

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

Statement of Corporate Intent 2020-21

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** in 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** – Positive customer experiences that builds trust with Territorians and they choose us
- **Our People** – A passionate and talented team who are inspired to deliver great customer service and grow professionally and personally
- **Our Community** – Valued and trusted by our stakeholders
- **Our Business** – Efficiently deliver innovative products and services

Impact of the Coronavirus

As we prepare our budget and strategic plan for 2020/21, we have initiated our business continuity plan that protects the health and wellbeing of our people and ensures that we can continue to provide core services to our customers during the Coronavirus pandemic.

COVID-19 has already had a profound impact on our business operations and the economic downturn will also increase financial stress and hardship amongst our customer base, which will potentially increase customer debt and bad debt write offs.

Our people have shown resilience and agility in continuing to provide core services, despite the challenges created by COVID-19 and disease control measures.

We do not know how long COVID-19 and disease control measures will be in place, but it is likely to continue to cause a significant impact to our business operations in 2020/21. This Statement of Corporate Intent was finalised soon after the commencement of border restrictions, social distancing measures and restrictions on business operations. Due to the uncertainty of predicting Coronavirus related outcomes no assumptions have been included relating to the impact on Jacana Energy's operations and financial position resulting from the economic downturn and increase in customer hardship that is occurring in the Northern Territory.

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 85,000 customers throughout the Northern Territory. Jacana Energy is the electricity retailer for urban and rural centres and small communities along the Stuart Highway.

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.

Where Jacana Energy fits in the electricity supply chain

Jacana Energy's role is to procure and buy energy from the wholesale electricity market, develop products and services, and retail electricity to our customer base in the Territory.

Jacana Energy doesn't generate electricity, distribute electricity or manage poles and wires. However, we pro-actively work with our suppliers to ensure that they meet agreed service levels and that the customer's impacts of proposed changes in services are considered.

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 to manage wholesale (generation) and network costs, which represent around 89% of total costs.

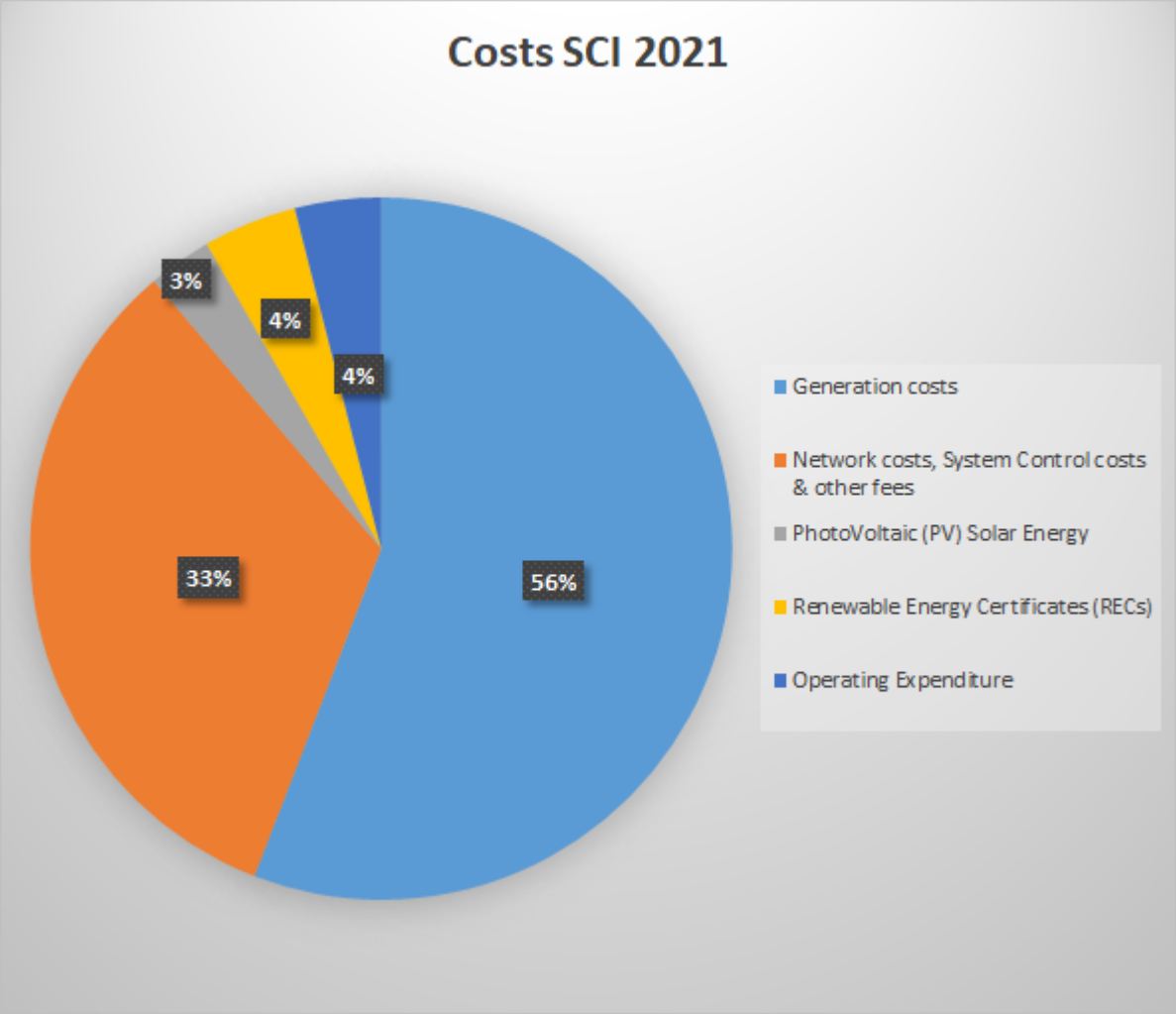
Jacana Energy has entered into long term Power Purchase Agreements (PPAs) with solar farms in Katherine, Manton Dam and Batchelor that will help to put downward pressure on wholesale costs and contribute to meeting the NT Government's 50 per cent Renewable Energy Target by 2030.

