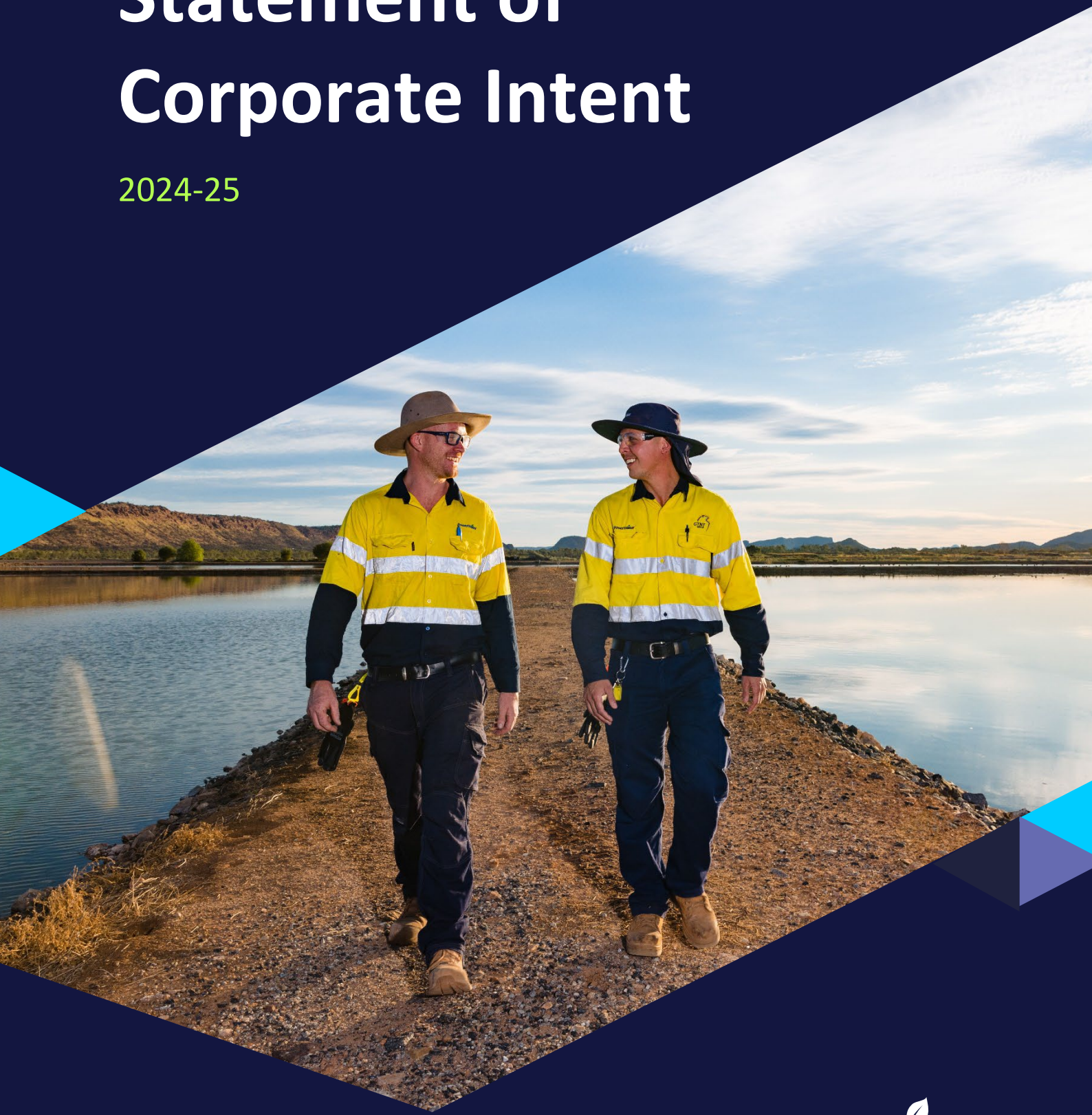
Statement of Corporate Intent

2024-25



PowerWater

Acknowledgment of Country

Power and Water operates across 1.3 million square kilometres of the Northern Territory. We respectfully and proudly acknowledge the Traditional Owners of the lands that we live, work and operate on and their connection to land, sea and community. We pay our respects to Elders past, present and future who continue to have rich cultural and spiritual connections to this country, and extend that respect to all Aboriginal and Torres Strait Islander peoples.

Image: Tinkerbee Dancers performing at the Power and Water 2023-2025 Innovate Reconciliation Action Plan launch event in Mparntwe (Alice Springs) in June 2023

Cover Image: Power and Water workers inspecting the Ilparpa Wastewater Treatment ponds in Alice Springs.

Contents

Abbreviations

The following table provides a list of abbreviations and acronyms used in this document. Defined terms are identified in this document by capitals.

Term	Definition
ACS	Alternative Control Services
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AROWS	Adelaide River Off-stream Water Storage
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CER	Customer energy resources
CFO	Chief Financial Officer
CO	Core Operations business unit
CONNEX	Connections Expenditure
CPI	Consumer Price Index
CSO	Community Service Obligations
CSR	Customer, Strategy and Regulation business unit
DER	Distributed energy resources
DKES	Darwin-Katherine Electricity System
DIPL	Department of Infrastructure, Planning and Logistics
DITT	Department of Industry, Tourism and Trade
DTFHC	Department of Territory Families, Housing and Communities
EA	Enterprise Agreement
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EGM	Executive General Manager
EMRIT	Electricity Market Reform Implementation Taskforce
EPMO	Enterprise Portfolio Management Office
FFO	Funds From Operations
FTE	Full Time Equivalent

Term	Definition
GEH	Government Employee Housing
GL	Gigalitres (1 billion litres)
GS	Gas Services business unit
GWh	Gigawatt hour (1,000 MW of electricity supplied over a period of an hour)
HERCS	Health, Environment, Risk, Compliance and Safety system
ICT	Information and Communications Technology
ISO	International Organisation for Standardisation
IT	Information Technology
IES	Indigenous Essential Services Pty Ltd
kL	Kilolitre (1,000 litres)
KPI	Key Performance Indicator
kW	Kilowatt (1,000 watts)
kWh	Kilowatt hour (1,000 watts of electricity supplied over a period of an hour)
LTI	Lost Time Injuries
MNW	Minor New Works
MTI	Medical Treatment Injuries
MSATS	Market Settlement and Transfer Solutions
MW	Megawatt (1,000 kW)
NEO	National Electricity Objective
NER	National Electricity Rules
NGO	National Gas Objective
NIAA	National Indigenous Australians Agency
NPAT	Net Profit After Tax
NT	Northern Territory
NTEM	Northern Territory Electricity Market
NTESMO	Northern Territory Electricity System and Market Operator
NTG	Northern Territory Government
NTTC	Northern Territory Treasury Corporation
OPEX	Operational Expenditure
OT	Operational Technology

Term	Definition
Power and Water	Power and Water Corporation
PS	Power Services business unit
R&M	Repairs and Maintenance
RESIP	Regulated Electricity System Investment Plan
ROA	Return on Assets
ROCE	Return on Capital Employed
RWI	Restricted Work Injuries
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
SPG	Safety, People and Governance business unit
TDE	Territory Dispatch Engine
TRIFR	Total Recordable Injury Frequency Rate
UC	Utilities Commission
WACC	Weighted Average Cost of Capital
WS	Water Services business unit
ZSS	Zone Substation

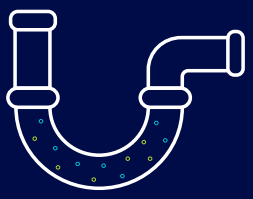
Our year at a glance

All data as at 30 June 2023

Our customers

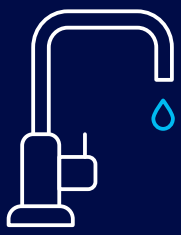
88,263

Electricity connections



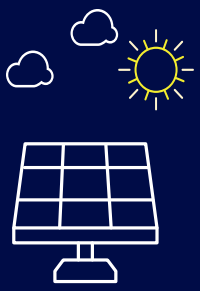
67,902

Waste water connections



50,662

Water connections



19,470

Solar connections

Our growth

654

New solar connections

351

New water connections

743

New electricity connections

Our engagement

73,520

Calls to customer service

818

Live chats

44,882

Customer emails

3,071

App requests

1. Overview

1.1 Who we are

Power and Water Corporation (**Power and Water**) is the essential service provider in the Northern Territory (**NT**). We connect thousands of homes and businesses with electricity, gas, water and sewerage. We are owned by the Northern Territory Government (**NTG**), and operate some of Australia's most isolated utility networks, supplying power and water to people in some of the most rugged, remote, yet spectacular places imaginable.

As a multi-utility we recognise the enormous responsibility we have in helping sustain the NT way of life. Territorians rely on our networks and services, placing their trust in us to make sure power and water is always there when they need it. We also play an important role in economic development, providing critical utilities and infrastructure to help attract major businesses and new industries to the NT.

We are extremely proud to meet our responsibilities and to serve people across the Territory. We recognise the importance of providing safe, reliable and affordable services over the long term, and making a difference to the lives of Territorians.

1.2 About this Statement of Corporate Intent

Power and Water is established under the *Power and Water Corporation Act 2002* and the *Government Owned Corporations Act 2001*. We have a board of directors, which is responsible to the shareholding Minister for our operating and financial performance. This Statement of Corporate Intent (**SCI**) outlines how we intend to meet the expectations of our shareholder. Our objectives are to:

- operate at least as efficiently as any comparable business
- maximise the sustainable return to the NTG on its investment in Power and Water.

The SCI is an important part of our governance framework and applies to all of our services. It complements and has interdependencies with several other key strategic documents, including our Strategic Plan and the revenue determination for our electricity business.

Since 2019, we have also operated as a transmission and distribution network service provider regulated by the Australian Energy Regulator (**AER**). Our 3 largest electricity networks – Darwin-Katherine, Alice Springs and Tennant Creek – are subject to economic regulation. The regulatory framework ensures the electricity services we provide, the investments we make, and the prices we charge are fair and reasonable for all our customers.

Every 5 years, we submit a revenue proposal to the AER that details the costs of operating and investing in all 3 of our regulated networks. The proposal also covers the type of network tariffs we charge, the services we will provide and a number of other financial components necessary to run the business (tax, financing costs, etc.). These factors are all combined to calculate how much revenue we think we will need over the next 5 years to pay for all of this.

The AER reviews our proposal, challenges us via an extensive question and answer process, and ultimately determines how much revenue we should collect via network tariffs. This AER review process takes about 18 months. The AER's revenue determination is then used to calculate the prices (tariffs) we can charge for customers using our networks. These network tariffs are charged to the electricity retailer. The retailer then

passes all or some of these costs through to end users (customers) through their electricity bill, subject to NTG policy settings.

We submitted our revenue proposal for the period 1 July 2024 to 30 June 2029 to the AER on 31 January 2023. The AER returned its draft decision on 28 September 2023 and was broadly aligned with Power and Water on the majority of matters. In response, we made a number of adjustments to address the AER's feedback, and submitted our revised revenue proposal on 30 November 2023. The AER's final determination is expected in April 2024. A copy of our initial revenue proposal, the AER's draft decision, and our revised proposal are available on the AER website via the following link: https://www.aer.gov.au/

This SCI sets out the nature and scope of our business activities, goals, key strategies, risk management, capital investment plans and performance targets over the 6-year period commencing 1 July 2024. While this SCI is informed by our revenue proposal, at the time of writing, the AER's final determination was not made. All budget assumptions for power services are therefore based on and align to the regulated expenditure and revenue forecasts developed for the 30 November 2023 revised revenue submission to the AER, and are subject to internal adjustment pending the AER's final determination.

The financial forecast in the 2024-25 SCI period includes the significant financial impacts associated with the current gas curtailment situation. Power and Water has taken mitigation measures to reduce the financial and operational impacts on both Power and Water and its customers, where possible.

1.3 Nature and scope of our activities

1.3.1 Power networks

We own and operate the regulated electricity network and parts of the unregulated electricity network in licensed areas, distributing electricity through 3 power networks, from the wires to the meters. We also own and operate generation plant in 5 minor centres and plant in remote communities.

1.3.2 System control and market operator

We have the responsibility of being the System Controller and Market Operator. As System Controller we operate and control the Territory's 3 power systems and ensure that they are balanced, stable, safe, secure and reliable. As Market Operator, we operate the interim wholesale electricity market in the NT.

1.3.3 Water and wastewater

We own and operate the large dams and groundwater fields delivering water to households and businesses. We also remove and treat wastewater before disposing of it in an environmentally responsible manner.

We are licensed to provide water and wastewater services to 5 major urban centres and 5 of the 13 minor urban centres, with the remaining minor centres provided with water services only.

1.3.4 Serving remote customers

We manage the provision of electricity, water and wastewater services to remote Aboriginal communities and outstations on behalf of the Department of Territory Families, Housing and Communities (**DTFHC**). These arrangements are through Indigenous Essential Services Pty Ltd (**IES**), a not-for-profit subsidiary of Power and Water, under agreement with the NTG.

1.3.5 Gas acquisition and distribution

We own and maintain various gas pipeline assets, as well as manage a large gas wholesale supply and transportation portfolio that includes sales to electricity generators, large businesses across the NT and into interstate markets.

1.3.6 Customer and business support

Centralised functional support is provided across the business encompassing such aspects as customer experience, people and culture, health, safety and environment, information and operational technology, finance, corporate affairs, governance, strategy, pricing and economic analysis, regulatory, risk and compliance services.

1.3.7 Supporting the NT economy and community

We facilitate the efficient delivery of the NTG economic agenda while working constructively with key stakeholders. Additionally, we are a key responder after a natural disaster, helping to restore essential services to the community.

1.4 Our licences and operating areas

We hold operating licences for electricity and water supply for the majority of the NT. Table 1.1 shows the types of operating licences held and the areas that we are licensed to deliver those services.

