



PowerWater

Statement of
Corporate Intent

2019-20

PowerWater

Key Statistics



1.3 million square kilometres

244,300 people

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



95,400 electricity customers

51,800 water and sewerage customers (based on meters)



3 regulated power systems controlled

1,920 gigawatt hours distributed

7,170 km of overhead lines maintained

3,290 km of underground cable maintained



65 billion litres of drinking water sourced

28 billion litres of waste water collected/treated

2,990 km of water mains maintained

1,550 km of sewer mains maintained



90 percent of gas needs to NT grid connected electricity generators

\$4.0 billion in long-term gas supplies managed



889 employees supporting the NT (full time equivalent)



\$3.0 billion of physical assets managed

\$194 million invested in capital works,
including \$54 million servicing remote communities



\$428 million paid to suppliers

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Introduction



Supporting our community

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

The Board of Directors is responsible to the Shareholding Minister, who holds the shares in the Government Owned Corporation on behalf of the Northern Territory Government (NTG), for the corporation's operational and financial performance. The board is required to provide a Statement of Corporate Intent (SCI) each financial year, which sets out the nature and scope of our business activities, our objectives and strategies, risk management, capital investment plans and performance targets over a four-year period commencing 1 July 2019.

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

- operate at least as efficiently as any comparable business
- maximise the sustainable return to the NTG on its investment in the corporation.

Power and Water acknowledges it has an important role in facilitating the efficient delivery of the NTG social and economic agenda and working constructively with key stakeholders.

Power and Water is on the path of major change in line with its vision of becoming a best practice multi-utility, which is commercially and customer focused contributing to the Northern Territory (NT) economy. Our SCI outlines our long term goals, key strategies and performance expectations in line with our purpose and vision. It takes in all areas of our multi-utility business and sets the foundation for business planning, which in turn guides the development of team and employee plans.

Nature and scope of activities

Power and Water:

- owns and operates the large dams and groundwater fields to deliver clean drinking water to households and businesses, and removes and treats wastewater before disposing of it in an environmentally responsible manner
- operates a retail water and wastewater business
- owns and operates the regulated electricity network and parts of the unregulated electricity network in licenced areas
- provides electricity, water and sewerage services to remote aboriginal communities and outstations, through its not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (IES), under agreement with the NTG
- ensures the electricity network is balanced and stable, safe and reliable through its System Control operations and operates the interim wholesale electricity market
- manages large scale gas purchase and transportation agreements and sells that gas to Territory Generation and other large businesses across the NT, and interstate with the completion of the Northern Gas Pipeline (NGP)
- retails electricity to a small number of mining towns, as a result of legacy contracts with the Government
- owns and operates five generation plants in regional areas and sells the electricity to Jacana Energy
- is one of the key responders after a natural disaster, helping the community to restore essential services.

Power and Water has in excess of 95,000 electricity and water customers (including regions and remote customers) and is structured along three main lines of business (Power, Water, Gas) supported by core operations and business services.

Our lines of business

Power Services

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

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

Electricity is distributed to an estimated 244,300 people across an area of 1.3 million square kilometres. Electricity network services for the three regulated networks (Darwin to Katherine, Tennant Creek and Alice Springs) are delivered pursuant to the 2019 Network Price Determination, administered by the Australian Energy Regulator (AER).

Water Services

Water Services plans, constructs, operates and maintains water and sewerage infrastructure assets for the long term to provide safe, reliable and efficient water and sewerage services to five major centres and five of the 15 minor centres, with the remaining minor centres provided with water services only.

In addition, Water Services provides water and sewerage services to geographically isolated and dispersed Aboriginal communities and outstations across the NT on behalf of IES, as funded by the DLGHCD. This includes 72 Aboriginal communities and 66 outstations, of which 15 communities are provided with water services only.

Core Operations

In line with Power and Waters' new operating model, a new Core Operations unit has been established to lead system control, market operations, remote services, SCADA and communications and metering functions.

System Control

System Control has a statutory role in monitoring and controlling the operation of the regulated power systems in the NT and for overseeing their safe, secure and reliable operation. The System Control Licence, which is issued by the Utilities Commission, determines Power and Water's statutory obligations. Since May 2015 System Control has also been performing the trading/dispatch and market services functions of the Interim Northern Territory Electricity Market, along with other market operator functions. This will continue pending the final design and commencement of the Northern Territory Electricity Market (NTEM). Other non-regulated services are also provided both internally and to other market participants.

Remote Services (Indigenous Essential Services)

IES is a wholly owned not-for-profit subsidiary of Power and Water, operating under agreement with the DLGHCD. IES coordinates the delivery of electricity, water and sewerage services to 72 geographically isolated and dispersed Aboriginal communities and 66 outstations. Services in Aboriginal communities are delivered on behalf of IES through the Power Services and Water Services lines of business, in line with Power and Waters' new operating model, to leverage the skills and expertise within the business. An Essential Service Operator (ESO) delivery model has been adopted to maximise opportunities for local and Aboriginal employment and training.

Gas Services

Gas Services manages long-term gas acquisition, sales and pipeline transmission arrangements to ensure gas is delivered to electricity generators and other major gas customers. It is also focused on seeking new gas market opportunities and maximising the use of existing gas supply entitlements and transmission capacity including the new NGP.

Business support services

Centralised services are provided across the corporation through the following business support areas – Transformation, People Culture and Customer, Information Technology and Systems, and the Office of the Chief Financial Officer.

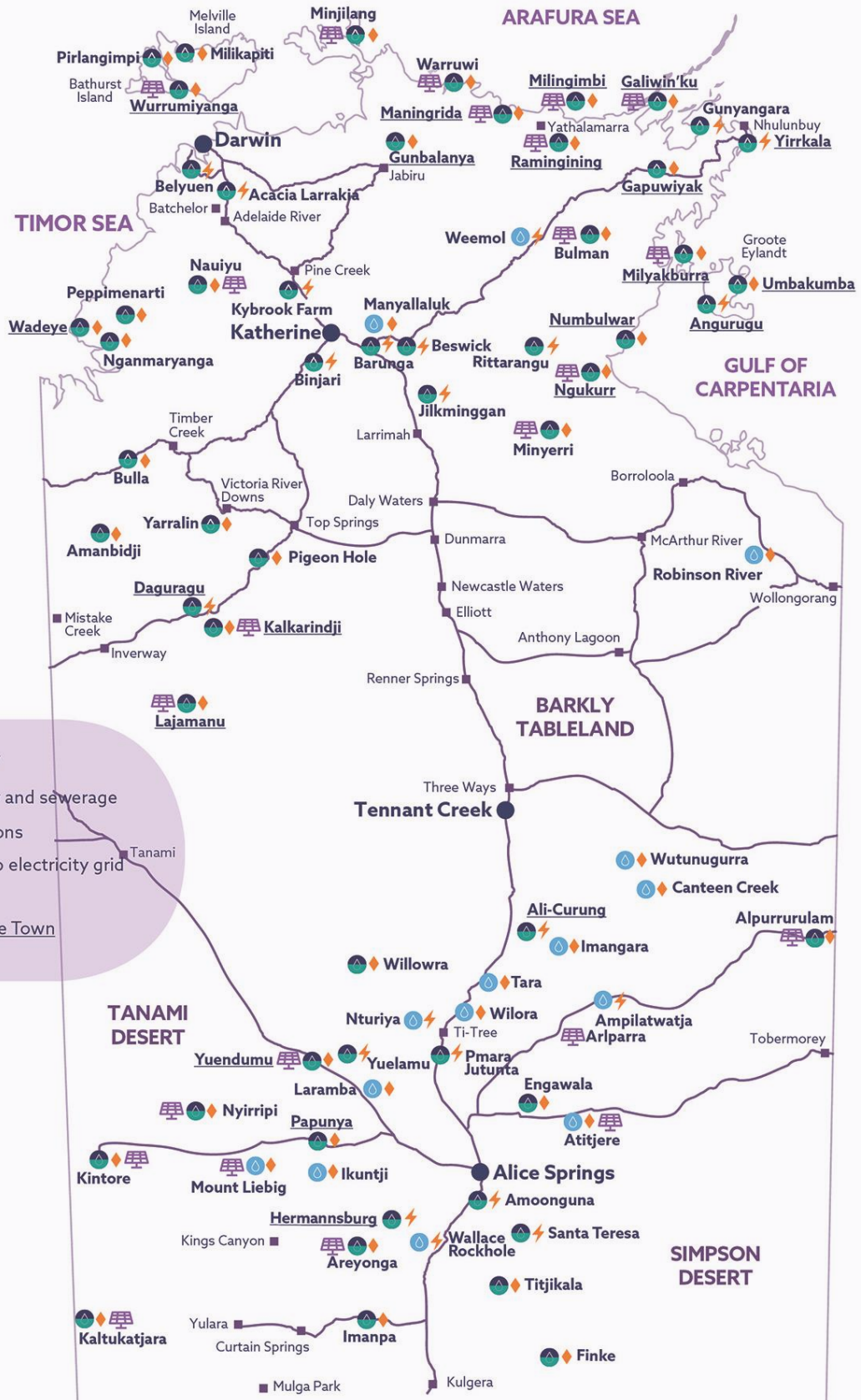
Where we operate

Power networks, water, sewerage and gas



- Water supply licence area
- Water supply licence area Restricted services area
- Water supply and sewerage Service licence area
- Retail agreement only
- Regulated electrical supply system
- Onshore pipeline Power and Water
- Onshore pipeline
- Subsea pipeline

Remote communities' power, water supply and sewerage services



Our strategy



Community engagement

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

- Enriching the future of the NT and the community in which we operate, supporting economically sustainable growth and prosperity.
- Enriching the future for our people, by providing growth and development opportunities that enable them to do new things, champion change and make a difference in the work they do.
- Enriching the future for our customers by being easy to deal with and providing knowledge and choice.

This is supported by **Our Vision** of being a best practice, commercially focused and customer centric multi-utility respected by the community for our contribution to the NT economy and the pursuit of the long-term interests of consumers.

We recognise the need to quickly evolve, giving customers better choices and to be an organisation that is easy to deal with. Key to our SCI is the commitment to become a more accountable organisation, which has good risk management and governance practices with simplified systems and processes that leverage the synergies of being a multi-utility. This will be achieved through our people – by having the right culture, leadership and technical capabilities, which are aligned to delivering a commercially focused, customer centric organisation while meeting our Shareholder’s expectations.

Over the four year SCI period, July 2019 to June 2023, we will continue on our major change journey in line with our purpose and vision. This change commenced during 2016-17 with a re-set in strategy and priority areas for the organisation, further refinement of our strategic framework, the refreshing of our organisational values, and initiation of culture and capability initiatives. A key focus over the SCI period is the ongoing implementation of our new Operating Model (organisational structure, business processes and systems) along with ongoing culture and capability initiatives. This is designed to improve efficiency and effectiveness as a true multi-utility, for the benefit of our customers through greater simplicity, sharper customer focus, thinking differently and working together.

The future continues to bring both challenges and opportunities for Power and Water. Entering the regulatory regime of the National Electricity Rules (NER) in July 2019, with network revenue being set by the AER, carries the risk of increased financial pressure. This includes the possible requirement to reduce operational, business services and capital costs beyond those efficiencies already planned in the period. The growing penetration of renewable energy, which is expected to increase significantly over coming years, presents challenges to ensure we meet our customer expectations and that the effective integration of renewable energy technologies into the power system does not compromise system security.

Supporting the NT’s growth and future economic development means we must continue to develop water conservation initiatives and review our water source strategies to ensure the ongoing availability of a safe, secure water supply and meet the increasing demand for gas from existing and new customers through gas acquisition and delivery.

In order to meet these challenges, it is imperative that we continue to focus on our customers and the broader community’s changing expectations, while seeking business efficiencies, improving our performance and capabilities and leveraging all opportunities where possible including the adoption of new and developing technology.

Strategic framework



Our transformation - priority focus areas



Our five priority focus areas are crucial to ensure that we have the right foundations in place to enable us to deliver on our longer term goals and our purpose. Implementation of these priorities has commenced and will continue over the next four years. This involves:

- the progressive implementation of our new Operating Model (organisational structure, processes and systems) designed to improve efficiency and effectiveness as a true multi-utility for our customers through greater simplicity, sharper customer focus, thinking differently and working together
- moving to a proactive health and safety culture to improve health and safety outcomes for everyone
- remediating our core information and communications technology through simplification and by establishing fit-for-purpose systems aligned to our new Operating Model, which allow us to maximise our business potential
- transitioning to the national electricity rules to become a more efficient and more agile network service provider, and performing the market operator functions of the NTEM, meeting our customers' future needs
- developing a positive and constructive culture and having the right capabilities to allow us to achieve the goals we have set ourselves.

