

Public Version



**POWER GENERATION CORPORATION
(Trading as Territory Generation)**

2021-22 STATEMENT OF CORPORATE INTENT

Introduction

The outbreak of novel coronavirus (COVID-19) has introduced new challenges to the business environment worldwide, and the full extent of the future financial implications are not known at this time. Consequently, the following 2021-22 Statement of Corporate Intent (SCI) includes limited assumptions on the pandemic's future financial impact.

The Corporation has delivered a dividend for 2019-20 despite a continued challenging commercial environment due to increasing solar penetration. While the decrease in solar feed-in tariffs has slowed uptake, installed behind-the-meter solar capacity has already exceeded 100 MW in the Darwin-Katherine system. Growth in behind-the-meter solar is anticipated to continue for the foreseeable future with four large-scale solar farms (totalling 55 MW of capacity) in the process of connecting to the power system. This continued uptake of renewables is an important step in the transition to 50% renewables by 2030 although it further increases system stability challenges.

The commercial impact of solar penetration has been somewhat mitigated in current forecasts by new customer loads, including the future commencement of the Pine Gap supply agreement at the conclusion of construction in 2021-22.

The changing demands on the Corporation for system stability with decreasing minimum loads, has led us to plan an additional \$70 million of borrowings over the SCI period to fund the future capital program which focuses on delivering flexibility, efficiency and reliability to the Corporation's fleet. Operational savings from the capital program have also been incorporated in the dispatch modelling for future years.

The Corporation's fleet transition plan strategically directs historically planned capital on our existing fleet, and allows for incremental CAPEX to be invested into new, more efficient and appropriately sized thermal generation assets rather than continuing significant investment in the existing aging fleet that is no longer fit for purpose. The modern fleet will also increase capability to consume renewably sourced fuels, such as hydrogen. Over the transition period a selection of the existing generators are planned to be placed into 'reserve' to maintain the capacity at minimal cost. These initiatives are key to ensuring the reliable, efficient and sustainable supply of energy and system services throughout the remainder of the decade, and provide certainty to the NT Government that sufficient installed capacity exists to support commercial, industrial and residential growth forecast for the Darwin region.

As the current supplier of system services and functional generator of last resort, it is critical that the Corporation has sufficient and reliable capacity, energy and services capability to ensure system security through the evolving transition to renewables. Increased focus on the management of existing assets and a considered approach to capital investment is required as well as embracing modern thermal generation and alternative technologies aligned with the current and future needs of the power system.

In Darwin-Katherine, the Northern Territory Government (NTG) has approved procurement for a nominally \$30 million, 35 MW battery for the region. This project is critical to deliver system services in the future and support further renewables growth.

The NTG's efforts to attract energy-intensive industries to Middle Arm in Darwin offer significant medium-term potential growth opportunities for the Corporation if these new loads are grid-connected.

In Alice Springs, the Corporation has closed out most actions arising from the 13 October 2019 system black event and is working through the remaining items with the original equipment manufacturers.

The Pine Gap power supply project is currently under construction. This project will deliver increased load to the power system and additional revenue to the Corporation for the term of the agreement.

In Yulara and Kings Canyon, COVID-19 has significantly reduced demand on the power stations, with ongoing uncertainty surrounding the recovery timeline. In consultation with stakeholders, the Yulara Hybrid Power Station procurement process was concluded with a view to maximising existing assets and incrementally deploying new assets as demand returns.

Reporting against Legislative Requirements

Section 40 of the *Government Owned Corporations Act 2001 (GOC Act)* provides that the Statement of Corporate Intent (SCI) must specify, in respect of the financial year to which it relates and each of the two following financial years, the following information:

1. The objectives of the Corporation

In accordance with the GOC Act, the Corporation's objectives are to:

- operate at least as efficiently as any comparable business
- maximise the sustainable return to the Northern Territory Government on its investment in the Corporation.

In addition to these two objectives, the Corporation has developed a set of Values and a Strategic Plan which includes its Vision, Purpose and Strategic Objectives.

