TERRITORY GENERATION

2022–23

ANNUAL REPORT

Powering the NT

Letter to the shareholder

Treasurer
Parliament of the Northern Territory
Darwin NT 0800

Dear Treasurer

On behalf of the people and Board of Power Generation Corporation (trading as Territory Generation), we are pleased to present our ninth annual report, for the year ended 30 June 2023, in accordance with sections 41 and 44 of the *Government Owned Corporations Act 2001*.

DENNIS BREE
Chair

GERHARD LAUBSCHER
Chief Executive Officer

FRONT COVER:
Image 1 - Katherine Power Station
Image 2 - Mechanical Apprentice Elisha Wright
Image 3 - Regional Manager South Peter Levett.

Operator Maintainer Technician Mechanical River Raine at Yulara Power Station

Our values

F

FOCUS

We focus our efforts on delivering a safe, reliable and cost-efficient operation we are all proud to be a part of.

I

INTEGRITY

We are open and honest with our words and actions: “to do and say the right thing”.

R

RESPECT

We show respect for our teammates, the environment, and the communities in which we work.

S

SAFETY

We conduct our business and our roles with a strong focus on avoiding injury to our people or damage to assets and the environment. Safety is not negotiable.

T

TEAMWORK

We are one team with aligned goals working together to achieve Territory Generation’s vision.

Territory Generation acknowledges the Traditional Custodians and Elders of the country on which we work and live, and recognise their continuation of cultural, spiritual and educational practices. We pay our respect to the Elders past, present and emerging.

Territory Generation is committed to supporting the Northern Territory Government's renewable energy targets. As the largest electricity producer in the Northern Territory, we use gas, diesel and renewable technologies to generate electricity for the Territory's major population centres while maintaining the reliability of the power systems. We also provide wholesale electricity, capacity to meet demand and essential system services such as frequency/voltage control, network support and black start services. Our focus is transitioning our fleet to supply the Northern Territory's power systems reliably and sustainably.

About this report

This annual report summarises the operational and financial performance of Territory Generation for the 2022-23 financial year.

The report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Territory Generation's Shareholding Minister, Portfolio Minister, the Northern Territory Parliament and other stakeholders. It also provides information for Territorians and others interested in the provision and management of electricity generation services in the Northern Territory.

In line with sections 41 and 44 of the *Government Owned Corporations Act 2001* (the Act), the report includes information about Territory Generation's:

- primary services and responsibilities
- significant activities of the year, major project highlights, key achievements and outcomes
- financial management and performance in compliance with the Act.

This is Territory Generation's ninth annual report following structural reforms to the Northern Territory electricity industry.

Racking out a circuit breaker

Contents

Our journey

1912

Public electricity supply established in Darwin

1937

Public electricity supply established in Alice Springs

1962

Stokes Hill Power Station opened in Darwin

1973

Alice Springs Power Station opened

1975

Tennant Creek Power Station opened / Cyclone Tracy destroys the Darwin power system on Christmas Eve 1974, requiring it to be rebuilt

1978

Northern Territory Electricity Commission established

1981

Alice Springs Power Station renamed after Ronald George Goodin

1983

Yulara Power Station opened

1987

Channel Island Power Station and Katherine Power Station opened / The Power and Water Authority is created

2000

Utilities Commission established as an independent economic regulator under the *Utilities Commission Act 2000*

2002

Power & Water Corporation (PWC) created (the Northern Territory's first government-owned corporation)

2003

Kings Canyon Power Station opened

2008

Weddell Power Station opened

2011

Owen Springs Power Station opened

2014

Territory Generation and Jacana Energy separated from PWC to become government-owned corporations

2018

5 MW battery energy storage system opened in Sadadeen Valley, Alice Springs

2019

Owen Springs Power Station and Tennant Creek Power Station expansions

2020

Development of Renewables Transition Plan and business refocus on availability and reliability / Continued provision of safe and reliable electricity throughout the COVID-19 pandemic

2022

Construction commenced on ~35 MVA Darwin-Katherine battery energy storage system

2023

Finalised strategic roadmaps, continued refining our fleet transition strategy, and defining our role in the Northern Territory Government's energy transition

Our year at a glance

Safety

5,042
Take 5 assessments

1,093
Safety conversations across 8 power stations

↑ 125%
Lead indicator reporting

Refreshed
Permit system

Production and sales

1,343
GWh produced

$282M
Electricity sales

$2.0M
Net profit after tax

$1.0M
Dividend declared

People

↑ 25%
People Matter Survey response rate

↑ 7%
Staff engagement score

↑ 27%
Women in management

↑ 73%
Improved staff retention

Other

30
Credentialled professionals

3
Regional microgrid studies

15
Training events per employee

17
Gas type B licences gained

Where we're going

Territory Generation's ongoing contribution to sustainable energy solutions is crucial in achieving the Northern Territory Government's transition to 50% renewables by 2030 and net zero emissions by 2050. Reflective of our commitment to this goal, we will continue transitioning our fleet to provide power generation and essential system services and capitalise on commercial opportunities available, including considering renewable technology solutions. We remain focused on delivering safe, reliable, and cost-effective electricity essential services for Territorians.

Our vision

To be the Northern Territory's trusted and respected energy services business. This means:

- Running our business safely is recognised as our highest priority
- We are known for being reliable, available and responsible
- We exceed the expectations of our stakeholders
- We are recognised for technical excellence for energy services in the Territory
- We are cost effective with other relevant players in the market
- We are an employer of choice

Our purpose

We safely, reliably and responsibly provide:

- electricity on sustainable terms
- essential system services which facilitate system reliability and the adoption of renewable energy.

We contribute to the provision of sustainable energy solutions for the Northern Territory as part of the transition to 50% renewables by 2030 and net zero emissions by 2050.

Our strategic direction

This financial year, we have invested time and resources into creating road maps for the northern and southern regions. These road maps underpin and inform our overarching Fleet Transition Plan by considering many facets of our operations, including forecast unit retirement and new installations, and look ahead to our longer-term aims and ambitions. The Northern Road Map extends to 2030 and the Southern Road Map to 2025. This strategy development process has been invaluable in helping us better understand our business, providing clarity around key technology focus areas and our future direction.

Chair's message

Territory Generation has enjoyed another good year in a market undergoing rapid change during the transition to renewables.

We continue to support grid stability as residents and businesses install more behind-the-meter solar. With major commercial solar farms in the process of connecting to the grid, there is much required of us to ensure continuity of supply whenever there is cloud cover.

This ongoing expansion of residential and utility-scale solar presents challenges not only for new participants into the market as they navigate network connection and timelines, but also for the electricity system and Territory Generation. While not an easy task, we are committed to resolving these challenges through the provision of more efficient essential systems services utilising battery energy storage systems and other technologies.

While, at present, essential system services, including spinning reserve, can only be provided by our gas-fired generators, we are well into the process of installing our large Darwin-Katherine battery. When commissioned, this battery will provide some of these services and allow a gas generator to be turned off.

We are also well advanced in planning our second large battery. The delivery of large projects like the batteries has become a more critical part of our business over the last few years, and this will continue as the renewables transition progresses. We have increased our projects capability and capacity.

We're installing the more efficient and hydrogen-capable TM2500 at Channel Island in addition to the Darwin-Katherine battery, and investigating the use of microgrid technologies in Tennant Creek, Yulara and Kings Canyon. These developments will make our service more efficient, reliable and environmentally friendly.

We have again made a modest profit and declared a dividend to the Territory Government. But it must be acknowledged that this was due in part to temporary delays in connecting the large solar farms to the grid and seasonally hotter-than-normal temperatures. These favourable conditions won't occur every year, so we must remain financially cautious. We have improved our cost controls over the past financial year and will continue trying to improve them even further.

Yes, customers may take what we do for granted. That's understandable. They have a right to expect their lights to go on. But our people should walk tall knowing that their work is important, and they are making a difference to lives every day.

I want to thank the entire Territory Generation team who has worked extremely well through the financial year. You serve the community with great dedication, and I am delighted that you continue to be recognised with awards and award nominations in the public arena. Importantly, you care about each other's safety – you watch each other's backs. Thank you for another year of achievement and progress.

DENNIS BREE

Water chemistry checks

CEO's report

I am delighted to present the Territory Generation annual report reflecting on our achievements and progress over the past year. At Territory Generation, we understand that the success of any business relies inherently on its people, and it is with immense pride that I can say we care deeply about our people.

Our commitment to fostering a purpose-driven organisation remains unwavering. We have created an environment where individuals can find meaning in their work, feel safe, are highly engaged, and understand how their contribution brings value to and supports Territory Generation's business purpose as a critical energy service provider in the Northern Territory. Our 2023 Employee Matter Survey results reflect the above and have exceeded expectations. The significant uplift in employee satisfaction and engagement scores is attributable to hard work and action across the business, confirming that our company culture is heading in the right direction.

Safety is always at the core of everything we do. We strive to extend this safety culture by supporting contractors to meet our high safety standards and expectations through comprehensive training and supervision. Our recently enhanced Permit to Work system is another step towards ensuring safety is paramount in all our operations.

The transition to renewables presents both challenges and excitement. As we work towards the Government's target of 50 per cent renewable energy by 2030, we remain focused on delivering reliable generation to support the network. We have developed investment guiding principles, transition strategies and roadmaps for the northern and southern regions to define our direction, targets and timelines.

Our 35 MVA Darwin-Katherine Battery Energy Storage System project is progressing well and will play a crucial role in reducing carbon emissions while providing essential network support. Looking ahead, we'll focus on developing more battery energy storage systems and other technologies that enable greater renewable energy integration. We have strengthened our project management and delivery capabilities to ensure these projects are successful and contribute to our overall objectives.

Initiatives to improve our learning and development have yielded positive results. Notably, our continued partnership with Engineers Australia has now seen most Territory Generation engineers obtain chartered status, a prestigious recognition of professional excellence. Our apprentices have also excelled, receiving various awards during the past year. Additionally, we were honoured to be nominated and named a finalist in the host category for the GTNT training awards. Our Aboriginal and Torres Strait Islander engagement efforts have exceeded expectations, and our succession planning and cultural diversity initiatives are trending above targets.

We have taken significant strides in enhancing collaboration within the organisation. Introducing process area teams for the northern and southern regions has fostered cross-functional teamwork, enabling us to share information more effectively to resolve complex issues collectively. Already, these teams are showcasing a positive impact on performance improvements.

Financially, we have performed well in line with our Statement of Corporate Intent. Despite the challenging economic environment with high inflation, labour shortages, and increased capital investment demands to transition our fleet, we remain committed to prudent capital allocation and managing controllable costs. We will pay a modest dividend to our shareholders which reflects our financial sustainability while maintaining lower wholesale electricity prices.

Finally, I extend my sincere gratitude to our dedicated staff for their unwavering commitment to delivering affordable and reliable energy to the community. I would also like to thank our Board of Directors and Ministers for their ongoing confidence and support, which allows Territory Generation to continue evolving in this ever-changing energy landscape.

GERHARD LAUBSCHER

Our business and services

As the largest electricity producer in the Northern Territory, Territory Generation owns approximately 593 MW of installed capacity. We contract an additional 5.1 MW from independent power producers, including 4 MW of solar power from Uterne in Alice Springs and 1.1 MW of reclaimed gas produced by LMS Energy from the Shoal Bay Renewable Energy Facility. In the last financial year, we generated 1,343 GWh of electricity through a combination of gas, diesel, and solar technologies.

Wholesale electricity supply governance and operating structure

Territory Generation operates under the *Government Owned Corporations Act 2001* and the *Power Generation Corporation Act 2014*. We are a Northern Territory Government-owned Corporation (GOC), which was established on 1 July 2014 after the restructuring of the electricity industry in the Northern Territory. Our primary objective is to provide sustainable financial returns to the Northern Territory Government.

The Treasurer, the Hon. Eva Lawler MLA, serves as our Shareholding Minister. The Minister for Essential Services, the Hon. Selena Uibo MLA, is our Portfolio Minister. Dennis Bree chairs our Board of Directors, which includes non-executive board members Richard Galton and Adjunct Professor Christine Charles. All three directors are members of the Audit & Risk Committee and the People, Safety & Environment Committee. Independent member David Braines-Mead brings expert financial knowledge to the Audit & Risk Committee. The Northern Territory Auditor-General audits Territory Generation's financial statements. statement. We comply with part 9 of the *Information Act 2002*.