Our Values and our behaviours guide the achievement of our goals. The priority focus areas are summarised below:

1. Health and safety improvement

Protecting the health and wellbeing of our people, contractors and the public is one of our fundamental values that underpins all our activities. Power and Water is committed to ensuring all workers and contractors are provided with the safest working environment, advice and support in line with achieving our safety goal.

The Health and Safety Improvement Plan 2017-2020 is designed to drive sustained improvement in health and safety performance across a number of key operational and governance areas. This strategy will further embed direction, leadership and accountability into existing health and safety systems in order to enhance and mature our safety culture and governance processes, moving the organisation to a proactive state on the adopted safety maturity model.

Throughout 2018, a wide-ranging review of current systems and governance was undertaken resulting in a refreshed safety management system, which better services the needs of the organisation and our contractors. Building and embedding the correct systems, supporting tools and governance as a foundation for culture change is essential and will continue throughout 2019. The foundations put in place to date have already seen an improvement in safety performance.

This will be followed by an ongoing focus on improving personal accountability, attitudes and behaviours into the future and will be measured and validated against a proven safety culture maturity model. The end result will be a fit-for-purpose safety management system that is embedded, understood and accessible to our workforce and supported by proactive safety behaviours and values.

A key success factor for this project is to ensure that our employees and contractors are actively engaged into our health and safety aspirations and culture journey through effective consultation and communication processes. Tracking our safety performance will also be enhanced through a suite of new health and safety performance lead indicators which have been established to ensure that our safety culture and systems are effective and achieving the targeted outcomes.

This project comes with the highest executive commitment and will result in reduced incident and injury frequency and severity, simplified safety systems and a workforce that is actively engaged with a proactive health and safety culture.

2. New Operating Model

Power and Water is transitioning to a new Operating Model that will enable us to respond to a changing market environment driven by government policy, regulation, technologies and customer and community expectations. We are also aiming to leverage the synergies that we have available as a multi-utility service provider of gas, water and power services, by efficiently and effectively organising our business structure, improving our systems and streamlining processes to deliver value to our customers and Shareholder.

This is a Power and Water portfolio-wide initiative and is supported by other priority projects, in particular our Remediate the Core program.

The new Operating Model has three key goals:

- Greater simplicity by removing duplication, clarifying roles and streamlining support services for more focused delivery of services to our customers.
- Sharper customer focus by enabling a more consistent front-line customer experience and integrated business functions for a better service.
- Thinking differently and working together by removing silos and encouraging collaboration, sharing knowledge and creating new career opportunities.

The new Operating Model program is focused on the following capability areas:

- Establish a 24/7 Operations Hub to service the whole of the NT with real-time operations' support, which will provide better fault response and improved customer outcomes.
- Establish consolidated asset management and capital project delivery functions to drive improved and standardised practices and governance.
- Establish a consolidated service delivery/works management function and system to enable a standard approach to works' planning, scheduling and dispatch and integrated resource planning.
- Delivery of improved customer billing and service outcomes. This includes addressing issues with meter data management and billing systems, driving regulatory compliance and end-to-end traceability of meter asset and consumption data.
- Increased commercial acumen, including end-to-end supply chain management and improving finance processes.
- Consistent job titles, structure and training frameworks across the organisation.

The transition to our new Operating Model has commenced with the implementation of initial structural changes to our business and initiating other sub-initiatives, including:

- embedding the provision of remote services into the Power Services and Water Services lines of business with a shared focus and improved capability to deliver essential services to remote communities
- establishing a Core Operations unit to more efficiently undertake the work that is common to water, power and gas service delivery, with focus on system control, market operations, remote services, SCADA and communications and metering functions.

A significant initiative has also commenced to improve the organisational capability (structure, process, data and technology) involved in metering, meter data management, billing and credit and to achieve regulatory compliance under the AER. Outcomes will support the NTG policy to implement wholesale trading of electricity within the Darwin-Katherine electricity network.

Implementation of the new Operating Model is expected to continue through to 2022.

3. Culture, leadership and capability

Having the right culture, leadership and capability is critical to becoming a high performing, commercially focused and customer centric organisation. This program is focused on developing a positive and constructive culture and having the right capabilities to achieve the goals we have set ourselves.

Embedding a more constructive and positive culture through developing our leaders and building a confident, capable and forward-looking workforce focussed on customer needs, is essential. The implementation of targeted culture change initiatives began in 2017 with the reset of our values, establishing an organisation culture baseline, engaging with employees on what this means, and undertaking leadership development and management coaching.

Capability is essential to building a high performance culture that includes a diverse and accountable workforce that can drive business effectiveness. Work has begun to identify areas across the business where increased skills and further training are needed. We are also working towards implementing a holistic performance achievement and employee development framework.

The primary aim of these programs is to achieve the following outcomes:

- Leaders who lead by example promoting accountability, motivating their teams to thrive and perform at their best.
- A flexible, proactive and constructive culture with people who understand the importance of our customers and stakeholders, are accountable, effectively manage our assets and understand the need for continuous improvement.
- Improved customer focus in the way we conduct our business.
- Improved financial and commercial acumen across the organisation, resulting in improved financial outcomes.
- Greater diversity and optimal people management, to enable Power and Water to attract and retain capable and talented people who are aligned to our values.

4. Remediate the core ICT systems

The Remediate the Core (RTC) program was initiated in 2017 with a primary goal of improving core ICT systems to enable an effective and efficient organisation, in particular delivering simple, robust, standardised and fit-for-purpose systems that better support operational decision making, enable business efficiencies and ultimately improve customer service and cost of service delivery. This project aims to implement the systems component of the process and technology plan that will support the new Operating Model.

Power and Water systems have become inefficient over the years primarily as a result of excessive customisation and process duplication across multiple systems. The RTC program will achieve significant efficiencies both from ICT operating costs (including licensing and support) and by enabling process efficiencies from areas such as upgraded mobile data management and asset management systems.

The program supports the other priority projects and will also provide the flexibility for future process changes to be incorporated with minimal incremental cost of implementation. The key outcomes of the program are:

- redesign the process and system for data management, storage and retrieval
- ensure all business systems are updated, with minimal customisations utilising functionality available in the key systems and eliminating duplicate functionality
- ensure cyber security risks are understood and minimised
- identify emerging technologies and consider their potential future impact
- enable more efficient management of data collection and processing through improved data mobility platforms.

The program has progressed steadily with the successful delivery of the Enabling Phase (improving our reporting capability and utilising common data across multiple corporate systems); the Foundation Phase (establishing data governance and protocols allowing business to understand and manage data more effectively across all areas of business); Stage 1 of the System Remediation Phase (geographical information systems designed to improve the reliability, accessibility and utilisation of our geospatial data, including the location and details of our assets and services); and the decoupling project to remove a large number of customisations, which were created to enable the integration of separate systems.

RTC will move into Stage 2 of the System Remediation Phase, focussing on upgrading and consolidating the Asset Management System, Retail Management System and exploring the extensive capabilities of our new geographical information system platform. There will also be considerable focus on the mobility capability of Power and Water's operational units enabling service workers access to work orders and asset details through an online platform.

The overall program of work will continue through to 2020 with the detailed implementation plan being subject to the output from other priority projects, primarily the new Operating Model project.

5. National Electricity Rules and the Northern Territory Electricity Market

The NT is transitioning to its adaptation of the NER, which is administered by the AER. Power and Water will be the first non-interconnected network provider to come under the NER and will commence full operation under the new regime on 1 July 2019.

The AER's role is to promote the long term efficient investment and delivery of electricity services for the long-term interests of consumers. It also ensures compliance with the NER and establishes service standards for electricity distribution network service providers. As part of this, the AER sets the network prices to be passed onto retailers aiming to protect consumers from paying no more than necessary for the safe, secure and reliable delivery of electricity services. The AER revises its network pricing determinations every five years.

Power and Water submitted its initial Regulatory Proposal to the AER in January 2018 for the five year period, July 2019 to June 2024. The overarching intent of the proposal is to maintain service standards across the three separate regulated electricity networks, targeting service level improvements in under-performing areas and ensuring the lowest possible price for customers while providing an appropriate financial return on capital invested. The regulatory proposal contained Power and Water's proposed operational and capital expenditure requirements for the period, its tariff strategy, its connection policies and a range of other documents designed to demonstrate compliance with the NER.

The proposed tariff strategy aims to modernise network tariffs, and together with the proposed smart meter roll-out policy for all new and replacement meters, it will provide customers with the opportunity to better manage their electricity use and take advantage of new technologies and potential future retail service offerings, consistent with emerging industry standards and consumer expectations.

The NER also contains a number of incentive and penalty schemes designed to ensure Power and Water not only operates within the parameters of its approved plan for the five year period, but actively seeks to improve its operations and its overall efficiencies. Any benefits earned under these schemes are shared between Power and Water and its customers.

Following extensive consultation with customers and market participants, the AER released its Draft Determination in September 2018. Based on feedback from the AER and customers, Power and Water revised its five-year pricing and expenditure plan in January 2019 and the AER will make its final determination in April 2019.

Power and Water remains focused on the orderly and cost effective transition to full compliance in line with the NER.

The changing regulatory environment and the move towards implementing a wholesale electricity market - the Northern Territory Electricity Market - provides an opportunity for influencing the ongoing development, implementation and refinement of the wholesale electricity market and rules. Further development of internal resources to meet the additional accountabilities related to market operation and associated reporting is required. Supporting the efficient and effective operation of the market and ensuring equitable provision of information to all market participants will also form part of our business.

Key performance indicators

		2018-19 SCI	2018-19 Forecast ¹⁶	2019-20 Budget	2020-21 Target	2021-22 Target	2022-23 Target
Health and safety							
Health and safety index ¹	%	80	-	80	82	85	90
People and culture							
Employee engagement ²	%	70	-	72	74	76	78
Aboriginal employment ³	Headcount	78	-	87	97	105	108
Financial performance							
Return on capital employed ⁴	%	3.6	3.0	> 4.0	> 4.0	> 4.0	> 4.0
Debt to equity ratio ⁵	Times	1.2	1.2	< 1.3	< 1.3	< 1.3	< 1.3
Free cash flow ⁶	\$M	New	(64.1)	(35.6)	(24.5)	(5.1)	(16.7)
Statutory net profit after tax ⁷	\$M	> 43.8	14.8	> 42.9	> 37.9	> 46.8	> 37.4
Underlying earnings before interest, tax, depn, amortn ⁸	\$M	> 206.5	184.1	> 230.1	> 220.0	> 234.1	> 224.2
Operational performance							
System avg interruption duration index (NT system) ⁹	Min	212.1	-	175.8	175.8	175.8	175.8
Water demand Darwin ¹⁰	KL per household	389	-	384	378	372	366
Unplanned water supply interruptions ¹¹	Min	New	-	120	120	120	120
Sewerage chokes and blockages per 100 km ¹²	No.	23	-	22	21	20	20
Wastewater treatment plant discharges are licensed ¹³	%	100	-	100	100	100	100
Customer							
Customer satisfaction index ¹⁴	Residential / Non-residential %	80 / 80	74 / 87	80	80	80	80
Complaints resolution ¹⁵	Average business days	14	-	12	11	10	10

All targets reflect Power and Water unconsolidated.

¹ **Health and safety index:** Reflects a composite measure of health and safety indicators focusing on employee, contractor and public safety performance, effectiveness and verification.

² **Employee engagement:** The level of favourable engagement for employees based on survey respondents measured annually.

³ **Aboriginal employment:** Number of employees identifying as Aboriginal (permanent and fixed term, excluding contractors) as at 30 June each year.

⁴ **Return on capital employed (ROCE):** EBIT/Capital Employed where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Fair Value for asset valuations; and Capital Employed = Equity adjusted for assets also at Fair Value + Borrowings.

⁵ **Debt to Equity ratio:** (Term debt + current debt)/equity.

⁶ **Free cash flow:** Operating cash flow less capital expenditure.

⁷ **Statutory net profit after tax (NPAT):** In line with Statutory Accounts.

⁸ **Underlying earnings before interest, tax, depreciation and amortisation (EBITDA):** Total revenue less total operating expenditure excluding non-cash impairments / leasing standard impacts.

⁹ **System Average Interruption Duration Index (SAIDI):** Reflects distribution reliability targets approved by the Utilities Commission in the Standards of Service Code. Rolling 12 month average for the Northern Territory system.

¹⁰ **Water demand Darwin:** Rolling 12 month average for Darwin households.

¹¹ **Unplanned water supply interruptions:** Average duration of unplanned water supply interruptions in Darwin and Alice Springs.

