2021-22 Statement of Corporate Intent

PowerWater

Contents

1. Overview

Power and Water Corporation ("Power and Water" or "the Corporation") is a Northern Territory Government (NTG) owned utility that operates across a geographic area of 1.3 million square kilometres and within a range of diverse environmental conditions, ranging from the arid dry of the central desert to the tropical monsoon of the top end. The corporation generates, transmits and distributes electricity, supplies water and wastewater treatment services across the Northern Territory (NT) for the benefit of residents, including remote and isolated Aboriginal communities and outstations.

Power and Water is also an enabler of economic development within the NT, often underpinning key strategic projects through its gas supply and transportation businesses.

Power and Water is established under the Power and Water Corporation Act 2002 and the Government Owned Corporations Act 2001 (GOC Act). It has a Board of Directors which is responsible to the Shareholding Minister for Power and Water's operating and financial performance. The way Power and Water intends to meet the expectations of its shareholder are outlined in this Statement of Corporate Intent (SCI). In accordance with the GOC Act, Power and Water's objectives are to:

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

Power and Water has an important role in facilitating the efficient delivery of the NTG's economic agenda. It works constructively with key stakeholders and is a key responder during and after a natural disaster, helping to restore essential services to the community.

This SCI sets out the nature and scope of the corporation's business activities, goals, key strategies, risk management, capital investment plans and performance targets over the four-year period commencing 1 July 2021.

Impact of the Novel Coronavirus (COVID-19) Pandemic

Power and Water remains committed to providing essential electricity and water services, and supplying the NT market with gas during this pandemic and assisting customers to the fullest extent possible. At the same time the health and wellbeing of its people continues to be a focus.

The corporation saw economic and social impacts from COVID-19 in 2020-21 and expects to see more within 2021 22, which may result in significant variances against the financial projections published in this SCI. Impacts in 2020 21 included the freezing of tariffs, an increase in the number of customers experiencing hardship, a slowdown in developments and capital projects, and a reduction in commercial consumption as a result of a declining tourism industry.

1.1 Nature and scope of activities

Power and Water provides services to the community across the water and electricity supply chains and through its gas supply and transportation arrangements. This is in addition to its regulatory obligations as the Power System Controller and Market Operator.

Power networks and distribution

The corporation owns and operates the regulated electricity network and parts of the unregulated electricity network in licenced areas, distributing electricity through three power networks, from the wires to the meters.

It also owns and operates generation plant in five minor centres in addition to plant in the remote communities.

Power and Water has the responsibility of being the System Controller, which involves operating and controlling the Territory's three power systems and ensuring these power systems are balanced, stable, safe, secure and reliable.

As the Market Operator, the corporation operates the interim wholesale electricity market.

Water and wastewater

The corporation owns and operates the large dams and groundwater fields delivering water to households and for business use.

It also removes and treats wastewater before disposing of it in an environmentally responsible manner.

The corporation is licensed to provide water and sewerage services to five major urban centres and five of the 13 minor urban centres, with the remaining minor centres provided with water services only.

Serving remote customers

Power and Water manages the provision of electricity, water and sewerage services to remote Aboriginal communities and outstations on behalf of the Department of Territory Families, Housing and Communities (DTFHC). These arrangements are through a not-for-profit subsidiary of Power and Water, Indigenous Essential Services Pty Ltd (IES), under agreement with the NTG.

Gas acquisition and distribution

The corporation owns and maintains various gas pipeline assets, along with the management of a large gas wholesale supply and transportation portfolio that includes sales to generators, large businesses across the NT and into interstate markets.

Customer and business support

Centralised functional support is provided across the Corporation encompassing such aspects as customer experience, people and culture, safety, information technology, finance, communications, governance, strategy, pricing and economic analysis, regulatory, risk and compliance services.

Supporting the NT economy and community

Power and Water facilitates the efficient delivery of the NTG economic agenda while working constructively with key stakeholders. Additionally, it is a key responder after a natural disaster, helping to restore essential services to the community.

1.2 Licences and operating areas

Power and Water holds operating licences for electricity and water supply chains for the majority of the NT. The following table illustrates the types of operating licences held and the areas for which it is licenced to deliver those services.

License Type	Areas
System Control	Darwin to Katherine, Tennant Creek and Alice Springs
Electricity Generation	Elliott, Daly Waters, Ti Tree, Timber Creek, Borroloola and IES communities
Electricity Network	**Regulated Networks:** Darwin, Katherine, Tennant Creek and Alice Springs **Non-regulated networks:** Daly River, Jabiru, Borroloola, Timber Creek, Daly Waters, Elliot, Newcastle Waters, Yulara, Ti-Tree, Kings Canyon, Nhulunbuy (surrounding rural areas only), Groote Eylandt and IES communities
Electricity Retail	Jabiru, Nhulunbuy, Alyangula and IES communities
Water including Retail	**Major Urban:** Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara **Minor Urban:** Batchelor, Adelaide River, Pine Creek, Borroloola, Timber Creek, Daly Waters, Elliott, Newcastle Waters, Ti-Tree, Larrimah and Mataranka **Restricted service area:** Cox Peninsula-Wagait Beach and IES communities
Wastewater including Retail	**Major Urban:** Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara **Minor Urban:** Batchelor, Adelaide River, Pine Creek, Kings Canyon, Borroloola and IES communities

Power and Water also manages major gas supply and transportation agreements. These account for approximately 90 per cent of the NT's domestic gas market supply and meets demand for gas for a large number of businesses operating in the NT, as well as the East Coast via the Northern Gas Pipeline.

1.3 Service Delivery Areas

1.4 Major challenges

Power and Water is facing a range of changes in its operating environment. Over recent years it has seen its regulated energy business become subject to the requirements of the Australian Energy Regulator (AER). The AER's first regulatory determination for the corporation was delivered in 2019 and a second determination is due in 2024. Power and Water's regulated electricity network pricing proposals are approved annually by the AER, which can result in greater variability in the corporation's annual revenues. Meeting the information needs of the AER has seen increases in operating costs that are, together with revenue impacts, reflected through the SCI.

The corporation is also working to support the delivery of the NTG's objective of reaching 50 per cent renewable energy by 2030. Estimates suggest that there will be 77MW of large scale renewable generation added to the network over the coming 12-15 months, which is on top of approximately 24MW of small scale (behind the meter) rooftop solar photovoltaic (PV) installed at the moment and increasing at around 2MW per month. By the end of 2021-22 the Darwin-Katherine grid could have as much as 100MW of additional solar generation. This contrasts with an average dry season demand of 136MW, which has dropped to as low as a daily 67MW (May 2020). Managing this mix of generators in order to ensure system stability, security and reliability is a priority for Power and Water.

The NTG's Electricity Market Priority Reforms concerning dispatch, settlement, essential system services and reliability, will require Power and Water in its role as the Market Operator, to develop required systems and market tools, as well as employ the necessary resources to operate the market. These reforms are currently under development and are expected to be agreed and implemented within this SCI period. Substantial work will be undertaken, especially in 2021-22 and 2022-23, by Power and Water to ensure the NTG's objectives are met.

As part of its commitment to ensure the long term supply of water across the Territory, the NTG has committed to the investigation of major water source augmentation projects in the near future. Power and Water, as the current owner and operator of the Territory's major water sources, has a key role to play in this endeavour. The two major water source projects under consideration are the Manton Dam Return to Service and the Adelaide River Off-stream Water Storage (AROWS) project.

It has been necessary to ensure Power and Water is fit for the purpose of meeting the challenges of these changes in its business environment. Power and Water's Operating Model transformation program has been ongoing now for three years. Two priorities for 2021-22 are the Supply Chain Fundamentals Program and finalising the work to ensure the right resources with the right capabilities are contributing to the corporation's highest priority areas. The Supply Chain Fundamentals program is needed to realise financial benefits as early as possible associated with strategic sourcing and improved inventory and warehousing aiming to offset other program investment costs.

A key aspect of the Operating Model transformation program involves updating Power and Water's ageing Information, Communication and Technology (ICT) systems including implementing new meter data management, billing and financial management systems. These are urgently needed to address end-of-life-system functionality and integration issues relating to customer interaction, basic billing, collection and financial reporting, reducing costs of rework, compliance shortfalls and to address significant business risk.

2. Market trends and opportunities

The future will continue to bring both challenges and opportunities for Power and Water in its important role of providing essential services. Understanding its customers and being responsible to its community and shareholder expectations are imperative to ensuring their needs are at the forefront of all that Power and Water does.

The Territory Economic Reconstruction Commission (TERC) identified a number of recommendations to drive economic development in the NT. The report urges the NTG to *strategically target investment in the right infrastructure, in the right place, at the right time to enable economic development including improved access to power and water.* These are key philosophies in use by Power and Water. Further recommendations provided by the TERC form key inputs to the opportunities available. Considerations in this SCI include:

Regulation driving higher standards and lower allowances

Regulation nationally is resulting in greater scrutiny leading to higher standards of performance. With the corporation moving to the new NT National Electricity Rules (NER) regime, there has been significant downward pressures on regulatory allowances (-18.3 per cent from the 2014-19 to the 2020 24 period) and an increase in the cost of compliance for Power and Water.

Renewables integration into the energy grid poses opportunities and challenges

The NT has access to an abundance of renewable energy resources and the NTG has announced a 50 per cent renewable target by 2030. NT's access to renewables present an attractive proposition for mass-adoption, however it also poses key challenges to the security and stability of the local grid.

Energy storage and grid modernisation

The growth of battery storage goes hand-in-hand with grid modernisation efforts including the transition to smart grids. Batteries help to unlock the full potential of the new intermittent renewable energy generation technologies. Focus will be on developing and implementing a fit for purpose renewables integration and enablement strategy, including clarity of Power and Water's role in future energy storage and generation. These projects represent a unique opportunity for Power and Water to be actively involved in projects that are at the forefront of renewable energy technology.

Declining energy and water consumption per household

The standard value offering for traditional utilities is weakening as households increase their energy and water efficiency. This shift is resulting in lower consumption per household and a smaller base from which to recover what are largely fixed infrastructure costs. Combined with the falling cost of producing solar PV modules and the prevalence of smart technologies, this trend will accelerate moving forward.

NT economy and population level/growth impacting on sentiment

NT Gross State Product (GSP) grew 5.3 per cent recording the strongest growth in GSP of all states and territories. Mining Gross Valued Added (GVA) increased 39.7 per cent driven by oil and gas extraction, reflecting the transition from construction to production of LNG in the Territory.

Restrictions in response to the COVID-19 pandemic in addition to underlying weakness in both business and consumer sentiment, as well as continued declines in the NT population, resulted in falls in GVA across 14 of the 19 industries .

In response, as part of its economic recovery plans, the NTG established a $40 billion Gross Regional Product target, which represents a targeted doubling of the growth rate of the past decade.

Decarbonisation

The world is progressing down a path to reduce carbon emissions. This presents both risk and opportunities for Power and Water and in particular its gas business. If decarbonisation initiatives and government policy in this area progress faster than anticipated, there is risk to Power and Water's gas and electricity businesses due to reduced asset use and potential stranding of assets. Decarbonisation, however also presents a number of exciting opportunities for the organisation that are being explored such as energy solutions using hydrogen as a fuel source.

Evolving customer expectations driving higher standards

Service and reliability expectations are increasing across all industry sectors, and the NT community will continue to demand high standards from Power and Water.

Gas opportunities

The transition from thermal generation to alternative energy sources such as renewables, will significantly reduce overall gas demand in the generator sector. Power and Water is investigating opportunities to use this gas for other sales opportunities which can support the NT economy.

Securing long-term gas supply for the NT

New energy intensive industries require long term gas supply to underpin the viability of their projects. The corporation's unique role supplying gas for the NT has come with a key enabling role in driving economic growth in Australia's north, as outlined in the 'Our North, Our Future' strategic white paper.

