

# **Tasmanian Networks Pty Ltd (TasNetworks)**

## **Statement of Corporate Intent 2020-21**

**31 July 2020**

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 2020-21 reporting period.

# 1. Company Overview

TasNetworks owns, operates and maintains the electricity transmission and distribution network in Tasmania. We deliver a safe, cost-effective and reliable electricity supply to more than 295,000 residential, commercial and industrial customers. We facilitate the transfer of electricity between Victoria and Tasmania via Basslink, the sub-sea electricity interconnector. We also provide telecommunications and technology services. We are owned by the State of Tasmania and operate as a commercial business with assets around \$3.5 billion.

Our responsibilities include:

- Keeping our people and our customers safe
- Tasmanian jurisdictional planner in the National Electricity Market
- Maintaining and replacing network infrastructure to ensure a reliable service for our customers
- Connecting new customers to the network (including small and large-scale generators)
- Investing in the network to support capacity growth
- Operating the network on a day-to-day basis, including all power outage restoration
- Maintaining the public lighting system
- Recording and providing regulated meter data to retailers
- Providing telecommunications, data centre and information technology services to customers, including those in the Tasmanian electricity supply industry.

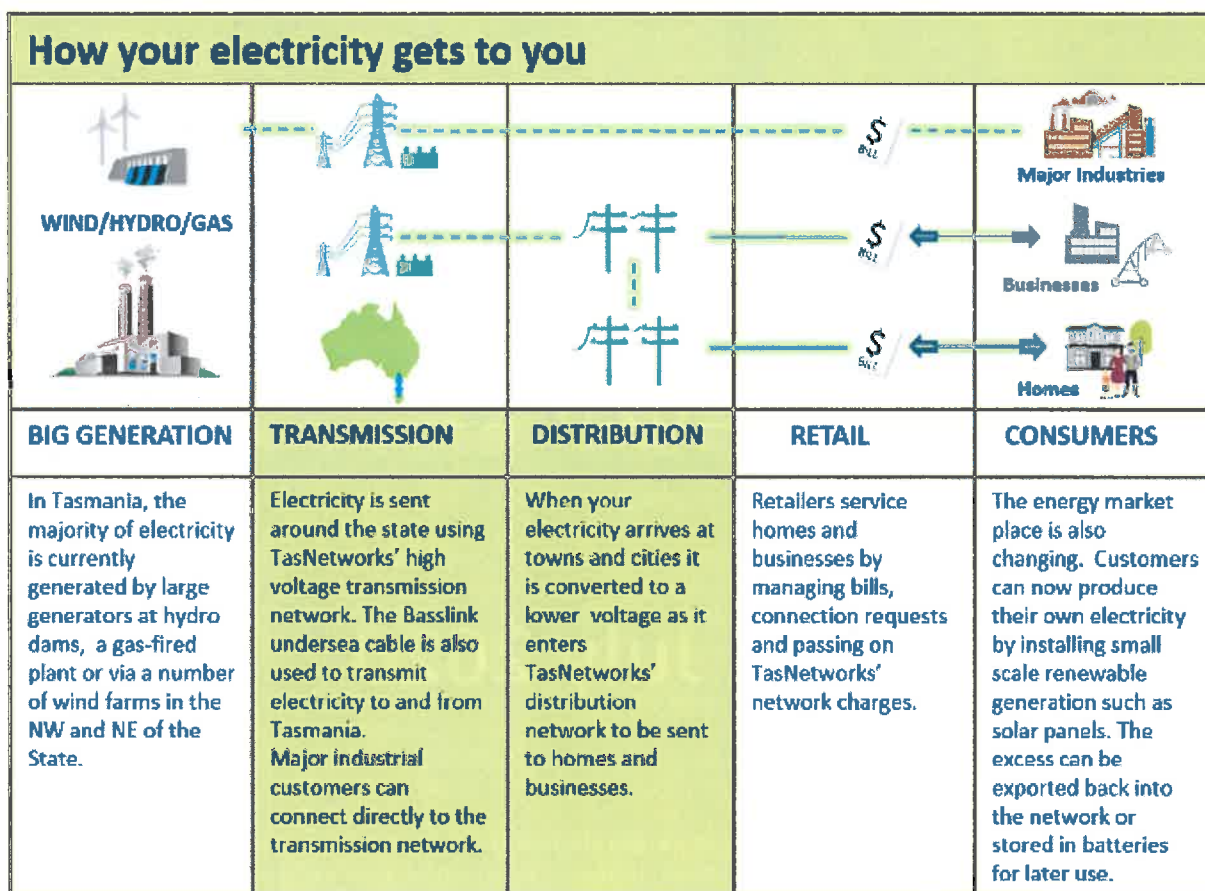


Figure 1 - Our place in Tasmania's electricity supply industry and our service relationship with customers

The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), FortyTwo24 Pty Ltd, Marinus Link Pty Ltd and Large Scale Renewables Pty Ltd.