VISION

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

These words have been carefully chosen, and for us they mean:

- 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.

PURPOSE

We safely, reliably, and efficiently provide:

- electricity on sustainable terms
- essential system services which facilitate system reliability and the adaption 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.

VALUES

The Corporation has developed a set of values that underpin the way we work with each other and the way we conduct our business.

FIRST: Focus, Integrity, Respect, Safety and Teamwork

OBJECTIVES

The Corporation has developed a set of Strategic Objectives. The measures of performance in achieving these objectives are set out in Section 6.

- *Safety*
We will have an embedded safety culture, where safety is at the core of everything we do.
- *People & Culture*
We have a culture that attracts, retains and develops highly skilled people aligned with our Vision and Values.
- *Plant Operations*
We will operate our plant safely, reliably and responsibly, every day.
- *Finance*
We achieve our agreed controllable SCI outcomes.
We monitor and report the impact of uncontrollable events against our SCI.
We have an accepted and transparent understanding of the cost of system services.
- *Sustainability*
We ensure sustainability by effectively managing social, environmental and economic performance.
- *Stakeholder and Customer*
We are a trusted supplier delivering safe and reliable products and services.

2. The nature and scope of the activities to be undertaken by the Corporation

The Corporation is the largest electricity producer in the Northern Territory, owning generation capacity and contracting from Independent Power Producers to supply customers. The Corporation produces electricity using gas, diesel and solar technologies to power the Territory's major population centres.

In the northern region, the Darwin-Katherine interconnected system includes the Channel Island, Weddell and Katherine Power Stations.

In the southern region, the Corporation owns and operates the Ron Goodin, Owen Springs, Tennant Creek, Yulara and Kings Canyon power stations and the Sadadeen 5 MW battery energy storage system.

The Corporation provides two primary products and a range of Essential System services:

Primary Products

All licenced generators have obligations regarding the provision of these products.

- Energy
The provision of energy in the form of megawatt hours (MWh) ‘sent out’ from power stations required to meet retailers’ customer loads and system losses.
- Capacity (to supply peak load)
Maintaining sufficient generation capacity (MW) so that the peak demand can be supplied when it occurs.

Essential System Services

These are the services that are essential to enable the secure operation of a power system and include but are not limited to:

- Frequency Control Ancillary Services (FCAS)
 - Regulating FCAS
 - Contingency FCAS
 - Inertia FCAS
- Voltage Control Services
- Black Start Services

Other System Services

All of these ‘other’ services provide additional security to the power system and are generally of an ad-hoc nature, and may vary from network to network.

- Capacity Security Services
- Generator Support (testing/commissioning)
- System Strength Services
- Electricity System Services
- Network Support Services
 - Ad-hoc outage support
 - Katherine Power Station N-1
 - Katherine Power Station voltage support
 - Katherine Power Station storm mitigation
 - Weddell Power Station minimum load

The further development of the Northern Territory Electricity Market (NTEM) may impact the categorisation and pricing for these services. The above will be refined as the market rules are defined.

3. The material risks faced by the Corporation and the strategies to minimise these risks

The Corporation has a risk management framework overseen by the Board’s Audit and Risk Committee. The risk management framework provides for regular risk assessments undertaken to identify and manage risks faced by the Corporation, its stakeholders and the communities it operates in.

Very high and extreme rated risks are monitored by the Executive Leadership Team (ELT) monthly and presented to the Board at every Board meeting. The Audit and Risk Committee undertakes deep dives into nominated risk categories and reports to the Board regularly.

The following table summarises the highest-rated strategic risks facing the business. The Corporation’s Risk Register captures all other recognised risks.

