TERRITORY GENERATION

2021–22 ANNUAL REPORT

Powering the NT

Acknowledgement of Country

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. Aboriginal and Torres Strait Islander readers are advised that the following report may contain images and names of people who have died.

FRONT COVER: Image 1 - Electrical Apprentice, Brieanna McSweeny, at Owen Springs Power Station Image 2 – OMT Mechanical, David Lewis, at Katherine Power Station.

ABOVE: Yulara Power Station from the air with Uluru in the background.

2021-22 financial year highlights

670%
Increase Take 5s
(See page 11)

1,053
Safety conversations across 8 power stations
(See page 11)

IMPROVED SYSTEM
Mobile safety reporting
(See page 11)

25
Engineers on credentialling program
(See page 23)

Welcome

Territory Generation is the Northern Territory's largest electricity producer and we are committed to supporting government renewable energy targets. Using gas, diesel and renewable technologies, we generate electricity for the Territory's major population centres and support the reliable operation of the power systems. We supply wholesale electricity, capacity for meeting demand load and Essential System Services, including frequency and voltage control, network support and black start services. We are focused on supporting the Northern Territory's power systems through the transition to lower costs and renewables in line with Northern Territory Government policies.

The 2021-22 annual report of Power Generation Corporation (trading as Territory Generation) summarises operations and achievements for the financial year 2021-22.

The annual report is tabled in the Northern Territory Parliament as a reporting mechanism for Territory Generation's Shareholding Minister, Portfolio Minister and the Northern Territory Parliament.

As per 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.

The report also provides information for stakeholders who have an interest in the provision of electricity generation services in the Northern Territory.

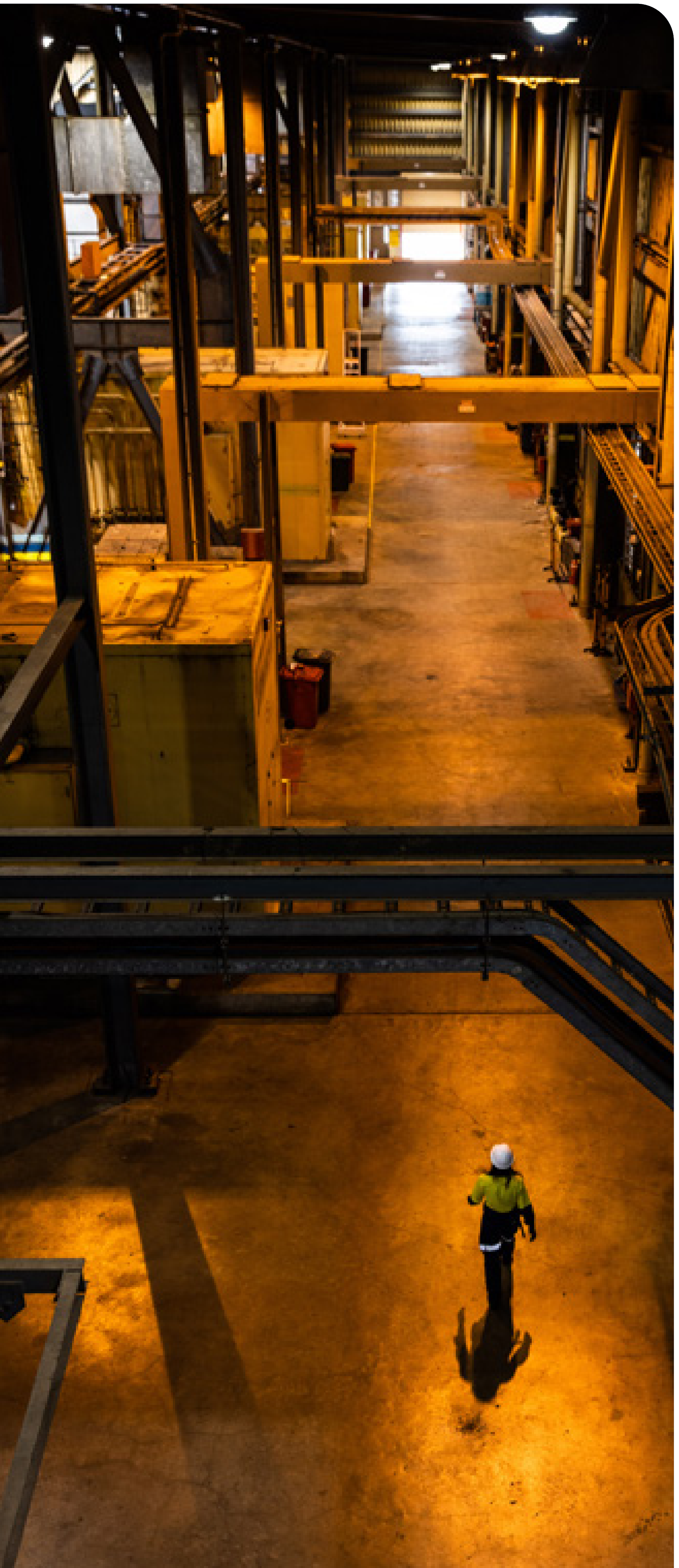
This is Territory Generation's eighth annual report following structural reforms to the Northern Territory electricity industry.

1,536
GWh electricity produced
(See page 6)

$16.9M
Net profit after tax
(See page 26)

$8.47M
Dividend declared
(See page 26)

$286.8M
Electricity sales
(See page 26)



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The Channel Island Power Station turbine hall.

Lead OMT Yulara, Matthew Hinchey, at Yulara Power Station.

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 eighth annual report, for the year ended 30 June 2022, in accordance with sections 41 and 44 of the *Government Owned Corporations Act 2001*.

DENNIS BREE
Chair

GERHARD LAUBSCHER
Chief Executive Officer

Chair's message

Territory Generation's business continues to be shaped by the Northern Territory Government's policy of achieving 50 percent renewables by 2030 and net zero emissions by 2050. We remain focused on providing system stability as solar enters our market, and see that as one of our key roles.

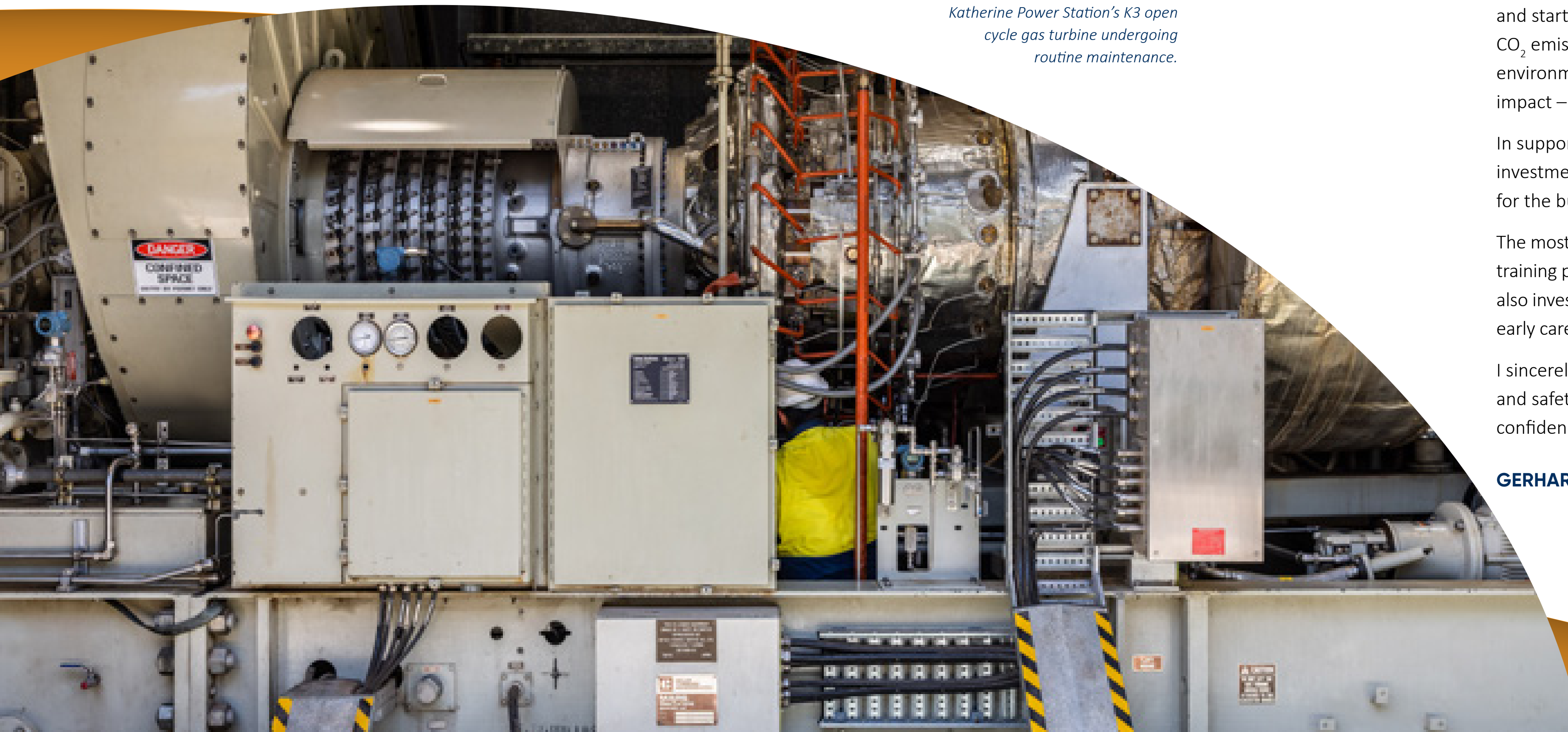
Our fleet transition continues, underpinned by a strategy of investing in more efficient thermal generation assets. We purchased our first mobile gas turbine in 2021. The TM2500 is smaller than existing Channel Island plant but reacts more quickly to load changes and is also hydrogen capable. Contracts have been signed and work is underway for the construction of Darwin-Katherine battery, which will support increased renewable penetration and strengthen the system. We are all excited about this fantastic advance.

