

**Power Retail Corporation
(Trading as Jacana Energy)**

Statement of Corporate Intent 2021-22

Public Version



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Jacana Energy Objectives

Jacana Energy's objectives are derived from two key sources:

- The Government Owned Corporations Act (GOC Act)
- Jacana Energy's Strategic Plan

The GOC Act specifies two objectives for Government Owned Corporations, namely to:

- Operate at least as efficiently as any comparable business
- Maximise the sustainable return to the Territory on its investment in the Corporation.

In addition to these two objectives, Jacana Energy's Strategic Plan includes its Vision Statement, Core Values and Strategic Business Objectives. These are detailed below:

Vision Statement

To be a modern and efficient electricity retailer providing products and services that Territorians want and value.

Core Values

Integrity: being honest, transparent and committed to doing what's best

Innovation: continually evolving and finding the best solutions for our customers

Diversity: embracing diversity and treating everyone with dignity, respect and fairness

Teamwork: delivering as a team because we are stronger together

Wellbeing: being passionate about building a caring and supportive workplace

Strategic Business Objectives

Jacana Energy's four strategic objectives are:

- **Our Business** – efficiently deliver innovative products and services
- **Our Customers** – positive customer experiences that builds trust with Territorians and they choose us
- **Our People** – a talented team of people who are inspired to grow personally and professionally
- **Our Community** – trusted and supported by all Territorians

The nature and scope of activities undertaken by Jacana Energy

Jacana Energy purchases wholesale electricity in bulk from generators, turning it into a range of retail products and services, designed to meet our customers' energy needs. We provide electricity services to over 85,000 customers throughout the Northern Territory. Jacana Energy is the electricity retailer for urban and rural centres and small communities along the Stuart Highway.

As an electricity retailer, we are the principal interface between the electricity industry and customers. We create value for our customers by:

- offering competitive retail products and services;
- providing customer support by offering a variety of billing options across a range of payment channels;
- providing community support, including a targeted sponsorship program and the creation of a dedicated hardship team to support our most vulnerable customers;
- providing competitive rates and flexible contract terms and conditions for our large customers; and
- effective management of wholesale supply contracts to meet our customers' current and future electricity needs.

Where Jacana Energy fits in the electricity supply chain

Jacana Energy's role is to procure and buy energy from the wholesale electricity market, develop products and services and retail electricity to our customer base in the Territory.

Jacana Energy doesn't generate electricity, distribute electricity or manage poles and wires. However, we pro-actively work with our suppliers to ensure that they meet agreed service levels and that the customer impacts of proposed changes in services are considered.

Jacana Energy supports other industry participants by carrying customer credit risk. That is, Jacana Energy pays its wholesale costs and network charges even if it doesn't recover the full revenue from its customers.

Unlike generation and distribution (which are asset intensive businesses) electricity retailing is characterised by very few assets and very low margins. Key success factors in electricity retailing include robust forecasting, cash-flow planning and cost management.

Small changes to key costs such as generation and distribution charges, or changes to payment and collection terms, can have a major impact on the financial viability of a low margin business such as Jacana Energy.

A key challenge for Jacana Energy is to manage wholesale (generation) and network costs, which represent around 88% of total costs.