Key Risk	Mitigation strategy
Inadequate IT security at the Corporation's power stations allowing the transmission of malicious software or sabotage	<ul style="list-style-type: none"> • Network access controls • System access controls • Virus protection • Audit logs • Secure network system & NTG Security Guidelines • Audit of current systems and security measures • ICT strategy developed • Cyber Security Road Map developed
System Black causing public and business disruption	<ul style="list-style-type: none"> • Black start procedures for all systems, power stations and Remote Operations Centre (ROC) • Documented training and competency of operational personnel with regular refreshers and exercises • Joint reviews with System Control regarding load management systems • Implement Utilities Commission, Jacobs and Advision recommendations • Improve speed and reliability of Black Start operations in conjunction with System Control • Updated, approved and regularly tested Black Start procedures which staff are familiar with
Market rules design puts the Corporation at a commercial disadvantage via increased responsibility and inability to recover costs/investment	<ul style="list-style-type: none"> • Work with Department of Treasury and Finance and Office of Sustainable Energy to ensure market rules are fair to all parties
Uncertainty/Loss of gas supply from Power and Water Corporation (PWC) for an extended period	<ul style="list-style-type: none"> • Fuel Emergency Advisory Committee - emergency planning • Engagement with PWC gas unit on planned works and back-up arrangements. • Emergency procedures • Emergency supply of fuel via trucks
Project overrun resulting in significant departure from budget	<ul style="list-style-type: none"> • Effective record keeping • Project Management Group to monitor and report on projects • Project approval to be based on risk reduction strategy • Lessons learned reviews
Inability to effectively respond to a natural disaster event, resulting in a delay in restoring generation capacity in an acceptable timeframe	<ul style="list-style-type: none"> • Emergency Management Plans • Crisis management training • Exercises and drills • Back up communication systems (landline, satellite phones, radio (UHF & HF) • Incident Management Team • Post event reporting to capture lessons learned and opportunities for improvement • Incident investigations

4. The strategies to improve the financial performance of the Corporation

The Corporation is addressing future operational efficiencies, principally through its asset management improvement and fleet transition plans. The revised capital plan focuses on a fleet transition for the Darwin-Katherine region, which directs capital into flexible, efficient and reliable thermal generation assets capable of consuming renewably sourced fuel, such as hydrogen. With this proactive approach, the Darwin-Katherine fleet will transition to an efficient asset base over the next 10 years.

Modifications continue to be made to the BESS at Sadadeen and Jenbacher control systems at Owen Springs Power Station to improve reliability. Resolving the issues with the new generating units in Alice Springs and Tennant Creek is a priority to further realise improved efficiencies from these units.

There is a focus on improved communication and collaboration between the Corporation and System Control to facilitate improved current efficiencies primarily influenced by system security requirements implemented in the Alice Springs Power System.

The Corporation contributes to the various I-NTEM submissions to highlight the areas it can contribute in and their potential cost to the Corporation.

The Corporation is working on unbundling its wholesale electricity tariffs in the regulated markets and investigating the options available within the I-NTEM to get compensation for the services it contributes to the system.

The Corporation continually monitors operational costs to identify possible cost savings and exceed the committed savings target.

The procurement of the large-scale energy storage system for the Darwin-Katherine region is already underway. The project aims to increase system stability, reduce gas-fired spinning reserves and emissions, and provide a positive return over five years through reduced energy costs.

5. The capital investment plans of the Corporation that have been approved by the Government Owned Corporation's shareholding Minister

The Corporation has the following major capital expenditure (capex) approved by the shareholding Minister:

Item (\$ Million)	20-21	21-22	22-23	23-24	24-25
WPS W1 Spare Major Overhaul	9.0	0.0	0.0	0.0	0.0
CIPS C8 B Service	6.0	1.8	0.0	0.0	0.0
Total approved	15.0	1.8	0.0	0.0	0.0

Other Capital Expenditure:

The following table summarises other capital expenditure by value. Each project will be subjected to a business case analysis and if above the threshold will be submitted for approval by the shareholding Minister:

Item (\$ Million)	20-21	21-22	22-23	23-24	24-25
Major projects > \$1M	34.6	45.0	52.0	48.9	38.0
Medium projects > = \$0.25M < = \$1M	3.5	3.5	4.5	1.9	3.2
Minor projects < \$0.25M	1.3	0.3	0.2	0.2	0.2
Total other capex	39.4	48.8	56.7	51.0	41.4

Total Capital Expenditure:

The total forecast for capital expenditure is:

Item (\$ Million)	20-21	21-22	22-23	23-24	24-25
Total all items	54.4	50.6	56.7	51.0	41.4

The Corporation is continually assessing the impact on its assets and the business from increasing levels of intermittent solar photovoltaic (PV) and system support requirements. Increased cycling, increased starts/stops, and fast ramp-up of machines is becoming the standard mode of operation due to solar impacts.

