

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

# Statement of Corporate Intent 2024-25

**Public Version**



# Table of Contents

Table of Contents	2
Jacana Energy objectives	3
The nature and scope of activities undertaken by Jacana Energy	5
Capital investment plans	10
Financial targets and other measures	11
Key risks	15
Abbreviations	17

# 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; and
- 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

In a time where the energy industry continues its rapid transition to renewable energy and, in doing so, disrupting traditional supply chains, the role of an energy retailer is evolving. Jacana Energy's vision reflects the organisation's role in delivering contemporary and relevant energy services to customers as the industry transforms.

Jacana Energy's Vision Statement is:

*Leading smart energy solutions for the Territory.*

## Culture Statement and Core Values

Jacana Energy has continued to invest in building a positive and constructive workplace culture based on a foundation of trust. This has resulted in significant improvements to employee engagement and customer satisfaction over the past three years.

**Our Culture:** give trust. Assume positive intent.

**Honesty:** we hold ourselves accountable for doing what's best for our customers and our business

**Innovation:** continually evolving and finding the best solutions for our customers

**Diversity:** tapping into our collective intelligence and embracing different perspectives

**Teamwork:** delivering as a team because we are stronger together

**Wellbeing:** being passionate about building a caring and supportive workplace

## Strategic Business Objectives

Jacana Energy has four strategic objectives outlined in its three-year strategic plan. These objectives are:

- **Financial Sustainability** – effectively manage wholesale energy costs and identify ways to improve the relationship between costs and revenue.
- **Business Fundamentals** – mature business capability around leadership and organisational culture, risk and compliance and critical business functions.
- **Growth** – pursue opportunities for revenue growth in existing and adjacent markets.
- **New Products & Services** – deliver innovative, relevant products and services that cater for all Territorians.

Jacana Energy has successfully delivered against the first two strategic objectives and is now capitalising on an improved financial position to invest in the final two objectives, namely growth and new products and services.

# The nature and scope of activities undertaken by Jacana Energy

Jacana Energy provides retail electricity products and services to over 86,000 customers throughout the Northern Territory.

We are the principal interface between the electricity industry and customers and deliver value for our customers by:

- procuring wholesale energy from electricity generators to meet customer demand, including renewable energy supply;
- purchasing large and small-scale renewable energy certificates from renewable energy generators to meet legislative requirements;
- offering competitive retail products and services;
- offering a variety of billing and payment options;
- supporting our customers and Northern Territory communities through targeted sponsorship programs;
- providing a hardship program to support our most vulnerable customers; and
- providing competitive rates and flexible contract terms and conditions for our large customers.

## Where Jacana Energy fits in the electricity supply chain

As an energy retailer, Jacana Energy buys wholesale energy from generators to match the way that customers consume energy throughout the day. This ensures the most cost-effective approach to purchasing energy; lowest-cost energy is purchased for reliable supply at the right time without being wasted.

Jacana Energy also has the flexibility to procure different sources of energy, bringing new sources of generation to market, including renewable energy.

Jacana Energy does not generate electricity, distribute electricity or manage poles and wires. We proactively work with our suppliers to ensure that they meet agreed service levels and that the customer impacts of proposed changes in services are considered.

Jacana Energy plays a significant role in supporting customers and other industry participants by collecting revenue through the issuing of customer bills and carrying customer credit risk. That is, Jacana Energy pays its wholesale costs and network charges even if it is unable to recover these costs from its customers. Jacana Energy also works closely with customers who have difficulty paying their bills on a short or long-term basis, offering payment plans and support via our award-winning hardship program, Stay Connected.

