

# Tasmanian Networks Pty Ltd (TasNetworks)

## Statement of Corporate Intent 2019-20 August 2019

The TasNetworks Statement of Corporate Intent (SCI) is our annual performance agreement with our Shareholders. It details the performance measures used to track our progress against our plans for the 2019-20 reporting period.

# 1. Company Overview

TasNetworks owns and maintains the electricity transmission and distribution network in Tasmania. We connect electricity generators and deliver a safe, cost-effective and reliable electricity supply to residential, commercial and industrial customers. Our responsibilities include:

- Keeping our people and our customers safe
- Maintaining and replacing network infrastructure to ensure a reliable service for our customers
- Connecting new customers to the network
- Investing in the network to support capacity growth and changing use of the network
- Connecting small and large-scale generation to the network
- Operating the network on a day-to-day basis including fault restoration
- Maintaining the public lighting system
- Recording and providing meter data to retailers (for Type 6 legacy meters).

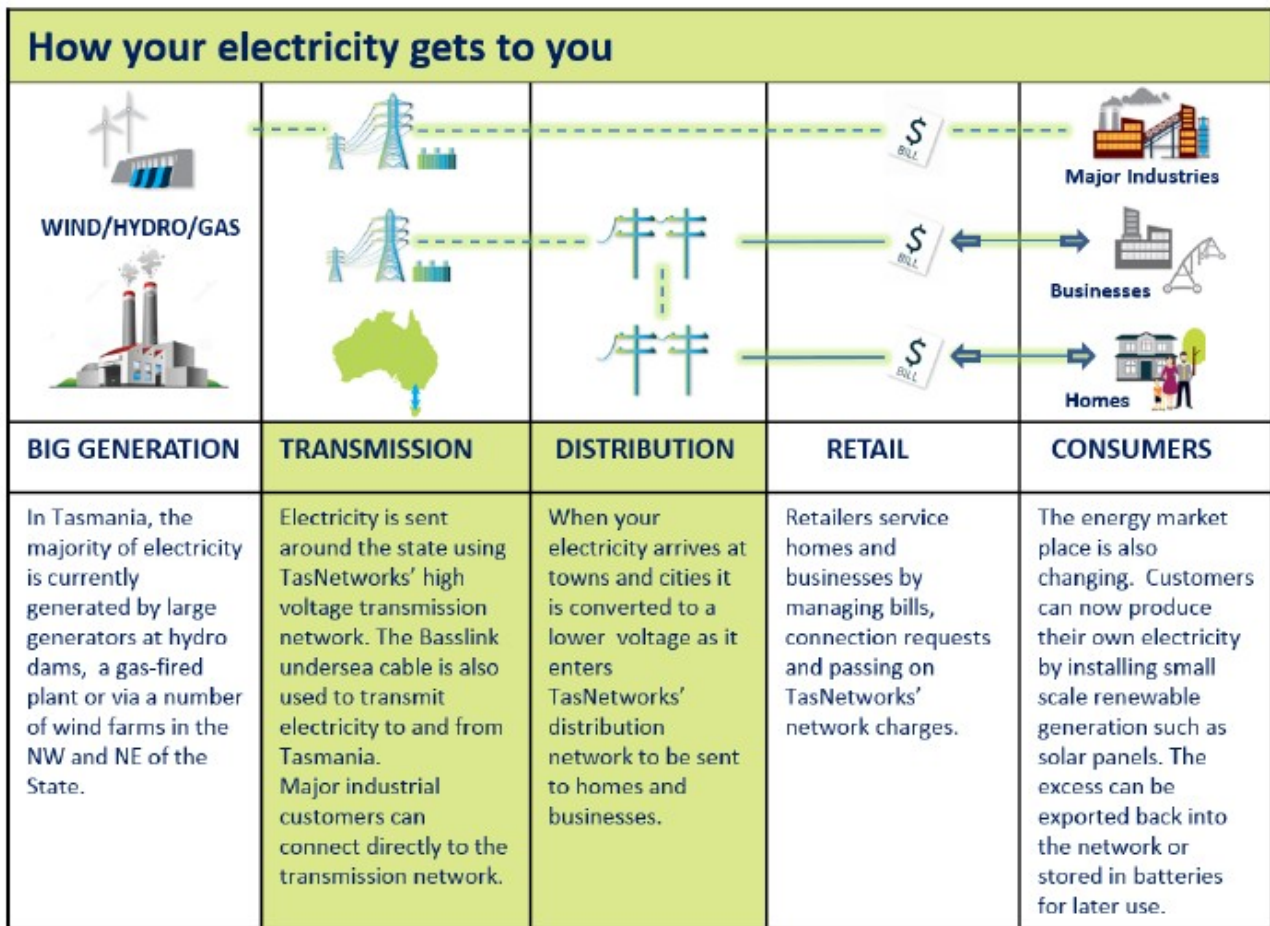


Figure 1 - Our place in Tasmania's electricity supply industry and our service relationship with customers