Our products

WHOLESALE PRIMARY PRODUCTS

- **Capacity to supply peak load**
- **Energy**

SYSTEM SERVICES

- **Generator testing/ commissioning services**
- **Frequency control services, including inertia**
- **Network support services**
- **System strength services**
- **Firming services**
- **Network connect and support**
- **Voltage control services**
- **Black start services**

Our leadership

A strong leadership team is crucial to achieving success in a competitive market. Territory Generation's Board of Directors and Executive Leadership Team members are committed to guiding and supporting our organisation while recognising the contribution of every team member.

Board of Directors

INDEPENDENT NON-EXECUTIVE CHAIR
Dennis Bree
BE, MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR
Christine Charles
BA(Hons), ADJUNCT PROF MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR
Richard Galton
BE, MBA

Executive Leadership Team

CHIEF EXECUTIVE OFFICER
Gerhard Laubscher
MIEAust CPEng EngExec NER APEC Engineer IntPE(Aus), MAICD, MIAM

GENERAL MANAGER FINANCE & BUSINESS SERVICES
Joel Dwyer (from May 2023)
CA, BComm

GENERAL MANAGER OPERATIONS & MAINTENANCE
John Greenwood
GradDip(Leadership&Mgt), MAICD, MIML

GENERAL MANAGER COMMERCIAL
Eddie Mallan
Adv Dip HospMan, BComm, MBA, Grad Dip WHS, GAICD

GENERAL MANAGER LEGAL, GOVERNANCE & PEOPLE; GENERAL COUNSEL AND COMPANY SECRETARY
Hieu Nguyen
BSc, LLB, LLM, GAICD

GENERAL MANAGER ASSETS & ENGINEERING
Minh Tran
Dip Proj Mgt, BEng (Electrical and Electronics), MEM, MAppFin, FIEAust, CPEng, NER, APEC Engineer, IntPE(Aus), GAICD

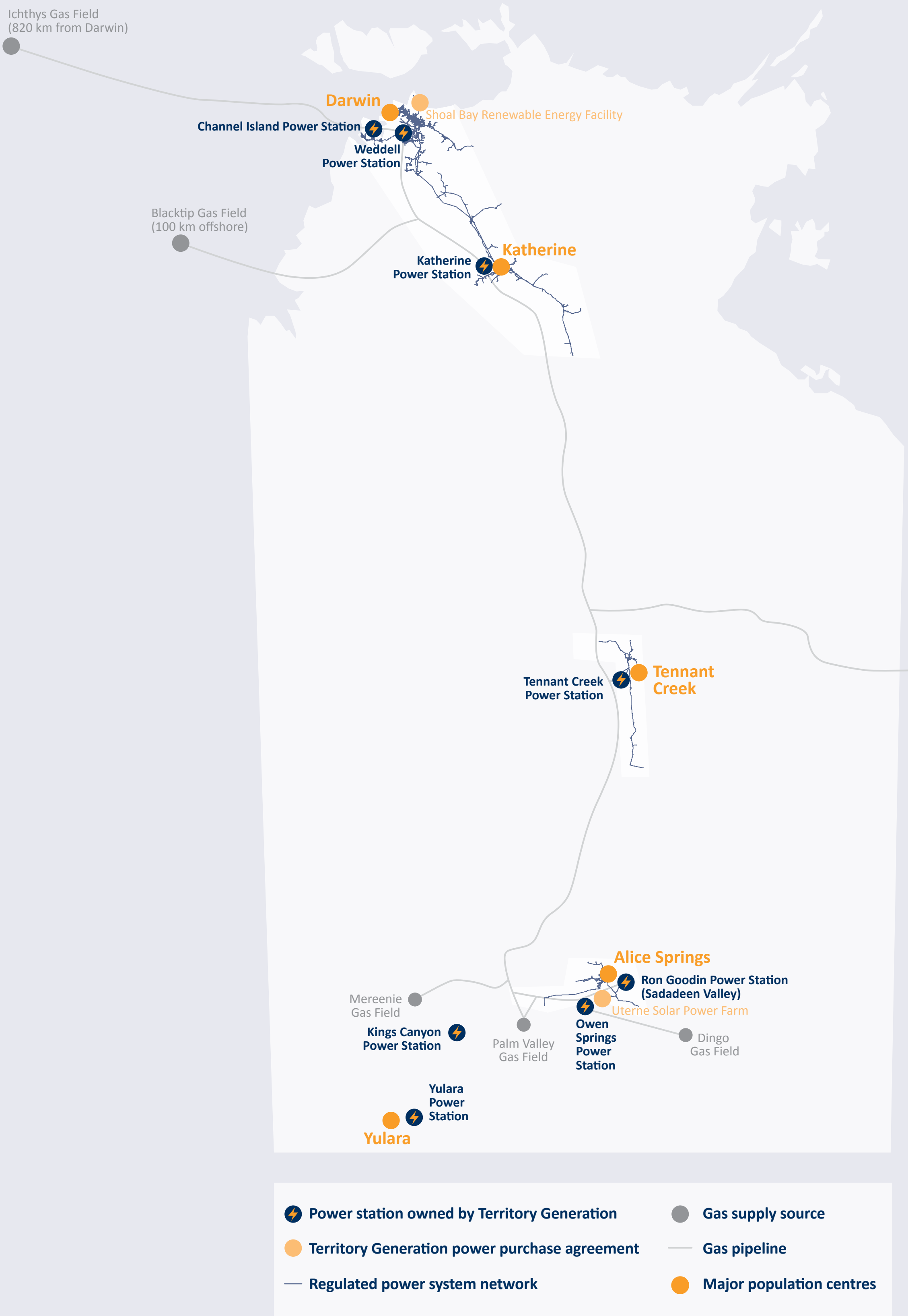
Front (left to right): Hieu Nguyen, Gerhard Laubscher, Joel Dwyer
Back: John Greenwood, Eddie Mallan, Minh Tran

Our power stations

Power Station	Engine	Capacity (MW)	Description
Darwin-Katherine region			
Channel Island Power Station (CIPS)	4 heavy industrial gas turbines, 3 aeroderivative gas turbines (2 dual fuel), 1 steam turbine	278.4	CIPS commenced formal operations in 1987. It is Territory Generation's largest power station and will continue to be the main source of electricity for the Darwin-Katherine Interconnected System (DKIS). The modular and renewable-fuel capable TM2500 is undergoing installation at the CIPS site and the ~35MVA Darwin-Katherine Battery Energy Storage System is being commissioned.
Weddell Power Station (WPS)	3 aeroderivative gas turbines	129.0	WPS connects to the DKIS. Two of its gas turbines were commissioned in 2008, with the third commissioned in 2014.
Katherine Power Station (KPS)	4 industrial gas turbines (dual fuel)	37.0	KPS has been operational since 1987 and functions as part of the DKIS.
Alice Springs region			
Ron Goodin Power Station (RGPS)	6 reciprocating sets (6 diesel or gas fuel), 1 gas turbine (diesel or gas fuel)	35.3	RGPS was commissioned in 1973. The station remains operational to provide capacity for the Alice Springs power system.
Owen Springs Power Station (OSPS)	13 reciprocating sets (10 gas, 3 diesel or dual fuel), 1 industrial gas turbine (dual fuel)	80.9	OSPS was commissioned in 2011 and upgraded in 2018 to service the Alice Springs community.
Sadadeen Valley	Battery energy storage system (BESS)*	5	The Sadadeen Valley BESS is a grid-connected modular lithium iron phosphate battery system which has been in operation since 2018 to support the Alice Springs power system. It resides within the RGPS site.
Remote stations			
Tennant Creek Power Station (TCPS)	13 reciprocating sets (8 gas, 5 diesel), 1 industrial gas turbine (dual fuel)	21.9	TCPS was commissioned in 1975 and underwent a significant upgrade in 2017. It services the Tennant Creek township and surrounding communities as far as Ali Curung.
Yulara Power Station (YPS)	8 reciprocating sets	9.1	YPS services the Ayers Rock Resort and the Yulara township. The station is diesel fuel operation only. The station will undergo significant changes in the coming years due to the ongoing Yulara Energy Transition Initiative. The station has been operational since 1983.
Kings Canyon Power Station (KCPS)	3 reciprocating sets (diesel)	1.1	KCPS is the only commercial source of electricity in the Kings Canyon area, servicing the Kings Canyon Resort and domestic customers. The station has been in operation since 2003.

Total number of generating units: 60
Sum capacity: 592.7
*The BESS is excluded from the above totals as it is not generation plant

Where we operate



Map not to scale

Our performance

Territory Generation worked hard throughout 2022-23 to meet our six key performance indicator (KPI) objectives, which cover safety, people and culture, plant operations, finance, sustainability, and stakeholders and customers. We strive for continuous improvement while providing reliable energy supply to our customers and a safe working environment for our staff.

Objective	KPI measure	Target	Actual
Safety			
	Report lead indicators	Increase in incident and hazard reporting	Achieved
	Increase safe act observations and safety interaction reporting rates and improve quality	Monthly allocated targets exceeded or met	Achieved
	Lost time injury (LTI)	Zero LTI recorded	Not achieved (2 LTI recorded)
People and culture			
	Employee engagement survey outcomes	Engagement survey result > = 60%	Achieved
	Number of people – Full Time Equivalent (FTE)	FTE < = SCI and cap	Achieved
	Compliance training provided	Training completed on time > = 90%	Achieved
Plant operations			
	Plant availability across portfolio	Total average > = 88%	Not achieved (impacted by Protected Industrial Action)
	Operating expenditure (less energy) as a percentage of total revenue	Achieve < = Budget %	Achieved
	Operating expenditure (less energy) per sent out MWh generated	Achieve < = Budget $/MWh	Achieved
	Start reliability	Achieve > = 95% across all sites	Achieved

Operator Maintainer Technician David Lewis fabricating a support bracket at Katherine Power Station

Objective	KPI measure	Target	Actual
Finance			
	Achievement of budgeted outcomes EBITDA/ROA/EBIT	• Debt to equity < = across SCI period • Revenue growth > operating expenditure growth • Controllable costs < = previous year • Dividends proposed	• Achieved • Not achieved (impacted by a decrease in sales and higher energy costs due to CPI increases and Protected Industrial Action) • Achieved • Achieved
	Capital program delivered within approved base currency budget	Project completion within +/- 10% of approved budget	Not achieved (delay in Fleet Transition project works)
Sustainability			
	No reportable environmental harm incidents	Target = 0	Achieved
	An ongoing overall reduction in CO^2	Continuous reduction on prior year emissions	Achieved
	Darwin-Katherine Energy Storage System constructed in accordance with project schedule	Constructed and commissioned	Not achieved (constructed with commissioning targeted in 2023-24 FY)
Stakeholders and customers			
	WESAs negotiated and approved	Approved by Board	Achieved
	System Average Interruption Duration Index (SAIDI) for regulated network	Target < 10-year average	Achieved

Safety – our number one priority

Territory Generation's safety management systems are under constant review, and we prioritise safety in everything we do. We strive for continuous improvement and work hard to ensure all staff, contractors, and vendors avoid injury and illness while on our sites. Beyond that, we collaborate with our people to ensure a safe, healthy, and compliant workplace and a culture where everyone takes responsibility for safety.

Increased safety reporting and Take 5s

We've increased safety reporting this financial year following useability upgrades to our MyHub incident management and reporting system in mid-2022. Increased reporting helps us identify where we need to make improvements to our controls. Mobile app reporting is also increasing as we work towards improved mobile coverage on our sites.

Enhancements to the Take 5 tool have also proven very successful, with completions increasing by 13% (4,465 in 2021-22 and 5,042 in 2022-23). Take 5s are a task-based risk assessment completed by staff before work starts to ensure hazard identification and control. They are critical to safety and reduce operational risks by helping staff focus on potential hazards and take personal responsibility for their own and others' safety.

Upgraded safety standards

Because we want everyone on our sites to go home safe and well at the end of each day, we completed a gap analysis and associated improvements to align our safety management standards with ISO 45001. ISO 45001 provides a robust framework for managing occupational health and safety risks and opportunities, providing a safe and healthy workplace to protect our people's physical and mental wellbeing.