Original plant life component expectancy will not be achieved with the current required running regimes. There is an increased risk of earlier failure if enhanced maintenance practices are not applied.

Investment in new assets is staggered throughout the SCI period and is generally aligned with retirement of the existing fleet to ensure that sufficient capacity is maintained, with surplus capacity placed into 'reserve' to support future growth. The modern fleet will increase the Corporation's capability to consume renewably sourced fuels, such as hydrogen. This strategic capital plan has been factored into the assessment of the above capital expenditure tables.

These initiatives are vital to ensure the reliable, efficient and sustainable supply of both energy and system services throughout the remainder of the decade.

6. The financial targets and other measures by which the performance of the Corporation may be judged

The Board has developed Key Performance Indicators (KPIs) to define the strategic direction for the coming financial year clearly. The strategic direction of the Corporation is to operate our plant safely, reliably and responsibly every day and is aligned to driving continual improvement in all areas focused on the strategic objectives for the SCI period.

The Corporation will continue to utilise the Strategic Plan Progress Update Report to detail each business unit's specific action plans and function. Through ongoing reviews of key lead and lag indicators, the Corporation will assess the headway achieved towards its strategic goals. From these evaluations, the Corporation will assess the effectiveness of the current action plans and make any necessary adjustments to continue the positive momentum or realign specific business units' efforts.

Objective	KPI Measure	Target	Action Area
Safety			
<i>We have an embedded behavioural based safety culture, where safety is the core of everything we do</i>	<ul style="list-style-type: none"> Report lead indicators Increase safe act observations and safety interaction reporting rates and improve quality Lost Time Injury Frequency Rate (LTIFR) 	<p>Increase in incident and hazard reporting</p> <p>Monthly allocated targets met or exceeded</p> <p>Zero LTIFR recorded</p>	Continuous improvement approach to safety leadership, behaviours, systems, processes and reporting
People and Culture			
<i>We will have a culture that attracts, retains and develops highly skilled people aligned with our Vision and Values</i>	<ul style="list-style-type: none"> Employee engagement survey outcomes Number of People – Full Time Equivalent (FTE) Compliance training provided 	<p>Engagement survey result $\geq 60\%$</p> <p>FTE \leq SCI and Cap</p> <p>Training completed on time $\geq 90\%$</p>	Building a positive culture and developing capability to work towards achieving the Corporation's vision
Plant Operations			
<i>We will operate our plant safely, reliably and responsibly everyday</i>	<ul style="list-style-type: none"> Critical plant availability across portfolio Operating expenditure (less energy) as a percentage of total revenue Operating expenditure (less energy) per sent out MWh generated Start reliability 	<p>Total average $\geq 88\%$</p> <p>Achieve \leq Budget %</p> <p>Achieve \leq Budget \$/MWh</p> <p>Achieve \geq Target % across all sites</p>	To deliver safe and reliable plant operations in a rapidly changing environment

