



**Power Retail Corporation
(Trading as Jacana Energy)
Statement of Corporate Intent
2016-17**

Public Version

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1. 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 Statement of Purpose, Core Values and Strategic Business Objectives. These are detailed below:

Statement of Purpose

Jacana Energy's purpose is to create value now and into the future by delivering seamless energy related solutions to meet the needs of its customers, stakeholders and shareholder.

Core Values

We operate with **integrity**

We drive **innovation** for our business

We embrace **diversity**

We deliver as a **team**

We are passionate about our employees' **well-being**

Strategic Business Objectives

The following strategic objectives were developed following Jacana Energy's annual strategic review in 2015. Jacana Energy's four strategic objectives are to:

- Deliver superior customer experience
- Become a valued and trusted brand
- Develop an engaged, motivated team with opportunities for growth
- Maximise value

2. The nature and scope of activities undertaken by Jacana Energy

The nature and scope of Jacana Energy's activities

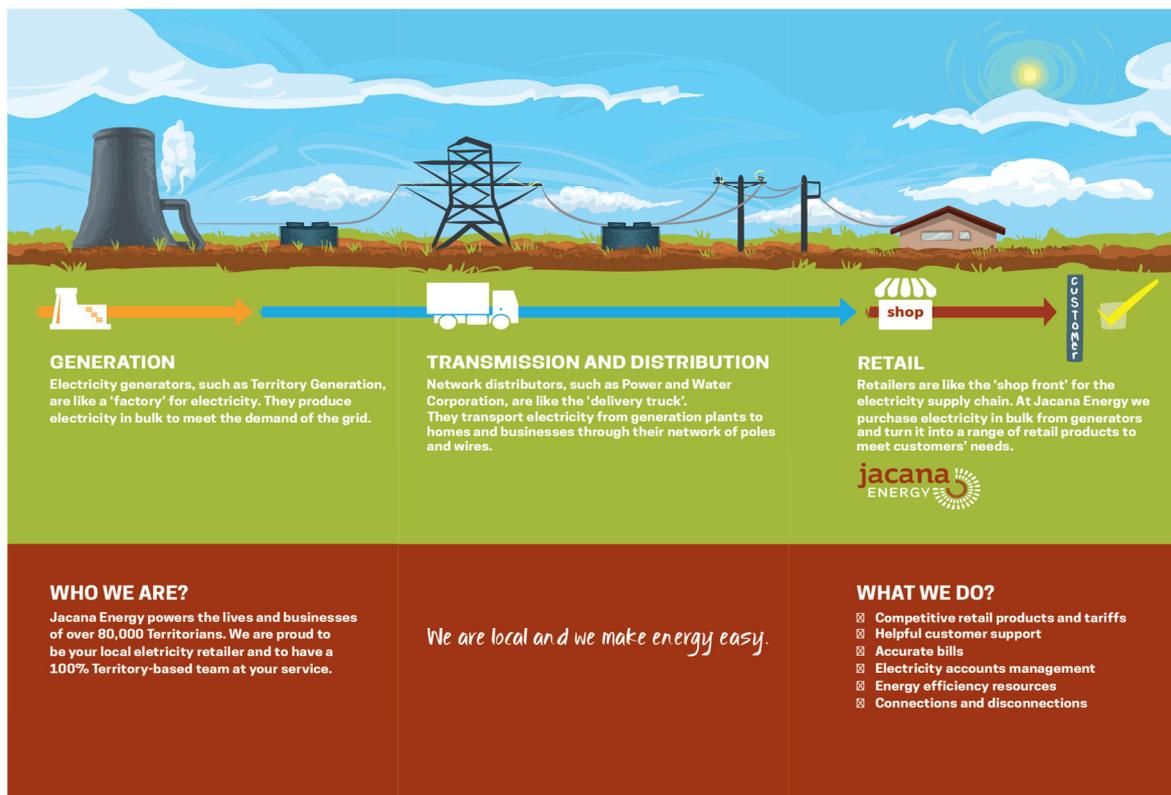
Jacana Energy purchases wholesale electricity from generators and turns this into a range of retail products designed to suit its customers' needs, facilitates connection of its customers to the grid, delivers timely and accurate power bills, and provides a range of convenient payment options and efficient customer service.