¹² **Sewerage chokes and blockages:** Number of chokes and blockages per 100km Darwin and Alice Springs.

¹³ **Wastewater treatment plant discharges:** All wastewater treatment plants are licensed or have a current licence submission.

¹⁴ **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. The 2018-19 forecast reflects the actual result of the survey completed during the year.

¹⁵ **Complaints resolution:** Average number of business days taken to resolve customer complaints.

¹⁶ **Forecast:** Financial forecast reflects the 2018-19 forecast prepared February 2019 based on year-to-date actuals to 31 December 2018 plus updated banked gas and onerous contract non-cash impairment charges.

Power Services



Tropical Cyclone Marcus restoration

Strategic overview

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

There are three separate regulated electricity networks in the NT – Darwin to Katherine, Tennant Creek and Alice Springs networks. Ownership of the meters used to measure electricity use also sits with Power Services.

In addition, Power Services provides electricity services to geographically isolated and dispersed Aboriginal communities and outstations across the NT on behalf of IES, as funded by the DLGHCD, and manages related assets on behalf of IES. These services include the generation and retailing of electricity for many rural towns and remote communities from medium scale gas turbines, smaller scale diesel machines and integrated solar-diesel and battery storage arrangements.

Power Services is expert at managing the tyranny of distance and remoteness, while operating in a range of environmental settings, from the arid dry of the central desert, to the tropical monsoon of the top end. Our major challenge going forward is to continue to deliver our services in line with the commercial and technical rigour demanded by the NER and the AER from 1 July 2019; continuing to meet the changing expectations among customers and the community; and facilitating the increase in renewable energy in line with NTG's objective of 50% renewables by 2030.

In line with the transition to the NER and network pricing determined by the AER from 1 July 2019, Power and Water has provided its five-year regulatory proposal to the AER setting out service standards across the three separate regulated electricity networks, targeting service level improvements in under-performing areas, detailing proposed operational and capital expenditure requirements for the period, and outlining the tariff strategy and connection policies to support new customers. The proposal is aimed at ensuring:

- safe, efficient, reliable and responsive services, to existing and new customers
- prices that are as low as possible and that reflect the cost of using our network while providing an appropriate financial return on capital invested
- investment in technology that provides better access to information.

Further information on the regulatory proposal and Distribution Determination for 2019-2024 is available on the AER website¹. The background and intent is summarised in the Priority Focus section of this document (page 12).

Following extensive consultation with customers and market participants, the submission of Power and Waters' revised regulatory proposal to the AER in January 2019 and the AER's final five year (revenue) Distribution Determination in April 2019, Power and Water will become the first non-interconnected network provider to operate under the NER (as applicable to the NT) from 1 July 2019.

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

Moving to the new regulatory regime will drive Power and Water to continue its focus on implementing sustainable improvements to electricity network operating efficiencies, cost structure, capital investment program and capabilities for the benefit of our customers, while providing an appropriate financial return on capital invested. However, the setting of network revenue by the AER carries the risk of increased financial pressure including the possible requirement to reduce operational, business services and capital costs beyond those efficiencies already planned.

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

The relevant key strategies, initiatives and capital investment for the delivery of remote electricity services are outlined in the Remote Services (Indigenous Essential Services) section. A financial four year outlook for IES has been prepared separately and is not included in the Power Services financial outlook.

Key strategies and initiatives

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

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

Capital investment program

The Power Services capital investment program is developed through assessing its capabilities to deliver services, including those outlined by the Network Planning Criteria and Electricity Standards of Services Code, against the forecast need. This includes meeting growth in local electricity demand, the replacement of network assets to maintain service standards, customer connections and non-network assets. The capital investment program represents a balanced approach between efficient cost, stakeholder performance requirements and risk. This program has been accounted for in the 2019-20 SCI, including the risks and resource capability to deliver these projects on time and within budget. The capital investment program totals \$336.1 million over the four-year SCI period of which \$94.2 million is included in the 2019-20 budget.

Major projects include the replacement of the Berrimah Zone Substation; underground cable works; augmentation of the Wishart Zone Substation; and distribution pole replacement program in Alice Springs.

Other significant capital expenditure relates to the ongoing asset renewal and augmentation programs, which form part of Power Services' asset management plans such as customer connections program; metering program and vehicle fleet program; condition based asset replacement program; and IT and communication systems.

Financial summary

POWER SERVICES	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	196.1	186.9	193.5	177.5	184.0	190.2
Operating costs	102.9	112.9	98.2	96.4	99.0	105.9
Earnings before interest, tax, depreciation and amortisation	93.2	74.0	95.3	81.1	85.0	84.3
Net profit after tax	20.6	4.9	17.5	5.4	6.2	4.6
Capital expenditure	52.6	53.6	94.3	85.9	84.1	71.8

Water Services



Leanyer Sanderson Waste Stabilisation Ponds Inlet Works

Strategic overview

Water Services plans, constructs, operates and maintains water and sewerage infrastructure assets for the long-term to provide safe, reliable and efficient water and sewerage services to five major centres and five of the 15 minor centres, with the remaining minor centres provided with water services only.

In addition, Water Services provides water and sewerage services to geographically isolated and dispersed Aboriginal communities and outstations across the NT on behalf of IES, as funded by the DLGHCD, and manages related assets on behalf of IES. Services are provided to 72 Aboriginal communities and 66 outstations, of which 15 communities are provided with water services only.

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

A prime focus for Water Services remains the assurance of safe drinking water now and into the future. The implementation of the Safe Water Strategy, commencing in 2019, provides the framework for our actions and outcomes over the SCI period. Protecting water supplies against the risk of pathogens remains a priority although there will be an increasing focus on improving the physical-chemical and aesthetic qualities of the water we provide. PFAS water contamination sees Water Services continue to work closely with affected communities and NT Government agencies, to implement long term solutions for the safe supply of drinking water.

Water Services continues to plan and develop the most cost efficient options to ensure water reliability and sustainability. Based on the Darwin Water Supply Strategy, works will progress over the SCI period aimed at returning Manton Dam to service by 2025-26 while background investigations continue on the Adelaide River Off-river Water Storage (AROWS) option. Water supply and demand strategies will continue to be developed for each minor centre. These strategies will address water source security based on a level of service, potential water source capacity, network complexities and possible supply and demand options.

Power and Water's 'Living Water Smart' program will continue to drive water conservation and efficiency activities across Darwin and aims to reduce consumption by one gigalitre per year over 2019-20, as part of the programs six gigalitres per year overall water use reduction goal (2016-17 to 2020-21). The program targets large water users, including local councils and government departments, and working with customers to help identify and realise significant water saving opportunities. Programs to support water conservation activities in minor centres are developed on an as-needs basis.

The provision of effective and efficient sewerage treatment and disposal is another key focus. With the completion of significant upgrade works at Leanyer-Sanderson Wastewater Treatment Plant over 2018-19, the opportunity will be taken to assess the overall benefit of these works and to determine what further works are required. Investigations into consolidating the Berrimah and East Arm sewerage treatment sites will be completed in 2019-20 along with an over-arching strategy for this area. A collaborative project with the NT Environment Protection Authority to develop a suite of regulatory guidelines for the use and application of biosolids is underway.

The ongoing implementation of the Power and Water priority focus programs will underpin our ability to continue to meet these challenges. Improving business performance through improved financial focus and workforce productivity will be driven by a range of business initiatives aligned to the achievement of the corporation's goals with particular emphasis on:

- improvements in contract pricing options, terms and conditions and in line with the Strategic Sourcing Strategy to improve commercial viability for both new and legacy arrangements
- improvements in asset management processes through the ongoing implementation of the Asset Management Improvement Project, including the development of asset class management plans to augment the Strategic Asset Management Plan and Portfolio Management Plans, to deliver a comprehensive approach to asset management, maintenance and asset construction, renewal or replacement
- implementation of mobile applications to support improvement of workforce efficiency and enhancement of data quality collected from field operations and assets.

The relevant key strategies, initiatives and capital investment for the delivery of remote water and sewerage services are outlined in the Remote Services (Indigenous Essential Services) section. A financial four year outlook for IES has been prepared separately and is not included in the Water Services financial outlook.

Key strategies and initiatives

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

- **developing a strong and proactive safety culture** through improved leadership and ownership supported by improved systems to deliver sustained improvement in health and safety performance including contractor safety management
- **ensuring a safe water supply through the ongoing implementation of a Water Quality Management System** aligned to the Australian Drinking Water Guidelines, along with the implementation of the Safe Water Plan and effective risk and governance practices including environmental management
- **aligning the Asset Management Framework to ISO 55000** to strengthen all asset management processes ensuring reliable and resilient asset infrastructure to deliver level of service and sustainability of safe water services, including encouraging and assisting customers in efficient water use through delivery of demand management programs and the 'smart communities' programs
- **delivering capital programs and operating efficiencies** through ongoing commercial focus, financial capability and the efficient and effective risk based capital delivery
- **strengthening workforce capability, engagement, constructive culture, leadership and accountability** in line with organisational focused initiatives and the new operating model to enable a high performing, commercially focused and customer centric business, including building Aboriginal capability and opportunity
- **improving customer and stakeholder experience** through targeted engagement strategies and exceeding expectations. This includes supporting the NTG \$1.1 billion housing program, participating in program governance and developing a land servicing capability to deliver the program's core outcomes.

Capital investment program

The capital investment program for the Water Services business unit totals \$199.0 million over the four-year SCI period of which \$41.2 million is included in the 2019-20 budget. A financial four year outlook for water and sewerage capital investment for IES has been prepared separately and is not included in the Water Services financial outlook.

Water

The proposed water capital program is focused on delivering improvements and renewal of assets to increase water supply security and network reliability. The capital program totals \$118.1 million over the four-year SCI period of which \$28.6 million is included in the 2019-20 budget. Based on an analysis of risk, the 2019-20 capital program includes:

- Renewal/Replacement:** Upgrade of current asset infrastructure to meet optimum levels of service.
 Works are planned to improve the reliability of the distribution system across the NT through water main replacement program, meter replacement program and other various water reticulation improvements.
- Growth:** New infrastructure to service planned growth.
 Planning continues for the implementation of the major projects in line with the Darwin Region Water Supply Strategy, including the development of new water sources to support NT future growth. These include the Manton Dam return to service, the Casuarina water tank roof renewal and the development of a new bore at Kings Canyon.
- Extensions:** Extend services into non-serviced areas and upgrade capacity to meet new developments. The next stage in the ongoing upgrade of the Darwin River Dam pump station continues with the installation of the required pipework.
- Service Improvement:** Improve the efficiency of service delivery.

The next stage of projects associated with the Water Quality Disinfection Reliability Strategy will be undertaken. Upgrades to the water quality management system will be progressively made to water treatment, delivery and monitoring systems in line with Australian Drinking Water Guidelines. This includes UV water treatment at Cox Peninsula and water treatment improvements at Garawa (funded by DLGHCD). In addition to this, there are improvements being undertaken at Darwin River Dam Fluorosilicic Acid storage dosing facility.

Upgrades are planned for supply sources at Adelaide River and Batchelor that will ensure supply and improve service delivery. Ongoing measures are being taken to reduce water leakage and loss in Alice Springs and Darwin including a customer meter replacement program and smart meter trials.

Sewerage

The proposed sewerage capital program is focused on delivering capacity improvements to meet increased demand and compliance requirements. The capital program totals \$80.9 million over the four year SCI period of which \$12.6 million is included in the 2019-20 budget. Based on an analysis of risk, the 2019-20 capital program includes:

- Renewal/Replacement:** Upgrade of current asset infrastructure to meet optimum levels of service.
 Works are planned to improve the reliability of the distribution and treatment system across the NT through sewer main relining, pump replacement and de-sludging programs and other sewer reticulation improvements.
- Service Improvement:** Improve the efficiency of service delivery.
 Planning continues for the inlet works to the Ludmilla Wastewater Treatment Plant.
- Compliance:** Meet increased regulatory and licencing requirements.
 The Leanyer Sanderson Wastewater Treatment Plant long term augmentation is underway to support compliance with discharge licence conditions incorporating hydraulic improvements and channel repairs in the pond.

Financial summary

WATER SERVICES	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	219.0	223.5	217.6	217.8	221.9	227.1
Operating costs	88.5	87.2	85.2	86.8	87.8	90.1
Earnings before interest, tax, depreciation and amortisation	130.5	136.4	132.4	131.0	134.1	137.0
Net profit after tax	30.6	24.9	27.4	27.7	31.4	32.3
Capital expenditure	53.3	54.5	41.2	44.3	48.9	64.6

Gas Services



Gas infrastructure on Wickham Point pipeline

Strategic overview

Gas Services is accountable for the effective management of long term gas supply and pipeline haulage arrangements to ensure gas is delivered primarily to the generation sector while ensuring the effective management of Power and Water's gas pipeline assets.

