



POWER GENERATION CORPORATION

(Trading as Territory Generation)

2016 – 17 Statement of Corporate Intent

May 2016

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Glossary

Acronym	Meaning
CIPS	Channel Island Power Station
CPI	Consumer Price Index
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FTE	Full Time Equivalent
GOC	Government Owned Corporation
GWh	Gigawatt-hour
HR	Human Resources
IR	Industrial Relations
IT	Information Technology
KCPS	Kings Canyon Power Station
KPI	Key Performance Indicator
KPS	Katherine Power Station
KRA	Key Result Area
LNG	Liquefied Natural Gas
LTI	Lost Time Injury
M	Million
MW	Megawatt
MWh	Megawatt-hour
NPAT	Net Profit After Tax
N-2	Planning to ensure that the generation system can withstand the loss of the 2 largest single units in any of the regions
NT	Northern Territory
OSPS	Owen Springs Power Station
PGC Act	Power Generation Corporation Act 2014
PPA	Power Purchase Agreement
PWC	Power and Water Corporation
R&M	Repairs and Maintenance
RGPS	Ron Goodin Power Station
RoA	Return on Assets
RoE	Return on Equity
SCADA	Supervisory Control And Data Acquisition
SCI	Statement of Corporate Intent
TCPS	Tennant Creek Power Station
WEM	Wholesale Electricity Market
WHS	Workplace Health and Safety
WPS	Weddell Power Station
YPS	Yulara Power Station

1 Executive Summary

Territory Generation commenced operations on 1 July 2014 out of the restructure of the electricity industry in the Northern Territory (NT). Territory Generation owns 582MW of generation assets and it currently has agreements to purchase a further 37MW of capacity from a number of smaller, independent power producers.

This document is Territory Generation's second Statement of Corporate Intent (SCI) which builds on the foundation outlined in last year's inaugural SCI. The long term strategic direction of the business remains unchanged, however due to some good progress made and also the need to respond to changing external factors, there is a slight shift of emphasis in some areas.

Performance over the last year has been very positive, with the following key strategic developments over the period:

- Implemented a root and branch review of safe systems of work processes including permit to work and contractor safety management systems
- The business has successfully separated from Power and Water Corporation (PWC) and operates independently. The functional transformation objective identified in last year's plan has been successfully implemented and the business now has its own stand-alone, fit for purpose IT systems and business processes.
- The business' first wholesale pricing schedule was released to customers for implementation on 1 July 2015 and included a significant price reduction for the Darwin/Katherine region. This price is also proposed to remain flat in nominal terms for the first three years which reflects the Corporation's confidence that it can achieve planned cost efficiencies.
- Financial performance in the first year of operation has been solid and key financial targets have been met. The business' financial systems and processes have been well established and are robust, which has been underscored by a positive external audit outcome.
- A short term gas supply agreement was executed with PWC. However, a longer term agreement is still to be finalised and this presents a significant risk as it is the most significant input cost for the business.
- The potential for new entry in the Darwin/Katherine market continues to pose a significant threat to the business and its commercial performance. Good progress has been made with the development and implementation of a number of key strategic initiatives identified last year to enhance efficiency and reliability of core business operations. However, this work is ongoing and remains a high priority.
- The Ron Goodin power station is nearing the end of its useful economic life and following approval by the shareholding Minister, work has commenced on building 41MW of new capacity at the Owen Springs power station site. Approval has also been received to proceed with augmentation of the Tennant Creek power station that will see 7.5MW of new plant constructed and the decommissioning of 6.5MW of old plant. Due to business value created through these initiatives, there is scope to reduce wholesale prices in these regions in the future.
- The organisational structure of the business has been reviewed and aligned with the Corporation's strategy. A number of personnel have been recruited or transferred into key roles and there has been very good progress made enhancing our culture in alignment with our business values.

The Corporation's vision is:

To be the trusted and respected employer and electricity generation business of choice.

These words have been carefully chosen and they mean:

- Safety will be universally recognised as the Corporation's highest priority.
- The business will be known for being reliable, efficient and available when required.
- The business will be a commercial organisation that is highly efficient and sustainable.
- The expectations of customers will be exceeded.
- The business will be competitive with other players in the market.
- The business will be an employer of choice.

Territory Generation is on a journey toward achievement of its vision that commenced last year with a new strategic pathway. The key drivers of change occurring in the external business landscape include the impending development of a new wholesale electricity market, significantly reducing forecast demand in all regions due to increased penetration of rooftop solar, and the threat of competition in the Darwin/Katherine market. In response, Territory Generation must continue its drive toward becoming more efficient and reliable and also develop and implement operational business models that are flexible, streamlined and innovative to position the business well for the future.

The need to change is not driven solely by competition. Territory Generation has a responsibility to its stakeholders (including the shareholder, customers and the community) to produce electricity as cost efficiently, efficiently and reliably as possible.

The key challenges faced by Territory Generation in achieving our strategic financial objectives are

- Decreasing energy sales from traditional markets due to increasing penetration of roof top and industrial commercial solar installations combined with end use customer focussing on energy efficiency.
- Uncertainty in regard to fuel pricing in the medium to long term. Fuel costs represent 60% of Territory Generation's operating costs.

In addition, Territory Generation has responsibilities as the generator of last resort in the Northern Territory, which adds significant capital and operational costs to the business. These responsibilities include carrying spinning reserve as well as sufficient redundant capacity in all markets to contribute to ensuring security of continuous operation of the electricity system. These responsibilities are reflected in the mission/purpose statement, which is:

Safely, efficiently and reliably generate electricity to sustainably contribute to the lifestyle and development of the Northern Territory.

A set of values has been developed that underpin the way staff will work with each other and the way business will be conducted and these are denoted by the acronym **FIRST**:

Focus, Integrity, Respect, Safety, Teamwork

There are six Key Result Areas (KRAs) that define the vision, as outlined below:

KRAs	Objectives (Within 5 years)
Safety	<ul style="list-style-type: none"> We will have an embedded behavioural based safety culture, where safety is at the core of everything we do.
Finance	<ul style="list-style-type: none"> We will provide a minimum average return on equity of 10% pa to our shareholder. Revenue from non-traditional sources will be a minimum of 5% of total revenue.
Customer	<ul style="list-style-type: none"> We will be known to be a trusted, reliable and competitive supplier, delivering quality products and services. We will have a diversified energy related product/service portfolio and customer base.
Sustainability	<ul style="list-style-type: none"> We will have a sustainability reporting framework and system that delivers environmental and sustainability improvements. We will reduce our environmental footprint from 2015 normal operational levels by 5%.
Internal Processes	<ul style="list-style-type: none"> We will be efficient, sustainable and competitive in providing products and services that meet our customers' needs.
People and Culture	<ul style="list-style-type: none"> We will have a corporate culture that attracts, retains and grows people aligned with Territory Generation's vision and values.

A number of actions have been identified for 2016/17 that will collectively deliver the outcomes required to achieve the objectives above. The key actions include the following:

- Developing and implementing safety leadership and behavioural-based plans.
- Developing and implementing a financial management reporting framework and financial training and leadership programs.
- Undertaking analysis of growth opportunities and implementing customer satisfaction surveys.
- Developing an environmental improvement plan and an annual sustainability report.
- Developing and implementing a strategic asset management plan and strategy
- Implementing a remote operations centre and developing market and trading systems and processes.
- Completing significant capital works investments at Owen Springs and Tennant Creek power stations.
- Implementing a leadership development program and an integrated performance planning system.

