term be understated.

Second, the demand projections are based on the Australian Bureau of Statistics population data as well as Power and Water's historical operational information, for example consumption data and connections. The ABS population statistics for the SCI period indicate a growth of around 1.75% as a medium case. Indications exist that population growth, driven by interstate migration, may be much higher. While this could result in higher revenue, it may also require bringing forward planned capital investment.

The major policy initiatives of Closing the Gap on Indigenous Disadvantage by the Northern Territory Government and the joint Commonwealth and Northern Territory Government's Strategic Indigenous Housing and Infrastructure Program will continue to significantly drive demand for essential services, with an increased focus on both the capacity and reliability measures of available services.

### Corporate risk register

Power and Water recognise that risks are inherent in the provision of utility services. The Corporation's integrated Risk Management Framework aims to identify and manage these risks.

The 17 corporate risk categories each contain a number of individual risks that when combined give each

category its overall risk rating. The individual risks, representing corporate, business unit, operational and project risks, are identified, monitored and reviewed on a regular basis.

A number of corporate risk rankings have altered during the past year as result of both internal and external influences, and shifts in the process or risk context and exposure. The table below provides a key to the Corporate Risk categories.

No.	Description (Short)
1	Natural Disaster Management
2	Public Safety
3	Staff and Contractor Safety
4	Environmental
5	Water Quality/ Waste Management
6	Fuel Supply Management
7	Legal and Regulatory Compliance
8	Information Technology, SCADA and Communications
9	Project and Contract Management
10	Terrorism, Security and Vandalism
11	Capacity and Capability
12	Supply of Core Services
13	Financial Management
14	Corporate Image and Reputation
15	Competition
16	Stakeholders
17	Regulatory Relationships

## 7

## Capital expenditure

This section outlines Power and Water's Capital Investment Program and provides discussion on the Corporation's primary investment drivers and largest projects.

The validity of these projects is subject to the Capital Program Governance procedures and business case review. Projected capital expenditure is shown in the table below.

The electricity, water and sewerage systems are under significant and increasing pressure. Essential work will require greater funding than had been previously planned and approved.

In addition to asset extensions necessary to cover the Northern Territory Government's growth initiatives, including a substantial program of land release and associated infrastructure upgrading in the Darwin area, the Capital Investment Program continues to mitigate the risk of major equipment failure through an increase in spending on asset refurbishment and renewal. This increased infrastructure investment is a consequence of past under-investment.

Additionally, ongoing investigations have found that the previous estimates of the residual life of many assets may have been optimistic and that additional urgent refurbishment or replacement of key assets is needed.

### Generation

The development of generation capacity is planned to meet projected demand with timing for new plant primarily based on the n-2 criterion, and focuses in particular on power system reliability, fuel supply reliability, plant efficiency and incremental capacity increases. Because of increasing reliability issues with generation assets, a revised Generation capital investment strategy was developed and approved in February 2010. This strategy includes:

1. Advancing the acquisition and installation of generation units to provide additional coverage and security of supply for the Channel Island Power Station (CIPS) refurbishment;
2. Refurbishing and extending the life of Channel Island Power Station units 1-6; and

3. Developing a future base load power station which is outside the timeframe of this SCI.

Planned capital works will increase reliability and generation capacity, meet increased demand and reduce fuel costs through installation of more fuel efficient sets. Works in the Territory's major power stations during this SCI period include:

- Works at Channel Island Power Station:
  - Despite being well maintained during their life, generation Sets 1 to 6 have reached the time when further life extension works are required.
  - Installation of Sets 8 and 9 to provide additional system security during CIPS life extension works and against future peak loads.
- Works at Weddell Power Station:
  - The supply and installation of generation Set 3.
  - Implement air inlet cooling for generation turbines.
  - Hot section engine replacement on generation Sets 1 and 2.

2010-11 SCI CAPITAL INVESTMENT PROGRAM  
(POWER AND WATER CORPORATION)

\$M	2009-10 Forecast	2010-11 Budget	2011-12 Projection	2012-13 Projection
Total (excluding Remote Operations)	365.6	379.4	264.7	231.9
Remote Operations	32.3	19.2	11.0	16.4
Total (including Remote Operations)	397.9	398.6	275.6	248.2



- The augmentation of Tennant Creek Power Station by the addition of three 2.5 MW dual fuel reciprocating engine generator sets.
- Installation of generation Sets 3 and 4 at Berrimah Power Station (BPS) to provide reliable, safe and cyclone secure capacity to supply emergency services.
- Augmentation of Katherine Power Station by the addition of a Set 4 (Titan 8 MW). Life extension works are also due on the Katherine Power Station's Mars units 1, 2 and 3.