Gas Services has been successful in the implementation of its gas strategy over the past three years with firm gas sales now maximised under current operating conditions. The local domestic gas market is now in a position where forecast demand exceeds existing supply, which is a reversal of conditions in the NT over the past few years. The commissioning of the Northern Gas Pipeline in January 2019 has provided access to a large new market for NT gas, with high demand forecast to continue in the short to medium term.

The key challenge is now to meet the increasing demand for gas and support economic development particularly in the NT, while ensuring that the Shareholder's interests are protected and maximum benefit is derived from existing gas purchase, sales and transportation agreements. The changing and developing energy (electricity and gas) markets in the NT, dynamic global oil and commodity prices and increasing environmental concerns, create both challenges and opportunities for the purchase, transportation and sale of gas. Gas Services is well positioned to meet these challenges having demonstrated its ability to generate sales, support local projects and improve Power and Water's long term financial position.

The focus for the next four years will include identification of possible new gas supplies, capitalising on current market opportunities, maximising the sale of gas and transportation and supporting economic development.

Gas wholesale and retail pricing is not regulated, unlike the transportation of gas. This has facilitated a gas spot market in Australia where there are multiple buyers, sellers and gas transporters. Power and Water has established a spot sale process in the NT to enable sale of excess gas on a daily basis with participation in the east coast spot market planned from 2020.

Our success in securing future gas resources and gas transmission systems to meet growing gas demand to support the development of the NT economy, will be underpinned by playing a strategic role in providing technical and commercial expertise and advice to government agencies. Critical to this is having respected relationships in place with our gas stakeholders and ensuring our expertise is retained and complemented to meet new challenges.

Key risks for the gas business are primarily associated with volume uncertainty from existing customers due to market conditions. Other key risks that could, or are likely to, have a material impact on gas operations in the medium to long term, include:

- displacement of gas fired generation with alternative technologies thus reducing demand for gas in the NT power generation market
- cost of transportation into the East Coast market which could impact the competitiveness of NT gas
- proposed regulatory reforms, which could adversely affect Power and Water's position in the NT gas market.

Key strategies and initiatives

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

- **strategically developing our gas business to grow market share and improve profitability by:**
 - competitively marketing and trading gas to existing and new customers both in the local and eastern gas markets
 - maximising opportunities associated with gas transportation infrastructure including the NGP
 - supporting the development of new energy intensive industrial and extractive industries
- **engaging 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
- **positioning Gas Services for the future** by maintaining a highly effective skills base and structure to dynamically respond to risks and opportunities associated with changing market factors including competition, expansion and gas demand.

Capital investment program

The capital investment program for Gas Services is focused on new gas infrastructure to support power generation competition within the NT and gas customer requirements. The capital investment program totals \$18.6 million over the four-year SCI period of which \$7.6 million is included in the 2019-20 budget.

Major projects include:

- Channel Island bridge pipeline upgrade
- pipeline duplication for supply of gas to Channel Island.

Remote Services (Indigenous Essential Services)



Remote services in the NT

Strategic overview

Power and Water is accountable for providing safe, reliable and cost effective electricity, water and sewerage services to geographically isolated and dispersed Aboriginal communities and outstations across the NT. These services are delivered through IES, a wholly owned not-for-profit subsidiary of Power and Water. The NTG, through its agency the DLGHCD, is accountable for strategic community planning and policy development, provision of an annual purchasing plan and associated recurrent grant funding (which supplements the tariff based revenue collections), and for the submission of any additional capital infrastructure specific funding requests.

IES is the strategic asset owner and coordinates the delivery of services through Power and Water (via the Power Services and Water Services lines of business). The challenging nature of providing essential services in remote locations lie with the high cost and risk of operating remotely and increasing requirements of remote areas. Challenges also exist with an ageing asset base, limited asset capacity constraining development and growth and threatened water resources compounded by high consumption and leakage in communities with limited available water supplies. Necessary and significant NTG investment into remote Aboriginal communities places additional pressure on these existing services, particularly the \$1.1 billion Remote Housing Program. Planning is underway to service additional land and increase the capacity of essential service infrastructure to support the additional housing facilities.

In line with Power and Water's new operating model, Remote Services forms part of the newly created Core Operations business unit (along with system control services, market operations, SCADA and communications and metering functions).

Stakeholders have increasingly high expectations for improved levels of service and regional capability. Land access requirements of land councils require lengthy approval timeframes. Long term planning and coordination across Australian Government and NTG agencies is needed to coordinate remote community development, as are appropriate levels of funding to deliver the necessary services. The DLGHCD has a lead role in undertaking these functions, as informed by Power and Water. NTG objectives such as the 50 per cent renewable energy target by 2030, Aboriginal employment targets and the Remote Housing Program present challenges and opportunities, and require active support by Power and Water under the direction, leadership and funding from the DLGHCD.

Power and Water will, over the next four years, engage with the NTG through the DLGHCD on the delivery of services with the aim of improving financial sustainability and increasing accountability. Areas to be addressed include water supply, where most consumers have little incentive to reduce consumption or rapidly repair leaks, as well as pursuing opportunities for collaboration with Australian Government, NTG agencies and Aboriginal based enterprises to implement improved technologies, reduce costs and enhance local service delivery capability for whole-of-government.

Power and Water has an emerging Aboriginal inclusive employment and contracting practice to provide effective support to our customers, communities and businesses. We will continue to contract and develop Essential Services Operators through local councils and private contractors to safely operate, monitor and service infrastructure.

Underlying the successful provision of these services is the ongoing focus on our customers, safety, culture and capabilities, governance and management (financial, asset, risk). This is driven by efficient and effective organisational structure, processes, systems and technology, which are the focus of Power and Water's key priority areas.

Key strategies and initiatives

The focus for IES is aligned to the achievement of the corporation's goals with particular emphasis on:

- **working with the DLGHCD to continuously improve the IES Pty Ltd governing and funding agreement** to manage risks, operational and other gaps; adding value and improving the alignment of service requirements to available funding
- **optimising the safe delivery of services** through improved essential service operator commercial arrangements and accountabilities, effective participation in the Safety Management Improvement Program of activities and through continued investment in remote monitoring and controls through satellite and 3G telemetry SCADA systems
- **actively supporting the NTG Housing Program** through participation in program governance and coordination forums and by building and resourcing a land servicing team focused on the program's core deliverables.

Capital investment program

The IES current capital investment program is primarily aimed at economic asset renewal, delivering strategic initiatives and transitioning to new technologies, particularly solar technologies. Most new capacity growth is expected to result from the implementation of the NTG Housing Program, and the DLGHCD as the developer, will retain responsibility for the separate funding of such infrastructure enhancements. The capital investment program totals \$94.7 million over the four-year SCI period for IES of which \$35.2 million is included in the 2019-20 budget.

The following projects are expected to deliver reliability and environmental benefits in conjunction with economic benefits through reduced energy costs and capital deferral including:

- **grid connection initiative between Tiwi Island communities** where it is proposed to replace ageing generation and electrical infrastructure, and optimise solar delivery on the island from a single site
- **upgrade and deliver water treatment plant redundancy capabilities**, implementing a program of disinfection barrier improvements across most IES communities within the NT including appropriate remote monitoring over three years.

Other priority projects include:

- numerous major and minor recurrent investment programs to mitigate key risks with ageing infrastructure through a new major recurrent funding stream and the ongoing minor asset replacement recurrent fund
- connecting an enhanced ground water source to improve water quality outcomes at Pirlangimpi in the Tiwi Islands
- generation plant replacement programs which optimises solar through low load diesel technologies and optimises costs through sustaining capital trade ups, instead of investing in expensive midlife refurbishments
- planning and delivery of essential service infrastructure to support the delivery of the NTG Remote Housing Program funded through the DLGHCD.

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

Financial summary

	2018-19 BUDGET	2018-19 FORECAST	2019-20 BUDGET	2020-21 PROJECTION	2021-22 PROJECTION	2022-23 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
REMOTE SERVICES						
Revenue	137.4	149.7	179.2	142.5	130.6	134.3
Operating costs	97.6	96.9	100.7	103.5	107.6	109.9
Earnings before interest, tax, depreciation and amortisation	39.8	52.8	78.5	38.9	23.0	24.4
Net profit after tax	(1.5)	7.4	30.4	(7.1)	(22.2)	(20.0)
Capital expenditure	37.3	57.5	35.2	19.4	19.8	20.3

System Control



Hudson Creek substation

Strategic overview

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

In line with Power and Water's new Operating Model, system control services and market operations form part of the newly created Core Operations business unit (along with remote services, SCADA and communications and metering functions).

The changing regulatory environment and the move towards implementing a wholesale electricity market, the NTEM, provides an opportunity for influencing the ongoing development, implementation and refinement of the wholesale electricity market and rules. There is an opportunity to further develop internal resources to meet the additional accountabilities related to market operation and associated reporting. Supporting the efficient and effective operation of the market and ensuring equitable provision of information to all market participants will form part of our business. System Control is seeking to improve its revenue via market participant fees and charges payable for the wholesale electricity market operator function.

System Control has made significant improvements to date ensuring a high level of system security with two 'single contingency' under frequency load shed events in the four years to December 2018. Our focus is to continue building on these service improvements and to manage system security affected by the existing generation and network infrastructure configuration and maintenance requirements. The use of solar energy is expected to increase significantly over coming years supported by the NTG's objective of a 50 per cent renewable energy target by 2030. This presents opportunities to work with new technologies and influence the effective integration of renewable energy technologies into the power system in a way that does not compromise system security and meets our customer expectations.

The current and expected future growth in providing critical support services from the existing facility at Hudson Creek is exceeding its present layout and capacity. Options to improve the present environment, while exploring opportunities to provide these services more efficiently from an alternative location, is a focus for the future.

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

Key strategies and initiatives

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

- **supporting the achievement of the NTG renewable energy target** with our active involvement in the development of the 'Roadmap to Renewables' through the Interagency Working Group and our knowledge of the effective integration of renewable energy technologies into the power system. System Control will continue working with government agencies throughout the implementation of the Roadmap to Renewables, to ensure a smooth transition to a higher penetration of renewable energy without compromising system security.
- **specifying and delineating ancillary services** to facilitate the unbundling of charges from the wholesale energy tariff. This will also include the technical implementation of the newly defined services to allow the Darwin – Katherine Power System to be operated with clearer technical guidelines and structure regarding ancillary services.
- **implementing the NTEM** including developing and implementing appropriate processes, procedures, systems and contracts to support market commencement as the Independent Market Operator and Power System Controller. System Control will continue to provide technical support to the Department of Treasury and Finance (DTF) as the NTEM is defined and developed.
- **dynamic modelling of the NT Regulated Power Systems** including overseeing a major project to develop and update the Dynamic Power System models used in the NT. This project, jointly funded by the Department of the Chief Minister, will act as a key enabler for achieving the Roadmap to Renewables target by directing the requirements placed upon new energy proponents, to ensure system security and reliability is maintained throughout the transition.
- **secure a sustainable Pricing Determination** working with the UC and the DTF to secure a sustainable system control charge and associated funding arrangements
- **ensuring the security and reliability of the power systems** including the implementation of an Outage Management System to improve quality and reliability of supply and timely information about interruptions to our customers. System Control will continue to undertake risk and system analysis following system events to ensure a continually improving standard of customer service, reliability and security.
- **further development of System Control Operational Tools (Stage 2 and 3)** including modernising the tools and systems used in logging and monitoring the power system in line with the Power and Water 'Remediate the Core' project. This work will allow more consistent recording of operational information and a clearer level of information to be available to facilitate decision making processes when operating the power system.
- **managing Alice Springs and Tennant Creek Regulatory Control Transfer (Harmonisation Stage 2)** to improve the technical effectiveness of the network for security constrained economic dispatch. This will include the development of the appropriate processes and procedures to support the control room in both the transition and ongoing operations. System Control will work with Territory Generation and other system participants as required, ensuring a smooth transfer of functions.