Objective	KPI Measure	Target	Action Area
Finance			
<p><i>We achieve our agreed controllable SCI outcomes</i></p> <p><i>We monitor and report the impact of uncontrollable events against our SCI</i></p> <p><i>We have an accepted and transparent understanding of the cost of system services</i></p>	<ul style="list-style-type: none"> Achievement of budgeted outcomes EBITDA/current ratio/ROA/ROE/debt to equity ratio/EBIT Capital program delivered within approved base currency budget Products are costed in accordance with the agreed documented methodology and system control technical code as applied 	<ul style="list-style-type: none"> Debt to equity < = previous year Revenue growth > operating expenditure growth Controllable costs < = previous year Dividends paid Project completion within +/- 10% of approved budget <p>Documented methodology approved</p>	<p>Understanding, measuring and actively managing financial drivers with a focus on financial discipline and sustainability</p>
Sustainability			
<p><i>We will have sustainability by effectively managing the social, environmental and economic performance</i></p>	<ul style="list-style-type: none"> No reportable environmental harm incidents An ongoing overall reduction in CO2 Darwin Katherine Energy Storage System constructed and commissioned 	<p>Target = 0</p> <p>Continuous reduction on prior year emissions</p> <p>Constructed and commissioned</p>	<p>Continue to safely, reliably and responsibly provide energy system services to achieve a decreasing carbon intensity trend on all systems in which we operate</p>

Objective	KPI Measure	Target	Action Area
Stakeholders & Customers			
<i>We will be a trusted supplier delivering safe and reliable products and services</i>	<ul style="list-style-type: none"> WESAs negotiated and approved Identify new technologies and develop proposals to meet stakeholder requirements Customer and Stakeholder plan System Average Interruption Duration Index (SAIDI) for generation 	<p>Approved by Board and Shareholder</p> <p>Two proposals presented to the Board</p> <p>Customer and Stakeholder plan approved to meet benchmark</p> <p>Target < 10-year average</p>	Continue to engage with stakeholders and customers with a focus on creating valued outcomes

The accounting policies to be applied in the accounts of the Corporation

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 GOC Act.

The Board of Directors is responsible to the shareholding Minister for the financial performance of the Corporation.

The principal accounting policies adopted in preparing the financial statements are set out on pages 34-44 of the 2019-20 Annual Report. These policies have been consistently applied to all years presented unless otherwise stated.

7. Any other matter that may be agreed on by the shareholding Minister and the Corporation's Board of Directors

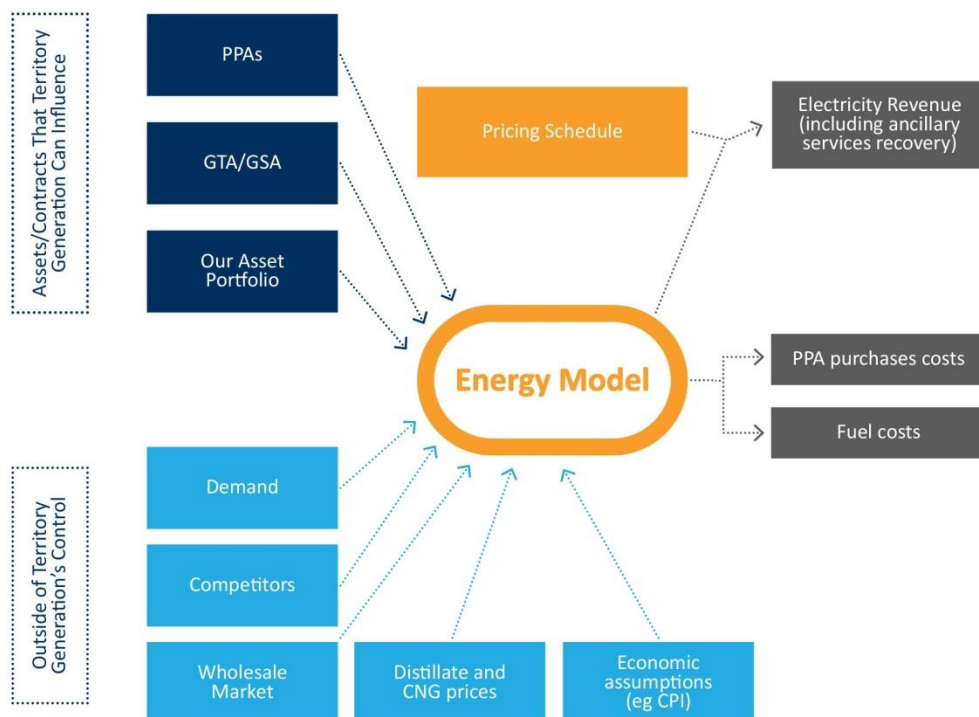
No other matters apply at this time.