Table 1.1: Our operating licences

License type	Areas
System control	Darwin to Katherine, Tennant Creek and Alice Springs
Electricity generation	Elliott, Daly Waters, Ti-Tree, Timber Creek, Borroloola and IES communities
Electricity network	**Regulated networks:** Darwin, Katherine, Tennant Creek and Alice Springs **Non-regulated networks:** Daly River, Jabiru, Borroloola, Timber Creek, Daly Waters, Elliot, Newcastle Waters, Yulara, Ti-Tree, Kings Canyon, Nhulunbuy (surrounding rural areas only), Groote Eylandt and IES communities
Electricity retail	Jabiru, Nhulunbuy, Alyangula and IES communities
Water including retail	**Major urban:** Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara **Minor urban:** Batchelor, Adelaide River, Pine Creek, Borroloola, Timber Creek, Daly Waters, Elliott, Newcastle Waters, Kings Canyon, Ti-Tree, Larrimah and Mataranka **Restricted service area:** Cox Peninsula, Wagait Beach and IES communities
Wastewater including retail	**Major urban:** Greater Darwin, Katherine, Tennant Creek, Alice Springs and Yulara **Minor urban:** Batchelor, Adelaide River, Pine Creek, Kings Canyon, Borroloola and IES communities

We also manage major gas supply and transportation agreements. These account for approximately 90% of the NT's domestic gas market supply and meet demand for gas from a large number of businesses operating in the NT, as well as the east coast via the Northern Gas Pipeline.

Figure 1.1: Our service areas

2. Market trends, opportunities and challenges

The next decade offers a range of opportunities and challenges for all parts of our business. Customer behaviours and their expectations of their energy and water service provider are changing. Energy consumers are looking to decarbonise, reducing reliance on natural gas for electricity generation and manufacturing processes. Households are becoming more efficient, reducing water consumption and introducing more economical appliances. Homes and businesses are continuing to install rooftop solar and have begun turning their focus towards battery storage and electric vehicles.

All consumers are seeking to reduce utility costs. Customers large and small have told us they expect us to keep prices affordable and to think carefully about the trade-off between short term affordability versus long term sustainability. They want us to invest in our networks and services for the long term, adopt newer technology where it is efficient to do so, and most importantly – make sure low income and vulnerable customers are not left behind.

Territorians have also expressed a desire for better information from and communication with us. Over the past 18 months as part of our regulated electricity pricing review, we have engaged with hundreds of residential customers, business owners and energy partners about their expectations from us as an essential services provider. It has been a rewarding experience and we have learnt a lot about what matters to Territorians and where we should focus our efforts.

A recurring message is that energy and water customers want us to proactively engage with them, and they want to be able to contact us whenever they need us via their smartphones and computers. They value our call centres, our web services and our people, and have told us they want better and more varied ways to communicate.

Our industry partners, government and the various safety, environmental and economic regulators all desire more granular information from us, particularly about our performance. They expect us to take a more data-driven approach to asset management, system and network operations, and the way we run our businesses. They want us to optimise our use of existing energy and water assets, and learn from other jurisdictions to inform the best solutions for the Territory.

All this is occurring against a backdrop of an energy transition towards net zero emissions happening right across Australia and the NT is no exception. It is an exciting time and as the Territory's main provider of energy intensive essential services, Power and Water will play a vital role.

The following sections summarise some of the key trends and opportunities facing our business and what we are doing to address them.

2.1 Moving to a clean energy future

The NT Government's vision is for renewable generation to supply 50% of energy consumed in the Territory by 2030. It is an ambitious target, and one Power and Water is committed to helping make happen. The NT Government expects that 26% of energy will be supplied from large scale renewables that connect to our grid, with about 15% coming from residential rooftop solar and 9% from battery storage.

To achieve this vision, we must invest in our network and systems to create a solid foundation now and have developed a future network strategy that sets out the actions we must take and the initiatives we will pursue through to 2040. We're taking a smooth and steady approach to transforming our electricity networks.

The first step will be to ensure households and businesses can continue to connect rooftop solar and battery systems, also known as customer energy resources (**CER**). We will achieve this by investing in technology that supports the integration of CER and distributed energy resources (**DER**) such as community batteries. The first step towards CER and DER integration will involve working with solar installers to ensure existing systems are compliant with industry standards and capable of being ramped up or down depending on demand. We will also make the initial investments towards implementing dynamic management, which will allow us to keep the power system stable while greater volumes of solar generation (large and small) connect to the network.

We will commence community battery trials and develop the framework required to support electric vehicles. From there we will look at changing our tariffs and the way we charge for electricity services, giving customers greater choice and the ability to manage their energy costs as well as promoting energy efficiency. A key enabler to this is the continued installation of smart meters, with our aim to have all electricity customers on a smart meter by 2029.

2.2 Managing our networks for the long term

Network assets have long lives. Whenever we install a new electrical asset, water, wastewater, or gas asset, our customers expect it to operate safely and reliably for many years and to get full value from that asset. As technology progresses and climate change takes effect, the way we use network assets changes over time, meaning it is vital we understand how assets are performing. We also need to be able to pinpoint the best time to replace them and what, if any, new technology we might replace them with.

We therefore plan to invest in our data management systems and risk analysis capabilities. Our focus is moving away from traditional 'like for like' asset replacement and instead, identifying how we can increase asset use or substitute investment with non-traditional network solutions. To do this we plan to invest in our Information Technology (**IT**) and Operational Technology (**OT**) systems, giving us better information on how our assets are performing.

Over the coming decade we will commence this technology uplift journey with our electricity networks and then apply lessons learnt and similar strategies to our gas, water and wastewater services.

2.3 Declining household energy and water consumption

The standard value offering for traditional utilities is weakening as households increase their energy and water efficiency. This shift is resulting in lower consumption per household and a smaller base from which to recover what are largely fixed infrastructure costs. Combined with the falling cost of producing energy from rooftop solar systems and the prevalence of smart technologies, this trend will accelerate moving forward.

We will therefore look at how we can apply new technologies and use innovative tariffs to make sure we can keep the cost of supply low and ensure we can recover our expenditures.

2.4 Uplifting our capabilities and culture

Service standards are increasing across all industry sectors and the NT community will continue to demand high standards from Power and Water. Improving efficiency and responding to these expectations in an ever-changing environment is a major challenge. The way our systems and operating model and technology capabilities are currently organised is limiting our ability to respond as an organisation.

Over the next decade we will invest in our internal systems and capabilities. This includes replacing our current suite of unsupported IT applications with fit-for-purpose systems that will improve productivity and enable our people to work smarter and in a more customer-focused way.

An important focus is our Operational Technology (**OT**). Our OT is a secure computing environment that allows us to monitor, operate and control transmission network assets and some distribution network assets. It is essentially the suite of control room tools we use to keep the network functioning securely and to respond to issues.

Our current OT is significantly outdated. Our energy management system is no longer sufficient to manage the growing complexity of our distribution network. To put things in perspective, we are currently the only Australian electricity utility still using pin boards to manage the operational status of the distribution network. We do not have any standard distribution supervisory control and data acquisition system, and we do not have an outage management system or distribution management system.

These are tools adopted by most other Australian distribution utilities. That is why over the next 5-10 years we will invest in our OT systems, incrementally improving our capabilities to reflect the sophistication of the Territory's power systems.

We will also seek ways to improve our culture, enhance our employees' ability to collaborate with each other and reduce our property footprint. One of the primary ways we aim to do this is by consolidating a large part of our Darwin-based operations at a single, special-purpose site at the Ben Hammond Complex. Currently, our Power and Water workforce is spread across several locations. A number of these buildings are leased. We have a fantastic opportunity to bring our Darwin workforce together in a centralised operational hub that we own and operate. Not only will this allow us to reduce our property and leasing costs, it will improve lines of communication, enhance our responsiveness and build a more coherent customer service culture across both our power and water operations.

2.5 Supporting vulnerable customers

Through our customer engagement programs, Territorians have supported our view that low income and vulnerable customers must be part of our energy transition. Better information and incentives should be made available to help customers manage their costs and access renewable energy.

We are listening.

We will continue to partner with energy providers, particularly retailers and other stakeholders, to improve the accessibility and affordability of renewable technologies. We have developed a customer experience strategy, which will look at our customers' journey with us and set out a roadmap for improvement. We are also investigating options to support these customers through initiatives such as tariff trials and using our website to provide more information about energy affordability and efficiency.

Additionally, our Indigenous Essential Services (**IES**) subsidiary delivers essential services to 72 remote communities and 79 outstations. The governance framework for delivery of these services is under considerable pressure to ensure that standards of service are funded to reflect community expectations. There is a growing gap between these expectations and the standard of service provided to some of the most vulnerable Territorians. Our aim is to maintain a financially sustainable position for the IES subsidiary to ensure our customers receive electricity and water services aligned with modern utility standards.

2.6 Facilitating growth in the Territory

The security of the long-term supply of water across the Territory will be critical to supporting the NT Government's growth target of a $40 billion economy by 2030. The Government has committed to the investigation into and development of major water source augmentation projects. As the owner and operator of the Territory's public water supply systems, we play a key role in this endeavour. In February 2022, the NT Government accepted the findings of a detailed business case that the Manton Dam Return to Service and Adelaide River Off stream Water Storage (**AROWS**) projects were the preferred long-term water security solutions for the greater Darwin region. Power and Water is delivering the Manton Dam return to service project, anticipated for completion in 2026. The AROWS project, at circa $2 billion, is one of the biggest capital projects contemplated in the history of the Territory and we are working closely with the NT and Commonwealth Governments to support planning activities including concept design and the development of an Environmental Impact Statement.

A secure and reliable electricity supply is also vital to the Territory's growth. In its Darwin-Katherine Electricity System (**DKES**) Plan the Government set out a vision for more renewables and a stronger transmission system. Department of Industry, Tourism and Trade is progressing a business case for a renewable energy hub in or near Darwin, accommodating almost 200 MW of new generation. The hub will feature large scale solar and battery storage and will connect to the existing Darwin-Katherine transmission network. The NT Government are also looking to establish two new urban districts/industrial hubs in Holtze-Kowandi and Middle Arm, designed to attract new industries and major employers to the Territory.

We are in the early stages of designing major transmission network solutions to help unlock the large volumes of renewable energy connected to the Darwin-Katherine transmission line to increase the amount of renewable energy able to be used by consumers in the Darwin region in particular. The transmission system is vital to economic growth in the Territory.

We are committed to making the right investments at the right time to make sure the Territory's essential services networks can keep pace with what customers need.

2.7 Smarter water use

NT population growth requires smarter water use, including supply and demand management and higher water awareness. Customers' general perception is that water is in abundance, however the fact is that some water sources are reaching the edge of sustainable limits.

We will therefore build water supply awareness and conservation advice into our communications and customer experience strategy. New technology/solutions being explored (e.g. new harvest areas) include innovative catchments, aquifer recharge and moving towards a whole-of-water life cycle approach to water use. We will also investigate water tariff structures and ways of using price signals to influence consumption.

2.8 Water quality in remote areas

We are working towards achieving full compliance with the Australian Drinking Water Guidelines. Improving access to clean drinking water and achieving an equitable level of water quality between urban and remote regions is a priority for our business. We operate a drinking water quality management system to manage and prioritise improvements in drinking water quality.

Power and Water has adopted the health-based targets approach, which is incorporated in the guidelines to assess the safety of drinking water supplies and to prioritise improvements.

A targeted program of investment is being developed to improve drinking water safety in remote communities that will inform funding submissions.

2.9 Hydrogen and renewable gas technologies

Several energy intensive industries in the NT depend on a reliable long term gas supply to underpin their viability. However, there is a global shift towards reducing dependency on fossil fuels where practicable. Conscious of this, we are working with industry to identify the potential to reduce dependency on fossil-based natural gas while still ensuring a reliable supply of gas while the energy transition occurs. We are monitoring developments in the biomethane and other forms of renewable gas and renewable gas blends as a potential long term substitute.

Exploration of a number of decarbonisation opportunities includes hydrogen as a fuel source. Interest in hydrogen and green ammonia is dramatically increasing, especially from land-poor Asian nations with high energy needs. The NT is well positioned to be a hydrogen exporter if the technology is adopted at scale.

Over the coming years we will continue to participate in hydrogen and renewable technology developments and Government policies to help ensure we are best placed to take advantage of this exciting new sector for the benefit of all Territorians.

2.10 Climate change

Utilities face the highest combined physical risk from climate hazards like water stress, storms, cyclones and bushfires. Extreme weather events are likely to become more frequent and intense as a result of rising temperatures, increasing the physical and financial impacts. Ensuring the climate resiliency of infrastructure is critical to limiting impacts.

Managing the use of natural resources, particularly water, is imperative in meeting customer expectations, however this impacts Power and Water's traditional business model. We are therefore seeking ways to enhance security of supply, as well as improve the robustness of our forecasting methodologies to account for long and short-term climate impacts. By improving the quality of our data and forecasting capabilities, we can improve the quality of our investment decisions and help keep costs down.

2.11 National Energy Objectives

In September 2023, the National Electricity Objective (**NEO**) and National Gas Objective (**NGO**) were amended to include a requirement for explicit consideration of greenhouse gas reductions in the energy sector. As a responsible network operator, we must broaden our thinking across all aspects of our business and consider how we can contribute to helping Australia meet its environmental targets. These changes will unlock the potential for us to invest in decarbonisation projects that may have been constrained by the narrower scope of the former NEO and NGO. While we will always make sure any investments we pursue are economically efficient and in the best interest of Territorians, we will explore how we can apply new technology and use our unique position as an integrated power and water service provider to help Territorians access lower carbon energy for the lowest sustainable cost.

2.12 Recurring challenges

All the above trends and opportunities should be considered in the context of the recurring challenges facing us as a utility provider in the Northern Territory. Economic factors such as inflation and access to labour have a significant bearing on how we operate and prioritise our work.

As an essential services provider, we are well aware of the significant impact of the cost of living on Territorians. While there are Government set utilities prices, we have also adjusted our investment plans to ensure that we balance our long-term view to ensure we invest sustainably in critical infrastructure with the shorter-term view of managing costs for our customers.