[1] https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release

Power and Water Stakeholders

3. Strategic direction

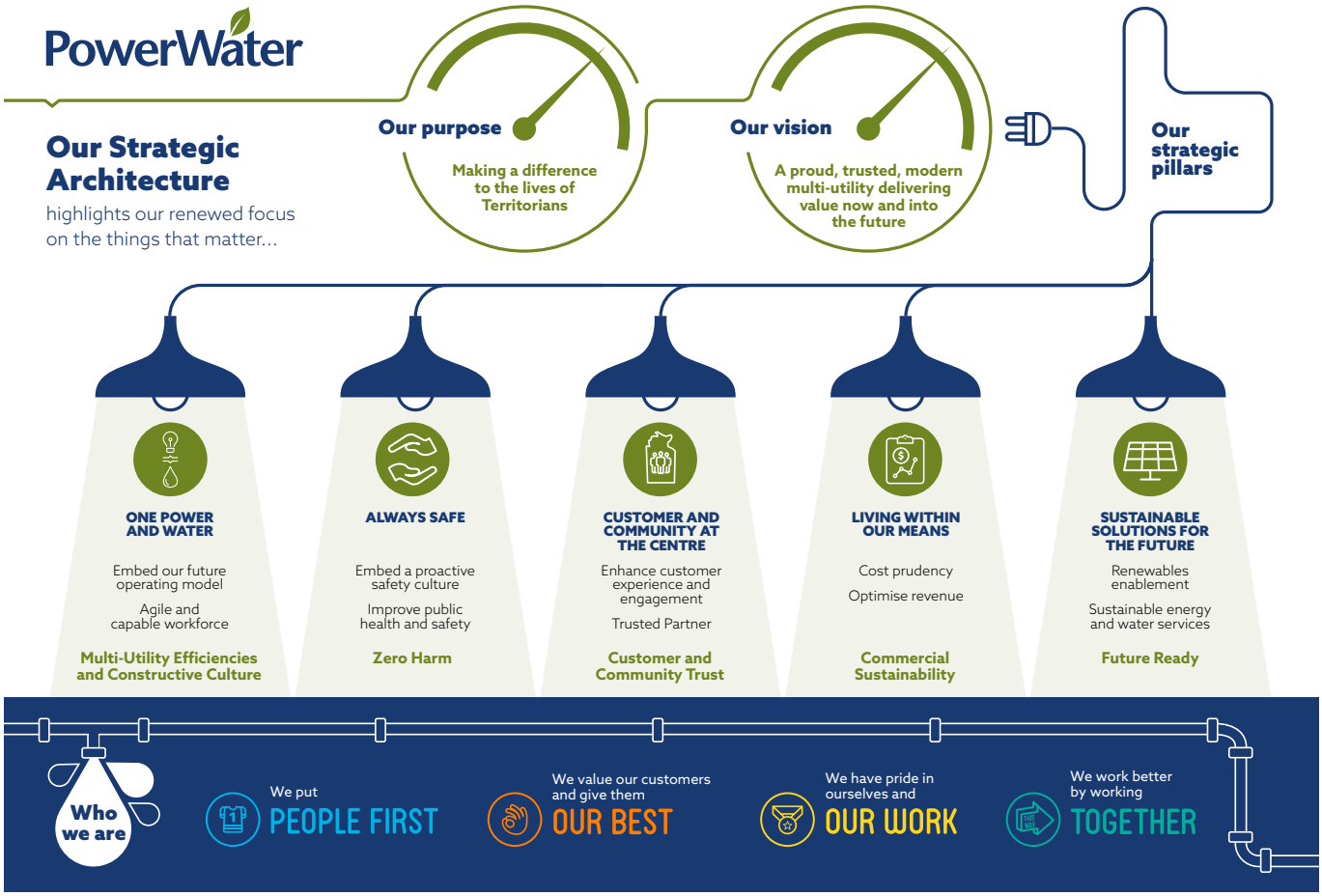
Power and Water has experienced significant changes in its regulatory, economic, industry and social environment in the past five years. With this in mind, the organisation tested its strategic direction to ensure that it met the changing needs of the business, its customers and the NT economy and market.

After reviewing the external environment against the corporation's current direction, Power and Water confirmed that many of the initiatives it had undertaken or were being addressed aligned with the economic goals for the NT. Nevertheless, it was recognised that Power and Water needed a course correction to fully support the future acceleration of private investment projects, industry and jobs growth. The corporation's strategic direction now has a more targeted focus designed to successfully position itself for the future.

Power and Water continues to focus on ensuring its Operating Model is fit to meet the challenges ahead. Priority is also being given to investing in the safety of the corporation's people and putting people and customer safety first in all that is done.

Economic challenges (headwinds) and positive measures (tailwinds) affect both the NT and Power and Water. When added together, they equal opportunity. The corporation is prioritising and leveraging these opportunities to grow the NT by partnering with key stakeholders and supporting current and emerging industries. As part of the community Power and Water is committed to making a difference to the lives of Territorians.

The corporation's purpose and vision links to refreshed strategic pillars, key strategic focus areas (big rocks), and established values. A new strategy map has been established unifying all these elements ensuring a coherent strategy.



3.1 Purpose and vision

Power and Water's future direction will be driven by its purpose and vision that is clear and that resonates widely. The purpose and vision statements are a fundamental part of the corporation's strategy as they are used to communicate to internal and external stakeholders the direction and aspirations of the organisation.

The corporation's purpose conveys the importance of the role its people play in enabling a vibrant NT, and the nature of what it does means they proudly make a difference every day

Supportive foundational services that help power the economy of the NT, increase the flow of business and commerce in the region, fuel its growth as an economic and cultural magnet, and provide difference to the daily lives of Terrirtorians.

As fundamental to the life of the NT and Territorians as the air we breathe.
Growing and developing it s people.

Proudly serving all Territorians, ensuring our services seamlessly support their everyday lifestyles, providing them with choice and value they desire.

Making a difference. Everyday.

The corporation's vision reflects its aspiration and reflects pride in delivering to stakeholders every day

Power and Water is proud to serve its community, and will continue to be a trusted provider and partner to the community and government

Power and Water is clear of its identity and focus.
It is a multi-utility and will strengthen this through modern approaches and better ways of working.

Modern and innovative. Less bureaucratic. Easy to deal with.

Power and Water is focused on delivering value to the NT Government as our shareholder.

Power and Water will not just focus on the here and now, it will also look to the future, ensuring that it continues to deliver outcomes for the community.

Power and Water plays a key role in creating value for all Territorians, and in ensuring that they reap benefits of growth in the NT that is sustainable.

3.2 Strategic pillars

Strategic pillars have replaced the previously defined key result areas (KRAs) and have evolved to reflect a targeted future focus.

Strategic Pillar	What are we doing differently?	What does this mean for the business?
One Power and Water 	Power and Water is **committed to implementing its Operating Model and uplifting its culture** to become fit for the future	It will operate as one Power and Water enabled by a sustainable operating model. Power and Water's focus is on uplifting its culture, improving capabilities with new ICT systems and enhancing the way it works through a new organisational structure and embedding a continuous improvement mindset.
Always Safe 	Power and Water puts its people and customers **safety first in all that it does**	Safety is Power and Water's legal and corporate obligation to its people and all Territorians. The corporation will continue to deliver on safety targets and proactively improve its safety culture to better ensure safety for its people and for all Territorians.
Customer and Community at the Centre 	Power and Water places its **customers and community at the centre** of its attention	Its customers and community are at the centre of the business. Power and Water's focus is on improving customer experiences, cultivating relationships and being a trusted partner with its customers, community and stakeholders.
Living Within Our Means 	Power and Water **lives within its means** to ensure commercial sustainability	The corporation continuously strengthens its financial management practices and optimises revenue generation. It spends money wisely and practices prudent cost management.
Sustainable Solutions for the Future 	Power and Water has **clarified the big shifts** required based on the challenges it will face over the next 10 years	Power and Water proactively enables sustainable energy and water services in the NT for the future. It enables the energy transition and helps plan and achieve longer term water security. The corporation supports the NT in meeting its sustainability targets while ensuring reliable services for all Territorians.

3.3 Big rocks (key strategic focus areas) and strategic programs

Two big rocks have been defined for each strategic pillar. These represent focus areas underpinned by several strategic programs that, when completed, prepare us for the future. This table highlights strategic programs over the SCI period.

ONE POWER AND WATER

Big Rock	Strategic Programs	Start Timeframe	Success Outcome
Embed our Future Operating Model led by **Transformation**	**Implement Wave 1 Operating Model -** Implementation of a new Meter to Cash ICT solution with improved business processes, Supply Chain Fundamentals - aimed at optimising supply chain and Revenue Assurance.	Ongoing	Multi-utility efficiencies and constructive culture
	Implement Wave 2 Operating Model - Continuation of Power and Water ICT solutions uplift.	2023-24	
	Organisational and Process Alignment - Aligning structures and processes to future state Operating Model	Ongoing	
Agile and Capable Workforce led by **People, Culture and Safety**	**Workforce Capability and Cultural Uplift -** Deliver safety, leadership, behavioural, compliance and technical training.	Ongoing	
	Strengthen Leadership Capability - Project aims to embed a more constructive and positive culture through developing leaders to build a high performing, capable, accountable and engaged workforce.	Ongoing	

ALWAYS SAFE

Big Rock	Strategic Programs	Start Timeframe	Success Outcome
Embed a Proactive Safety Culture led by **People, Culture and Safety**	**Implement Safety Management Systems and Processes -** Improve accessibility in the field, visibility and management of safety events, corrective actions and safety audit outcomes.	Ongoing	Zero harm
	Proactive Safety Culture - Mature the culture around safety from 'Reactive' to 'Proactive' as measured by the Hudson Maturity Model.	Ongoing	
Improve Public Health and Safety co-led by **Water Services** **Power Services**	**Comply with Safe Drinking Water Guidelines -** Maintain current preventative and mitigating controls and invest in the implementation of proposed controls to ensure the supply of safe water.	Ongoing	
	Public Safety Asset Assurance – Continuous improvement of Power and Water's safe design approach to asset management.	Ongoing	

CUSTOMER AND COMMUNITY AT THE CENTRE

Big Rock	Strategic Programs	Start Timeframe	Success Outcome
Enhance Customer Experience and Engagement led by **Customer Strategy and Regulation**	**Customer Channel Optimisation -** Defining and mapping the end-to-end customer experiences across all Power and Water's customer interactions.	2021-22	Customer and community trust
	End-to-end Customer Experience Enhancements - Delivering greater customer value and experience through an enhanced customer focus and putting our customers at the heart of everything that we do.	2022-23	
Trusted Partner co-led by **People, Culture and Safety** **Customer Strategy and Regulation**	**Reconciliation Action Plan -** Power and Water's vision for reconciliation is that Aboriginal and Torres Strait Islander people have the same opportunities in health, employment and education as other Territorians.	Ongoing	
	Support Market and Technical Regulation Reform - This program sees Power and Water working across government and the community to reform the Water and Sewerage Tariff Framework and reset the Network Price Determination.	2021-22	

LIVING WITHIN OUR MEANS

Big Rock	Strategic Programs	Start Timeframe	Success Outcome
Cost Prudency co-led by **Customer Strategy and Regulation** **Finance and Business Services** **Information, Communication and Technology (ICT)**	**Embed Project Prioritisation Framework and Project Governance -** Embed the framework to support management in strategic decision making and balancing through the introduction of a mechanism to qualify, evaluate, assess and score projects against business goals and strategic objectives.	2021-22	Commercial sustainability
	Embed Financial Controls for Budget Repair program - Initiatives designed to promote prudent budget management and ensure that the corporation operate within its means.	2021-22	
	Cost Control / Reduction Program - Focused on ensuring a cost reduction and emphasis on uplifting a financial accountability culture.	2021-22	
	Leverage Information as an Asset - Address an increased need for integrated information to analyse, manage, and optimise organisation performance.	2022-23	
Optimise Revenue co-led by **Customer Strategy and Regulation** **Gas Services**	**IES Reform -** The program is focused on achieving efficiencies and improving service standards.	Ongoing	
	Gas Book Optimisation - Improve the future valuation of the existing gas supply 'book' and reduce risk using a range of commercial, contractual and operational levers and without material further capital investment.	2021-22	
	Secure Long-term Gas Supply – Secure opportunities with new energy intensive industries requiring long term gas supply to underpin the viability of their projects.	2022-23	
	Uplift Core Service Revenue - It is an opportune time to revisit all of Power and Water prices and cost to serve (excluding areas regulated by the AER), particularly given the changes to the demands on its services and to the market.	2021-22	
	Unregulated Revenue Expansion - The program's objective is to develop opportunities for growth that benefit customers through the exploration of new revenue opportunities via the development of new products and service offerings.	2021-22	