Jacana Energy creates value for its customers by:

- Providing electricity services to over 80,000 business and residential customers
- Facilitating competition between generators to drive down wholesale energy costs
- Purchasing wholesale energy and renewable energy certificates, managing the risks associated with this and passing the benefit on to customers
- Acting as the consumer advocate to make it easier to deal with other industry participants
- Using customer insight to develop a range of retail energy products and services to meet different customer needs
- Supporting larger customers with account management services
- Providing customers with timely and accurate billing and a variety of payment options across a range of convenient channels
- Delivering high quality, efficient customer service to solve customer queries and problems.

Where Jacana Energy fits in the electricity supply chain

Jacana Energy’s role is to look after its customers’ electricity needs and to act as the first point of contact for retail electricity matters. Jacana Energy is the principle interface with customers and sits at the customer end of the electricity supply chain as shown in the following diagram:



Jacana Energy doesn't generate electricity, distribute electricity or manage poles and wires.

Jacana Energy also 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. One of the key success factors in electricity retailing is cash-flow planning and cost management.

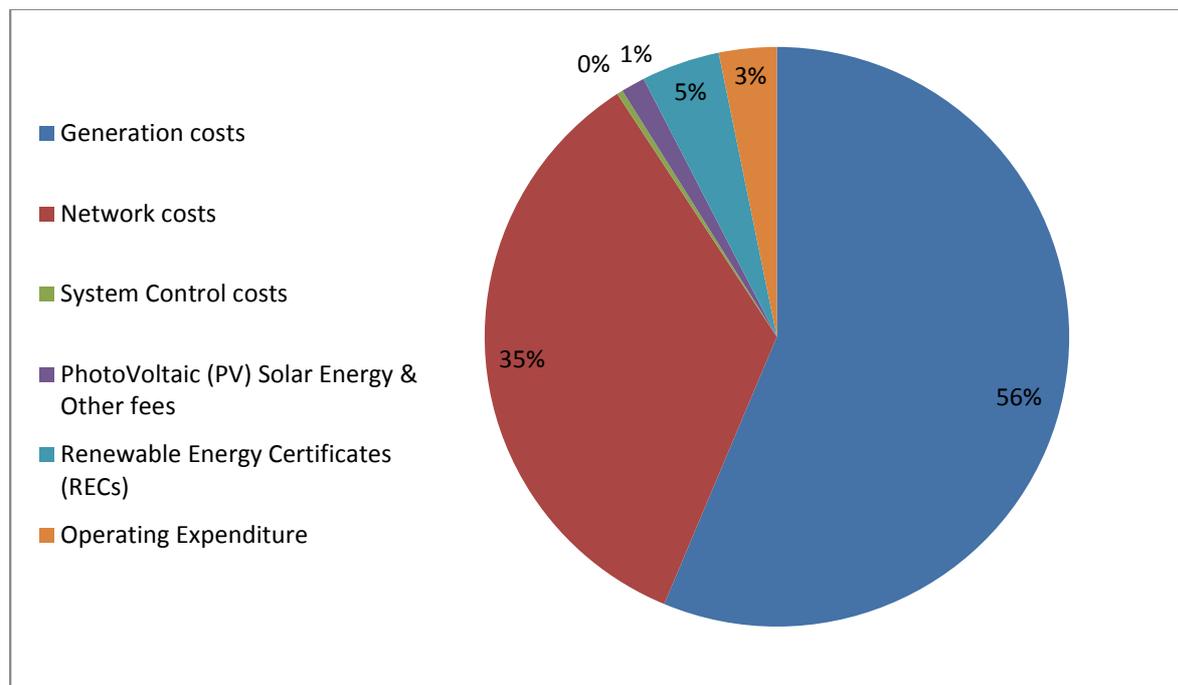
Small changes to key costs such as generation and distribution charges or changes to payment and collection terms can have a major impact on the financial viability of a low margin business such as Jacana Energy.

A key challenge for Jacana Energy is that it has limited direct control over its major costs such as generation and network costs which between them represent 91% of costs. Jacana Energy is a price taker for generation while network charges are, for the most part, set by regulators.