A high level implementation plan has been developed for every action to identify key activities, timing and resource requirements, and these plans will be reviewed periodically to monitor progress.

2 Introduction

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

The Corporation is a Government Owned Corporation (or GOC) under the *Government Owned Corporations Act* (GOC Act). In accordance with the GOC Act, the Corporation's board of directors (Board) is:

- responsible for the operation of the Corporation; and
- accountable to the shareholding Minister for the financial performance of the Corporation.

Power Generation Corporation is trading as "Territory Generation".

Territory Generation's Board is required to provide an agreed SCI each financial year under Section 39 of the GOC Act.

Section 40 of that Act provides that the SCI must specify, in respect of the financial year to which it relates and each of the two following financial years, the following information:

- the objectives of the Corporation;
- the nature and scope of the activities to be undertaken by the Corporation;
- the material risks faced by the Corporation;
- the strategies to minimise the material risks faced by the Corporation;
- the strategies to improve the financial performance of the Corporation;
- the approved capital investment plans of the Corporation;
- the financial targets and other measures by which the performance of the Corporation may be judged;
- the accounting policies to be applied in the accounts of the Corporation; and
- any other matter that may be agreed on by the shareholding Minister and Territory Generation's Board of Directors.

3 Overview of the Corporation

3.1 Overview

3.1.1 History

The Power Generation Corporation, trading as Territory Generation, was established under the PGC Act and a new Board was formed on 29 May 2014. By way of transfer regulations made under the GOC Act, the assets were transferred from Power and Water Corporation (PWC) to Territory Generation, and operations commenced on 1 July 2014, with the CEO appointed on 21 July 2014.

The structural separation of PWC's monopoly and contestable businesses into three standalone GOCs forms part of the Territory Government's reform program that is designed to remove inefficiencies and more effectively restrain costs and prices in the Territory's electricity supply industry.

To this end, the reform program seeks to improve the competitive environment for the generation, supply and sale of electricity by establishing a range of pro-competitive measures.

As they relate to Territory Generation, the current reforms are designed to provide for more effective and accountable management of the Government owned power generation business, and improve incentives for the business to operate efficiently and sustainably.

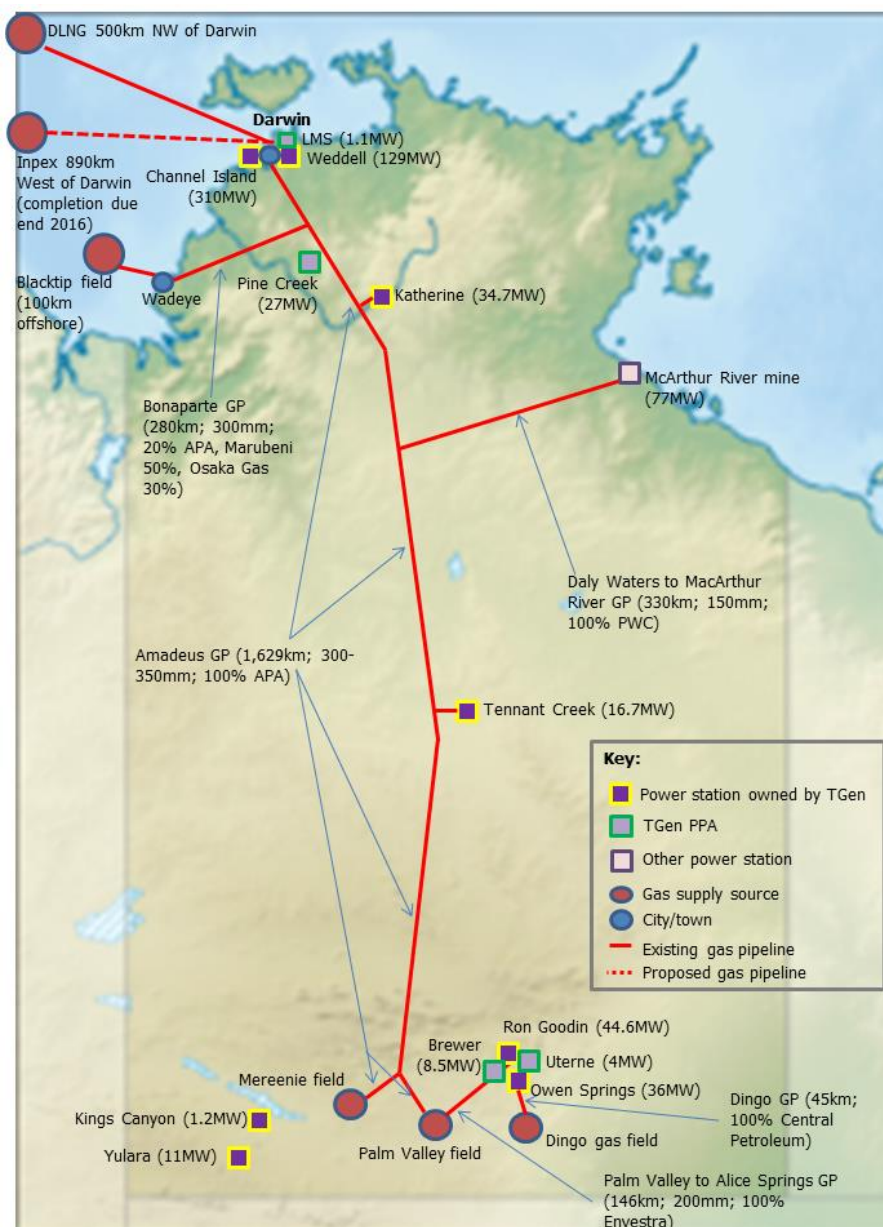
3.1.2 Assets

Territory Generation owns and operates the following generation facilities:

Region/ Location	Engine	Age	Total Capacity (MW)
Darwin/Katherine Region			
Channel Island	8 turbine sets (gas or diesel) and 1 heat recovery steam turbine	6 sets 29 years old, 1 set 15 years old, and 2 sets 4 years old	310.0
Weddell	3 turbine sets (gas)	2 sets 7 years old and 1 set 2 years old	129.0
Katherine	4 turbine sets (gas or diesel)	3 sets 28 years old, 1 set 3 years old	34.7
Total			473.7
Alice Springs Region			
Ron Goodin	8 reciprocating sets (2 diesel only, 6 gas or diesel) and 1 turbine (gas or diesel)	4 sets between 40-50 years old, 5 sets between 30-40 years old	42.5
Owen Springs	3 reciprocating sets (gas or diesel) and 1 turbine (gas or diesel)	3 sets 4 years old, 1 set 11 years old	37.0
Total			79.5
Other Regions			
Tennant Creek	11 reciprocating sets (5 gas, 6 diesel) and 1 turbine (gas)	5 sets 30+ years old, 5 sets 15 years old, 2 sets between 6-10 years	16.5

	or diesel)	including 1 engine replacement last year.	
Yulara	10 reciprocating sets (4 gas, 5 diesel, and 1 gas or diesel)	3 sets between 25-30 years old, 4 sets 15 years old, 3 sets less than 8 years old	11.2
Kings Canyon	3 reciprocating sets (diesel), 1 solar set	3 reciprocating sets 6 years old, solar set 12 years old	1.3
Total			29.0
Grand Total			582.2

The stylised map below shows the locations of the Corporation’s key power station assets and related gas supply infrastructure.