SUSTAINABLE SOLUTIONS FOR THE FUTURE

Big Rock	Strategic Programs	Start Timeframe	Success Outcome
Renewables Enablement co-led by **Core Operations** **Power Services**	**Renewables Enablement Strategy -** The first stage of a multi-year plan to maintain system security in the NT's regulated power systems.	2021-22	Future ready
	Real Time Market and Network Operating Systems - Power and Water is committed to modernising business processes and ICT systems to meet its obligations as System Controller, Market Operator and Network Operator, both now and in the future as the electricity market evolves.	2021-22	
Sustainable Energy and Water Services co-led by **Water Services** **People, Culture and Safety** **Customer Strategy and Regulation** **Information, Communication and Technology (ICT)**	**Secure Long-term Water Supply -** Power and Water continues to plan and develop the most cost efficient options to ensure water reliability and security.	2021-22	
	Enterprise Environmental Strategy - Development and implementation of an enterprise wide environmental strategy.	2023-24	
	Commercial Strategic Partnering and Collaboration – Program to explore funding and partnering options for key projects to enable the long-term growth of the NT region.	2023-24	
	Implement Smart Systems and Advanced Technology – Investment in emerging technologies to develop innovative value propositions and solutions for its customers.	2024-25	

3.4 2021-22 Strategic programs

This table highlights strategic programs that are expected to begin or continue in 2021-22.

ONE POWER AND WATER

Big Rock	Strategic Programs
Embed our Future Operating Model	**Implement Wave 1 Operating Model –** The Operating Model project is designed to create greater efficiencies and more defined accountabilities within Power and Water. It is aimed at better organising itself as a multi-utility, leveraging synergies and improving systems to provide services customers expect of their utility. Its approach includes a combined roadmap of capability building projects (including major ICT re-platforming) and implementing efficiency reforms. The corporation has refocused its activities on efficiency projects including: • Supply Chain Fundamentals - aimed at standardising and optimising supply chain and inventory management for the whole of Power and Water. • Revenue Assurance – ensuring that Power and Water receives the full revenue it is permitted to bill and collect. The major ICT re-platforming projects for 2021-22 is the Meter-to-Cash Program – This program addresses current technology and process challenges to support the metering and billing functions. Implementation of the system is expected to be early-mid 2023. **Organisational and Process Alignment –** Power and Water has commenced increasing the effectiveness of operations by driving accountability through an aligned functional organisational structure and improving the way we work. This includes combining like functions, adopting a business partner model for enabling functions, aligning processes to improve ways of working and ensuring the lines of business are effectively structured and supported to deliver customer outcomes.
Agile and Capable Workforce	**Workforce Capability and Cultural Uplift –** Four learning and development service lines have been established to deliver safety, leadership, behavioural, compliance and technical training. **Strengthen Leadership Capability –** This project aims to embed a more constructive and positive culture through developing leaders to build a high performing, capable, accountable and engaged workforce.

ALWAYS SAFE

Big Rock	Strategic Programs
Embed a Proactive Safety Culture	**Implement Safety Management Systems and Processes –** Power and Water's Safety Management System enabled with a fit-for-purpose technology platform to improve accessibility in the field, visibility and management of safety events, corrective actions and safety audit outcomes. **Proactive Safety Culture Program –** The objective of the Safety Improvement Project (the key business strategy targeting safety) is to mature the culture around safety at Power and Water from 'Reactive' to 'Proactive' as measured by the Hudson Maturity Model.
Improve Public Health and Safety	**Comply with Safe Drinking Guidelines –** Implement year three of the Safe Water Plan to continue to reduce risk and increase data reliability across the water systems. **Asset Assurance Public Safety –** Continuous improvement of Power and Water's safe design approach to asset management to prevent injury and improve useability of products, systems and facilities.

CUSTOMER AND COMMUNITY AT THE CENTRE

Big Rock	Strategic Programs
Enhance Customer Experience and Engagement	**Customer Channel Optimisation-** Defining and mapping the end-to-end customer experiences across all Power and Water's customer interactions. Focusing on digital conversion and innovation solutions with the aim to improve the customer experience through effective interactions while also being cost-effective.
Trusted Partner	**Reconciliation Action Plan–** Power and Water's vision for reconciliation is that Aboriginal and Torres Strait Islander people have the same opportunities in health, employment and education as other Territorians. This is done by promoting reconciliation across the NT through building relationships, respect and creating opportunities for Aboriginal employment. **Support Market and Technical Regulation Reform –** This program sees Power and Water working across government and the community to reform the Water and Sewerage Tariff Framework and reset the Network Price Determination (NPD). A major focus over the SCI period remains resetting the AER Regulatory Proposal for 2024-2029. The objective is to secure a commercially sustainable NPD for this period by having demonstrated credibility to the AER. This is achieved by delivering power distribution services within the commercial and technical rigour of the 2019-2024 NPD through strong and early engagement with the AER, other key stakeholders and a focus on co-designing the electricity networks vision outside of the reset process.

LIVING WITHIN OUR MEANS

Big Rock	Strategic Programs
Cost Prudency	**Embed Project Prioritisation Framework and Project Governance –** Embed the Project Prioritisation Framework to support management in strategic decision-making and balancing through the introduction of a mechanism to qualify, evaluate, assess and score projects against business goals and strategic objectives. The framework is designed to be integrated across the existing project, investment and risk management standards and be used by the Enterprise Portfolio Management Office (EPMO) to provide project and portfolio reporting to the Executive Leadership Team (ELT). **Embed Financial Controls for Budget Repair program –** Initiatives designed to promote prudent budget management and ensure that the corporation operate within its means. These initiatives include increasing financial accountability and transparency, accelerated strategic sourcing program, optimise warehousing operations, property efficiencies and organisation realignment through the coordinating functions more efficiently and effectively. **Cost Control / Reduction Program –** Focused on ensuring a cost reduction and emphasis on uplifting a financial accountability culture.
Optimise Revenue	**IES Reform –** The program is focused on achieving efficiencies and improving service standards. It continues the integration of the remote community essential service delivery functions across the organisation, supporting continuous improvement in the level of services and standards. This is partnered with the Essential Service Operator (ESO) competency and compliance framework that leads to an authorisations process improving work based safety knowledge and the ability of the ESO's in community. **Gas Book Optimisation –** Improve the future valuation of the existing gas supply 'book' and reduce risk using a range of commercial, contractual and operational levers and without material further capital investment. **Uplift Core Service Revenue -** It is an opportune time to revisit all Power and Water prices and costs to serve (excluding areas regulated by the AER), particularly given the changes to the demands on its services and to the market. **Unregulated Revenue Expansion** - The program's objective is to develop opportunities for growth that benefit customers through the exploration of new revenue opportunities via the development of new products and service offerings.

SUSTAINABLE SOLUTIONS FOR THE FUTURE

Big Rock	Strategic Programs
Renewables Enablement	**Renewables Enablement Strategy (RES) –** The first stage of a multi-year plan to maintain system security in the NT's regulated power systems. This includes a high share of renewable energy generation that supports NTG's 50 per cent renewables target by 2030. Power and Water is developing the recommended actions and reforms needed to keep operating the NT power systems securely, now and as the power system transitions. As part of the first stage in 2021-22, Power and Water will assist NTG with provision of power system data for undertaking the required modelling and analysis on how the NT's power system is expected to operate under different scenarios. Power and Water will assist the NTG in developing technical perspectives on emerging system security requirements to operate the NT power systems with high penetration of renewables. Power and Water will continue to develop and update market procedures to cater for activities to facilitate the operation of an increased number of market participants and contestability in the Interim Northern Territory Electricity Market (I-NTEM) until 2024-25. **Real Time Market and Network Operating Systems –** Power and Water is committed to modernising business processes and ICT systems to meet its obligations as System Controller, Market Operator and Network Operator both now and in the future as the electricity market evolves. Immediate priority in 2021-22 is to: • Improve the reliability and redundancy of prototype tools (including design redundancy, computational capability, advanced analytics and digitalisation) developed to temporarily manage the real-time operation of the power system and meet the I-NTEM rules and obligations. Real-time operation encompasses the dispatch of renewable generators seeking connection to the power system and provide better forecasts of behind the meter solar variability to the control room. • Develop alternative methods to extend the use of the existing end-of-life settlement system to cater for increasing data capacity and growing computational requirements. • Upgrade the hardware of the existing network operating system, the Energy Management System (EMS). This upgrade is in anticipation of a future software upgrade that would provide several benefits including enhancing the functionality to execute the controls or dispatch instructions to market participants, managing power system security and stability, as well as many other essential applications and training simulators that are essential for reliable and safe operation of the power system. Further details will be defined post decision by NTG of NTEM Market rules, which at the time of publication is currently under development.
Sustainable Energy and Water Services	**Secure Long-term Water Supply –** Power and Water continues to plan and develop the most cost efficient options to ensure water reliability and security. Plans for Darwin water source augmentation include Manton Dam return to service and to develop the AROWS water infrastructure options. This is subject to an assessment of future demand for water in the NT across all sectors (urban, agriculture, industry).

4. Key performance indicators (KPI's)

Power and Water's 2021-22 SCI (excluding IES) is measured against the following KPIs and NTG fiscal strategy targets, in accordance with the NTG Fiscal Strategy Panel's Final Report and 2019-20 Budget Outlook and Strategy.

Ongoing objective: Adopt agreed commercial operational benchmarks in the SCI.

Target: 100 per cent of appropriate targets met.

KPI	Reporting Frequency	Measure	2021-22	2022-23	2023-24	2024-25
ONE POWER AND WATER						
Overall Engagement Score[1]	Annually	%	55%	60%	70%	70%
Aboriginal Employment[2]	Monthly	#	105	108	110	112
ALWAYS SAFE						
Total Recordable Injury Frequency Rate (TRIFR)[3]	Monthly	#	6.5	6	5.5	5
Lost Time Injury (LTI)[4]	Monthly	#	≤ 2	≤ 2	≤ 2	≤ 2
CUSTOMER AND COMMUNITY AT THE CENTRE						
Customer Satisfaction Index[5]	Half Yearly	%	80%	80%	80%	80%
Complaints Resolution[6]	Monthly	Average business days	10	10	10	10
System average interruption duration index (SAIDI)[7]	Monthly	Mins	175.8	175.8	175.8	175.8
System average interruption frequency index (SAIFI)[8]	Monthly	Mins	2.6	2.6	2.6	2.6
Water main breaks per 100km of pipe[9]	Monthly	#	17	16	16	15
Sewerage chokes and blockages per 100 km[10]	Monthly	#	16	15	15	15
Average duration of unplanned water supply interruptions[11]	Monthly	Mins	120	120	120	120
Number of Customers Affected by Unplanned Water Supply Interruption[12]	Monthly	#	<60	<55	<55	<50
LIVING WITHIN OUR MEANS						
Profitable Operations (Underlying EBITDA)[13]	Monthly	$M	165.4	183.6	216.7	246.4
Free Cash Flow from Operations[14]	Monthly	$M	-18.3	-3.5	30.6	46.5
Financials Within SCI Budget[15]	Monthly	-	Financials Within Target			
Return on Capital Employed[16]	Monthly	%	1.4%	2.2%	3.5%	4.9%
Return on Assets[17]	Monthly	%	-0.5	0.0	0.8	1.6
Return on Equity[18]	Monthly	%	-1.3	-0.1	1.8	3.8
Debt to Equity Ratio[19]	Monthly	#	1.0	1.0	0.9	0.9
Statutory Net Profit[20] After Tax	Monthly	$M	-15.2	-0.8	22.9	48.7
EBIT[21]	Monthly	$M	33.3	53.0	85.4	120.8
EBITDA[22]	Monthly	$M	165.4	183.6	216.7	246.4
SUSTAINABLE SOLUTIONS FOR THE FUTURE						
Maintaining System Security with Renewables Dispatch[23]	Monthly	-	No preventable load shedding occurs (100%)			
Water Demand Darwin[24]	Monthly	KL	372KL per household	366KL per household	363KL per household	361KL per household
# of significant environmental compliance issues[25]	Monthly	#	0	0	0	0

Key Performance Indicator Definitions:

1 Overall Engagement Score: The level of favourable engagement for employees based on survey respondents measured annually utilising the Kincentric methodology (previously known as AON Hewitt).