Our geography is unique and while it has its significant advantages, it also proves difficult in a number of ways. Our primary challenge has been, and will continue to be, labour shortages. In the utilities sector there are a number of specialist skills that we require to deliver our program of work. Not only are we competing with other states and countries to attract skilled employees, we must also have the right work program to retain them.

A similar geographical challenge relates to supply chain management. Our remoteness and isolation is a remarkable feature of the Territory but also often presents as a challenge for our business. In the current climate we are competing for not only labour resources but also assets. Our energy and water business is facing the same challenges as utilities across the globe and therefore, is one among a large number of network service providers in manufacturing queues for critical infrastructure.

Our investment plans account for these challenges. For example we have ramped up our advanced meter roll-out and will retain this pace so we can efficiently use the stock and labour secured. We have also strategically invested to secure our energy future. Planning early has allowed us to position ourselves well for critical assets, in particular for those that will facilitate the energy transition.

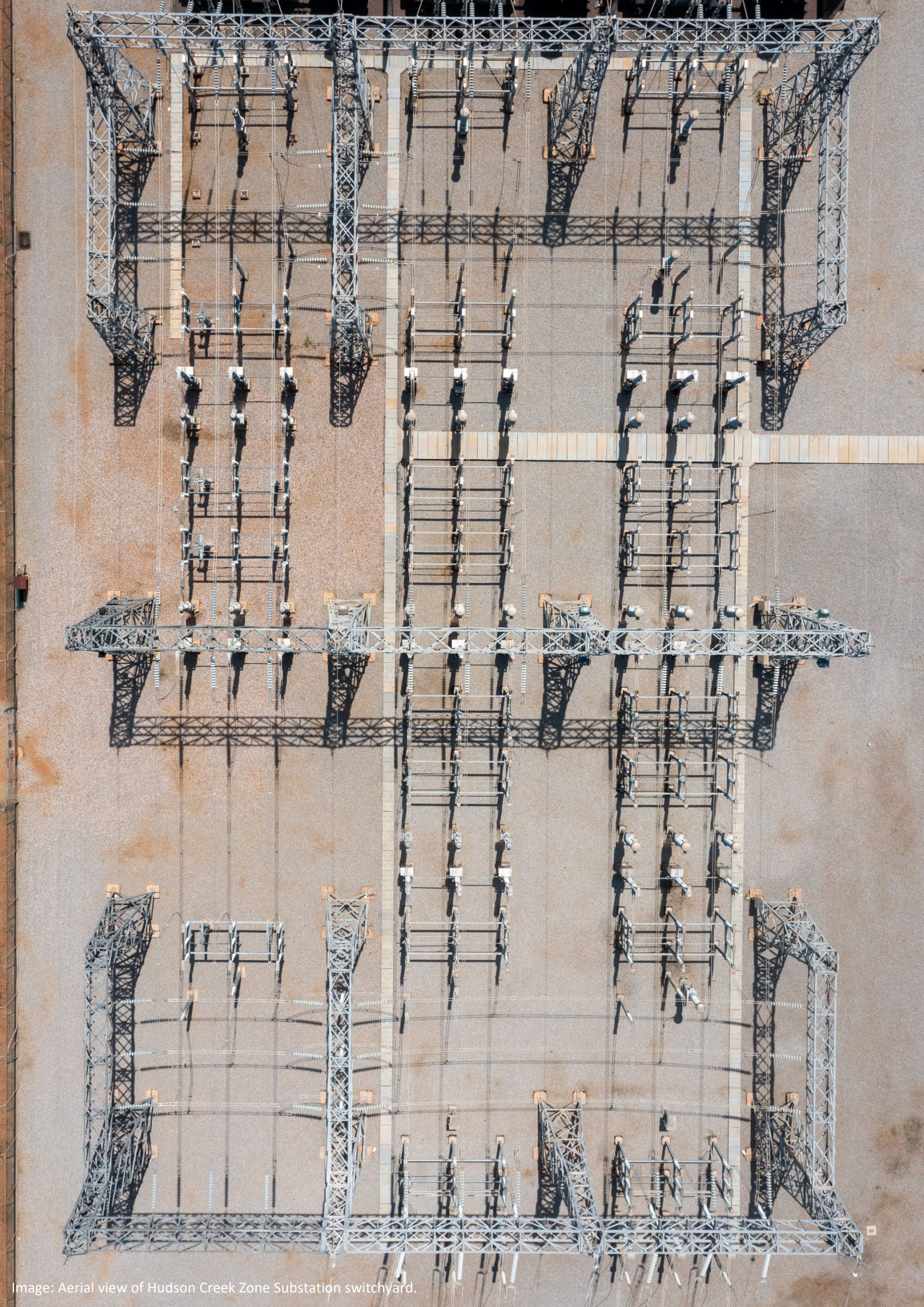


Image: Aerial view of Hudson Creek Zone Substation switchyard.

3. Strategy

At Power and Water, our employees work hard every day to keep the lights on, the water running and the gas supplies flowing. It is what we do as an essential services provider that **makes a difference to the lives of Territorians**. This not only conveys the critical nature of the foundational services that are provided, it also speaks to the important role Power and Water plays in growing and enabling a vibrant NT.

We have a complex business in an even more complex landscape and in rapidly changing sectors. The demands are getting greater – from customers, stakeholders and shareholders. Delivering the future of energy has never been more important than it is today.

Nationally, power prices and future grid readiness are in the spotlight. Locally, the road to renewables and water security are front of mind for all Territorians. This spotlight on the energy and water sectors is the perfect catalyst to further position Power and Water for success, now and into the future. It is this long-term commitment to supporting customers that lies at the heart of Power and Water's operations.

The opportunity to work alongside the NTG to create economic growth and the opportunity to be a business that people feel proud to be a part of, coupled with the new AER regulatory period from 2024 - 29, has led Power and Water to modernise its services and capabilities to meet the opportunities of a growing NT.

We started this evolution a few years ago, reviewing our operating model to position the business for the future. This work will continue over the next 6 years to improve systems, IT infrastructure and operations, data and records to ensure we have the right capabilities for the future.

Our Strategic Plan focuses the business with two goals:

1. Modernising our business.
2. Embracing a sustainable future with innovation.

Each of these goals are underpinned by 3 objectives.

The targeted outcome from this Strategic Plan is to demonstrate our people are engaged in the business and are ready to deliver future energy and water solutions. We want to ensure the business operates within its means and drives efficiencies for stakeholders, and is inclusive at its core and actively promotes reconciliation across the NT.

This strategy reflects our vision of being a proud, trusted, modern multi-utility delivering value now and into the future.

Strategic Framework

Our purpose is making a difference to the lives of Territorians

Our vision is to be a proud, trusted, modern multi-utility delivering value now and into the future

Goals	Modernising our business			Embracing a sustainable future with innovation		
Objectives	Delivering sustainable value safely and reliably for our customers and community	An empowered and high performing workforce	Successful investments in core systems and capability to improve efficiency and value of service	Structuring, facilitating and enabling infrastructure and innovations that support the: • Renewable energy transition; and • Achievement of economic growth targets	Proactively adopting government policy for a clean and secure future	Partner with customers and stakeholders to create innovative solutions

Values

We put PEOPLE FIRST

We value our customers and give them OUR BEST

We have pride in ourselves and OUR WORK

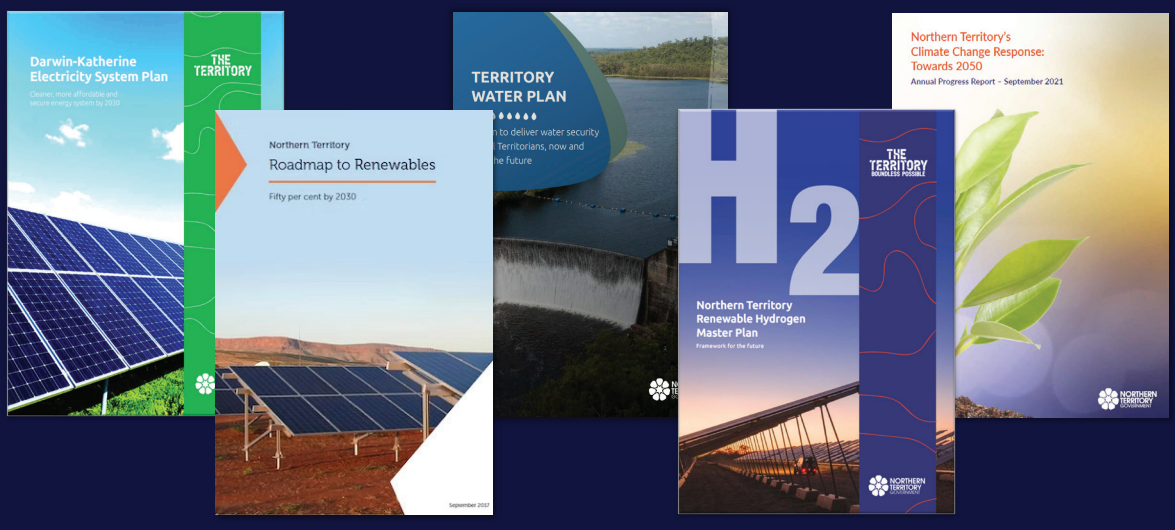
We work better by working TOGETHER

Policy landscape

- 50% renewable energy by 2030 and Net Zero by 2050
- Darwin Katherine Electricity System Plan
- Alice Springs Future Grid Roadmap to 2030
- Remote Power System Strategy

- Australian Drinking Water Guidelines
- New policies, incentives and tariffs for water being explored
- Territory Water Plan

- Renewable Hydrogen Master Plan
- Reviewing regulation to establish on and offshore CCUS projects
- Focus on sustainable gas industry and exports



3.1 Strategic Plan

The Strategic Plan informs the Corporation's planning cycle focusing on the two strategic goals. The intent of this business planning alignment is to ensure a clear and defined position on our commitment to modernising our business to embrace a sustainable future. Connecting the organisation to targeted goals and objectives will enable and strengthen business priorities, focus on improving the services and experiences for our customers, the community and the NT Government as our shareholder.

The table below identifies the actions for the 2024-25 planning period.

Table 3.1: Strategic Plan initiatives and actions

Goal: Modernising our business			
	Start	**Finish**	**Accountability**
Objective: Delivering sustainable value safely and reliably for our customers and community			
Initiative: Achieve industry best practice results from completion of enhanced safety management systems and processes.	**Q1 FY24**	**Q4 FY29**	**Deputy CEO**
2024-25 action/s:			
• Implement vehicle telematics for moderate risk vehicles by procuring, testing and installing vehicle telematics units within Power and Water Corporation vehicles	Q1 FY25	Q4 FY25	Deputy CEO
• Development and integration of Safety Equipment Management with Power and Water Inventory Management Systems and Safety Management Systems	Q1 FY25	Q4 FY25	Deputy CEO
• Attain ISO 45001 accreditation to achieve industry best practice by determining appropriate systems and processes to ensure workers receive adequate information, training and instruction for the work they perform	Q1 FY25	Q4 FY27	Deputy CEO
• Enhance Health, Safety and Environment Induction, Training and Authorisations. Develop, design and implement governance, processes, systems and information flows for an effective Safety Management System for both employees and contractors, in accordance with ISO 45001 requirements	Q1 FY25	Q4 FY27	Deputy CEO
Initiative: Develop and implement an enhanced customer strategy by 2024, with all five year targets achieved by no later than 2029.	**Q1 FY24**	**Q4 FY29**	**EGM CSR**
2024-25 action/s:			
• Commence implementation of the customer experience strategy for seamless positive meaningful interactions	Q3 FY24	Q4 FY25	EGM CSR
Initiative: Strengthen our operational and commercial performance to deliver sustainable value to our customers and shareholder.	**Q1 FY24**	**Q4 FY29**	**CFO**
2024-25 action/s:			
• Improve financial and risk analysis process when making investment decisions	Q1 FY24	Q4 FY25	CFO
• Identify underfunded services and recommend options to achieve a commercial return	Q1 FY24	Q2 FY27	CFO
• Strengthen the Finance Business Partner role to advisory delivering financial advice to the business	Q1 FY25	Q4 FY25	CFO

	Start	Finish	Accountability
Objective: An empowered and high performing workforce.			
Initiative: Develop and embed contemporary people and culture practices that lift our performance into the top quartile of benchmarked organisations by 2029.	**Q1 FY24**	**Q4 FY29**	**Deputy CEO**
2024-25 action/s:			
• Co-ordinate the implementation of the employee engagement plans for 2024-25, including Phase 2 employee engagement pulse	Q1 FY25	Q4 FY25	Deputy CEO
• Adjust People, Culture and Safety priorities/initiatives based on Strategic Work Plan action plans/themes	Q1 FY25	Q4 FY25	Deputy CEO
• Phase 1 - Deliver an employment framework that improves the expected outcomes	Q1 FY25	Q4 FY26	Deputy CEO
Initiative: Achieve top quartile organisational culture and effectiveness results for outcomes and cooperation across Power and Water by 2029.	**Q1 FY24**	**Q4 FY29**	**Deputy CEO**
2024-25 action/s:			
• Monitor and improve measures against progress towards a constructive culture and develop the plan for the next phase	Q1 FY25	Q4 FY25	Deputy CEO
• Conduct 2024-25 Culture & Employee Engagement sprints and activations check ins	Q1 FY25	Q4 FY25	Deputy CEO
Objective: Successful investments in core systems and capability to improve efficiency and value of service.			
Initiative: Achieve industry standard benchmarked operating and service performance targets by: - **upgrade data governance and processes including investment in new ICT platforms.**	**Q1 FY24**	**Q4 FY27**	**EGM CO**
2024-25 action/s:			
• Uplift Power and Water's data governance maturity to achieve improved data insights	Q1 FY24	Q4 FY25	EGM CO
• Uplift the quality and currency of operational technology data	Q1 FY24	Q4 FY27	EGM CO
Initiative: Achieve industry standard benchmarked operating and service performance targets by: - **centralising common functions where appropriate, replacing outdated systems and pursuing better operational practices.**	**Q2 FY22**	**Q4 FY28**	**EGM CSR**
2024-25 action/s:			
• Replace Meter Data Management and Retail Billing systems through the Meter 2 Cash project	Q2 FY23	Q2 FY25	EGM CSR
• Implement system for automated information exchange with retailers through the Market Interaction Enablement Project/AEMO MSATS System	Q4 FY23	Q2 FY25	EGM CSR
• Design and implement centralised metering function aligned to approved organisation design	Q1 FY24	Q3 FY25	EGM CSR
• Implement centralised contract management function aligned to approve organisation design	Q1 FY24	Q4 FY25	EGM CSR
• Design and implement a centralised inventory & warehousing function aligned to approved organisation design	Q1 FY24	Q2 FY26	EGM CSR
• Replace financial management system through the Physicals to Financials project	Q2 FY24	Q1 FY27	EGM CSR