The Territory Government has lifted the moratorium on Territory Generation being involved in solar in the Top End. We are now investigating ways in which this can be used to reduce costs and ensure continued system stability.

We are again able to pay a dividend to the Territory Government and continue to manage costs that we can control effectively.

Finally, thank you to our staff. The pandemic meant that the past financial year was an extraordinary time for everyone, but you responded magnificently, following the required protocols in a highly professional, community-minded way. Despite all the interruptions caused by the pandemic, you remained dedicated to providing power to Territorians and to maintaining safety as the core of our business. Thank you.

DENNIS BREE



Katherine Power Station's K3 open cycle gas turbine undergoing routine maintenance.

Chief Executive Officer's message

Despite the disruption of COVID-19, I am incredibly proud to report Territory Generation's strong performance in the 2021-22 financial year, especially in plant availability, reliability and Health & Safety. Undoubtedly, COVID-19 has been one of the most unsettling events in modern times. I thank our workforce for the flexibility and resilience demonstrated throughout the pandemic while delivering reliable electricity production. We have proven that we can adapt to varied working environments while keeping safety at the core of everything we do.

Risk management has been a critical improvement to our organisation over the past 24 months. Through our focus on de-risking the business, we have reduced eight 'very high' rated risks to only one. We have also implemented numerous organisational and process changes to allow our work management, asset management and project management functions to mature. These changes have enhanced our operational performance and helped the business deliver safe, reliable, efficient energy and system services. As a result, we have successfully delivered the operational and financial commitments made in our 2021-22 Statement of Corporate Intent to our government shareholder.

Being the largest producer of wholesale generation in the Northern Territory, we know our role in supporting the security of the power systems we operate in is critical. The power systems continue to change with increasing renewable energy penetration via behind-the-meter solar and the connection of utility-scale solar generation. As a generator, we developed a Fleet Transition Plan, which aims to assist with meeting the future requirements of the power system by providing more flexible, smaller, fast-start generation with hydrogen capability. We have taken the first steps in this transition by purchasing the TM2500 gas turbine and starting the large-scale battery energy storage system in the Darwin-Katherine grid. These projects are expected to reduce CO_2 emissions by approximately 58,000 tonnes per annum. Testament to our continued emphasis on and commitment to our environment, social licence to operate, and robust governance framework, this goes well beyond reducing our direct emissions impact – it is how we responsibly conduct and run our business.

In support of the Government's Darwin-Katherine Electricity System Plan we continue to be the conduit, enabling more private investment in renewable energy in the Northern Territory. We are also building our longer-term strategy to create a brighter future for the business and determine how we can further participate in renewable generation.

The most satisfying investment is in our people. A strong technical team is critical to our success, and we continue to invest in quality training packages to support our people to grow professionally and personally, which results in greater satisfaction in their work. We have also invested in our engineers by offering them a supported pathway to obtain their chartered status. We are creating opportunities for early career starters to enter the workforce and grow through our graduate and shining apprenticeship program.

I sincerely appreciate the exceptional efforts of all our teams in driving the business forward and their commitment to operational and safety excellence. Finally, I thank our Board of Directors, Shareholding Minister and Portfolio Minister for their continuing confidence and support in Territory Generation.

GERHARD LAUBSCHER

Our business

Territory Generation is a Northern Territory Government Owned Corporation (GOC) which began operations on 1 July 2014 after the restructuring of the electricity industry in the Northern Territory.

In the last financial year, Territory Generation produced 1,536 GWh of electricity using gas, diesel and solar technologies. We are the largest mass market and commercial electricity producer in the Northern Territory, owning ~603 MW of installed capacity and contracting an additional 5.1 MW from independent power producers, including 4 MW solar from Uterne in Alice Springs and 1.1 MW reclaimed gas produced by LMS Energy from the Shoal Bay landfill site.

WHOLESALE ELECTRICITY SUPPLY

- Electricity
- Capacity to supply peak load

ESSENTIAL SYSTEM SERVICES

- Generator testing/commissioning services
- Frequency control services, including inertia
- Network support services
- System strength services
- Capacity security services
- Electricity system services
- Voltage control services
- Black start services

GOVERNANCE AND OPERATING STRUCTURE

Territory Generation is governed by the *Government Owned Corporations Act 2001* and the *Power Generation Corporation Act 2014*. Territory Generation was incorporated to provide sustainable financial returns to the Northern Territory Government. At the start of the 2021-22 financial year, Territory Generation's Shareholding Minister was the Treasurer, the Hon Michael Gunner, and the Portfolio Minister was the Minister for Essential Services, the Hon Eva Lawler. In May 2022, following a change of cabinet, Minister Lawler became the Treasurer and the Hon Selena Uibo our Portfolio Minister.

Dennis Bree is the non-executive Chair of the Territory Generation Board of Directors. Richard Galton and Adjunct Professor Christine Charles are non-executive board members. The three directors are members of the Audit and Risk Committee and the People, Safety and Environment Committee. David Braines-Mead is an independent member of the Audit and Risk Committee, bringing expert financial knowledge. The Northern Territory Auditor-General audits Territory Generation's financial statements.

RISK AND SAFETY MANAGEMENT

Territory Generation continues to strive towards a zero-harm workplace with an inclusive behavioural safety culture where safety is always our highest priority and at the core of everything we do.

Territory Generation manages risks through its Risk Management Framework, Risk Management Policy, Risk Register, Risk Matrix, and Risk Assessment Guide, supported by regular risk reviews, reporting, and management. We continuously enhance our risk management system by focusing on risk mitigation and using the Risk Matrix to assess risk levels based on 'Likelihood' and 'Consequence'. We are exposed to a wide range of risks, including process safety, health and occupational safety, cyber risks, competition, disruptive technology, information technology, security, natural disasters, pandemics, operational risks and compliance risks.

Our corporate culture and mindset focus is on risk mitigation through risk-driven projects. Risk forms the basis of justifying any project at Territory Generation. Project managers must seek approval for projects via our Project Management Office. As part of this process, they must identify the risks their project will mitigate and assess the efficacy of this mitigation.

AUDITS, COMPLIANCE AND LEGAL OBLIGATIONS

Territory Generation is always striving to improve the way we operate. We maintain a general compliance and audit program encompassing internal and external audits and action recommendations to improve our processes and procedures and reduce risk. We always meet our regulatory obligations on time, including delivering regulatory reports.