In summary, the Corporation's assets are of variable quality. Some of the plant is very old and obsolete requiring additional maintenance and employee support. While some of the other plant and units are quite new, there is little uniformity of the type of plant and equipment. The implications of this are:

- The overall efficiency and reliability of the plant is not satisfactory. Some plant needs to be enhanced and optimised to meet new entrant pricing.
- There are generally increased maintenance, fuel costs and employee support requirements for the older plant.
- The Corporation is inhibited in its ability to obtain synergies with spares across the fleet.
- The diversity of equipment inhibits resource mobility and knowledge sharing across all regions.

3.1.3 Power Purchase Agreements (PPAs)

Territory Generation has four PPAs with third parties, as follows:

- Pine Creek - the Pine Creek power station is located in the Darwin/Katherine region and is owned by EDL NGD Pty Ltd. The power station has 26.6MW of combined cycle natural gas generating capacity. The current PPA contract is due to come to an end during the SCI period, and if not renewed or extended they may become a competitor to Territory Generation.
- LMS Shoal Bay - the LMS Shoal Bay power station is located in the Darwin/Katherine region and it is owned by Landfill Management Services Pty Ltd. The power station has 1.1MW of landfill gas generating capacity. The current PPA contract is due to finish outside the SCI period.
- Brewer – the Brewer power station is located in the Alice Springs region and it is owned by Central Energy Power Pty Ltd. The power station has 8MW of natural gas generating capacity. The current PPA contract is due to come to an end during the SCI period.
- Uterne - Uterne is a solar power station located in the Alice Springs region and it is owned by Uterne Power Plant Pty Ltd. The power station has 4MW of solar generating capacity. The current PPA contract is due to finish outside the SCI period.

The PPA contracts are subject to confidentiality agreements so details cannot be disclosed. The Pine Creek and Brewer PPAs are due to expire and the Corporation is assessing the commercial implications, including whether or not to seek to extend them.

3.1.4 Gas Supply

Territory Generation has a three year gas supply contract with PWC which concludes on 30 June 2018. The Corporation is currently seeking to negotiate a long term gas supply agreement with PWC for supply beyond this date.

PWC also supplies emergency gas through its contract with DLNG and Territory Generation pays for this gas as required.

The key strategic implications arising from the current gas portfolio are as follows:

- The cost of delivered gas is the most significant cost driver for the business.
- The Corporation continues to work towards optimising its long term gas supply.

3.2 External Analysis – Stakeholders

Stakeholder	Our View of Their Wants/Needs
The Shareholder (representing Territorians)	<ul style="list-style-type: none"> ▪ Constantly improving reliability, efficiency and availability of plant. Safe working environment. ▪ Lowest cost of supply to consumers in the long run. They expect the Corporation to embrace and facilitate the electricity reforms. ▪ Reasonable return on their investment for the risk taken. ▪ Transparency of costs and performance.
Customers (retailers)	<ul style="list-style-type: none"> ▪ Transparent and 'fair' pricing. ▪ Longer term certainty of pricing. ▪ Flexibility. ▪ Territory Generation to facilitate competition in the retail market (i.e. assist, but not favour, all retail participants including potential new entrants).
Key suppliers (gas, equipment manufacturers, contractors)	<ul style="list-style-type: none"> ▪ Continuity of mutually beneficial work and clarity of roles (i.e. build closer, longer term relationships). ▪ Certainty of demand / requirement for products and services.
Market (regulators, System Control, PPA parties, market implementation committee)	<ul style="list-style-type: none"> ▪ The wholesale market to be operational as soon as possible. Territory Generation needs to contribute and participate for it to be effective. ▪ Positive contribution to market design. ▪ Improved communication.
Potential Competitors	<ul style="list-style-type: none"> ▪ Despite supply significantly exceeding demand in the medium term in the Darwin-Katherine grid, there is a threat of new entry.
Unions	<ul style="list-style-type: none"> ▪ Want us to succeed. ▪ Maintain job security, wages and conditions and the status quo. ▪ Openness and engagement.

3.3 Sustainable Competitive Advantages

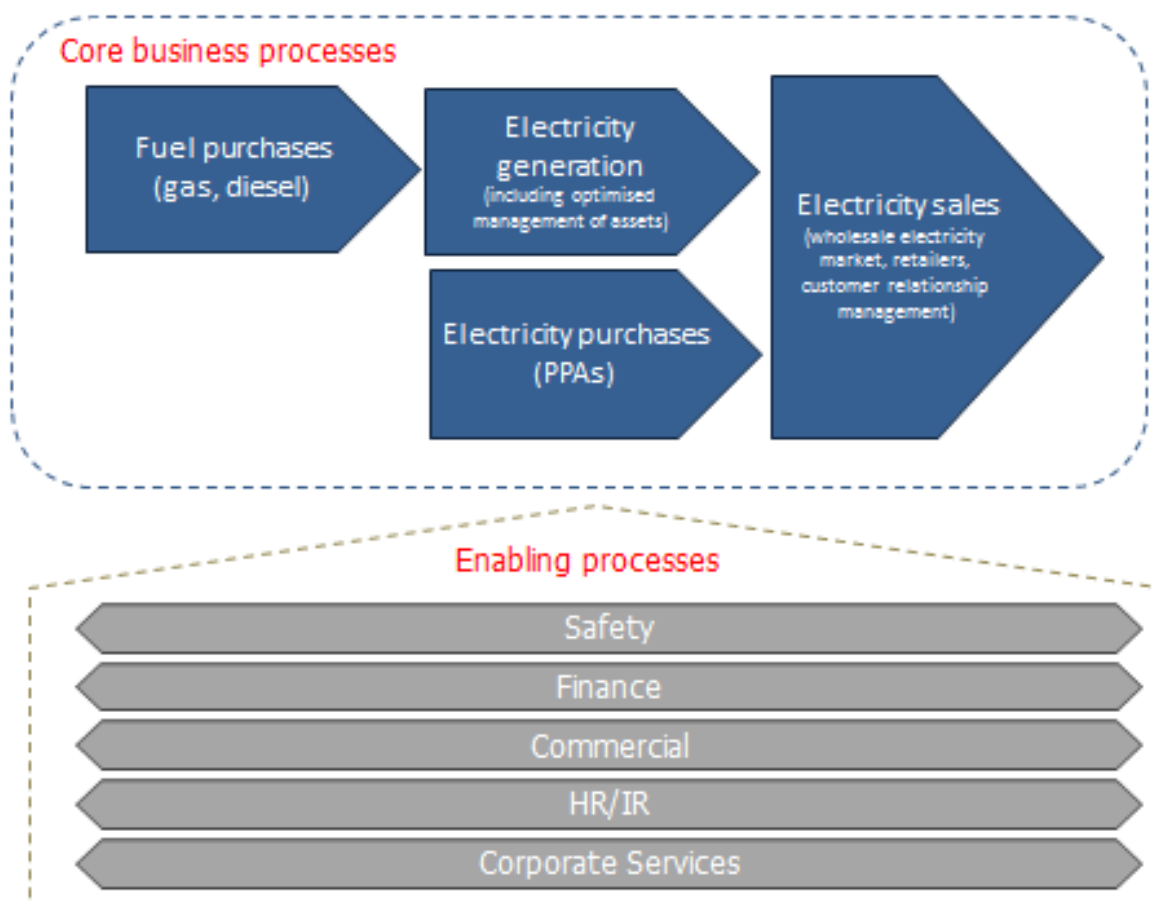
Sustainable competitive advantages are long term in nature and not easily replicated by potential competitors. It is important to understand the key things that are unique to the business because they will assist with defining how the business will compete in the future and also identify potential growth areas.