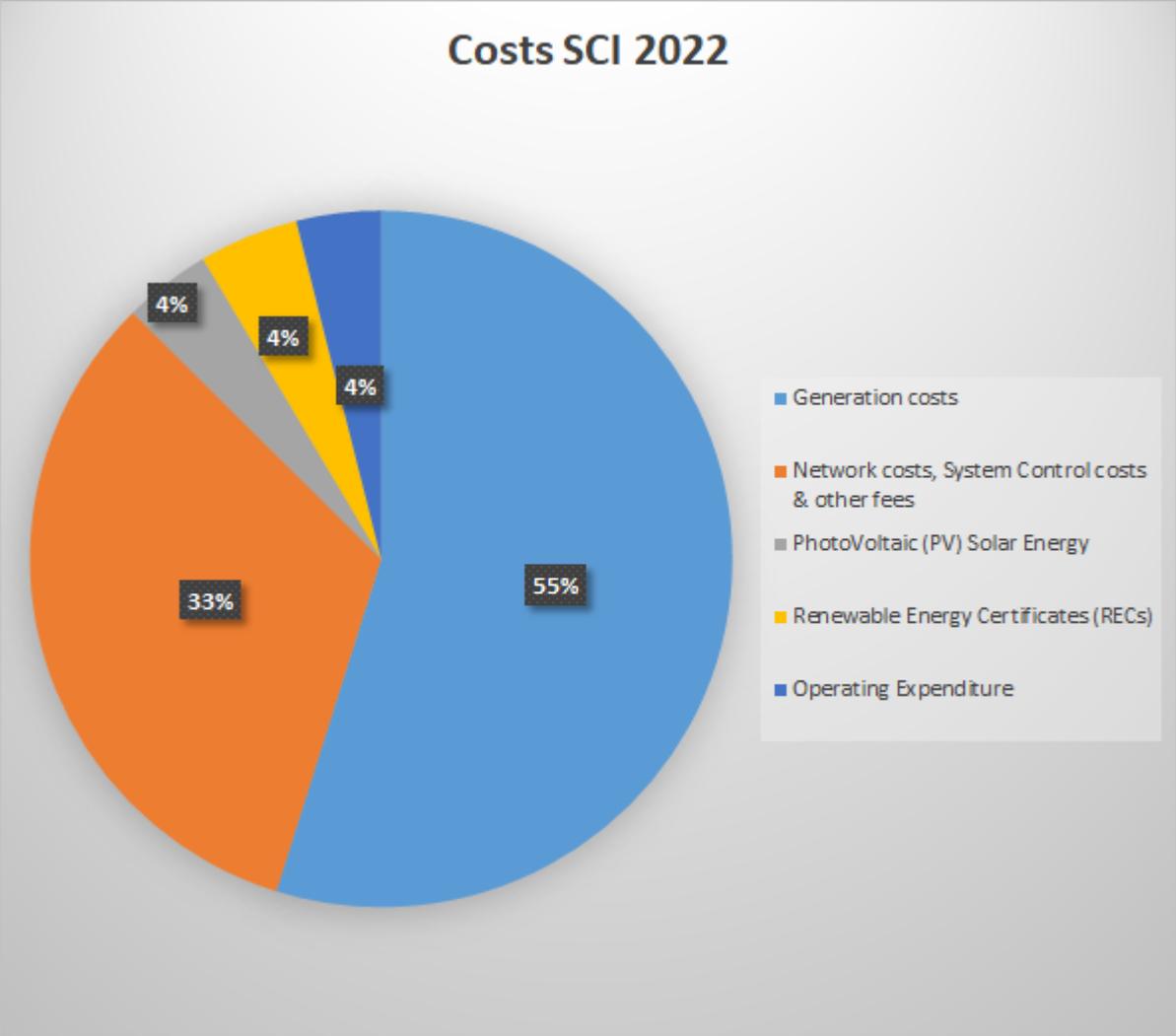
Jacana Energy has entered into long term Power Purchase Agreements (PPAs) with solar farms in Katherine, Manton Dam and Batchelor that will help to put downward pressure on wholesale costs and contribute to meeting the NT Government's 50 per cent Renewable Energy Target by 2030.

Jacana Energy will also continue to work constructively with generators to ensure that future wholesale supply arrangements are cost reflective and provide incentives for Jacana Energy to develop products and services that reduce future wholesale costs (e.g. demand management services).

Jacana Energy's retail operating expenditure represents 4% of its total costs. While small compared to wholesale and network costs, we need to tightly manage these costs to ensure that we remain competitive in an increasing competitive retail electricity market.

