

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

Statement of Corporate Intent 2023-24

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. Jacana Energy's vision reflects the organisation's role in delivering contemporary and relevant energy services to customers as the industry transforms.

Jacana Energy's Vision Statement is:

Leading smart energy solutions for the Territory.

Culture Statement and Core Values

Jacana Energy is focused on embedding a new culture statement and refreshed values set, building on significant improvements in employee engagement observed over the past two years.

Our Culture: Give trust. Assume positive intent.

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

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

Jacana Energy has four strategic objectives outlined in its three-year strategic plan. These 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

Jacana Energy continues to deliver against its three-year strategic plan and has made significant progress against the first two objectives, namely financial sustainability and business fundamentals.

Over the next 12 to 18 months, the business will continue to deliver the remaining aspects relating to business fundamentals and increase its focus on the next two objectives of growth and new products and services.

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.

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 purchases wholesale electricity in bulk from generators and provides related retail products and services to meet our customers' energy needs.

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 90% of total costs.

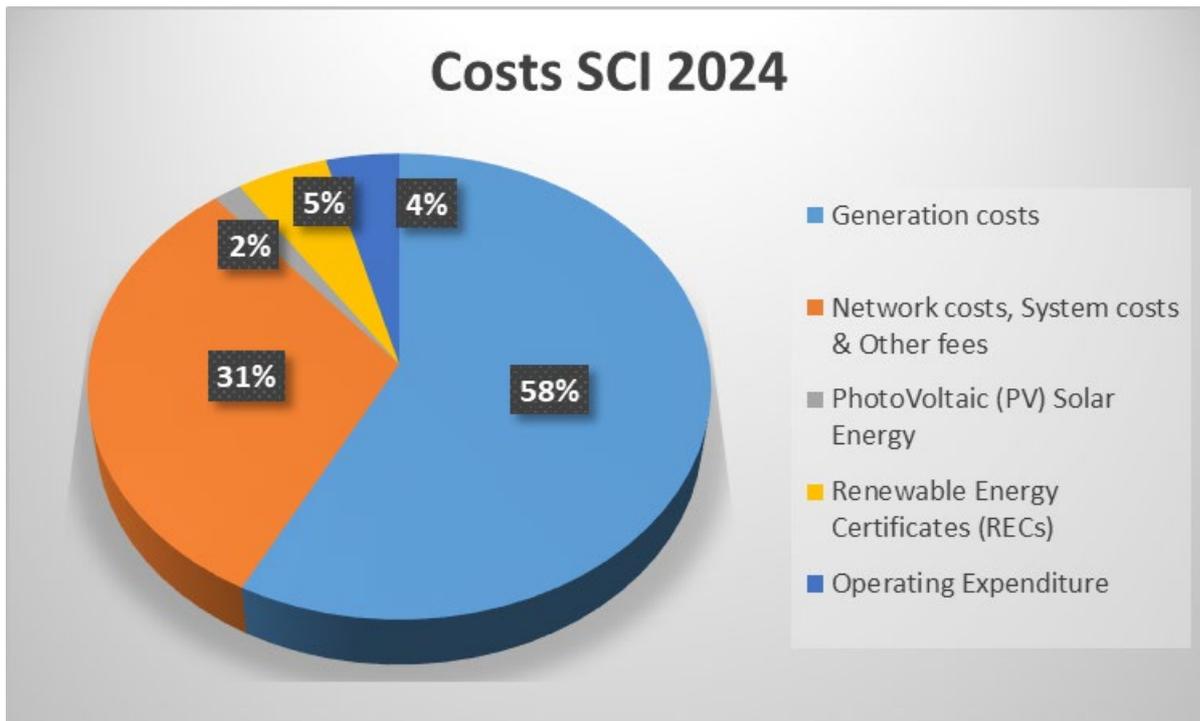
Jacana Energy has entered into long term Power Purchase Agreements (PPAs) with solar farms in Katherine, Manton Dam and Batchelor that will help put downward pressure on wholesale costs and contribute to meeting the NT Government's 50 per cent Renewable Energy Target by 2030.

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.

Jacana Energy's retail operating expenditure represents around 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.