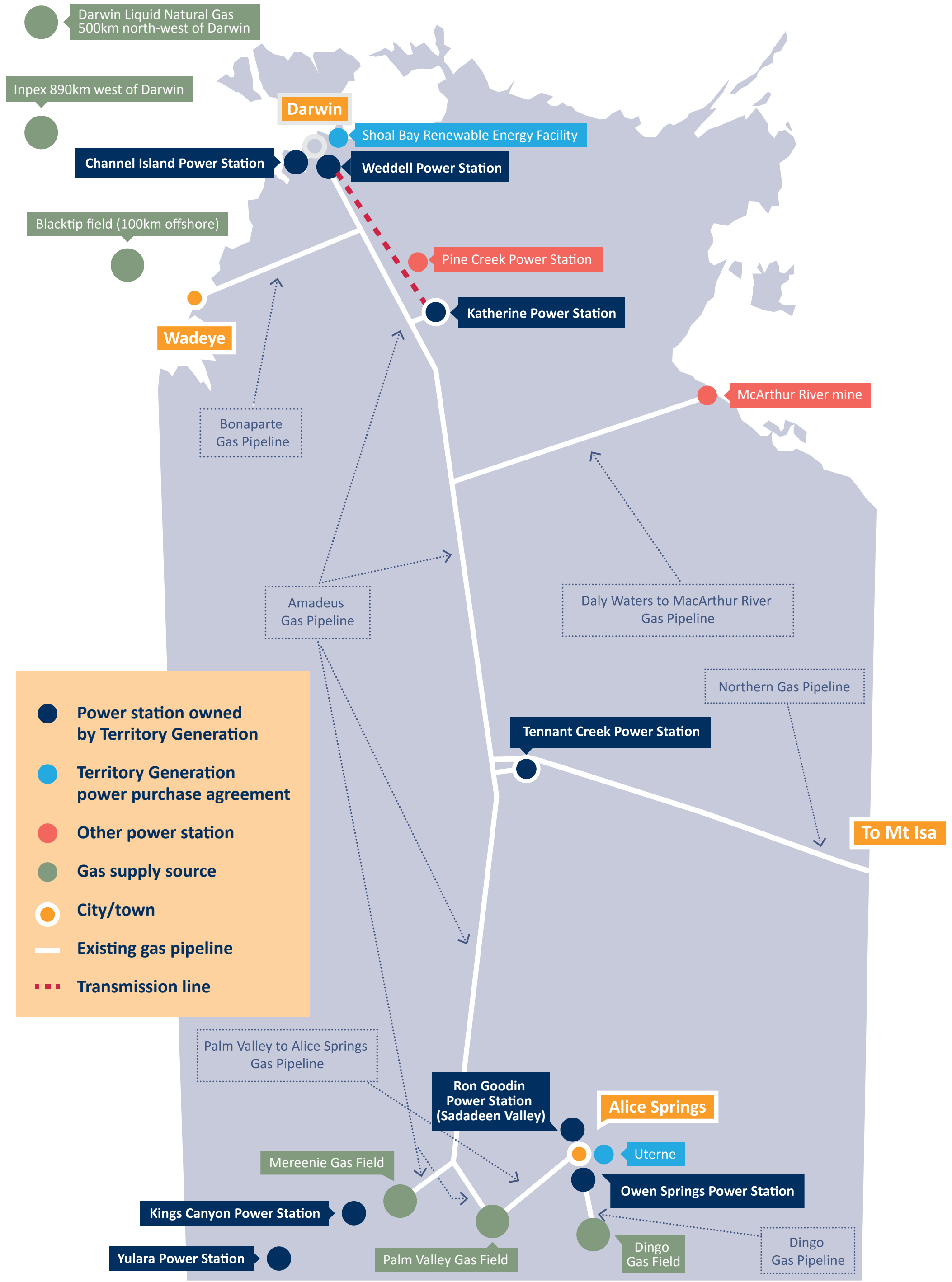
Our business is subject to legal requirements, including Commonwealth and Northern Territory legislation, Regulations, Rules, Licensing, Standards and Codes, and we comply with part 9 of the Information Act 2002. We have also completed all recommendations and actions assigned to us by the Utilities Commission report on the 2019 Alice Springs system black.

Territory Generation is monitoring the ongoing amendments being enacted to the Security of Critical Infrastructure Legislation to ensure compliance with our regulatory obligations. We also revised and updated our Cyber Incident Response Plan to align with mandatory cyber incident reporting obligations. In addition, we are updating our Risk Management Program to set out the risks and mitigation strategies for our critical infrastructure assets.

The Hon Selena Uibo with Acting Owen Springs Station Manager, Hal Ruger.

Where we operate

Territory Generation owns and operates eight power stations and 65 generating units in the Northern Territory. These are located at Channel Island, Weddell and Katherine (the Darwin-Katherine interconnected system); Tennant Creek; Ron Goodin and Owen Springs (the Alice Springs power system); Kings Canyon and Yulara.



Our power stations

	Engine	Total capacity (MW)	Description
Darwin-Katherine region			
Channel Island Power Station (CIPS)	4 heavy industrial gas turbines (2 dual fuel), 3 aeroderivative gas turbines (2 dual fuel), 1 steam turbine	279	CIPS is Territory Generation's largest power station and the main source of electricity for the Darwin-Katherine Interconnected system. The first units were commissioned at CIPS in 1986. CIPS is a natural gas fired station, with diesel fuel back-up capability.
Weddell Power Station (WPS)	3 aeroderivative gas turbines	129	WPS connects to the Darwin-Katherine grid and consists of two open cycle gas turbines commissioned in 2008, with a third commissioned in 2014.
Katherine Power Station (KPS)	4 industrial gas turbines (dual fuel)	37	KPS has been operational since 1987. The station contains four open cycle gas turbines.
Alice Springs region			
Ron Goodin Power Station (RGPS)	8 reciprocating sets (6 dual fuel, 2 diesel), 1 gas turbine (dual fuel)	44	RGPS was commissioned in 1973 and remains a source of electricity for the Alice Springs area. RGPS has been kept operational to provide more capacity to the Alice Springs system.
Owen Springs Power Station (OSPS)	13 reciprocating sets (10 gas, 3 dual fuel), 1 industrial gas turbine (dual fuel)	77	OSPS uses the latest dual fuel and gas spark reciprocating technology. OSPS services 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.
Tennant Creek region			
Tennant Creek Power Station (TCPS)	11 reciprocating sets (5 gas, 6 diesel), 1 industrial gas turbine (dual fuel)	20	TCPS services the Tennant Creek township and surrounding communities as far as Ali Curung.
Yulara-Kings Canyon region			
Yulara Power Station (YPS)	10 reciprocating sets (4 gas, 5 diesel, 1 dual fuel)	11	YPS services the Ayers Rock Resort and the Yulara township. The Yulara Energy Transition Initiative will result in a significant change in the asset base in the near future.
Kings Canyon Power Station (KCPS)	3 reciprocating sets (diesel) and 1 solar panel	1	KCPS is the only commercial source of electricity in the Kings Canyon area, servicing the Kings Canyon Resort and domestic customers.

Our strategic direction

Territory Generation has a crucial role in supporting and contributing 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. We will continue to transition our fleet to provide support services for renewable energy and deliver safe, reliable and cost-effective electricity essential services.

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.

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 OBJECTIVES

- **Safety:** We have an embedded behavioural based safety culture, where safety is at the core of everything we do
- **People and Capability:** We have a culture that attracts, retains and develops highly skilled people aligned with our vision and values
- **Plant Operations:** We 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 our social, environmental and economic performance
- **Stakeholders and Customers:** We are a trusted supplier delivering safe and reliable products and services.

Safety – our number one priority

At Territory Generation, safety is driven by genuine care and concern for people and the environment. From a health, safety and environment (HSE) perspective, the safety and wellbeing of every person who enters a Territory Generation site is our number one priority. This goes beyond ensuring that our employees, contractors and vendors return home safely at the end of each day and extends to culture, the environment and outside to the wider community.

TAKE 5

A Take 5 is a task-based risk assessment tool completed by staff before work starts to ensure hazard identification and control. During the financial year, the Take 5 process and booklet were refreshed based on feedback from the workforce. Take 5 completion was then embedded as a safety process, required before the start of every operational job. 4,465 Take 5s were completed during the financial year, an increase of more than 670% from the previous year. Take 5s are critical to safety as they reduce operational risks by helping refocus staff on the job at hand. They empower critical thinking about the work environment and allow staff to take personal responsibility for safety.

SAFETY MANAGEMENT SYSTEMS

During the 2021-22 financial year, the Safety team reviewed Territory Generation’s safe systems of work, completing a gap analysis and aligning our safety management system towards best-practice ISO45001 Occupational Health and Safety (OH&S). Maintaining this management system means we are proactively improving occupational health and safety, eliminating hazards and minimising HSE risk. We are continually improving HSE performance.

MYHUB

Our incident management and reporting system was refreshed during the financial year following consultation with staff. The new-look, user-friendly MyHub includes a mobile phone app to allow incidents, hazards and near-misses to be reported from the field, in real time. Upgraded reporting details allow us to mitigate risks for the future.

We promote proactive reporting as part of our continuous improvement drive to strengthen our safety culture, and have a no-blame policy.

	2018-19	2019-20	2020-21	2021-22
Injuries and Illnesses				
Lost Time Injuries (LTI)	0	0	0	**1**
Lost Time Injury Frequency Rate (LTIFR)	0.0	0.0	0.0	**0.28 (industry bench mark 1.3)**
Incident Reporting				
Safety Conversations	986	882	1,009	**1,053**

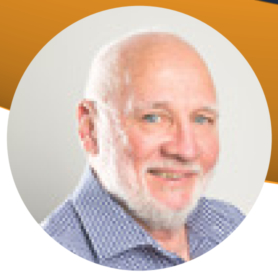
PERMIT TO WORK

The Permit to Work (PTW) system sets out safety procedures for day-to-day works, electrical and mechanical work permit processes, and high-voltage testing. The PTW system is under review as a continuous improvement initiative in consultation with end users. Several supporting procedures are included in the PTW refresh project scope, including gas type B, electrical safety and hazardous area. The review will ensure the system is enhanced and continues to meet best practice as an effective safe system of work. On conclusion of the review, all operational staff and contractors will be retrained in the updated system.