Goal: Embracing a sustainable future with innovation			
	Start	**Finish**	**Accountability**
Objective: Structuring, facilitating and enabling infrastructure and innovations that support the: - renewable energy transition; and - achievement of economic growth targets.			
Initiative: Successfully complete our role in supporting the execution of NTG's 50% renewables by 2030 target.	**Q1 FY24**	**Q4 FY29**	**EGM PS**
2024-25 action/s:			
• Implement all Managing Renewables Integration Plan tasks scheduled for the financial year in our key focus areas	Q4 FY24	Q4 FY25	EGM PS
Initiative: Deliver electricity market reforms to ensure the energy market readiness sought by NTG.	**Q3 FY23**	**Q3 FY27**	**EGM CO**
2024-25 action/s:			
• Amending the regulatory codes and procedures to deliver the interim and reform decisions of the government	Q3 FY23	Q1 FY26	EGM CO
• Develop forecasting and dispatch systems to ensure the safe, secure and reliable operation of the power system	Q3 FY23	Q2 FY27	EGM CO
Initiative: Deliver key strategic water infrastructure projects on budget and on time, including Manton Dam return to service and others within our direct accountability.	**Q1 FY24**	**Q4 FY30**	**EGM WS**
2024-25 action/s:			
• Manton Dam Return to Service	Q1 FY25	Q1 FY27	EGM WS
• Support NTG with the Adelaide River Off-stream Water Storage (**AROWS**) Program	Q1 FY25	Q4 FY30	EGM WS
Initiative: Secure sustainable gas supply aligned with NT Government energy objective.	**Q1 FY24**	**Q4 FY30**	**EGM GS**
2024-25 action/s:			
• Secure large scale gas supply to fill shortfall in the short term and replace its major gas supplier in the long term	Q1 FY24	Q3 FY30	EGM GS
Objective: Proactively adopting government policy for a clean and secure future.			
Initiative: Execute an engagement program to advocate for improved customer, business and stakeholder outcomes.	**Q1 FY24**	**Q2 FY29**	**EGM CSR**
2024-25 action/s:			
• Deliver an engagement program within the developed framework to advocate for improved customer, business and stakeholder outcomes	Q4 FY24	Q4 FY29	EGM CSR

	Start	Finish	Accountability
Initiative: Develop and deliver economic regulatory proposals reflective of the engagement programs and approved by Australian Energy Regulator, Utilities Commission and Department of Treasury and Finance.	**Q1 FY24**	**Q4 FY29**	**EGM CSR**
2024-25 action/s:			
• Develop and Deliver 2024-27 NTESMO Revised Regulatory Proposal	Q1 FY25	Q4 FY25	EGM CSR
• Develop an internal position and long-term strategy on the development of a water and sewerage economic regulatory framework	Q1 FY25	Q4 FY26	EGM CSR
• Planning and development of the 2027-32 NTESMO Revenue Proposal	Q1 FY25	Q4 FY27	EGM CSR
Initiative: Partner with government departments to enable a clean and secure future.	**Q1 FY24**	**Q1 FY29**	**Deputy CEO**
2024-25 action/s:			
• Phase 2 - Implementation of the 2024-30 Power and Water Environmental Plan, including climate change response, environmental risk management, and environmental awareness development	Q1 FY25	Q4 FY25	Deputy CEO
Initiative: Protect critical infrastructure of assets from security and cyber threats to improve business resilience.	**Q1 FY24**	**Q4 FY29**	**EGM CO**
2024-25 action/s:			
• Implement the Australian Energy Sector Cyber Security Framework (AESCSF) for Security Profile 1 (SP1)	Q3 FY23	Q2 FY25	EGM CO
• Implement the Australian Energy Sector Cyber Security Framework (AESCSF) for Security Profile 2 (SP2)	Q3 FY24	Q2 FY28	EGM CO
• Develop a security screening framework and related policies and procedures	Q1 FY25	Q2 FY28	Deputy CEO
• Review and upgrade security access systems for critical operational sites	Q1 FY25	Q2 FY28	Deputy CEO
Objective: Partner with customers and stakeholders to create innovative solutions.			
Initiative: Develop and implement innovations that emanate from consultations with our customers, communities, stakeholders and regulatory approvals.	**Q1 FY24**	**Q4 FY29**	**Deputy CEO**
2024-25 action/s:			
• Phase 2 - Develop and build stronger stakeholder relationships and grow shared understanding to be trusted partners with Government (2023-30)	Q1 FY25	Q4 FY25	Deputy CEO
• Phase 2 - Support effective communications and engagement for major projects (2023-30)	Q1 FY25	Q4 FY25	Deputy CEO
• Strengthen our major partnerships and community grants program to drive improved customer experiences (ongoing)	Q1 FY25	Q4 FY25	Deputy CEO
Initiative: Deliver Reconciliation Action Plan.	**Q1 FY24**	**Q4 FY29**	**Deputy CEO**
2024-25 action/s:			
• Deliver all activities in 2023-25 Innovate Reconciliation Action Plan	Q1 FY25	Q4 FY25	Deputy CEO

Image: A Power and Water Customer Experience and Operations team member engaging with customers in the Darwin Smith Street Mall.

Financial information, risks, and key metrics

4. Key performance indicators

Our key performance indicators (**KPI**) for the SCI period are shown in the following table. The definitions that relate to each are provided in the following section.

Table 4.1: Our KPIs for the SCI period

KPI	Reporting frequency	Measure	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Long term Target
Delivering sustainable value reliably and safely for our customers and community									
Total recordable injury frequency rate (TRIFR)	Monthly	#	<4.75	<4.50	<4.00	<3.50	<3.00	<2.50	0
Customer satisfaction index	Bi-annually	%	≥76	≥78	≥80	≥80	≥80	≥80	≥80
System average interruption duration index (SAIDI)	Monthly	minutes	≤155	≤155	≤155	≤155	≤155	≤155	≤155
System average interruption frequency index (SAIFI)	Monthly	#	≤2.44	≤2.44	≤2.44	≤2.44	≤2.44	≤2.44	≤2.44
Average duration of unplanned water supply interruptions	Monthly	minutes	≤120	≤120	≤120	≤120	≤120	<120	≤120
Return on Capital Employed	Monthly	%	≥3.0	≥4.5	≥5.0	≥5.5	≥6.5	≥6.5	≥6.5
Funds from operations to Debt	Monthly	%	≥8	≥11	≥11	≥11	≥12	≥12	≥12
Debt to Equity	Monthly	#	<1.5	<1.5	<1.5	<1.5	<1.5	<1.5	<1.5
Return on Assets	Monthly	%	≥0.4	≥1.3	≥1.3	≥1.4	≥2.1	≥2.1	≥3.1
EBIT Margin	Monthly	%	>12	>17	>19	>19	>20	>20	>20
An empowered and high performing workforce									
Employee engagement	Biennially	%	N/A	53-70	N/A	53-70	N/A	70-100	70-100
			Moderate Zone				Top Quartile		
Structuring, facilitating and enabling infrastructure and innovations that support the: - Renewable energy transition; and - Achievement of economic growth targets									
Delivery of renewable energy projects into remote communities within agreed timeframes	Quarterly	%	>90	>90	>90	>90	>90	>90	>90
Generator connections to the electricity system within NT NER timeframes	Monthly	%	>90	>90	>90	>90	>90	>90	>90

KPI	Reporting frequency	Measure	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Long term Target
Manton Dam / Strauss project delivered on time and on budget	Quarterly	%	>90	>90	>90	N/A	N/A	N/A	>90
Proactively adopting government policy for a clean and secure future									
Environmental significant incidents	Monthly	#	0	Environmental Impact Index to be introduced in 2024-25					
Environmental Index	Monthly	%	70	75	80	85	90	90	90
Partner with customers and stakeholders to create solutions									
Corporate reputation index	Annually	#	≥6.4	≥6.6	≥6.8	≥7.0	≥7.0	≥7.0	≥7.0
Aboriginal employment	Monthly	%	12.5	13.0	13.5	14.0	14.5	15.0	16.0

4.1 Key performance indicator definitions

- **Total Recordable Injury Frequency Rate (TRIFR):** Measures how frequently significant work-related injuries or illnesses are occurring. TRIFR is calculated by the number of Lost Time Injuries **(LTI),** Restricted Work Injuries **(RWI)** and Medical Treatment Injuries **(MTI)** per million hours worked over a rolling 12-month period.
- **Customer satisfaction index:** Percentage of customers with an overall satisfaction rating of satisfied or very satisfied (7+ out of 10). Customer satisfaction research covers major centres (including Darwin rural) based on a random sample of total customer population.
- **System Average Interruption Duration Index (SAIDI):** Rolled up regulated system measure based on feeder category distribution reliability targets set by the Utilities Commission for the 2019-24 regulatory period. Targets for the 2024-29 regulatory period will be applied when available. The long-term target reflects the acceptable level set by the Power and Water Board.
- **System Average Interruption Frequency Index (SAIFI):** Rolled up regulated system measure based on feeder category distribution reliability targets set by the Utilities Commission for the 2019-24 regulatory period. Targets for the 2024-29 regulatory period will be applied when available. The long-term target reflects the acceptable level set by the Power and Water Board.
- **Average duration of unplanned water supply interruptions:** Average duration of unplanned water supply interruptions in Darwin (12 month rolling average).
- **Return on capital employed (ROCE):** ROCE = EBIT ex Impairment / Capital Employed. Capital Employed = Equity + non-current liabilities.
- **Funds from operations (FFO) to Debt:** FFO to Debt = Operating Cashflows / (term debt + current debt).
- **Debt to equity:** Debt to equity = (Term debt + current debt) / equity.
- **Return on assets (ROA)**: ROA = (NPAT ex Impairment / average total assets).
- **Earnings Before Interest and Taxes (EBIT) Margin:** EBIT Margin = EBIT ex Impairment / Revenue.

- **Overall Employee Engagement Score:** The level of favourable engagement for employees based on survey respondents measured annually utilising the Kincentric methodology (previously known as Aon Hewitt).
- **Delivery of renewable energy projects into remote communities:** Timeliness of connecting renewable energy projects in remote communities, measured by average variance to agreed business case timeframes. Schedule variance tolerance of 10% is aligned with Enterprise Portfolio Management Office **(EPMO)** guidelines.
- **Generator connections to the electricity system comply with NT NER timeframes:** Timeliness of generator connections, measured by average variance to required timeframes, with 100% compliance under the NT National Electricity Rules **(NER)** Chapter 5 (Transmission Connections) and 5A (Distribution Connections) obligations and construction schedule variance tolerance of 10% is aligned with EPMO guidelines.
- **Manton Dam / Strauss project delivered on time and on budget:** Measured by forecast completion cost as a proportion of approved business case budget and timelines.
- **Environmental significant incidents:** Measured by the number of environmental incidents that result in serious, irreversible environmental harm or prolonged adverse media attention and/or community condemnation.
- **Environmental index:** Measured by equal weighting of the following criteria:
  (1) Zero Environmental significant incidents that result in serious, irreversible environmental harm or prolonged adverse media attention and/or community condemnation, and assessed against an actual consequence of 'major or above'
  (2) 80% environmental incidents recorded in HERCS within one business day of occurring
  (3) 100% environmental incident investigations completed within due date
  (4) 100% environmental actions completed within HERCS due date
  (5) 90% employee completion of the mandatory 'Environmental Awareness' online training course.
- **Corporate reputation index:** Assessment of Power and Water's reputation score based on annual customer brand, trust and reputation survey.
- **Aboriginal employment:** Percentage of workforce identifying as Aboriginal (including permanent, fixed term, casual and hosted trainees and apprentices, excluding contractors) rolling twelve month average.

4.2 Fiscal strategy targets

The NTG Fiscal Strategy Panel developed a plan for budget repair over the medium term implementing key fiscal targets that focused on ensuring government operates within its means, including Government Owned Corporations.

4.2.1 Revenue and operating expenditure growth

- **Target:** Ensure operating expenditure growth does not increase at a greater rate than operating revenue growth
- **Test:** Operating expenditure growth <= Revenue growth
- **Where:** Operating expenditure growth = Opex t1/Opex t0, Revenue growth = Revenue t1/Revenue t0

Power and Water Corporation (excl. IES)	2023-24 to 2026-27 FY24 SCI	2024-25 to 2027-28 FY25SCI
Revenue	18%	27%
Operating expenditure	5%	19%
Target met	Yes	Yes

* Operating expenses exclude depreciation, impairments, interest and tax expenses

4.2.2 Debt to equity ratio

- **Target:** Debt to equity ratio maintained or improved over the SCI period
- **Test:** Debt to equity ratio in t1 <= Debt to equity ratio in t0
- **Where:** Debt to equity ratio = gross debt / equity

Power and Water Corporation (excl. IES)	2023-2024 FY24 SCI	2024-2025 Budget	2027-2028 Projection	Target met
Debt to equity	1.0	1.1	1.3	No

* Gross debt = total borrowings and loans. End of financial year values are to be used.

4.2.3 Controllable costs (less energy costs)

- **Target:** Controllable costs are maintained or reduced over the SCI period
- **Test:** Controllable costs in t1 <= Controllable costs in t0

Power and Water Corporation (excl. IES)	2023-2024 FY24 SCI	2024-2025 Budget	2027-2028 Projection	Target met
Controllable costs ($M)	227	228	250	No

*Controllable costs = total operating expenses less energy and materials and impairment of current assets.