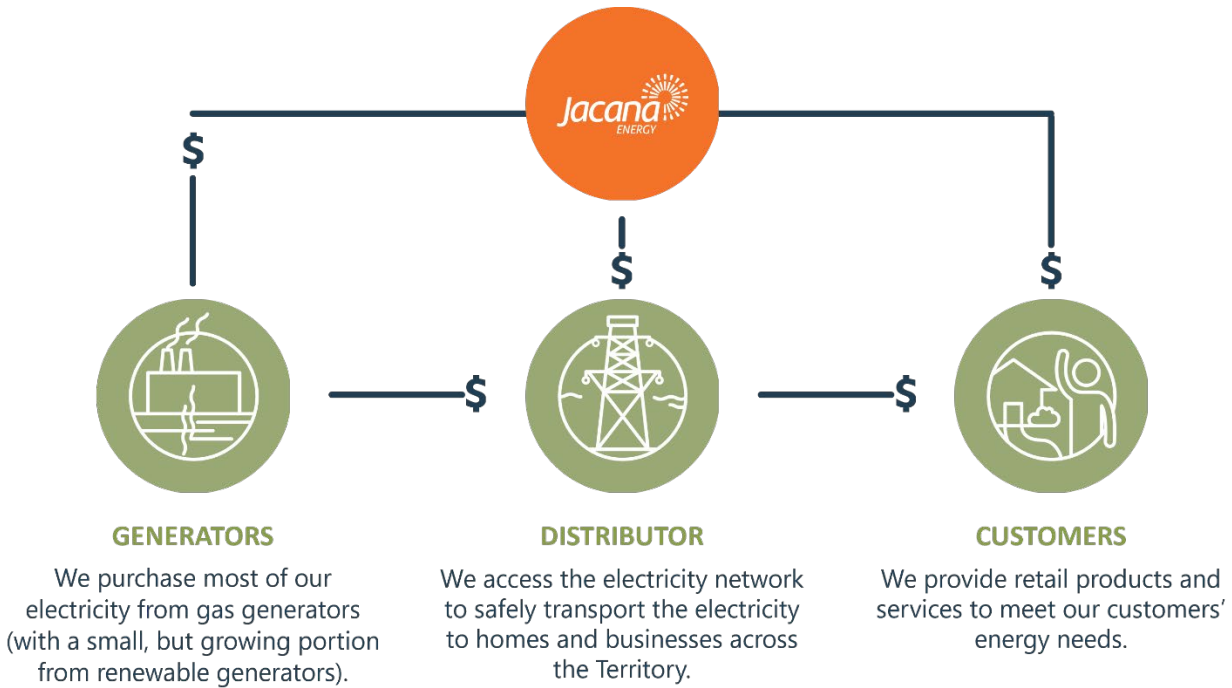
In addition, Jacana Energy manages investment risk for existing and new generation in the NT energy market, by using the revenue collected from customers to underwrite investment in new and existing wholesale electricity generation, including the majority of grid-connected large-scale renewable energy projects in the Northern Territory.