Operator Maintainer Technician Ronnel Colon reviewing a lockbox

Refreshed permit system

This financial year, we completed the Permit to Work (PTW) System Refresh Project to upgrade our permit system, which is the overarching framework that defines and documents the rules, requirements and processes for how we access our plant and equipment to safely conduct work. The permit system ensures standard, consistent and controlled permit practices are applied across Territory Generation sites. The PTW System Refresh Project involved a significant body of work including wide-reaching consultation, updating 70+ related procedural documents, and conducting refresher training for more than 180 staff and multiple contractors. We've established a Permit System Improvement Committee to monitor outcomes and progress continuous improvements over the coming financial year.

Improved contractor safety

The Contractor Safety Management Procedure has been refreshed to better define the workplace Health & Safety and Environmental (HSE) requirements and ensure an effective and consistent approach to work conducted by contractors on Territory Generation sites. The updated procedure, which must be followed by all contractors, increases focus on contractor audits and inspections via newly developed contractor audit tools. These include but are not limited to post annual, periodic inspections, and HSE management systems audits.

Promoting positive safety behaviours

In May 2023, we rolled out refreshed Safety Non-Negotiables supported by a set of Vital Behaviours. These two resources work together to summarise and promote the critical and desirable safety expectations at Territory Generation. Our Safety Non-Negotiables are critical safety rules that establish a standard of expected safety behaviours, targeting high-risk activities, behaviours and/or processes with the potential to cause serious injury or fatality. The Vital Behaviours underpin the Safety Non-Negotiables and demonstrate how personal accountability can help achieve best practice. Related procedures, induction materials, the intranet, and other corporate materials were also updated.

Power station milestones

Our power stations are instrumental in meeting the energy needs of the Territory's major population centres and play an essential role in supporting the communities in which they operate. From innovative technologies to exceptional safety records, our stations continually exceed expectations. Here we take a closer look at the histories and achievements of our power stations celebrating milestones in 2023.

Ron Goodin - 50 years

Alice Springs Power Station was completed in 1973 and renamed Ron Goodin Power Station (RGPS) in 1981 in honour of Ronald George Goodin, who had been the Officer-in-Charge of Alice Springs power stations between 1964 and 1979. It was the first power station in the Northern Territory to run on natural gas delivered from the Palm Valley gas field. Two of the generating units moved to RGPS in 1974 were originally installed at the previous power station in 1964 and 1965. Testament to Territory Generation's maintenance practices, these units are still available to produce power when required. While Ron Goodin's installed capacity has now reduced, notably when gas turbines were moved to Katherine, Tennant Creek and Owen Springs, the site is also home to the 5MW Sadadeen Valley battery energy storage system opened in 2018. There remains a role for RGPS to provide capacity and essential system services as we transition to 50% renewables.

Yulara - 40 years

Yulara Power Station (YPS) was opened in 1983 to meet the power needs of Yulara residents and the Uluru Ayers Rock Resort. One of the original commissioned generating units remains in operation along with a 1986-commissioned unit. YPS has experienced different stages of demand and expansion in its 40 years of operation. Currently, four new Caterpillar diesel generator sets are being installed with commissioning expected in the 2023-24 financial year. The new units will replace the capacity of the compressed natural gas units.

Kings Canyon - 20 years

Kings Canyon Power Station opened in 2003 and was one of the first Australian power stations to use solar photovoltaic (PV) technology. At the time of installation, KCPS was Australia's biggest single PV project. Kings Canyon Resort is the station's major customer. The power station comprises three generating units, which have increased in size as the resort's demand for electricity has grown. While the station's solar farm is not currently in use, we plan to install new panels (refer page 21) that will provide more energy using the same size footprint as the original cells. These solar power savings will reduce our emissions and diesel consumption.

Weddell - 15 years

Weddell Power Station (WPS) connects to the Darwin-Katherine Interconnected System (DKIS) and consists of three highly reliable aeroderivative gas turbines. Two were commissioned in 2008 and the third in 2014. The WPS site was chosen due to its proximity to existing infrastructure, just one kilometre from APA's Darwin City Gate gas facility. Locating additional generation capacity away from Channel Island also enabled the plant to be connected to Power and Water's 66kV infrastructure, strengthening the DKIS's high voltage network. WPS is the DKIS's most reliable and fuel-efficient station.

Environment, Social and Governance

We understand the importance of balancing our responsibility to provide electricity for our customers with the needs of the environment, the community and our stakeholders. We're committed to transparency and disclosure of our Environment, Social and Governance (ESG) performance as we progress on our ESG journey.

Northern Region Maintenance Manager Jimmy Fisher

Environment

Territory Generation is dedicated to sustainable development and taking care of the environment. We track and measure our environmental performance via our key performance indicators (refer pages 12-13).

In addition, we:

- are building the Darwin-Katherine Battery Energy Storage System at Channel Island (refer page 20) to enable more solar generation into our system and reduce emissions
- maintain an environmental management system up to international standards
- are incorporating scope three emissions reporting in addition to our scope one and two reporting
- ensure new infrastructure, such as the sewerage plant at Channel Island, meets all environmental standards
- have embedded carbon reduction as a consideration when making decisions about our operations and investments
- fully comply with wastewater discharge requirements and have flow meters installed at power stations
- continue to endeavour to find new ways to reduce our water usage, including carrying out independent assessments to pinpoint water-saving solutions.

Social

We are focused on delivering reliable and cost-effective power services that support Territorians. Part of this involves supporting Territory enterprises by ensuring that the largest possible proportion of every dollar we spend delivers benefits for the Territory economy and community. Our effective Procurement Framework includes a 30% minimum local content weighting and local content inputs such as employment, industry development, up-skilling and long-lasting local benefits for the Territory.

We also support the community through our sponsorship program. In May 2023, we comprehensively refreshed our Sponsorship Policy with the aim of strengthening relationships, building trust, delivering social benefits, and enhancing awareness about the essential services we provide. Among many other things, our major sponsorship of Engineers Australia continues to develop local employment pathways; drove the sySTEMic Collaboration program, which works with local schools to encourage the uptake of STEM (science, technology, engineering, mathematics) subjects; awarded a diversity scholarship to a deserving female engineering university student who will receive financial support and work placement opportunities; and afforded our staff valuable learning opportunities via Engineering Education Australia access.

We've also increased our LinkedIn social media presence as a means of engaging and educating the community on matters of importance to the power generation industry and sharing our people's successes.

Internally, we work hard to create a happy, industrious workplace that focuses on employee safety and wellbeing. Our Human Resources Business Partners are available to help staff at any time, supported by our comprehensive Health & Wellbeing Program (refer page 19).

Records Manager Natasha Medbury and Business Services Officer Celesthe Story

Governance

Territory Generation is committed to best-practise corporate governance and the highest operational standards. We are governed by legal requirements, including Commonwealth and Northern Territory legislation, regulations, rules, licensing, standards and codes.

Recognising that we operate in a high-risk industry, risk management is integral to Territory Generation's operations. We maintain governance of our risks using a comprehensive Risk Management Framework and matrix and continuously review our risk management strategies. We have continued to improve our risk profile this financial year.

As regular auditing is a vital part of governance, we maintain a rigorous compliance and audit program, which includes internal and external audits overseen at the highest levels in addition to regulatory audits mandated by law. Audit outcomes are fed back into our business and we use this feedback to consistently improve our processes and procedures.

Onsite collaboration between Yulara Power Station Coordinator Paul Murphy, Energy Business Solutions Manager Rebecca McKenzie, and Regional Electrical Engineer South Sumith Thotawatta

Our people, achievements and culture

Our people are the driving force behind the safe, reliable, and cost-effective electricity services that we provide to the Territory. We are committed to investing in our employees and ensuring that they have the tools and resources they need to succeed.

Strong employee engagement

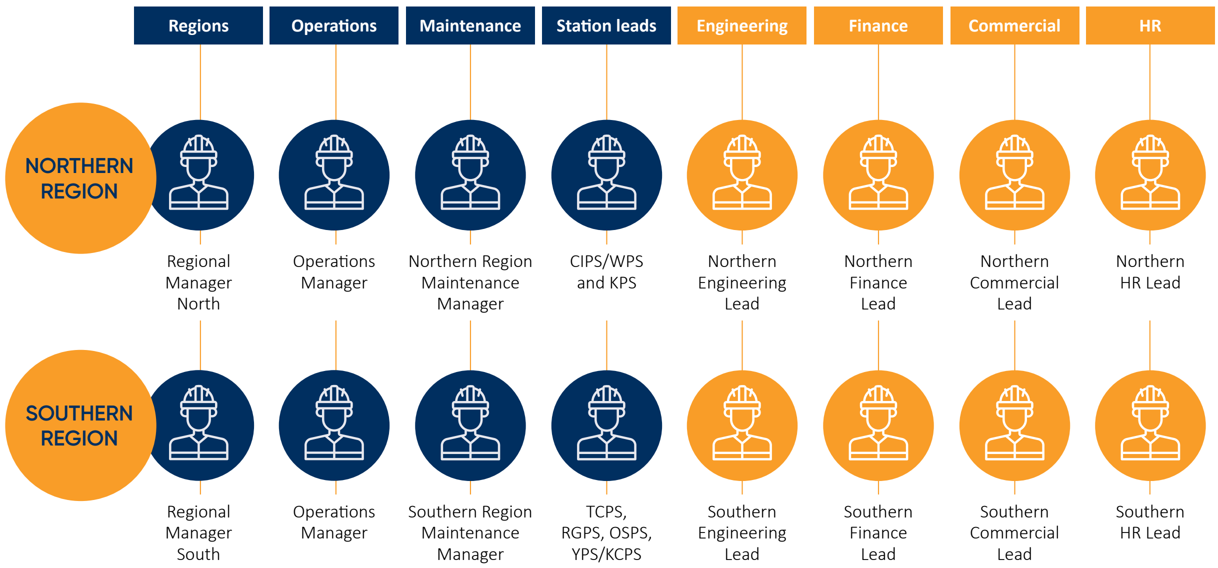
We are proud of our performance in the May 2023 People Matter Survey. The results obtained from the 89 per cent of our staff who participated show improved staff engagement of 68 per cent (up 7 per cent from the previous survey) and strong results across the board. Having implemented a range of measures from the previous biennial survey in 2021, we look forward to receiving the latest results covering staff feedback on workplace wellbeing, job satisfaction, service delivery, leadership, and the value placed on behaviours such as fairness and respect.

Enterprise Agreement milestone

Our new Enterprise Agreement was negotiated collaboratively and respectfully during the financial year. The new agreement, which came into effect in the 2023-24 financial year, achieved positive outcomes for employees and the wider business.

Breaking down silos through Process Area Teams

In late 2022, Process Area Teams (PATs) were established for the northern and southern regions as a mechanism for relevant process area owners to meet regularly, review activities, and share information. By enabling collaboration between these key representatives, the PATs allow for more informed decision-making and aim to support the delivery of even safer, more reliable and cost-effective energy in each region.



Electrical Apprentice Janna Ransome and 7 Day Operator Maintainer Technician Ben Weber testing a switchboard at Channel Island Power Station

Increased equality and inclusion though special measures

Territory Generation's Special Measures Plan promotes equality, diversity and inclusion in our business by aiming to increase the participation of suitably qualified and experienced Aboriginal and Torres Strait Islander (ATSI) candidates. In addition to improved recruitment processes, the plan focuses on retention and career development. In the 12 months since implementing the Special Measures Plan, we have increased our ATSI full-time equivalent employees by 300%. We've also carried out foundational cross-culture training which provides employees with cultural awareness and understanding.

Improved Health and Wellbeing Program

In May 2023, we announced improvements to our health and wellbeing program, including a $100 rebate for employees to put towards a health and wellbeing activity of their choice. We ran various health and wellbeing initiatives in the 2022-23 financial designed to positively contribute to employees' physical and mental health. These include community participation and fitness events such as Feb Fit, City2Surf, Grand Fondo and the Push-Up Challenge. Employees also have access to our Employee Assistance Program offering confidential counselling and LinkedIn Learning offering mental health training as well as educational development.

Public recognition

In September 2022, Territory Generation won the Industry Collaboration Award at the NT Training Awards for our innovative partnership with Charles Darwin University and Gastrain. The collaboration implemented a long-term, sustainable, local solution to train staff and future employees by providing the facilities, equipment, training and resources to deliver Gas Type B training right here in the Territory. More than 40 staff members have now obtained their Gas Type B licences.