4.2.4 Dividends paid

- **Target:** Dividends paid/payable greater than zero
- **Test:** Dividends forecast to be paid in each financial year as per cash flow statement > 0

Power and Water Corporation (excl. IES)	2023-2024 FY24 SCI	2024-2025 Budget	2025-2026 Projection	2026-2027 Projection	2027-2028 Projection	Target met
Dividends paid ($M)	2.0	1.0	5.4	23.2	23.0	Yes

Reference Periods
t1 = Final financial year of the SCI period (2027-28)
t0 = First SCI financial year (2024-25)

5. Financial projections

5.1 2023-24 forecast vs budget

In the development of the SCI, the 2023-24 forecast for Power and Water was derived from actual results as of December 2023. Power and Water's earnings before interest, tax, depreciation and amortisation (**EBITDA**) are projected to fall short of the 2023-24 budget by $38.8 million, with the budget being $227.9 million.

A significant factor in this reduced profitability is the ongoing gas curtailment and associated lower gas sale volumes. The budget for 2023-24 anticipated that issues with gas production would be resolved by early April 2023. Based on projections from Eni, production levels are now expected to improve in 2024-25.

Capital expenditure for 2023-24 is expected to exceed the budget with a forecast of $269.3 million compared to a budget of $255.6 million. Due to ongoing gas supply constraints, Power and Water is investing in infrastructure to allow sourcing gas from alternative suppliers both within and outside the Territory. The Water Services business unit is under budget by $26.5 million, primarily due to the timing of the Manton Dam Return to Service project. This shortfall is offset by increased spending in Power Services, related to the accelerated initiation of ready-to-deliver projects.

5.2 2024-25 budget plus 2026-30 projections

Our key financial metrics in terms of EBITDA and Net Profit After Tax (**NPAT**) continue to trend up across the SCI period.

5.3 Revenue

($M)	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Published	Forecast	Budget	Projection	Projection	Projection	Projection	Projection
Gas Services	348.0	240.1	297.7	393.4	392.3	400.6	428.9	439.5
Water Services	230.7	228.0	232.6	235.2	244.9	253.6	261.9	262.5
Power Services	174.5	183.6	196.7	216.8	233.7	254.7	270.4	277.9
Core Operations	19.4	17.1	30.6	50.0	54.6	54.5	57.1	60.6
Corporate	11.3	11.3	11.0	11.3	11.9	12.5	13.0	13.3
Total	**783.8**	**680.0**	**768.6**	**906.7**	**937.4**	**975.9**	**1,031.3**	**1,053.8**

Power Service's revenue mainly comes from its regulated networks business. The revenue projections from 2024-25 to 2028-29 are based on the regulatory proposal for 2024-29 regulatory period, submitted to the Australian Energy Regulator (**AER**) in November 2023. The 2025-26 SCI will be updated to reflect the AER's final decision, expected in April 2024. The increase in revenue during this regulatory period is primarily due to a higher rate of return, influenced by an elevated risk-free rate and a rise in the cost of debt. This rate of return is determined by the AER, based on the rate of return instrument and current market data.

Core Operations revenue mainly comprises of metering, regulated by the AER, and Northern Territory Electricity System and Market Operator (**NTESMO**), regulated by the Northern Territory Utilities Commission (**UC**). The NTESMO revenue proposal covering 2024-25 to 2026-27 seeks an increase in revenue. This proposed increase is due to the need to cover rising operational costs, which stem from the growing complexity and volume of tasks, as well as the need to earn a return on and recover capital

expenditures. It is expected that the current determination rates will be applied to the 2024-25 period, with any under-recovery during this year being compensated for in the subsequent years, from 2025-26 to 2026-27.

Water Services' projected revenues are commensurate with projected Consumer Price Index (**CPI**) forecasts and hence an increase in tariffs. Consumption is forecast to increase from 2026-27 driven by increased demand from large industrial projects and supported by new supply as Manton Dam is returned to service.

5.4 Community service obligations (**CSO**)

($M)	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Published	Forecast	Budget	Projection	Projection	Projection	Projection	Projection
Gas Concession	14.4	14.4	14.4	0.0	0.0	0.0	0.0	0.0
Pensioner and Carer Concession	4.6	4.5	4.5	4.6	4.7	4.8	4.9	5.0
Uniform Tariff Concession (Water)	8.1	8.1	0.8	0.8	0.8	0.9	0.9	0.9
Jabiru Concession	3.2	2.9	3.4	3.4	3.8	4.3	4.5	4.7
Total	**30.3**	**29.9**	**23.0**	**8.9**	**9.4**	**9.9**	**10.3**	**10.6**

The SCI assumes CSO funding for the Pensioner and Carer Concession schemes along with specific initiative-related concessions for costs incurred for supply and operation of the Jabiru electricity network. In addition, a CSO relating to gas and transportation costs for Territory Generation will continue for 2024-25 and the Uniform Tariff Concession for Water and Sewerage services has been reduced to only cover Church and Charity concessions from 2024-25 onwards.

5.5 Operating costs

($M)	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Published	Forecast	Budget	Projection	Projection	Projection	Projection	Projection
Gas Services	324.8	261.2	293.3	365.5	362.4	364.6	375.8	387.7
Power Services	67.0	69.7	65.5	65.6	68.8	71.9	70.9	68.5
Water Services	68.4	75.2	75.6	76.2	77.3	80.8	82.1	83.9
Core Operations	75.3	59.9	80.1	78.5	79.4	81.9	82.5	84.5
Corporate	96.5	91.1	100.3	94.1	91.3	86.9	83.5	84.2
Total Controllable Operating Cost	**631.9**	**557.1**	**614.8**	**679.8**	**679.2**	**686.2**	**694.7**	**708.7**

*Controllable costs excludes intra-entity and overhead recovery

At a business-wide level, our forecast 2023-24 controllable costs are below budget. This is mainly due to a lower volume of gas purchased as a direct result of the current gas curtailment (which means that the revenue that could be generated from gas sales is also lower) and underspend in consulting services. The centralisation of asset management capabilities from Power Services and Water Services into Core Operations is anticipated to be completed by the end of 2023-24. The change in timing of this movement has resulted in a variance in Power Services and Core Operations cost from budget. Additionally, Power Services has performed more Alternative Control Services (**ACS**) work than budgeted resulting in higher ACS cost.

Repairs and Maintenance (**R&M**) expenses primarily drive Water Services' cost increases, which are set to rise from $43.9 million in 2023-24 and peak at $57.2 million in 2027-28. This escalation is attributed to aging infrastructure and the strategic extension of asset life, enabling a more gradual and structured asset replacement schedule.

Core Operations' costs are aligned to the NTESMO regulatory proposal with increases in FY25 reflecting the development of business cases and transitional tools. These costs will be incorporated into the Regulatory Asset Base (**RAB**) for regulatory purposes with the costs to be recovered over the expected life of the assets.

We will continue to invest in our employees and build core business capabilities. However, there are major reform programs that require short term specialist capabilities to ensure successful delivery. Professional fees are forecast to peak in 2024-25 at $39.8 million before reducing over the remaining SCI period to $11.6 million in 2029-30. This trend mirrors the ongoing efforts to integrate and adapt our network to handle a continued increase in renewable generation and managing the Operating Model implementation.

5.6 Cash flow and borrowings

Total borrowings are forecast to increase from $1.4 billion in 2023-24 to $2.0 billion during 2029-30. Concurrently, total assets are expected to grow from $3.4 billion to $4.1 billion during the same period. This increase in borrowing reflects investments in a number of strategic initiatives over SCI projections as well as the long term growth trajectory of the balance sheet of the business. Over the same period the debt to equity ratio increases from 1.1 to 1.3 reflecting that much of the balance sheet growth is either funded from free cash flows or other external sources including Commonwealth and Territory governments.

5.7 Capital investment program

($M)	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Published	Forecast	Budget	Projection	Projection	Projection	Projection	Projection
Power Services	117.1	122.2	171.7	171.7	100.2	78.7	96.4	121.8
Water Services	94.5	68.0	178.4	162.3	109.5	82.5	131.0	101.9
Core Operations	23.1	19.2	24.4	38.9	34.5	19.2	22.6	8.8
Customer, Strategy and Regulations	17.7	22.8	9.8	15.2	15.0	5.6	0.0	0.0
Finance and Business Services	2.4	3.5	4.7	9.6	14.2	44.2	77.7	1.1
Gas Services	0.9	33.5	0.3	0.0	0.0	0.0	0.0	0.0
Total	**255.6**	**269.3**	**389.2**	**397.7**	**273.5**	**230.2**	**327.7**	**233.6**

Our capital investment program is estimated to be $2.1 billion from 2023-24 to 2029-30. Investment in the energy network and water and sewerage infrastructure over the SCI period is driven by asset replacement, service reliability, business efficiency and demand growth. Growth in the Power Services' capital program has been driven by zone substations upgrades.

Note, this capital investment program includes externally funded projects. For example Powerline Undergrounding, Tindal Substation Capacity Upgrade, Manton Dam Return to Service and Yulara Water Headworks Upgrade Program. The external funding equates to approximately $274 million, which is neutral to the business in relation to cash flow and largely neutral in relation to net asset position over the SCI period.

The growing influence of renewables on providing essential energy and water services in the NT necessitates strategic planning and investments as we aim to achieve the NTG 2030 Target of 50% Renewables. The capital investment program enables and highlights how Power and Water will achieve both strategic goals of 'modernising our business' and 'embracing a sustainable future with innovation'. Through initiatives aimed at leveraging the significant synergies available as a multi-utility service provider of gas, water, sewerage and power services.

To achieve this intricate multi-year program of work we are implementing a centralized asset management framework, enhancing works management and fortifying capital delivery capabilities within our Core Operations business unit.

5.8 Corporate sponsorships and social programs

The SCI includes $175,000 annually for major partnerships, sponsorship and community grants. These are awarded annually and are aligned with Power and Water's purpose of making a difference to the lives of Territorians. In addition Power and Water also provides in kind support to community events through the provision of water refill stations and refresh tent.

6. 2024 – 30 SCI Key assumptions

This section provides an overview of assumptions that underpin our forecasts included in this SCI.

6.1 Overarching assumptions

6.1.1 CPI

Table 6.1: CPI assumption summary

Use	Index [1]	2024-25 CPI %	2025-26 CPI %	2026-27 CPI %	2027-28 CPI %	2028-29 CPI %	2029-30 CPI %
Gas Services (Purchases & Sales)	8 Capital Cities – Financial Year	3.3	2.5	2.5	2.5	2.5	2.5
Regulated Power Services Revenue Escalation	8 Capital Cities – AER Glide-path Methodology	2.8	2.8	2.8	2.8	2.8	2.5
Water Services Revenue Escalation	Darwin – Prior Calendar Year	3.9	2.5	2.3	2.4	2.5	2.5
Operating and Capital Expenditure Inflation	Darwin – Financial Year	2.5	2.3	2.4	2.5	2.5	2.5

[1] Basis for index is consistent with prior year

The majority of gas contracts make reference to the weighted average of the 8 capital cities CPI index rather than Darwin CPI index. As such it has been assumed the CPI applied for gas purchase and sale agreements are based on the 8 capital cities CPI instead of the Darwin CPI.

The weighted average of the eight capital cities CPI forecast is sourced from the Reserve Bank of Australia August 2023 Statement on Monetary Policy. The Darwin CPI forecast is sourced from the Northern Territory Budget 2024. However, revenue escalation from 2024-25 onwards closely aligns with the revised 2024-29 regulatory proposal submitted to the AER in November 2023, which uses the AER glide-path methodology.

Water and sewerage prices are regulated by the NTG through a pricing order issued by the Treasurer. Escalation for 2024-25 reflects the proposed pricing order for 2024-25. For budgeting purposes we have assumed the pricing order will be escalated by forecast Darwin CPI for the prior calendar year, in line with the methodology used for the regulated networks business. Operating and capital cost escalations are based on contractual or employment obligations where applicable. Where no mandated escalations exist, Darwin CPI (Financial Year) forecasts have been sourced from the Northern Territory Budget 2024.

6.2 Demand for our services

6.2.1 Electricity demand

The forecast energy consumption included in the table below reflects Power and Water's 2024-25 determination that was submitted to the AER on 30 November 2023. As in previous years, Power and Water has updated the annual energy forecasts to reflect and align with the most recent consumption data and trends available. The reduction in this year's forecast is due to using consumption data from the most recent financial year (2022-23), whereas last year's consumption forecast had been based on the 2021-22

financial year. That year's consumption had been elevated far above normal levels due to the removal of COVID-19 travel and other restrictions.

*Table 6.2: Annual Energy Consumption Forecast (GWh) – Regulated Networks**

Year	Total	Darwin-Katherine Interconnected System	Tennant Creek	Alice Springs
2023-24	1,702.29	1,470.78	27.24	204.27
2024-25	1,704.84	1,472.98	27.28	204.58
2025-26	1,716.89	1,483.39	27.47	206.03
2026-27	1,721.72	1,487.57	27.55	206.61
2027-28	1,721.15	1,487.07	27.54	206.54
2028-29	1,725.94	1,491.21	27.61	207.11
2029-30	1,758.34	1,519.21	28.13	211.00

* Consumption figures reflect forecasts submitted in November 2023

The forecast energy consumption included in the table below reflects our non-regulated networks. This covers the three retailing centres, eight minor centres and all IES communities. The consumption forecast reflects a minor but stable growth rate of approximately 1% per annum based on trends identified through trailing averages over the last 5 years.

*Table 6.3: Annual Energy Consumption Forecast (GWh) – Non-Regulated Networks**

Year	Total	Northern Region	Katherine Region	Barkley Region	Southern Region
2023-24	185.72	79.02	47.02	8.65	51.04
2024-25	187.55	79.91	47.67	8.70	51.27
2025-26	189.43	80.82	48.34	8.76	51.50
2026-27	191.34	81.74	49.03	8.82	51.75
2027-28	193.29	82.68	49.73	8.89	51.99
2028-29	195.29	83.62	50.45	8.97	52.25
2029-30	197.32	84.57	51.19	9.06	52.50

* Consumption figures reflect forecasts as at September 2023

6.2.2 Renewable energy integration

As the Network Provider, Market Operator and Power System Controller, we facilitate the connection and dispatch of large renewable generators to the power system and play a significant role in enabling the NTG's 50% renewable target by 2030.