## Power Networks

Power Networks' capital investments reflect the remediation of zone substations in response to the Mervyn Davies Inquiry's recommendations, upgrading capacity to complement Generation requirements, and meeting the Territory's growth in demand.

Planned capital works for the Territory's power networks will provide better long-term engineering solutions to increase supply security and reliability and meet increased demand. They include:

- The Darwin City Zone Substation will be refurbished by constructing a building to house new 11kV switchboards, replacing all 66kV circuit breakers and one zone transformer.
- Construction of the indoor 66/11 kV Lee Point (Leanyer) Zone Substation, including a dual 66 kV circuit from the existing Berrimah to Casuarina 66 kV transmission circuit. The construction of this zone substation will also provide an alternative source of supply to areas currently supplied from the Casuarina Zone Substation.

- Design and construction of the new Snell St Zone Substation will occur in 2010-12, and includes construction of a conventional outdoor 66/11 kV zone substation with three transformers. The existing Snell St Zone Substation has reached the limit of its economical life and there is an increasing risk of equipment failure in the substation.
- The Norris Bell Zone Substation project involves the construction of a new substation with two 66kV lines, two 66/22kV 15MVA zone transformers and a third 66/11kV transformer at Owen Springs Power Station.
- The Frances Bay Zone Substation expansion aims to ensure that a secure supply of electricity is available to the Darwin CBD at all times.
- The Channel Island Power Station 132 kV switchyard extension is required to improve the capability to export power from the augmentation of generating capacity.

## Water Services

Water Services capital investment is designed to meet the forecast increased demand from planned infrastructure development and population growth and comply with environmental regulations. Essential water projects for the SCI period include:

- Recommissioning Manton Dam to meet requirements for additional capacity and diversity of emergency water supplies in the Darwin, Palmerston and rural area. Works commenced in 2009-10 and will

continue throughout this SCI period.

- Construction to raise the full supply level of the Darwin River Dam and establish water stabilisation facilities will continue in 2010-11. On completion, the project will increase the capacity of the dam by about 9,000 ML/annum, augmenting existing supply by 20 per cent.
- Palmerston augmentation works which includes a new Palmerston south elevated tank along with transmission mains to service the growth in Palmerston.
- Channel Island water-main upgrades are associated with the development of Middle Arm and the security of supply to Channel Island Power Station to meet increased demand in the Channel Island/Wickham Point area.

Sewerage capital investment is designed to meet forecast increased demand from development and population growth and to comply with environmental regulations. Essential sewerage projects for the SCI period include:

- In accordance with wastewater discharge licence requirements, the Larrakeyah sewage outfall will close by October 2011. This includes the extension of the outfall, diversion works to deliver sewage from the Larrakeyah catchment to the Dinah Beach trunk sewer, upgrades to the Ludmilla Wastewater Treatment Plant and duplication of the East Point effluent rising main. These projects will increase the capacity and improve the output quality of waste water treatment plants.
- The sewer relining program targets the continued lining of sewers in the Northern Territory which



have been identified to be in poor condition with the risk of collapse or, have been strategically chosen to reduce the amount of ingress into the sewer system. This project is ongoing and has several objectives including increasing asset life, improved integrity of the sewerage system, producing a finished sewer with improved flow characteristics, better corrosion resistance to gas attack in sewers, and reduced infiltration through joints.

- Expansion of wastewater treatment facilities at Leanyer/Sanderson will provide capacity for continuing development in the Lee Point area. This project involves the upgrade of the Leanyer wastewater treatment plant to improve performance, provide capacity for future growth and improve odour control. NRETAS has identified the quality of effluent being discharged to Buffalo Creek and the Lee Point area, as a moderate to high environmental risk.
- Borroloola Sewerage Scheme was initiated for the design and

construction of a fully reticulated sewerage system as the existing on-lot systems are not functioning adequately and present some health risk.

- The Katherine Waste Water Treatment Plant treatment pond upgrade aims to meet current and projected sewerage loads and to reduce the effluent discharge into the Katherine River. Stage 1 will undertake design and begin works onsite for the expanded evaporation and/or land disposal capacity at Katherine Wastewater treatment plant. This work has been triggered by wastewater discharge licence conditions to reduce effluent overflows to the environment and increase effluent reuse.