Electrical Apprentice (now fully qualified electrician) Brieanna McSweeny was named Northern Territory Apprentice of the Year at the National Association of Women in Construction awards in 2022, while Mechanical Apprentice Elisha Wright won the Prelude to the Future Most Outstanding Apprentice award at the 2023 GTNT Awards. Elisha was also runner-up in the Stage 3 Apprentice of the Year category.

Apprentices, early careers and training

In 2023, Brieanna McSweeny became the first female electrician to complete an apprenticeship at Territory Generation from start to finish. Another electrical apprentice from Darwin and two mechanical apprentices from Tennant Creek and Darwin are scheduled to complete their apprenticeships in the coming financial year. We are extremely proud of our robust apprenticeship program that supports and develops our apprentices to achieve their career goals.

Undergraduate Tan is a true example of "growing our own". Tan arrived at Territory Generation from Charles Darwin University via an initiative offering undergraduate engineers paid part-time or casual work with a view to full-time employment. He was inspired to pursue a future in engineering six years ago by a Territory Generation employee at a STEM (Science, Technology, Engineering, Mathematics) program held in collaboration with Casuarina Senior College. We also employ a first-year graduate Control Systems Engineer who works alongside two other graduates in their second year with us. We are committed to encouraging people to build a career in the Territory and supporting local businesses to invest in local people through employment, training and mentoring.

Ongoing credentialling success

At the end of the financial year, 19 of our engineers (including 14 this financial year) had gained chartered status through our ongoing Territory-first Enterprise Workforce Credentialling program partnership with Engineers Australia. Becoming a chartered engineer is a highly prestigious mark of excellence reserved for engineers at the top of their profession. We are proud to have such a skilled engineering workforce delivering services to the Territory. Supporting our engineers through credentialling is a cornerstone of our engineer attraction and retention strategy.

Projects

This financial year has seen Territory Generation reach key milestones on major projects designed to improve system reliability into the future. All strategic projects are guided by our Fleet Transition Plan and Strategic Roadmaps. These investments aim to increase renewable penetration and transition the gas turbine fleet to more mobile, fast-starting, flexible and renewable capable units which are better suited to the power systems.

Darwin-Katherine Battery Energy Storage System

As of 30 June 2023, the $45 million ~35 MVA Darwin-Katherine Battery Energy Storage System (DK BESS) being built at Channel Island Power Station (CIPS) had reached phase two of its pre-commissioning. We plan to commence network-connected commissioning in late 2023 and forecast that the DK BESS will be online in the 2023-24 financial year. The DK BESS is designed to support the stability of the Darwin-Katherine Interconnected System (DKIS) and allow more renewable penetration. It is forecast to deliver cost savings of around $9.8 million per year, with a payback period of approximately five years from connection to the grid. Territory Generation is planning for more batteries to be distributed in the DKIS and the Alice Springs power system.

TM2500

We continue to progress installation of the fast-start, hydrogen-capable TM2500 aero-derivative turbine at CIPS. The TM2500 will renew 22 megawatts to the DKIS, can run on different fuel sources to allow flexibility for plant operators, and starts in 10 minutes under local requirements. Some system strength issues identified during the rigorous development phase of the project early in the financial year have delayed forecast timelines. However, the design and construction contract has been awarded, and the installation and connection design process initiated. Compliance tests and commissioning are scheduled for the 2023-24 financial year, with the unit to be fully online and operational the following financial year. The TM2500 project aligns with our long-term strategy of replacing older generators with smaller and more fuel-efficient units, ensuring the availability and reliability of generation in DKIS into the future.

Graduate Electrical Engineer Aidan Routledge onsite at the Darwin-Katherine Battery Energy Storage System

New generator set mufflers ready for installation at Yulara Power Station

Yulara Energy Transition Initiative

Following the post-COVID resumption of domestic and international travel, load is returning to Yulara faster than forecast. We expect it will reach maximum demand by mid-2024, increasing the urgency for ensuring a reliable asset base from a capacity perspective. Installation works are commencing at Yulara Power Station for the four 1 MW diesel generators. The new generators are replacing four natural gas-powered units, historically operated on natural gas which can no longer be supplied to the station. The project team has achieved some significant cost savings this financial year despite the challenging nature of the project which is exacerbated by its remote location. We are in talks with stakeholders about renewable energy options for the region.

Microgrids

We've made significant progress on our microgrid feasibility studies funded by the Federal Government's Regional and Remote Communities Reliability Fund to investigate installing renewable microgrid technologies in Tennant Creek, Yulara and Kings Canyon.

- Preliminary investigations indicate renewable power generation and energy storage technologies will likely be installed at the power station and/or other locations within the Tennant Creek power network. We've scheduled community consultation early in the 2023-24 financial year and will be carrying out simulation testing
- In Yulara, we have undertaken demand and energy modelling, analysis on alternative energy options including large-scale battery and renewable, and investigated opportunities for demand management. We will be completing preliminary design and simulation testing in the 2023-24 financial year
- Following consultation, we've procured a rented storage battery large enough to support the Kings Canyon power system. The battery will be installed at Kings Canyon Power Station in early 2024 to carry out real-system testing, including short periods of diesel-off operation

Our studies, due for completion in mid-2024, will provide us with a platform to make informed investment decisions and deliver the best possible energy services to the remote communities we service.

Economic modelling

The Plexos energy and economic modelling software, which was developed in Australia and used in the power and gas industries throughout the world, is working well at Territory Generation. We purchased the Plexos licence in 2020 and adapted the modelling during 2021-22 to forecast our demand and energy in each of the power systems we operate. This financial year, we carried out projects to include Kings Canyon and Yulara models, and modelling to support our day-to-day dispatch merit order. The projections from Plexos have direct implications in budgeting and help us plan toward the NTG policies of 50% renewable energy by 2030 and net zero emissions targets by 2050. We will continue to use Plexos to run a range of scenarios and help build our business cases.

Mechanical Tradesperson Arnelio Quitay at work during an Owen Springs major overhaul

Outages and works

We resumed our planned outage program towards the end of the financial year after experiencing impacts from COVID early in the financial year and then from Enterprise Agreement negotiations. We're proud of our dedicated teams who worked safely and efficiently to limit the impacts of these delays, even achieving some works ahead of schedule. The implementation of Process Area Teams (refer page 18) has also supported our outage planning by keeping our north and south teams informed at every step.

NORTHERN REGION

Channel Island

Works undertaken through the financial year ensure Channel Island is stable on either ENI Blacktip gas supply or emergency gas supplies. The emergency INPEX gas consumed at Weddell Power Station during several 2022-23 ENI Blacktip gas production outages is now turned off but remains available for back up gas if required.

We completed a hot gas path overhaul on C4 in August 2022, followed by C6 steam turbine works including steam valve overhauls and cooling tower maintenance. We also carried out an expansion joint replacement on C6. In February 2023, we installed a refurbished Siemens aeroderivative gas turbine in C9. Maintenance and operations records suggest the previous engine was used within the scope of its capabilities, so it has been transported to the Siemens Montreal workshop for investigation and repairs. C8 planned outage works were also completed in June 2023.

Weddell

Weddell's LM6000PD W3 turbine engine was exchanged with a new engine in December 2023, and we carried out a planned outage on W2 between May and June 2023.

Katherine

At Katherine, K3 experienced a transformer fault in February 2023 that required removal and offsite overhaul. The unit was returned to service in May 2023. The Katherine black start generator was replaced in May 2023 in alignment with asset renewal plans.

A contractor works on a top end engine overhaul at Yulara Power Station

SOUTHERN REGION

Ron Goodin

In the first half of the financial year, we completed high voltage circuit breaker repairs on RG9, returning it to service in December 2022. RG6 and RG3 underwent essential maintenance, with RG6 returned to service in December 2022 and RG3 scheduled to be back in service early in the 2023-24 financial year.

Owen Springs

OSA underwent a control module changeout and recommissioning to the technical code, returning to service in November 2022. We then commenced a 60,000-hour major overhaul on 0S3 in February 2023. This overhaul encompassed inspection of all major generating unit components, with parts replaced as planned.

Tennant Creek

20,000-hour major services were carried out on TC20 and TC21, with the generating units being returned to service in November and October 2022 respectively.

Yulara

YU08 underwent a top end overhaul and was returned to service in June 2023. We carried out replacement and commissioning of the new YU04 generating unit, scheduled for return to service early in the 2023-24 financial year. We also completed the successful decommissioning and removal of gas infrastructure and machines from the site.

Tennant Creek Power Station Coordinator Matt Blankenspoor

Business improvements

At Territory Generation, we're always striving to be better so we can continue to improve the services we provide to Territorians. We know that significant benefits can come from small changes, so we try to streamline our everyday operations in ways that save time, money and improve staff wellbeing.

Increased focus on strategic projects

This financial year saw the introduction of a Strategic Projects Delivery business unit designed to improve project management effectiveness and ensure ongoing business improvement. Strategic Projects is headed by the Executive Director Strategic Projects, and includes experienced project management staff transferred from existing business units. This governance change strengthens our project management capabilities and ensures the delivery of our strategic goals.

Matured project management

The Project Management Office (PMO) has continued to mature this financial year. Due to the increasing number of projects that are in execution and planned, we split the PMO into three functional areas to strengthen project delivery and governance. The three areas are business development, project delivery and project governance. The PMO now oversees the delivery of all small and medium-sized projects, while major projects fall under the oversight of the Strategic Projects business unit.

Our Board and other leaders on site at Katherine Power Station

Improved procurement processes

We are committed to a robust procurement system that allows us to critically assess new technologies and commercial and investment opportunities. Recognising that contractors are important partners who help to deliver our business objectives, this financial year, the Procurement team developed and rolled out a new suite of contract management documents to strengthen the monitoring and life cycle management of contracts. The project included the development of a Contract Management Guideline and related procedure, plan, and contract close-out checklist. Training on the new process was rolled out Territory-wide. As a result, all Territory Generation contracts will utilise the new suite of documents to ensure consistency of contract management across the business. The Procurement team also worked closely with the Pronto Administration team on upgrades that assist with reporting and monitoring project spends, providing improved oversight to our PMO and leadership teams.

Advanced record compliance for projects

This year, we introduced software to integrate our Project sites with our document management system. The new software saves time and ensures record management compliance by capturing documents saved in online project sites into our content management system without users having to capture data in two platforms. This integration has significantly streamlined project documentation processes.

Continued workflow digitisation

Two years ago, we commenced trialling a workflow software program to digitise manual business processes. This successful initiative has resulted in further digitisation of procedures, including for inductions, project management and travel, with further tasks identified for digitisation. It has saved countless hours on manual administrative tasks, allowing our staff to focus on core business activities.

Compliance with Critical Infrastructure Act legislation

We recognise the criticality of our role as an essential service provider and the Territory's wholesale generator. Critical infrastructure legislation is moving at a fast pace, resulting in work required to ensure the security of our assets in compliance with new legislation. This financial year, we have achieved all *Critical Infrastructure Act* milestones designed to protect our business.

Mechanical Tradesperson Tom Baker at Ron Goodin Power Station

Our finances

Territory Generation balances its commitment to Territorians and its shareholders by providing affordable energy while making modest profits which are returned to government.

Our 2022-23 profit was $2.0 million, allowing a dividend recommendation of $1.0 million. This result has been made possible through achievement of $3.5 million efficiency and controllable cost savings targets set by Treasury. These savings are also down to the efforts of our qualified and capable staff. Since our 2014 inception, we have received an unmodified audit opinion, which we believe demonstrates our diligence towards financial reporting and internal control processes.

Despite Territory Generation's impressive recent record, the increasing transition to renewable sources of energy is making it harder for us to make a profit. We must maintain our power generation capabilities to support the reliability of service while an increasing number of homes and businesses switch to solar generation and battery storage. This means that our fixed costs remain constant. However our income is reducing, resulting in a decrease in profits.

This financial year, we carried out a comprehensive review of our direct and indirect costs to achieve a clear understanding of the costs required to run each power station, guide our decisions on what generators to retire to save money, and inform our pricing structure moving forward.

Accessing a generating unit
at Weddell Power Station

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Directors' report

The directors present their report together with the financial report of Power Generation Corporation (the Corporation) for the year ended 30 June 2023 and the Auditor's report thereon. This report is to be read in conjunction with the financial statements of the Corporation.