Estimates suggest there will be 69 MW of large-scale renewable generation connected to the network over the coming 12-15 months, which is in addition to approximately 106 MW of small scale (behind the meter) rooftop solar currently installed, as at the end of 2022-23. By the end of 2023-24 the Darwin – Katherine grid is anticipated to have almost 120 MW of behind the meter solar generation. This contrasts with a minimum dry season demand of 65 MW. Minimum electricity demand in the Darwin – Katherine Integrated System is expected to fall below 20 MW by 2030. This will have significant impacts on system stability,

security and reliability and will necessitate significant investment in batteries and synchronous condensers as such low minimum demand levels are below the minimum generation levels of the existing synchronous gas fired generators. Power and Water may leverage the Alice Springs Future Grid project to investigate opportunities for Distributed Energy Resources to complement its response and management capability for the changing dynamics of the NT power system. The purchase of one Synchronous Condenser is budgeted in 2025-26 at an estimated cost of $67.7 million.

The forecast increase in demand for large scale renewable connections is driven by 2 key factors - the NTG renewables energy target and proponents' low operating costs of renewable generation sources. This growth was not anticipated at the time of submitting the System Control charges approved by the UC for the current regulatory period 2019-24. Accordingly, the investment required to respond to managing the increased uptake of renewables is currently unfunded. In December 2023 our NTESMO regulatory proposal for the 2025-27 regulatory control period was submitted to the Utilities Commission. This proposal seeks to recover a portion of historical unfunded costs for the current regulatory control period that is associated with us managing the power system as it transitions to renewables and modernises our NTESMO systems. Additionally, the proposal also includes an increase in operational and capital expenditure forecasts to continue to keep pace with the transition. We have obligations in the System Control Technical Code, Network Technical Code and the NT NER to process connections of new facilities and to maintain system security and reliability. These obligations necessitate the commitment of operating and capital costs to respond to the changing dynamics and requirements of the power system. The Department of Industry, Tourism and Trade (**DITT**) published a high-level Darwin–Katherine Electricity System Plan in October 2021, which highlights the potential capital investment trajectory to meet the renewables target. Power and Water commenced the development of the inaugural NT Regulated Electricity System Investment Plan in May 2023. It defines the long term investment requirements to meet demand and the requirement for Essential System Services to maintain system security and reliability. The development and provision of this plan is currently an unregulated activity being undertaken by NTESMO. This plan will take 2 years to develop, with an expected completion date in November 2024 and is funded by the NT Government through DITT.

Power and Water has a broad work program to facilitate renewable energy integration. Detailed technical studies have been undertaken to quantify the requirements for frequency related Essential System Services to maintain system security and reliability. Studies pertaining to voltage management have also been undertaken and system strength studies are planned. We are undertaking the development of 'Transitional Tools' to enable the capability to dispatch newly connected and future renewable facilities. The functionality of these Transitional Tools will ultimately be evolved with greater sophistication and integration in the form of the Territory Dispatch Engine (**TDE**), which will enable the co-optimised scheduling and dispatch of energy and Essential System Services. The delivery of the TDE has been split into two phases, the first of which is to deliver renewables integration and compliance to the existing codes. The second phase is dependent on the outcome of the NTG's Northern Territory Electricity Market (**NTEM**) Electricity Reform Program.

In the interim, prior to the resolution of government policy decisions in respect to the NTEM Electricity Reform Program, Power and Water continues to invest in initiatives to facilitate the integration of renewable energy. Power and Water is working with the NTG towards a 'fit for purpose regulatory framework' to support the energy transition and future electricity market design or similar. As an example, the current System Control Technical Code has no dispatch framework for energy storage systems (batteries) or synchronous condensers, despite such facilities being currently developed or being advocated for as critical requirements for the preservation of system security and reliability.

6.2.3 Water demand

Regional growth rates were developed taking into consideration system demand, population growth, natural growth, weather normalisation and demand management initiatives. Weather patterns have been considered for Katherine, Tennant Creek and Alice Springs to align with historical average consumption trends. The impacts on consumption due to the change in climate conditions from the shift to El Nino weather conditions has been considered, with the impacts assumed to be offset by demand management initiatives. The table below reflects billable consumption only and not the overall system planning demand. Potential large industrial projects such as the proposed Middle Arm Sustainable Development Precinct have been included in the water consumption forecast. However at this point in time, a conservative approach has been taken of only 50% of the forecast growth being applied to the forecast. This equates to additional demand of over 3.5 GL per annum by 2029-30 set to commence in FY27 (previously forecasted for FY26). The detailed Manton Dam Return to Service Business Case, discussions with NTG and the Middle Arm Sustainable Development Precinct Working Group have informed this industrial demand forecast.

The additional demand on the water supply system will be satisfied through the increase in supply available following the Manton Dam Return to Service project, with the AROWS project to provide future water source and security for the development of industry and agriculture. As such, demand management continues to be instrumental in managing the short to medium term water supply and demand balance in the greater Darwin region.

Power and Water continues to target a cumulative reduction of 2.4 GL per annum by 2025-26 in line with the overall NTG Territory Water Plan by focussing on both water losses in the distribution system and driving reductions in customer consumption. The 2.4 GL target ensures that we maintain the current standards of service risk level - it does not improve current risk levels.

Table 6.4: Annual Water Consumption Forecast (ML)

Year	Total	Darwin	Katherine	Alice Springs	Tennant Creek
2023-24	47,805	35,136	3,272	7,883	1,514
2024-25	47,874	35,171	3,304	7,889	1,510
2025-26	47,984	35,275	3,304	7,895	1,510
2026-27	49,799	37,084	3,304	7,900	1,510
2027-28	51,213	38,492	3,304	7,906	1,510
2028-29	51,981	39,254	3,304	7,912	1,510
2029-30	52,172	39,440	3,304	7,918	1,510

*Annual system production volumes used for water network planning purposes differ from the consumption assumptions above. Consumption figures reflect forecasts as at October 2023.

6.2.4 Electricity, water and sewerage in remote communities

Demand growth forecasts for remote communities serviced by IES reflect natural growth and trend adjustment factors.

Table 6.5: Forecast growth rates for remote electricity, water and sewerage services

Average growth per annum	2022 to 2026
Electricity (kWh)	0.70%
Water (kL)	0.07%
Sewerage	0.06%

These growth rates are calculated based on a 5 year historical annual growth rate. The calculation is adjusted to align with the 10 year trend lines considering population growth and the NTG's remote housing program.

Due to fluctuations in annual water consumption for remote regions growth rates for water have been calculated based on aligning consumption to the five-year average and applying trend growth where appropriate.

The rates also incorporate the continued implementation of the demand management program as part of the Territory Water Plan. The demand management program under consideration is assumed to be fully funded by the NTG.

6.3 Facilitating Government initiatives

6.3.1 NTEM reform

The NTG established the Electricity Market Reform Implementation Taskforce (**EMRIT**) and an associated implementation team to facilitate the government's Electricity Reform Program, which considered the finalised Gateway Report's recommendations. Following consultation with, and consideration of key stakeholders' feedback, EMRIT refined and finalised its proposed market design and key entity roles.

The Government has approved reforms which require significant investment from Power and Water and the wider electricity industry. The major areas of reforms include:

- The implementation of a public procurement model for the Darwin-Katherine electricity system (**DKES**). This includes the:
  - development of the Regulated Electricity System Investment Plan (**RESIP**) to define the investment requirements of the NT power system to meet demand and the requirement for Essential System Services
  - reform to the Essential System Services framework to define specific services and associated requirements to ensure system security and reliability
  - procurement of services to meet system demand through a competitive tender process
  - dispatch of generation in real-time to operate the system reliably and securely
  - market settlement, i.e. cost recovery of services paid for by retailers to generators
  - implementation of a sole supplier model in Alice Springs and Tennant Creek, where Territory Generation is the sole supplier of wholesale generation services
  - Separation of the system control and market operator functions from Power and Water.
- For the public procurement model the following entities will have supporting responsibilities:

- Minister for Renewables and Energy – rule maker, support provided by OSE and Treasury
- Utilities Commission – industry regulator
- NTESMO – system and market planning, procurement (in the DKES) and operations
- Power and Water – network service provider
- Generators and retailers – market participants.

6.3.2 Bringing forward land development

The Department of Infrastructure, Planning and Logistics (**DIPL**) has secured funding to bring forward land development in the Greater Darwin, Katherine, Tennant Creek and Alice Springs Regions. DIPL has confirmed that $100 million will be invested in water and sewer infrastructure and $10 million in power infrastructure over the next four years.

Power and Water are currently addressing the uplift in Development Related activity via internal resourcing and appropriate allocation of professional fees which in turn are capitalised once the asset is gifted.

In 2021-22 we received $5.3 million of gifted assets and this has increased to $10.2 million for 2022-23. We foresee DIPL's program will be delivering approximately $20 million of gifted assets per year over a 4 year period.

6.3.3 Remote Housing Program

IES supports the housing program predominantly being delivered to remote communities that are within the IES Service Level Agreement.

Power and Water and IES are supporting the delivery of the $1.1 billion NTG housing program that was initiated in 2016 and will be delivered through to 2028. This housing investment program aims to reduce overcrowding numbers, which will improve health outcomes in remote communities.

The program, 'Our Community. Our Future. Our Homes.' Is aimed at:

- reducing overcrowding and improving living conditions
- local decision making in communities
- developing Aboriginal Business Enterprises
- sustainable local employment
- economic development.

The program provides:

- $200 million – Room to Breathe, increasing living spaces within existing homes
- $500 million – Home build, to build new homes
- $200 million for preventative repairs and maintenance, to focus on repairing wet areas and health hardware
- $200 million – Government Employee Housing (**GEH**), to expand the program to include options for locally recruited NTG employees in remote areas.

The program is additionally supported through $426 million in land servicing funds, to deliver serviced land and essential services infrastructure to support new housing. This includes our $125 million Headwork's Program.

6.3.4 IES Infill Program

We have a funding agreement worth $2.5 million over 3 years that commenced in 2022-23 to deliver land servicing and service upgrades (outside of subdivisions) within remote communities to support the program.

With the signing of the National Partnership Agreement with the Federal Government, support will also be provided alongside a $550 million package across the next 4 years.

As part of this program, we are responsible for:

- headworks delivery to support new homes and improvements in NTG Program communities with funding of $125 million of headworks infrastructure for 17 communities
- support planning, design, construction and acceptance of services to new homes for the NTG program through infill works, supporting HomeBuild NT, GEH and other new and replacement works occurring within communities
- support planning, design, construction and acceptance of services to new homes for the Federal Government program
- overall assessment and coordination of the program to enable servicing outcomes.

6.3.5 Territory Water Plan

The Territory Water Plan is the Northern Territory's first whole of government strategic plan for water security. Power and Water welcomes the potential for uplift in water security inherent in the plan and considers that the intent is well aligned with our strategic framework.

The 16 priority actions include a mix of reform across 'legislation, policy, governance and regulation, infrastructure delivery, science, cultural knowledge and community engagement'. The deliverables under these actions and impacts are apparent in some cases e.g. strategic initiatives for Manton Dam and the AROWS project. In other cases the deliverables, actions and impacts are unknown and need to be developed and assessed e.g. through detailed regulatory impact statements. In these cases, Power and Water's role is to influence as far as practicable and also be agile enough to ensure preparedness and mitigation of impacts as they are clarified.

Power and Water is influencing through the CEO Steering Committee and Territory Water Plan Senior Officers Working Group with representatives from both Water Services and Customer Strategy and Regulation. Water Services is also positioning itself strategically through the Drinking Water Security Committee to ensure strategic oversight of related matters and accountability across actions.

6.4 Other factors affecting our business

6.4.1 Operating model

Power and Water continues to focus on implementation of people and process reforms and core technology system replacement. The implementation of a Meter to Cash cloud-based billing solution and meter data management system, as well as a cloud-based integration capability will be production ready

during 2024. This project is a key enabler for NT NER compliance, the effective date of which Power and Water is working to modify is March 2025. Integrated Works Management, Metering and Project Delivery Management components of Organisational Alignment have all commenced and are at varying stages of development and implementation.

This SCI seeks to further enable additional core technology replacements that are no longer fit for purpose to service our customers or business in the rapidly changing environment. Power and Water's Financial Management System is over 20 years old and this SCI will see the commencement of the 'Physicals to Financials' project with the development of a business case to support implementation commencing in 2024-25.

Power and Water has focused on ensuring deliverability by phasing major programs and projects across the medium-term forward works program whilst ensuring operations are not compromised.

Efficiency realisation for people and process work and technology solutions are projected to produce a benefit in the Full Time Equivalent (**FTE**) profile in FY26 with additional incremental efficiencies realised in FY27, FY28 and FY29 pending further technology solution implementation in those years.

6.4.2 Single site consolidation

Power and Water is in the process of revising its property strategy, specifically in relation to the consolidation of corporate and operational sites in the Darwin region. Costs of $76.1 million representing the Power Services (Standard Control Services) share of the estimated total costs of $134.8 million were reflected in our 2023-24 Statement of Corporate Intent and included in the revised regulatory proposal, submitted to the AER on 30 November 2023.

6.5 Sources of revenue

6.5.1 Community Service Obligation (CSO) Payments

CSO payments are provided by the NTG to fund government, community or social objectives. These objectives might not be pursued if left to commercial or market forces, or if pursued, would be at higher prices to consumers. CSO payments support the NT Concession Scheme and the Jabiru electricity supply.

The $14.4 million CSO relating to gas and transportation costs for Territory Generation will continue in 2024-25.