### Other major investment

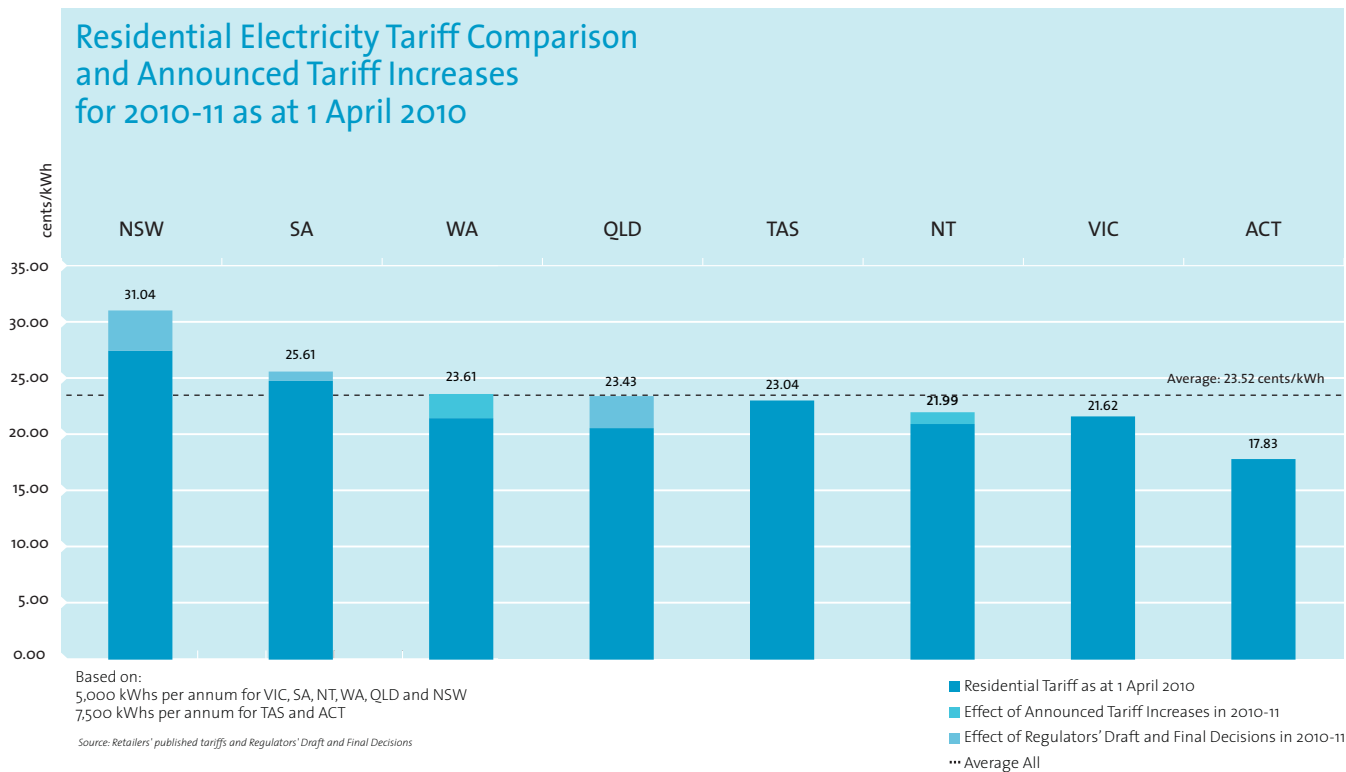
Other major capital investment is aimed at improving the quality and efficiency of the Corporations' business and supporting core business units.

Major investment works planned to increase the quality and efficiency of

the Corporation's activities over the life of this SCI include:

- Augmentation of corporate support facilities in Alice Springs to address shortcomings with existing facilities.
- Stage 3 of the Ben Hammond Complex redevelopment will address the remaining shortcomings within the complex.
- The Asset Management Capability (AMC) project, which aims to deliver better processes and systems to manage assets, will continue work on business process improvement, change management, data quality, and implementation of the upgraded Asset Management and Geographical Information Systems.
- The upgrade of the Victoria Highway complex in Katherine includes general and major site upgrades to meet current and future operational needs.

