

**Power Retail Corporation  
(Trading as Jacana Energy)**

# Statement of Corporate Intent 2019-20

**Public Version**



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# Jacana Energy Objectives

Jacana Energy's objectives are derived from two key sources:

- The Government Owned Corporations Act (GOC Act)
- Jacana Energy's Strategic Plan.

The GOC Act specifies two objectives for Government Owned Corporations namely to:

- Operate at least as efficiently as any comparable business
- Maximise the sustainable return to the Territory on its investment in the Corporation.

In addition to these two objectives, Jacana Energy's Strategic Plan includes its Vision Statement, Core Values and Strategic Business Objectives. These are detailed below:

## Vision Statement

To be a modern and efficient electricity retailer providing products and services that Territorians want and value.

## Core Values

We operate with **integrity**

We drive **innovation** for our business

We embrace **diversity**

We deliver as a **team**

We are passionate about our employees' **well-being**

## Strategic Business Objectives

Jacana Energy's four strategic objectives are:

- **Our Customers** – Customer experiences that Territorians trust and choose
- **Our People** – A passionate and talented team who are inspired to grow
- **Our Community** – Valued and trusted by our stakeholders
- **Our Business** – Efficiently deliver innovative products and services

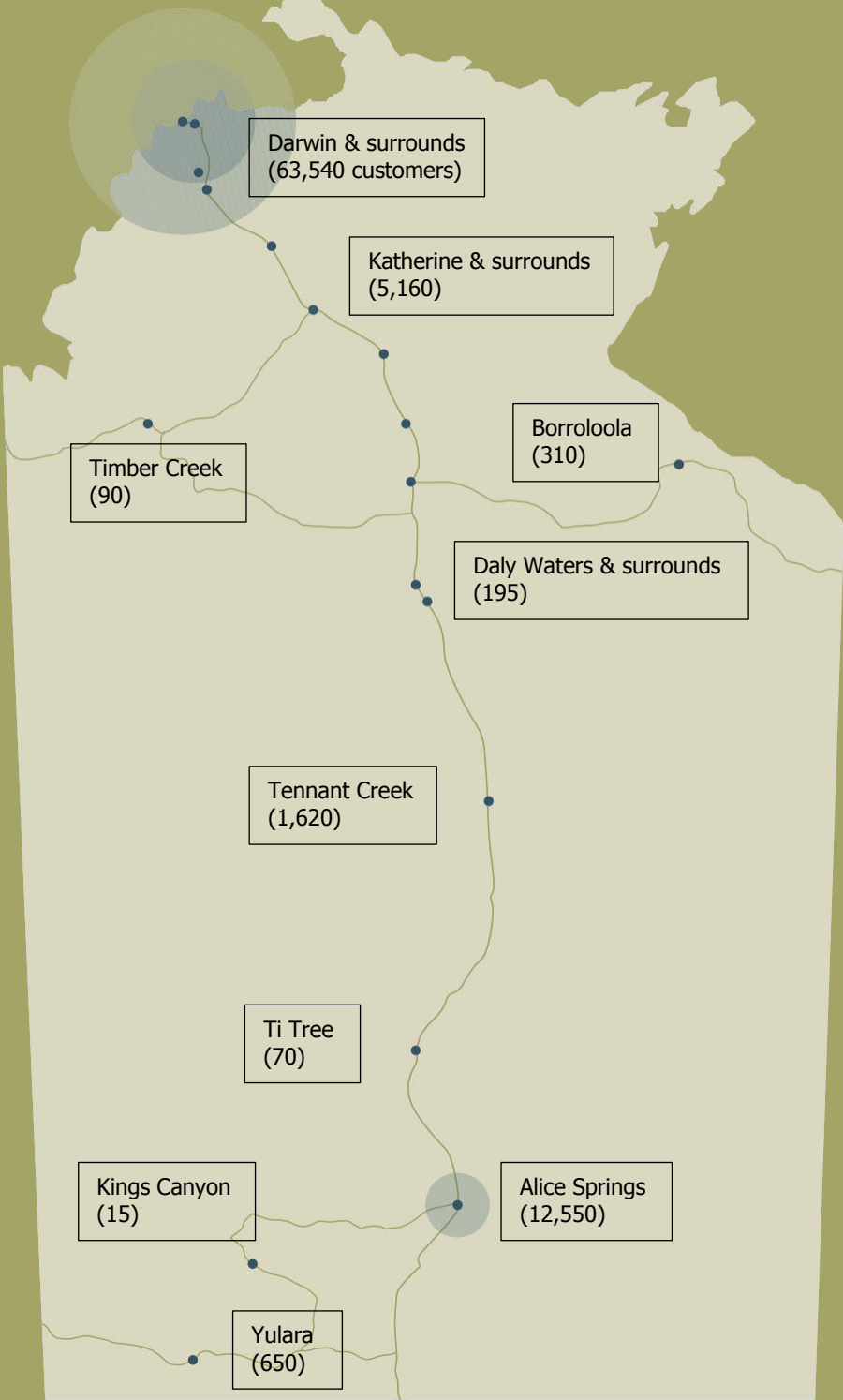
# The nature and scope of activities undertaken by Jacana Energy