6.5.2 Electricity network tariffs

Power services in our 3 largest networks have been regulated under the NT NER and by the AER since 1 July 2019. On 31 January 2023, we submitted our second revenue proposal for the period 1 July 2024 to 30 June 2029 to the AER and the AER published its Draft Decision on 28 September 2023. Power and Water submitted its revised revenue proposal on 30 November 2023, which responds to the AER's Draft Decision. In April 2024 the AER will publish its Final Decision, which determines Power and Water's regulated electricity network revenue for 2024 to 2029. Revenue assumptions in this SCI for 2025 onwards are informed by and aligned to the revised revenue proposal, noting that these numbers are subject to change pending the AER's Final Decision.

Regulated revenue assumptions for 2023-24 are based on the AER's 2019 determination, which can be found on the AER website via the following link:

https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/power-and-water-Corporation-determination-2019-24

Power and Water's annual Maximum Allowable Revenue is adjusted each year to reflect the latest forecast and is submitted to the AER in March of each year. The 2024-25 Annual Pricing Proposal will be submitted to the AER after we receive its Final Decision in April 2024.

6.5.3 Electricity system control and market operator (NTESMO) revenue

This SCI assumes that annual revenue for 2024-25 (which is the first year of the next regulatory period) will be the approved 2023-24 tariffs escalated by the inflation rate. To forecast the revenue for the 2024-25 NTESMO Revenue, we have used the Utilities Commission approved 2024-25 System Control and Market Operator Charges.

This SCI includes the regulatory proposal for the 2024-25 to 2026-27 regulatory period, submitted in December 2023. It is anticipated that the Utilities Commission will take at least 12 months to make its decision. The 2024-25 to 2026-27 NTEMSO Regulatory Proposal will seek to recover:

1. Revenue shortfall for historical expenditure during the current regulatory period (2019-24) over and above the current revenue allowance (approximately $17.1 million expenditure) relating to the development of transitional tools to modernise the power system to support the transition to renewables, and the development of a new settlement system. Of the revenue shortfall being sought, 50% is intended to be recovered over 2025-26 and 2026-27, with the remaining 50% recovered through the inclusion of an asset in the regulated asset base with a life of three years).
2. The revenue shortfall for the first year of the next regulatory period (2024-25), with 50% of the revenue shortfall being recovered over 2025-26 and 2026-27 and the remaining 50% recovered in the following regulatory period (through the inclusion of assets in the regulated asset base with a life of 3 years).
3. The increased operating and capital expenditure forecast for the next regulatory period.

Most of the forecast costs relate to changes and functions needed to facilitate the transition to renewables. Key changes are to develop and implement transitional tools, the Territory Dispatch Engine and a settlement system. The proposal will also seek deferral of revenue recovery to future regulatory periods to reduce the initial price impact to customers.

The unrecovered costs are currently funded through borrowings, if the costs are not retrospectively recovered Power and Water will continue to pay interest on these borrowings with no corresponding revenue to support the loan/interest.

6.5.4 Key revenue assumptions

Key assumptions that affect the calculation of our revenue are as follows:

- The following assumptions align with the AER's regulatory methodologies:
  - depreciation
  - return on assets
  - standard asset lives
  - nominal weighted average cost of capital (**WACC**) for return on assets.

- We expect to incur costs associated with several cost pass through events relating to significant system events, NTEM reforms, new obligations expected in relation to the NT Regulated Electricity System Investment Plan and changes to our business structure relating to the partial or full separation of NTESMO functions from Power and Water.

6.6 Other financial assumptions

Indigenous Essential Services (IES) Operations

While Power and Water has committed to financially supporting its fully-owned subsidiary, IES, through its parent company guarantee, it is assumed that Power and Water is not required to inject financial support or liquidity to IES throughout the SCI period.

For Power and Water's tax purposes, it is assumed that the corporate activities supplied by Power and Water to IES are provided at marginal cost.

Power and Water Full Time Equivalent (FTE) Staffing Numbers

Employee roles are based on assumed organisational structure to align with the overall strategic direction of the business and our planned activities.

The tables below provide the total internal FTEs required to deliver on our plans.

Personnel costs

Wages have been escalated in line with the 2021-2026 Power and Water Enterprise Agreement and legislated superannuation guarantee increases. Escalation for 2026-27 and onwards is assumed to be in line with CPI.

Significant externally funded capital projects

The Undergrounding Power Project is funded via a capital grant from the NTG and Manton Dam Return to Service Project is jointly funded by the Commonwealth and Northern Territory governments. Equity injections are provided to cover income tax liabilities payable in the year the capital grant is received. The project support cost portion of the Manton Dam Return to Service Project is internally funded by Power and Water.

Externally funded projects are capitalised at zero book value with the capital expenditure offset against grant revenue.

Borrowing costs

Borrowing costs reflect advice from NT Treasury Corporation (**NTTC**) and consider the budgeted debt profile and NTTC's interest rate projections. Power and Water must align with the NTTC's advice for the purposes of whole of Government account consolidation.

Dividends

Ordinary dividends are calculated based on 50% of the statutory net profit after tax of the corporation, with adjustments for material non-cash transactions, including gifted assets, fair value movements in fixed assets and changes in the onerous gas contract provision. The liquidity and capital requirements of the corporation are also taken into account.

The Board recommends an ordinary dividend by 31 August of each year. This recommendation is amended or approved by the shareholding minister by 30 September and payment is made by 1 December, in line with the *Government Owned Corporations Act 2001*.

The shareholding minister may direct the Board to declare a special dividend, at which point it will be included in the SCI as applicable.

Accounting policies

This SCI has been prepared based on accounting policies outlined in the 2022-23 Financial Statements.

Power and Water does not budget for asset impairment or revaluation. Tax expense is assumed at the corporate tax rate of 30% and includes the impact of tax effect accounting on taxable income over the period.

7. Key risks

Power and Water has an enterprise risk management framework which requires management to undertake regular assessments to identify and manage significant risks to the community as a result of its activities. These risks include health and safety, service delivery, financial, legal and regulatory, environmental and reputational risks. The risks are managed throughout the organisation in line with the Audit and Risk Management Committee's charter and risk management process. The risk management framework is well established and risks are reviewed annually as part of the business planning process.

We are continuing to improve our methodology for making investment decisions and reducing costs associated with risk exposure to the business. Our risk appetite statement, which is under review, will be used as a decision-making tool by the business and will define the boundaries of acceptable risk.

7.1.1 Investment decision-making framework

Power and Water is maturing from project management with program and portfolio oversight, to an end-to-end view incorporating portfolio management with program and project oversight and metrics to monitor the pipeline from concept to completion and lessons learned.

A business unit portfolio management approach for capital delivery has been adopted for both Power Services and Water Services. The intent of the original portfolio approach was focused on minimising capital underspend and meet the AER 5 year Capex allowance. This was the first step in Power and Water's maturity journey towards enterprise portfolio management.

In parallel to the maturing portfolio management approach, a key activity underway is to enable structured certainty for capital project execution in the form of process and methodology to reduce uncertainty in outcome or result.

7.1.2 Risk mitigation

The following table outlines the current strategic initiatives and the strategic risks facing these initiatives in our power and water businesses over this SCI period.

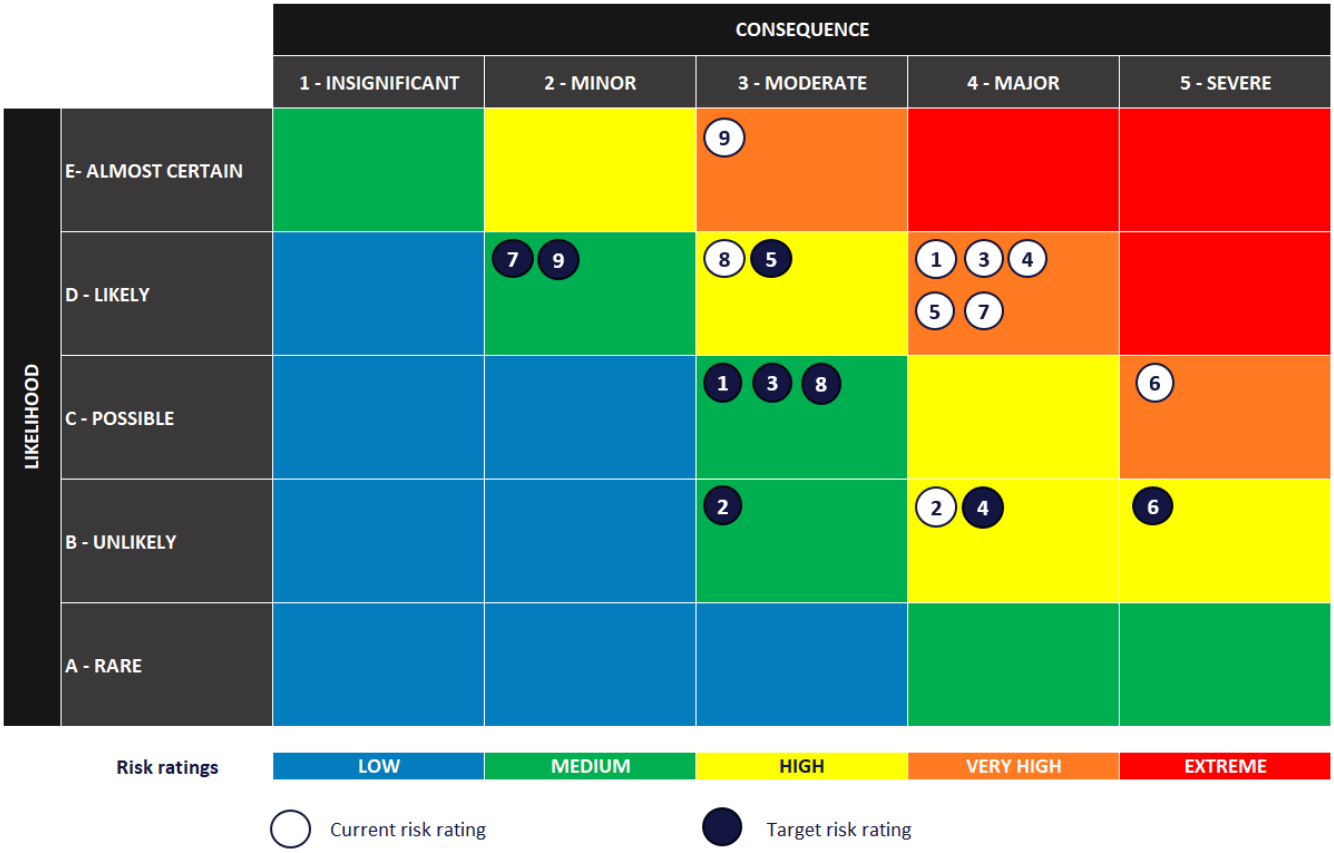
STRATEGIC INITIATIVE	**RISK**									
	Health and safety	Financial and commercial sustainability	Significant business disruption to services	Compliance risk	Cyber and IT/OT network security	Water security – water source	Failure to optimise Power and Waters employed workforce to deliver its strategic goals	Transition to renewables to meet NTG 50% target by 2030	Reputational risk including loss of or material damage to social licence to operate	# of risks related to each priority
	SR-110	**SR-109**	**SR-100**	**SR-102**	**SR-107**	**SR-104**	**SR-113**	**SR-112**	**SR-114**	
Achieve industry best practice from enhanced safety system	X			X			X			**3**
Develop and implement enhanced customer strategy			X	X	X		X	X	X	**6**
Deliver value via strengthened operational and financial performance	X	X			X	X		X	X	**6**
Embed contemporary people and culture practices							X			**1**
Achieve top quartile org. culture and effectiveness result	X			X			X			**3**
Upgrade data governance & invest in new ICT systems	X	X			X			X	X	**5**
Centralise functions & replace outdated systems		X	X	X	X			X	X	**6**
Fulfil our role in supporting NTGs 50% by 2030 target			X		X	X		X	X	**5**
Deliver reforms to ensure energy market readiness		X	X	X			X	X	X	**6**
Deliver key water infrastructure projects on time and on budget	X	X	X			X			X	**5**
Secure sustainable gas supply aligned to NTG objectives		X	X					X	X	**4**
Engage to improve customer & stakeholder outcomes							X	X	X	**3**
Economic regulatory proposals approved by regulators		X		X		X			X	**4**
Partner with NTG for a clean & secure future			X			X		X	X	**4**
Protect critical infrastructure			X	X	X				X	**4**
Innovations from consultation							X		X	**2**
Deliver Reconciliation Action Plan							X			**1**
# of priorities impacted by the risk	**5**	**7**	**8**	**7**	**6**	**5**	**8**	**9**	**13**	

Low **Medium** **High** **Very high** **Extreme**

7.1.3 Changes to key risk profile

The following risk heat map shows the expected change to Power and Water's current key risk profile as a result of risk treatment plans that are either in place or will be implemented across the SCI period. As per our enterprise risk framework, we will continue to regularly review the risk profile over the next 12 months at both the executive and Board levels. Note that the numbering in the table is for reference only and is not a ranking of each risk.

Risk heat map



Strategic risks
1. Significant business disruption to services
2. Compliance risk
3. Water security – water source failure
4. Cyber and IT/OT network security
5. Financial and commercial sustainability
6. Health and Safety
7. Transition to renewables to meet NTG 50% target by 2030
8. Failure to optimise Power and Water's employed workforce to deliver its strategic goals
9. Reputational risk including loss of or material damage to social licence to operate

Appendix A

Financial data – Power and Water Corporation

A.1 Our business-wide financials

This appendix provides financial data related to our income, assets, liabilities, equity and cash flow for Power and Water as a whole.