Key competitive advantages are:

- The experience and capability of successfully working in remote, small systems/networks and regions. In addition, staff are adaptable, flexible and innovative in their approach to working in remote, tropical areas.
- Significant GE Frame 6 gas turbine and large reciprocating engine generator experience.
- Based on the door-step of the fast growing South East Asia region which provides opportunities for future potential growth aligned with the other competitive advantages.

3.4 Business Model

The diagram below summarises the key processes within the business, how they relate to each other, and ultimately how the business earns revenue and derives a commercial return.



In its simplest form, Territory Generation’s business involves procuring fuel to generate electricity from its own power stations and procuring electricity from PPA partners in order to sell it to retailers.

The enabling processes span the entire business and support and underpin the core business processes.

4 Market Analysis

4.1 Market Structure

The NT electricity market comprises three independent regulated systems, being Darwin/Katherine, Alice Springs and Tennant Creek.

Total peak demand (MW) and energy sent out (MWh) in each of these systems in 2014/15 is presented in the table below, as well as the expected average annual peak demand growth rate:

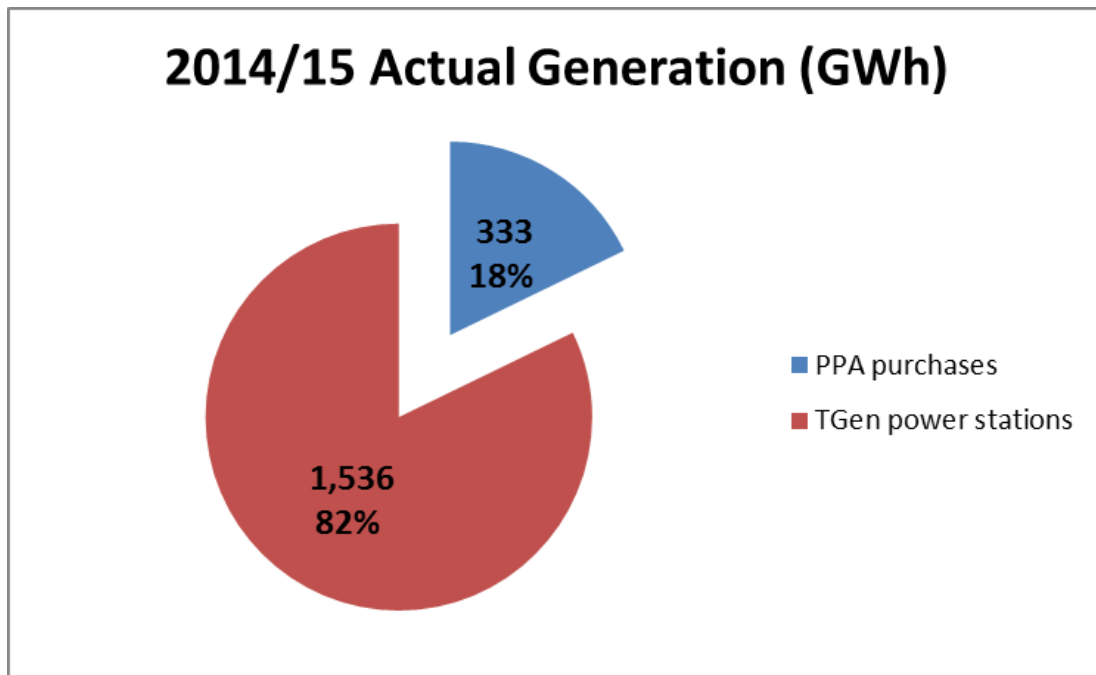
System/Market	Peak Demand		Total Sent Out Volume 2014/15 (GWh)
	2014/15 (MW)	As a percentage of Total System Capacity	
Darwin/Katherine	290.2 (281.2 in 2013/14)	58%	1,599 (1,551 in 2013/14)
Alice Springs	51.1 (51.9 in 2013/14)	57%	216 (216 in 2013/14)
Tennant Creek	6.9 (6.9 in 2013/14)	41%	30 (31 in 2013/14)

Presently, Territory Generation is the only electricity generator licenced to sell to Retailers in the regulated electricity network regions¹ of the Northern Territory, with Independent Power Producers (IPP) supplying to Territory Generation through Power Purchase Agreements (PPA). Territory Generation then sells electricity through bilateral contracts to licenced electricity retailers. Current customers include:

- Jacana Energy.
- Power and Water Retail.
- QEnergy.
- ERM Power Retail.
- Rimfire Energy.

¹ The regulated electricity network is prescribed as being subject to regulation under the Electricity Network (Third Party Access) Act. The regulated regions of the Northern Territory are Darwin, Katherine, Tennant Creek and Alice Springs.