Jacana Energy purchases wholesale electricity in bulk from generators; turning it into a range of retail products and services, designed to meet our customers' energy needs. We provide electricity services to over 84,000 customers throughout the Northern Territory. Jacana Energy is the electricity retailer for urban and rural centres and minor communities along the Stuart Highway (see map over page).

As an electricity retailer, we are the principal interface between the electricity industry and customers. We create value for our customers by:

- offering competitive retail products and tariffs;
- providing helpful customer support;
- delivering timely and accurate billing;
- providing a variety of payment options across a range of convenient payment channels;
- supporting larger customers with personalised local account management services; and
- promoting competition between electricity generators to drive down wholesale energy costs.

# Our customers



## Where Jacana Energy fits in the electricity supply chain

Jacana Energy's role is to look after its customers' electricity needs and to act as the first point of contact for retail electricity matters. Jacana Energy is the principle interface with customers and sits at the customer end of the electricity supply chain.

Jacana Energy doesn't generate electricity, distribute electricity or manage poles and wires.

Jacana Energy supports other industry participants by carrying customer credit risk. That is, Jacana Energy pays its wholesale costs and network charges even if it doesn't recover the full revenue from its customers.

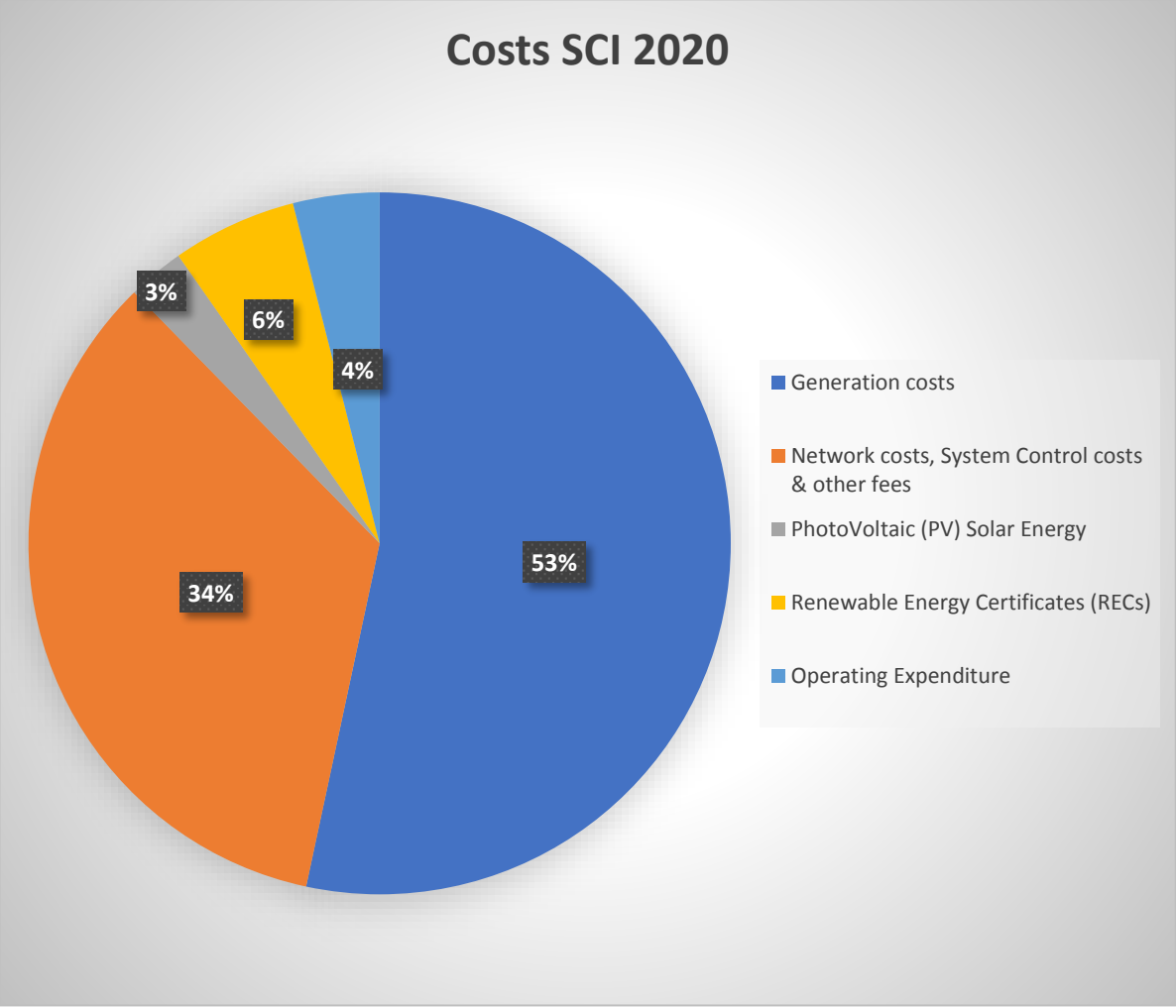
Unlike generation and distribution (which are asset intensive businesses) electricity retailing is characterised by very few assets and very low margins. One of the key success factors in electricity retailing is cash-flow planning and cost management.

Small changes to key costs such as generation and distribution charges or changes to payment and collection terms can have a major impact on the financial viability of a low margin business such as Jacana Energy.

A key challenge for Jacana Energy is that it has limited direct control over its major costs, such as generation and network costs, which represent around 96% of total costs.

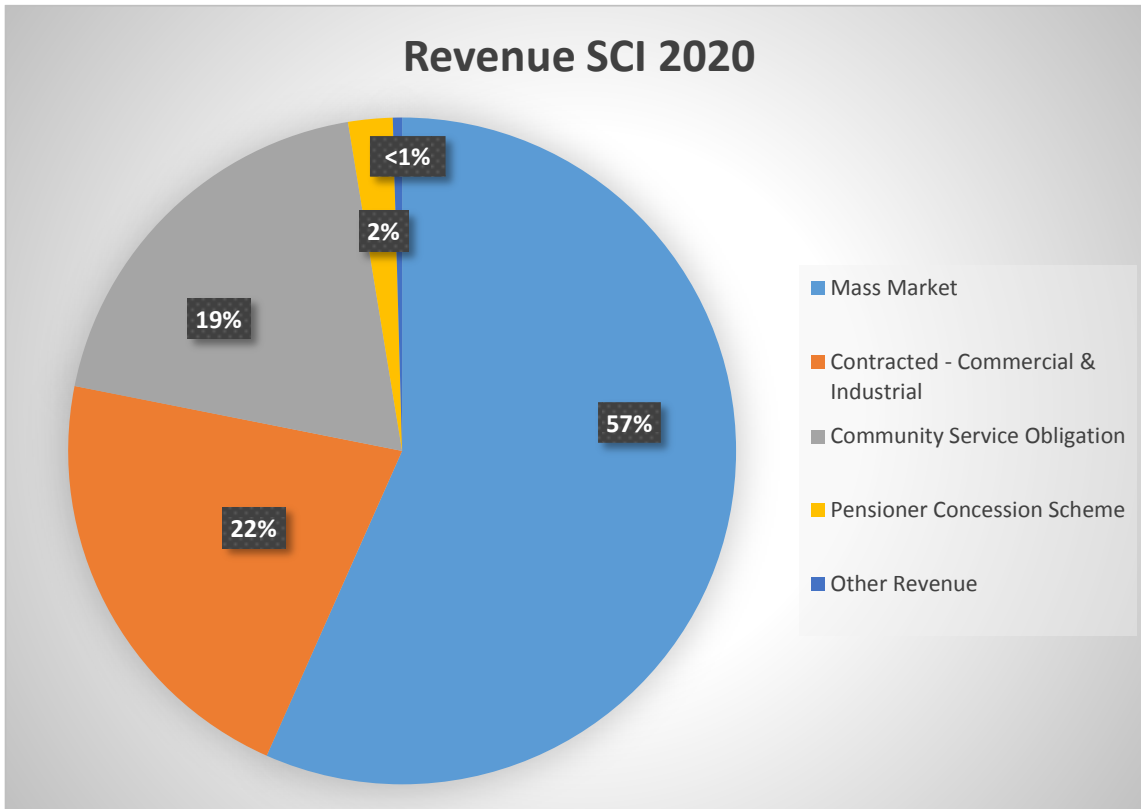
Jacana Energy can directly influence its operating expenditure however this represents only around 4% of its total costs.