1 Appendix 1 – Confidential - Financial Projections

1.1 Methodology

As in previous years, technical and economic models have been integrated to forecast the financial outcomes for the Corporation over the SCI period.

The diagram below summarises the key energy revenue and cost components of the forecast and the related inputs and outputs.



The forecast development methodology is outlined below.

- The annual forecast energy demand, including the impact of uncontrolled rooftop solar, is determined by region (power system).
- The required system services levels are estimated, together with known operational constraints likely to be imposed by the system controller. These are overlaid as operating parameters in the dispatch model to estimate the required system security.
- The generation output of each unit at each station is then determined to meet demand requirements, including the Corporation's units, electricity purchased under power purchase agreements (PPAs), and other market participants. The key inputs of this 'dispatch model' are:
 - the high-level technical characteristics of all generators on the power system, including an estimate of solar output.
 - power system constraints.
 - the assumed economic merit order that the system controller will be supplied by the Corporation for use in Dispatch decision making by them.
 - the availability of generators.
 - the demand forecast.

- The volume of fuel (both gas and diesel) used by each power station is then determined based on the amount of electricity produced and the plant's assumed thermal efficiency. The cost of fuel includes both the fuel commodity and associated transportation charges.
- Electricity sold (including production and purchases) is priced according to current and estimated pricing schedule.
- Personnel costs have been aggregated from a bottom-up forecast by individual and role across the organisational structure, inclusive of all allowances and on-costs.
- The repairs and maintenance and capital expenditure projects have been identified, prioritised and reviewed in the context of the strategic direction and projected operational outcomes of the business, and incorporate the expected reallocation of internal labour costs in line with accounting standards.
- The remaining forecasted operating expenditures are based on a bottom-up review of requirements taking account of historical spending and future strategic direction.
- A preliminary and conservative estimate of savings from the fleet transition has been calculated based upon the expected efficiency improvements, which is anticipated to be material to the outer years of the SCI only due to timing of investment and commissioning.
- As a consequence of all revenue, cost and capital input assumptions, a theoretical test of the carrying value of the Corporation's assets is undertaken (Impairment Test). As a result of this Impairment Test, any Cash Generating Units which have been unable to demonstrate their fair value will be subject to the application of an impairment. This impairment will reduce the carrying value of assets, as well as the future depreciation expense.
- Finally, the application of Australian taxation regulations and Australian Accounting Standards is applied to forecast profits and losses to ensure regulatory compliance.

1.2 Key Assumptions

The financial forecast has been based on the following key assumptions:

Item	Assumption
Underlying Demand	<p>For each of the regulated regions, the Corporation generally aligns with the annual underlying demand forecast provided in the latest available Electricity Outlook Report (EOR), produced annually by the Utilities Commission. For this SCI, it was the 2018-19 EOR. Where appropriate, the Corporation has adjusted these forecasts to reflect any new information within the market.</p> <p>For the Darwin-Katherine region, population growth forecasts drive annual demand growth. Alice Springs' demand is anticipated to increase substantially in 2022-23 when Pine Gap connects to the power system, with small underlying demand growth. Tennant Creek is estimated to see a slight growth in demand based upon new developments despite an estimated minor decline in population.</p>
Behind-the-meter solar	<p>For each of the regulated regions, the Corporation utilises EOR forecasts for residential and commercial behind-the-meter solar capacity. The forecasts combine theoretical aggregated solar output profiles to estimate the impact on underlying demand.</p>