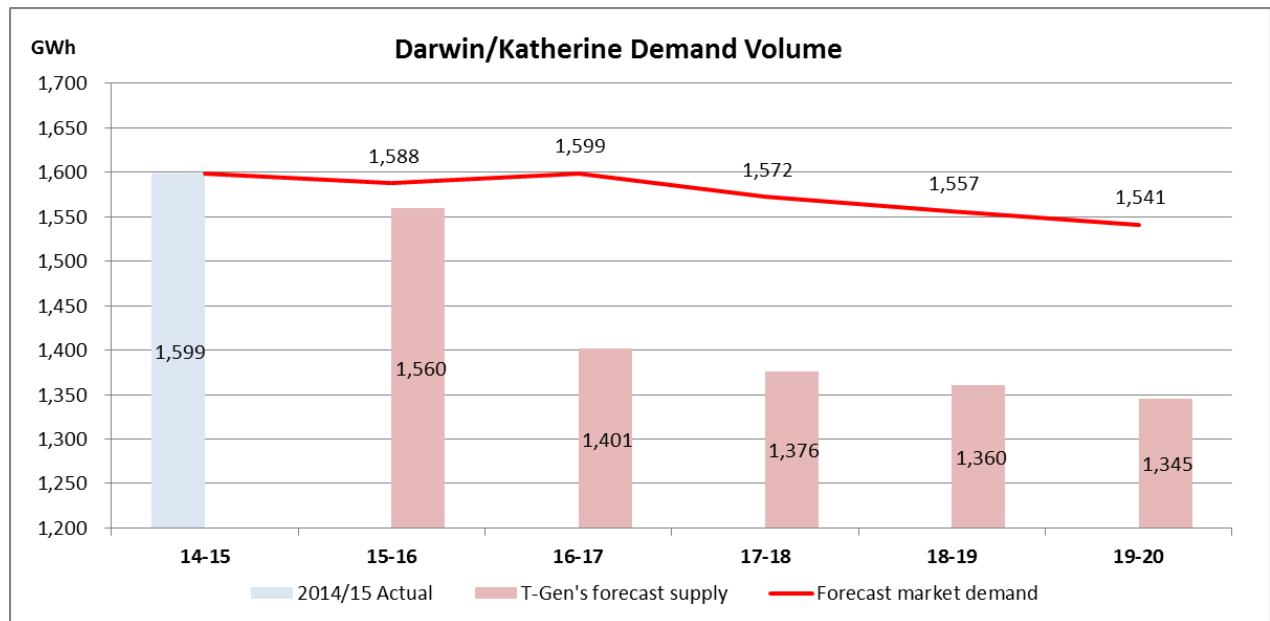
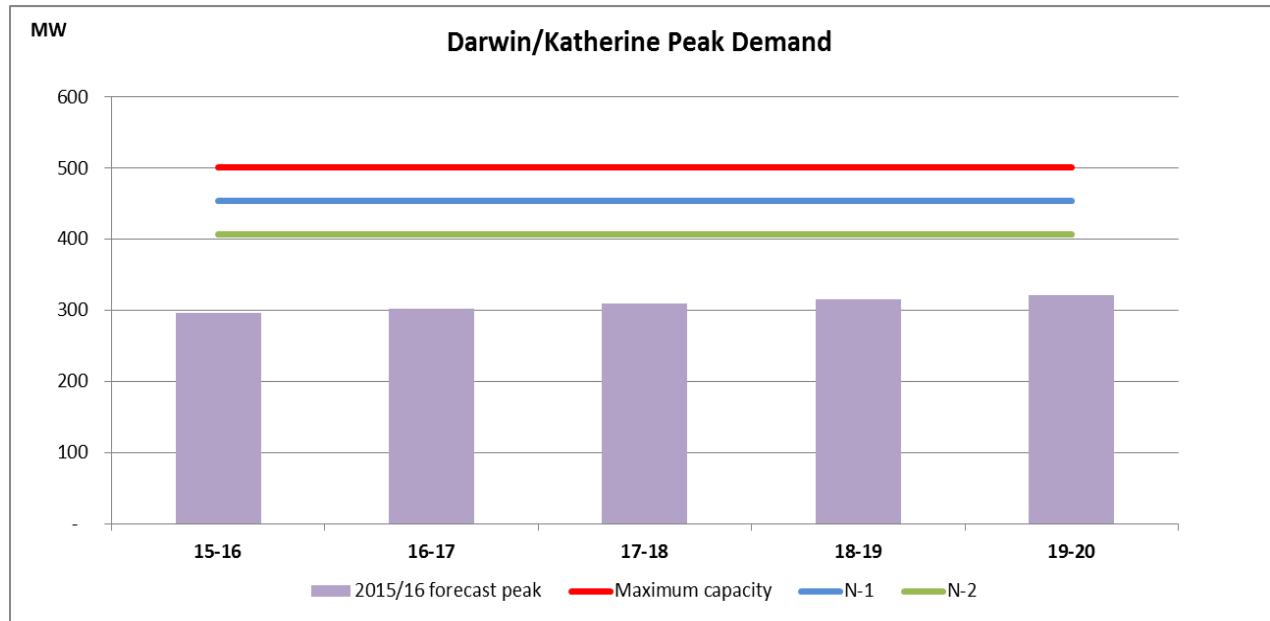
The following diagram shows the split of 2014/15 total NT energy volume generated by power stations owned by the business and that purchased under PPA contracts:



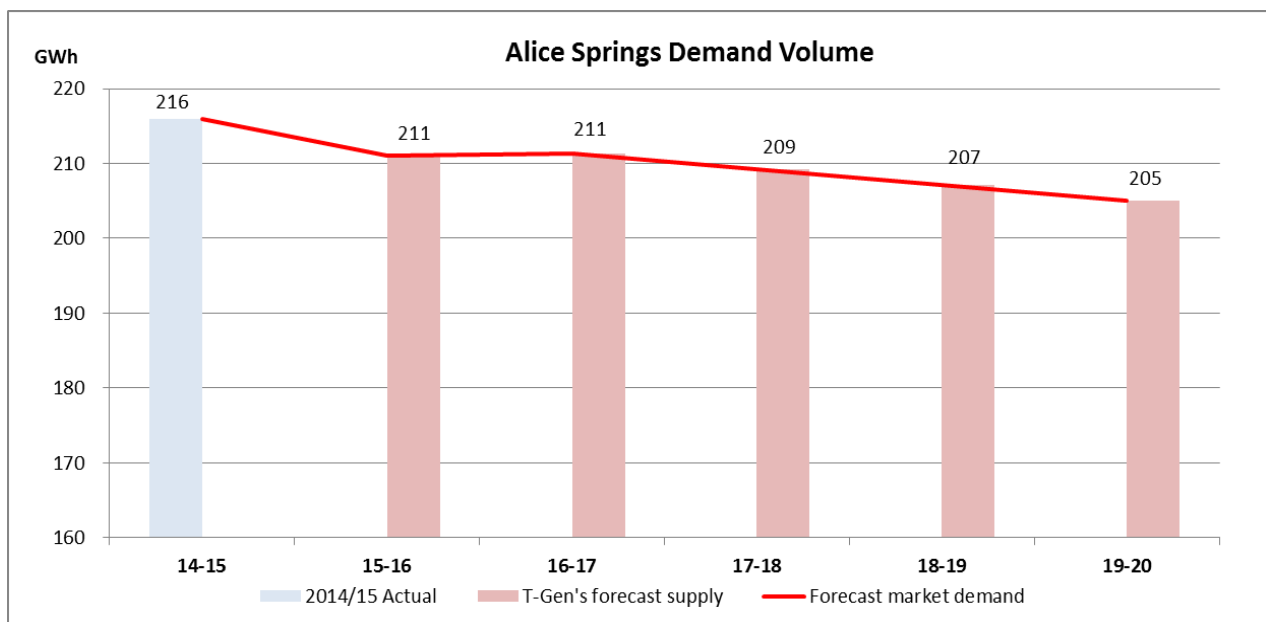
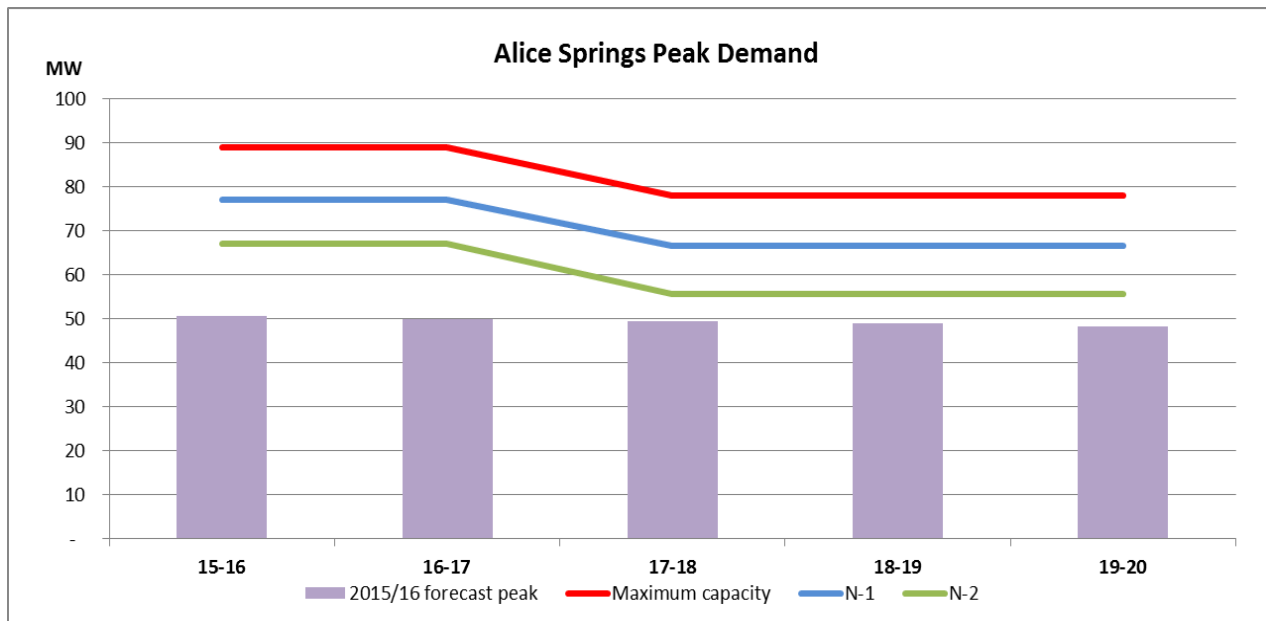
Territory Generation provides additional services in the Territory, which add significant capital and operational costs to the business. These services include the provision of ancillary services such as spinning reserve, frequency control, system inertia and system black start capability, as well as sufficient backup fuel capacity in all markets.