Jacana Energy can directly influence its operating expenditure however this represents only 3% of its total costs.

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

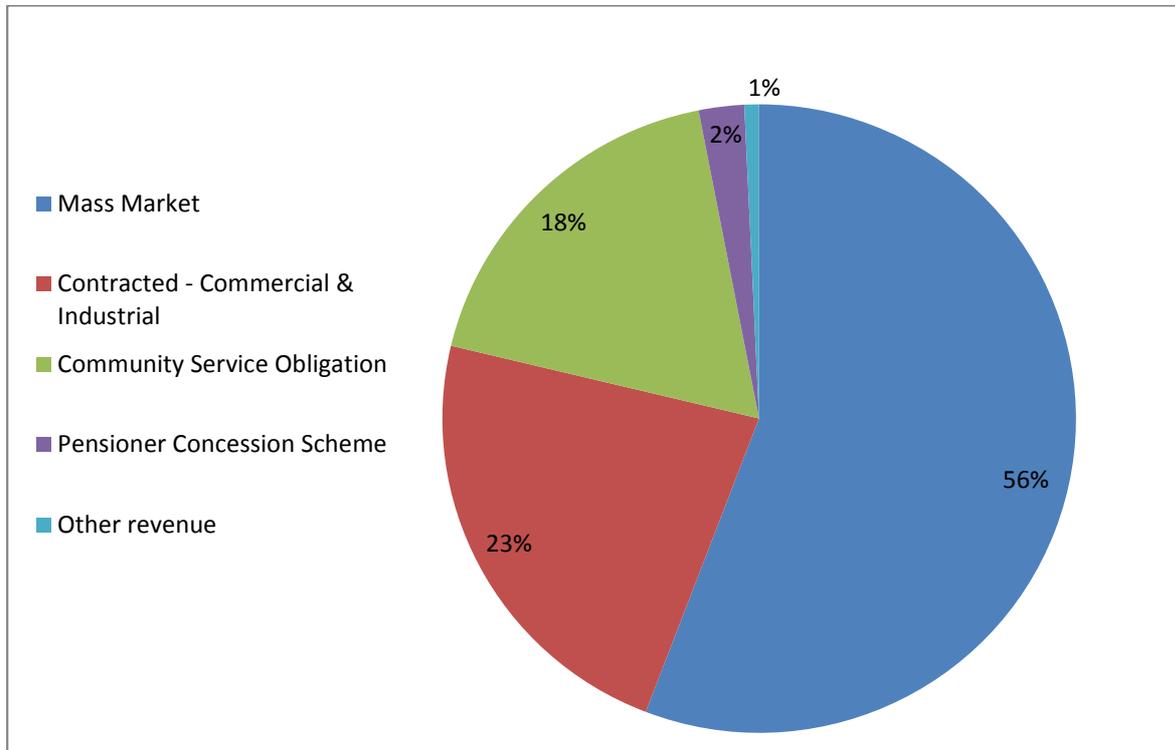
Costs 2016-17



Jacana Energy also has little direct influence over its revenue. Whilst it is directly responsible for the pricing of its contracted Commercial & Industrial (C&I) customers these represent only 23% of its revenue. Non-contract pricing and other revenue, which account for 77% of Jacana Energy’s revenue, are set by the government.

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

Revenue 2016-17



Where we operate

Jacana Energy is the electricity retailer for urban and rural centres of the Northern Territory and minor communities along the Stuart Highway. Jacana Energy provides energy for over 80,000 homes and businesses in the following regions:

- Darwin (city, suburbs and surrounding rural areas, including Palmerston, Batchelor and Adelaide River)
- Katherine (township, suburbs and surrounding rural areas, including Pine Creek, Larrimah and Mataranka)
- Tennant Creek (township, suburbs and surrounding rural areas)
- Alice Springs (city, suburbs and surrounding rural areas)
- Borroloola
- Timber Creek
- Daly Waters
- Elliott
- Ti Tree
- Yulara
- Kings Canyon.

3. Key strategies to improve financial performance

As mentioned previously, Jacana Energy has set itself four strategic objectives in its Strategic Plan, these are to:

1. Deliver superior customer experience
2. Become a valued and trusted brand
3. Develop an engaged, motivated team with opportunities to grow
4. Maximise value

The following section provides an overview of the strategies and initiatives to address each of these objectives and ultimately improve its financial performance.

