

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

# Statement of Corporate Intent 2022-23

**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

In a time where the energy industry continues its rapid transition to renewable energy and in doing so, disrupting traditional supply chains the role of an energy retailer is evolving. In financial year 2021-22 Jacana Energy re-assessed the Vision Statement, opting to introduce a shorter and sharper statement that better reflects the organisation's role in delivering contemporary and relevant energy services to customers as the industry transforms.

Jacana Energy's revised Vision Statement is:

*Leading smart energy solutions for the Territory.*

## Culture Statement and Core Values

Over the past year Jacana Energy has defined the desired organisational culture required to achieve the vision and has also undertaken a refresh of its organisational values. The new culture statement focuses on improving relationships and building trust within the business.

This statement and the refreshed values are outlined below.

**Our Culture:** Give trust. Assume positive intent.

**Honesty:** we hold ourselves accountable for doing what's best for our business and our customers

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

**Diversity:** tapping into our collective intelligence and embracing different perspectives

**Teamwork:** delivering as a team because we are stronger together

**Wellbeing:** being passionate about building a caring and supportive workplace

## Strategic Business Objectives

In addition to revising the vision Jacana Energy has also refined its strategic objectives to improve the business focus on the core elements required to navigate the energy transition and achieve the revised vision. Jacana Energy's revised four strategic objectives are:

- **Financial Sustainability** – Effectively manage wholesale energy costs and identify ways to improve the relationship between costs and revenue.
- **Business Fundamentals** – mature business capability around leadership and organisational culture, risk and compliance and critical business functions.
- **Growth** – pursue opportunities for revenue growth in existing and adjacent markets.
- **New Products & Services** – deliver innovative, relevant products and services that cater for all Territorians.

# The nature and scope of activities undertaken by Jacana Energy

Jacana Energy purchases wholesale electricity 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 also 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 87% of total costs.

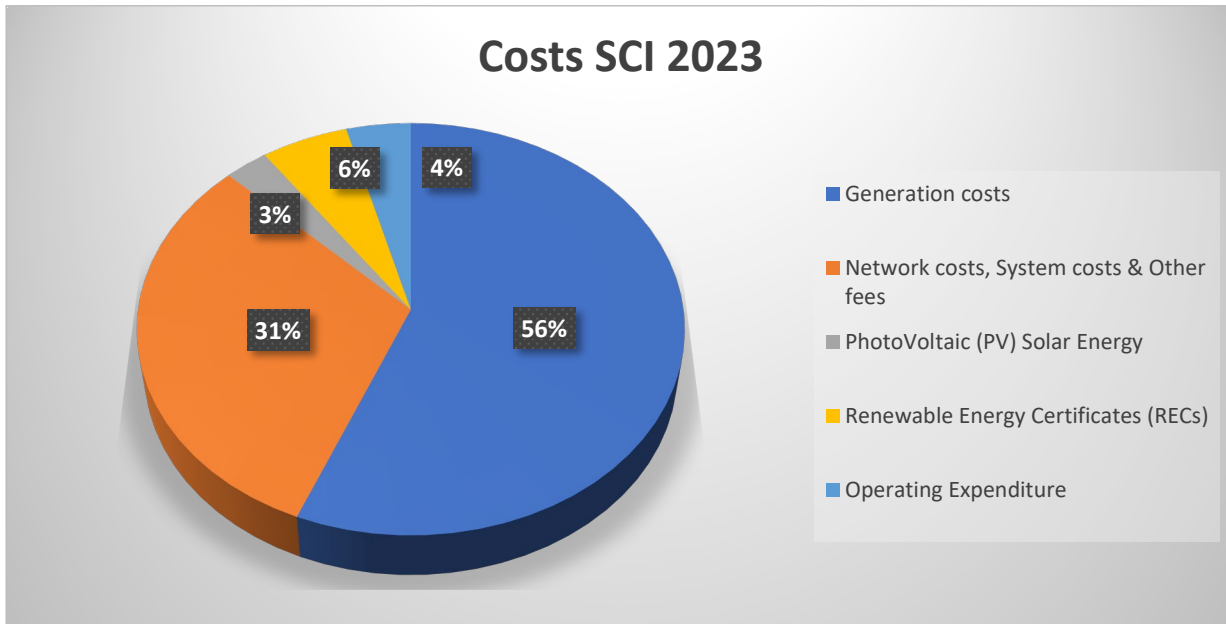
Jacana Energy has entered into long term Power Purchase Agreements (PPAs) with solar farms in Katherine, Manton Dam and Batchelor that will help put downward pressure on wholesale costs and contribute to meeting the NT Government's 50 per cent Renewable Energy Target by 2030.

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.