The diagrams on the following pages show the projected demand and supply balance for the three key regions of Darwin/Katherine, Alice Springs and Tennant Creek over the planning period for both energy and peak demand.

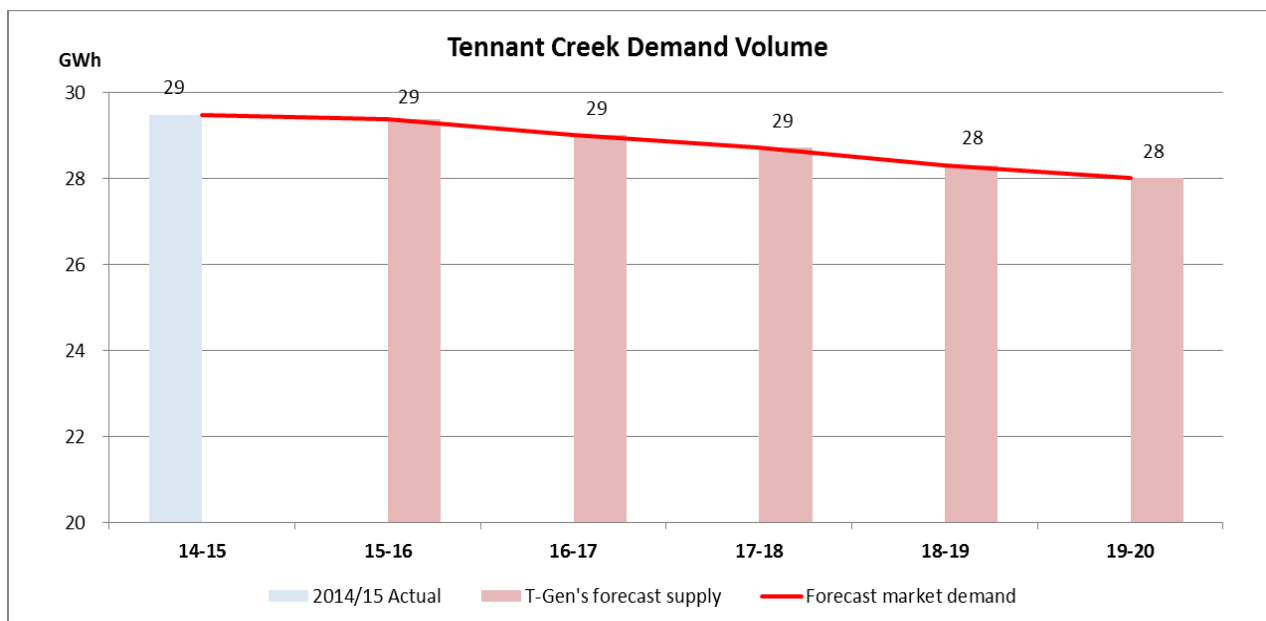
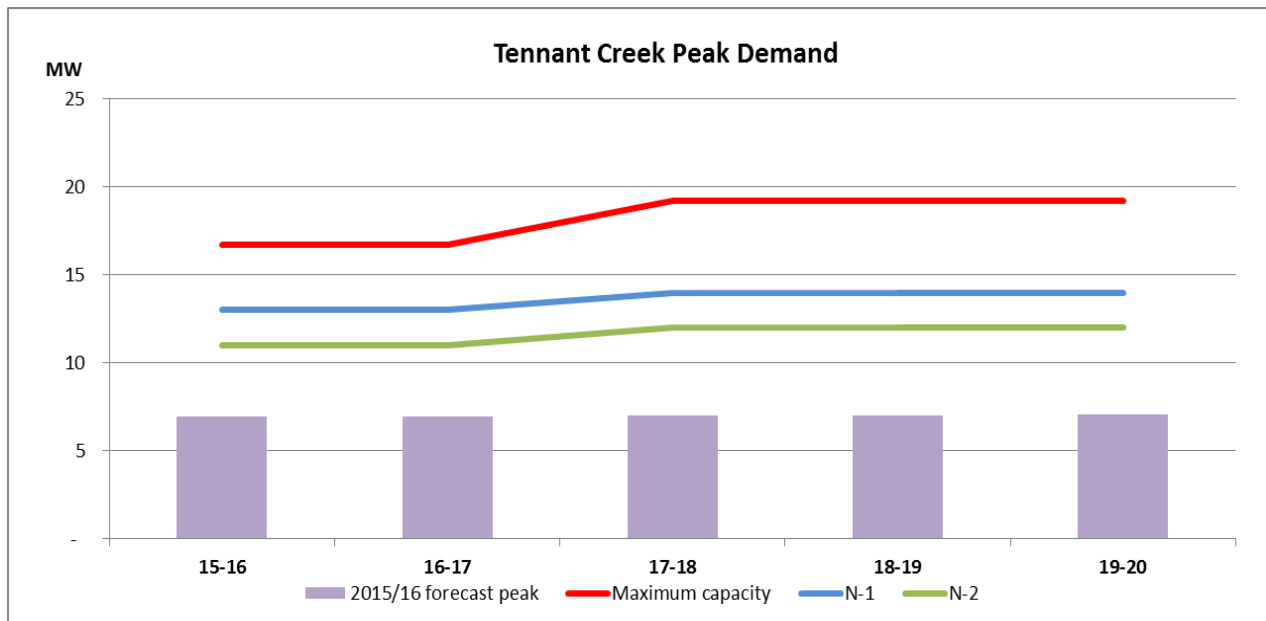
Darwin/Katherine System



Alice Springs System



Tennant Creek System



The Tennant Creek capacity includes a 4MW Taurus dual fuel generator to meet the fuel redundancy requirements for diesel operation.

Summary

These graphs highlight that even under 'N-2' generation redundancy assumptions, peak demand can be met from the existing supply configuration in all regions.

Territory Generation also owns and operates power stations supplying to retailers in the non-regulated electricity network regions² of Yulara and Kings Canyon.

² The non-regulated electricity network regions of the Northern Territory include Yulara and Kings Canyon.

4.2 Market Mechanisms

The NT Government has established an interim wholesale electricity market in the Darwin/Katherine region, with the expectation of a final market implementation in 2016/17. The aim of the market is to promote more efficient and transparent pricing in the NT and to create mechanisms that provide explicit signals for competitors seeking to enter the market. The wholesale market is intended to replace the current reliance on bilateral contracts between Territory Generation and the retailers with a physical market.

The initial design of the market was published by the Utilities Commission in February 2014 and will consist of:

- An energy only spot market.
- A reliability based capacity market.
- Ancillary services to be procured on a contract basis.