Strategic objectives

Strategic objective 1 – Deliver superior customer experience

Strategies	Initiatives
Deliver a consistent and positive customer experience	<ul style="list-style-type: none"> • Develop and implement efficient and customer friendly business processes • Automate inefficient processes, provide online customer service and a broader range of customer payment solutions
Understand customer needs	<ul style="list-style-type: none"> • Introduce new customer feedback methods and techniques, such as the Net Promoter Score, to drive improvement initiatives • Establish a Customer and Community Reference Council to obtain feedback and assist in understanding customer needs
Get the fundamentals right	<ul style="list-style-type: none"> • Benchmark key business processes and Key Performance Indicators (KPIs) against best practice

Develop and provide alternative solutions	<ul style="list-style-type: none"> • Introduce customer consumption analysis and develop customer energy management tools • Identify and assess non-grid energy solutions
Provide transparency in key processes e.g. billing	<ul style="list-style-type: none"> • Develop a new, customer friendly website • Provide greater self-service capability and leverage social media to improve the customer experience

Strategic objective 2 – Become a valued and trusted brand

Strategies	Initiatives
Ensure Jacana Energy’s services improve outcomes for vulnerable customers	<ul style="list-style-type: none"> • Develop and promote flexible payment plans and the option of more frequent billing • Develop a strategy to assist vulnerable customers • Leverage relationships with key partners to deliver improved outcomes
Embed a customer centric culture in Jacana Energy’s business	<ul style="list-style-type: none"> • Recognise and reward the provision of exceptional customer service • Develop and implement a cultural programme to ensure core values and brand values are aligned

Strategic objective 3 – Develop an engaged, motivated team with opportunities for growth

Strategies	Initiatives
Attract and retain the best people	<ul style="list-style-type: none"> • Undertake a skills inventory and resource analysis • Refine resource and recruitment planning • Implement a succession and retention plan
Ensure professional development aligned with strategy	<ul style="list-style-type: none"> • Identify and source efficient and effective cross organisation training • Develop a detailed training program
Right culture: customer centric, innovative, flexible	<ul style="list-style-type: none"> • Design a series of culture development workshops to create a culture aligned with the strategic objectives • Develop and implement a detailed communications plan that supports the cultural change • Create a culture which recognises and rewards product and service innovation

Strategic objective 4 – Maximise value

Strategies	Initiatives
Flexibility in how Jacana Energy deals across the supply chain	<ul style="list-style-type: none"> • Promote wholesale market reform • Develop a long-term and sustainable wholesale procurement plan

<p>Minimise costs to serve</p>	<ul style="list-style-type: none"> • Develop low cost options such as online and customer self service • Deliver reduced operating costs, and improved debt recovery by bringing the credit management function in – house • Minimise rework by automating inefficient business processes and focussing on quality assurance
<p>Define the non-financial value drivers</p>	<ul style="list-style-type: none"> • Consult with key stakeholders such as the Customer and Community Reference Council and others to develop non-financial performance indicators
<p>Develop strong commercial acumen</p>	<ul style="list-style-type: none"> • Continue to focus on embedding a strong commercial decision making framework • Build commercial acumen into recruitment process and plans
<p>Grow the profitable revenue base</p>	<ul style="list-style-type: none"> • Improve management of Jacana Energy costs and market segment profitability reporting by bringing the accounting and finance function in-house • Develop a highly efficient and professional account management capability

4. Capital investment plans

There is an approved capital investment replacing the current hosting of the retail system and related services.

5. Material Risks

Jacana Energy has a Risk Management Framework designed to proactively and systematically identify, assess, monitor and manage material risks. 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. Risk management is fundamental to Jacana Energy's success and sustainability. Jacana Energy aims to have risk management practices embedded and integrated into business processes, with engagement at all levels within Jacana Energy to minimise risks in all activities.

A key component of the Risk Management Framework is Jacana Energy's Risk Appetite Statement (RAS) which defines the nature and level of risk that Jacana Energy is willing to accept in relation to the key components of service delivery and enabling activities in the pursuit of its strategic objectives. The RAS provides a means of ensuring alignment between the Board and all employees with regard to the level of risk considered acceptable in undertaking business operations and making risk assessed judgements.