Our specialist, high reliability telecommunications services support power system protection, monitoring and control, voice communications and asset management functions. We also provide wholesale data centre, IT and telecommunication services to customers including those in the Tasmanian electricity supply industry which includes supporting the State Government's trunk mobile radio network.

TasNetworks is progressing Project Marinus, the feasibility and business case assessment for a second electricity link between Tasmania and Victoria, co-funded by TasNetworks and ARENA. Project Marinus is entering the Design and Approvals phase with funding from the Commonwealth Government and Tasmanian Government support.

Our shareholders have directed us to perform some non-commercial activities, primarily funding the 'grandfathered' solar feed-in-tariff payment to eligible customers until 30 December 2019, meeting the non-commercial costs of electricity infrastructure to supply additional capacity in the Waterhouse region, inspecting private poles on behalf of the State until a longer-term solution is implemented, and supporting the rollout of the National Broadband Network on the West Coast of Tasmania.

## 2. Strategic Direction

TasNetworks' 'strategy on a page' summarises the strategic direction for the business.



### 3. Performance Agreement

Our performance measures and targets represent our present assessment of progress against the achievement of our strategic goals. As we gain more information we will continue to assess our targets.

Our performance measures and productivity targets have been set with a focus on improvement – except for network reliability where we aim to maintain current overall network service performance whilst bringing poorly performing communities up to regulated performance standards. We recognise that it may not always be appropriate to improve performance above target if there is not sufficient benefit to our customers.

#### 3.1. Safety and Wellbeing

TasNetworks has developed a new Safety and Wellbeing Strategy 2019–2021. The strategy has four pillars: Capable Leadership; Clear Systems & Structures; Continuous Improvement and Innovation; and Capable & Engaged Workforce. The strategy maintains the core aspiration of moving to a safety culture based upon behavioural safety philosophy. Our targets for safety and wellbeing demonstrate our commitment to implement our new approach, lift our level of maturity based on an external maturity model, and improve our current performance levels. We aim to reach our goal of no harm to our people, the public and minimising our impact on the environment.

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Safety & Wellbeing (S&W) Plan	Implement S&W plan	Lift S&W maturity to 'Established' level		Lift S&W maturity to 'Advanced' level	
Total Recordable Injury Frequency Rate (TRIFR)	< 9	< 8	< 7	< 6	< 5.2
Significant incidents <sup>1</sup>	< 15	< 13	< 11	< 9	< 7
Reportable incidents <sup>2</sup>	< 50	< 45	< 40	< 35	< 30

<sup>1</sup> Significant incidents are incidents with an actual or credible potential for major or severe health, safety, or environment consequences as defined by TasNetworks' risk matrix.

<sup>2</sup> Incidents that require notification to a government authority, including Worksafe Tasmania for health and safety incidents, Department of Primary Industries, Parks, Water and Environment for environmental incidents, and the Australian Energy Regulator (AER) for unplanned disconnection of life-support customers.

## 3.2. Our Customers

Our goal is to care for our customers and make their experience easier. We aim to increase customer satisfaction and deliver lowest sustainable prices.

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Customer net promoter score	> + 4		Trending upwards		
Customer complaints volume	< 2,300	< 2,200	< 2,100	< 2,000	< 1,900

## 3.3. Our People

Our goal is to keep safe, build trusting relationships and enable our people to deliver value. We aim to develop a constructive culture and achieve high levels of employee engagement.

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Employee engagement	> 53%		Improvement year-on-year		

## 3.4. Our Business

Our goal is to manage our assets to deliver safe and reliable services while transforming our business. We aim to maintain present network service performance whilst bringing poorly performing communities up to regulated performance standards. Just to keep costs at current levels in nominal terms requires us to find efficiencies. We also need to invest in improving our business.