STOP THE JOB

Every person on a Territory Generation site has the authority to stop work that could cause personal harm or damage to plant and equipment. Anyone can ‘stop the job’ when a potential hazard is identified. Controls must then be put in place to minimise the identified risk or hazard.

Our Board



Dennis Bree

Independent Non-Executive Chair
BE, MAICD

Dennis is a civil engineer whose whole career has been in the Territory. Dennis was involved in the recovery from Cyclone Tracy, focusing on structural design with GHD, after which he joined the Commonwealth Government. He focused on water and sewerage, particularly in remote areas and then moved into management roles with the Northern Territory Department of Transport and Works and then Power and Water Authority.

Dennis was Executive Director Operations at Power and Water Authority and was responsible for generation as well as other business units.

Dennis has been Deputy Chief Executive of various departments and Chief Executive of the Department of Business. Dennis has also been Chief of Staff to two Chief Ministers and two Leaders of the Opposition. He was also a senior advisor to the former Chief Minister Michael Gunner.

In his private life, Dennis has been very involved in rugby union and was President of the Northern Territory Rugby Union for ten years and a Director of the Australian Rugby Union for four years.

Christine Charles

Independent Non-Executive Director
BA(Hons), ADJUNCT PROF MAICD

Christine is Managing Director and co-founder of D4G and an experienced board chair and non-executive director. She brings substantial board and management experience, focused on highly regulated environments and realising the business benefits of managing regulatory, sovereign, community and environmental risks.

Having held positions in the community, public and private sectors and academia, Christine has broad knowledge across various sectors. Several years in an executive role with Newmont Mining and specialist work have given her a thorough understanding of the resources and energy industry. After heading the South Australian Cabinet Office, Christine was Chief Executive Officer of the South Australian Human Services Department from 1997 to early 2002. She worked for the World Health Organisation in Japan and several non-government organisations within Australia.

Christine sits on the boards of Transformations in Mining Economies CRC and the Sustainable Minerals Institute and chairs the boards of the Resources and Skills Alliance and the Centre for Social Responsibility in Mining. She has previously chaired the Northern Territory Green Energy Task Force and the Northern Territory Mining Board.

Richard Galton

Independent Non-Executive Director
BE, MBA

Richard graduated as a civil engineer from the University of Sydney in 1972 and started his career with the New South Wales Department of Main Roads. Richard focused on planning, design and construction of motorway and bridge construction projects in Sydney, London and Wollongong for a decade before he was seconded to the Northern Territory in 1982 to manage road network development. Richard then completed a Master of Business Administration while working in senior management roles within the Northern Territory Public Sector.

Since 1994, Richard has held executive roles in a broad range of Northern Territory Government agencies, including Work Health, Infrastructure, ICT, Economic and Regional Development, Primary Industry, Fisheries and Resources. He also served a period as Executive Director Technical with Power and Water Authority as it commenced the transition to a government owned corporation in 2002.

Our Executive Leadership Team

(Front left to right) Hieu Nguyen, Gerhard Laubscher and Maria Walters.
(Back left to right) John Greenwood, Minh Tran and Eddie Mallan.

Gerhard Laubscher

Chief Executive Officer
MTechEng FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus), MAICD

Gerhard is a seasoned leader with global experience across various industries. He has held CEO and Board Director roles in public and private sectors with accountability for all business functions. His passion is to improve business and develop leadership teams that are inspired, resilient and deliver value with an uncompromising approach to safety.

Maria Walters

General Manager Finance and Business Services
BBusCom, FCPA, GAICD

Maria has gained significant experience across her career in the power generation industry. She brings strong technical accounting, strategic and analytical skills as well as extensive experience and knowledge of the business services functions. Maria has held key board positions on several external boards over a number of years.

John Greenwood

General Manager Operations & Maintenance
GradDip(Leadership&Mgt), MAICD, MIML

John is an accomplished senior executive with management experience gained across roles in both New Zealand and Australia. He experienced in service delivery, asset management and capital works delivery in the electrical supply industry. Prior to joining Territory Generation, John was CEO of an electricity utility contractor based in the South Island of New Zealand.

Eddie Mallan

General Manager Commercial
Adv Dip HospMan, BComm, MBA, Grad Dip WHS, GAICD

Eddie is an experienced executive who has a history of working in a range of industries, including ports, mining, supply chain, logistics, mass manufacturing and technology. He is skilled in negotiation, business planning, operations management, strategic sourcing and business improvement, and has experience in both the private and public sectors.

Hieu Nguyen

General Manager Legal Governance & People; General Counsel and Company Secretary
BSc, LLB, LLM, GAICD

Hieu is an executive with legal, governance and human resource experience in private and government enterprises. He has held various board and committee positions and been involved in large commercial contractual negotiations during his career. Hieu was instrumental in the establishment of Territory Generation's Business Services unit, which included eight functions at the time of its development.

Minh Tran

General Manager Assets & Engineering
Dip Proj Mgt, BEng (Electrical and Electronics), MEM, MAppFin, FIEAust, CPEng, NER, APEC Engineer, IntPE(Aus)

Minh is a highly qualified engineering leader with over 12 years of experience in the power generation industry. He has successfully managed information technology, operational technology, project management and engineering teams. Minh is passionate about developing high performing teams and leading the energy transition.

Our performance

For the 2021-22 financial year, Territory Generation developed key performance indicators (KPIs) to define our strategic direction. Six key objective areas were identified, covering Safety, People and Culture, Plant Operations, Finance, Sustainability, and Stakeholders and Customers. KPI measures with corresponding targets were allocated to each objective area. Achievement of KPI targets demonstrates alignment with our strategic direction of ensuring the safe, reliable and responsible operation of our plant and driving continuous improvement across the business.

Objective	KPI measure	Target	Actual
Safety			
	Report lead indicators	Increase in incident and hazard reporting	Reporting increased
	Increase safe act observations and safety interaction reporting rates and improve quality	Monthly allocated targets exceeded or met	Targets exceeded
	Lost time injury frequency rate (LTIFR)	Zero LTIFR recorded	1 LTIFR recorded: Fingertip injury
People and Culture			
	Employee engagement survey outcomes	Engagement survey result > = 60%	62%
	Number of people – Full Time Equivalent (FTE)	FTE < = SCI and cap	FTE < = SCI and cap
	Compliance training provided	Training completed on time > = 90%	98%
Plant Operations			
	Critical plant availability across portfolio	Total average > = 88%	92% (excludes Ron Goodin Power Station)
	Operating expenditure (less energy) as a percentage of total revenue	Achieve < = Budget 33%	31%
	Operating expenditure (less energy) per sent out MWh generated	Achieve < = Budget $63/MWh	$59/MWh
	Start reliability	Achieve > = Target 95% across all sites	97%

Objective	KPI measure	Target	Actual
Finance			
	Achievement of budgeted outcomes EBITDA/current ratio/ROA/ROE/ debt to equity ratio/EBIT	• Debt to equity < = previous year 1.72x • Revenue growth > operating expenditure growth • Controllable costs < = previous year $28.4M • Dividend declared	• 1.61x • 9.63% > 8.29% • $30.6M • $8.47M
	Capital program delivered within approved base currency budget	Project completion within +/- 10% of approved budget	- 10%
	Products are costed in accordance with the agreed documented methodology and system control technical code as applied	Documented methodology approved	Approved
Sustainability			
	No reportable environmental harm incidents	Target = 0	0
	An ongoing overall reduction in CO_2	Continuous reduction on prior year emissions	No reduction on prior year emissions due to higher than expected demand
	Darwin-Katherine Energy Storage System constructed and commissioned	Constructed and commissioned	Construction in progress with commissioning targeted 2023
Stakeholders & Customers			
	WESAs negotiated and approved	Approved by Board and Shareholder	Approved by Board and submitted to the Shareholder
	Identify new technologies and develop proposals to meet stakeholder requirements	Two proposals presented to the Board	Two proposals presented
	Customer and stakeholder plan	Customer and Stakeholder plan approved to meet benchmark	Plan approved
	System Average Interruption Duration Index (SAIDI) for generation	Target < 10-year average	Target achieved

Graduate Mechanical Engineer, Steven Sawyer, with Graduate Electrical Engineer, Aidan Routledge, at Weddell Power Station.

Our people

Our people are critical to the Territory in many ways. While generating units power the grids, it's Territory Generation's people who power the continued safe, reliable and cost-effective electricity services to the Territory. If the pandemic has taught us anything, it's that our people cannot be overvalued. We strive to support and develop our staff to be the best they can be.

LEADERSHIP DEVELOPMENT PROGRAM

Territory Generation has developed a leadership program designed to support our staff to develop leadership skills. The four program focus areas are emerging leaders, upcoming leaders, leadership diversity and inclusiveness, and 360-degree communications. The program is being delivered by a local business and includes monthly face-to-face sessions and coaching sessions.