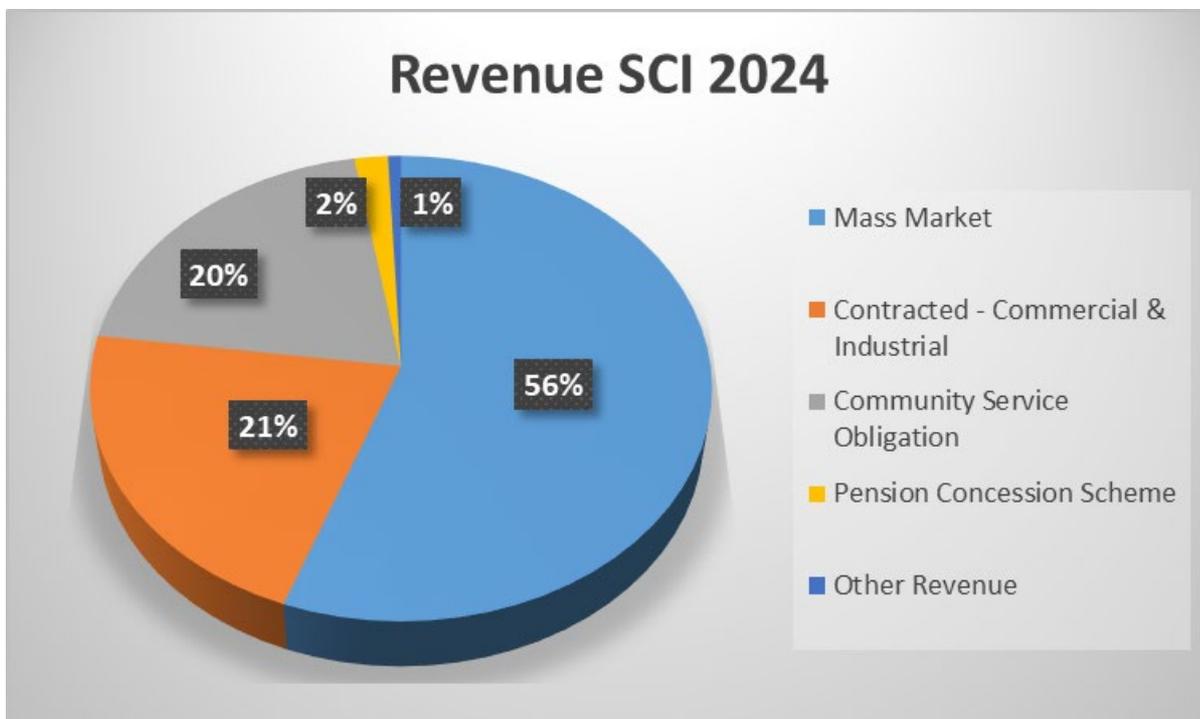
Costs 2023-24

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



Revenue 2023-24

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 21% of our total revenue.

Electricity tariffs, the Community Service Obligation, Pension Concession and other revenue represents 79% of Jacana Energy's total revenue, the majority of which are set by the NT Government.

Capital investment plans

The increase in approved capital investment relates to digital transformation projects, including system upgrades to align with the NT National Electricity Rules and standardise market interactions as well as investing in an improved telephony system to improve customer service.

	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expenditure (A\$ million)	0.8	2.1	0.4	0.4	0.4

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 (customer effort) focused on measuring the effectiveness of a range of customer service channels will be introduced from 2023-24 onwards.

KPI	Unit	Reforecast 2022-23*	2023-24	2024-25	2025-26	2026-27
Gross Margin	% of Revenue	5.8	7.8	7.6	7.8	7.9
Cost to serve	A\$/customer	209	225	212	207	203
EBIT	A\$ million	9.5	18.6	19.0	21.6	24.2
Customer Effort	Score	N/A	5/100	10/100	10/100	15/100
First Call Resolution	%	75	80	80	80	80
Customer Satisfaction	Score	3.7/5	3.7/5	3.7/5	3.7/5	3.7/5
Employee Engagement	Score	73/100	70/100	71/100	72/100	72/100

* Reforecast 2022-23 financials include actuals YTD plus forecast as at 28 February 2023.

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.

Customer Effort

Customer effort measures the ease in which customers feel they are able to engage with Jacana Energy through a variety of digital and traditional channels. This score is measured out of 100, noting that between 0-30 is considered a 'good' score.

First Call Resolution

First call resolution measures 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 (2022-23 to 2026-27)

Jacana Energy

Total Revenue increase	3.1%
Operating Expenditure increase	-4.0%
Target Met	Yes

Total Revenue includes growth in electricity revenue, community service obligations (CSO) and other minor revenue sources from 2022-23 forecast to the 2026-27 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 2022-23	2023-24	2024-25	2025-26	2026-27	Target Met
Controllable Costs	19.5	21.5	20.5	20.3	20.1	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 2022-23 \$M	2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	Target Met
Dividends Payable	3.3	6.5	6.6	7.6	8.5	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.

Strategies to minimise key strategic risks

Jacana Energy continued to make significant progress in addressing key strategic risks over the past year, which resulted in a re-assessment and change in categorisation of the remaining strategic risks and mitigating actions.

In particular, given the progress made in over the past 12 months, risks relating to financial sustainability have been revised to focus on the continued optimisation of Jacana Energy's wholesale portfolio and renewables growth. Cybersecurity has also now been introduced as a strategic risk, given the importance of ensuring customer data remains protected against potential cybersecurity threats.

Key risks	Risk mitigations
Wholesale portfolio optimisation	<ul style="list-style-type: none">Renewable energy procurement strategy implementedWholesale risk and governance practices fully embedded.
Renewables growth	<ul style="list-style-type: none">Procurement of additional large-scale solar.Deliver programs to provide access to renewable energy for low-income and vulnerable customers.Explore micro grid options to increase renewables in embedded networks and gazetted areas.
Market reform	<ul style="list-style-type: none">Stakeholder engagement plan in place and regularly monitored and updated.

Key risks

Risk mitigations

	<ul style="list-style-type: none">• Active participants in market reform, with Jacana Energy's position communicated to decision-makers through informal and formal regulatory consultation processes.• Market reform position documented, impacts assessed and costed.
Attracting and retaining the right people	<ul style="list-style-type: none">• Simplify and automate recruitment and onboarding processes.• Continued investment in learning and development, including the creation of formal development pathways within the organisation.• Employee engagement score measured at least annually.
IT strategic direction	<ul style="list-style-type: none">• Jacana Energy's strategic plan outlines a roadmap for product and services to guide IT investment.• Development of IT architecture and investment strategy.
Cybersecurity	<ul style="list-style-type: none">• Building internal cybersecurity capability.• Mandatory employee cybersecurity training.• Annual vulnerability and penetration testing.• Enhanced data protection policies and controls.
Customer profitability	<ul style="list-style-type: none">• 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.

Abbreviations

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