Directors

The following persons were directors of the Corporation during the financial year and up to the date of this report, unless otherwise stated:

Mr Dennis Bree (Chair)	Non-executive Director
Ms Christine Charles	Non-executive Director
Mr Richard Galton	Non-executive Director

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Corporation during the financial year are:

	Board		Audit & Risk Committee		People, Safety & Environment Committee	
Meeting Attendance	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
D Bree	15	15	4	4	3	3
C Charles	15	13	4	4	3	3
R Galton	15	14	4	4	3	3

Principal activities

The principal activities of the Corporation are to safely, reliably and efficiently generate electricity and to provide system stability and associated services supporting the Northern Territory Governments' transition to 50 per cent renewable energy by 2030 and net zero emissions by 2050.

Review of operations

The Corporation recorded a Net Profit After Tax of $2.0 million (2022: Net Profit After Tax $16.9 million). During the financial year, the Corporation invested $43.6 million (2022: $47.3 million) in its capital investment program.

Overall profits have decreased from previous years due to lower demand and increased inflationary pressures. The Corporation continues to identify and implement process improvements to endeavour to mitigate the rising cost of energy.

The Corporation's operations are subject to environmental regulations under Commonwealth and Territory legislation. The Board believes that the Corporation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environment requirements as they apply to the Corporation.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Corporation during the financial year.

Going Concern

The policy environment supports and accelerates the expected increase in penetration of renewables through government's target of 50 per cent renewable by 2030 and net zero emissions by 2050.

Territory Generation's role through this transition will be to ensure our generators are available and reliable while keeping the costs of transition as low as possible.

The Corporation has carried out an assessment of the going concern assumption. This includes assessing:

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact of current economic conditions

(vi) Forward forecasts and budgets

For the year ended 30 June 2023, the Corporation recorded a Net Profit After Tax of $2.0 million compared to a Net Profit After Tax of $16.9 million for the 2021-22 financial year. The Corporation is forecast to continue to make profits over the next 4 years as reported in the Statement of Corporate Intent 2023-24.

All debt maturing in 2023-24 and in subsequent years of the SCI period is anticipated, to the extent required, to be replaced by new long term debt.

Based on the above assessment performed, there are no material uncertainties that cast significant doubt about the Corporation's ability to continue as a going concern. The Corporation continues to work towards being sustainable and has the continued support of its sole shareholder, the Treasurer.

Accordingly, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Dividends

The Corporation declared and paid a dividend of $8.5 million during the financial year.

Since the end of the financial year, the Directors have declared a dividend of $1.0 million (2022: $8.5 million) to be paid by 23 November 2023.

Future developments

The Corporation continues to contribute to the development of the Northern Territory Electricity Market (NTEM) arrangements. Consultations continue on the structure of the electricity market, as well as reliability standards and ancillary charges.

The continuous growth in solar penetration continues to impact our business as the use of solar energy in most of the major markets reduces market share. The Corporation continues to supply the majority of essential services to the system, potentially leading to increased costs per megawatt hour if overheads are absorbed over a smaller market.

The Corporation has commenced periodic review of it's strategy, with a focus area being renewable generation, particularly in relation to the Darwin-Katherine power system, and identifying how the Corporation will support the Governments objective to achieve 50% Renewable generation by 2030.

The investment into the Corporations future energy fleet in the Darwin-Katherine region is well underway. In May 2020, the Northern Territory Government announced that the Corporation will deliver a large-scale battery for the Darwin-Katherine Interconnect System with expected operation commencing in early 2024. The Corporation has also commenced the development process for a second large scale battery. Additionally, in May 2022, a TM2500 was transported to Channel Island and practical completion is expected in early 2025. We will continue to see smaller, modular, more flexible and renewable fuel capable gas turbines introduced to the Darwin-Katherine System.

In addition to contributing to the 50% renewable target, the major benefits of these projects will include increased stability and reliability of power supply and reduced carbon emissions for the Northern Territory.

Plans to close Ron Goodin Power Station have been delayed due to ensure system security in the region. Critical maintenance activities deferred as part of closure planning have been completed.

Significant stakeholder engagement, supporting studies and other enabling works towards transitioning the Tennant Creek, Yulara and Kings Canyon power stations are progressing with the support of the Commonwealth Government microgrid feasibility studies grant. These studies will inform the pathway to transition each of these sites to achieve the 50% renewable target. Similar studies are also being undertaken for the Alice Springs Power System.

In Alice Springs, the Corporation was engaged by a customer to construct a new single circuit transmission line and substation. Construction was completed in early 2022, with energisation and commissioning planning well progressed.

Apart from the above, there are no developments affecting the operations of the Corporation that, in the opinion of the directors, are likely to significantly impact the Corporation during future financial years.

Subsequent events

In July 2023, the Directors declared a final dividend of $1.0 million payable by 23 November 2023 (2022: $8.5 million).

Aside from the dividend declaration, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2023 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of directors and officers

INDEMNIFICATION

The Northern Territory Government has indemnified the directors of the Corporation from and against all liabilities incurred or arising out of conduct as a director of the Corporation, acting in good faith in compliance with any direction or request made by the Shareholding Minister or the Portfolio Minister of the Corporation or the Board of the Corporation pursuant to the Deed of Indemnity executed by the Northern Territory Government.

The Corporation has, subject to the prohibition in the *Government Owned Corporations Act 2001*, provided an indemnity to the directors of the Corporation from and against civil liability unless the liability arises out of conduct involving a lack of good faith. Liability for costs and expenses incurred by the directors in defending a proceeding, whether civil or criminal, is covered by the Corporation where judgement is given in favour of the directors or the directors are acquitted.

INSURANCE PREMIUMS

The following insurance policies were purchased to cover the directors and officers of the Corporation:

- Personal Accident Insurance
- Directors' and Officers' Liability

ROUNDING OFF

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors.

Dated at Darwin this 26th day of September 2023.

DENNIS BREE
Chair

Directors' declaration

In the opinion of the directors of the Corporation:

(a) The financial statements and notes of the Corporation are in accordance with the *Government Owned Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Corporation as at 30 June 2023 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards.

(b) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Darwin this 26th day of September 2023.

MR DENNIS BREE
Chair

Auditor-General

Independent Auditor's Report to the Board of Directors
Power Generation Corporation

Opinion

I have audited the financial report of Power Generation Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial report including a summary of significant accounting policies, and the Directors' declaration.

In my opinion, the accompanying financial report of Power Generation Corporation is in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2001*, including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Corporation in accordance with the *Government Owned Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	Audit scope response to the Key Audit Matter
Carrying value of property, plant and equipment and calculation of impairment	
Property, plant and equipment totalling \$359.217 million, as disclosed in Note 10 to the financial statements, represents a significant balance. A net asset impairment of \$4.652 million disclosed in the statement of profit or loss and other comprehensive income represents a significant balance.	My audit procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the assets within each cash generating unit; ▪ assessing the consistency of the forecast cash flow to the Board approved five year financial plan documented within the latest Statement of Corporate Intent;

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Key Audit Matter	Audit scope response to the Key Audit Matter
Significant management judgement is applied in determining the value in use of property, plant and equipment and any related impairment adjustment attributable to each cash generating unit. The valuation of property, plant and equipment is a key audit matter due to the complexity in the evaluation of the recoverable amount of the assets which requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Corporation, the utilisation of the relevant assets and the useful lives of property, plant and equipment. The utilisation and useful life of each asset can change significantly as a result of technical innovations or other events.	▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with the Accounting Standards; ▪ performing sensitivity analyses to stress test the key assumptions used in the valuation model around key drivers such as growth rates and discount rates and considering the impact on the recoverable amount from changes in these key assumptions especially in view of the impact of the current economic conditions on the cash flow projections and growth rates; ▪ reviewing the useful lives of assets as determined by management; ▪ reviewing the qualifications and independence of the specialists appointed by the Corporation to undertake the Weighted Average Cost of Capital calculation; and ▪ reviewing the Corporation's framework for determining the recoverable amount relevant to each cash generating unit.

Estimation and valuation of Decommissioning Provision

The provision associated with the Ron Goodin Power Station decommissioning of $6.527 million, as disclosed in Note 15 to the financial statements, represents a significant balance. The estimation of future decommissioning costs requires significant judgement as decommissioning is an evolving activity and there is limited historical precedent against which to benchmark estimated future costs.	My audit procedures included but were not limited to: ▪ assessing the annual review and confirmation of the estimated costs of decommissioning determined by the Corporation's contractor engaged for the project; ▪ reviewing the consistency in the application of the current year's principles and assumptions to the prior year and to the Corporation's accounting policy, as described in Note 1(q) to the financial statements; ▪ reviewing the calculation of the present value of expected future payments of the provision using a pre-tax discount rate that reflect current market assessment of time value of money and the risks specific to the liability; and ▪ checking the mathematical accuracy of the provision calculation and the correct treatment of the movement in the Corporation's books.

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Key Audit Matter	Audit scope response to the Key Audit Matter
Recoverability of deferred tax assets	
The deferred tax assets of $22.797 million, as disclosed at Note 11 to the financial statements, represents a significant balance in the Corporation's financial statements. Recognition of the deferred tax assets is influenced by management's assessment of the ability of the Corporation to realise the asset.	My procedures included but were not limited to: • confirming the accounting treatment applied by the Corporation was consistent with the accounting and taxation advice received and provided by the Corporation and previously subject to audit assessment; and • re-performing the testing on the recoverability of the deferred tax assets and ascertaining that the Corporation's recognition of deferred tax assets attributable to impairment losses is reasonable.
Unbilled Revenue Estimate at year end	
Unbilled generation revenue of $23.475 million, as disclosed in Note 7 to the financial statements, represents an estimate of the value of electricity generated and sent out however not billed as at 30 June 2023. Management's estimate is based upon information provided by the market operator.	My procedures included but were not limited to: ▪ recalculating the unbilled revenue based on the preliminary settlement statements obtained from the market operator; ▪ reviewing the final settlement obtained from the market operator against the preliminary settlement at year end; ▪ reviewing the reconciliation between the information provided by the market operator and the Supervisory Control and Data Acquisition (SCADA) system readings; and ▪ performing a trend analysis of the unbilled revenue.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Corporation's Annual Report for the year ended 30 June 2023, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls as they apply to the Corporation.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report however, future events or conditions may cause the Corporation to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

26 September 2023

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue	3	287,562	291,318
Cost of energy		246,650	227,883
Gross profit		**40,912**	**63,435**
Other income	3	4,974	13,507
Administrative expenses	4	24,571	29,096
Other expenses		2,328	11,096
Impairment expenses	4	4,652	5,319
Finance costs	4	8,601	7,533
Profit before income tax		**5,735**	**23,898**
Income tax expense	5	3,729	6,967
Profit for the year		**2,005**	**16,931**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**2,005**	**16,931**

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	76,708	67,122
Trade and other receivables	7	23,982	23,983
Inventories	8	31,518	29,147
Other current assets	9	1,461	1,520
Total current assets		**133,669**	**121,772**
Non-current assets			
Property, plant and equipment	10	358,157	342,671
Intangible assets	10	1,060	985
Deferred tax asset	11	22,798	19,060
Total non-current assets		**382,015**	**362,716**
Total assets		**515,684**	**484,488**
LIABILITIES			
Current liabilities			
Trade and other payables	12	39,809	36,515
Deferred income	18	4,149	5,002
Current tax payable	13	2,618	5,535
Employee provisions	14	14,694	12,698
Lease Liabilities	19	552	600
Total current liabilities		**61,822**	**60,350**
Non-current liabilities			
Other payables	12	266	-
Employee provisions	14	1,201	1,070
Other provisions	15	6,527	5,771
Deferred tax liabilities	16	5,899	2,273
Deferred income	18	47,056	35,389
Lease Liabilities	19	598	861
Borrowings	17	250,000	230,000
Total non-current liabilities		**311,547**	**275,364**
Total liabilities		**373,369**	**335,714**
Net assets		**142,314**	**148,774**
EQUITY			
Contributed equity	21	213,593	213,593
Reserves	22	107	107
Retained earnings/(deficit)	23	(71,386)	(64,926)
Total equity		**142,314**	**148,774**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2023