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

3 Total Recordable Injury Frequency Rate: Calculated = Lost Time Incident x Medical Time Incident x Restricted work Injuries

4 Lost Time Injury: Number of lost-time injuries incurred.

5 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. Measurement reflects '7+ out of 10' scoring basis for improved insights. The 2019-20 forecast reflects the actual result of the survey completed during the year.

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

7, 8 System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets. Rolling 12 month average for the Northern Territory system.

9 Water main breaks per 100km of pipe: Water Main Breaks per 100km of pipe (12 month rolling average of Darwin and Alice Springs).

10 Sewerage chokes and blockages per 100km: Number of chokes and blockages per 100km (12 month rolling average of Darwin and Alice Springs).

11 Average duration of unplanned water supply interruptions: Average duration of unplanned water supply interruptions in Darwin (12 month rolling average. Currently have data for Darwin. Alice Springs to be introduced in 2021).

12 Number of Customers Affected by Unplanned Water Supply Interruption: Number of Customers Affected by Unplanned Water Supply Interruption (Monthly total. Currently have data for Darwin. Alice Springs to be introduced in 2021).

13 Profitable Operations (Underlying earnings before interest, tax, depreciation and amortisation): Total revenue less total operating expenditure excluding accounting standards adjustments.

14 Free cash flow from operations: Operating cash flow less net capital expenditure.

15 Financials within SCI budget: Revenue and operating expenditure as per the SCI 2022-25 budget.

16 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

17 Return on assets (ROA): (NPAT / Average total assets)*100

18 Return on equity (ROE): (NPAT / Total shareholder equity)*100

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

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

21 Earnings before interest and tax (EBIT): In line with Statutory Accounts.

22 Earnings before interest, tax, depreciation and amortisation (EBITDA): In line with Statutory Accounts.

23 Maintaining System Security with Renewables Dispatch: Maintenance of system security through ensuring no load shedding that is preventable occurs (target measured at 100%).

24 Water demand Darwin: Rolling 12 month average for Darwin households.

25 # of significant environmental compliance issues: Occurrence of any significant environmental compliance issues.

4.1 Fiscal strategy targets (excl. IES)

The NTG Fiscal Strategy Panel developed a plan for budget repair over the medium term implementing key fiscal targets that focused on ensuring government operates within its means, including government owned corporations.

REVENUE AND OPERATING EXPENDITURE

SCI %	Revenue	Operating expenditure	Target met
2020-21 to 2024-25	13	11	Yes
2019-20 to 2023-24	22	24	No

Ongoing objective and target: Ensure government owned corporation operating expenditure growth does not increase at a rate greater than operating revenue growth (growth over SCI period).

DEBT TO EQUITY

2020-21 Budget	2020-21 Forecast	2021-22 Target	2022-23 Target	2023-24 Target	2024-25 Target	Target met
1.2	1.0	1.0	1.0	0.9	0.9	Yes

Ongoing objective: Debt ratios should improve annually.

Target: Debt to equity ratio (where applicable) maintained or improved over the SCI period.

OPERATING EXPENDITURE (LESS ENERGY COSTS)

2020-21 Budget $M	2020-21 Forecast $M	2021-22 Budget $M	2022-23 Projection $M	2023-24 Projection $M	2024-25 Projection $M	Target met
217	234	256	278	258	237	No

Ongoing objective: Reduce controllable costs and improve operating efficiencies.

Target: Operating costs (less cost of sale) maintained or reduced over the SCI period.

DIVIDENDS PAID

2020-21 Budget $M	2020-21 Forecast $M	2021-22 Budget $M	2022-23 Projection $M	2023-24 Projection $M	2024-25 Projection $M	Target met
20	1	0	0	0	6	No

Medium-term objective: Increased returns for government in the form of dividends.

Target: Dividends paid/payable greater than zero.

5. Financial projections

FINANCIAL SUMMARY

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

SUMMARY OF FINANCIAL RESULTS

POWER AND WATER CORPORATION Unconsolidated	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
Total revenue	746.3	705.2	680.8	732.9	757.6	796.4
Earnings before interest, tax and depreciation	237.8	207.9	165.4	183.6	216.7	246.4
Earnings before interest and tax	118.4	72.9	33.3	53.0	85.4	120.8
Net profit after tax	40.7	13.0	(15.2)	(0.8)	22.9	48.7
Cashflow from operations	157.4	156.3	118.6	135.7	165.4	181.3
Capital Investment	213.6	126.7	136.9	139.2	134.8	134.8
Return on assets	1.40	0.43	(0.5)	(0.0)	0.76	1.61
Return on equity	3.80	1.08	(1.3)	(0.1)	1.84	3.75
Funds from operations to interest ratio	4.20	2.41	1.85	2.21	2.73	3.23
Debt to equity ratio	1.2	1.0	1.0	1.0	0.9	0.9
Quick ratio	0.80	0.51	0.47	0.39	0.55	0.40

2020-21 – Forecast vs budget

Power and Water's underlying earnings before interest, tax, depreciation and amortisation (EBITDA) in 2020-21 are forecast to be 7.2 per cent higher than in 2019-20.

While earnings rose year on year, they fell short of estimates contained in the 2020-21 SCI by $29.9 million. There are however ongoing risks to the achievement of the forecast year end results due to unfavourable variances in revenue. This is primarily due to lower volumes of gas sales along with lower residential and business consumption across water services and power. The largest single variation was in lower than expected gas sales of $42.5 million. One factor driving the decrease are reliability constraints in the Northern Gas Pipeline limiting Power and Water's ability to secure additional sales in the short to medium term.

On expenses, costs associated with gas sales were, as would be expected due to lower gas sales, less than anticipated by $26.6 million. In other operating areas costs were less than budgeted while some cost pressures emerged in areas where major reform was underway. These cost pressures emerged in higher than planned professional fees associated with implementing the measures taken to enhance the Corporation's operating capability and to support new energy market arrangements

Capital expenditure in 2020-21 is forecast to be underspent against budget by $86.9 million (41 per cent). Much of this variance ($57.8 million) is due to a deliberate slowing in the Corporation's investments in new ICT systems so that design and implementation risks are well managed. Another contributing factor to this variance is the reclassification of ICT investment costs as operating expenditure rather than capital expenditure, as it was in the previous SCI. This change was made due to the pending decision to invest in Software-as-a-Service (SaaS) solutions rather than in physical servers owned by Power and Water. These ICT system enhancements are a key part of the larger operating capability enhancements being made across the Corporation. Of the operational business units, Power Services has continued to see the impact of the COVID-19 travel restrictions limit some of its scheduled works requiring specialist interstate and overseas resources and is forecast to be underspent by $10.2 million.

The combination of these outcomes saw Power and Water's average borrowings being less than budget by $156 million across the year.

2021-22 budget and 2023-25 projections

Power and Water's SCI financial estimates for 2021-22 and for the future three years (2023-25) have been prepared on the assumption that the COVID 19 pandemic will not materially impact the NTG fiscal policies in the coming years. There are considerable risks in this assumption and delays in the recovery from the COVID-19 pandemic have the potential to generate significant variances in the financial projections published in this SCI.

Power and Water has assumed that gazetted retail prices will increase at the NT Consumer Price Index (CPI) from 1 July 2021. As a consequence of the NTG's response to COVID-19 last year, a tariff freeze was applied in 2020-21. Other COVID-19 related reforecasts include increases in hardship allowances and provision for doubtful debts.

As well as the uncertainties related to the COVID-19 situation, Power and Water's finances will continue to be impacted by the policy measures taken by the Government as it pursues objectives across the Territory's energy and water markets.

SUMMARY OF REVENUE BY BUSINESS UNIT POWER AND WATER CORPORATION Unconsolidated	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
Gas Services	326.0	283.5	275.2	303.0	309.1	334.8
Water Services	220.5	222.8	217.6	216.3	222.3	230.2
Power Services	177.4	176.0	167.1	183.6	188.6	189.7
Core Operations	10.3	17.2	11.8	16.1	17.8	21.9
Customer Strategy and Regulation	5.1	3.6	6.2	8.6	8.9	8.9
Transformation (Benefit)	5.0	0.0	0.7	3.2	8.6	8.6
Finance and Business Services	2.0	2.1	2.2	2.2	2.2	2.3
Total	**746.3**	**705.2**	**680.8**	**732.9**	**757.6**	**796.4**

Revenue

Total revenue is projected to reduce from $705.2 million in 2020-21 to $680.8 million in 2021 22. This reduction in revenue is spread across the main operating business units. While revenues are expected to build slowly from 2021 22, they are expected to remain lower than foreseen at this time last year.

The shortfall in gas sales seen in 2020-21 will continue in 2021-22 and across the forward years compared with the position estimated in the previous SCI. While there is continued demand in the east coast market, constraints in the gas transportation system including reliability issues, are limiting the Corporation's ability to secure additional sales. Introducing compression in the gas pipeline will enable Power and Water to sell additional gas to the east coast markets. While this constraint exists, the lower gas sales alone will reduce revenues predicted in last year's SCI by up to $80 million a year and are the single largest factor reducing Power and Water's revenue and earnings outlook across the SCI period.

Power Services' revenues will be lower in 2021-22 due to lower tariffs needing to apply as a consequence of the AER's price setting mechanisms for regulated electricity tariffs. Under these arrangements, total electricity revenues collected across the regulatory period (2019-24) must fall within limits determined by the AER. Prior to 2021-22 these revenues have exceeded estimates and consequently in 2021-22, tariffs will be set at lower levels than previously forecast. Revenues are projected to grow across the outer years to the levels predicted in the 2020-21 SCI.

Water and sewerage services revenues are also projected to show small growth across the forward years and less than the estimates made in the previous SCI.

The Operating Model project is expected to deliver $21.1 million of revenue benefits over the SCI period, starting from 2021-22 to 2024-25, through the delivery of the Revenue Assurance program.

Community service obligations (CSO)

The following CSOs have been reflected in the SCI.

SUMMARY OF COMMUNITY SERVICE OBLIGATIONS POWER AND WATER CORPORATION Unconsolidated	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
Uniform Tariff Concession	7.4	7.0	7.4	7.5	7.7	7.8
Pensioner and Carer Concession	5.2	5.0	5.0	5.0	5.0	5.0
Covid Hardship Concession	0.0	2.5	0.0	0.0	0.0	0.0
Gas Concession	14.6	14.6	14.6	14.6	0.0	0.0
Jabiru Concession	0.0	0.0	1.0	1.9	2.1	2.0
Total	**27.2**	**29.1**	**27.9**	**29.0**	**14.7**	**14.8**

Operating costs

Power and Water continues to ensure its operating costs are as low as possible. Compared with the 2020-21 SCI, operating costs in 2021-22 and across the outer years show little movement in aggregate although amongst the business units there are some notable changes.