### Network service

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Service incentive bonuses earned (Transmission & Distribution) <sup>3</sup>	> \$3.35m	> 10% of available bonuses	> 10% of available bonuses	> 10% of available bonuses	> 10% of available bonuses

### Sustained cost management

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Operating expenditure (\$m) <sup>4</sup>	156.2	159.6	163.3	166.5	169.8
Capital expenditure (\$m)	239.1	213.8	241.5	192.4	192.0

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<sup>3</sup> Targets set by the Australian Energy Regulator

<sup>4</sup> Excludes operating costs associated with Project Marinus

### 3.5. Our Owners

Our goal is to operate our business to deliver sustainable shareholder outcomes. We aim to provide an appropriate return on assets and equity, dividends to shareholders and a resilient balance sheet while maintaining our corporate reputation.

Consistent with national competition principles, customers in Tasmania should not receive different network outcomes because of our Government ownership. To this end, our income is based on a benchmark entity, with debt levels and costs, and tax rates set independent of ownership. On the cost side, our interest costs reflect our gearing levels, and we make tax equivalent payments and guarantee fee payments to the State of Tasmania. For our regulated services, shareholders expect us to achieve a rate of return consistent with our regulated rate of return.

TasNetworks consolidated performance

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Earnings before Interest, Tax and Depreciation (EBITDA) (\$m)	≥ 303.4	≥ 307.8	≥ 323.1	≥ 335.1	≥ 347.3
Profit after tax (\$m)	≥ 24.4	≥ 15.5	≥ 14.9	≥ 23.2	≥ 28.5
Return on assets (%)	≥ 3.4	≥ 3.1	≥ 3.1	≥ 3.4	≥ 3.5
Return on equity (%)	≥ 2.3	≥ 1.4	≥ 1.3	≥ 1.9	≥ 2.2
Regulated services return consistent with AER decision	Achieved	Achieved	Achieved	Achieved	Achieved
Dividends (\$m)	≥ 28.9	≥ 14.8	≥ 7.1	≥ 6.4	≥ 13.4
Gearing ratio (%) – debt to total assets	66.2%	65.1%	64.3%	62.9%	61.4%

## Large unregulated connections

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Revenue (\$m)	≥ 7.9	≥ 9.4	≥ 12.9	≥ 13.2	≥ 13.6
EBITDA (\$m)	≥ 6.2	≥ 7.3	≥ 10.1	≥ 10.4	≥ 10.7

## Project Marinus<sup>5</sup> – business case assessment/ design and approvals phases

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Project milestones	Business Case Assessment by 31 Dec 2019	Progress the Design & Approvals phase		Final Investment Decision	

## Fortytwo24 Pty Ltd<sup>6</sup> (includes unregulated telecommunications, data centre and IT services)

Performance measure	Target 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Revenue (\$m)	≥ 17.8	≥ 19.0	≥ 20.0	≥ 21.0	≥ 22.0
EBITDA (\$m)	≥ 10.4	≥ 9.6	≥ 10.4	≥ 11.3	≥ 12.2

<sup>5</sup> Project Marinus is the feasibility and business case assessment for a second electricity link between Tasmania and Victoria co-funded by TasNetworks and ARENA. Project Marinus will commence the Design and Approvals phase with funding from the Commonwealth Government and Tasmanian Government support.

<sup>6</sup> Fortytwo24 Pty Ltd is a ring-fenced subsidiary of TasNetworks that provides unregulated, non-electricity services and complies with Australian Energy Regulator ring-fencing obligations.



DIRECTORS STATEMENT OF CORPORATE INTENT AND  
AGREEMENT OF SHAREHOLDING MINISTERS

The Board of Tasmanian Networks Pty Ltd agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this Statement of Corporate Intent the Board of Tasmanian Networks Pty Ltd commits to the targets proposed for the 2019-20 financial year, to the extent that those targets are within TasNetworks' control.

This Statement of Corporate Intent has been agreed between:



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Dr Dan Norton AO  
Chairman  
Tasmanian Networks Pty Ltd  
On behalf of the Board

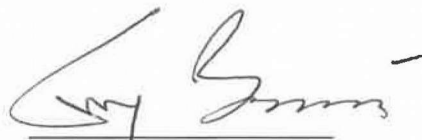
AND

Shareholding Ministers



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Hon Peter Gutwein MP  
Treasurer  
Member



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Hon Guy Barnett MP  
Minister for Energy  
Member