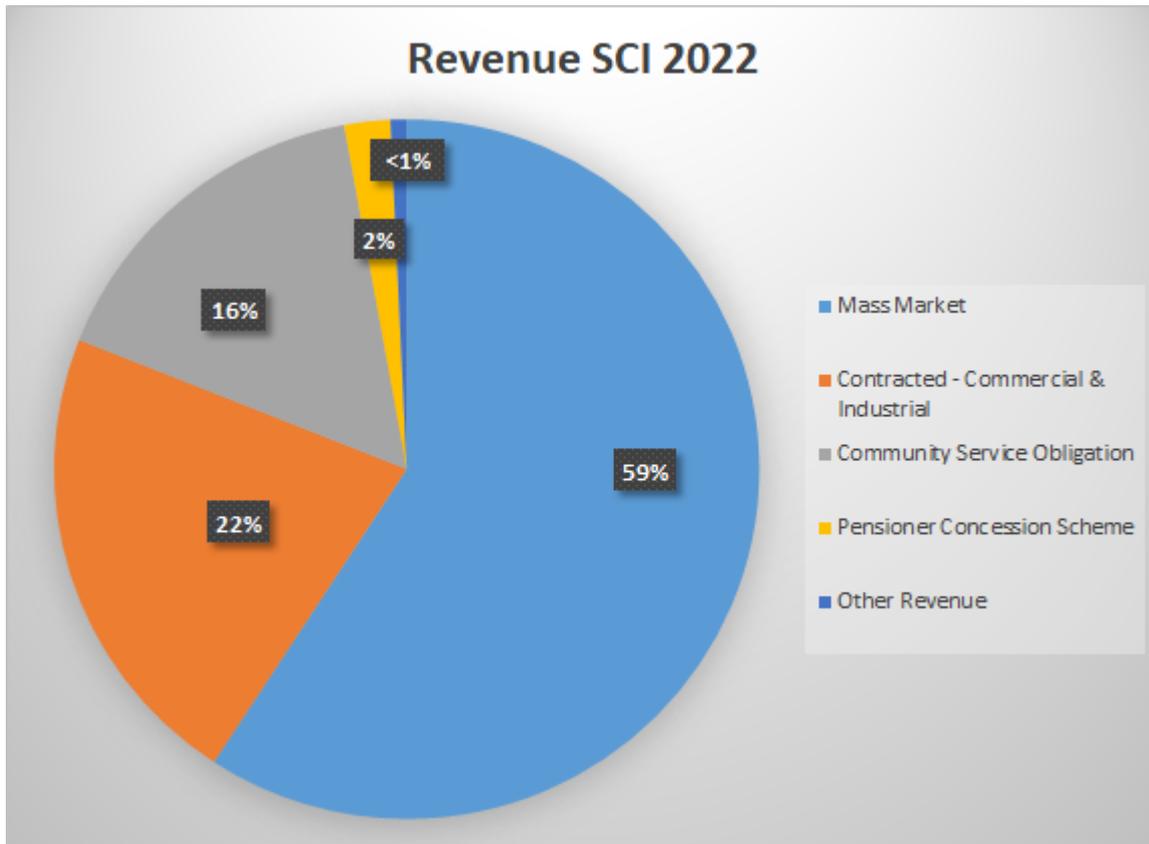
The chart below provides a breakdown of Jacana Energy's costs.

Costs 2021-22



Revenue 2021-22

A breakdown of Jacana Energy's revenue base is provided in the chart below.



Jacana Energy's electricity revenue is impacted by competition and retail price regulation for customers consuming less than 750 megawatt hours per annum. We have commercial contracts in place with commercial and industrial customers, which represents 22% of our total revenue. Electricity tariffs, the Community Service Obligation and other revenue represents 78% of Jacana Energy's total revenue, the majority of which are set by the NT Government.

Key strategies to improve financial performance

Jacana Energy has established four strategic objectives, these are:

1. Our Business

Efficiently deliver innovative products and services

2. Our Customers

Positive customer experiences that build trust with Territorians and they choose us

3. Our People

A talented team of people who are inspired to grow personally and professionally

4. Our Community

Trusted and supported by all Territorians

Capital investment plans

The approved capital investment relates mainly to digital transformation projects, including a new Jacana Energy website and an improved customer relationship management (CRM) platform.

	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Expenditure (A\$ million)	0.4	0.8	0.3	0.3	0.3

Financial targets and other measures

The table below summarises the key financial and non-financial targets which Jacana Energy has set for the planning period.

