

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

# Statement of Corporate Intent 2018-19

**Public Version**



# Table of Contents

Jacana Energy Objectives .....	3
The nature and scope of activities undertaken by Jacana Energy .....	4
Key strategies to improve financial performance .....	9
Capital investment plans .....	13
Financial targets and other measures .....	14
Material Risks .....	16
Strategies to minimise material risks .....	18
Abbreviations .....	20

# 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

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.

# The nature and scope of activities undertaken by Jacana Energy

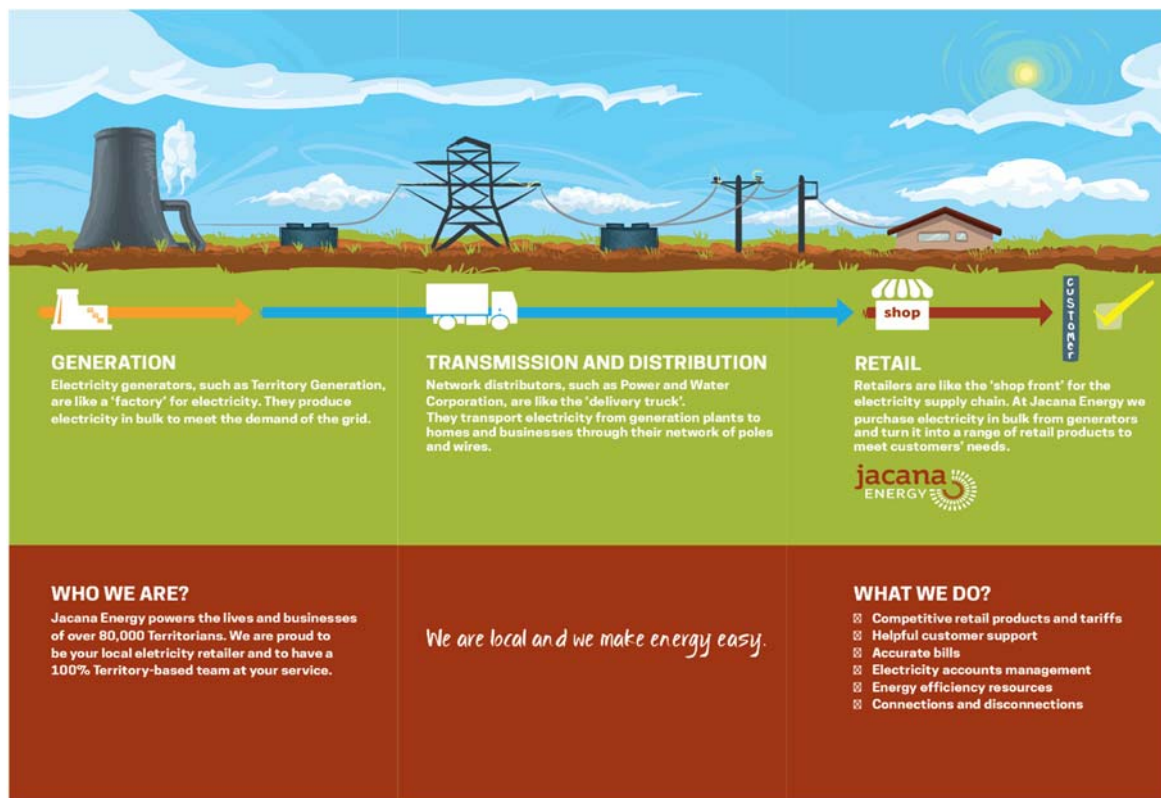
Jacana Energy purchases wholesale electricity from generators and turns this into a range of retail products designed to suit its customer's needs, facilitates connection of its customers to the grid, delivers timely and accurate power bills and provides a range of convenient payment options and efficient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

Jacana Energy creates value for its customers by:

- Providing electricity services to over 84,000 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.