Table A.1: Power and Water Corporation, income statement, $ million nominal

Power and Water Income Statement ($M)	2023-24 Published	2023-24 Forecast	2024-25 Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection	2029-30 Projection
Revenue								
Electricity Network	173.7	173.6	193.1	227.5	248.8	269.0	285.3	293.3
Water	124.7	121.6	127.3	130.7	138.0	144.8	148.2	151.4
ACS - Fee Based	3.2	2.1	4.8	4.9	5.1	5.2	5.4	5.6
ACS - Quoted Services	3.8	3.7	4.3	4.4	4.5	4.6	4.7	4.8
ACS - Metering	8.6	7.4	14.1	14.6	15.1	15.7	16.2	19.0
Electricity Retail	4.9	5.3	5.4	5.6	5.8	6.0	6.2	6.4
Sewerage	85.6	86.6	89.7	92.0	94.3	96.7	98.9	101.3
Gas	327.8	220.0	277.3	388.2	387.1	395.3	423.7	434.2
Community Service Obligations	30.3	29.9	23.0	8.9	9.4	9.9	10.3	10.6
Developer and Capital Contributions	2.0	8.0	7.8	7.2	4.8	4.9	7.5	5.3
Gifted Assets	7.1	9.7	7.4	6.1	5.9	6.1	6.2	3.2
Interest Received	3.5	3.4	2.5	2.4	2.4	2.3	2.2	2.2
Other Revenue	8.7	8.7	11.9	14.2	16.2	15.4	16.4	16.6
Total Revenue	**783.8**	**680.0**	**768.6**	**906.7**	**937.4**	**975.9**	**1,031.3**	**1,053.8**
Operating Expenditure								
Personnel - Direct	165.0	157.0	171.0	177.1	183.5	187.3	187.2	192.2
Personnel Recovery - CAPEX	(35.4)	(31.6)	(44.7)	(42.6)	(40.5)	(37.7)	(40.5)	(44.0)
Personnel Recovery - R&M	(31.8)	(30.2)	(31.1)	(31.8)	(33.3)	(35.1)	(34.5)	(35.7)
Personnel Recovery - ACS	(3.0)	(6.2)	(2.4)	(2.3)	(2.3)	(2.2)	(2.5)	(2.7)
Personnel Recovery - Overhead	(2.2)	(1.6)	(2.5)	(2.6)	(3.1)	(3.1)	(3.1)	(3.1)
Contract Labour	13.3	16.8	23.7	20.4	15.3	14.1	13.8	13.0
Total Personnel Costs	**105.8**	**104.1**	**114.0**	**118.2**	**119.6**	**123.4**	**120.4**	**119.7**
Energy	323.8	257.9	288.1	364.4	361.7	363.8	375.0	387.1
Repairs & Maintenance	96.0	99.1	93.6	100.8	107.5	120.7	114.0	116.4
IT & Communications	16.1	13.9	15.8	15.8	16.0	16.3	16.7	17.0
Vehicle Costs	2.7	2.8	3.0	3.2	3.3	3.4	3.5	3.6
Travel Costs	2.6	2.4	3.2	3.2	2.8	2.6	2.6	2.6
Training Costs	3.9	2.8	3.9	3.7	3.4	3.5	3.5	3.7
Professional Fees	45.1	35.3	39.8	23.1	23.0	17.0	13.4	11.6
Insurance	5.1	5.8	6.4	7.1	7.6	8.1	8.7	8.9
Materials	4.8	4.9	6.0	6.3	6.3	6.5	6.7	6.9
External Service Agreements	17.7	15.5	20.7	19.9	19.1	19.2	19.3	19.8
Cost of Sale	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property Charges	15.9	16.0	16.8	17.2	17.8	18.4	18.9	19.4
Bad & Doubtful Debts	2.0	2.2	2.3	2.0	2.1	2.2	2.2	2.3
Laboratory Fees	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5
Grants & Subsidies	1.3	1.4	1.3	1.3	1.4	1.4	1.4	1.5
Bank Fees	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
ACS Direct	3.5	7.4	6.1	6.4	6.6	6.9	7.0	7.2
ACS Indirect	3.0	6.2	3.1	3.0	3.1	3.1	3.2	3.3
Other Costs	(20.1)	(23.1)	(11.7)	(18.2)	(24.6)	(32.8)	(24.6)	(25.0)
Total Controllable Costs	**631.9**	**557.1**	**614.8**	**679.8**	**679.2**	**686.2**	**694.7**	**708.7**
Business Services	(6.0)	(6.1)	(6.3)	(6.4)	(6.6)	(6.8)	(6.9)	(7.1)
Internal Consumption	(0.3)	(0.1)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Transfer Pricing	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(2.0)
Service Level Agreements	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Total Inter Company Allocations	**(8.9)**	**(8.7)**	**(9.1)**	**(9.3)**	**(9.5)**	**(9.8)**	**(10.0)**	**(10.2)**
Overhead Recovery	**(67.1)**	**(57.5)**	**(83.4)**	**(77.8)**	**(66.7)**	**(56.3)**	**(63.5)**	**(64.8)**
Total Operating Expenditure	**555.9**	**490.9**	**522.4**	**592.8**	**603.1**	**620.1**	**621.3**	**633.7**
EBITDA	**227.9**	**189.1**	**246.3**	**313.9**	**334.3**	**355.8**	**410.0**	**420.1**
EBITDA (ex. Impact of Curtailment)*		**232.5**	**270.6**	**317.9**	**338.9**	**354.8**	**409.9**	**420.1**
Depreciation & Amortisation	99.2	109.0	106.5	113.7	116.5	122.7	128.2	132.8
Amortisation – Leases	37.3	38.0	38.8	39.0	39.4	39.9	40.2	40.6
EBIT	**91.4**	**42.1**	**100.9**	**161.2**	**178.4**	**193.1**	**241.6**	**246.7**
Interest Expense	49.3	53.4	67.2	78.7	97.6	105.5	107.8	117.8
Interest – Finance Lease	11.8	10.9	10.9	10.0	9.1	8.2	7.2	6.1
Net Profit Before Tax	**30.3**	**(22.2)**	**22.8**	**72.5**	**71.7**	**79.4**	**126.6**	**122.7**
Tax Expense/(Benefit)	9.1	(6.7)	6.9	21.8	21.5	23.8	38.0	36.8
Net Profit/(Loss) After Tax	**21.2**	**(15.5)**	**16.0**	**50.8**	**50.2**	**55.6**	**88.6**	**85.9**
Net Profit/(Loss) After Tax (ex. Impact of Curtailment)*		**14.8**	**33.0**	**53.6**	**53.4**	**54.9**	**88.6**	**85.9**

* Represents impact of curtailment on forecasts and assumptions used between FY24 SCI and FY25 SCI

Table A.2: Power and Water Corporation, balance sheet, $ million nominal

Power and Water Balance Sheet ($M)	2023-24 Published	2023-24 Forecast	2024-25 Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection	2029-30 Projection
Current Assets								
Cash at Bank	52.1	26.1	25.5	25.4	25.0	25.7	25.5	25.4
Receivables	78.1	92.9	98.4	103.8	108.6	113.5	118.1	117.5
Inventories	28.7	34.4	34.9	35.3	35.8	36.2	36.7	37.2
Prepayments	15.2	19.0	18.1	17.3	16.4	15.6	14.7	13.9
GST & Other Excise Debtors	0.0	3.4	3.5	3.5	3.6	3.7	3.8	3.9
Other Current Assets	23.2	24.7	25.3	25.8	26.4	27.0	27.6	28.3
Finance Lease Receivables	2.4	2.3	2.4	2.6	2.7	2.9	2.3	1.8
Intra-entity Receivable Account	11.8	11.4	11.7	12.0	12.3	12.6	12.9	13.2
Total Current Assets	**211.4**	**214.2**	**219.8**	**225.7**	**230.8**	**237.2**	**241.8**	**241.2**
Non-Current Assets								
Non-Current Receivables	25.0	11.0	11.0	0.0	0.0	0.0	0.0	0.0
Non-Current Lease Receivables	19.2	19.1	17.1	14.8	12.3	9.6	8.0	7.0
Property, Plant & Equipment	2,277.3	2,252.1	2,419.2	2,609.2	2,822.2	2,956.3	3,064.5	3,262.5
Intangible Assets	67.3	64.0	64.0	48.0	22.0	22.0	22.0	22.0
Net Right of use (leased) assets	369.9	371.6	344.6	314.8	293.6	265.3	232.3	198.2
Deferred Tax Assets	69.2	67.0	97.1	109.0	117.0	120.4	123.1	126.3
Capital Work in Progress	235.0	403.6	373.0	379.0	288.5	263.6	351.6	257.5
Total Non Current Assets	**3,062.9**	**3,188.3**	**3,326.1**	**3,474.9**	**3,555.5**	**3,637.2**	**3,801.5**	**3,873.5**
Total Assets	**3,274.3**	**3,402.6**	**3,545.9**	**3,700.5**	**3,786.3**	**3,874.3**	**4,043.3**	**4,114.8**
Current Liabilities								
Payables	23.2	26.3	26.3	25.1	25.6	26.1	25.9	25.4
Accruals	33.1	33.4	34.3	35.1	35.9	36.8	37.7	38.7
Unearned Revenue	159.2	102.4	142.3	93.6	62.3	59.2	54.8	54.8
Borrowings	142.0	142.0	339.0	227.0	226.0	334.0	196.0	514.0
Provision for Tax	7.6	0.0	2.3	1.6	1.6	1.3	2.5	2.8
Finance Lease Liabilities	37.7	36.8	38.2	39.8	41.3	42.7	43.8	45.0
Provisions	45.2	50.4	52.2	54.0	55.4	56.7	58.2	59.6
Total Current Liabilities	**448.0**	**391.5**	**634.5**	**476.2**	**448.0**	**556.8**	**418.9**	**740.4**
Non-Current Liabilities								
Non-Current Employee Provisions	5.1	5.1	5.2	5.4	5.6	5.7	5.8	6.0
Government Loans	1,073.4	1,226.0	1,083.0	1,370.0	1,474.0	1,453.0	1,734.5	1,480.5
Deferred Tax Liability	109.5	146.5	146.5	146.5	146.5	146.5	146.5	146.5
Non-Current Lease Liability	377.0	376.4	349.3	317.5	293.0	260.7	222.8	183.0
Non-Current Unearned Revenue	24.8	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Total Non Current Liabilities	**1,589.9**	**1,783.8**	**1,614.0**	**1,869.3**	**1,949.0**	**1,895.8**	**2,139.6**	**1,845.8**
Total Liabilities	**2,037.9**	**2,175.3**	**2,248.5**	**2,345.4**	**2,397.1**	**2,452.6**	**2,558.5**	**2,586.2**
Net Assets	**1,236.6**	**1,227.2**	**1,297.4**	**1,355.1**	**1,389.3**	**1,421.8**	**1,484.8**	**1,528.5**
Shareholder Equity								
Contributed Equity	79.4	44.3	99.5	111.8	119.1	119.1	119.1	119.1
Asset Revaluation	441.3	466.1	466.1	466.1	466.1	466.1	466.1	466.1
Opening Retained Profits	696.5	734.4	716.8	731.8	777.2	804.1	836.6	899.6
Dividends	(2.0)	(2.0)	(1.0)	(5.4)	(23.2)	(23.0)	(25.6)	(42.1)
Profit/(Loss)	21.2	(15.5)	16.0	50.8	50.2	55.6	88.6	85.9
Closing Retained Profits	**715.7**	**716.8**	**731.8**	**777.2**	**804.1**	**836.6**	**899.6**	**943.4**
Shareholder Equity	**1,236.6**	**1,227.2**	**1,297.4**	**1,355.1**	**1,389.3**	**1,421.8**	**1,484.8**	**1,528.5**

Table A.3: Power and Water Corporation, cash flow statement, $ million nominal

Power and Water Cash Flow ($M)	2023-24 Published	2023-24 Forecast	2024-25 Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection	2029-30 Projection
Cash flows from operating activities								
Receipts from customers	745.4	640.2	725.8	879.9	910.8	948.3	1,003.4	1,033.8
Payments to suppliers and employees	(548.2)	(500.5)	(515.7)	(586.4)	(597.1)	(614.1)	(615.0)	(627.3)
Income tax paid	(40.0)	(21.2)	(34.8)	(34.3)	(29.6)	(27.5)	(39.4)	(39.7)
Community service obligations received	30.3	29.9	23.0	8.9	9.4	9.9	10.3	10.6
Interest received	3.5	3.4	2.5	2.4	2.4	2.3	2.2	2.2
Interest paid	(60.9)	(59.1)	(78.2)	(89.8)	(106.2)	(113.2)	(115.2)	(124.4)
Loans to controlled entity	0.0	0.0	0.0	11.0	0.0	0.0	0.0	0.0
Net cash generated by operating activities	**130.1**	**92.7**	**122.7**	**191.7**	**189.7**	**205.7**	**246.4**	**255.2**
Cash flows from investing activities								
Payments for property, plant and equipment	(255.6)	(269.3)	(389.2)	(397.7)	(273.5)	(230.2)	(327.7)	(233.6)
Intangible assets	(0.0)	(0.3)	0.0	16.0	26.1	0.0	0.0	0.0
Capital Grants	100.0	27.1	193.4	45.4	9.1	1.3	5.0	0.0
Net cash used in investing activities	**(155.6)**	**(242.4)**	**(195.8)**	**(336.4)**	**(238.3)**	**(228.9)**	**(322.7)**	**(233.6)**
Cash flows from financing activities								
Proceeds from equity injection	30.0	0.0	55.2	12.3	7.2	0.0	0.0	0.0
Proceeds from borrowings	30.0	182.0	54.0	175.0	103.0	87.0	143.5	64.0
Repayment of lease liabilities	(32.6)	(35.1)	(35.7)	(37.3)	(38.7)	(40.1)	(41.8)	(43.6)
Dividends paid	(2.0)	(2.0)	(1.0)	(5.4)	(23.2)	(23.0)	(25.6)	(42.1)
Net cash used in financing activities	**25.4**	**144.9**	**72.5**	**144.6**	**48.3**	**23.9**	**76.0**	**(21.7)**
Net increase/(decrease) in cash and cash equivalents	**(0.1)**	**(4.8)**	**(0.6)**	**(0.1)**	**(0.4)**	**0.7**	**(0.2)**	**(0.1)**
Cash and cash equivalents at beginning of year	52.2	30.9	26.1	25.5	25.4	25.0	25.7	25.5
Cash and cash equivalents at end of year	**52.1**	**26.1**	**25.5**	**25.4**	**25.0**	**25.7**	**25.5**	**25.4**

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