	Note	Contributed Equity $'000	Revaluation reserve $'000	Retained Earnings/ (Deficit) $'000	Total Equity $'000
BALANCE AT 1 JULY 2022	21, 22, 23	213,593	107	(64,926)	148,774
Profit for the year		-	-	2,005	2,005
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**2,005**	**2,005**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Asset revaluation		-	-	-	-
Dividend paid or provided		-	-	(8,465)	(8,465)
Balance at 30 June 2023	21, 22, 23	**213,593**	**107**	**(71,386)**	**142,314**
BALANCE AT 1 JULY 2021	21, 22, 23	213,593	107	(76,427)	137,273
Profit for the year		-	-	16,931	16,931
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**16,931**	**16,931**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Asset revaluation		-	-	-	-
Dividend paid or provided		-	-	(5,430)	(5,430)
Balance at 30 June 2022	21, 22, 23	**213,593**	**107**	**(64,926)**	**148,774**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		286,982	305,278
Interest received		1,770	136
Payments to suppliers and employees		(245,894)	(244,645)
Interest paid		(8,559)	(7,282)
Income taxes paid		(6,757)	(29)
Net cash flows from operating activities	24	**27,542**	**53,458**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		160	(432)
Payments for property, plant and equipment		(43,532)	(39,659)
Payments for intangibles		(526)	(380)
Net cash flows used in investing activities		**(43,898)**	**(40,471)**
Cash flows from financing activities			
Increase (decrease) in debt		20,000	-
Dividends paid		(8,465)	(5,430)
Grant received		15,000	1,669
Equity received		-	-
Principal repayment of lease liabilities		(594)	(671)
Net cash flows from/(used in) financing activities		**25,941**	**(4,432)**
Net increase in cash and cash equivalents		9,586	8,555
Cash and cash equivalents at the beginning of the period		67,122	58,567
Cash and cash equivalents at the end of the period	6	**76,708**	**67,122**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2023

CORPORATE INFORMATION

Power Generation Corporation (the Corporation) trading as Territory Generation was established on 29 May 2014 under the *Power Generation Corporation Act 2014 (PGC Act)*.

The Corporation is declared to be a Government Owned Corporation for the purposes of the *Government Owned Corporations Act 2001 (GOC Act)*.

The Board of Directors is responsible to the Shareholding Minister for the financial performance of the Corporation. The financial report was authorised for issue by the directors on 26 September 2023.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) New, revised or amending accounting standards and interpretations adopted

The Corporation has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are mandatory for the current reporting period. No new, revised or amending accounting standard or interpretation has been adopted earlier than the application date as stated in the standard.

Revised standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. None of these are expected to have a material impact on future reporting periods, either because the Corporation does not conduct the types of transactions addressed by the pronouncements or because of the extent to which they may impact the Corporation is not expected to be material.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the GOC Act, as appropriate for profit oriented entities.

The financial statements comprise Power Generation Corporation's financial statements as an individual entity. For the purpose of preparing financial statements, the Corporation is a for-profit entity.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for the assets. Certain assets are carried at their fair value, where the fair value is lower than the historical cost.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Foreign currency translation

The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at financial year-end exchange rates are recognised in profit or loss.

(d) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognises revenue when performance obligations under relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time.

Electricity sales

Revenue is recognised upon billing, as there is a right to invoice, when the customers have consumed the performance obligation of electricity supply. Electricity sales revenue is recognised on measurement of electrical consumption at the metering point, as derived from the information provided by the Market Operator. The transaction price is the contracted price for the electricity consumed during the period. Electricity sales are billed monthly in arrears with 30 day payment terms.

At each balance date, sales and receivables include an amount of sales delivered to customers but not yet billed and recognised as accrued income.

Unbilled revenue

Unbilled revenue is recognised to the extent that the performance obligation has been completed and the revenue can be measured reliably. Therefore, the Corporation has recognised the estimate of the amount of electricity consumed but yet to be billed. Refer Note 2 for further details.

Interest

Interest revenue is accrued on a time basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Government grants

Grants from government received or receivable are recognised as revenue in accordance with *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance* when there is reasonable assurance the Corporation will comply with the conditions attaching to each agreement and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Corporation incurred the related costs for which the grants are intended to use. Any unexpended portion are recognised as deferred income liability.

Grants related to purchase or construction of assets are treated as deferred income and allocated to the income statement over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

Other revenue

Other revenue includes fees for services provided to customers. These fees charged for providing ongoing services are recognised as income over the period the service is provided.

(e) Income tax equivalents

The Corporation is required to make income tax equivalent payments to the Northern Territory Government based on taxable income. It is not liable to pay Commonwealth tax that would be payable were it not a Government Owned Corporation.

Income tax equivalent payments are made pursuant to section 33 of the *GOC Act* and are based on rulings under the National Tax Equivalent Regime (NTER). The NTER gives rise to obligations which reflect in all material aspects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936* and *1997*.

Current tax

The income tax expense for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when:

- it is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are normally settled within 30 days and are carried at amounts due.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The Corporation recognises an allowance for expected credit losses (ECLs) for trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the loan contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. The Corporation considers a trade and other receivables in default when contractual payments are past agreed contract terms, and for receivables not under an agreement, 30 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A trade and other receivables is written off when there is no reasonable expectation of recovering the contractual cash flows.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value using the weighted average cost method, and are impaired accordingly to take into account obsolescence.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Corporation capitalises assets when the asset's life is greater than one year, and the cost is greater than $1,000.

All assets recognised by the Corporation on 1 July 2014 from structural separation of Power and Water Corporation were recognised at fair value. The condition of the assets was assessed and estimates of the remaining useful lives of all assets were calculated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Expenditure on existing assets is capitalised if:

- the service capacity is significantly increased;
- the useful life has increased significantly and permanently from original expectations;
- there has been a significant increase in efficiency or performance;
- a component on the fixed asset register has been replaced; or
- it represents an item of major periodic maintenance where the cyclical inspections are greater than one year and the new asset will be recognised as a component of the parent asset.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria is met. Refer to significant accounting judgements, estimates and assumptions (Note 2) and other provisions (Note 15) for further information about the recognised decommissioning provision.

Depreciation is calculated using the time basis and output/service basis to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Asset class	Depreciation method	Effective life
Buildings	Time basis	10 to 40 years
Plant and equipment	Time basis	2 to 40 years
Prime Movers	Output/service basis	22,000 to 60,000 equivalent operating hours

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount (Note 1(m)).

An item of property, plant and equipment is derecognised upon disposal or where there is no future economic benefit to the Corporation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Capital work in progress (CWIP) represents assets which are under construction/development and have not been completed for their intended use. As such, CWIP is recognised in the balance sheet as an asset but is not depreciated. Once the assets have been completed and are available for intended use, they will be capitalised to one of the above asset classes and depreciation will commence.

Where an asset is acquired at no cost or for nominal value, the cost is recorded at fair value as at the acquisition date.

(k) Leases

Right of Use Assets

Corporation as a lessee

The Corporation leases office buildings and motor vehicles. Lease contracts are typically made for fixed periods of 4 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. The Corporation does not provide residual value guarantees in relation to leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less with no purchase option.

Low value assets are assets with a fair value of $10,000 or less when new and not subject to a sublease arrangement comprising mainly of photocopiers.

Recognition and measurement

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

The Corporation recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site, if any.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Asset class	Effective life
Buildings	5 to 10 years
Motor Vehicles	4 to 7 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset.

The right-of-use assets are subsequently measured at fair value which approximates costs except for those arising from leases that have significantly below-market terms and conditions principally to enable the Corporation to further its objectives and are also subject to impairment.

The right-of-use assets are subject to remeasurement principles consistent with the lease liability including indexation and market rent review that approximates fair value and only revalued where a trigger or event may indicate their carrying amount does not equal fair value.

Lease liabilities

At the commencement date of the lease where the Corporation is the lessee, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments may include fixed payments (including in substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Corporation's leases, the weighted average incremental borrowing rate is used as the incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (such as changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(l) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are amortised on a straight-line basis over their estimated useful lives. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Software has a useful life of 2- 10 years.

(m) Impairment of non-financial assets

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). For Territory Generation each region is not connected and therefore meets the criteria to be identified as a separate CGU.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill (if applicable), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where the Corporation has the discretion to refinance or roll over an obligation for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(p) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on bank overdrafts
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of discounts on provisions.

(q) Provisions

Provisions are recognised when the Corporation has a present (legal or constructive) obligation as a result of a past event, it is probable the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Decommissioning

A decommissioning provision is raised when there is the existence of a present obligation that can be reliably measured. Reliable measurement is taken at the point a reasonable expectation of the remaining useful life of the asset can be determined. The provision is measured as the present value of expected future payments. The expected future payments are discounted to present value using an appropriate discount rate.

(r) Employee benefits

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(s) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on their highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(t) Issued capital

The *GOC Act* requires the Corporation to have share capital to be held by one shareholder only, being the Shareholding Minister, who holds the share on behalf of the Northern Territory Government. The Corporation's constitution specifies the share capital to be one share. No value is assigned to this share.

(u) Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(v) Dividends

Dividends are recognised when declared and at the point in time they become payable to the Government.

(w) Cost of energy

Cost of energy is recognised as those costs directly attributable to the energy sold and includes the costs of electricity generation, materials and associated network connection expenses. Electricity generation costs are those direct costs including generator operation and maintenance, employee expenses, direct facility costs and the contracted purchase price of electricity from third party suppliers.

(x) Rounding of amounts

The Corporation is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Instrument 2016/191 (for rounding in Financial/Directors' reports), issued by ASIC, in relation to "rounding off". Amounts in this report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases the nearest dollar.

(y) Going concern

The policy environment supports and accelerates the expected increase in penetration of renewables through the government's target of 50 per cent renewable by 2030 and net zero emissions by 2050.

Territory Generation's role through this transition will be to ensure our generators are available and reliable while keeping the costs of transition as low as possible.

While factors above will affect the future operation of the Corporation, the Corporation is forecasting continued profits over the next four years. For the year ended 30 June 2023, the Corporation recorded net profit after tax of $2.0 million compared to $16.9 million in 2021-22.

Accordingly, the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Unbilled Revenue

The Corporation recognises an estimate of the amount of electricity consumed but yet to be billed. The estimate is derived from information provided by the Market Operator to all market participants. Refer to Note 7 for more information.

Expected credit losses of trade and other receivables

The Corporation uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by location, customer type).

The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Corporation's trade and other receivables is disclosed in Note 7.

Provision for obsolescence of inventories

The provision for obsolescence of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent consumption experience, the ageing of inventories and other factors that affect inventory obsolescence. Refer to Note 8 for more information.

Estimation of useful lives of assets

The Corporation determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to Note 10 for more information.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The Corporation has not derecognised its Deferred Tax Asset balance during the financial year based on its assessment of future taxable profit. This assessment may change in response to future unexpected events and other factors. Refer to Note 11 for more information.

Employee benefits provision

As discussed in Note 1(r), the liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account. Refer to Note 14 for more information.

Decommissioning provision

The Corporation has recognised a decommissioning provision based on internal and external assessment of the decommissioning of Ron Goodin Power Station (RGPS). This assessment may be subject to future unexpected events and as such may change in response to other factors. The provision is measured at the present value of the estimated future payment using a discount rate. Refer to Note 15 for more information.

RGPS remains operational as a result of the system black in order to provide additional support to the Alice Springs system. Work is underway to determine if it has an ongoing role in the system due to demand growth and maximum temperatures.

Key assumptions used in the calculation of the provision:

- decommissioning cost estimates provided by an external expert adjusted for CPI
- management estimates on the expected remaining useful life

Impairment loss and Impairment reversal

The Corporation has recognised an impairment loss based on an assessment of the recoverable amount of its assets. Determining the recoverable amount requires estimates of the future cash flow, discount rates and other internal and external factors. Refer to Note 10 for more information.

Other key assumptions used in the calculation of the recoverable amounts:

- inflation was calculated using CPI rates as per the 2023-24 Statement of Corporate Intent (SCI)
- a growth rate of 0.0% beyond 2026-27 was used
- market share for each region is detailed in the 2023-24 SCI and has been assumed based on publicly available information.