The costs of operating the gas business are projected to be lower than foreseen at this time last year due to the reduced gas sales now expected. These costs are between $30-60 million a year lower than projected last year, which are material from a cost management perspective and less than the projected lower gas revenues that together adversely impacts overall earnings.

In other areas both Power Services and Water Services costs are stable across the forward years and in both cases are lower than projected last year. The Power Services costs include the impact of AER determinations on efficient cost levels across the regulated electricity business.

Turning to 2021-22, the main driver of these operating cost increases on 2020-21 levels are accounting impacts of classifying ICT investment costs as operating expenditure rather than capital expenditure. This requirement results from pending decisions to invest in Software-as-a-Service (SaaS) solutions rather than in physical servers owned by Power and Water.

Power and Water recognises it must build its human resource capabilities. It is working to achieve this objective while also having to meet the immediate needs of the Government's policy reforms. As a consequence there is a continuing need to engage contracted (specialist) skills. Professional fees are forecast to increase over the next two years and peak in 2022-23 at $44.9 million before reducing over the remaining SCI period to $19.8 million in 2024-25, reflecting the ongoing efforts in the NTEM reform, managing the Operating Model transformation program and preparing the extensive submissions required for the next AER review in 2024-25.

ICT costs are anticipated to be higher than historic trends, driven by the need to establish ICT architecture to support the changes to the Operating Model. Trends in higher insurance premiums observed in the prior SCI periods, driven by global increases in natural disasters and hence a raised cost of reinsuring, have continued with annual insurance premiums holding steady from $3 million to $4 million throughout the forecast period (both ICT and Insurance costs are contained under the Corporate line in the table below).

The Operating Model transformation project is expected to deliver $23.8 million of cost reduction (incorporated in transformation line in the table below) over the SCI period, commencing from 2021-22 to 2024-25, through the improvements in supply chain and procurement programs.

SUMMARY OF CONTROLLABLE OPERATING COSTS BY BUSINESS UNIT

POWER AND WATER CORPORATION Unconsolidated	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
Gas Services	296.6	270.0	265.6	278.2	290.5	320.4
Power Services	66.3	56.1	59.6	59.9	62.6	55.9
Water Services	69.4	60.2	54.3	55.9	55.2	54.0
Corporate	57.4	56.9	72.1	76.6	73.5	71.6
Core Operations	19.3	28.6	37.2	40.6	36.5	34.8
Customer Strategy and Regulation	20.6	27.3	26.2	26.2	26.0	26.2
Transformation (Benefit)	(12.7)	7.3	9.6	21.5	6.2	(3.2)
Total	516.9	506.3	524.6	558.8	550.4	559.7
Non Cash Items						
Gas - banked gas impairment expense	0.0	0.0	0.0	0.0	0.0	0.0
Gas - onerous contract provision expense*	0.0	0.0	0.0	0.0	0.0	0.0

*The provision for onerous contracts is revalued annually based upon the net present value of the future projected liability, with any resultant movement in the provision being charged to the profit and loss account.

Net profit after tax

A statutory net loss after tax (NPAT) of $15.2 million is budgeted in 2021-22, as compared to a forecast profit of $13 million in 2020-21. The primary driver of this loss is lower regulated electricity sales, a reduction in forecast gas sales and an increase in operating expenses. As explained earlier, the transformation program related ICT expenses had been budgeted as capital expenditure in the 2020-21 forecast. As the program has been refined, SaaS solutions are preferred due to their improved whole-of-life cost and risk profiles, resulting in much of the cost being classified as operating expenditure. The reduction in 2021-22 electricity network revenue is another key reason for the projected 2021-22 operating loss.

NPAT is forecast to increase steadily in subsequent years, with an almost break-even result forecast for 2022-23 along with surpluses of $22.9 million and $48.7 million in 2023-24 and 2024-25 respectively.

A return to normalised electricity network revenues in the later years, along with the realisation of benefits from the Operating Model changes are the principal reasons for the return to surpluses.

Cash flow and borrowings

Operating cash flow is forecast at $156.3 million in 2020-21 and $118.6 million in 2021-22. Free cash flows of

$29.5 million are forecast to be generated in 2020-21 followed by cash shortfalls of $18.3 million and $3.5 million in 2021-22 and 2022-23 respectively. In the remaining two years of the forecast period to 2024-25 net cash inflows, after payment of Capital expenditure, totalling $77.1 million are forecast.

Total borrowings, which are forecast to be $1.16 billion at 30 June 2021 are expected to increase slightly, to $1.2 billion during 2022-23, then return to current levels by 2024-25.

Capital investment program

Power and Water's capital investment program is estimated to be $545.8 million over the four-year SCI period.

Power and Water's investment in the power networks and water and sewerage infrastructure over the SCI period is driven by asset replacement, service reliability, business efficiency and demand growth. Growth in the Power Services' capital program has been driven by zone substations upgrades. In addition Power Services' capital program now includes an upgrade to the Jabiru distribution network, which will be funded directly by the NTG.

Power and Water is focused on preparing for the future and has developed initiatives aimed at leveraging significant synergies available to the corporation as a government owned utility service provider of gas, water and power services. Reorganising the business structure, replacing end-of-life systems and streamlining processes will enable better delivery of value to customers and the shareholder. This is a significant and complex multi-year program designed to address regulatory compliance requirements and to realise future cost savings.

Power and Water capital investment program

SUMMARY OF CAPITAL INVESTMENT BY

POWER AND WATER CORPORATION Unconsolidated	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M	4 YEAR SCI TOTAL $M
Power Services	79.4	69.3	67.1	65.4	58.1	59.3	250.0
Water Services	48.4	43.6	46.9	54.8	55.2	64.2	221.1
Gas Services	1.3	0.0	4.9	0.7	0.0	0.0	5.6
Transformation	41.6	1.1	7.0	9.2	1.8	9.0	27.0
Corporate	42.8	12.7	10.9	9.1	19.8	2.3	42.1
Total	**213.5**	**126.7**	**136.9**	**139.2**	**134.8**	**134.8**	**545.8**

6. 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 forecasts.

Electricity demand

The forecast energy consumption included in the table below reflects Power and Water's 2021-22 Annual Network Pricing Proposal submitted to the AER on 31 March 2021. It aligns with the forecast for Standard Control Service (SCS) revenue included in the income statement. The consumption forecast reflects the downward trend in electricity consumption over recent years in line with:

- updated population forecasts
- increasing penetration of rooftop solar PV systems
- a slowing in the tourism industry due to less domestic and international travel
- a reduction in the mining industry and other major customers due to the COVID-19 pandemic.

When compared to the electricity consumption forecast in the 2020-21 SCI there is a downward trend. These are mainly due to the COVID-19 global pandemic that has seen many of the larger companies operating in the NT reducing their operations due to lower demand from consumers. Energy consumption for 2024-25 is shown the same as that for 2023-24, given it is the first year of the next regulatory period and is yet to be provided by Power and Water for approval by the AER.

Annual Energy Consumption Forecast (GWh) – Regulated Network

Year	Total Regulated	Darwin - Katherine	Alice Springs	Tennant Creek
2020-21	1590.76	1374.41	184.53	31.82
2021-22	1598.71	1381.29	185.45	31.97
2022-23	1614.70	1395.10	187.30	32.29
2023-24	1638.92	1416.03	190.11	32.78
2024-25*	1638.92	1416.03	190.11	32.78

Note: The above forecast represents Power and Water's 2021-22 Network Pricing Proposal submitted to the AER on 31 March 2021 and is pending approval. *Energy consumption for 2024-25 is shown the same as that for 2023-24, as it is the first year of the next regulatory period that is yet to be submitted and approved by the AER.

Water demand

Regional growth rates were developed taking into consideration weather normalisation adjustments, which incorporates the impact of La Nina weather conditions. Other considerations are natural (organic) growth, one-off growth/decline events, population growth and demand management initiatives.

The table below reflects billable consumption and not supply. Some water demand initiatives (e.g. detecting water leaks) may impact the overall supply and have minimal impact on consumption.

Potential large industrial projects have not been included in the water consumption forecast.

Demand forecasts for Darwin include Living Water Smart projected savings through to 2024-25.

Annual Water Consumption Forecast (ML)

Year	Total Regulated	Darwin - Katherine	Alice Springs	Tennant Creek
2020-21	35,930	4,233	8,276	1,421
2021-22	35,857	4,454	8,310	1,427
2022-23	35,993	4,483	8,343	1,433
2023-24	36,129	4,513	8,377	1,439
2024-25	36,264	4,544	8,410	1,445

Note: Annual system supply 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 the increased demand in line with the NTG remote housing program.

The growth rates are calculated based on a five year historical annual growth rate. The calculation is adjusted to align with the 10 year trend lines considering population growth and the NTG's remote housing program.

Forecast Growth Rates for Remote Electricity, Water and Sewerage

Average growth per annum	2021 to 2025
Electricity (kWh)	0.74% *
Water (kL)	0.99%**
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 Consumer Price Index (CPI) from 1 July 2021 as forecast by the Department of Treasury and Finance . The following table sets out the retail tariff escalation assumptions.

2021-22 to 2024-25 CPI Forecast

Increase effective from:	2020-21	2021-22	2022-23	2023-24	2024-25
Retail electricity, water and sewerage	0%	1.1%	1.4%	1.8%	1.8%

Note: Year ended June, year-on-year percentage change. A tariff freeze is reflected in 2020-21 in line with the COVID-19 response measure

Electricity network tariffs

Since 1 July 2019, Power Services has been regulated under the National Electricity Rules as in force in the NT (NT NER) by the AER's Electricity Networks pricing determination. Forecast revenue for the five year regulatory period has been used based on the AER's final determination, which was released on 30 April 2019. Details of the final determination can be found on the AER website[3].

Power and Water has provided the latest annual pricing proposal forecast electricity consumption, revenue and tariffs, which were submitted to the AER for approval on 31 March 2021. The proposal outlines the annual maximum allowable revenue for each year of the current regulatory period (2019-24) and is adjusted each year to reflect the latest forecast.

Electricity System Control and Market Operator tariffs

Electricity revenue forecast for the SCI period includes System Control and Market Operator tariffs approved by the Utilities Commission of the Northern Territory in April 2021. Power and Water is required to submit an annual pricing proposal to the Utilities Commission with updated consumption and revenue forecast for approval on 31 March of each year.

Renewable energy integration

As the Market Operator and Power System Controller, Power and Water facilitates the connection of large renewable generators to the power system and plays a significant role in enabling the NTG's 50 per cent renewable target by 2030.

By the end of 2021-22 the Darwin-Katherine grid may have as much as 100MW of additional solar generation. This contrasts with an average dry season demand of 136MW, which has in recent times dropped to as low as 67MW (May 2020). This will have significant impacts on system stability, security and reliability.

Operating costs

In accordance with its renewed strategic direction, the corporation has undertaken a comprehensive evaluation of controllable costs, focussed on understanding the primary drivers. Key projects and initiatives aimed at achieving efficiency targets include the replanned Operating Model program and updated delegations of authority.

Each of the business units have reviewed their initiatives and planned outcomes in accordance with the new strategic direction, with key performance indicators agreed to allow informed business reporting and decision making.

[2] https://nteconomy.nt.gov.au/outlook#cpi
[3] https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/power-and-water-corporation-determination-2019-24

Other financial assumptions

Dividends

Ordinary dividends are calculated based on 50 per cent of the statutory net profit after tax, with adjustments for material non-cash transactions, including gifted assets, fair value movements in fixed assets and movements in the onerous gas contract provision. The liquidity and capital requirements are also considered.

The Board recommends an ordinary dividend by 31 August of each year. This recommendation is amended or approved by the shareholding Minister by 30 September and payment is made by 1 December, in accordance with the Government Owned Corporations Act 2001.

The shareholding Minister may direct the Board to declare a special dividend, at which point it will be included in the SCI.