The chart over page provides a breakdown of Jacana Energy's costs.



## Revenue 2019-20

A breakdown of Jacana Energy's revenue base is provided in the chart below.



Jacana Energy also has little direct influence over the majority of its revenue. Whilst it is directly responsible for the pricing of its contracted Commercial & Industrial (C&I) customers, these represent only 22% of its revenue. Non-contract pricing and other revenue, which account for 78% of Jacana Energy's revenue, are set by the government.



# Key strategies to improve financial performance

As mentioned previously, Jacana Energy has set itself four strategic objectives in its Strategic Plan, these are:

## **1. Our Customers**

Customer experiences that Territorians trust and choose

## **2. Our People**

A passionate and talented team who are inspired to grow

## **3. Our Community**

Valued and trusted by our stakeholders

## **4. Our Business**

Efficiently deliver innovative products and services

Under each strategic objective is set out what Jacana Energy intends to achieve in 2019/20.

## **Strategic Objective 1: Our Customers**

### **Customer experiences that Territorians trust and choose**

- Customer experience strategy completed
- Added value services (including online self-service, Reliabil, and eBilling) successfully promoted; call volumes reduced
- Efficiencies realised from systems and new processes
- Revised Hardship program successfully implemented
- New products and new business services that customers want - this may include: demand management, green products, PV, battery storage, electric vehicle charging
- Enhanced digital capability including upgraded website and social media presence

## Strategic Objective 2: Our People

A passionate and talented team who are inspired to grow

- High functioning leaders
  - Development plans in place for all our people
  - Values are understood and consistently applied across the organisation
  - Highly engaged people with a clear understanding of how their role contributes to the business objectives
  - A clearly defined employer value proposition
  - A skills and capability gap analysis completed; plan developed and in implementation to address skills and capability gaps
  - Complete all policies, procedures, and process instructions for our business activities
  - Digital capability and skills developed across the organisation
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## Strategic Objective 3: Our Community

Valued and trusted by our stakeholders

- Brand strategy reviewed
  - Sponsorship / partnership objectives achieved
  - Effective programs for vulnerable customers
  - Social media strategy-implementation on track
  - Broad customer awareness of community engagement programs
  - Campaigns continue to increase online interactions
- 

## Strategic Objective 4: Our Business

Efficiently deliver innovative products and services

- Pricing structures reviewed; proposed future structures developed
  - Positive outcomes achieved in Wholesale Market Development process
  - Long term electricity purchasing strategy finalised including expression of interest for future electricity purchases
  - Feed in Tariff reviewed
  - Improvements to key information systems including Retail Operation System and the Pronto Financial System
  - Sales and account management capability improved and extended to small businesses
  - Product development strategy, capability, processes and accountability in place
  - Business proposals for new products and business opportunities progressed
-

# Capital investment plans

The approved capital investment relates mainly to the project of transferring the retail system to a new hosting platform and the new financial system.

	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Capital Expenditure (A\$ million)	0.1	0.3	-	-	-

# Financial targets and other measures

The table below summarises the key financial and non-financial targets which Jacana Energy has set for the planning period.