	2023 $'000	2022 $'000
3. REVENUE		
Revenue - recognised over time		
Electricity sales	283,375	287,985
Deferred grant income	4,186	3,333
	287,562	**291,318**
Other income - recognised at a point in time		
Other income	3,204	13,371
Interest income	1,770	136
	4,974	**13,507**
4. EXPENSES		
Profit/(loss) before income tax includes the following specific expenses:		
(a) ADMINISTRATIVE EXPENSES		
Employee benefits expense	12,398	11,827
Depreciation and amortisation	1,552	2,138
Other administrative costs	10,620	15,131
Total administrative expenses	**24,571**	**29,096**
(b) DEPRECIATION AND AMORTISATION		
Included in cost of energy:		
Property, plant and equipment	21,566	19,908
Intangible assets	358	274
	21,925	**20,182**
Not included in cost of energy:		
Property, plant and equipment	1,461	2,031
Intangible assets	92	106
	1,552	**2,138**
Total depreciation and amortisation	**23,477**	**22,320**
(c) IMPAIRMENT OF ASSETS		
Impairment expense	4,844	5,319
Impairment reversal	(192)	-
Total net impairment of assets	**4,652**	**5,319**
(d) FINANCE COSTS		
Interest and finance charges	8,601	7,533
Total finance costs	**8,601**	**7,533**
(e) EMPLOYEE BENEFITS EXPENSE		
* Employee benefits expense	36,466	36,029
Total employee benefits expense	**36,466**	**36,029**

* Includes all employee-related costs, including those costs that form part of cost of energy and part of administrative expenses.

		2023 $'000	2022 $'000
5.	INCOME TAX EQUIVALENT EXPENSE		
(a)	INCOME TAX EXPENSE		
	Current tax expense	4,425	5,563
	Adjustment recognised for prior periods	(583)	-
	Deferred income tax		
	Movement in deferred tax assets	(3,738)	665
	Movement in deferred tax liabilities	3,625	739
	Total deferred tax (benefit)	**(113)**	**1,404**
	Income tax expense	**3,729**	**6,967**
(b)	RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
	Net profit before tax	5,735	23,898
	Tax expense at the statutory income tax rate of 30%	1,720	7,169
	Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	2,591	(202)
	Adjustment recognised for prior periods	(583)	-
	Current equivalent tax expense	**3,729**	**6,967**
6.	CASH AND CASH EQUIVALENTS		
	Cash at bank	76,708	67,122
	Cash and cash equivalents	**76,708**	**67,122**

A $20 million overdraft facility has been approved from 1 July 2022 and is available to manage short term operational cash requirements.

	2023 $'000	2022 $'000

7. TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Trade receivables	884	898
Less: expected credit losses	(869)	-
	15	**898**
Other receivables		
Unbilled generation	23,475	19,922
Interest receivable	9	43
Other receivables	483	3,120
Total current receivables	**23,982**	**23,983**

Impairment of receivables

No trade receivables are considered to require allowance for expected credit losses.

8. INVENTORIES

	2023 $'000	2022 $'000
Stores and spares	32,131	28,624
Less: Provision for obsolescence	(4,158)	(2,928)
	27,973	25,696
Fuel stocks	3,545	3,452
Total Inventories	**31,518**	**29,147**
Movement in the provision for obsolescence:		
Opening provision for obsolescence	2,928	3,148
Additional provisions recognised during the period	1,230	(220)
Closing provision for obsolescence	**4,158**	**2,928**

9. OTHER CURRENT ASSETS

	2023 $'000	2022 $'000
Prepayments	1,461	1,520
Total other current assets	**1,461**	**1,520**

Prepaid costs greater than $10,000 are recorded in the balance sheet and released over the relevant period.

		2023 $'000	2022 $'000
10.	**PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES**		
(a)	SUMMARY		
	Property, plant and equipment		
	Land	1,326	1,326
	Less: Accumulated impairment	(481)	(479)
		845	**847**
	Buildings	70,032	69,985
	Less: Accumulated depreciation and impairment	(35,293)	(33,158)
		34,739	**36,827**
	Plant and Equipment	518,093	489,004
	Less: Accumulated depreciation and impairment	(275,896)	(259,550)
		242,197	**229,454**
	Right of Use Assets	2,754	3,371
	Less: Accumulated amortisation	(1,646)	(1,951)
		1,108	**1,420**
	Assets under construction- net of accumulated impairment of $3.9 million (2022: $2.4 million)	**79,267**	**74,123**
	Total property, plant and equipment	**358,157**	**342,671**
	Intangibles	6,261	5,736
	Less: Accumulated amortisation and impairment	(5,201)	(4,751)
	Total intangibles	**1,060**	**985**
	Total property, plant, equipment and intangibles	**359,217**	**343,656**

Reconciliations of the movement in carrying amounts at the beginning and end of the financial year are set out below:

(b) RECONCILIATIONS

	Land and Buildings $'000	Plant and Equipment $'000	Intangibles $'000	Right of Use $'000	Assets under Construction $'000	Total $'000
Net Carrying amounts						
Opening balance at 1 July 2021	40,043	250,362	986	2,002	31,006	324,399
Adjustments	-	(93)	93	-	-	-
Additions	-	292	-	185	46,867	47,344
Capitalisation	258	841	287	-	(1,386)	-
Disposals	-	(433)	-	(32)	-	(465)
Impairment of assets (Note 4c)	(495)	(2,460)	-	-	(2,364)	(5,319)
Depreciation expense (Note 4b)	(2,132)	(19,055)	(380)	(735)	-	(22,302)
Closing balance at 30 June 2022	**37,674**	**229,454**	**985**	**1,420**	**74,123**	**343,656**
Opening balance at 1 July 2022	37,674	229,454	985	1,420	74,123	343,656
Additions	-	50	-	255	43,832	44,137
Capitalisation	47	34,198	526	-	(34,771)	-
Disposals	-	(401)	-	29	-	(373)
Impairment Transfer from CWIP on Assets Capitalised	-	(73)	-	-	-	(73)
Impairment of assets (Note 4c)	(191)	(736)	-	-	(3,917)	(4,844)
Reversal of previous impairment of assets (Note 4c)	14	178	-	-	-	192
Depreciation expense (Note 4b)	(1,960)	(20,471)	(450)	(595)	-	(23,477)
Closing balance at 30 June 2023	**35,583**	**242,197**	**1,060**	**1,108**	**79,268**	**359,217**
Net Carrying Amounts						
At 30 June 2022	37,674	229,454	985	1,420	74,123	343,656
At 30 June 2023	**35,583**	**242,197**	**1,060**	**1,108**	**79,268**	**359,217**

Impairment loss

Wholesale prices approved by the Shareholding Minister and the continuing loss of market share triggered the impairment of assets. An additonal impairment loss of $4.8 million (2022: $5.3 million) was recognised as the carrying amounts of the assets exceeded their recoverable amounts.

Impairment losses were applied to the assets on a pro-rata basis in the following regions:

	2023 $'000	2022 $'000
Darwin-Katherine Region	-	1,326
Alice Springs Region	-	-
Tennant Creek Region	939	1,703
Yulara Region	3,905	2,289
Kings Canyon Region	-	-
Total	**4,844**	**5,319**

Impairment reversal

Impairment reversals of $0.2 million (2022: $Nil) were applied to assets on a pro-rata basis in the following regions:

	2023 $'000	2022 $'000
Darwin-Katherine Region	-	-
Alice Springs Region	-	-
Tennant Creek Region	-	-
Yulara Region	-	-
Kings Canyon Region	192	-
Total	**192**	**-**

	2023 $'000	2022 $'000
11. DEFERRED TAX ASSETS		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit and loss:		
Employee provisions	4,706	4,089
Other provisions	1,222	1,158
Obsolete stock provision	1,247	878
Deferred grant income	15,361	12,117
Allowance for doubtful debts	261	-
Tax losses carried forward	-	818
Deferred tax assets	**22,797**	**19,060**
Movements:		
Opening deferred tax assets	19,060	19,725
Credited/(charged) to profit or loss	3,738	(665)
Closing deferred tax assets	**22,797**	**19,060**
Deferred tax liabilities- refer Note 16	5,899	2,273
Net deferred tax assets	**16,898**	**16,787**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of impairment losses, or on the reversal of previously impaired assets under construction, because it is not probable that future taxable profit will be available against which the Corporation can utilise the benefits.

Impairment Losses	31,614	30,439
	31,614	**30,439**

	2023 $'000	2022 $'000
12. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	15,467	13,290
Other creditors and accruals	11,034	12,370
Energy accruals	13,308	10,856
	39,809	**36,515**
Non-current		
Other non-current payables	266	-
	266	**-**

The policy of the Corporation is to settle current trade payables within 30 days. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. CURRENT TAX PAYABLE		
Provision for income tax	2,618	5,535
Current tax payable	**2,618**	**5,535**
14. EMPLOYEE PROVISIONS		
Current		
Employee benefits	14,694	12,698
	14,694	**12,698**
Non-current		
Employee benefits	1,201	1,070
	1,201	**1,070**

Employee benefits include amounts for recreation leave, long service leave and related on costs.
It is expected that recreation leave earned should be settled within 12 months.

15. OTHER PROVISIONS		
Decommissioning		
Opening decommissioning provision	5,771	5,356
Changes in net present value	756	415
Closing decommissioning provision	**6,527**	**5,771**

The decommissioning provision has been recognised due to the existence of a present obligation for the rectification of the operating site at Ron Goodin Power Station which is coming to the end of its useful life. The decommissioning provision has been adjusted for the time value of money based on its estimated future payments.

		2023 $'000	2022 $'000
16.	DEFERRED TAX LIABILITIES		
	Deferred tax liability comprises temporary differences attributable to:		
	Amounts recognised in profit or loss:		
	Property, plant and equipment	5,899	2,260
	Interest	-	13
	Deferred tax liabilities	**5,899**	**2,273**
	Movements:		
	Opening deferred tax liability	2,273	1,534
	Charged/(credited) to profit or loss	3,626	739
	Closing deferred tax liabilities	**5,899**	**2,273**
17.	BORROWINGS		
	Non-current		
	Northern Territory Government loans- unsecured	250,000	230,000
		250,000	**230,000**

The loans have been classified as non-current as the Corporation has the discretion to roll over the maturing loans for at least twelve months after the reporting period.

Refer to Note 1(o) Borrowings, Note 25(f) Interest rate risk and Note 25(h) Liquidity risk.

18.	DEFERRED INCOME		
	Current	4,149	5,002
	Non-current	47,056	35,389
		51,204	**40,391**

The Corporation has received three grants recognised as deferred income:

1. Financial year 2016-17: $50 million (capital grant) towards the construction of Alice Springs and Tennant Creek power stations. A portion of the deferred income has been annually allocated to the Corporation's statement of profit or loss and other comprehensive income after construction was completed during the 2018-19 financial year.
2. Financial year 2021-22: $2.88 million to evaluate the feasibility of microgrids in regional and remote communities. A portion of the deferred income was allocated to the Corporation's statement of profit or loss and other comprehensive income during the year.
3. Financial year 2022-23: $15 million (capital grant) towards the construction of the Darwin-Katherine Battery Storage System. Once completed, the deferred income will be realised similarly to grant 1 above.

	2023 $'000	2022 $'000

19. LEASE LIABILITIES

Leasing arrangements

The Corporation leases motor vehicles and buildings throughout the Northern Territory. The lease terms vary between 1 and 10 years.

The Corporation lease liabilities consisted of:

	2023 $'000	2022 $'000
Current		
Lease Liabilities	552	600
Non-current		
Lease Liabilities	598	861
Total	**1,150**	**1,461**
The following table presents liabilities under leases for 2022-23:		
Balance at 1 July 2022	1,461	1,963
Additions/re-measurements	255	186
Interest expenses	54	78
Payments	(618)	(766)
Balance at 30 June 2023	**1,150**	**1,461**

Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying value.

	2023 $'000	2022 $'000
20. ISSUED CAPITAL		
Share capital		
1 Share	-	-
Total share capital	**-**	**-**
Refer to Note 1(t) Issued Capital.		
21. CONTRIBUTED EQUITY		
Contributed equity at beginning of the year	213,593	213,593
Contributed equity during the year	-	-
Contributed equity at end of the year	**213,593**	**213,593**

The original contributed equity of $183.593 million was the result of the capital structure of the Corporation approved by the Shareholding Minister with regard to the fair value of its acquired asset base and an appropriate debt level. An additional $30 million has been contributed by shareholders since inception of the Corporation.