## Navigating the renewable energy transition

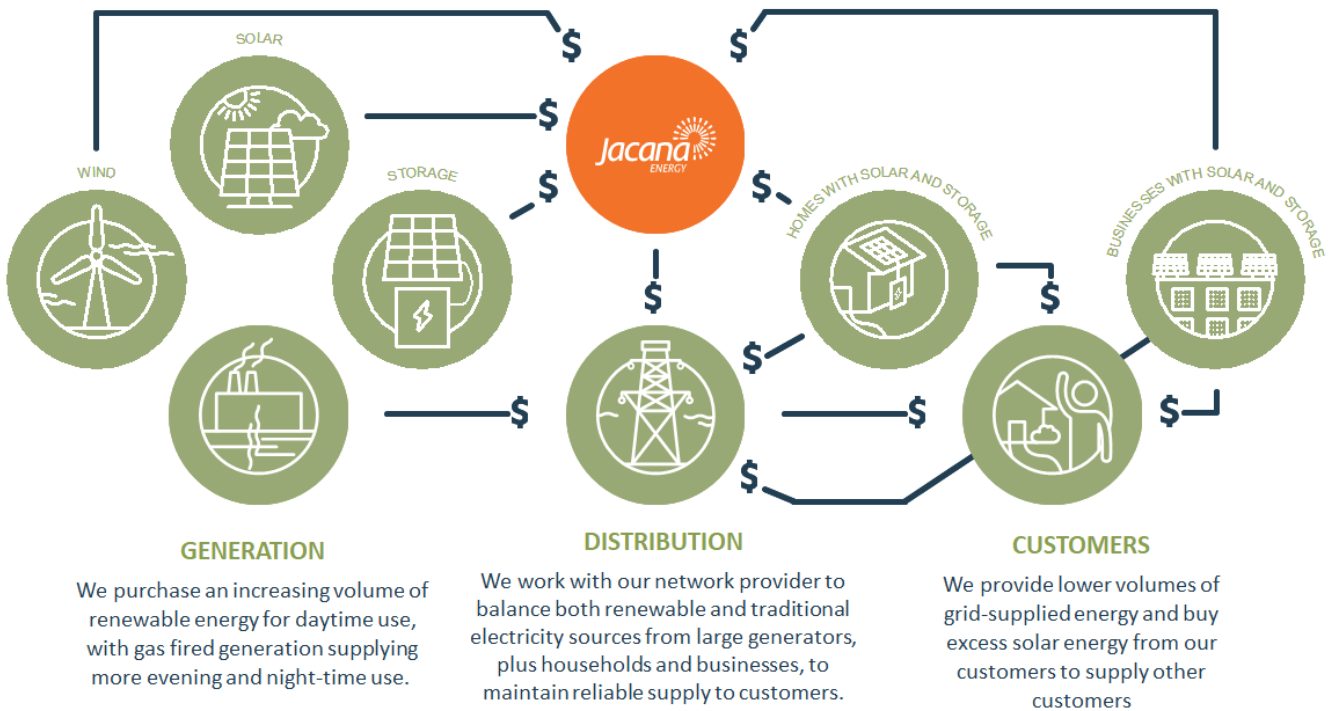
The business we are in is changing. As more renewable energy (both large and small scale) is introduced into the electricity system, Jacana Energy's role as an electricity retailer becomes more complex.

Jacana Energy's vision and strategy has been designed to reflect the role of a modern energy retailer in an energy market that is dominated by renewable energy, a large portion of which is generated and consumed by residential customers.

### The traditional energy retailing model



### The modern energy retailing model



## Financial Performance

Unlike generation and distribution (which are asset intensive businesses) electricity retailing is characterised by very few assets and very low margins. Key success factors in electricity retailing include robust forecasting, cash-flow planning and cost management.

### Forecast costs

Small changes to costs such as generation and network costs, 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.

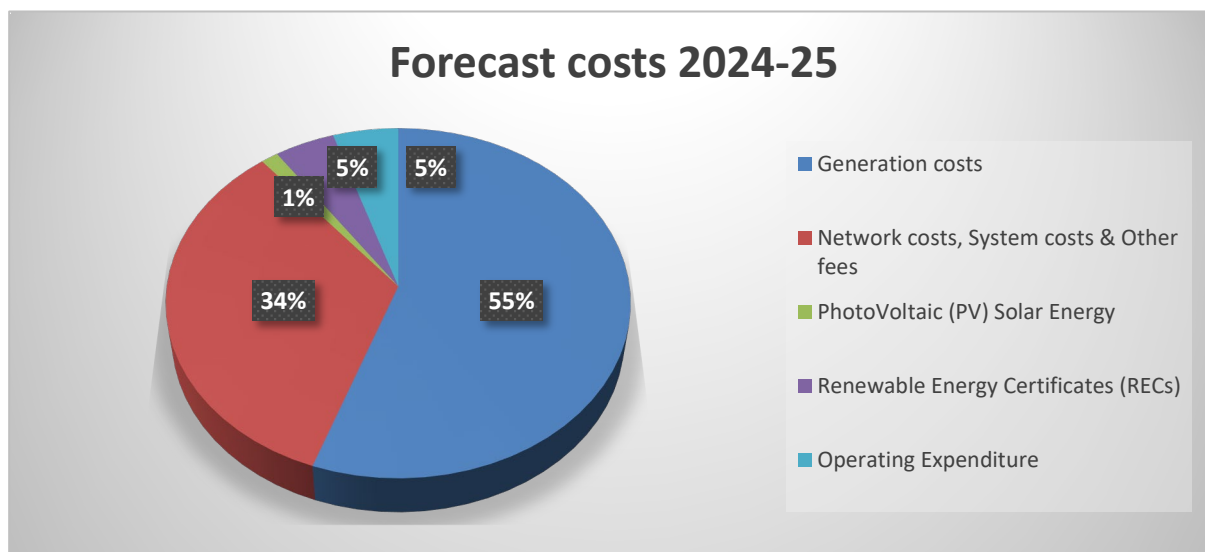
A key challenge for Jacana Energy is to manage generation and network (distribution) costs, which represent almost 90% of total costs.