Competition	New grid-connected entrants to the NT power generation market have been flagged for some time and are expected to continue to displace the Corporation's market share. The Corporation has assumed the following generation installations will be competitors for market share in each region based on publicly available information.					
	Name	Capacity (MW)	2021-22 yield (MWh)	Technology	Developer	Start date
	Darwin-Katherine					
	Pine Creek Power Station	27	202,033	Combined cycle gas turbines	EDL	In operation
	Hudson Creek Power Station	12	96,909	Gas reciprocating engines	Merricks Capital	1/07/2021
	Katherine Solar Power Station	25	66,552	Single axis tracking solar	Eni	1/04/2021
	Manton Solar	10	25,435	Single axis tracking solar	Eni	1/07/2021
	Batchelor Solar 1	10	25,435	Single axis tracking solar	Eni	1/07/2021
	Batchelor Solar 2	10	25,435	Single axis tracking solar	Merricks Capital	1/07/2021
	Alice Springs					
	Uterne solar farm	3.88	11,716	Single axis tracking solar	Epuron	In operation
	Tennant Creek					
	Nil					
	Yulara					
	Yulara solar	1.8	2,484	Mixed technology solar	Epuron	In operation
	Kings Canyon					
	Nil					
	The following table highlights the expected introduction of competition summary in terms of installed capacity by year of installation, for each of the markets in which we operate. This includes both solar and thermal generation capacity.					
Installations Capacity (MW)	Existing	21-22	22-23	23-24	24-25	
Darwin-Katherine	27.00	94.00	94.00	94.00	94.00	
Alice Springs	3.88	3.88	3.88	3.88	3.88	
Tennant Creek	0.00	0.00	0.00	0.00	0.00	
Yulara	1.80	1.80	1.80	1.80	1.80	
Kings Canyon	0.00	0.00	0.00	0.00	0.00	
Total	32.68	99.68	99.68	99.68	99.68	

Electricity sent-out	The result of underlying demand, behind-the-meter solar and competition assumptions on the Corporation's market share is demonstrated by the forecast sent out electricity.					
	Region (MWh)	20-21*	21-22	22-23	23-24	24-25
	Darwin-Katherine	1,154,367	1,098,847	1,105,344	1,109,836	1,115,261
	Alice Springs	206,067	205,258	205,052	204,857	204,650
	Tennant Creek	29,497	30,512	30,618	30,725	30,832
	Yulara	16,995	16,111	18,021	19,932	20,304
	Kings Canyon	1,260	1,126	1,267	1,407	1,430
Total	1,408,186	1,351,854	1,360,302	1,366,757	1,372,476	
<i>*2020-21 Actuals to December 2020 and Forecast to June 2021.</i>						
Capacity	<p>The Corporation's existing plant is assumed to be maintained and operated to optimise its outputs and costs in accordance with the approved Asset Management Plan throughout the SCI period, consistent with the capital program. Notable regional strategies are listed below.</p> <p>Darwin-Katherine: Sufficient capacity to supply the full system demand energy and services shall be maintained throughout the SCI period, with the fleet transition plan strategically replacing existing assets with modern, more flexible assets.</p> <p>Alice Springs: The Ron Goodin Power Station is currently forecast to operate under the current operational philosophy through to 2023-24 when it transitions to retirement, and Owen Springs Power Station will service the full demand of Alice Springs.</p> <p>Yulara: Planned capital projects will optimise the use of existing renewable assets and ensure capacity remains available and reliable into the future.</p>					
Energy	<p>By far, the largest single cost item is the cost of energy, including gas and diesel input costs, together with Power Purchase Agreement costs. The amount of fuel required to generate at power stations is based on the forecast volume output from each unit and each unit's efficiency based on an assumed heat rate curve. For 2021-22, the cost of delivered gas is based on the current agreement with PWC. For the purposes of the SCI, the Corporation has assumed that the current agreement will be continued with PWC, with terms and conditions substantially the same.</p> <p>Despite reducing market share, gas consumption is anticipated to remain relatively consistent due to declining efficiency from increasing system services requirements and displacement of load from the Corporation's fleet. Capital projects in the Darwin-Katherine region, including the Darwin-Katherine ESS and fleet transition plan, will reduce gas consumption. Diesel usage is based on the historical proportion of usage for the level of output for the regulated power systems and servicing the entirety of the load in Yulara and Kings Canyon.</p>					