A new target focused on monitoring the quality of Jacana Energy's customer service has been introduced for 2021-22 to ensure that both the timeliness and quality of calls is taken into consideration.

KPI	Unit	2020-21	2021-22	2022-23	2023-24	2024-25
Gross Margin	% of Revenue	4.1	6.0	7.3	9.0	9.8
Cost to serve	A\$ /customer	193	194	190	191	191
EBIT	A\$ million	1.0	9.8	16.5	25.1	29.6
Grade of Service	%	70	65	65	65	65
First Call Resolution	%	N/A	75	75	80	80
Customer Satisfaction	Score	3.6/5	3.6/5	3.7/5	3.7/5	3.7/5
Employee Engagement	Score	64/100	70/100	70/100	71/100	72/100

* 2020-21 Financials are forecast as at the end of February 2021.

Measure descriptions

Gross Margin

Gross Margin (percentage) is calculated by dividing the gross margin by the total revenue.

Cost to Serve

Cost to serve is calculated by dividing Operating Costs (less bad and doubtful debts) by account numbers.

EBIT

EBIT is Earnings Before Interest and Tax.

Grade of Service

Grade of Service measures the percentage of customer calls to the call centre answered within 30 seconds. The KPI target has been reduced to 65% for 2021-22 and beyond. This reflects the Corporation's view that Grade of Service is not the sole indicator of the quality of customer service, or the customer experience, being provided by Jacana Energy.

Other measures being reported internally include:

- 'Net Promoter Score', which measures the level of customer satisfaction following contact with Jacana Energy's call centre; and
- 'Abandonment Rate', which measures the percentage of calls that are ended by the customer before they have been connected with a Customer Care Agent.

These measures are consistently reported above industry averages and are deemed to be as important as the Grade of Service metric. By introducing some additional flexibility in the Grade of Service target, it provides Jacana Energy with the ability to more effectively manage operating costs, while still maintaining a high level of customer service. Since reducing the GOS target to 65%, Jacana Energy's net promoter scores and first call resolution scores have been maintained at historic levels significantly above the industry average.

First Call Resolution

First call resolution will also now be reported as a non-financial target in the SCI in order to ensure that both the timeliness (Grade of Service) and quality (First Call Resolution) of Jacana Energy's customer service is being monitored and reported. This measure reports the percentage of customers who believe that their enquiry was resolved during their first interaction with Jacana Energy's Customer Care team (based on a representative survey sample).

Customer Satisfaction

Customer Satisfaction measures the level of customer satisfaction over a range of service delivery markers relating to customer service, billing and products.

Employee Engagement

Employee engagement measures the emotional connection and commitment our people have to working for Jacana Energy.

Fiscal Strategy Targets

On 16 April 2019, the Northern Territory Government publicly released the 'Fiscal Strategy Panel's Final Report: A plan for budget repair' and its response to the report, which accepted 68 of 76 of the recommendations in full, and others in part or in principle. Included was the recommendation for government owned corporations (GOCs) to adopt and report on the Fiscal Strategy Targets relevant to each.

Below is a summary of Jacana Energy's performance against its Fiscal Strategy Targets.

Ongoing objective and target 1: Ensure GOC operating expenditure growth does not increase at a rate greater than operating revenue growth.

Growth rates over the SCI period (2020-21 to 2024-25)**Jacana Energy**

Total Revenue increase	3.5%
Operating Expenses decrease	(2.3)%
Target Met	Yes

Total Revenue includes growth in electricity revenue, community service obligations (CSO) and other minor revenue sources from the 2020-21 forecast profit & loss statement to the 2024-25 budget profit & loss statement.

Operating Expenses includes all cost of sales and operating expenditure, including bad and doubtful debt expenses, and excludes depreciation, amortization, interest and tax expenses.

Ongoing objective and target 2: Reduce controllable costs and improve operating efficiencies. Operating costs (less cost of sale) maintained or reduced over the SCI period.