Territory Generation believes in a diverse and inclusive workforce that represents the communities in which we operate. Staff from diverse groups are therefore included in the leadership program and succession planning.

CAREERS, RECRUITMENT AND APPRENTICESHIPS

Territory Generation strives to recruit locally and give Territorians a pathway to a rewarding career. During the 2021-22 financial year, three Territory Generation staff members and one hosted apprentice completed their apprenticeships. We currently have six hosted apprentices, including one who started in 2022.

In the first half of 2022, Territory Generation recruited two local engineering graduates – one electrical engineer and one mechanical engineer. Both are from the Northern Territory. We are investing time, resources and effort into developing our graduates to become the next generation of technical leaders. Their progress is supported by a structured graduate program designed by Engineers Australia.

SUCCESSION PLANNING

Succession planning is under development with a focus on identifying necessary training. Emerging leaders are being identified and moved into what are considered "critical roles" when key members of our team go on holiday or leave the business.

EMPLOYEE ENGAGEMENT

The Northern Territory Public Service-wide employee engagement People Matter survey collated feedback on aspects of its workforce, including human resources, safety and bullying. From the survey results, Territory Generation identified areas for improvement and implemented a range of tailored initiatives. Our 'Pulse' staff engagement survey was then rolled out in April 2022 to assess and track progress achieved from the People Matter survey. These results showed improvements from the People Matter Survey and highlighted new areas where attention can now be focused.

RECOGNITION

In May 2022, Territory Generation staff were recognised at the GTNT Group Awards, with electrical apprentices Brieanna McSweeny and Kalina Price being awarded Outstanding Apprentice of the Year Stage 3 and Hot100 Commendation respectively. Territory Generation was also very proud to receive the Host Business of the Year award at this event. In total, we received five finalist nominations at the 2022 GTNT awards. This significant achievement is reflective of the dedication and commitment of our apprentices and supervisors and the calibre of our apprentice program.

ENTERPRISE AGREEMENT

Enterprise agreement negotiations began in March 2022. An offer is expected in the new financial year. The negotiations have been carried out in good faith and with mutual respect.

FTE AND DIVERSITY

We continue to focus on full-time equivalent (FTE) employees in line with Northern Territory Government requirements, while delivering safe, reliable and cost-effective electricity services. We remain focused on achieving a diverse workforce, as highlighted by our improved Equal Employment Opportunity (EEO) results in the 2021-22 financial year.

SPECIAL MEASURES

Territory Generation has implemented a Special Measures Plan which provides priority recruitment consideration of Aboriginal and Torres Strait Islander candidates.

The aim of the Special Measures Plan is to improve diversity and inclusion in our business and increase participation of suitably qualified and experienced Aboriginal and Torres Strait Islander candidates.

Administration Assistant, Shirley Ballesteros, at Channel Island Power Station.

Major projects

2021-22 has seen Territory Generation reach key milestones on major projects designed to improve our system reliability into the future. Our Fleet Transition Plan maps a gradual transition to assets that are flexible, renewable-capable, fast-starting, and mobile to complement the existing power systems. Forecasts estimate the transition will significantly reduce carbon emissions and optimise costs. It is being carried out in a cost-effective and staged process that will not impact electricity supply.

DARWIN–KATHERINE BATTERY ENERGY STORAGE SYSTEM

The Darwin-Katherine battery energy storage system (BESS) is a strategically important project that supports the transition to 50 percent renewables and the needs of the power system of the future. Once operational, the ~35MVA BESS will be online continuously, replacing some gas-fired generation at Channel Island Power Station and strengthening the system to support increased solar. Reduced gas operating and maintenance costs will deliver annual savings of about $9.8 million and carbon emissions of 58,000 tonnes. The tender for the $45 million BESS was awarded in late 2021, with other supporting tender awards following in the first half of 2022 and works commencing towards the end of the financial year. The BESS is expected to be operational in 2023.

TM2500

The second new major asset to support the Darwin-Katherine power system is a TM2500 gas aero-derivative turbine. The agile, fast-start, hydrogen-capable TM2500 was transported by sea and road from the United Arab Emirates via Darwin Port to Channel Island Power Station. Installation works and commissioning will commence in 2023, with much of the civil, mechanical and electrical works to be sourced from local and interstate contractors. The TM2500 can run on different fuel sources to allow flexibility for plant operators. It will renew 22 megawatts to the power system and can start in less than 10 minutes under local requirements. The TM2500 is expected to be operational in 2023. The unit will provide additional capacity and dispatch flexibility.

A TM2500 (image supplied by General Electric).

YULARA ENERGY TRANSITION INITIATIVE

Orders have been placed for four new diesel generators for Yulara power station to replace aged gas generators, historically operated on compressed natural gas, which is no longer supplied. In this unit size range, diesel generation also provides more flexibility than gas to operate in support of high penetration renewables in the future.

In addition, a 30-month study of regional and remote community microgrids is under way at Kings Canyon, Yulara and Tennant Creek. The study, which is funded by a $2.8 million grant from the Federal Government, is examining the use of a combination of solar, battery and diesel, plus the possibility of biofuels, hydrogen and waste-to-energy generation. Territory Generation is working with key stakeholders, including Indigenous organisations, tourism operators and mining companies, to deliver successful outcomes.

OMT Mechanical, Matthew Blankenspoor, with Mechanical Apprentice, Asinate Bradbury, at Tennant Creek Power Station.

RENEWABLE GENERATION AND EMISSION REDUCTION

An important development the 2021-22 financial year was the lifting of the Northern Territory Government's moratorium on Territory Generation being involved in renewable energy in the Top End. We're exploring renewable options in all our power systems and are moving towards including renewable equipment in our fleet transition.

We're also exploring options to develop a clear pathway to net zero emissions, including collaborating with the Department of the Chief Minister's Major Projects group to consider how Territory Generation can help to introduce a hydrogen economy. We're working with a range of proponents on demand management, generation and storage opportunities. Many exciting ideas are being considered.

An artist's impression of the Darwin-Katherine battery energy storage system being installed at Channel Island Power Station (image supplied by Hitachi Energy).

Outages and works

Territory Generation's outage planning program is critical to our business. We forecast and conduct outages and works to maintain our generating units and ensure the delivery of safe, reliable and cost-effective electricity services. Our outage planning scope includes machine replacements, upgrades, maintenance, repairs, and improvements.

Darwin-Katherine interconnected system

CHANNEL ISLAND AND WEDDELL GAS SUPPLY

Gas for Channel Island and Weddell power stations is supplied by Power and Water Corporation from Eni's Blacktip field. In the event Blacktip is unavailable, emergency gas has been supplied by Darwin LNG. However, as production at Darwin LNG is forecast to slow, INPEX has been contracted by PWC as an additional emergency supplier. INPEX gas from the Ichthys field is export quality, which means it has been stripped of inert gases and has approximately 17 per cent more energy content. We carried out crucial trials at Channel Island and Weddell power stations to test if our machinery could handle the transition to higher-energy gas and back again. Both trials were deemed successful.

CHANNEL ISLAND

C8 is a Siemens aero-derivative turbine which was scheduled for a mid-life overhaul and hot section exchange at 35,000 hours. In 2020, we removed the turbine for transport and repair by Siemens in Abu Dhabi and replaced it with a lease unit.

132 KV CABLE REPLACEMENTS PROGRAM

Replacement of the ageing 132 KV cables from the generator set-up at Channel Island Power Station are now 90% complete with only C1 installation remaining. The works were postponed until 2022 to align with Power and Water Corporation switch yard works.

WEDDELL

The W2 annual outage in May found the engine to be unserviceable. It was replaced with the on-hand spare Weddell engine. A new engine will replace the W3 engine at Weddell Power Station later in 2022 when its service hours have been consumed. Procurement of a new Weddell engine has been completed and delivery is anticipated before 30 June.

Graduate Mechanical Engineer, Steven Sawyer, inspects Weddell W2.

Electrical and maintenance works at Ron Goodin Power Station.

Southern region

OWEN SPRINGS

OS03 is one of three MAN 10.9 mW medium-speed reciprocating dual-fuel engines that provide inertia and improve the security of the Alice Springs power system. Its 16,000-hour service was completed in July 2021. Work included the removal of all cylinder heads and replacement of pilot injector tubes, required because the other two MANs had already been upgraded. Heads were pressure tested and refitted back onto the engine. All pilot injectors and gas valves were then installed. All the work was done by our own team.

KINGS CANYON

KC02 is one of three engines at the Kings Canyon Power Station. KC01 and KC02 are 400 kW QSX15 Cummins diesel engines and KC03 is a 200 kW QSL9 Cummins diesel engine. KC02 was replaced with the original KC03 after its scheduled overhaul, which was completed in December 2021 by contractors and internal personnel.