Financial summary

SYSTEM CONTROL	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	4.6	4.6	4.7	4.8	4.9	5.1
Operating costs	7.9	10.7	11.0	10.8	8.9	9.1
Earnings before interest, tax, depreciation and amortisation	(3.3)	(6.1)	(6.2)	(6.0)	(3.9)	(4.0)
Net profit after tax	(2.3)	(4.3)	(4.4)	(4.2)	(2.7)	(2.8)
Capital expenditure	0.0	0.0	0.3	0.0	2.2	0.0

Business support services



Putting people first

Strategic overview

Business support services are provided across the organisation by the following business units:

- People, Culture and Customer
- Information Technology and Systems
- Office of the Chief Financial Officer
- Transformation

These services include key strategies, thought leadership, business support and consistency across the organisation in the delivery of the following core functions:

- health, safety and environment
- people and culture services
- organisational development
- change and strategic internal communications
- customer and stakeholder relations (including customer, call centre and credit management, government relations)
- marketing and communications
- facilities and fleet management
- financial services (including financial reporting, financial planning and analysis, regulatory pricing and economic analysis, strategy and planning)
- controls and compliance (including risk, internal audit, compliance and quality)
- legal, company secretariat and insurance
- enterprise project management office
- supply chain management (including procurement and contracts)
- information and communication technology and business systems
- business transformation alignment and delivery.

Business services bring together different elements which drive efficiencies in service provision across the business. The way in which these services are delivered will evolve in line with the progressive implementation of the new Operating Model and the Remediate the Core program.

Key strategies and initiatives

The primary focus for business services is to support the wider business and enable the achievement of the corporation's goals, including the key priority focus areas, with particular emphasis on:

- **ongoing implementation of the Workplace Health and Safety improvement program** to embed a calculative safety culture moving towards a proactive maturity level, supported by effective safety management systems, governance and visible safety leadership

- **progressive implementation of the new Operating Model** (organisational structure, processes and systems) designed to improve efficiency and effectiveness as a true multi-utility through greater simplicity, sharper customer focus, thinking differently and working together
- **remediation of the core business systems** to enable the achievement of Power and Water transformation and new operating model outcomes. This includes realigning the current ICT strategy, processes and systems to remove unnecessary complexity and to improve business efficiency, customer support, decision support and asset management while improving the total cost of ownership in ICT investments. Upgrading out-of-support systems, retiring legacy systems, establishing data as an enterprise asset, seamless integration of enterprise systems and leveraging the enterprise core is also included.
- **driving improvements in organisational culture and engagement** through the implementation of the leadership development and culture change program, designed to develop a positive and constructive culture (achievement and humanistic encouraging leadership style), and along with the right capabilities in line with the new operating model, improve accountability and performance
- **developing our people** through talent management, strategies for Aboriginal employment and diversity, workforce planning, effective training delivery model and nurturing high engagement throughout the organisation
- **ongoing development of the risk management and governance maturity** of the Power and Water risk and governance frameworks, processes and capability
- **driving procurement savings across Power and Water** in line with the supply chain strategy
- **enhancing the customer experience** by strengthening Power and Water's brand in the community and establishing a customer centric model that can be nurtured throughout the organisation. Continue building customer culture and establish a customer strategy.
- **developing Power and Water's property strategy** in line with property portfolio needs in the short, medium and long term which, will deliver maximum value
- **driving improvement in organisational strategic and business planning** including our planning framework, capability and visibility on strategy implementation
- **continuing the focus on financial improvement**, strengthening commercial capability, financial competency and the ongoing effectiveness of the control framework
- **identifying improvements to core financial systems** including budget and consolidation models for better planning and decision support.

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 \$124.1 million over the four-year SCI period of which \$42.5 million is included in the 2019-20 budget.

A significant amount of this capital relates to the net capital investment in the new operating model along with improving core ICT systems, in particular delivering fit-for-purpose systems that better support operational decision making, enable business efficiencies and improve customer service. This includes the following major capital projects:

- New operating model implementation
- Asset management system upgrade (Maximo system)
- Meter data management
- Outage management
- System planning tools
- Customer Administration and Transfer Solution for market participants and Business to Business system
- Fire system and electronic detection upgrades

Financial summary

BUSINESS SUPPORT SERVICES	2018-19 BUDGET	2018-19 FORECAST	2019-20 BUDGET	2020-21 PROJECTION	2021-22 PROJECTION	2022-23 PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	7.4	7.5	12.8	13.0	13.7	13.6
Operating costs	7.4	12.8	9.7	5.9	4.8	4.1
Earnings before interest, tax, depreciation and amortisation	0.0	(5.3)	3.1	7.1	8.9	9.4
Net profit after tax	0.0	(3.7)	2.3	9.1	9.6	9.6
Capital expenditure	14.0	20.5	42.5	38.4	28.0	15.2

Financial projections

Financial summary

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

SUMMARY OF FINANCIAL RESULTS		2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
		BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
Total revenue	\$M	686.1	653.1	711.9	704.3	752.7	769.8
Earnings before interest, tax and depreciation	\$M	219.5	193.1	261.1	249.0	263.1	253.2
Earnings before interest and tax	\$M	114.6	75.9	127.7	123.3	139.9	130.4
Net profit after tax	\$M	43.8	14.8	42.9	37.9	46.8	37.4
Operating cost efficiency	%	53.8	58.5	47.5	48.1	46.8	48.9
Operating cost ratio	%	101.1	108.9	100.5	98.1	98.5	103.1
Cashflow from operations	\$M	89.4	68.6	150.2	155.1	158.1	135.0
Capital investment	\$M	132.8	132.7	185.9	179.6	163.2	151.6
Return on capital employed	%	3.6	3.0	3.8	3.7	3.8	3.8
Funds from operations to interest ratio	times	3.4	2.9	4.1	3.8	3.8	3.8
Debt to equity ratio	times	1.2	1.2	1.1	1.4	1.4	1.4
Quick ratio	times	1.5	1.0	1.0	1.0	0.9	1.0

Note: Excludes Remote Services (IES).

Revenue

Compared to the 2018-19 budget, forecast revenue for the year is lower by \$33.0 million, primarily as a result of lower than budgeted gas revenue (\$28.2 million) as a result of a delay in securing new or ramping up existing gas supply contracts and lower than expected electricity consumption (\$10.1 million). Total revenue is projected to increase from \$653.1 million in 2018-19 to \$711.9 million in 2019-20, primarily driven by an increase in gas sales with the opening of the NGP in January 2019. Core water and sewerage services revenue is assumed to decrease in line with current DTF growth assumptions. Electricity revenue is based on the AER draft determination at the time of submission, however, the final revenue cap will not be known until the AER releases their final determination in April 2019.

Gas revenue is forecast to increase by 27% from 2018-19 to 2019-20 and then increase significantly in each subsequent year of the SCI period as new gas customers come online over the course of 2019-20 and beyond, benefiting from the completion of the NGP. Revenue projections in the outer years of the SCI are based on increased gas sales volumes due to the compression of the pipeline system which will enable additional capacity through to the East Coast market. Gas revenue assumes a continuation of current pricing arrangements with Territory Generation.

Community Service Obligations (CSO) funding is expected to decrease to \$27.6 million in 2019-20 and between \$27 and \$28 million for the remainder of the SCI period. Gifted asset revenue, which is provided to Power and Water as part of new developments, is expected to decrease to \$15.1 million in 2019-20 and then return to levels of around \$12.5 million per annum due to the anticipated slowdown in residential and commercial developments in the NT.

The operating model project is expected to deliver \$20.6 million of revenue benefits over the SCI period, starting from 2019-20, through the delivery of the Meter-To-Cash program.

REVENUES	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Power Services	196.1	186.9	193.5	177.5	184.0	190.2
Water Services	219.0	223.5	217.6	217.8	221.9	227.1
Gas Services	252.4	224.2	276.6	284.2	321.1	326.6
System Control	4.6	4.6	4.7	4.8	4.9	5.1
Business Services	7.4	7.5	12.8	13.0	13.7	13.6
Minor Centres and other	6.6	6.5	6.8	6.9	7.1	7.3
Total	686.1	653.1	711.9	704.3	752.7	769.8

Community service obligations (CSO)

The SCI assumes CSO funding for the Uniform Tariff Concession and Pensioner and Carer Concession schemes.

COMMUNITY SERVICE OBLIGATIONS	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Uniform Tariff Concession	6.8	6.7	6.8	7.4	7.6	7.6
Pensioner and Carer Concession	8.5	6.0	6.0	5.5	5.5	5.8
Gas Concession	16.2	16.2	14.9	14.6	14.5	14.4
Total	31.5	28.9	27.6	27.5	27.6	27.8

Operating costs

Operating costs in 2018-19 are forecast to be lower than budget primarily as a result of lower than budgeted energy costs driven by lower gas sales volume. Gas cost of sales will increase significantly from 2020-21 in line with the increase to gas revenue for the same period.

The establishment of the NTEM will add \$10.0 million in design and implementation costs during the SCI period. In addition to this, Power Services costs are higher than the previous SCI due to the reshaping of operating cost profile to reflect a realistic view to achieving the AER imposed efficient level by 2024.

Power and Water is expecting to benefit from the implementation its new operating model, with the SCI period reflecting \$41.8 million in recurring operating expenditure benefits, offsetting the residual operating cost of the Business Transformation team. Operating model implementation costs (\$74.7 million) are assumed to be capital expenditure with the associated depreciation cost projected to commence after project go-live in 2023-24.

OPERATING COSTS	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
Power Services	102.9	112.9	98.2	96.4	99.0	105.9
Water Services	88.5	87.2	85.2	86.8	87.8	90.1
Systems Control	7.9	10.7	11.0	10.8	8.9	9.1

Non-cash impairments and write-downs

Banked gas and onerous gas contracts

As detailed in the key assumptions (banked gas), under existing gas supply contracts Power and Water is required to pay for gas not yet delivered, where the delivery time is in an undetermined future period. These payments are capitalised as an intangible asset and referred to as "banked gas". The relevant accounting standards require Power and Water to write-off banked gas purchased if the future forecast cash flows of the gas business are insufficient to support the recognition of an asset in relation to banked gas. The SCI period includes a write-off of \$20.0 million in 2018-19 on the basis that cash flows are forecast to be insufficiently certain. The remaining banked gas intangible asset is forecast to be sold through 2019-20 to 2022-23.

A provision for onerous gas contracts has previously been recognised to reflect the present value of the future outlays that Power and Water is presently obligated to make under non-cancellable onerous gas supply contracts, less revenue expected to be earned on anticipated gas sales contracts. At 30 June 2018, the estimate for the onerous contract provision was \$61.6 million, which was calculated by deducting the unavoidable cash outflows from gas purchase and associated 29.0 million in the onerous contract provision to \$33.0 million.

The combined forecast net income statement impairment credit in 2018-19 is \$9.0 million compared to a budgeted credit of \$13.0 million.

The gas financial outcome included in this SCI reflects the best available forecast at the time of preparing the SCI but is highly likely to change even in advance of the 30 June 2019 year end as a result of further updates to gas sales contracted volumes and pricing assumptions. Consequently, the gas position will be formally reviewed in June 2019 in the normal course as part of the annual statutory financial statements preparation process.

Beyond 2018-19, the sources of estimation uncertainty in the banked gas and associated onerous contract provision, which have a significant risk of resulting in a material adjustment to this provision position, include the underlying assumption that all gas purchased is sold, the forward Henry Hub gas price outlook, the outcome of current contract negotiations, the east coast gas market outlook, renewables penetration and the underlying regulatory framework including, but not limited to, potential domestic gas reservation and changes to the pipeline regulatory framework. As a sensitivity, a change of 10% in the average assumed sales price, or sales volume would result in an overall NPV change of +/- \$350 million.

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

Asset valuation impacts

The fixed assets of Power and Water are carried at fair value in accordance with the fair value requirements of the Australian Accounting Standards with the core operational assets of the Power Services and Water Services business units using the income approach. Consistent with the relevant accounting standards, the income approach has a 'purchase of the business perspective' and is based on the net present value of the forecast cash flows of these businesses applying anticipated market conditions. Under accounting standards, increases are recorded against reserves and not through the profit and loss unless the relevant asset values had been impaired through the face of the income statement in prior years.

These movements will be updated in July 2019 for statutory accounting purposes, as they are dependent on final working capital position, fixed asset additions, depreciation, disposals and the carrying value of capital work in progress and associated tax provisions. Given the potential for material change and the potential for both a balance sheet and income statement impact (which will only be known when the final valuation impact is applied on an asset by asset basis), no adjustment has been reflected in the 2018-19 forecast income statement or balance sheet at this stage.

Other expenses

Depreciation is forecast to increase from \$104.9 million in the 2018-19 SCI to \$117.3 million in 2018-19 forecast. The forecast increase in depreciation in 2018-19 compared to the prior year SCI is primarily driven by the upward revaluation of Water Services asset base of \$182.3 million in 2017-18. The steady reduction in depreciation through the early part of the current SCI period is primarily driven by a number of Water Services assets becoming fully depreciated, although, as these assets remain in service, the depreciation charge in each year will be influenced by an ongoing review of appropriate asset lives.