	2020-21	2021-22	2022-23	2023-24	2024-25	Target Met
	\$M	\$M	\$M	\$M	\$M	Met
Controllable Costs	17.1	18.6	18.3	18.4	18.5	No
Controllable Costs excluding Bad and Doubtful Debt Expense	16.7	16.8	16.5	16.6	16.7	Yes

Controllable Costs is defined as operating expenditure including bad and doubtful debt expenses, excluding cost of sales, depreciation, amortization, interest and tax expenses. Jacana Energy has limited control over the level of bad and doubtful debt expense and consistent with other jurisdictions, recommends that this metric should not be included in the definition of 'controllable costs'. Removing bad and doubtful debts from this definition shows that Jacana Energy will meet this fiscal objective.

Medium-term objective and target 3: Increased returns for government in the form of dividends. Dividends paid/payable greater than zero.

	2020-21	2021-22	2022-23	2023-24	2024-25	Target Met
	\$M	\$M	\$M	\$M	\$M	Met
Dividends Payable	0.3	3.4	5.7	8.8	10.3	Yes

Dividends Payable by Jacana Energy is assumed to be 50% of forecast Net Profit After Tax for the financial year. Since inception, Jacana Energy has paid to government a total of \$33.4 million in dividends, and a further \$20.0 million in tax equivalent payments.

Key Risks

Jacana Energy has a Risk Management Framework aligned to Australian and International standards. The Board has ultimate responsibility to regularly and effectively review and manage the Risk Management Framework with the support of the Audit and Risk Committee (ARC). The ARC monitors the implementation of risk management in line with the ARC Charter.

Risk management is fundamental to Jacana Energy's success and sustainability. Jacana Energy has risk management practices which are embedded and integrated into business processes, with engagement at all levels within Jacana Energy to mitigate risks in all activities.

The following identifies Jacana Energy's key risks and high-level risk mitigation strategies.

Strategies to minimise key risks

Key risk	Risk mitigation
Stakeholder Risk	<ul style="list-style-type: none">• Stakeholder Engagement Plan• Active participants in market reform. Market reform position documented.
Customer Focus Risk	<ul style="list-style-type: none">• Customer Experience Strategy, including Customer Journey Maps and segmentation models• Customer metrics reporting and monitoring• Stay Connected Hardship Program• Retail Operating System enhancements• Bi-annual meeting with welfare agencies and community organisations• Improved customer experiences via new website (My Account) and IVR
Products and Services Risk	<ul style="list-style-type: none">• Product Development Framework and pipeline• Wholesale Procurement and Pricing Strategy implementation• Commercial and Industrial Customer Retention Strategy
Regulatory Risk	<ul style="list-style-type: none">• Compliance Management System• Stakeholder Engagement Plan• Market Reform position documented, impacts assessed and costed internally• Jacana Energy's position communicated to decision-makers through informal and formal regulatory consultation processes
Culture Risk	<ul style="list-style-type: none">• Senior Leaders Forum• Performance and Development Plans including behavioural competencies that support our Values

Capability Risk	<ul style="list-style-type: none"> • Learning and Development plans in place for each employee • Performance and Development Plans • Reward and recognition programs
IT Strategic Planning Risk	<ul style="list-style-type: none"> • System Change Implementation Steering Committee
Information Security Risk	<ul style="list-style-type: none"> • Business Continuity Plan • DCDD IT Security Framework, including DCDD IT audit program and a Letter of Representation of DCDD Services, providing additional assurance • Secure IT system hosting
Business Continuity Risk	<ul style="list-style-type: none"> • Emergency and Crisis Management Framework • Multiple Customer Care office locations • Pandemic Response Plan (COVID-19)

Abbreviations

AER	Australian Energy Regulator
C&I	Commercial and Industrial segment
CPI	Consumer Price Index
CSO	Community Service Obligation
DCDD	Department of Corporate and Digital Development
DTF	Department of Treasury and Finance
EBIT	Earnings Before Interest Tax
GOC Act	Government Owned Corporations Act
KPI	Key Performance Indicator
LGC	Large-scale generation certificates
MM	Mass Market segment
PV	Photovoltaic
PWC	Power and Water Corporation
ROS	Retail Operating System
STC	Small-scale technology certificates
UC	Utilities Commission