Jacana Energy will also continue to work constructively with generators to ensure that future wholesale supply arrangements are cost reflective and provide incentives for Jacana Energy to develop products and services that reduce future wholesale costs (e.g. demand management services).

Jacana Energy's retail operating expenditure represents 4% of its total costs. While small compared to wholesale and network costs, we need to tightly manage these costs to ensure that we remain competitive in an increasing competitive retail electricity market.

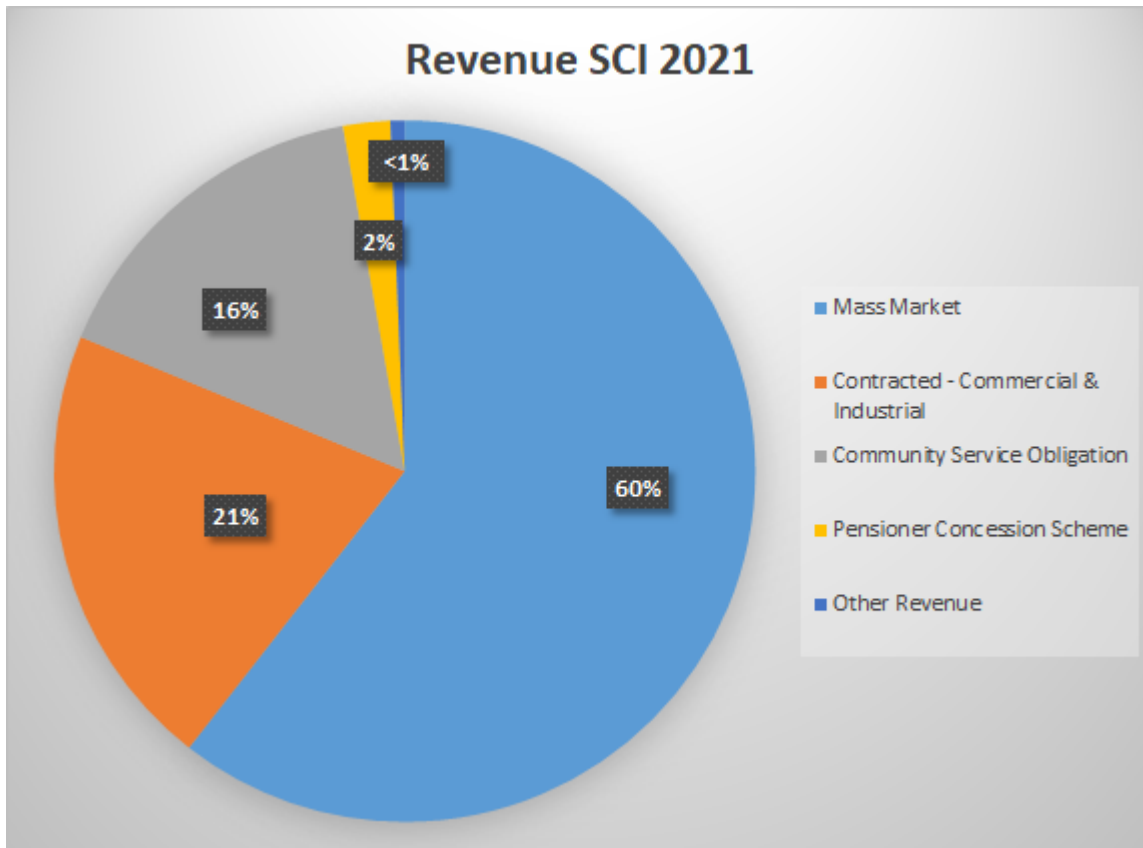
The chart below provides a breakdown of Jacana Energy's costs.