Interest expense increases from \$54.8 million in 2018-19 to \$55.1 million in 2019-20. Borrowings is forecast to increase by \$59.0 million over this period.

Net profit after tax

Statutory net profit after tax (NPAT) is budgeted in 2019-20 to be \$42.9 million profit compared to a forecast profit of \$14.8 million for 2018-19. The forecast profit in 2018-19, which is \$29.0 million below the SCI budget, is primarily driven by higher depreciation costs as a result of the 2018 asset revaluation and lower electricity revenue.

Beyond 2019-20, NPAT is forecast to steadily increase as forecast revenue increases largely flow through to the bottom line as a consequence of a continued focus on improving gas margin and operating efficiency through the new operating model.

Fixed Assets and valuation approach

The fixed assets of Power and Water are stated at fair value in accordance with the fair value requirements of Australian Accounting Standards, with the core operational assets of Power Services and Water Services valued using the income approach. The income approach has a 'purchaser of the business perspective' and is based on the net present value of the forecast cash flows of the operating businesses applying anticipated market conditions. It is important to note that the carrying value of fixed assets in the balance sheet and as a consequence, depreciation in the income statement, differs to a current replacement cost (CRC) basis of valuation which is based on the cost of replacing the assets of the business in their depreciated state. The last current replacement cost valuation obtained by the Directors in 2013, indicated that current replacement cost of Power Services and Water Services was substantially higher than the value determined using the income approach.

As a consequence, the depreciation charge to the income statement using the CRC methodology would (prima facie and in the absence of any required impairments) be higher than that calculated by reference to the income approach methodology. It is estimated that forecast CRC depreciation for 2018-19 would be \$125.9 million compared to depreciation under the income approach forecast at \$117.3 million. In isolation, this would result in a dollar for dollar reduction in profit and, after tax is applied, a reduction in the potential available returns to the shareholder. The income approach is not the basis of valuation that would be used by an economic regulator for price regulation or by analysts for most other public policy purposes. This is because an income approach method of valuing assets and hence determining the depreciation allowance does not ensure there is capacity to replace assets needed to maintain the externally required standards of service.

Cash flow and borrowings

Operating cash flow is forecast at \$68.6 million in 2018-19 and \$150.2 million in 2019-20. EBITDA for the SCI period is \$1,026.4 million (\$968.5 million in prior year SCI). There will be no free cash flow over the SCI period.

A cumulative \$118.5 million cash flow benefit from the utilisation of gas which has been banked and paid for in prior years drives a significant improvement in operating cash flow in 2019-20 and the outer years of the plan.

Aligned with the 'Operating Model' work and associated 'Remediate the Core' program, will be a focus on reducing working capital as a result of improvements in both process and systems. This is targeted to result in a \$15.5 million reduction in receivables and inventory by 30 June 2023 compared with forecast levels at 30 June 2019.

Power and Water is in a much better position to forecast tax payments to the NTG under the national equivalent tax regime than in prior years. This has resulted in forecast tax payment of \$21.7 million in 2018-19 (\$26.6 million in prior year SCI) and cumulative payments of \$102.8 million through the SCI period (compared to the prior year SCI estimate of \$119.4 million).

The operating cash flows are now forecast to be lower than the prior year SCI, due to reduction in Power Services revenue and higher capital expenditure. This will result in a \$20.8 million increase in borrowings compared to the prior SCI.

Capital investment summary

The capital investment program, excluding Remote Services, totals \$680.3 million over the four-year SCI period of which \$185.9 million is included in the 2019-20 budget. Capital investment for Power Services and for Business Services (for IT projects supporting Power Services) is aligned to the revised AER regulatory proposal. Embedded in Business Services in the four-year SCI period is \$74.7 million relating to the new operating model project.

	2018-19 BUDGET	2018-19 FORECAST	2019-20 BUDGET	2020-21 PROJECTION	2021-22 PROJECTION	2022-23 PROJECTION	4 Years SCI TOTAL
Summary	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Power Services	52.6	53.6	94.3	85.9	84.1	71.8	336.1
Water Services	53.3	54.5	41.2	44.3	48.9	64.6	199.0
Gas Services	5.4	4.1	7.6	11.0	-	-	18.6
Business Services	14.0	20.5	42.5	38.4	28.0	15.2	124.1
Minor Centres and Other	10.5	-	0.3	-	2.2	-	2.5
Total (excluding Remote Services)	135.8	132.7	185.9	179.6	163.2	151.6	680.3
Remote Services	37.3	57.5	35.2	19.4	19.8	20.3	94.7
Total including Remote Services	173.1	190.2	221.1	199.0	183.0	171.9	775.0

Note: The 2018-19 forecast capital investment shown above varies from the capital expenditure shown in the cash flow statement due to the impact of the timing of receipts of invoices and accruals. The table above includes costs as incurred, not as payments are made and assets recognised in the balance sheet. Remote Services is delivered through Indigenous Essential Services.

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

Key assumptions

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

Electricity demand

Power and Water has used the Australian Energy Market Operator (AEMO) forecasts commissioned in September 2017, which was reflected in Power and Waters' initial regulatory proposal to the AER and the resulting draft decision in September 2018 for the 2019-2024 regulatory control period.

The majority of Power and Waters' capital forecast relates to the asset replacement program rather than network growth. Construction of the Wishart Zone Substation has been deferred past June 2023 (previously included in 2021-22).

Annual Energy Consumption Forecast (GWh)

Year	Darwin - Katherine	Alice Springs	Tennant Creek
2018-19	1,591.1	214.3	37.3
2019-20	1,579.5	211.9	37.4
2020-21	1,581.6	209.7	37.5
2021-22	1,584.3	207.8	37.6
2022-23	1,587.6	206.0	37.7

Darwin – Katherine

- The consumption forecast for Darwin – Katherine decreases by an average of 0.1% per annum. The annual consumption forecast declines in 2019-20 due to the industrial load (INPEX), and then increases due to the forecast population increase. The increase in consumption due to population growth is forecast to be restrained by increasing penetration of rooftop photovoltaic (PV) and the INPEX load being removed from late 2018.

Alice Springs

- The annual consumption forecast for Alice Springs decreases by an average of 0.8% per annum, due to the combined effect of population decline and increasing penetration of rooftop PV.

Tennant Creek

- The annual consumption forecast for Tennant Creek increases due to block loads for residential and industrial developments and loads supporting the Northern Gas Pipeline project. These block loads produce the step change in the forecast annual consumption, which results in an average increase of 3.0% per annum. The impact of population growth is forecast to be largely cancelled out by increasing rooftop PV penetration.

Water demand

Regional growth rates were calculated 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. This program is targeted to incrementally reduce water demand by approximately 7.6 gigalitres per annum by 2025-26.

Annual Water Consumption Forecast (ML)

Year	Darwin	Katherine	Alice Springs	Tennant Creek
2018-19	37,526	3,220	8,103	1,348
2019-20	36,843	3,245	8,046	1,346
2020-21	36,338	3,271	7,990	1,345
2021-22	36,211	3,298	7,934	1,344
2022-23	36,356	3,324	7,878	1,342

Note: Annual system production volumes used for network planning purposes differ from the consumption assumptions above.

Electricity, water and sewerage in remote communities

Demand growth forecasts for remote communities serviced by IES reflect increased demand in line with the NTG remote housing program.

Forecast growth rates for electricity, water and sewerage services

Average growth per annum 2019 to 2023	
Electricity (kWh)	1.6%
Water (kL)	0.7%
Sewerage	0.0%

Retail electricity, water and sewerage tariffs

The revenue projections provided in this SCI are based on the assumption that gazetted retail electricity, water and sewerage prices will increase at the NT CPI as forecast by the DTF in the 2018-19 Mid-Year Report. The following sets out Power and Water's retail tariff escalation assumptions.

Increase effective from:	2018-19	2019-20	2020-21	2021-22	2022-23
Retail electricity, water and sewerage	1.0%	1.7%	1.9%	2.3%	2.5%

Electricity network tariffs

From July 2019, Power Services will be regulated under the NER with the AER to determine Power and Water's allowable revenue from regulated network services. Forecast revenue for the SCI period reflects the AER's Draft Determination, which was released on 27 September 2018. This determination recommends an 18.2% reduction in maximum revenue (nominal dollars) over the five year period 2019-2024. The final determination by the AER is expected to be available at the end of April 2019.

Details of the Draft Determination can be found on the AER website via the following link:

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

Gas supply and sales

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 of the NT and that further gas sales agreements will be finalised. To this end, Power and Water has recently executed a Gas Supply Agreement with Newmont Tanami for the supply of gas to its Granites and Dead Bull Soak mine sites with commissioning commencing early 2019.

The Blacktip field is supported by emergency supply contracts with Darwin LNG and INPEX via the Wickham Point Interconnect Pipeline and the recently completed INPEX lateral respectively. It has been assumed that sales will increase substantially over the SCI period with the commencement of a major long-term gas contract with Incitec Pivot from 2019. Additional smaller gas sales are assumed to occur during the SCI period.

Operating cost escalation

Non-labour operating costs are escalated in line with CPI as forecast by the DTF in the 2018-19 Mid-Year Report, or in line with goods and services contract provisions as appropriate.

	2018-19	2019-20	2020-21	2021-22	2022-23
Consumer price index	1.0%	1.7%	1.9%	2.3%	2.5%

Year ended June, year-on-year percentage change

Other financial assumptions

Power and Water Enterprise Agreement (EA)	The SCI reflects the Power and Water Enterprise Agreement approved in January 2019. An overall average of 5.5% increase per annum in salaries and allowances over the SCI period has been assumed, reflecting 2.5% salary band increase and other increases relating to allowances.
Operating efficiencies	Operating efficiencies reflected in the SCI are supported by the new Operating Model as well as the successful implementation of other priority projects.
Borrowing costs	Borrowing costs reflect advice from Treasury Corporation based on the budgeted debt profile.
Banked gas impairment	<p>Under existing gas supply contracts to Power and Water, a minimum quantity of gas is required to be purchased each calendar year. Where this gas is not drawn down by Power and Water, delivery can be deferred until a future period however payment is still required in the current year. This gas is referred to as 'banked gas'. Accounting standards require this undelivered gas to be written-off where there is uncertainty on the recoverability of such (both volume and price).</p> <p>Assumptions have been made around the quantities of gas to be delivered in future years and when Power and Water will be able to use banked gas. As the cost of banked gas to date has been expensed through the profit and loss statement, and where gas is sold from volumes previously 'banked', revenue is recognised for which no cost is shown in the year it is used.</p>
Dividends	Dividends are assumed to be paid at 50 per cent of the statutory prior year net profit after tax of the Corporation. Dividends are paid in the year subsequent to that in which they are declared.
Accounting policies	The SCI has been prepared based on accounting policies outlined in the 2017-18 annual accounts.

Key risks

Power and Water has a risk management framework to ensure that regular assessments are undertaken to identify and manage significant risks of community as a result of Power and Water activity and business significance including health and safety, hazards and security, service delivery, financial, legal and regulatory, environmental and reputational risks. These risks are managed throughout the organisation in line with the Audit and Risk Management Committee charter and risk management process. The risk management framework is also reviewed annually as part of the business planning process. Power and Water is currently undertaking a thorough review of its enterprise risk framework, which will further improve the enterprise risk management process across the business.

Power and Water is continuing to improve on its methodology for making investment decisions and reducing costs associated with risk exposure to business. The Power and Water Board’s approved risk appetite statements, which are aligned with the SCI Key Performance Indicators, are used to guide decision making by explicitly articulating the boundaries of acceptable risk and providing a baseline for comparing risk ratings.

The table below presents the strategic and business risks facing Power and Water and the proposed controls (financial and non-financial) over the SCI period. These risks are currently under review. Major capital investment in risk control primarily relates to infrastructure and system investment. Operational investment is allocated to improvements in management and administrative controls such as management systems, procedures, monitoring, communication, skills capability and operational program delivery. The funding model through the DLGHCD for IES assets and improvements also presents challenges to prioritisation. Competing priorities have the potential to expose Power and Water to risks should the funder have differing priorities.