KPI	Unit	2018-19	2019-20	2020-21	2021-22	2022-23
Gross Margin	% of Revenue	4.8	4.7	4.3	4.1	4.0
Cost to serve	A\$ /customer	200	195	185	188	192
EBIT	A\$ million	2.0	0.5	0.5	0.5	0.5
Grade of Service	%	70	70	70	70	70
Customer Satisfaction	Score	3.6/5	3.6/5	3.6/5	3.7/5	3.8/5
Employee Engagement	Score	70/100	70/100	70/100	72/100	75/100

\* 2018–19 Financials are forecast as at January 2019.

## Measure descriptions

### Gross Margin

Gross Margin (percentage) is calculated by dividing the gross margin by the total revenue.

### Cost to Serve

Cost to serve is calculated by dividing Operating Costs (less bad and doubtful debts) by account numbers.

### EBIT

EBIT is Earnings Before Interest and Tax.

## **Grade of Service**

Grade of Service measures the percentage of customer calls to the call centre answered within 30 seconds.

## **Customer Satisfaction**

Customer Satisfaction measures the level of customer satisfaction over a range of service delivery markers relating to customer service, billing and products.

## **Employee Engagement**

Employee engagement measures the emotional connection and commitment our people have to working for Jacana Energy.

# Key Risks

Jacana Energy has a Risk Management Framework aligned to Australian and International standards. The Board has ultimate responsibility to regularly and effectively review and manage the Risk Management Framework with the support of the Audit and Risk Committee (ARC). The ARC monitors the implementation of risk management in line with the Audit and Risk Committee Charter.

Risk management is fundamental to Jacana Energy's success and sustainability. Jacana Energy has risk management practices which are embedded and integrated into business processes, with engagement at all levels within Jacana Energy to mitigate risks in all activities.

The following identifies Jacana Energy's key risks and high-level risk mitigation strategies.

# Strategies to minimise key risks

<b>Key risk</b>	<b>Risk mitigation</b>
Core Business System Risk	<ul style="list-style-type: none"><li>• Disaster Recovery Plan</li><li>• Business Continuity Plan</li><li>• Internal systems capability</li><li>• Key end processes and core process documentation</li></ul>
Culture and Capability Risk	<ul style="list-style-type: none"><li>• Culture and Leadership Program</li><li>• Performance and Development Plans</li><li>• Capability gap analysis</li><li>• Succession planning</li></ul>
Loss of Gross Margin	<ul style="list-style-type: none"><li>• Customer retention strategy and value proposition for all customer segments</li><li>• Customer engagement through key account management</li><li>• Retail contracts aligned with wholesale energy procurement arrangements</li><li>• Feed in Tariff</li><li>• Diverse and competitive energy purchasing</li><li>• Revenue assurance</li><li>• New innovative products</li></ul>
Customer Service Risk	<ul style="list-style-type: none"><li>• Customer Experience Strategy</li><li>• Business system functionality and capability</li><li>• Policies and procedures to assist vulnerable customers</li></ul>
Products and Services Risk	<ul style="list-style-type: none"><li>• Added value products and services</li><li>• Digital Strategy</li></ul>
External Environment	<ul style="list-style-type: none"><li>• Credit Management processes</li><li>• Stay Connected - Hardship Program</li><li>• Payment plans and products</li></ul>

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- Proactive involvement in market reform process
  - Regular engagement with stakeholders

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Business Continuity Risk

- Business Continuity Plan
- Disaster Recovery Plan
- Adequate insurance coverage

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IT Security Risk

- IT Security Policy
  - Secure IT system hosting
  - Current systems and security hosting
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# Abbreviations

AER	Australian Energy Regulator
C&I	Commercial and Industrial Segment
CPI	Consumer Price Index
CSO	Community Service Obligation
DTF	Department of Treasury and Finance
EBIT	Earnings Before Interest Tax
GOC Act	Government Owned Corporations Act
KPI	Key Performance Indicator
LGC	Large scale generation Certificates
PV	Photovoltaic
PWC	Power and Water Corporation
ROS	Retail Operating System
STC	Small scale technology Certificates