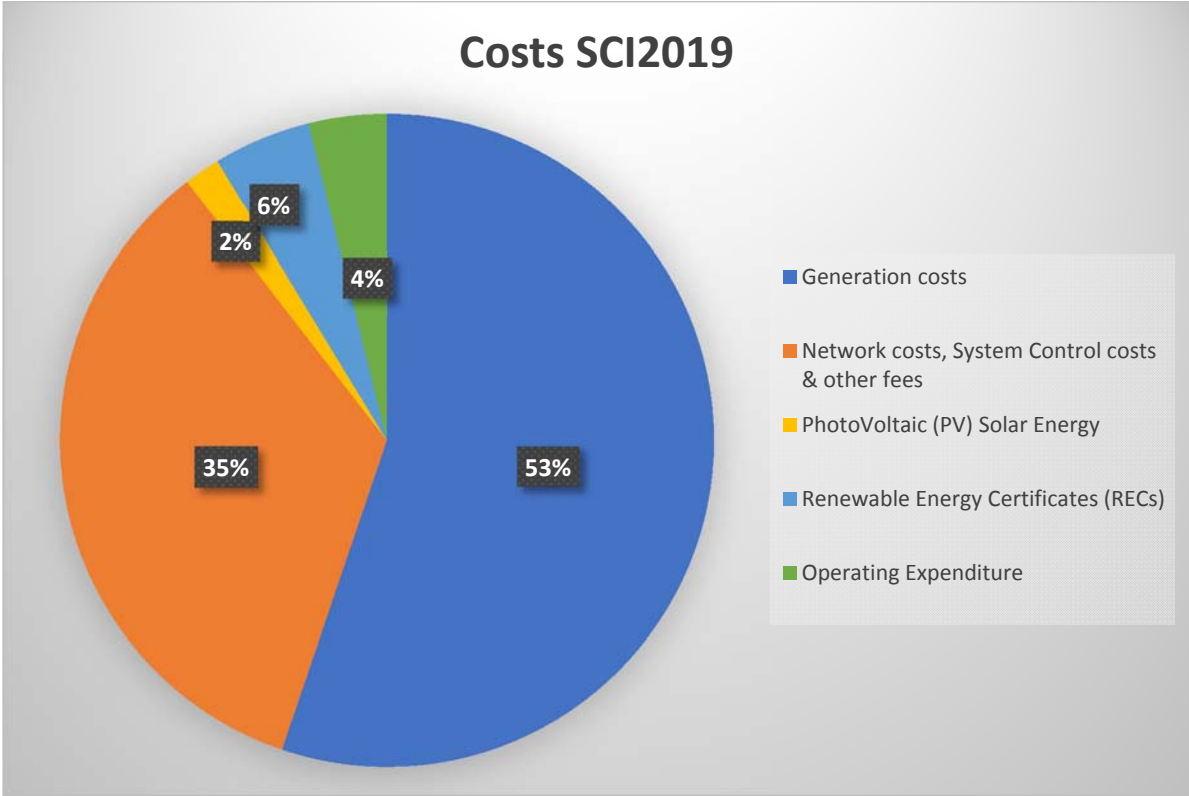
A key challenge for Jacana Energy is that it has limited direct control over its major costs such as generation and network costs which between them represent 88% of costs.

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 4% of its total costs.

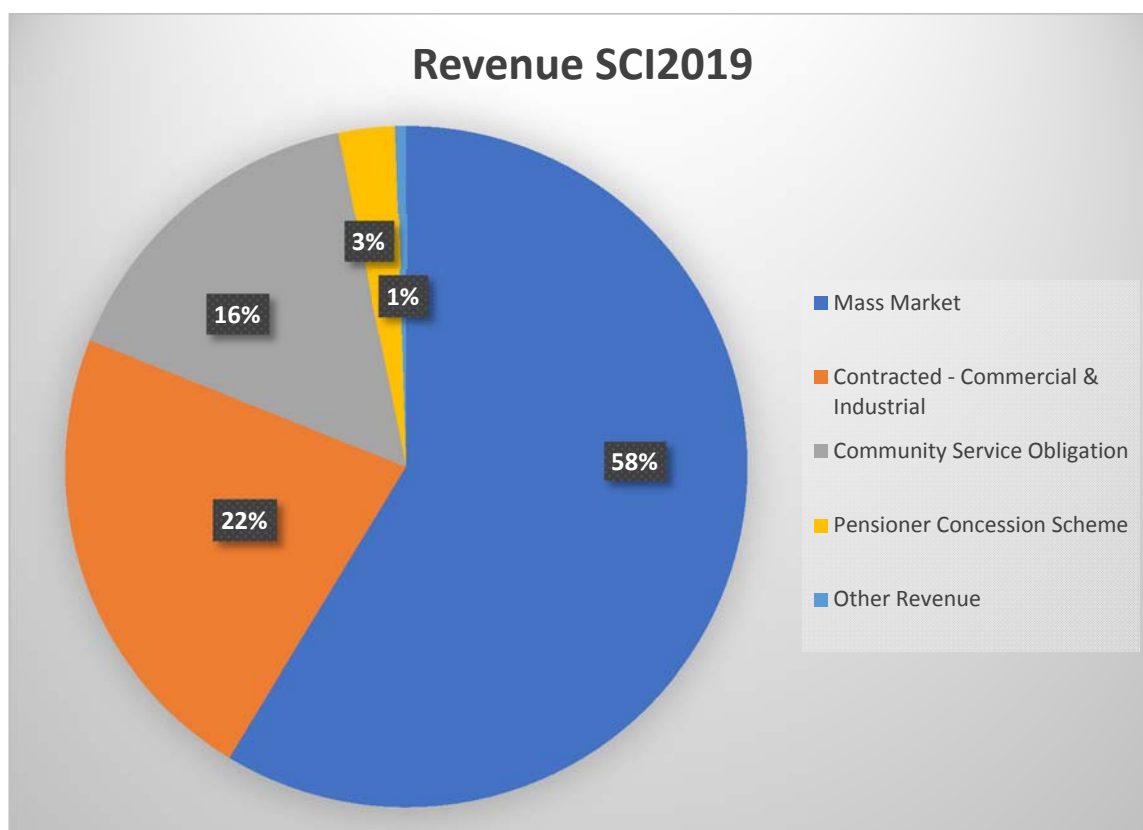
The chart below provides a breakdown of Jacana Energy's costs.