Accounting policies

The SCI has been prepared based on accounting policies outlined in the 2019-20 Financial Statements.

Borrowing costs

Borrowing costs reflect advice from the Department of Treasury and Finance based on the budgeted debt profile.

Onerous gas contract

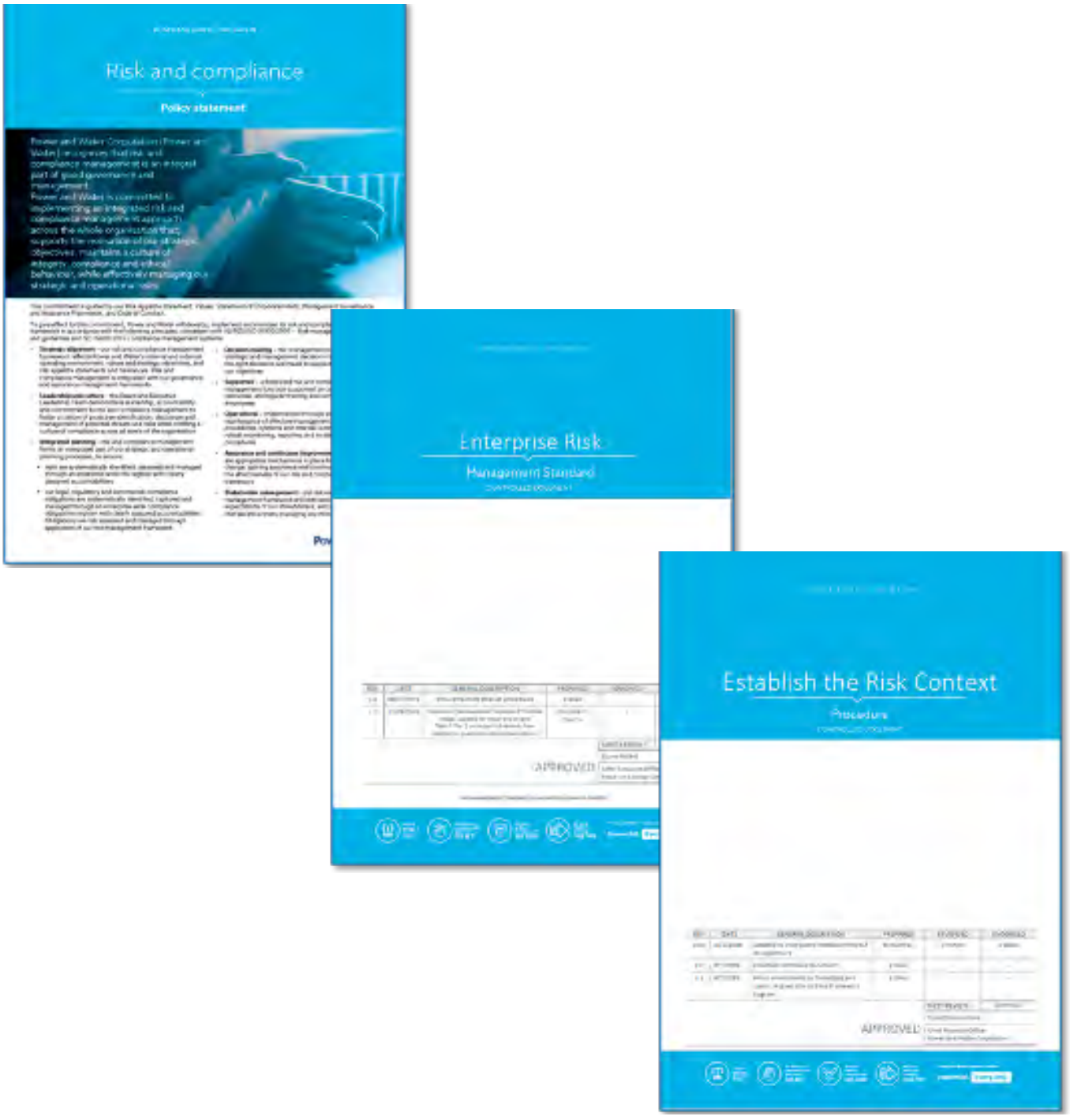
Power and Water has traded itself out of an onerous gas position in 2019-20. At this time we do not foresee an onerous gas contract in the future.

7. Key risks

Power and Water has developed a risk management framework to ensure that regular assessments are undertaken to identify and manage significant risks to the community as a result of its activities. These risks include health and safety, hazards and security, service delivery, financial, legal and regulatory, environmental and reputational risks. The risks are managed throughout the organisation in line with the Audit and Risk Management Committee's Charter and risk management process. The risk management framework is now well established and is reviewed annually as part of the business planning process. Power and Water is currently undertaking an assessment of its risk management systems to enhance the current process.

Power and Water is continuing to improve on its methodology for making investment decisions and reducing costs associated with risk exposure to the 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 stating the boundaries of acceptable risk and providing a baseline for comparing risk ratings. Revised risk appetite statements were approved in August 2020.

The table presented below outlines the strategic and business risks facing Power and Water and the proposed controls (financial and non-financial) over this SCI period.



Strategic and key business risks	Key mitigation strategies 2021-2025
Safety Performance Due to the diverse nature of operations, there are threats to the health and safety of the public, contractors and the corporation's people. There is a need to reinforce safety processes and systems to safeguard future performance.	• Ongoing safety culture improvement, including accountability and leadership, with the aim of achieving a proactive safety culture. • Update the Safety Management System to enable the business to easily capture data in line with AS 1885. • Implement IT Enabled WHSE Management System (HERCS) enabling improved lead/lag safety monitoring, centralised WHSMS and WHS auditing improvements. • Improve the Emergency Management Framework.
Business Continuity Due to the nature of the business and the significant rise in global threats, including viruses, environmental damage and technological attack, there is a risk of significant challenges to the operation and security of the business.	• Develop and implement the Business Continuity Plan and process. • Leverage strengths in emergency response and crisis management (e.g. COVID-19 response). • Implement an emergency operation Incident Management System.
Employment Framework Due to restrictive employment processes, there is a risk to the successful recruitment and retention of the people who Power and Water needs to develop the business.	• Embed Talent and Succession Framework. • Simplify and create effective recruitment experiences and processes. • Review remuneration levels and role progression options. • Consider alternative employment arrangements. • Leverage the Power and Water brand.
Financial and Commercial Capability Due to income generating constraints and Power and Water's ability to act in a commercial manner due to government considerations and directions there is a risk that the financial viability of Power and Water will be weakened.	• Strong government and stakeholder engagement. • Implement the new Operating Model to improve accountabilities with the ability to realise efficiencies. • Effective cost management practices and internal controls across the business. • Risk assessed capital investment and prioritisation in line with regulatory determinations. • Pursue strategic projects that deliver new revenue/value and implement an Enterprise Strategic Direction and Planning Prioritisation Framework • Improve formal pricing arrangements (tariffs and revenue).
Energy Supply does not meet the community expectations Due to a potential failure to understand and manage customer and stakeholder expectations, there is a threat that Power and Water does not evolve fast enough to meet evolving community expectations resulting from energy transition.	• Understand customer's needs, wants and values to enable us to deliver on changing expectations with a high level of community engagement. • Understand its role in the energy transition (renewable energy and prosumer optionality). • Manage energy assets to community benefit. • Ensure electricity network system security and reliability. • Increased proactive media communications to drive positive media narrative.
Customer and Regulator Engagement Due to a failure to manage customer and stakeholder expectations, and the evolving political and regulatory environment, there is a risk that Power and Water is not aligned with its customers, which could result in loss of confidence, loss of funding and increased regulatory and media scrutiny.	• Understanding and responding to customer's needs, wants and values to enable us to deliver on changing expectations. • Effective customer engagement strategies in place including availability of digital options including end-to-end customer experience enhancements and improved social media engagement as two-way communication. • Effective community and media engagement. • Demonstrated improvement in customer service including field services resulting in improved reliability and performance. • Develop and define an Economic Regulatory Strategy and Governance Relations Framework to manage the interface with regulators.
Transformation Due to the potential impacts of resourcing challenges, slow change adoption, increasing costs and delays to the delivery of the transformation program there is a risk that the program will not deliver the expected net benefits within the required timeframe.	• Manage the Transformation Office and governance including the implementation of Benefits Management Plans. • Manage program delivery in accordance with defined governance arrangements including the Project Investment Delivery Framework. • Effective change management and appropriate resourcing to improve employee and stakeholder engagement. • Establish a quality review function reporting to the Chief Executive Officer and Board on effectiveness of delivery. • Conduct independent assurance review of the Core Capabilities Program Business Case for ICT investment and commence delivery of Supply Chain Fundamentals.

Strategic and key business risks	Key mitigation strategies 2021-2025
Water Supply Security Due to the nature of the urban water and sewerage supply systems, changing rainfall patterns, increasing water demand and the high cost of water infrastructure, there is a threat of extended loss of supply via reticulated networks leading to reduced level of service/access caused by water source failure or imbalance of supply/demand.	• Increased focus on water demand management programs, monitoring programs, water source capacity assessment program and their effectiveness. • Increased stakeholder engagement and support including the Department of Industry, Tourism and Trade led development of the NT Water Strategy and increased partnership with the Department of Territory Families, Housing and Communities development section (including consideration of AROWS and other water supply augmentation options). • Complete next phase of planning and investigation activities for Manton Dam return to service. • Complete investigations into aquifer sustainability for 'Very High' risk water stressed communities.
Water Quality Due to the nature of the urban water supply services, there is a risk that Power and Water could supply unsafe drinking water, which could result in illness, or in an extreme case, fatalities in the community.	• Review updated water safety plans aligned with the Australian Drinking Water Guidelines. • Define annual safe water service drivers to inform business planning. • Develop detailed catchment management plans for all water services and prioritise the sourcing of water from lower risk bores. • Ongoing improvement in water quality monitoring and treatment including completion of the concept design and business case progression of Batchelor disinfection, Batchelor water supply augmentation and Katherine secondary disinfection project.
Cyber Security Due to increasing levels of cybercrime, there is a risk of loss of data or damage to IT systems, applications or infrastructure, resulting in business interruption, financial loss or service delivery impacts.	• Leverage NTG ICT Security Management Framework, including network intrusion detection and 'cloud' policy. • Continue to develop and improve Power and Water's ICT Framework through the implementation of cyber security assessments and audit findings. • Increase the level of network penetration testing. • Fully utilise, develop and review the IT / SCADA systems and the cyber security protections in place.
Core Service Delivery Due to the distributed nature of core power, water and wholesale gas services there is a risk of interruption to these services, which could significantly impact customers, stakeholders and Power and Water's reputation.	• Ongoing development of System Control operational processes and tools to allow more consistent recording and availability of operational information to facilitate decision making processes when operating the power system. • Improve gas supply incident management. • Leverage NTG emergency fuel reserve. • Continually improve the Emergency Management Framework and Business Continuity Management System. • Fully use and develop IT / SCADA system. • Effective customer and stakeholder engagement plans.
Environmental Management Performance Due to the diverse nature of Power and Water operations, there are threats to the environment which could result in significant environmental harm which could have an impact on health, safety, financial, legal, reputation and other areas	• Review and improve environmental management system and processes • Leverage the development of the proposed WHSE Management System (HERCS) system to streamline and simplify reporting • Leverage existing people frameworks and culture program to ensure adequate and capable resources and succession planning. • Improve customer and stakeholder engagement through the development of a stakeholder engagement framework.
Governance Framework Due to an ageing governance framework, there is a risk that control breaches will occur.	• Governance framework to be updated including delegation of authority. • Improvement to governance processes, reporting, controls and compliance through the exploration of digital systems • Improved business unit structure and increased training.
Gas Business Expansion Due to expanding markets for gas supply there is an opportunity to develop strategies to address market opportunities and position Power and Water to take advantage of new business for financial benefit and development of the NT economy.	• Develop a long term gas supply plan including gas expansion in line with stakeholder strategies. • Leverage stakeholder and customer engagement strategies to work collaboratively ensuring reliable, cost effective and sustainable electricity supply to the NT in line with requirements and expectations. • Understand the impact of alternative energy sources and work collaboratively with stakeholders and regulators to mitigate impacts of change. • Leverage competitive advantage.