The interim trial market, called the Interim Northern Territory Electricity Market (I-NTEM), was introduced in May 2015 in the Darwin/Katherine System and it is an energy only market. The trial is expected to run for 18-24 months, during which time the final rules for each of the above elements of the market will be established.

4.3 Implications of Market Analysis

The key strategic implications arising from the market are as follows:

- There is no single agreed energy demand forecast for the sector.
- Average total demand volume is projected to decline whilst peak demand is expected to rise marginally.
- The Darwin/Katherine market continues to have more than sufficient capacity including redundancy to meet peak demand and no new capacity is required in the market for the planning period.
- However, there is potential for new entry in the market in the Darwin/Katherine region which is a key driving force behind Territory Generation focussing on becoming more efficient and cost competitive.
- Territory Generation is the only participant in the market trial. This involves daily generator bidding and dispatch correspondence with the power system controller, contribution as a member of the broader stakeholder group to the development of the market rules and structure, and developing the internal systems and processes required to operate in the market.
- The wholesale market structure is still in development and the final structure will impact on Territory Generation's strategic positioning moving forward and the explicit pricing of services.
- Territory Generation expects to see improvements in efficiencies as the power system controller focuses on the development of market mechanisms including economic dispatch, clarity of ancillary services and capacity requirements and related cost implications.
- The capture, analysis and reporting of key operational and market data is critical for future success and this will evolve and be developed over time.

5 Review of Prior Year

Territory Generation developed its inaugural strategic plan in late 2014 and its first SCI was finalised in April 2015. This plan laid the foundation for the long term strategic direction of the business, which remains unchanged in this current year's plan. Performance over the last year has been very positive and good progress has been made in line with the long term plan. The following key strategic highlights have occurred over the period:

- The business has successfully separated from PWC and operates independently. The functional transformation objective identified in last year's plan has been successfully implemented and the business now has its own stand-alone, fit for purpose IT systems and businesses processes.
- The business' first wholesale pricing schedule was released to customers which includes a significant price reduction for the Darwin/Katherine region. This price is also proposed to remain flat in nominal terms for the first three years which reflects the Corporation's confidence that it can achieve planned cost efficiencies.
- Financial performance in the first year of operation has been solid and key financial targets have been met. The business' financial systems and processes have been well established and are robust, which has been underscored by a positive external audit outcome.
- A short term gas supply agreement was executed with PWC. However, a longer term agreement is expected to be finalised during the 2016/17 year. Gas supply presents a significant risk as it is the most significant input cost for the business.
- The potential for a new entrant in the Darwin/Katherine market continues to pose a significant threat to the business and its commercial performance. Good progress has been made with the development and implementation of a number of key strategic initiatives identified last year to enhance efficiency and reliability of core business operations. However, this work is ongoing and remains a high priority.
- The Ron Goodin power station is nearing the end of its useful economic life and following approval by the shareholding Minister work has commenced on building 41MW of new capacity at the Owen Springs power station site. Approval has also been received to proceed with augmentation of the Tennant Creek power station that will see 7.5MW of new plant constructed and the decommissioning of 6.5MW of old plant. Partial funding for these projects has been provided by the Government by way of a grant of \$50 million. Due to business value created through these initiatives, there is scope to reduce wholesale prices in these regions in the future.
- The organisational structure of the business has been reviewed and aligned with the Corporation's strategy. A number of personnel have been recruited or transferred into key roles and there has been very good progress made enhancing our culture in alignment with our business values.

6 Strategic Intent

6.1 Vision

Territory Generation’s vision is:

To be the trusted and respected employer and electricity generation business of choice.

Territory Generation has carefully defined the meaning of its vision statement as follows:

Trusted and respected	<ul style="list-style-type: none"> ▪ Safety will be universally recognised as the highest priority. ▪ We will be known for being reliable, efficient and available when required. ▪ Our proven capability and reliability will create confidence with our stakeholders to the extent that we will be given an opportunity to participate in the next new major additional generation plant required in the Northern Territory. ▪ We will ensure that our market pricing and structure is transparent and open.
Electricity generation	<ul style="list-style-type: none"> ▪ Our core business is the generation and sale of electricity.
Business	<ul style="list-style-type: none"> ▪ We will be a commercial organisation that is highly efficient and sustainable. ▪ Best practice and efficient systems and processes that enable us to deliver high quality services.
Of Choice	<ul style="list-style-type: none"> ▪ We will exceed the expectations of our customers. ▪ We will be competitive with other players in the market. ▪ We will be an employer of choice.

6.2 Mission/Purpose

Territory Generation’s purpose is to:

Safely, efficiently and reliably generate electricity to sustainably contribute to the lifestyle and development of the Northern Territory.

6.3 Values

Our Values	What this means	What we say / do
F OCUS	We focus our efforts on delivering a safe, reliable and cost efficient operation that we are all proud to be part of.	<p>We understand what is important to our success and we prioritise accordingly.</p> <p>We deliver considered and timely outcomes.</p> <p>We are competent in what we do and understand our roles.</p> <p>We take responsibility and accountability to deliver on our agreed objectives.</p> <p>We look for opportunities to improve everything we do.</p>
I NTEGRITY	We are open and honest with our words and actions "to say and do the right thing".	<p>We are trustworthy and honest.</p> <p>We take responsibility for our words and our actions.</p> <p>We do what we say we will do.</p> <p>We do the right thing and comply with all legislation and procedures.</p> <p>We challenge when our Values are not adhered to.</p>
R ESPECT	We show respect for our team mates, the environment, and the communities in which we work.	<p>We are professional in our interactions, offering trust and support and treating people the same way as we would like to be treated.</p> <p>We do not tolerate or ignore inappropriate comments or bullying.</p> <p>We respect other cultures and treat people equally, regardless of gender, age, nationality or religion.</p> <p>We treat our people, assets and finances respectfully, and comply with governing laws, regulations and company procedures.</p>
S AFETY	We conduct our business and our roles with a strong focus on avoiding injury or damage to assets and the environment. Safety is not negotiable.	<p>We recognise safety is first in everything we do.</p> <p>We take responsibility for ensuring our own safety and lookout for our workmates and others we work with as well.</p> <p>We do not walk past or ignore what is not safe.</p> <p>We adhere to safe work practices, processes and procedures.</p> <p>We ensure that safety is considered in our planning, our work and our actions.</p>
T EAMWORK	We are one team, with aligned goals working together to achieve Territory Generation's Vision.	<p>We listen and learn from alternate points of view, we work together to achieve the best outcome for the business, our employees and the community.</p> <p>We look for better ways to operate more efficiently and willingly share our ideas and information within the Territory Generation Team / business.</p> <p>We volunteer to help others as needed and we encourage each other to challenge the process to find a better way.</p>

6.4 Overview of Key Result Areas (KRAs) and Objectives

Territory Generation has undertaken a comprehensive review of its strategic direction and has established a balanced scorecard of objectives measures and actions.