Strategic and key business risks	Key investment focus 2019-2023
<p>Health and safety risks to workers and the community as a result of Power and Water activity</p> <p>Due to the diverse nature and locations of Power and Water's operations and multiple potential causes there are threats to the health and safety of the public, contractors and our people which could result in harm or fatality, legal consequences, reputational damage and financial loss.</p>	<ul style="list-style-type: none"> • Safety culture improvement, including accountability and leadership, with the aim of achieving a proactive safety culture. • Improved Safety Management System tailored to operational needs. • Enhanced awareness of high risk activities and alignment of controls.
<p>Poor water quality</p> <p>Due to potential for poor water supply quality caused by poor source quality or other potential causes, there is a threat to community health and safety, which could result in serious illness or fatality, legal consequences, reputational damage and financial loss.</p>	<ul style="list-style-type: none"> • Improvement of the Water Quality Management System aligned with the Australian Drinking Water Guidelines including investment in procedures, monitoring and treatment.
<p>Security incidents</p> <p>There is a risk that Power and Water may not have effective processes in place to respond effectively when required, which could result in cyber security attacks, financial loss, compromise of sensitive and commercial information, injury to staff and the general public, impact on service delivery and reputation. Incidents have been categorised as physical security incidents and cyber security incidents to accurately capture the impact.</p>	<ul style="list-style-type: none"> • Site and building investments to maintain physical security. • Remediate the Core project to improve management of cyber security risk.
<p>Financial viability</p> <p>Due to potential for failure to identify and manage potential financial risks (such as failure to manage costs to the business or unfavorable decisions by the regulator), there is a risk to the financial sustainability of Power and Water.</p>	<ul style="list-style-type: none"> • Operating cost structure and financial process improvement strategies including via the new Operating Model. • Capital investment in line with regulatory determinations.

<p>Interruption to core services</p> <p>Due to multiple potential causes (such as asset failure or gas supply shortage), there is a risk of sustained interruption to core services with significant impacts for the community. Interruption to core services have been further classified between the following lines of business:</p> <ul style="list-style-type: none"> - Power Services - Water Services - System Control - Gas Services 	<ul style="list-style-type: none"> • Asset planning and investments to maintain asset performance and meet demand, including supporting the NTG Remote Housing Program. • Improvement in systems to support service delivery such as through the Remediate the Core project and Outage Management System.
<p>Major compliance breach</p> <p>There is a risk that Power and Water may fail to identify and/or breach its legal and regulatory compliance obligations which could result in financial sanctions and reputational damage.</p>	<ul style="list-style-type: none"> • Improved governance and compliance framework to ensure ongoing alignment with the Utilities Commission’s Compliance Framework and Reporting Guidelines, and ISO/Australian standards for compliance management.
<p>Environmental harm</p> <p>Due to multiple potential causes (such as fuel spills, cultural heritage impacts, sewerage odors), there are threats which could result in harm to the environment and people, financial legal and reputational impacts.</p>	<ul style="list-style-type: none"> • Continued compliance with environmental regulation. • Continued implementation of the Environment Management System. • Implementation of the Darwin Region Waste Water Management Strategy. • Supporting the NTG to pursue the 50% Renewable Energy Target.
<p>People and capability</p> <p>Due to potential for Power and Water to fail to optimise its capability and people, and generate a high performing, diverse workforce there is a risk that Power and Water will not achieve its strategic objectives, which could result in decrease in service delivery, reputational damage, decreased staff morale and financial loss.</p>	<ul style="list-style-type: none"> • Implementation of the Culture and Capability Program to support achievement of strategic objectives of the business.
<p>Failure to meet customer and stakeholder expectations</p> <p>There is a risk that Power and Water may fail to effectively engage, understand and address the needs of its customers and stakeholders (including the Government, workforce, business, regulators and the public), which could result in loss of funding, financial loss, reputational damage and regulatory changes.</p>	<ul style="list-style-type: none"> • Implementation of the Customer and Stakeholder Engagement Strategies.

Capital investment impact on overall risk profile

The major capital investment program for Power and Water was developed by balancing risk with performance and asset condition and determining the investment required to bring risk to an acceptable level, using the Power and Water risk analysis tool. Proposed investments were prioritised based on risk, giving consideration to how the risk profile would be affected if there was no investment during the SCI period. Projects addressing the highest risks commence earliest in the SCI period, although timing of capital expenditure may occur later depending on the nature of the project. Power and Water is continuing to improve on its methods for quantifying risk (for example in relation to asset condition) and therefore it is expected the accuracy of the identified risk level will improve over time.

Emerging risks

There are also a number of emerging risks which Power and Water continually monitors to ensure the required controls are in place to maintain an acceptable risk profile. These risks include:

- **Water resource sustainability risk** due to increased demands, scarce resources and changing rainfall patterns. Risk mitigation controls include the water supply strategies for centres supplied by surface and groundwater sources (e.g. Darwin and Pine Creek), Asset Management Framework and Remote Water Supply Strategy.
- **Water quality risk** – Emerging contaminants and research, e.g PFAS, algal blooms, opportunistic pathogens.
- **Business model disruption** – Power and Water aims for timely adoption of new technologies and business models to ensure that it maintains efficient service delivery costs and responsive to customer expectations.

- **Gas contract risk** – Failure to implement an effective strategy to on-sell gas purchased under long term gas contracts at a favourable price is a threat to financial performance. The Gas Sales Strategy is designed to mitigate this risk. Gas market capacity trading reforms proposed by the Australian Energy Market Commission may have a significant negative impact on the ability to compete against other NT based gas producers.
- **Legislative, regulatory and policy changes risk**
- **Reputational risks as a result of water quality perception**

Changes to risk profile

Changes to Power and Water’s key strategic and emerging risks profile by the end of current SCI period as a result of risk treatment plans to be implemented by various business units (e.g. the capital investment program below) is as follows.



Strategic risks

- 1 Health and safety risks (including public health)
- 2A Physical security incidents
- 2B Cyber security incidents
- 3A Interruption to core services – Power
- 3B Interruption to core services – Water
- 3C Interruption to core services – Gas
- 3D Interruption to core services – System Control
- 4 Financial viability
- 5 Major compliance breach
- 6 Environmental harm
- 7 People and capability
- 8 Failure to meet customer and stakeholder expectations

Emerging risks

- 9 Water resource sustainability
- 10 Business model disruption
- 11 Gas contract risks
- 12 Legislative, regulatory and policy changes
- 13 Reputational damage as a result of water quality perception

	Inherent	Current	Target
1	Red	Orange	Yellow
2A	Red	Yellow	Yellow
2B	Red	Yellow	Yellow
3A	Red	Yellow	Yellow
3B	Red	Yellow	Yellow
3C	Red	Yellow	Yellow
3D	Red	Yellow	Yellow
4	Red	Green	Green
5	Orange	Yellow	Green
6	Orange	Yellow	Green
7	Orange	Yellow	Green
8	Orange	Yellow	Green
9	Red	Orange	Yellow
10	Red	Orange	Green
11	Red	Yellow	Yellow
12	Red	Yellow	Green
13	Orange	Yellow	Blue

Appendix 1

Financial Data: Power and Water Corporation (unconsolidated)

INCOME STATEMENT						
	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
POWER AND WATER CORPORATION	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
Unconsolidated	\$M	\$M	\$M	\$M	\$M	\$M
REVENUE						
Electricity Network	194.4	184.2	184.3	172.2	178.4	184.8
Electricity Retail	4.4	4.1	4.5	4.6	4.7	4.7
Water	118.4	116.2	118.8	119.5	121.5	124.4
Gas	233.0	204.8	260.3	268.2	305.3	310.9
Sewerage	77.4	77.5	75.2	77.6	79.4	81.4
Community Service Obligations	31.5	28.9	27.6	27.5	27.6	27.8
Developer and Capital Contributions	2.9	2.9	3.7	3.7	3.9	3.9
Gifted assets	12.0	19.5	15.1	12.3	12.6	12.6
Recurrent Grant	0.0	0.0	0.0	0.0	0.0	0.0
Capital Grant	0.0	1.0	4.0	0.0	0.0	0.0
Interest Received	2.5	1.4	2.6	2.6	2.5	2.4
Other Revenue	9.5	12.8	15.7	16.0	16.8	16.9
Total Revenue	686.1	653.1	711.9	704.3	752.7	769.8
OPERATING EXPENDITURE						
Personnel - Direct	135.5	136.1	139.9	140.5	141.0	144.4
Personnel - Operational Recovery (R&M)	(26.7)	(25.9)	(26.7)	(25.7)	(24.7)	(23.8)
Personnel - Operational Recovery (CAPEX)	(17.5)	(16.3)	(24.0)	(24.5)	(24.0)	(20.8)
Contract Labour	4.8	5.1	4.9	5.0	5.0	5.0
Total Personnel Costs	96.1	99.0	94.1	95.3	97.2	104.8
Energy	268.7	241.2	241.6	251.7	285.3	302.7
Repairs & Maintenance	58.0	57.3	57.3	55.6	54.0	53.9
IT & Communications	8.5	9.4	7.6	7.8	9.1	10.5
Vehicle Costs	6.2	6.4	2.8	3.5	3.6	4.1
Travel Costs	1.1	1.5	1.4	1.5	1.5	1.5
Training Costs	2.2	2.5	2.4	2.5	2.5	2.6
Professional Fees	14.4	19.1	14.0	12.3	14.5	13.5
Insurance	3.0	2.9	2.9	3.0	3.0	3.1
Materials	4.7	5.1	5.1	5.3	5.4	5.6
External Service Agreements	11.4	11.4	12.0	12.2	12.4	12.7
Cost of Sale	1.8	3.6	2.5	2.6	2.7	2.8
Property Charges	15.7	15.3	14.7	14.5	14.9	15.4
Bad & Doubtful Debts	0.3	0.3	0.4	0.4	0.4	0.4
Obsolete Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Costs	(13.0)	(9.0)	0.0	0.0	0.0	0.0
Laboratory Fees	2.0	2.0	2.1	2.0	2.1	2.1
Grants & Subsidies	1.3	1.3	1.3	1.3	1.3	1.4
Bank Fees	0.2	0.3	0.2	0.2	0.2	0.2
Other Costs	(6.6)	(0.2)	(2.0)	(7.0)	(11.1)	(10.9)
Total Controllable OPEX	476.2	469.6	460.4	464.5	499.0	526.3
Inter Company Allocations	(9.6)	(9.6)	(9.6)	(9.2)	(9.4)	(9.6)
Total Operating Expenditure	466.6	460.0	450.9	455.3	489.6	516.7
EBITDA						
Depreciation & Amortisation	104.9	117.3	106.7	100.2	99.5	100.8
Depreciation (Internal re-charge)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	0.0
Amortisation - Leases	0.0	0.0	26.7	25.4	23.7	22.0
EBIT	114.6	75.9	127.7	123.3	139.9	130.4
Interest Expense	52.1	54.8	55.1	58.7	63.1	67.6
Interest - Finance lease	0.0	0.0	11.3	10.6	9.9	9.2
Net Profit Before Tax	62.5	21.1	61.2	54.1	66.9	53.5
Tax expense/(benefit)	18.8	6.3	18.4	16.2	20.1	16.0
Net Profit After Tax	43.8	14.8	42.9	37.9	46.8	37.4