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

Jacana Energy will also continue to work constructively with generators to ensure that future wholesale electricity supply arrangements are cost reflective and provide incentives for Jacana Energy to develop products and services that reduce future generation costs.

Jacana Energy's retail operating expenditure represents around 5% of its total costs. While small compared to generation and network costs, we need to tightly manage these costs to ensure that we remain competitive in an increasing competitive retail electricity market.

Forecast costs have been determined based on current market operating conditions and arrangements and do not consider the impacts of the Northern Territory Electricity Market reform initiatives. A breakdown of Jacana Energy's forecast cost base is provided in the chart below.



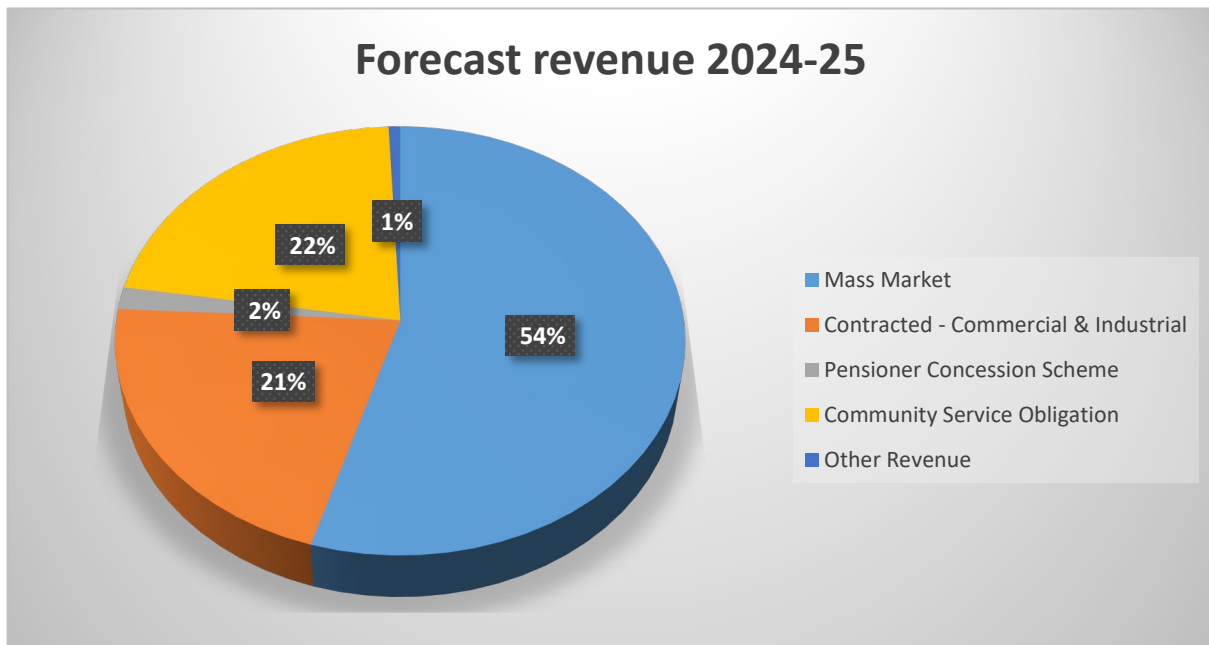


## Forecast revenue

Jacana Energy's electricity revenue is impacted by competition and retail price regulation for customers consuming less than 750 megawatt hours per annum. We have commercial contracts in place with commercial and industrial customers, which represents 21% of our total revenue.