Territory Generation has identified six key objectives that define the achievement of its vision, as follows:

KRAs	Objectives (Within 5 years)
Safety	<ul style="list-style-type: none"> ▪ We will have an embedded behavioural based safety culture, where safety is at the core of everything we do.
Finance	<ul style="list-style-type: none"> ▪ We will provide a minimum average return on equity of 10% pa to our shareholder. ▪ Revenue from non-traditional sources will be a minimum of 5% of total revenue.
Customer	<ul style="list-style-type: none"> ▪ We will be known to be a trusted, reliable and competitive supplier, delivering quality products and services. ▪ We will have a diversified energy related product/service portfolio and customer base.
Sustainability	<ul style="list-style-type: none"> ▪ We will have a sustainability reporting framework and system that delivers improved sustainability outcomes. ▪ We will reduce our environmental footprint from 2015 normal operations levels by 5%.
Internal Processes	<ul style="list-style-type: none"> ▪ We will be efficient, sustainable and competitive in providing products and services that meet our customers' needs.
People and Culture	<ul style="list-style-type: none"> ▪ We will have a corporate culture that attracts, retains and grows people aligned with Territory Generation's vision and values.

6.5 Overview of Key Performance Indicators (KPIs) and Actions

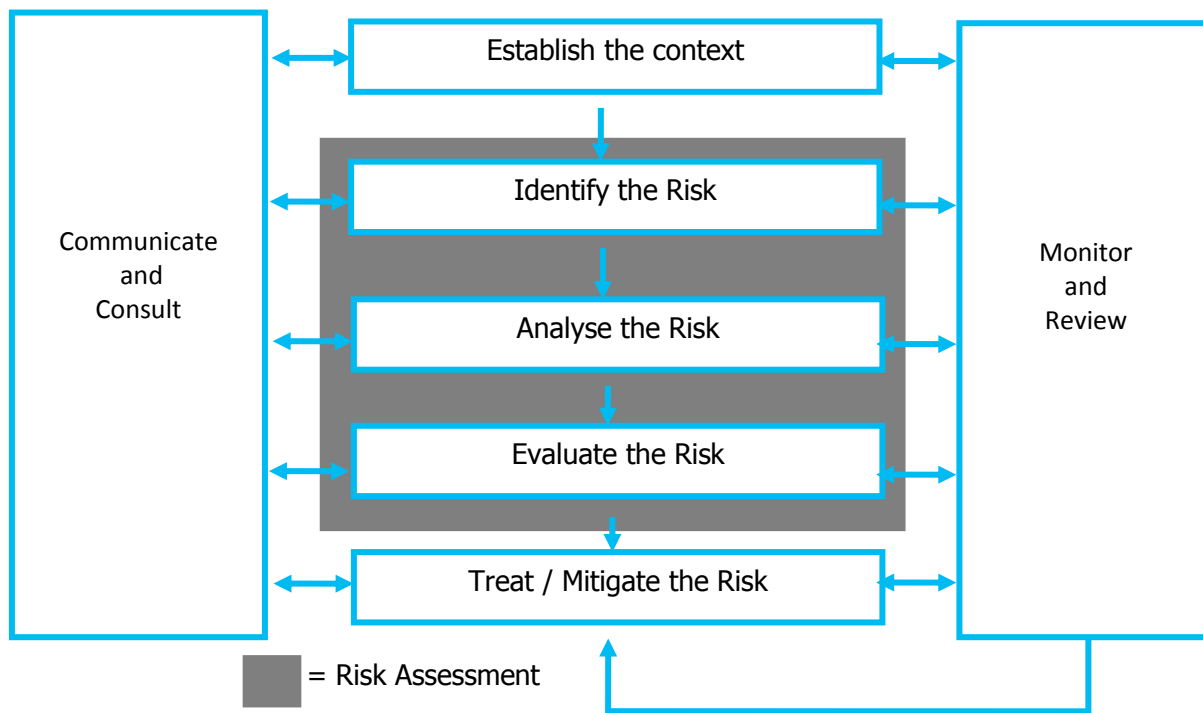
KPI measures have been developed to monitor performance toward achievement of the Corporation’s objectives. A number of strategic actions have been identified for each KRA that will be implemented over the course of the planning period.

KRAs	KPI Measure	2016/17 Actions
Safety	<ul style="list-style-type: none"> ▪ Safety cultural survey results. 	<ol style="list-style-type: none"> 1. Review and upgrade the integrated safety management system. 2. Develop and implement a safety leadership program. 3. Develop a Behavioural Based Safety strategy and action plan.
Finance	<ul style="list-style-type: none"> ▪ RoE target >10%. ▪ Total revenue from new sources. 	<ol style="list-style-type: none"> 1. Develop and implement a financial training program for all managers. 2. Develop and implement a financial leadership module. 3. Develop and implement a management reporting framework.
Customers	<ul style="list-style-type: none"> ▪ >70% on customer satisfaction survey. ▪ Trend benchmarked products/services prices. ▪ Number of new products and services. ▪ Number of new customers. 	<ol style="list-style-type: none"> 1. Develop reference sites. 2. Develop and implement a customer satisfaction survey. 3. Complete analysis of growth opportunities. 4. Recruit business development capability. 5. Prepare a minimum of two growth business cases.
Environment	<ul style="list-style-type: none"> ▪ tCO₂ equivalent emissions per annum. 	<ol style="list-style-type: none"> 1. Prepare a Sustainability Report by June 2017. 2. Implement environmental instrumentation, data collection, storage and reporting systems. 3. Develop a plan for environmental improvement to limit/reduce CO₂ emissions. 4. Undertake review of the 5% target against federal commitments.
Internal Processes	<ul style="list-style-type: none"> ▪ Operating expenditure as a percentage of total revenue. ▪ Operating expenditure per MWh generated. 	<ol style="list-style-type: none"> 1. Implement process efficiency reporting. 2. Develop market and trading processes and capability. 3. Implement the Remote Operations Centre. 4. Complete and implement IT Strategic Plan.
People and Culture	<ul style="list-style-type: none"> ▪ Employee survey. ▪ Benchmark diversity against markets in which we operate. 	<ol style="list-style-type: none"> 1. Implement a leadership development program including integrated coaching. 2. Implement performance planning system. 3. Develop and promote the Territory Generation employer brand and value proposition based on values and diversity objectives.

7 Risk Management

7.1 Risk Management Process

The diagram below summarises Territory Generation’s risk management process:



7.2 Strategic Financial Risks

The table below summarises the top six strategic financial risks facing the organisation.

Key Risk	Mitigation strategy	Residual Rating
Significant incident resulting in injury or death of a worker/visitor.	<ul style="list-style-type: none"> ▪ Continuous improvement program and safe systems of work project. ▪ Training and awareness programs including drug and alcohol program. 	Very High
Renewable technologies lead to lower revenue and possible stranded assets.	<ul style="list-style-type: none"> ▪ Investigation of growth options and alternative revenue streams. ▪ Renewable and Alternative strategy development 	Very High
Uncertainty / loss of gas supply for an extended period of time.	<ul style="list-style-type: none"> ▪ Development of an emergency plan and exploration of alternative fuel supply arrangements. 	High
Market rules design does not adequately compensate Territory Generation for being the supplier of last resort or for providing other ancillary services.	<ul style="list-style-type: none"> ▪ Stakeholder engagement in the establishment of market design. ▪ Ensure costs of providing these services are transparent. 	Very High
Competitor enters the generation market with the benefits of scale and access to fuel supply, resulting in a loss of revenue.	<ul style="list-style-type: none"> ▪ Stakeholder engagement in the establishment of market design. ▪ Develop and implement strategies to react to market drivers. 	Very High
Increasing operating and fuel cost put upward pressure on Wholesale Electricity prices	<ul style="list-style-type: none"> ▪ Budgetary systems and reporting ▪ Negotiation of long term fuel contracts 	High

The residual rating is the rating of the risk assessed after the implementation of mitigation strategies.