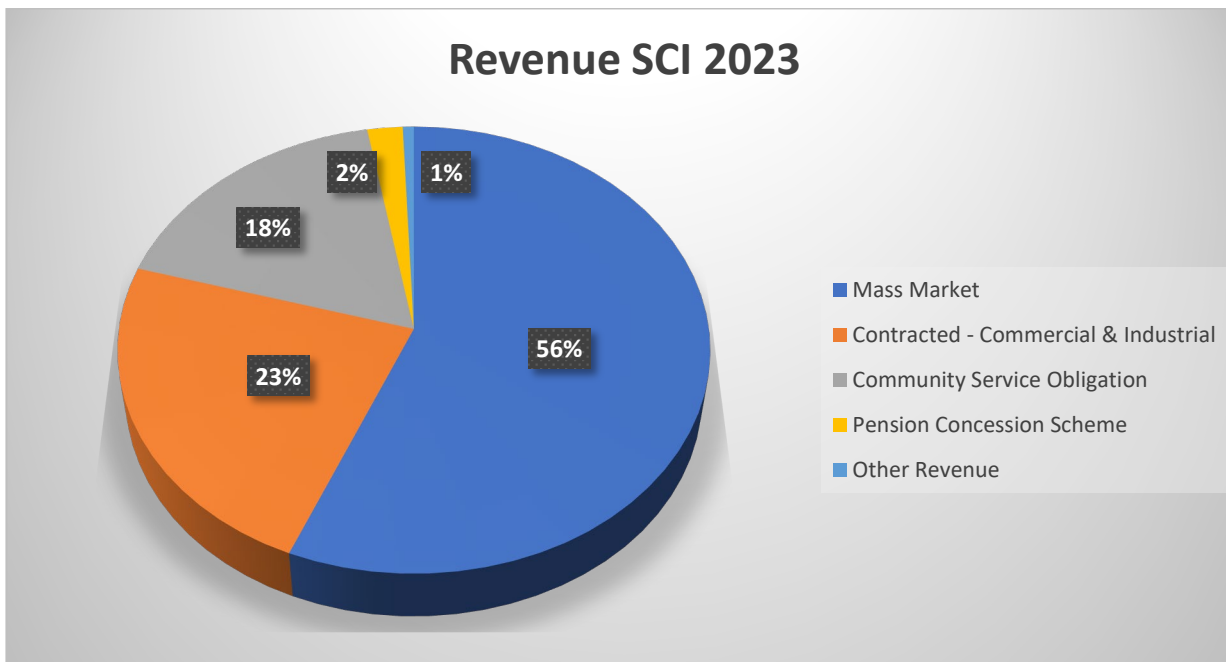
## Costs 2022-23

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



## Revenue 2022-23

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 23% of our total revenue. Electricity tariffs, the Community Service Obligation, Pension Concession and other revenue represents 77% of Jacana Energy's total revenue, the majority of which are set by the NT Government.

# Key strategies to improve financial performance

Jacana Energy's revised strategic objectives are focused on improving financial performance:

## **1. Financial Sustainability**

Effectively manage wholesale energy costs and identify ways to improve the relationship between costs and revenue.

## **2. Business Fundamentals**

Mature business capability around leadership and organisational culture, risk and compliance and core retailing competencies.

## **3. Growth**

Pursue opportunities for revenue growth in existing and adjacent markets

### **New Products & Services**

Deliver innovative, relevant products and services that cater for all Territorians.



# Capital investment plans

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

|                                      | <b>2021-22</b> | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>2025-26</b> |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Capital Expenditure<br>(A\$ million) | 0.8            | 0.9            | 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 was introduced in 2021-22 to ensure the timeliness and quality of calls was taken into consideration.

Over the last 12 months, the COVID-19 pandemic lockdowns, lockouts and isolation requirements has impacted resources for significant periods of time. As a result of these ongoing impacts, Jacana Energy has invested heavily in digital and self-service channels to ensure that customer needs are addressed as and when it suits them. This has reduced reliance on telephone as the primary contact channel for customers and as a result, grade of service is no longer a reliable metric for demonstrating responsiveness to customer enquiries, given it is just one of many channels used by customers.

Consequently, Jacana Energy has removed grade of service as a strategic metric from 2022-23 and will replace this with a customer effort metric in 2023-24 (once metric benchmarks have been established during 2022-23). This metric will focus on measuring the effectiveness of a range of customer service channels.

| <b>KPI</b>            | <b>Unit</b>   | <b>Reforecast<br/>2021-22*</b> | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>2025-26</b> |
|-----------------------|---------------|--------------------------------|----------------|----------------|----------------|----------------|
| Gross Margin          | % of Revenue  | 4.6                            | 7.7            | 9.5            | 9.8            | 10.6           |
| Cost to serve         | A\$ /customer | 196                            | 202            | 199            | 197            | 194            |
| EBIT                  | A\$ million   | 1.8                            | 16.9           | 27.8           | 29.1           | 34.9           |
| Grade of Service      | %             | 65                             | N/A            | N/A            | N/A            | N/A            |
| First Call Resolution | %             | 75                             | 75             | 80             | 80             | 80             |
| Customer Satisfaction | Score         | 3.6/5                          | 3.7/5          | 3.7/5          | 3.7/5          | 3.7/5          |
| Employee Engagement   | Score         | 70/100                         | 70/100         | 71/100         | 72/100         | 72/100         |

\* Reforecast 2021-22 financials include actuals YTD plus forecast as at 31 December 2021.