Repairs and Maintenance (R&M)	R&M expenses include the cost of materials, internal and external labour. The expenses have been estimated by power station unit over the planning period and comprise planned maintenance and an allowance for unplanned maintenance. The estimated spend over the period is as follows.					
	Power Station (\$Million)	20-21	21-22	22-23	23-24	24-25
	Channel Island	9.3	8.2	8.6	8.7	9.1
	Weddell	3.2	2.0	3.1	2.6	2.7
	Katherine	1.8	0.8	1.1	1.3	1.7
	Tennant Creek	2.6	1.5	2.2	2.7	2.6
	Ron Goodin	2.1	6.0	3.5	2.0	1.6
	Owen Springs	5.8	7.5	8.2	8.9	9.0
	Kings Canyon	0.5	0.3	0.3	0.4	0.4
	Yulara	1.0	1.3	1.7	2.3	1.7
Total	26.3	27.6	28.7	28.8	28.8	
Personnel Numbers	<p>Staff roles have been based on assumed organisational structure to align with the overall strategic direction.</p> <p>The Full Time Equivalent (FTE) targets in the 2020-21 SCI included the assumption of the closure of RGPS in 2020-21. This has been adjusted in the 2021-22 SCI.</p>					
Personnel Costs	Wages are assumed to increase in line with the Corporation's 2018-2022 Enterprise Agreement. Subsequent to this period, a wage freeze and \$1,000 bonus for all ongoing employees in 2022-23 has been incorporated in line with the NT Government's Wage Freeze Policy.					
Operational Projects	Operational projects are non-capital projects intended to improve safety, reliability, efficiencies or reduce the costs of doing business.					
	Description (\$'000)	21-22	22-23	23-24	24-25	
	Pine Gap Project	11,726	0	0	0	
	Site based operational improvement projects	369	365	374	383	
	Pronto system improvements	286	125	0	0	
	Payroll system scoping	76	52	0	0	
Total operational projects	12,457	542	374	383		
Committed Savings	Committed savings have been assumed for the full period of the SCI.					
	Item (\$ Million)	21-22	22-23	23-24	24-25	
	Committed savings	3.5	4.0	4.5	5.0	

Capex	The total forecast for capex is:					
	Item(\$ Million)	20-21	21-22	22-23	23-24	24-25
	Total all items	54.4	50.6	56.7	51.0	41.4
	The continued increase in solar PV has resulted in an increased emphasis on the management of the Corporation's assets as this increases physical stress on the generators that will need to stop and start more often than designed. The capital expenditure table above includes the cost of the Corporation's fleet transition plan.					
Fixed Assets and Depreciation Expense	The cost and book value of fixed assets is based on the fair value recorded in the Corporation's accounts.					
	Depreciation rates are forecast based on equivalent operating hours for the Prime Movers, and all other depreciable assets on the straight-line method over their useful lives. An approximate apportionment of depreciation expense by method is provided below:					
	Straight line		90%			
	Equivalent operating hours		10%			
	A capitalisation threshold of \$1,000 has been adopted, with new assets capitalised and depreciated from the time they are available and ready for use.					
Consumer Price Index (CPI)	Revenue and cost escalation assumptions are based on contractual or employment obligations where applicable.					
	Where no mandated escalations exist, the following CPI rates have been assumed:					
	<ul style="list-style-type: none"> • 2021-22 – 1.1% • 2022-23 – 1.4% • 2023-24 – 1.8% • 2024-25 – 2.5% 					
Debt and Interest	Debt is interest only and is assumed to be extended upon maturity through the SCI period.					
		20-21	21-22	22-23	23-24	24-25
	Average Interest Rate	3.38%	3.34%	3.33%	3.35%	3.41%
Tax	Tax expense is assumed at the corporate tax rate and includes the impact of tax effect accounting on taxable income over the period.					
Dividend	The NTG is considered to have the right to receive a dividend from applicable entities calculated at 50% of the 30 June net profit after tax, subject to recommendation by the Corporation's Board.					

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