Electricity tariffs, community service obligation payments, pension concessions and other revenue represent 79% of Jacana Energy's total revenue, the majority of which are determined by the Northern Territory Government.

A breakdown of Jacana Energy's forecast revenue base for 2024-25 is provided in the chart below.



# Capital investment plans

The increase in approved capital investment for 2024-25 relates to digital transformation projects, including system upgrades to align with the NT National Electricity Rules and standardise market interactions as well as investing in technology projects aligned with Jacana Energy's Information and Communication Technology Strategic Roadmap (ICT Roadmap).

The ICT Roadmap aims to bridge the gap between our current ICT environment and the technology solutions necessary to upgrade or replace software at its end of life and to support the growth and new product development goals set in our strategic plan.

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Capital Expenditure (A\$ million)	2.5	2.6	1	1

# Financial targets and other measures

The table below summarises the key financial and non-financial targets which Jacana Energy has set for the SCI period. The increase in cost to serve from 2024-25 is mainly driven by establishment costs for product development and technology projects aligned with Jacana Energy's ICT Roadmap. The SCI does not consider the impact and/or costs required to support the implementation of wholesale market reforms currently in progress.

KPI	Unit	Reforecast	2024-25	2025-26	2026-27	2027-28
		2023-24*				
Gross Margin	% of Revenue	7.8	7.4	7.7	7.3	7.2
Cost to serve	A\$ / customer	219	274	269	267	269
EBIT	A\$ million	14.2	12.7	16.4	15.7	16.3
NPAT	A\$ million	11.6	10.5	12.9	12.4	12.8
Customer Effort	Score	+18	+20	+20	+23	+23
First Call Resolution	%	80	80	80	80	80
Customer Satisfaction**	Score	4.0/5	3.8/5	3.8/5	3.8/5	3.8/5
Employee Engagement**	Score	82/100	73/100	73/100	73/100	73/100

\* Reforecast 2023-24 financials include actuals YTD plus forecast at 31 January 2024.

\*\* Target Customer Satisfaction score of 3.8 and Employee Engagement score of 73/100 are considered in line with best practice.

## Measure descriptions

### **Gross Margin**

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

### **Cost to Serve**

Cost to serve is calculated by dividing Operating Costs (less impairment expense) by the total number of customer accounts.

### **EBIT**

EBIT is Earnings Before Interest and Tax.

### **NPAT**

NPAT is Net Profit After Tax.

### **Customer Effort**

Customer effort measures the ease in which customers feel they are able to engage with Jacana Energy through a variety of digital and traditional channels. This score is measured out of +/-100, noting that between 0-30 is considered a 'good' score.

### **First Call Resolution**

First call resolution measures the percentage of customers who believe that their enquiry was resolved during their first interaction with Jacana Energy's Customer Care team (based on a representative survey sample).

### **Customer Satisfaction**

Customer satisfaction measures the level of customer satisfaction over a range of service delivery markers relating to customer service, billing and products, with a rating out of 5 given by customers, with 5 being very satisfied.

### **Employee Engagement**

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

## Fiscal Strategy Targets

The Northern Territory Government publicly released the 'Fiscal Strategy Panel's Final Report: A plan for budget repair' and its response to the report on 16 April 2019. 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.

<b>Growth rates over the SCI period (2024-25 to 2027-28)</b>	<b>Jacana Energy</b>
Total Revenue increase	13.1%
Operating Expenditure increase	12.8%
Target Met	Yes

Total revenue includes growth in electricity revenue, community service obligation payments and other minor revenue sources from 2024-25 to the 2027-28 budget.

Operating expenditure includes all cost of sales and operating expenditure, including impairment expense, and excludes depreciation, amortisation, 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.

	<b>Reforecast 2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>Target Met</b>
Controllable Costs	27.4	27.1	26.5	26.6	27.1	Yes

Controllable costs are defined as operating expenditure including impairment of receivables, excluding cost of sales, depreciation, amortisation, interest and tax expenses.