TENNANT CREEK

TC19 is one of three Jenbachers installed at Tennant Creek Power Station in 2017. TC19, TC20 and TC21 are spark-fired engines rated at 1.8 MW. The TC19 head was replaced in September 2021 at the due 10,000 hours by internal personnel and contractors.

Diesel tanks at Owen Springs Power Station.

Our assets

As a major supplier of electricity to the Northern Territory, Territory Generation uses a combination of gas, diesel and solar technologies to generate power. Asset management is key to ensuring reliability, availability and safety.

GENERATION OUTPUT

Our generation sent outs for the 2021-22 financial year were 1.35 TWh, an increase on 2020-21 sent outs. This has resulted in increased sales primarily driven by the delay in new entrants joining the market and warmer than average temperatures across the Territory.

ASSET MANAGEMENT AND RELIABILITY

Territory Generation is committed to an industry-best practice asset management system consistent with our vision, values and objectives and in alignment with International Standards Organisation (ISO) 55000 for asset management. We are focused on developing and implementing asset management systems that optimise the return on investment in new and legacy assets.

SUSTAINING CAPITAL

We continue to invest about $20-25 million a year to upgrade and replace machinery and equipment as part of our Sustaining Capital Program. This helps to ensure our assets are always fit for purpose and operate as efficiently as possible.

FUEL COSTS

The rising costs of gas and diesel have presented a challenge this past financial year. As a percentage of our revenue, gas cost has been lowered through the more efficient use of turbines. Australian-developed Plexos software has become a key tool in assessing the consequences and benefits of our work. It improves the accuracy and clarity of our business predictions, which helps to reduce the impacts of increasing fuel prices and support efficient investment decisions.

Internal projects

Several internal projects were carried out in the 2021-22 financial year. Internal projects are largely staff and process focused, designed to support the continued provision of safe, reliable and cost-effective electricity services to the Territory.

ENGINEER CREDENTIALLING PROGRAM

In the first half of 2022, Territory Generation partnered with Engineers Australia to offer our engineers access to a new Engineering Workforce Credentialling (EWC) program, the first of its kind in the Territory. The EWC program supports our engineers in accelerating the attainment of their chartered credentials and provides opportunities to develop their skills locally and reach the top of their profession.

Engineers Australia Chartership is a globally recognised accreditation that is a mark of excellence, demonstrating the highest level of professionalism in an engineering area of practice. It is also a significant personal achievement. The partnership demonstrates Territory Generation's commitment to engineering excellence and forms part of our retention program. All 25 of our fully qualified engineers will have access to the program and we anticipate across-the-board credentialling by the end of 2022.

PROJECT MANAGEMENT OFFICE

The Project Management Office (PMO) has matured Territory Generation's portfolio management function and oversight of project delivery over the past 12 months, resulting in improved accuracy and effectiveness for our budget capital spend. The PMO is focused on completing the right projects and enhancing project capability and delivery. The PMO has developed and implemented the Enterprise Project System, which is a digital platform to manage all aspects of project delivery, reporting and approvals.

BUSINESS WORKFLOW IMPROVEMENTS

Territory Generation invested in the Nintex workflow automation platform to save time, reduce reliance on physical signatures, automate routine tasks and make the most of our ICT infrastructure. Employee onboarding and offboarding were the first processes enhanced during the financial year with several more processes in development, including for travel and procurement. Besides the significant time savings and reduced manual labour, this project also satisfies a strategic initiative for the business.

ROC RELOCATION

The Remote Operations Centre, known as the ROC, was relocated from Territory Generation's head office in Berrimah to Channel Island in November 2021. The merge resulted in improved collaboration between ROC and Channel Island staff, who now work more closely together and skill share, meaning they have increased their operational ability. In time, the upskilling will lead to greater work satisfaction and improved efficiency.

Operator, Gary Flatt at the Channel Island ROC.

Environmentally friendly transport at Channel Island Power Station.

Environment & sustainability

Territory Generation is committed to environmental stewardship and focuses on managing and minimising impacts to the environment. We work hard to balance our responsibility to provide electricity to our customers with our environmental, social and economic obligations.

CO_2 REDUCTION

Territory Generation has focused on emissions reduction as a key indicator in our Statement of Corporate Intent. During the 2021-22 financial year, we commenced additional planning for long term emissions reduction to support the goal of net zero emissions by 2050. This strategic view looks at opportunities, including the direct reduction of emissions through renewable and enabling technologies, and the use of emissions offsets over the short and long term.

WASTE DISCHARGE LICENCE RENEWAL

We also commenced the renewal process for our Channel Island Power Station waste discharge licence via the Environment Protection Authority (EPA) This two-year waste discharge licence is in place to ensure the safe and responsible discharge of 'wastewater' produced during electricity generation into Darwin Harbour. Territory Generation maintains onsite metering and sampling points in the harbour and reports the results of our comprehensive monitoring to the EPA each year. Wastewater is treated in two separate systems and discharged from the cooling tower and water settling ponds to stormwater drainage systems that flow into Darwin Harbour.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

The 2021-22 financial year marked the second annual collation of our Environment, Social and Governance (ESG). This internal report addresses environmental, social and governance principles, processes and procedures in relation to specific investment, decision-making and risk assessment activities.

The ESG shows Territory Generation's commitment to zero harm to the environment and demonstrates our social responsibility and transparency within the communities we operate. We understand that developing our people and staying conscious of the desires of our community and stakeholders are fundamental to our sustainability.

The ESG Report is also key to disclosing environmental, social and corporate governance data. As with all disclosures, its purpose is to shed light on Territory Generation's ESG activities while improving transparency.

Our finances

Territory Generation is proud to report on a net profit after tax of $16.9 million, $10.6 more than budgeted.

2021-22 is our fourth consecutive profitable financial year. This strong financial result was achieved through effective cost control measures across the business, bolstered by slower than forecast uptake of renewables being connected to the grid and higher temperatures in the north.

Total revenue from electricity sales was $286.8 million, a significant increase from the previous financial year. The total cost of energy was $227.9 million. Closing cash holdings were $67.1 million. Territory Generation spent $47.3 million on capital projects compared with $42.2 million in 2020-21.

In consultation with the Shareholding Minister, the Territory Generation Board recommended a dividend of $8.47 million be paid to the Northern Territory Government on 24 November 2022. A dividend of $5.43 million was declared for 2020-21 and paid in the 2021-22 financial year.

We continue to look at how we can safely, reliably and responsibly deliver efficiencies as the Northern Territory transitions to 50 per cent renewables by 2030 and net zero emissions by 2050.

7 Day OMT, Paul Fuller, inspecting a V12 diesel unit at Yulara Power Station.

Financial statements

Directors' report

The directors present their report together with the financial report of Power Generation Corporation (the Corporation) for the year ended 30 June 2022 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	12	12	4	4	3	3
C Charles	12	12	4	4	3	3
R Galton	12	12	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 $16.9 million (2021: Net Profit After Tax $10.9 million). During the financial year, the Corporation invested $47.3 million (2021: $42.2 million) in its capital investment program.

Overall profit is consistent with the previous year as the Corporation continues to benefit from increased efficiencies and through process improvements and continued tightly managed costs.

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 2022, the Corporation recorded a Net Profit After Tax of $16.9 million compared to a Net Profit After Tax of $10.9 million for the 2020-21 financial year. The Corporation is forecast to continue to make profits over the next 4 years as reported in the Statement of Corporate Intent 2022-23.

All debt maturing in 2021-22 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 casts 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 $5.43 million during the financial year.

Since the end of the financial year, the Directors have declared a dividend of $8.47 million (2021: $5.43 million) to be paid by 24 November 2022.

Future developments

The Corporation continues to contribute to the development of the Interim Northern Territory Electricity Market (I-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 the Corporation's 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 reviewing of strategy, with a focus area being renewable generation, particularly in relation to the Darwin-Katherine power system, with a view to identifying how the Corporation will support the Governments objective to achieve 50% Renewable generation by 2030.

In May 2020, the Northern Territory Government announced that the Corporation will deliver a large-scale battery for the Darwin-Katherine Interconnect System. In addition to contributing to the 50% renewable target, the major benefits of this project will include increased stability and reliability of power supply and reduced carbon emissions for the Northern Territory. The project is progressing well and is expected to be operational in mid 2023.

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

In 2020-21, the Corporation made it's first investment into our future energy fleet in the Darwin-Katherine region and will see smaller, modular and more flexible and renewable fuel capable gas turbines introduced to Channel Island Power Station.

Significant stakeholder engagement, supporting studies and other enabling works towards the Yulara Power Station energy transition initiative have continued during 2021-22. The program will transition power generation in Yulara to a greener and more sustainable supply.