22. RESERVES		
Balance at beginning of the year	107	107
Movement for the year	-	-
Balance at end of the year	**107**	**107**

A parcel of land in Alice Springs that was allocated to the Corporation upon separation from Power and Water Corporation was revalued from its originally allocated value of $1 to $107,000 based on its fair value from its long term lease arrangement.

23. RETAINED EARNINGS		
Retained earnings /(deficit) at beginning of the year	(64,926)	(76,427)
Total comprehensive income (loss) for the year	2,005	16,931
Dividends paid	8,465	(5,430)
Retained earnings/(deficit) at end of the year	**(71,386)**	**(64,926)**

	2023 $'000	2022 $'000
24. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES		
Profit/(loss) after income tax expense for the year	2,005	16,931
Adjustments for:		
Depreciation and amortisation	23,477	22,320
Net loss on disposal of non-current assets	239	432
Doubtful debts expense	869	-
Net impairment of assets	4,652	5,319
Changes in assets and liabilities:		
Decrease/(increase) in:		
Trade, other receivables and other current assets	(323)	2,361
Inventories	(2,371)	1,178
Increase/(decrease) in:		
Trade and other payables	872	340
Energy accruals	2,452	578
Provisions	2,883	393
Deferred income	(4,186)	(3,333)
Taxation liabilities	(3,028)	6,939
Net cash flows from operating activities	**27,542**	**53,458**

25. FINANCIAL INSTRUMENTS

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES

The Corporation's activities expose it to a variety of financial risks including market risk, foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk.

Risk management is carried out by the senior executives under policies approved by the board of directors. These policies include identification and analysis of the risk exposure of the Corporation and appropriate procedures, controls and risk limits.

The main purpose of these financial instruments is to raise finance for the Corporation's operations. The Corporation has various other financial instruments such as trade receivables and trade payables. It is the Corporation's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Corporation's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

(b) MARKET RISK

Recent market reforms have exposed the Corporation to competition and potential loss of market share.

The Corporation is focused on developing performance and cost efficiencies across its operations in order to mitigate the business impact of increasing competition.

(c) EFFICIENCY RISK

The Corporation is exposed to the risk of running its plant inefficiently to manage electricity network system integrity issues. This includes risks such as inefficient or uneconomic system dispatch, additional spinning reserve, and running inefficient plant to provide inertia to the system.

(d) FOREIGN CURRENCY RISK

The Corporation undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Corporation manages foreign currency exposure on a case by case basis, with future foreign currency commitments also considering potential exchange rate volatility . The Corporation has the ability to enter forward exchange rate contracts, or alternatively purchase foreign currency at current rates to meet future commitments.

The carrying amount of the Corporation's foreign currency denominated monetary liabilities at the reporting date was $0.0 million (2022: $0.0 million)

Foreign currency contracts - cash flow hedges

In order to protect against exchange rate movements and to manage the cost of construction, the Corporation at times enters into forward exchange contracts to purchase US Dollars and GBP. These contracts hedge highly probable forecast payments timed to mature, including rollover strategy, when payments are scheduled to be made.

At the reporting date, there are no current hedging contracts.

(e) PRICE RISK

The Corporation manages price risk by aligning the terms of the wholesale electricity sales agreements with its market participants and fuel purchase agreements with its suppliers. As the individual agreements are considered to be commercial-in-confidence, a sensitivity on these risks is not able to be presented.

(f) INTEREST RATE RISK

The Corporation's exposure to the risk of changes in market interest rates relates to the long-term debt obligations to the Northern Territory Government. The loans are interest only based on fixed interest rates and the Corporation is exposed to interest rate risk when there are interest rate resets only upon expiry and refinancing of the fixed rate terms.

The following table shows the Corporation's debt and interest obligations to the Northern Territory Government:

	2023		2022	
	Fixed Rate Loans	Average Interest Rate	Fixed Rate Loans	Average Interest Rate
Remaining loan term	**$'000**	**%**	**$'000**	**%**
0- 1 year	49,000	3.15	34,000	3.64
1 to 2 years	50,000	3.09	-	-
2 to 5 years	151,000	4.24	196,000	3.15
Over 5 years	-	-	-	-
	250,000	**3.49**	**230,000**	**3.39**

* See also Note 17. The maturity analysis of loans from Northern Territory Treasury Corporation is based on its current loans agreement.

Cash flow sensitivity analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and pre-tax profit and loss by the amount shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss		Equity Net of Tax	
Effect in $'000	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
30 June 2023	-2,500	2,500	-1,750	1,750
30 June 2022	-2,300	2,300	-1,610	1,610

(g) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The maximum exposure to credit risk at the reporting date to recognise financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Corporation does not hold any collateral.

New and existing customers are evaluated for credit risk, with the Corporation actively monitoring the appropriateness of credit limits, and clear accountability for customer relationships established. Ageing analysis is regularly undertaken for all customers to understand and mitigate credit risk.

(h) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Corporation's objective is to maintain cash to meet its liquidity requirements for 30 day periods. This objective was met for the period.

The Corporation's existing cash resources include an approval for a $20 million overdraft, the discretion to roll over loans on maturity, and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables less any allowance for doubtful debts, are all contractually due within six months.

Liability Maturity Analysis				
Non-derivatives	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2022-23	$'000	$'000	$'000	$'000
Non-interest bearing				
Trade and other payables	39,809	-	-	-
Interest bearing - fixed rate				
Loans from Northern Territory Treasury Corporation	49,000	50,000	151,000	-
Total	**88,809**	**50,000**	**151,000**	**-**

Non-derivatives	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2021-22	$'000	$'000	$'000	$'000
Non-interest bearing				
Trade and other payables	36,515	-	-	-
Interest bearing - fixed rate				
Loans from Northern Territory Treasury Corporation	34,000	-	196,000	-
Total	**70,515**	**-**	**196,000**	**-**

* See also Note 17. The maturity analysis of loans from Northern Territory Treasury Corporation is based on its current loans agreement.

(i) CAPITAL RISK MANAGEMENT

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide benefits for stakeholders.

The capital structure of the Corporation consists of debt, which includes borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising of contributed equity and retained earnings as disclosed in Notes 21 and 23 respectively.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, increase borrowings, reduce debt from operating cash flows or sell assets to reduce debt.

Operating cash flows are used to maintain and expand the Corporation's assets, as well as to meet routine outflows of tax, dividends and servicing of debt.

The Corporation's policy is to borrow centrally using facilities provided by Northern Territory Treasury Corporation to meet anticipated funding requirements.

The Corporation is not subject to any externally imposed capital requirements.

		2023 $'000	2022 $'000
26.	COMMITMENTS		
	Committed at the reporting date but not recognised as liabilities, payable:		
	Capital commitments - payable:		
	Within one year	22,528	22,977
	One to five years	5,620	416
	More than five years	-	-
		28,148	**23,393**
	Operating commitments - payable:		
	Within one year	990	630
	One to five years	330	1,470
	More than five years	-	-
		1,320	**2,100**
27.	AUDITOR'S REMUNERATION		
	Audit services:		
	Auditors of the Corporation- Northern Territory Auditor-General	175	157
		175	**157**

28. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of non-executive directors

Remuneration of directors is determined by the Shareholding Minister under section 24 of the GOC Act.

The following table provides the details of all non-executive directors of the Corporation and the nature and amount of the elements of their remuneration:

Non-executive directors		Fees $	Superannuation $	Total $
Mr Dennis Bree	2023	95,407	10,018	105,425
	2022	95,407	9,541	104,948
Ms Christine Charles	2023	60,226	6,324	66,550
	2022	60,226	6,023	66,249
Mr Richard Galton	2023	60,226	6,324	66,550
	2022	60,226	6,023	66,249
Total non-executive directors	2023	**215,859**	**22,665**	**238,525**
	2022	**215,859**	**21,587**	**237,446**

No termination benefits were paid to non-executive directors during the year.

Remuneration of key management personnel

Compensation levels are competitively set to attract and retain appropriately qualified and experienced senior executives.

The following table shows the aggregate compensation made to key management personnel of the Corporation:

		2023 $	2022 $
(i)	Short-term employee benefits	1,653,920	1,616,429
(ii)	Post-employment benefits	147,792	125,423
(iii)	Long-term benefits	25,507	(53,011)
	Total compensation of key management personnel	**1,827,219**	**1,688,841**

Executive officers are those officers who are involved in the strategic direction, general management or control of the business at Corporation or business division level.

(i) Short-term employee benefits refer to salary and wages and annual leave paid or accrued during the financial year.

(ii) Post-employment benefits refer to superannuation contributions made or accrued during the financial year.

(iii) Long-term benefits refer to long service leave paid or accrued during the financial year.

Other transactions with key management personnel

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Corporation since the commencement of the Corporation and there were no material contracts involving their interests existing at year end.

29. RELATED PARTY INFORMATION

The parent entity of the Corporation is the Northern Territory Government, which at 30 June 2023 owned 100% (2022: 100%) of the issued capital of Power Generation Corporation. This single share is held by the Shareholding Minister on behalf of the Northern Territory.

The Corporation has related party transactions with its parent entity (includes other agencies and departments of the Northern Territory Government). All financial transactions between the Corporation and related parties are on arm's length normal market terms.

Transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The Corporation is the predominant supplier of wholesale electricity in the Northern Territory.

		Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
Related Party					
The parent entity including all entities that are associated with the parent entity	2022	279,440	159,244	18,220	240,754
	2023	269,395	163,893	20,789	263,875

As at 30 June 2023 related party transactions of the Corporation included: .
supply of gas from Power and Water Corporation;

- services provided by the Department of Corporate and Digital Development under a Service Level Agreement;
- borrowings from the Northern Territory Treasury Corporation;
- provision of wholesale electricity to Jacana Energy; and
- provision of wholesale electricity and associated services to Power and Water Corporation.

30. CONTINGENT ASSETS AND LIABILITIES

(a) CONTINGENT ASSETS AND LIABILITIES

Various contractual disputes, including those involving ordinary routine matters to which the Corporation is a party, are pending or have been asserted against the Corporation. The wide variety and nature of the individual cases and the uncertainty of any potential liability or asset means that no value can be attributed to individual cases until the matters are resolved.

31. SUBSEQUENT EVENTS

Since the end of the financial year, the Directors have declared a dividend of $1.0 million (2022: $8.5 million) to be paid by 23 November 2023.

Apart from the dividend noted in the Directors' report, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2023 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation in future financial years.

Glossary

AASB	Australian Accounting Standards Board
BESS	Battery Energy Storage System
CCTV	Closed Circuit Television
CGUS	Cash Generating Units
CIPS	Channel Island Power Station
CO_2	Carbon dioxide
CPI	Consumer Price Index
DKIS	Darwin-Katherine Interconnected System
ESS	Essential system services
FTE	Full time equivalent
GCC	Generation Consultative Committee
GOC	Government Owned Corporation
GST	Goods & Services Tax
GWh	Gigawatt-hour
HSR	Health and safety committee representatives
HV	High voltage
ICAM	Incident Cause Analysis Method
IMT	Incident management team
KCPS	Kings Canyon Power Station
KPI	Key Performance Indicator
KPS	Katherine Power Station
KRA	Key Result Area
LED	Light-emitting diode
LMS	LMS Landfill Management Services Pty Ltd (Shoal Bay)
LNG	Liquefied Natural Gas
LTI	Lost time injury
M	Million
MW	Megawatt
MWh	Megawatt-hour
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
NT	Northern Territory
NTG	Northern Territory Government
NTEM	Northern Territory Electricity Market
NTER	National Tax Equivalent Regime
OMT	Operator Maintainer Technician
OSPS	Owen Springs Power Station
PAT	Process Area Team
PGC Act	Power Generation Corporation Act 2014
PPA	Power Purchase Agreement
PPE	Personal protective equipment
PV	Photovoltaic
PWC	Power and Water Corporation
RGPS	Ron Goodin Power Station
ROC	Remote Operations Centre
SAMP	Strategic Asset Management Plan
SCI	Statement of Corporate Intent
TCPS	Tennant Creek Power Station
TGen	Territory Generation
WHS	Workplace Health and Safety
WLF	Women Leaders Forum
WPS	Weddell Power Station
YPS	Yulara Power Station

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