Costs 2020-21



Revenue 2020-21

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



Jacana Energy's electricity revenue is impacted by competitive, and retail price regulation for tariff customers. We have commercial contracts in place with C&I customers, which represents 21% of our total revenue. Electricity tariffs, the Community Service Obligation and other revenue represents 79% of Jacana Energy's total revenue, the majority of which are set by the NT Government.

Key strategies to improve financial performance

Jacana Energy has established four strategic objectives, these are:

1. Our Customers

Positive customer experiences that builds trust amongst Territorians and they choose us

2. Our People

A passionate and talented team who are inspired to deliver great customer service and grow professionally and personally.

3. Our Community

Valued and trusted by our stakeholders

4. Our Business

Efficiently deliver innovative products and services

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.

	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Expenditure (A\$ million)	3.2	0.8	0.3	0.3	0.3

* 2019-20 forecast includes \$3.0M of capitalised rental lease payments in accordance with the adoption of AASB 16 "Leases" as at 1 July 2019.

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	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Margin	% of Revenue	3.9	4.6	4.4	4.4	4.4
Cost to serve	A\$ /customer	192	191	185	188	191
EBIT	A\$ million	(3.1)	1.7	1.9	2.1	2.4
Grade of Service	%	70	70	70	70	70
Customer Satisfaction	Score	3.6/5	3.6/5	3.7/5	3.8/5	3.8/5
Employee Engagement	Score	61/100	70/100	72/100	75/100	75/100

* 2019-20 Financials are forecast as at the end of March 2020.

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.

Fiscal Strategy Targets

On 16 April 2019, the Northern Territory Government publicly released the 'Fiscal Strategy Panel's Final Report: A plan for budget repair' and its response to the report, which accepted 68 of 76 of the recommendations in full, and others in part or in principle. Included was the recommendation for government owned corporations (GOCs) to adopt and report on the Fiscal Strategy Targets relevant to each.

Below is a summary of Jacana Energy's performance against its Fiscal Strategy Targets.

Ongoing objective and target 1: Ensure GOC operating expenditure growth does not increase at a rate greater than operating revenue growth.

Growth rates over the SCI period (2019-20 to 2023-24)	Jacana Energy
Total Revenue	1.8%
Operating Expenses	1.1%
Target Met	Yes

Total Revenue includes growth in electricity revenue, community service obligations (CSO) and other minor revenue sources from the 2019/20 forecast profit & loss statement to the 2023/24 budget profit & loss statement.

Operating Expenses includes all cost of sales and operating expenditure, and excludes depreciation, amortization, interest and tax expenses.

Ongoing objective and target 2: Reduce controllable costs and improve operating efficiencies. Operating costs (less cost of sale) maintained or reduced over the SCI period.

	2019-20	2020-21	2021-22	2022-23	2023-24	Target
	\$M	\$M	\$M	\$M	\$M	Met
Controllable Costs	19.0	18.6	18.2	18.5	18.8	Yes

Controllable Costs is defined as operating expenditure including bad and doubtful debt expenses, excluding cost of sales, depreciation, amortization, interest and tax expenses.

Medium-term objective and target 3: Increased returns for government in the form of dividends. Dividends paid/payable greater than zero.

	2019-20	2020-21	2021-22	2022-23	2023-24	Target
	\$M	\$M	\$M	\$M	\$M	Met
Dividends Payable	0.0	0.6	0.6	0.7	0.8	Yes

Dividends Payable by Jacana Energy is assumed to be 50% of forecast Net Profit After Tax for the financial year.

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 ARC 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

Key risk	Risk mitigation
Stakeholder Management Risk	<ul style="list-style-type: none">• Stakeholder Engagement Management Plan• Establishment of Service Level Agreement with Power Water
Customer Service Risk	<ul style="list-style-type: none">• Customer Experience Strategy• Complaints Management Framework• Review of Learning and Development Program
Products and Services Risk	<ul style="list-style-type: none">• Customer Journey Mapping• Key End Processes Review• Strategy for Products and Customer Segments
Regulatory Risk	<ul style="list-style-type: none">• Review of Business to Business Rules• Review of Market Reform Impacts
Culture Risk	<ul style="list-style-type: none">• Culture and Leadership Program• Review of Learning and Development Program• Individual Performance and Development Plans• Succession Planning
Capability Risk	<ul style="list-style-type: none">• Capability Gap Analysis• Development of Future Operating Model
IT Strategic Planning Risk	<ul style="list-style-type: none">• Disaster Recovery Plan• Key End Processes Review
Information Security Risk	<ul style="list-style-type: none">• Review of IT Policies and Framework• Document Management Project
Business Continuity Risk	<ul style="list-style-type: none">• Business Continuity Plan• Disaster Recovery Plan

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