PowerWater

Capital investment impact on overall key 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. Power and Water is continuing to improve on its methods for quantifying risk and it is expected the accuracy of the identified risk level will improve over time.

Changes to key risk profile

The following risk heat maps show the expected change to Power and Water's current key risk profile as a result of risk treatment plans that are either in place or will be implemented across the SCI period.

Note that the numbering in the table is for reference only and is not a ranking of each risk.

Strategic and key business risks	Current risk rating	Target risk rating
1 Safety Performance	High	Medium
2 Business Continuity	Very High	High
3 Employment Framework	High	Medium
4 Financial and Commercial Capability	Medium	Medium
5 Energy Supply does not meet community expectation	Very High	Very High
6 Customer and Regulator Engagement	Very High	Medium
7 Transformation	Very High	Medium
8 Water Supply Security	High	High
9 Water Quality	Very High	High
10 Cyber Security	High	High
11 Core Service Delivery	Very High	High
12 Environmental Management Performance	High	Medium
13 Governance Framework	High	Medium
14 Gas Business Expansion	Very High	High

Appendix 1

Financial Data: Power and Water Corporation (unconsolidated)

INCOME STATEMENT

POWER AND WATER CORPORATION	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
REVENUE						
Electricity Network	177.9	174.8	155.0	173.0	177.4	178.5
Electricity Retail	3.4	3.6	3.6	3.7	3.7	3.8
Water	117.0	118.5	117.0	119.2	122.0	128.6
Gas	310.1	265.2	254.6	284.9	305.5	331.2
Sewerage	78.1	76.6	78.7	80.5	82.4	85.1
Community Service Obligations	27.2	29.1	27.9	29.0	15.0	15.0
Developer and Capital Contributions	1.7	0.8	4.1	2.3	2.3	2.3
Gifted assets	14.3	13.8	8.4	5.4	5.9	4.2
Interest Received	2.6	2.6	2.5	2.5	2.5	2.5
Other Revenue	14.0	20.3	29.0	32.5	40.8	45.2
Total Revenue	**746.3**	**705.2**	**680.8**	**732.9**	**757.6**	**796.4**
OPERATING EXPENDITURE						
Personnel - Direct	154.7	143.2	150.3	151.4	153.2	153.1
Personnel - Operational Recovery (R&M)	(27.9)	(21.7)	(21.8)	(22.0)	(22.2)	(22.6)
Personnel - Operational Recovery (CAPEX)	(30.1)	(38.7)	(47.9)	(45.1)	(43.4)	(49.1)
Personnel - Operational Recovery (OTHER)	0.0	(3.5)	(2.7)	(2.8)	(2.8)	(2.9)
Contract Labour	5.0	5.7	7.3	7.4	7.2	7.1
Total Personnel Costs	**101.7**	**84.9**	**85.2**	**89.0**	**91.9**	**85.6**
Energy	301.0	269.1	267.6	281.7	294.1	324.1
Repairs & Maintenance	56.7	51.4	55.9	57.1	57.9	59.4
IT & Communications	10.7	10.2	21.5	23.5	14.4	14.3
Vehicle Costs	3.5	2.1	2.1	2.1	2.1	2.2
Travel Costs	1.5	1.6	1.6	1.6	1.6	1.6
Training Costs	2.5	2.5	2.8	2.9	2.9	2.9
Professional Fees	13.7	23.6	30.5	44.9	29.3	19.8
Insurance	4.2	3.8	3.8	3.9	3.9	4.0
Materials	5.3	5.1	5.2	5.3	5.4	5.5
External Service Agreements	10.9	12.0	13.5	15.3	15.2	14.0
Cost of Sale	2.6	6.8	6.1	6.2	6.3	6.4
Property Charges	14.5	15.3	18.0	16.4	16.8	17.2
Bad & Doubtful Debts	1.4	2.5	2.5	2.5	2.5	2.5
Impairment Costs	0.0	2.7	0.0	0.0	0.0	0.0
Laboratory Fees	2.0	2.2	2.1	2.1	2.2	2.3
Grants & Subsidies	1.5	1.3	1.3	1.4	1.4	1.4
Bank Fees	0.2	0.2	0.3	0.3	0.3	0.3
Other Costs	(16.0)	9.2	4.4	2.5	2.1	(3.8)
Total Costs	**517.7**	**506.3**	**524.6**	**558.8**	**550.4**	**559.7**
Inter Company Allocations						
Business Services	(6.3)	(5.9)	(5.9)	(6.0)	(6.1)	(6.2)
Transfer Pricing	0.0	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)
Service Level Agreements	(2.9)	(1.1)	(1.3)	(1.3)	(1.3)	(1.4)
Inter Company Allocations	(9.2)	(9.0)	(9.2)	(9.4)	(9.6)	(9.8)
Total Operating Expenditure	508.5	497.3	515.4	549.3	540.8	549.9
EBITDA	237.8	207.9	165.4	183.6	216.7	246.4
Depreciation & Amortisation	93.8	104.7	103.6	104.3	105.8	100.9
Depreciation (Internal Re-charge)	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation – Leases	25.4	30.2	28.4	26.3	25.6	24.8
EBIT	118.4	72.9	33.3	53.0	85.4	120.8
Interest Expense	49.6	44.3	45.7	45.5	44.7	43.8
Interest – Finance Lease	10.5	10.0	9.4	8.7	8.0	7.3
Net Profit Before Tax	58.3	18.6	(21.7)	(1.2)	32.7	69.6
Tax Expense/(Benefit)	17.6	5.6	(6.5)	(0.4)	9.8	20.9
Net Profit/(Loss) After Tax	40.7	13.0	(15.2)	(0.8)	22.9	48.7

BALANCE SHEET

POWER AND WATER CORPORATION	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
CURRENT ASSETS						
Cash at Bank	45.5	83.8	84.4	60.3	53.5	56.7
Receivables	90.9	105.0	101.4	109.1	112.8	118.6
Inventories	18.7	17.9	18.2	18.6	19.0	19.4
Prepayments	5.1	0.0	0.0	0.0	0.0	0.0
Other Current Assets	**25.2**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**
Cost of Sale WIP	3.2	0.0	0.0	0.0	0.0	0.0
Lease receivables	21.9	1.9	2.0	2.0	2.1	2.1
Intra-entity Receivable Account	10.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	**220.4**	**209.4**	**206.8**	**190.8**	**188.2**	**197.5**
NON-CURRENT ASSETS						
Non-Current Receivables	25.0	25.0	25.0	25.0	25.0	25.0
NC Finance lease receivables	0.0	21.9	20.0	18.0	15.9	13.8
Property, Plant & Equipment	2,181.1	2,228.8	2,275.0	2,314.1	2,351.3	2,389.4
Intangible Assets	11.1	65.2	65.2	65.2	65.2	65.2
Deferred Tax Assets	81.1	26.8	26.8	26.8	26.8	26.8
Net Right of use (leased) assets	296.7	332.3	303.9	277.6	252.0	227.3
Other NC Assets	0.0	16.1	16.1	16.1	16.1	16.1
Capital Work in Progress	233.2	76.6	72.1	73.3	71.0	71.0
Total Non Current Assets	**2,828.1**	**2,792.8**	**2,804.1**	**2,816.1**	**2,823.4**	**2,834.6**
Total Assets	**3,048.5**	**3,002.2**	**3,010.8**	**3,006.9**	**3,011.6**	**3,032.1**
CURRENT LIABILITIES						
Payables	20.5	14.5	15.0	16.0	15.8	16.0
Accruals	35.5	37.6	37.6	37.6	37.6	37.6
Unearned Revenue	43.1	44.5	33.8	33.8	33.8	33.8
Borrowings	284.0	209.0	245.0	282.0	142.0	279.0
Provision for Tax	6.6	6.2	9.3	12.6	15.6	15.4
Lease liability	23.1	27.1	25.6	25.4	25.4	26.0
Provisions	115.2	36.9	38.8	39.1	39.5	39.5
Total Current Liabilities	**528.1**	**375.9**	**405.2**	**446.5**	**309.7**	**447.4**
NON-CURRENT LIABILITIES						
Non-Current Employee Provisions	7.2	5.8	5.9	6.1	6.2	5.9
Government Loans	1,029.0	948.0	948.0	906.0	1,024.0	865.0
Deferred Tax Liability	94.3	110.2	119.6	132.2	147.7	163.2
NC Lease liability	304.3	339.2	313.6	288.3	262.9	236.9
Other Non-Current Provisions	0.2	14.0	14.7	14.8	15.0	15.0
Total Non Current Liabilities	**1,435.0**	**1,417.2**	**1,401.8**	**1,347.4**	**1,455.9**	**1,286.0**
Total Liabilities	**1,963.1**	**1,793.1**	**1,806.9**	**1,793.8**	**1,765.6**	**1,733.3**
Net Assets	**1,085.4**	**1,209.1**	**1,203.9**	**1,213.1**	**1,246.0**	**1,298.8**
SHAREHOLDER EQUITY						
Contributed equity	64.3	74.3	84.3	94.3	104.3	114.3
Asset Revaluation	468.8	469.7	469.7	469.7	469.7	469.7
Opening Retained profits	531.9	653.0	665.1	649.8	649.0	671.9
Profit / Loss	40.8	13.0	(15.2)	(0.8)	22.9	48.7
Dividends	(20.4)	(1.0)	0.0	0.0	0.0	(6.0)
Closing Retained Profits	**552.2**	**665.1**	**649.8**	**649.0**	**671.9**	**714.7**
Total Shareholder Equity	**1,085.4**	**1,209.1**	**1,203.9**	**1,213.1**	**1,246.0**	**1,298.8**

CASHFLOW STATEMENT

POWER AND WATER CORPORATION	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 PROJECTION $M	2024-25 PROJECTION $M
Net (loss)/profit	40.7	13.0	(15.2)	- 0.8	22.9	48.7
Adjustments for:						
Depreciation and amortisation	119.3	134.9	132.0	130.6	131.3	125.7
Income tax expense	0.0					
Income tax paid	17.5					
Write-off of WIP	0.0	0.0	0.0	0.0	0.0	0.0
Contributed assets provided free of charge	(14.3)	(13.8)	(8.4)	(5.4)	(5.9)	(4.2)
Interest on loans to subsidiary companies	0.0	0.0	0.0	0.0	0.0	0.0
Net loss on disposal of property, plant and equipment, inc gifted streetlights	0.0	0.0	0.0	0.0	0.0	0.0
Changes in assets and liabilities:						
(Increase)/decrease in inventories	0.0	0.4	(0.3)	(0.4)	(0.4)	(0.3)
(Increase)/decrease in trade and other receivables	9.1	8.0	5.5	(5.8)	(1.7)	(3.7)
(Increase)/decrease in current intangible assets	0.0	16.1	0.0	0.0	0.0	0.0
(Increase)/decrease in prepayments	0.0	0.0	0.0	0.0	0.0	0.0
Decrease in net deferred tax payable	0.0	6.2	9.3	12.6	15.6	15.4
(Decrease)/increase in current tax liabilities	(19.5)	5.6	3.2	3.3	3.0	(0.2)
(Decrease)/increase in trade and other payables	4.6	(0.3)	0.5	1.0	(0.2)	0.3
Increase in government grants	0.0	0.0	0.0	0.0	0.0	0.0
(Decrease)/Increase in provisions	0.0	(5.3)	2.6	0.6	0.7	(0.4)
Increase in unearned revenue	0.0	(8.7)	(10.7)	0.0	0.0	0.0
(Increase)/decrease in Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
(Decrease)/increase in Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Cash Flow From Operating Activities	**157.4**	**156.3**	**118.6**	**135.7**	**165.4**	**181.3**
CASH FLOW FROM INVESTING ACTIVITIES						
Proceeds from sale of Property, Plant and Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Payments for property, plant and equipment	(213.6)	(126.7)	(136.9)	(139.2)	(134.8)	(134.8)
Proceeds from sale of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Payments for intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Cash Flow From Investing Activities	**(213.6)**	**(126.7)**	**(136.9)**	**(139.2)**	**(134.8)**	**(134.8)**
CASH FLOW FROM FINANCING ACTIVITIES						
Dividends Paid	(15.5)	(1.0)	0.0	0.0	0.0	(6.0)
Net movement in loans to controlled entities	0.0	0.0	0.0	0.0	0.0	0.0
Movement in Borrowing	78.0	(5.0)	36.0	(5.0)	(22.0)	(22.0)
Repayment of lease liabilities	(21.3)	(27.0)	(27.1)	(25.6)	(25.4)	(25.4)
Proceeds from Equity injection	10.0	20.0	10.0	10.0	10.0	10.0
Total Cash Flow From Financing Activities	**51.2**	**(13.0)**	**18.9**	**(20.6)**	**(37.4)**	**(43.4)**
Net increase/(decrease) in cash and cash equivalents	**(5.0)**	**16.6**	**0.6**	**(24.1)**	**(6.8)**	**3.1**
Cash and cash equivalents at beginning of year	**50.5**	**67.2**	**83.8**	**84.4**	**60.3**	**53.5**
Cash and Cash Equivalents at end of year	**45.5**	**83.8**	**84.4**	**60.3**	**53.5**	**56.7**