BALANCE SHEET

POWER AND WATER CORPORATION	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
Unconsolidated	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
CURRENT ASSETS						
Cash at Bank	40.0	40.0	40.0	40.0	40.0	40.0
Receivables	83.7	81.3	81.3	78.9	80.3	82.4
Inventories	20.5	18.0	18.1	18.1	18.1	18.1
Prepayments	4.1	5.2	7.1	7.1	6.9	6.7
GST & Other Excise Debtors	1.0	0.0	0.0	0.0	0.0	0.0
Other Current Assets	43.0	20.3	24.9	24.9	24.9	24.9
Cost of Sale WIP	3.2	3.2	3.2	3.2	3.2	3.2
Lease receivables	0.0	0.0	23.6	21.9	20.2	18.4
Intra-entity Receivable Account	10.0	10.0	10.0	10.0	10.0	10.0
Total Current Assets	205.5	177.9	208.1	204.0	203.5	203.6
NON-CURRENT ASSETS						
Non-Current Receivables	25.0	25.0	27.5	27.5	16.5	16.5
NC Finance lease receivables	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equipment	1,966.3	2,219.7	2,311.1	2,412.1	2,461.9	2,529.3
Intangible Assets	1.8	11.1	11.1	11.1	11.1	11.1
Deferred Tax Assets	62.4	14.2	32.2	73.9	122.7	178.9
Net Right of use (leased) assets	0.0	0.0	322.1	296.7	273.0	251.0
Capital Work in Progress	200.4	157.8	160.7	151.4	177.9	174.0
Total Non Current Assets	2,255.9	2,427.8	2,864.6	2,972.7	3,063.1	3,160.7
Total Assets	2,461.4	2,605.7	3,072.7	3,176.7	3,266.6	3,364.3
CURRENT LIABILITIES						
Payables	17.1	38.2	37.6	38.0	39.1	40.0
Accruals	11.2	23.5	23.3	29.2	29.6	30.0
Unearned Revenue	29.7	30.1	32.8	33.8	34.4	35.1
Borrowings	242.0	242.0	284.0	209.0	245.0	245.0
Government Grants	0.0	0.0	0.0	0.0	0.0	0.0
Provision for Tax	6.5	(8.4)	1.6	(0.3)	0.9	(2.2)
Lease liability	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	59.3	77.4	91.5	89.3	93.8	89.1
Total Current Liabilities	365.8	402.7	470.8	398.9	442.8	436.9
NON-CURRENT LIABILITIES						
Non-Current Employee Provisions	8.4	7.2	7.2	7.2	7.2	7.2
Government Loans	1,000.0	1,000.0	1,017.0	1,151.0	1,140.00	1,191.0
Intra-entity Payable Account	(0.0)	0.0	0.0	0.0	(0.0)	0.0
Deferred Tax Liability	72.2	71.4	71.4	107.4	153.0	197.7
NC Lease liability	0.0	0.0	350.5	327.4	305.5	284.5
Other Non-Current Provisions	0.2	0.2	0.2	0.2	0.2	0.2
Total Non Current Liabilities	1,080.8	1,078.7	1,446.2	1,593.2	1,605.9	1,680.7
Total Liabilities	1,446.5	1,481.5	1,917.1	1,992.1	2,048.7	2,117.6
Net Assets	1,014.9	1,124.2	1,155.6	1,184.6	1,218.0	1,246.7
SHAREHOLDER EQUITY						
Contributed equity	34.3	44.3	54.3	64.3	74.3	84.3
Asset Revaluation	337.6	458.4	458.4	458.4	458.4	458.4
Opening Retained profits	621.1	614.1	621.5	642.9	661.9	685.3
Profit / Loss	43.8	14.8	42.9	37.9	46.8	37.4
Dividends	(21.9)	(7.4)	(21.4)	(18.9)	(23.4)	(18.7)
Closing Retained Profits	643.0	621.5	642.9	661.9	685.3	704.0
Total Shareholder Equity	1,014.9	1,124.2	1,155.6	1,184.6	1,218.0	1,246.7

CASHFLOW STATEMENT

	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
POWER AND WATER CORPORATION	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
Unconsolidated	\$M	\$M	\$M	\$M	\$M	\$M
CASH FLOW FROM OPERATING ACTIVITIES						
EBITDA	219.5	193.1	261.1	249.0	263.1	253.2
Add: Impact of valuation	(22.0)	0.0	0.0	0.0	0.0	0.0
Less: allocated depreciation	0.0	0.0	0.0	(0.0)	0.0	0.0
Less: gifted assets	(12.0)	(19.5)	(15.1)	(12.3)	(12.6)	(12.6)
Working capital movements						
(Inc)/Dec in receivables	(4.7)	(5.2)	0.2	2.4	(1.4)	(2.1)
(Inc)/Dec in inventory	3.0	0.1	(0.3)	(0.0)	0.0	0.0
Inc/(Dec) in payables	(1.8)	4.1	1.9	7.1	2.3	1.9
Other balance sheet items						
(Inc)/Dec other assets/lease receivables	(1.5)	1.9	(4.9)	1.7	1.9	1.9
Inc/(Dec) other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Non cash items						
Inc/(Dec) in provisions	(12.4)	(29.5)	0.1	0.3	0.0	0.0
Interest paid	(52.1)	(54.8)	(66.5)	(69.3)	(73.0)	(76.9)
Income tax paid	(26.6)	(21.7)	(26.3)	(23.8)	(22.1)	(30.6)
Operating Cash Flow	89.4	68.6	150.2	155.1	158.1	135.0
CASH FLOW FROM INVESTING ACTIVITIES						
Net capital expenditure	(132.8)	(132.7)	(185.9)	(179.6)	(163.2)	(151.6)
Net investments	0.0	0.0	0.0	0.0	0.0	0.0
Right of use assets	0.0	0.0	(0.0)	0.0	0.0	0.0
Investing Cash Flow	(132.8)	(132.7)	(185.9)	(179.6)	(163.2)	(151.6)
CASH FLOW FROM FINANCING ACTIVITIES						
Net movement in loans to controlled entities	(14.0)	(14.0)	(2.5)	(0.0)	11.0	0.0
Net movement in borrowings	58.0	58.0	59.0	59.0	25.0	51.0
Payment for finance lease liability	0.0	0.0	(23.5)	(23.1)	(22.0)	(20.9)
Dividends paid	(16.3)	(9.0)	(7.4)	(21.4)	(18.9)	(23.4)
Equity introduced	0.0	10.0	10.0	10.0	10.0	10.0
Financing Cash Flow	27.7	45.0	35.6	24.5	5.1	16.7
Net Cash Flow	(15.6)	(19.1)	(0.0)	0.0	(0.0)	(0.0)
Opening cash balance	55.7	59.1	40.0	40.0	40.0	40.0
Closing Cash Balance	40.0	40.0	40.0	40.0	40.0	40.0

Appendix 2

Financial Data: Indigenous Essential Services Pty Ltd

INCOME STATEMENT						
INDIGENOUS ESSENTIAL SERVICES	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
REVENUE						
Electricity Network	0.1	0.1	0.1	0.1	0.1	0.1
Electricity Retail	34.4	31.5	32.3	33.1	34.1	35.3
Water	6.0	6.3	6.2	6.3	6.5	6.6
Sewerage	3.3	3.2	3.2	3.3	3.3	3.4
Developer and Capital Contributions	0.0	0.8	0.0	0.0	0.0	0.0
Gifted assets	5.0	0.0	39.0	15.5	0.0	0.0
Recurrent Grant	56.3	57.1	58.7	59.9	61.4	62.9
Capital Grant	31.5	49.1	35.2	19.4	19.8	20.3
Interest Received	0.5	0.5	0.5	0.5	0.5	0.5
Other Revenue	0.3	1.1	4.2	4.4	4.8	5.1
Total Revenue	137.4	149.7	179.2	142.5	130.6	134.3
OPERATING EXPENDITURE						
Personnel - Direct	17.1	17.1	17.6	18.3	19.0	19.8
Personnel - Operational Recovery (R&M)	(3.5)	(2.2)	(1.8)	(1.1)	(1.0)	(1.0)
Personnel - Operational Recovery (CAPEX)	(3.0)	(3.8)	(3.5)	(3.5)	(3.5)	(3.5)
Contract Labour	0.1	0.1	0.0	0.0	0.0	0.0
Total Personnel Costs	10.7	11.1	12.2	13.7	14.5	15.3
Energy	33.8	34.7	36.2	37.1	39.2	39.6
Repairs & Maintenance	17.3	15.7	16.4	16.8	17.3	17.6
IT & Communications	1.5	1.5	1.6	1.6	1.7	1.7
Vehicle Costs	1.0	1.0	1.0	1.0	1.0	1.1
Travel Costs	0.7	0.7	0.7	0.8	0.8	0.8
Training Costs	0.4	0.3	0.4	0.4	0.4	0.4
Professional Fees	1.9	2.0	1.2	1.2	1.2	1.2
Materials	2.0	2.1	2.1	2.1	2.2	2.2
External Service Agreements	13.4	14.3	15.4	15.7	16.0	16.3
Property Charges	0.5	0.4	0.5	0.5	0.5	0.5
Laboratory Fees	0.9	0.9	0.9	0.9	0.9	1.0
Other Costs	3.9	3.6	3.5	3.0	2.9	3.0
Total OPEX	88.1	88.4	92.2	94.8	98.7	100.8
Inter Company Allocations	9.6	8.4	8.5	8.7	8.9	9.2
Total Operating Expenditure	97.6	96.9	100.7	103.5	107.6	109.9
EBITDA						
Depreciation & Amortisation	39.8	44.5	44.3	42.3	41.5	40.7
Amortisation - Leases	0.0	0.0	1.6	1.6	1.6	1.6
EBIT	0.1	8.4	32.6	(4.9)	(20.0)	(17.9)
Interest Expense	1.5	0.9	1.5	1.5	1.5	1.5
Interest - Finance Lease	0.0	0.0	0.7	0.7	0.6	0.6
Net Profit Before Tax	(1.5)	7.4	30.4	(7.1)	(22.2)	(20.0)
Net Profit After Tax	(1.5)	7.4	30.4	(7.1)	(22.2)	(20.0)

BALANCE SHEET

	2018-19 BUDGET \$M	2018-19 FORECAST \$M	2019-20 BUDGET \$M	2020-21 PROJECTION \$M	2021-22 PROJECTION \$M	2022-23 PROJECTION \$M
INDIGENOUS ESSENTIAL SERVICES						
CURRENT ASSETS						
Cash at Bank	36.1	33.9	24.8	27.9	19.5	22.5
Receivables	0.4	0.2	0.3	0.3	0.3	0.3
Inventories	5.2	7.0	7.2	7.4	7.5	7.7
Prepayments	0.2	0.2	0.2	0.2	0.2	0.2
Total Current Assets	41.9	41.5	32.5	35.8	27.6	30.8
NON-CURRENT ASSETS						
Property, Plant & Equipment	698.0	690.3	742.5	751.0	728.9	708.0
Right of Use Assets	0.0	0.0	20.0	16.5	13.0	9.5
Capital Work in Progress	61.8	53.5	31.2	15.4	15.8	16.3
Total Non Current Assets	759.8	743.8	793.7	782.9	757.8	733.8
Total Assets	801.7	785.3	826.2	818.7	785.4	764.6
CURRENT LIABILITIES						
Payables	11.5	10.6	11.8	12.6	13.6	14.2
Accruals	5.3	5.0	5.0	5.0	5.0	5.0
Unearned Revenue	28.5	20.5	5.0	5.1	5.2	5.2
Inter-Entity Payables	10.0	10.0	10.0	10.0	10.0	10.0
Lease Liability	1.0	1.0	1.0	0.9	0.9	0.9
Total Current Liabilities	56.3	47.1	32.8	33.6	34.8	35.3
NON-CURRENT LIABILITIES						
Loans and advances from Controlled Entities	25.0	25.0	27.5	27.5	16.5	16.5
Right of Use Liability	0.0	0.0	22.3	21.1	19.8	18.5
Non-Current Lease Liability	7.6	9.0	9.0	9.0	9.0	9.0
Total Non Current Liabilities	32.6	34.0	58.8	57.6	45.3	44.0
Total Liabilities	88.9	81.1	91.6	91.2	80.1	79.3
Net Assets	712.9	704.2	734.6	727.5	705.3	685.3
SHAREHOLDER EQUITY						
Asset Revaluation	484.6	481.5	481.5	481.5	481.5	481.5
Opening Retained profits	229.7	215.2	222.7	253.1	246.0	223.8
Profit / Loss	(1.5)	7.4	30.4	(7.1)	(22.2)	(20.0)
Closing Retained Profits	228.2	222.7	253.1	246.0	223.8	203.8
Total Shareholder Equity	712.9	704.2	734.6	727.5	705.3	685.3

CASHFLOW STATEMENT

INDIGENOUS ESSENTIAL SERVICES	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	BUDGET	FORECAST	BUDGET	PROJECTION	PROJECTION	PROJECTION
	\$M	\$M	\$M	\$M	\$M	\$M
CASH FLOW FROM OPERATING ACTIVITIES						
EBITDA	39.9	52.8	78.5	38.9	23.0	24.4
Less: gifted assets	(5.0)	0.0	(39.0)	(15.5)	0.0	0.0
Working capital movements						
(Inc)/Dec in receivables	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(Inc)/Dec in inventory	0.0	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)
Inc/(Dec) in payables	(0.4)	(18.8)	(14.3)	0.8	1.2	0.6
Other balance sheet items						
(Inc)/Dec other assets	0.0	0.1	0.0	0.0	0.0	0.0
Interest paid	(1.5)	(0.9)	(1.5)	(1.5)	(1.5)	(1.5)
Operating Cash Flow	32.9	32.6	23.6	22.5	22.5	23.3
CASH FLOW FROM INVESTING ACTIVITIES						
Net capital expenditure	(37.3)	(57.5)	(35.2)	(19.4)	(19.8)	(20.3)
Investing Cash Flow	(37.3)	(57.5)	(35.2)	(19.4)	(19.8)	(20.3)
CASH FLOW FROM FINANCING ACTIVITIES						
Net movement in loans to controlled entities	14.0	14.0	2.5	0.0	(11.0)	0.0
Financing Cash Flow	14.0	14.0	2.5	0.0	(11.0)	0.0
Net Cash Flow	9.6	(10.9)	(9.2)	3.1	(8.4)	2.9
Opening cash balance	26.5	44.9	33.9	24.8	27.9	19.5
Closing Cash Balance	36.1	33.9	24.8	27.9	19.5	22.5

Glossary

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



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