In Alice Springs, building works began in June 2021 for a new single circuit transmission line and substation for a contractor. 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 2022, the Directors declared a final dividend of $8.47 million payable by 24 November 2022 (2021: $5.43 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 2022 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:

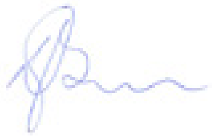
- Personal Accident Insurance
- Directors' and Officers' Liability"

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 27th day of September 2022.



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:

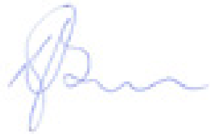
(i) giving a true and fair view of the financial position of the Corporation as at 30 June 2022 and of its performance for the year ended on that date; and

(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 27th day of September 2022.



MR DENNIS BREE
Chair

Auditor-General

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

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Opinion

I have audited the financial report of Power Generation Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2022, 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 2022 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 \$343.656 million, as disclosed in Note 10 to the financial statements, represents a significant balance. A net asset impairment of \$5.319 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;

Auditor-General

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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 \$5.771 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.

Auditor-General

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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 $19.060 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 $19.922 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 2022. 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 2022, 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.

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Auditor-General

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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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Auditor-General

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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

27 September 2022

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155 Fax: 08 8999 7144

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue	3	291,318	264,896
Cost of energy		227,883	214,601
Gross profit		**63,435**	**50,295**
Other income	3	13,507	4,093
Administrative expenses	4	29,096	27,837
Other expenses		11,096	3,873
Impairment expenses	4	5,319	74
Finance costs	4	7,533	7,114
Profit before income tax		**23,898**	**15,491**
Income tax expense	5	6,967	4,632
Profit for the year		**16,931**	**10,859**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**16,931**	**10,859**

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 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	67,122	58,567
Trade and other receivables	7	23,983	27,332
Inventories	8	29,147	30,325
Other current assets	9	1,520	1,232
Total current assets		**121,772**	**117,456**
Non-current assets			
Property, plant and equipment	10	342,671	323,414
Intangible assets	10	985	986
Deferred tax asset	11	19,060	19,725
Total non-current assets		**362,716**	**344,125**
Total assets		**484,488**	**461,581**
LIABILITIES			
Current liabilities			
Trade and other payables	12	36,515	29,300
Deferred income	18	5,002	3,333
Current tax payable	13	5,535	-
Employee provisions	14	12,698	11,825
Lease Liabilities	19	600	691
Total current liabilities		**60,350**	**45,149**
Non-current liabilities			
Other payables	12	-	310
Employee provisions	14	1,070	1,421
Other provisions	15	5,771	5,900
Deferred tax liabilities	16	2,273	1,534
Deferred income	18	35,389	38,722
Lease liabilities	19	861	1,272
Borrowings	17	230,000	230,000
Total non-current liabilities		**275,364**	**279,159**
Total liabilities		**335,714**	**324,308**
Net assets		**148,774**	**137,273**
EQUITY			
Contributed equity	21	213,593	213,593
Reserves	22	107	107
Retained earnings/(deficit)	23	(64,926)	(76,427)
Total equity		**148,774**	**137,273**

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 2022

	Note	Contributed equity $'000	Revaluation reserve $'000	Retained earnings/ (deficit) $'000	Total equity $'000
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**
BALANCE AT 1 JULY 2020	21, 22, 23	213,593	107	(83,337)	130,363
Profit for the year		-	-	10,859	10,859
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**10,859**	**10,859**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Asset revaluation		-	-	-	-
Dividend paid or provided		-	-	(3,950)	(3,950)
Balance at 30 June 2021	21, 22, 23	**213,593**	**107**	**(76,427)**	**137,273**

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 2022

	Note	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		305,278	262,290
Interest received		136	105
Payments to suppliers and employees		(244,645)	(224,893)
Interest paid		(7,282)	(6,972)
Income taxes paid		(29)	-
Net cash flows from operating activities	24	**53,458**	**30,529**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		(432)	(520)
Payments for property, plant and equipment		(39,659)	(41,727)
Payments for intangibles		(380)	-
Net cash flows used in investing activities		**(40,471)**	**(42,247)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in debt		-	30,000
Dividends paid		(5,430)	(3,950)
Grant received		1,669	-
Equity received		-	-
Principal repayment of lease liabilities		(671)	(1,307)
Net cash flows (used in)/from financing activities		**(4,432)**	**24,743**
Net increase in cash and cash equivalents		8,555	13,026
Cash and cash equivalents at the beginning of the period		58,567	45,541
Cash and cash equivalents at the end of the period	6	**67,122**	**58,567**

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 2022

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 27 September 2022.

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

Government grants are recognised upon receipt. 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 $10,000.

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 2022, the Corporation recorded net profit after tax of $16.9 million compared to $10.9 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) and engines at Tennant Creek Power Station (TCPS). 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 2021-22 Statement of Corporate Intent (SCI)
- growth rates of between 0.0% and 1.99% beyond 2025 were used
- market share for each region is detailed in the 2021-22 SCI and has been assumed based on publicly available information.

3. REVENUE

	2022 $'000	2021 $'000
Revenue - recognised over time		
Electricity sales	287,985	261,563
Deferred grant income	3,333	3,333
	291,318	**264,896**
Other income - recognised at a point in time		
Other income	13,371	3,988
Interest income	136	105
	13,507	**4,093**

4. EXPENSES

Profit/(loss) before income tax includes the following specific expenses:

		2022 $'000	2021 $'000
(a)	ADMINISTRATIVE EXPENSES		
	Employee benefits expense	11,827	12,534
	Depreciation and amortisation	2,138	2,640
	Other administrative costs	15,131	12,663
	Total administrative expenses	**29,096**	**27,837**
(b)	DEPRECIATION AND AMORTISATION		
	Included in cost of energy:		
	Property, plant and equipment	19,908	19,004
	Intangible assets	274	275
		20,182	**19,279**
	Not included in cost of energy:		
	Property, plant and equipment	2,032	2,593
	Intangible assets	106	47
		2,138	**2,640**
	Total depreciation and amortisation	**22,320**	**21,919**
(c)	IMPAIRMENT OF ASSETS		
	Impairment expense	5,319	74
	Total net impairment of assets	**5,319**	**74**
(d)	FINANCE COSTS		
	Interest and finance charges	7,533	7,114
	Total finance costs	**7,533**	**7,114**
(e)	EMPLOYEE BENEFITS EXPENSE		
	* Employee benefits expense	36,029	33,036
	Total employee benefits expense	**36,029**	**33,036**

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

5. INCOME TAX EQUIVALENT EXPENSE

		2022 $'000	2021 $'000
(a)	INCOME TAX EXPENSE		
	Current tax expense	5,563	-
	Adjustment recognised for prior periods	-	(273)
	Deferred income tax		
	Movement in deferred tax assets	665	3,374
	Movement in deferred tax liabilities	739	1,531
	Total deferred tax expense	**1,404**	**4,905**
	Income tax expense	6,967	4,632
(b)	RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
	Net profit before tax	23,898	15,491
	Tax expense at the statutory income tax rate of 30%	7,169	4,647
	Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	(202)	258
	Adjustment recognised for prior periods	-	(273)
	Current equivalent tax expense	**6,967**	**4,632**

6. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank	67,122	58,567
Cash and cash equivalents	**67,122**	**58,567**

A $20 million overdraft facility has been approved from 1 July 2021 and is available to manage short term operational cash requirements.

7. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Trade receivables	898	6,252
Less: expected credit losses	-	-
	898	**6,252**
Other receivables		
Unbilled generation	19,922	18,373
Interest receivable	43	7
Other receivables	3,120	2,700
Total current receivables	**23,983**	**27,332**
Impairment of receivables		
No trade receivables are considered to require allowance for expected credit losses.		