Through the RAS Jacana Energy defines the risk parameters associated with conducting its business in a commercial manner and acting with financial prudence and efficiency. The RAS reflects Jacana Energy's focus on customer and stakeholder services and defines its aspiration to implement a long-term financial strategy that provides a sustainable return to the government and is averse to actions that may impact on projected targets and outcomes.

Jacana Energy's Risk Management Framework operates alongside the internal controls. Internal controls exist at all levels and are designed to safeguard Jacana Energy's interests which include compliance with authority limits, work health and safety and other legislation and regulations, employment and competition and consumer law.

Control systems continue to be developed to ensure that material risks including strategic, operational, legal, commercial, technological, financial and regulatory risks are identified, assessed, addressed and monitored.

The Risk Management Framework is collaborative and involves Jacana Energy's employees, contractors and management conducting their activities in a manner that complies both with the law and delegated limits of authority.

The Audit and Risk Committee (ARC) has oversight of the risk management process and oversees policies and procedures in relation to risk management.

The ARC provides reports to the Jacana Energy Board and regularly reviews the effectiveness of the risk management framework and key mitigation strategies.

Jacana Energy executives and management are responsible for identifying risks and implementing strategies to mitigate them. Management reports to the ARC on how the risks are being managed.

Jacana Energy has appointed an Audit firm as independent internal Auditor. The internal auditor provides an objective assessment to the Board regarding the adequacy, effectiveness and efficiency of Jacana Energy's risk management, control and governance processes.

The internal auditor and internal audit function have direct access to the ARC Chair.

6. Strategies to minimise material risks

Material risk	Strategies to minimise material risks
Ongoing Financial Sustainability	<p>Work with key stakeholders to ensure that:</p> <ul style="list-style-type: none"> • the Community Service Obligation (CSO) continues to support efficient and effective retail energy operations • all relevant costs are considered when retail prices are set • wholesale market reform facilitates competition in generation • the retail impact of network charges are fully understood
Capability and capacity to deliver the approved program of work	<p>Undertake a skills inventory and resource analysis to ensure:</p> <ul style="list-style-type: none"> • sufficient skilled resources are employed with flexibility to respond to changing business needs • external expertise is appropriately leveraged • workforce training and development is aligned with strategy
Loss of revenue to competitors	<ul style="list-style-type: none"> • Develop and implement targeted customer retention strategy • Engage in the competitive reform process to ensure a level playing field
Wholesale market risk	<ul style="list-style-type: none"> • Develop and implement a wholesale procurement strategy • Detailed analysis and forecasting of wholesale requirements

Material risk	Strategies to minimise material risks
<p>Commercial arrangements don't support flexible business model</p>	<p>Ensure:</p> <ul style="list-style-type: none"> • expert commercial and legal expertise is used in negotiation and contract activities • contractual arrangements incorporate current and future requirements
<p>Transition risk associated with bringing activity in-house from PWC (e.g. billing, customer care, credit management and finance)</p>	<ul style="list-style-type: none"> • Effective management of transitional services including performance reporting, governance and escalation processes • Establish and monitor full transition project plan and program including development of training and use of rigorous project governance • Develop and implement a detailed data management plan, data clean up, data migration, testing plans and stage gate reviews

7. Abbreviations

C&I	Commercial and Industrial Segment
CPI	Consumer Price Index
CSO	Community Service Obligation
EBIT	Earnings Before Interest Tax
GOC Act	Government Owned Corporations Act
KPI	Key Performance Indicator
LGC	Large scale Generation Certificates
kWh	Kilowatt hour
M	Million
PV	Photovoltaic
PWC	Power and Water Corporation
RPP	Renewable Power Percentage
STC	Small scale Technology Certificates
STP	Small scale Technology Percentage

Appendix A

Accounting policies

Jacana Energy's accounting policies comply with the requirements of the Government Owned Corporations Act, Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The principal accounting policies adopted for 2016-17 will be consistent with those applied in the 2015-16 financial year.

Jacana Energy pays income tax in accordance with the National Tax Equivalent Regime administered by the Australian Tax Office.