The increase in controllable costs over the SCI period relates to investments in product development capability and the ICT Strategic Roadmap, which are offset by an increase in revenue over the SCI period.

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

	<b>Reforecast 2023-24 \$M</b>	<b>2024-25 \$M</b>	<b>2025-26 \$M</b>	<b>2026-27 \$M</b>	<b>2027-28 \$M</b>	<b>Target Met</b>
Dividend Payable	3.5	3.2	3.9	3.7	3.8	Yes

For this SCI, dividends payable by Jacana Energy are assumed to be 30% of forecast net profit after tax for the financial year.

In accordance with the *Government Owned Corporation Corporate Governance and Reporting Framework*, dividends may be set lower than the standard reference point of 50% where such commitment would constrain the business from undertaking approved value-adding investment opportunities.

It is on this basis that Jacana Energy is recommending a reduced dividend, designed to strengthen its balance sheet to ensure it can meet its current liabilities and mitigate any material changes to wholesale electricity supply contracts as result of the Northern Territory Electricity Market Reform program.

# 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.

## Strategies to minimise key strategic risks

Jacana Energy continued to make significant progress in addressing key strategic risks over the past year, which resulted in a re-assessment and change in categorisation of the remaining strategic risks and mitigating actions.

Given the progress made over the past 12 months, risks relating to financial sustainability have been revised to focus on the continued optimisation of Jacana Energy's wholesale portfolio and renewables growth.

Strategic workforce development has been introduced as a strategic risk, given the importance of ensuring our workforce has the right skills in place to support Jacana Energy in the delivery of new products and services.

The Northern Territory Electricity Market reform program continues to be a key strategic risk, given the ongoing uncertainty as to how the new market design will impact Jacana Energy's wholesale portfolio. Until there is greater certainty over the design of the new market, including the structure of the public procurement entity and the corresponding cost and revenue structures, Jacana Energy is unable to quantify the impacts of the reforms.

<b>Key risks</b>	<b>Risk mitigations</b>
Wholesale portfolio optimisation	<ul style="list-style-type: none"> <li>• Renewable energy procurement strategy implemented.</li> <li>• Wholesale risk and governance practices fully embedded.</li> </ul>
Renewables growth	<ul style="list-style-type: none"> <li>• Procurement of additional large-scale solar.</li> <li>• Deliver programs to provide access to renewable energy for low-income and vulnerable customers.</li> <li>• Explore micro grid options to increase renewables in embedded networks and gazetted areas.</li> </ul>
Market reform	<ul style="list-style-type: none"> <li>• Stakeholder engagement plan in place and regularly monitored and updated.</li> <li>• Active participants in market reform, with Jacana Energy's position communicated to decision-makers through informal and formal regulatory consultation processes.</li> <li>• Market reform position documented, impacts assessed and costed.</li> </ul>
Customer profitability	<ul style="list-style-type: none"> <li>• As load shifts behind the meter, Jacana Energy must invest in new sources of renewable energy and new products and services to remain relevant and mitigate revenue loss.</li> <li>• Gross margin tracking and reporting by customer segments.</li> </ul>
Strategic workforce development	<ul style="list-style-type: none"> <li>• Employee experience strategy developed and implemented.</li> <li>• Culture and Leadership Development Program embedded.</li> <li>• Recruitment activities aligned to cultural fit.</li> <li>• Succession planning embedded into performance development process.</li> </ul>



# Abbreviations

C&I	Commercial and Industrial segment
CPI	Consumer Price Index
CSO	Community Service Obligation
DCDD	Department of Corporate and Digital Development
DTF	Department of Treasury and Finance
EBIT	Earnings Before Interest Tax
FIT	Feed-in Tariff
GOC Act	Government Owned Corporations Act
KPI	Key Performance Indicator
LGC	Large-scale generation certificates
MM	Mass Market segment
PV	Photovoltaic
PWC	Power and Water Corporation
ROS	Retail Operating System
STC	Small-scale technology certificates
UC	Utilities Commission