8. INVENTORIES

	2022 $'000	2021 $'000
Stores and spares	28,624	30,842
Less: Provision for obsolescence	(2,928)	(3,148)
	25,696	**27,694**
Fuel stocks	3,451	2,631
Total inventories	**29,147**	**30,325**
Movement in the provision for obsolescence:		
Opening provision for obsolescence	3,148	2,672
Additional provisions recognised during the period	(220)	476
Closing provision for obsolescence	**2,928**	**3,148**

9. OTHER CURRENT ASSETS

	2022 $'000	2021 $'000
Prepayments	1,520	1,232
Total other current assets	**1,520**	**1,232**

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

10. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES

	2022 $'000	2021 $'000
(a) SUMMARY		
Property, plant and equipment		
Land	1,326	1,326
Less: accumulated impairment	(479)	(472)
	847	**854**
Buildings	69,985	69,726
Less: accumulated depreciation and impairment	(33,158)	(30,537)
	36,827	**39,190**
Plant and equipment	489,004	488,839
Less: accumulated depreciation and impairment	(259,550)	(238,477)
	229,454	**250,362**
Right of use assets	3,371	3,489
Less: accumulated amortisation	(1,951)	(1,486)
	1,420	**2,002**
Assets under construction- net of accumulated impairment of $2,364 million (2021: $68 thousand)	**74,123**	**31,006**
Total property, plant and equipment	**342,671**	**323,413**
Intangibles	5,736	5,237
Less: accumulated amortisation and impairment	(4,751)	(4,251)
Total intangibles	**985**	**986**
Total property, plant, equipment and intangibles	**343,656**	**324,399**

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

	Land and buildings $'000	Plant and equipment $'000	Intangibles $'000	Right of use $'000	Assets under construction $'000	Total $'000
(b) RECONCILIATIONS						
Net Carrying amounts						
Opening balance at 1 July 2020	40,912	250,417	1,309	2,322	7,920	302,880
Adjustments	9	25	(1)	678	(31)	679
Additions	11	181	-	260	42,825	43,277
Capitalisation	1,421	18,219	-	-	(19,640)	-
Disposals	-	(415)	-	(29)	-	(444)
Impairment of assets (Note 4c)	-	(6)	-	-	(68)	(74)
Depreciation expense (Note 4b)	(2,310)	(18,058)	(322)	(1,228)	-	(21,919)
Closing balance at 30 June 2021	**40,043**	**250,362**	**986**	**2,002**	**31,006**	**324,399**
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**

	Land and buildings $'000	Plant and equipment $'000	Intangibles $'000	Right of use $'000	Assets under construction $'000	Total $'000
Net carrying amounts						
At 30 June 2021	40,043	250,363	986	2,002	31,006	324,399
At 30 June 2022	**37,674**	**229,454**	**985**	**1,420**	**74,123**	**343,656**

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 $5.3 million (2021: $0.1 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:

	2022 $'000	2021 $'000
Darwin-Katherine Region	1,327	-
Alice Springs Region	-	-
Tennant Creek Region	1,703	-
Yulara Region	2,289	74
Kings Canyon Region	-	-
Total	**5,319**	**74**

Impairment reversal

Nil impairment reversals have been applied.

11. DEFERRED TAX ASSETS

	2022 $'000	2021 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit and loss:		
Employee provisions	4,089	3,952
Other provisions	1,158	1,313
Obsolete stock provision	878	945
Deferred grant income	12,117	12,617
Tax losses carried forward	818	898
Deferred tax assets	**19,060**	**19,725**
Movements:		
Opening deferred tax assets	19,725	23,099
Credited/(charged) to profit or loss	(665)	(3,374)
Closing deferred tax assets	**19,060**	**19,725**
Deferred tax liabilities- refer Note 16	2,273	1,534
Net deferred tax assets	**16,787**	**18,191**

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	30,439	29,912
	30,439	**29,912**

12. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Current		
Trade creditors	13,290	12,860
Other creditors and accruals	12,370	6,162
Energy accruals	10,855	10,278
	36,515	**29,300**
Non-current		
Other non-current payables	-	310
	-	**310**

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	5,535	-
Current tax payable	**5,535**	**-**

14. EMPLOYEE PROVISIONS

Current		
Employee benefits	12,698	11,825
	12,698	**11,825**
Non-current		
Employee benefits	1,070	1,421
	1,070	**1,421**

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	5,900	5,356
Additional/(reversal) of provisions	(129)	544
Closing decommissioning provision	**5,771**	**5,900**

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, and for the disposal of Tennant Creek Power Station old engines.

The decommissioning provision has been adjusted for the time value of money based on its estimated future payments.

16. DEFERRED TAX LIABILITIES

	2022 $'000	2021 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	2,260	1,532
Interest	13	2
Deferred tax liabilities	**2,273**	**1,534**
Movements:		
Opening deferred tax liability	1,534	3
Charged/(credited) to profit or loss	739	1,531
Movement to deferred tax assets	-	-
Closing deferred tax liabilities	**2,273**	**1,534**

17. BORROWINGS

Non-current		
Northern Territory Government loans- unsecured	230,000	230,000
	230,000	**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	5,002	3,333
Non-current	35,389	38,722
	40,391	**42,055**

The Corporation received a $50 million capital grant toward the construction of Alice Springs and Tennant Creek power stations in 2016-17. Construction was completed during the 2018-19 year. Accordingly, a portion of the deferred income was realised and allocated to statement of profit or loss and other comprehensive income during the year. Refer to Note 1(d).

In 2021-22 the Corporation received a $1.7 million micro-grid grant towards options analysis for future technologies in Yulara. The grant monies are expected to be utilised in the 2022-23 financial year.

19. LEASE LIABILITIES

	2022 $'000	2021 $'000

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:

	2022 $'000	2021 $'000
Current		
Lease liabilities	600	691
Non-current		
Lease liabilities	861	1,272
Total	**1,461**	**1,963**

The following table presents liabilities under leases for 2021-22:

	2022 $'000	2021 $'000
Balance at 1 July 2021	1,963	2,362
Additions	186	551
Interest expenses	78	134
Payments	(766)	(1,084)
Balance at 30 June 2022	**1,461**	**1,963**

Fair value

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

20. ISSUED CAPITAL

	2022 $'000	2021 $'000
Share capital		
1 Share	-	-
Total share capital	**-**	**-**

Refer to Note 1(t) Issued Capital.

21. CONTRIBUTED EQUITY

	2022 $'000	2021 $'000
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 $30.0 million has been contributed since inception.

22. RESERVES

	2022 $'000	2021 $'000
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

	2022 $'000	2021 $'000
Retained earnings /(deficit) at beginning of the year	(76,427)	(83,337)
Total comprehensive income (loss) for the year	16,931	10,859
Dividends paid	(5,430)	(3,950)
Retained earnings/(deficit) at end of the year	**(64,926)**	**(76,427)**

24. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	2022 $'000	2021 $'000
Profit after income tax expense for the year	16,931	10,859
Adjustments for:		
Depreciation and amortisation	22,320	21,919
Net loss on disposal of non-current assets	432	520
Net impairment of assets	5,319	74
Changes in assets and liabilities:		
Decrease/(increase) in:		
Trade, other receivables and other current assets	2,361	(3,645)
Inventories	1,178	(3,643)
Increase/(decrease) in:		
Trade and other payables	340	1,468
Energy accruals	578	459
Provisions	393	1,219
Deferred income	(3,333)	(3,333)
Taxation liabilities	6,939	4,632
Net cash flows from operating activities	**53,458**	**30,529**

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 (2021: $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:

	2022		2021	
	Fixed rate loans	Average interest rate	Fixed rate loans	Average interest rate
Remaining loan term	$'000	%	$'000	%
0- 1 year	34,000	3.64	37,000	3.55
1 to 2 years	-	-	34,000	3.64
2 to 5 years	196,000	3.15	159,000	3.13
Over 5 years	-	-	-	-
	230,000	**3.39**	**230,000**	**3.31**

* 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 (BP) 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 2022	-2,300	2,300	-1,610	1,610
30 June 2021	-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 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
2021-22	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing				
Trade and other payables	36,516	-	-	-
Interest bearing - fixed rate				
Loans from Northern Territory Treasury Corporation*	34,000	-	196,000	-
Total	**70,516**	**-**	**196,000**	**-**

Non-derivatives	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2020-21	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing				
Trade and other payables	29,300	-	-	-
Interest bearing - fixed rate				
Loans from Northern Territory Treasury Corporation*	37,000	34,000	159,000	-
Total	**66,300**	**34,000**	**159,000**	**-**

* 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 capital 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.

26. COMMITMENTS

	2022 $'000	2021 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Capital commitments - payable:		
Within one year	22,977	176
One to five years	416	-
More than five years	-	-
	23,393	**176**
Operating commitments- payable:		
Within one year	630	680
One to five years	1,470	1,587
More than five years	-	-
	2,100	**2,267**

27. AUDITOR'S REMUNERATION

	2022 $'000	2021 $'000
Audit services:		
Auditors of the Corporation- Northern Territory Auditor-General	157	169
	157	**169**

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	2022	95,407	9,541	104,948
	2021	95,407	9,064	104,471
Ms Christine Charles	2022	60,226	6,023	66,249
	2021	60,226	5,722	65,948
Mr Richard Galton	2022	60,226	6,023	66,249
	2021	60,226	5,722	65,948
Total non-executive directors	**2022**	**215,859**	**21,587**	**237,446**
	2021	**215,859**	**20,508**	**236,367**

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:

		2022	2021
		$	$
(i)	Short-term employee benefits	1,616,429	1,767,331
(ii)	Post-employment benefits	125,423	123,494
(iii)	Long-term benefits	(53,011)	132,673
	Total compensation of key management personnel	**1,688,841**	**2,023,498**

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 2022 owned 100% (2021: 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	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$'000	$'000	$'000	$'000
Related party					
The parent entity including all entities that are associated with the parent entity	2021	247,567	153,394	22,088	239,993
	2022	279,440	159,244	18,220	240,754

As at 30 June 2022 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 $8.47 million (2021: $5.43 million) to be paid by 24 November 2022.

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 2022 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
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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