## Appendix: Comparison of Australian utility tariffs



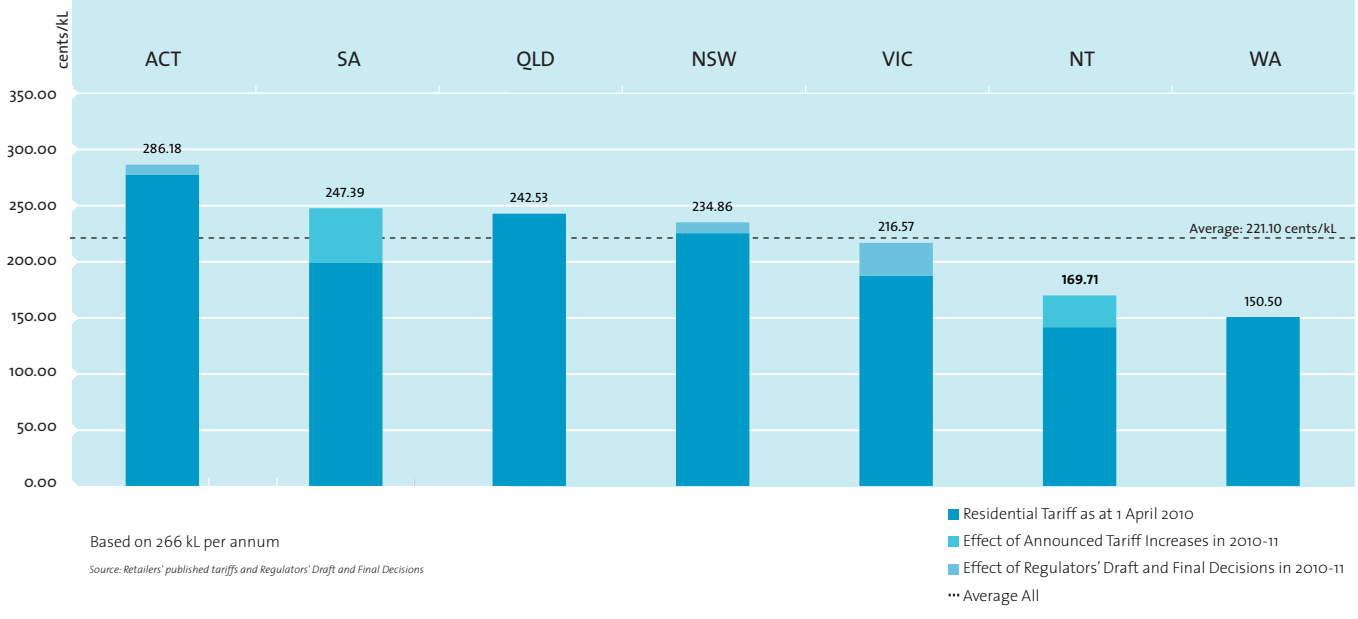
- Tariff comparisons are based on average annual consumption of 5,000 kWh, with the exception of Tasmania and the Australian Capital Territory being based on an average consumption of 7,500 kWh per annum (ESAA average).
- Tariffs include a variable consumption charge and fixed daily charge component.

- The tariff comparisons are as at 1 April 2010, and incorporate tariff increases announced by utilities and Regulators' Draft and Final Decisions. The chart above reflects expected residential electricity tariffs at 1 July 2010.

- From 1 July 2010 residential electricity tariffs in the Northern Territory will increase by 5%. The increases forecast in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be fully passed through to customers. In addition, a number of States are likely to announce tariff increases as part of their forthcoming 2010-11 Budget announcements.



## Residential Water Tariff Comparison and Announced Tariff Increases for 2010-11 as at 1 April 2010



- Tariff comparisons are based on average annual consumption of 266 kL (WSAAFacts 2005). Consumption may vary in each jurisdiction from this derived average as a result of water restriction policies.
- Tariffs include a variable consumption charge and fixed daily charge component.

- The tariff comparisons are as at 1 April 2010, and incorporate tariff increases announced by utilities and Regulators' Draft and Final Decisions. The chart above reflects the expected residential water tariff at 1 July 2010.

- From 1 July 2010 residential water tariffs in the Northern Territory will increase by 20%. The increases forecast in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be fully passed through to customers. In addition, a number of States are likely to announce tariff increases as part of their forthcoming 2010-11 Budget announcements.