FortyTwo24 provides telecommunications, information technology and data centre services to Tasmanian customers, including those in the Tasmanian electricity supply industry. This business is developing new growth opportunities within the current services and also opportunities to provide unregulated energy services.

Marinus Link owns the intellectual property created and assets acquired in the course of conducting the Project Marinus feasibility assessment and the next phases of the project including the design and approvals phase to deliver all the work required to reach a final investment decision so that Marinus Link can be ready when the national electricity market needs it. This structure provides flexibility in future financing options.

The Large Scale Renewables Pty Ltd subsidiary is intended to own unregulated assets that connect wind farms and other generation connection assets in Tasmania. The asset base is to be underwritten by long-term agreements and cash flows from the connecting customers.

## 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. At the time of updating the Abridged TasNetworks 2020-21 Corporate Plan Amendment 31 July 2020 for the likely impacts of COVID-19, the pandemic is still active and causing disruptions. We will continue to assess our performance measures and targets as we gain more information of new impacts from the pandemic.

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 is implementing its Safety and Wellbeing Strategy in the 2019–2021 period. 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 2020-21                                          |
|------------------------------------------------|---------------------------------------------------------|
| Safety & Wellbeing (S&W) Plan                  | Lift Safety & Wellbeing maturity to 'Established' level |
| Total Recordable Injury Frequency Rate (TRIFR) | < 7                                                     |
| Significant incidents <sup>1</sup>             | < 13                                                    |
| Reportable incidents <sup>2</sup>              | < 45                                                    |

<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 2020-21 |
|------------------------------|----------------|
| Customer net promoter score  | > +5           |
| Customer satisfaction        | > 7.6          |
| Customer complaints – volume | < 2,000        |

## 3.3. Our People

Our goal is to keep people 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 2020-21 |
|---------------------|----------------|
| Employee engagement | ≥ 70 %         |

### 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 2020-21 |
|-------------------------------------------------------------------------------------|----------------|
| Service incentive bonuses earned – transmission and distribution <sup>3</sup> (\$m) | ≥ 3.71         |

#### Sustained cost management

| Performance measure                      | Target 2020-21 |
|------------------------------------------|----------------|
| Operating expenditure (\$m) <sup>4</sup> | < 164.3        |
| Capital expenditure (\$m)                | 228.7          |

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<sup>3</sup> Service incentive bonuses and penalties are set by the AER. To earn a bonus, service levels provided have to be above the previous long-term levels.

<sup>4</sup> Excludes operating expenditure 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.

The targets set for 2020-21 take into account the forecast impacts of COVID-19.

#### TasNetworks consolidated performance

| Performance measure                                    | Target 2020-21                         |
|--------------------------------------------------------|----------------------------------------|
| EBITDA (\$m)                                           | ≥ 285.9                                |
| Profit after tax (\$m)                                 | ≥ 13.2                                 |
| Return on assets (%)                                   | ≥ 2.8                                  |
| Return on equity (%)                                   | ≥ 1.3                                  |
| Regulated services return consistent with AER decision | Not applicable in 2020-21 <sup>5</sup> |
| Dividends (\$m)                                        | ≥ 20.4                                 |
| Gearing ratio (%) – debt to total assets               | < 66.7                                 |

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<sup>5</sup> TasNetworks over recovered regulated revenue in 2019-20. To ensure fair outcomes for customers, TasNetworks has reduced revenue recovery in 2020-21 to offset the over-recovery. This results in lower returns in 2020-21. We are on track to achieve returns for regulated services consistent with the AER decision over the five year revenue period.

### Large unregulated connections

| Performance measure | Target<br>2020-21 |
|---------------------|-------------------|
| Revenue (\$m)       | ≥ 5.2             |
| EBITDA (\$m)        | ≥1.4              |

### Project Marinus<sup>6</sup>

| Performance measure | Target<br>2020-21                       |
|---------------------|-----------------------------------------|
| Project milestones  | Progress the Design and Approvals phase |

### Fortytwo24 Pty Ltd (includes competitive telecommunications, data centre and IT services)

| Performance measure | Target<br>2020-21 |
|---------------------|-------------------|
| Revenue (\$m)       | ≥ 18.1            |
| EBITDA              | ≥ 3.7             |

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<sup>6</sup> TasNetworks is progressing Project Marinus on behalf of the State of Tasmania. Project Marinus is the feasibility and business case assessment for a second electricity link between Tasmania and Victoria. The business case assessment report was released on 4 December 2019. The Design and Approvals (D&A) phase has commenced. Achievement of milestones is subject to funding certainty for the D&A phase.



**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 2020-21 financial year, to the extent that those targets are within TasNetworks' control.

This Statement of Corporate Intent has been agreed between:

*Dan Norton*

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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  
**Premier**  
**Treasurer**  
**Member**



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Hon Guy Barnett MP  
**Minister for Energy**  
**Member**