**Costs 2018-19**



## Revenue 2018-19

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



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 22% of its revenue. Non-contract pricing and other revenue, which account for 78% of Jacana Energy's revenue, are set by the government.

## 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 84,000 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



# 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 for growth
4. Maximise value

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

## Strategic objectives

### Strategic Objective 1 - Develop a Superior Customer Experience

---

Deliver a consistent and positive customer experience

- Develop and implement best practice business processes
- Introduce relevant product offerings
- Continue digital transformation plan
- Customer focused training for employees
- In-house customer service teams

---

Understand our customers' needs

- Conduct regular customer satisfaction tracking
- Improve our hardship policy with input from key stakeholders

---

Develop and provide alternative solutions

- Introduce customer consumption analysis and development of customer tools
- Implement a streamlined, rigorous business development process
- Implement Online Self Service function and other low cost efficient customer service options
- Explore opportunities for growth through Northern Australia Development Office (NADO)

---

Provide transparency in key processes

- Provide customer self-service capability
-

## Strategic Objective 2 - Become a Valued and Trusted Brand

---

Ensure our vulnerable customers are looked after

- Provide payment plans to assist customers experiencing financial hardship
- Work with service providers who understand the challenges facing vulnerable customers
- Continual improvements of the Hardship Program
- Enhance pre-payment and bill smoothing options

---

Embed a customer centric culture in our business

- Develop and implement a plan to embed the brand and customer centric culture into the business
- Recognise and reward the provision of exceptional customer service

---

Align sponsorship & donations strategy with brand

- Refine the sponsorship plan to achieve greater awareness, community engagement, loyalty and good will with our community and customers.
- 

## Strategic Objective 3 - Developed an engaged, motivated team with opportunities for growth

---

Attract and retain the best people

- Undertake a skills inventory and resource analysis, improve internal skills through development
- Consider alternative resource models i.e. partnerships
- Refine resource and recruitment planning
- Embed the Culture and Leadership Program

---

Ensure professional development aligned with strategy

- Ensure personal development plans are aligned with corporate strategy
- Develop and roll out a training program

---

Right culture: customer centric, innovative, flexible

- Embed the Culture and Leadership Program
-

---

Align structure with strategy

- Ensure our people are empowered to provide exceptional customer service
  - Align role descriptions with capability assessment and culture
- 

## Strategic Objective 4 - Maximise Value

---

Flexibility in how we deal across the supply chain

- Develop an efficient operational interface with PWC as the network provider
  - Promote wholesale market reform
  - Develop a long-term wholesale procurement plan inclusive of renewables
  - Find low cost, alternate generation sources
  - Work with DTF to refine the Community Service Obligation funding model to ensure competitive neutrality
  - Build capability to manage and quantify a more complicated generation supply portfolio
  - Develop programs and products to educate and entice customers to reduce supply costs
- 

Minimise costs to serve

- Implement and promote customer self service
  - Benchmark and implement fit for purpose systems, processes, contracts, metrics and costs
  - Encourage uptake of low cost service channels
  - Negotiate a cost reflective Service Level Agreement in lieu of the existing TSA
  - Review ICT delivery options
- 

Establish a robust Risk & Compliance framework

- Create a Companywide Business Continuity Plan
- 

Reduce Other Operating Costs

- Improve credit processes and reduce Bad Debt Write-off
- 

Retain Profitable Load

- Targeted C&I retention program
-

---

Enhanced Financial Reporting and Processes

- Improved Financial Reporting and executive accountability through the refinement of reporting processes
-

# Capital investment plans

The approved capital investment relates mainly to the project of transferring the retail system to a new hosting platform and the new financial system.