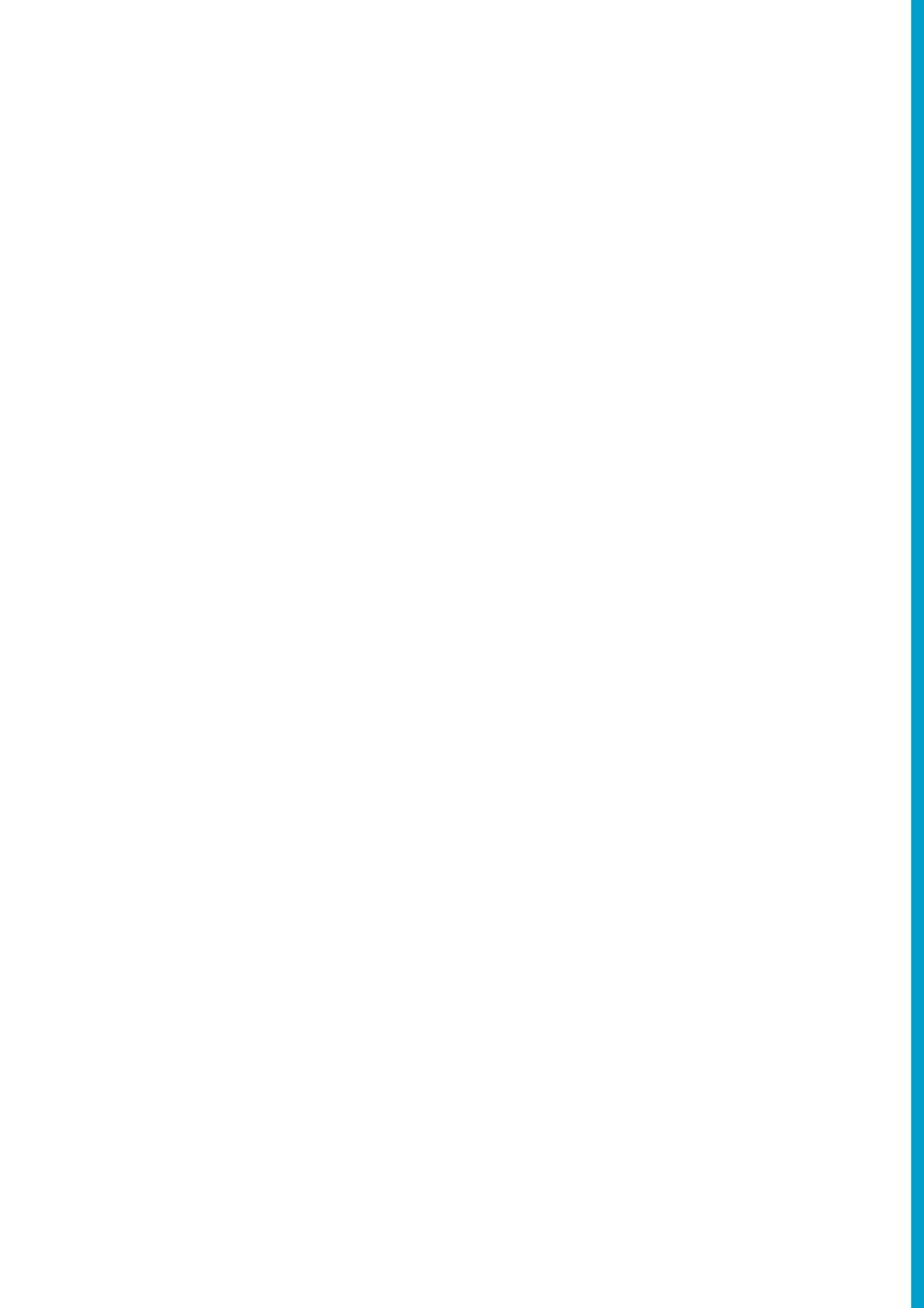
## Average Annual Residential Sewerage Bill as at 1 April 2010 and Announced Charge Increases for 2010-11



- The tariff comparisons are as at 1 April 2010, and incorporate tariff increases announced by utilities and Regulators' Draft and Final Decisions. The chart above shows expected annual residential sewerage bills at 1 July 2010.

- From 1 July 2010 residential sewerage tariffs in the Northern Territory will increase by 20%. The increases forecast in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be

fully passed through to customers. In addition, a number of States are likely to announce tariff increases as part of their forthcoming 2010-11 Budget announcements.





### Head Office

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Saturday 9.00am – 12.00pm

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