## Measure descriptions

### **Gross Margin**

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

### **Cost to Serve**

Cost to serve is calculated by dividing Operating Costs (less impairment expense) by the total number of customer accounts.

### **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. While this metric will no longer be reported as a strategic KPI from 2022-23 onwards, it will still be measured and reported internally as a key operational metric.

### **First Call Resolution**

First call resolution will 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, with a rating out of 5 given by customers, with 5 being very satisfied.

### **Employee Engagement**

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

## Fiscal Strategy Targets

The Northern Territory Government publicly released the 'Fiscal Strategy Panel's Final Report: A plan for budget repair' and its response to the report on 16 April 2019. 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 (2021-22 to 2025-26)

### Jacana Energy

|                                |        |
|--------------------------------|--------|
| Total Revenue increase         | 6.4%   |
| Operating Expenditure increase | (0.4%) |
| Target Met                     | Yes    |

Total Revenue includes growth in electricity revenue, community service obligations (CSO) and other minor revenue sources from 2021-22 forecast to the 2025-26 budget.

Operating Expenses includes all cost of sales and operating expenditure, including impairment expense, 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.

|                    | Reforecast<br>2021-22<br>\$M | 2022-23<br>\$M | 2023-24<br>\$M | 2024-25<br>\$M | 2025-26<br>\$M | Target<br>Met |
|--------------------|------------------------------|----------------|----------------|----------------|----------------|---------------|
| Controllable Costs | 19.6                         | 19.5           | 19.5           | 19.5           | 19.5           | Yes           |

Controllable Costs is defined as operating expenditure including impairment of receivables, excluding cost of sales, depreciation, amortization, interest and tax expenses.

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

|                   | Reforecast<br>2021-22<br>\$M | 2022-23<br>\$M | 2023-24<br>\$M | 2024-25<br>\$M | 2025-26<br>\$M | Target<br>Met |
|-------------------|------------------------------|----------------|----------------|----------------|----------------|---------------|
| Dividends Payable | 0.6                          | 5.9            | 9.7            | 10.2           | 12.2           | Yes           |

Dividends Payable by Jacana Energy is assumed to be 50% of forecast Net Profit After Tax for the financial year.

# 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 strategic risks

Jacana Energy has made significant progress in addressing key strategic risks over the past year, which has resulted in a re-assessment and change in categorization of the remaining strategic risks and mitigating actions.

In particular, customer focus risk, culture risk business continuity and information security risks have been successfully addressed to date, resulting in their removal from the strategic risk categories (noting these risks are continually monitored and managed at operational level).

This is a direct result of renewed focus on organisational culture and values driving higher employee engagement scores and process re-design for customer facing services as well as a stronger focus on supporting vulnerable customers. In addition, the business has matured its business continuity and information security practices as part of its response to the COVID-19 pandemic and in its response to a series of internal and external audits on IT security and compliance.

| <b>Key risks</b>                                                                                                                              | <b>Risk mitigations</b>                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial sustainability (wholesale cost and revenue risk- including lost revenue as a result of changes to the CSO and/or customer volumes). | <ul style="list-style-type: none"><li>• Renewable energy procurement strategy implemented and wholesale risk trading policy in place.</li><li>• Improved capability to deliver products/services and to access consumption 'behind the meter'.</li><li>• CSO outcomes sufficiently enable Jacana Energy to attain commercial outcomes from the relevant markets.</li></ul>         |
| Market reform                                                                                                                                 | <ul style="list-style-type: none"><li>• Stakeholder engagement plan in place and regularly monitored and updated.</li><li>• Active participants in market reform, with Jacana Energy's position communicated to decision-makers through informal and formal regulatory consultation processes.</li><li>• Market reform position documented, impacts assessed and costed.</li></ul> |
| Attracting and retaining the right people                                                                                                     | <ul style="list-style-type: none"><li>• Workforce planning strategy and succession planning completed.</li><li>• Employee experience mapped and pain points addressed.</li></ul>                                                                                                                                                                                                   |

## Key risks

## Risk mitigations

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|                        |                                                                                                                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | <ul style="list-style-type: none"><li>• Performance and learning plans in place for each employee.</li><li>• Reward and recognition programs in place</li><li>• Employee engagement score measured at least annually.</li></ul>                     |
| IT strategic direction | <ul style="list-style-type: none"><li>• Jacana Energy's strategic plan outlines a 3-5 roadmap for product and services to guide IT investment.</li><li>• Digital and technology roadmap developed and reviewed as part of strategic plan.</li></ul> |
| Customer profitability | <ul style="list-style-type: none"><li>• As load shifts behind the meter, Jacana Energy must invest in new sources of renewable energy and new products and services to remain relevant and mitigate revenue loss.</li></ul>                         |

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# 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                            |