	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Expenditure (\$M)	2.9	-	-	-	-

# 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.

KPI	Unit	2017-18*	2018-19	2019-20	2020-21	2021-22
Gross Margin	% Revenue	6.1	5.2	4.8	4.6	4.4
Cost to serve	A\$/customer	186	182	184	183	181
EBIT	A\$ million	12.3	4.9	4.1	3.7	2.9
Return on Equity	%	12	5	4	3	3
Grade of Service	%	70	70	75	75	75
Abandonment Rate	%	<5	<5	<5	<5	<5

\* 2017–18 Financials are forecast as at December 2017.

## 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.

### **Return on Equity**

Return on Equity is calculated by dividing the Net Profit After Tax by the average equity balance for the year.

### **Grade of Service**

Grade of Service measures the percentage of customer calls to the call centre answered within 30 seconds.

### **Abandonment Rate**

Abandonment rate measures the percentage of calls to the call centre ended before any conversation occurs.

# 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 the Board, Leadership Team and employees are in alignment with regard to the level of risk considered acceptable in undertaking business operations and Jacana Energy 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 internal controls. Controls exist at the Board, executive and management level and are designed to safeguard Jacana Energy's compliance with authority limits and legislation, including work health and safety, employment, 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 its 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.

# Strategies to minimise material risks

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

Jacana Energy manages its strategic risks. These risks fall within the following material risks:

<b>Material risk</b>	<b>Strategies to minimise material risks</b>
Billing System – Transition Program Risk	<ul style="list-style-type: none"><li>• Formal project management disciplines, data migration quality and testing, reconciliation using outsourced expertise to implement the system with the associated controls, expertise and capacity/capabilities.</li><li>• Independent quality assurance, tracking of milestones and internal reviews</li><li>• Key end processes such as Financial Reporting, meet audit and control requirements.</li></ul>
Capability & Capacity Risk	<ul style="list-style-type: none"><li>• Identify and take action to appropriately address resourcing and capability requirements</li><li>• Succession Planning</li></ul>
Loss of Revenue – Competition Risk	<ul style="list-style-type: none"><li>• Develop a retention strategy and customer value proposition for all customer segments</li><li>• Drive greater customer engagement through key account management.</li><li>• Matching retail contracts with wholesale energy procurement arrangements</li><li>• Leverage ROS capability to deliver better customer service</li><li>• Offer new innovative products</li></ul>
Risk to Brand and High Quality Customer Service	<ul style="list-style-type: none"><li>• Maximise ROS features/capabilities</li><li>• Develop a robust policy and procedures document to facilitate and assist vulnerable customers</li><li>• Refine policy and procedures regarding the disconnection process</li></ul>

	<ul style="list-style-type: none"> <li>• Develop and drive an active customer centric culture</li> <li>• Develop and bring to market a variety of value adding products and services for all segments, in line with customer insights/feedback</li> </ul>
External Environment – Economy	<ul style="list-style-type: none"> <li>• Encourage regular payments and bill smoothing</li> <li>• Proactive credit management process</li> <li>• Review hardship program</li> </ul>
Regulatory and Legislative Change Risk	<ul style="list-style-type: none"> <li>• Engage recognised industry specialists to provide services to assist management with changes</li> <li>• Proactive and regular engagement with stakeholders</li> </ul>
Business Interruption	<ul style="list-style-type: none"> <li>• Business Continuity Plan</li> <li>• Disaster Recovery Plan</li> <li>• Whole of industry disaster testing</li> <li>• Up to date and adequate insurance coverage</li> </ul>
IT Security	<ul style="list-style-type: none"> <li>• IT security policy</li> <li>• Secure NTG IT System Hosting</li> <li>• Rigorous due diligence in the selection of IT partners</li> <li>• Up to date and adequate insurance coverage</li> </ul>

# Abbreviations

AER	Australian Energy Regulator
C&I	Commercial and Industrial Segment
CPI	Consumer Price Index
CSO	Community Service Obligation
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
kWh	Kilowatt hour
M	Million
NEM	National Electricity Market
PV	Photovoltaic
PPA	Power Purchase Agreement
PWC	Power and Water Corporation
ROS	Retail Operating System
RPP	Renewable Power Percentage
STC	Small scale technology Certificates
STP	Small scale technology Percentage