Appendix 2

Financial Data: Indigenous Essential Services Pty Ltd

INCOME STATEMENT

INDIGENOUS ESSENTIAL SERVICES	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 Draft SCI $M	2024-25 Draft SCI $M
REVENUE						
Electricity Network	0.1	0.1	**0.1**	0.1	0.1	0.1
Electricity Retail	31.1	33.1	**34.3**	36.0	36.8	37.1
Water	6.3	5.7	**5.8**	5.9	6.1	6.3
Sewerage	3.3	3.3	**3.3**	3.4	3.5	3.6
Gifted assets	17.1	0.0	**0.0**	0.0	0.0	0.0
Recurrent Grant	58.7	59.3	**60.7**	62.2	63.7	61.6
Capital Grant	31.9	36.5	**44.6**	20.3	20.8	21.3
Interest Received	0.2	0.2	**0.2**	0.2	0.2	0.2
Other Revenue	3.8	0.7	**0.5**	0.6	0.6	0.6
Total Revenue	152.6	138.9	**149.6**	**128.7**	**131.8**	**130.8**
OPERATING EXPENDITURE						
Personnel - Direct	18.3	18.8	**19.5**	19.8	20.0	20.2
Personnel - Operational Recovery (R&M)	(3.0)	(3.0)	**(3.1)**	(3.1)	(3.1)	(3.1)
Personnel - Operational Recovery (CAPEX)	(2.9)	(2.9)	**(2.0)**	(2.0)	(2.1)	(2.1)
Contract Labour	0.0	0.4	**0.4**	0.4	0.4	0.4
Total Personnel Costs	12.3	13.2	**14.7**	**15.0**	**15.2**	**15.3**
Energy	37.3	26.3	**27.1**	27.5	27.9	28.3
Repairs & Maintenance	16.8	16.8	**17.6**	18.0	18.4	18.9
IT & Communications	1.6	1.6	**1.7**	1.7	1.7	1.8
Vehicle Costs	0.9	0.9	**0.9**	1.0	1.0	1.0
Travel Costs	0.8	0.8	**0.8**	0.8	0.8	0.9
Training Costs	0.4	0.4	**0.4**	0.4	0.4	0.4
Professional Fees	1.1	1.1	**3.1**	1.1	1.1	1.2
Insurance	0.0	0.0	**0.0**	0.0	0.0	0.0
Materials	2.1	2.1	**2.2**	2.2	2.3	2.3
External Service Agreements	16.0	15.2	**20.5**	24.7	24.7	26.7
Property Charges	0.4	0.4	**0.4**	0.4	0.4	0.4
Laboratory Fees	0.9	0.9	**0.9**	1.0	1.0	1.0
Other Costs	3.0	3.0	**3.0**	3.1	3.2	3.3
Total Controllable OPEX	93.6	82.8	**93.4**	**96.8**	**98.1**	**101.4**
Inter Company Allocations						
Business Services	5.9	5.9	**6.0**	6.1	6.3	6.5
Internal Consumption	0.0	0.0	**0.0**	0.0	0.0	0.0
Transfer Pricing	2.0	2.0	**2.0**	2.1	2.1	2.2
Service Level Agreements	1.2	0.7	**1.2**	1.3	1.3	1.3
Inter Company Allocations	9.0	8.5	**9.2**	9.5	9.7	9.9
Total Operating Expenditure	102.6	91.3	**102.6**	**106.3**	**107.8**	**111.3**
EBITDA	50.0	47.6	**47.0**	**22.4**	**24.0**	**19.4**
Depreciation & Amortisation	59.2	59.2	**58.0**	54.4	53.6	52.8
Amortisation - Leases	2.3	2.4	**2.4**	2.4	2.4	2.3
EBIT	(11.5)	(14.0)	**(13.5)**	**(34.4)**	**(32.0)**	**(35.7)**
Interest Expense	1.0	1.0	1.0	0.5	0.4	0.4
Interest - Finance lease	1.0	1.5	**1.4**	1.3	1.3	1.2
Net Profit Before Tax	(13.6)	(16.5)	**(15.8)**	**(36.3)**	**(33.7)**	**(37.3)**
Tax expense/(benefit)	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After Tax	(13.6)	(16.5)	**(15.8)**	**(36.3)**	**(33.7)**	**(37.3)**

BALANCE SHEET

INDIGENOUS ESSENTIAL SERVICES	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 Draft SCI $M	2024-25 Draft SCI $M
CURRENT ASSETS						
Cash at Bank	31.6	48.6	**27.0**	34.1	47.1	59.6
Receivables	0.2	0.3	**0.3**	0.3	0.3	0.3
Inventories	7.0	2.9	**2.9**	3.0	3.1	3.2
Prepayments	0.2	0.1	**0.1**	0.1	0.1	0.1
Other Current Assets	0.1	0.0	**0.0**	0.0	0.0	0.0
Total Current Assets	**39.1**	**51.9**	**30.3**	**37.5**	**50.6**	**63.2**
NON-CURRENT ASSETS						
Property, Plant & Equipment	639.7	634.0	**616.9**	612.3	578.9	546.8
Right of use (leased) assets	20.3	22.0	**20.3**	18.6	16.9	15.2
Capital Work in Progress	47.0	50.3	**54.1**	24.6	25.2	25.9
Total Non Current Assets	**707.0**	**722.7**	**706.9**	**670.3**	**635.2**	**601.4**
Total Assets	**746.1**	**774.6**	**737.2**	**707.9**	**685.7**	**664.6**
CURRENT LIABILITIES						
Payables	11.9	6.6	**7.4**	7.7	7.8	8.0
Accruals	5.0	2.7	**3.0**	3.2	3.2	3.3
Unearned Revenue	7.1	36.9	**16.2**	24.7	38.0	55.8
Inter-entity Payable	10.0	10.0	**10.0**	10.0	10.0	10.0
Right of Use Lease Liability	1.2	1.5	**1.5**	1.5	1.5	1.5
Lease liability	1.1	0.6	**0.6**	0.6	0.6	0.6
Total Current Liabilities	**36.4**	**58.2**	**38.6**	**47.5**	**61.0**	**79.1**
NON-CURRENT LIABILITIES						
Loans and advances from controlled entities	25.0	25.0	**25.0**	25.0	25.0	25.0
Right of Use Lease Liability	20.7	21.3	**19.9**	18.4	16.9	15.3
Lease Liability	11.4	17.3	**16.7**	16.3	15.8	15.4
Total Non Current Liabilities	**57.1**	**63.6**	**61.6**	**59.7**	**57.7**	**55.7**
Total Liabilities	**93.5**	**121.8**	**100.2**	**107.2**	**118.7**	**134.8**
Net Assets	**652.6**	**652.8**	**637.0**	**600.7**	**567.0**	**529.8**
SHAREHOLDER EQUITY						
Asset Revaluation	484.0	481.2	**481.2**	481.2	481.2	481.2
Opening Retained profits	182.2	188.0	**171.6**	155.8	119.5	85.8
Profit / Loss	(13.6)	(16.5)	**(15.8)**	(36.3)	(33.7)	(37.3)
Closing Retained Profits	**168.7**	**171.6**	**155.8**	**119.5**	**85.8**	**48.6**
Total Shareholder Equity	**652.6**	**652.8**	**637.0**	**600.7**	**567.0**	**529.8**

CASHFLOW STATEMENT

INDIGENOUS ESSENTIAL SERVICES	2020-21 BUDGET $M	2020-21 FORECAST $M	2021-22 BUDGET $M	2022-23 PROJECTION $M	2023-24 Draft SCI $M	2024-25 Draft SCI $M
CASH FLOW FROM OPERATING ACTIVITIES						
EBITDA	50.0	47.6	**47.0**	22.4	24.0	19.4
Less: gifted assets	(17.1)	0.0	**0.0**	0.0	0.0	0.0
Working capital movements						
(Inc)/Dec in inventory	0.0	1.0	**(0.1)**	(0.1)	(0.1)	(0.1)
(Inc)/dec in unearned	(11.3)	(17.1)	**(20.7)**	8.5	13.3	17.8
Inc/(Dec) in payables	0.3	0.9	**1.2**	0.4	0.1	0.4
Interest paid	(2.0)	(2.4)	**(2.3)**	(1.9)	(1.7)	(1.6)
Operating Cash Flow	**19.8**	**29.9**	**25.0**	**29.4**	**35.7**	**35.8**
CASH FLOW FROM INVESTING ACTIVITIES						
Net capital expenditure	(31.9)	(41.5)	**(44.6)**	(20.3)	(20.8)	(21.3)
Investing Cash Flow	**(31.9)**	**(41.5)**	**(44.6)**	**(20.3)**	**(20.8)**	**(21.3)**
CASH FLOW FROM FINANCING ACTIVITIES						
Finance Lease	(1.1)	(0.5)	**(0.6)**	(0.5)	(0.4)	(0.4)
Right of Use Leases	(0.0)	(1.4)	**(1.4)**	(1.5)	(1.5)	(1.6)
Net movement in controlled entites	0.0	5.8	**0.0**	0.0	0.0	0.0
Financing Cash Flow	**(1.1)**	**3.9**	**(2.0)**	**(1.9)**	**(1.9)**	**(2.0)**
Net Cash Flow	**(13.2)**	**(7.7)**	**(21.6)**	**7.2**	**12.9**	**12.5**
Opening cash balance	44.8	56.3	**48.6**	27.0	34.1	47.1
Closing Cash Balance	**31.6**	**48.6**	**27.0**	**34.1**	**47.1**	**59.6**

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Appendix 3

Glossary

ADWG	Australian Drinking Water Guidelines
AER	Australian Energy Regulator
AROWS	Adelaide River Offstream Water Storage
CAPEX	Capital expenditure
CPI	Consumer Price Index
CSO	Community service obligation
DITT	Department of Industry Tourism and Trade
DER	Distributor Energy Resources
DTFHC	Department of Territory Families, Housing and Communities
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
GSP	Gross State Product
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
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 National Electricity Rules
OPEX	Operating expenditure
PFAS	Poly-fluorinated alkyl substances
PV	Photovoltaic
RM	Repairs and maintenance
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
TERC	Territory Economic Construction Commission
UC	Utilities Commission
WWTP	Wastewater Treatment Plant
ZSS	Zone substation

PowerWater