

## Statement of corporate intent

Hydro Tasmania is the trading name of the Hydro-Electric Corporation, an integrated energy business owned by the State of Tasmania. The Minister for Energy has portfolio responsibility for Hydro Tasmania. Hydro Tasmania operates under the *Government Business Enterprises (GBE) Act 1995* and the *Hydro-Electric Corporation Act 1995*. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year which provides an overview of the business and our strategic direction.

## Our business

Hydro Tasmania's primary purpose is to 'efficiently generate, trade and sell electricity and environmental energy products in the National Electricity Market (NEM).'

Hydro Tasmania is Australia's largest producer of renewable energy and largest water manager. For more than a century, Tasmanians have relied on our *hydropower* to grow and support the state's communities and economy. We have led clean energy innovation in Australia - building *55 major dams*, 30 hydropower stations and some of the nation's largest wind farms. We employ more than 1,100 people, mostly in Tasmania.

Hydro Tasmania sells energy into the National Electricity Market. Our retail business *Momentum Energy* sells energy and energy services to businesses and residential customers on Mainland Australia, and provides retail services to the Bass Strait Islands. Hydro Tasmania also offers world-renowned expertise through our specialist consulting firm *Entura*.

Today, Hydro Tasmania stands ready to help realise the full potential of Tasmania as the *Battery of the Nation*. We have the skills, experience and passion to help create an energy future that's clean, reliable and affordable.

We care, we collaborate, we innovate, we achieve. We are powering generations.

The primary activities of the Hydro-Electric Corporation are shown in Figure 1 and the ownership structure (active entities) is shown in Figure 2.



Figure 1 – Primary activities

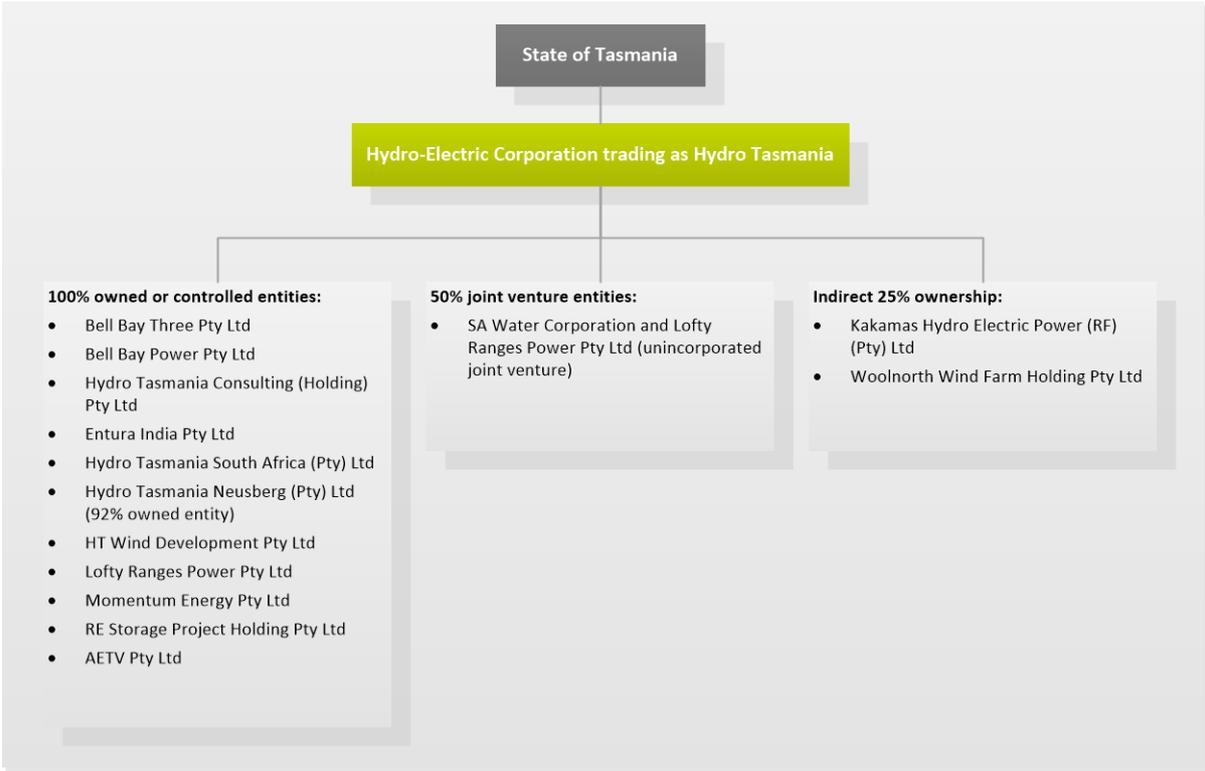


Figure 2 – Ownership structure (active entities)

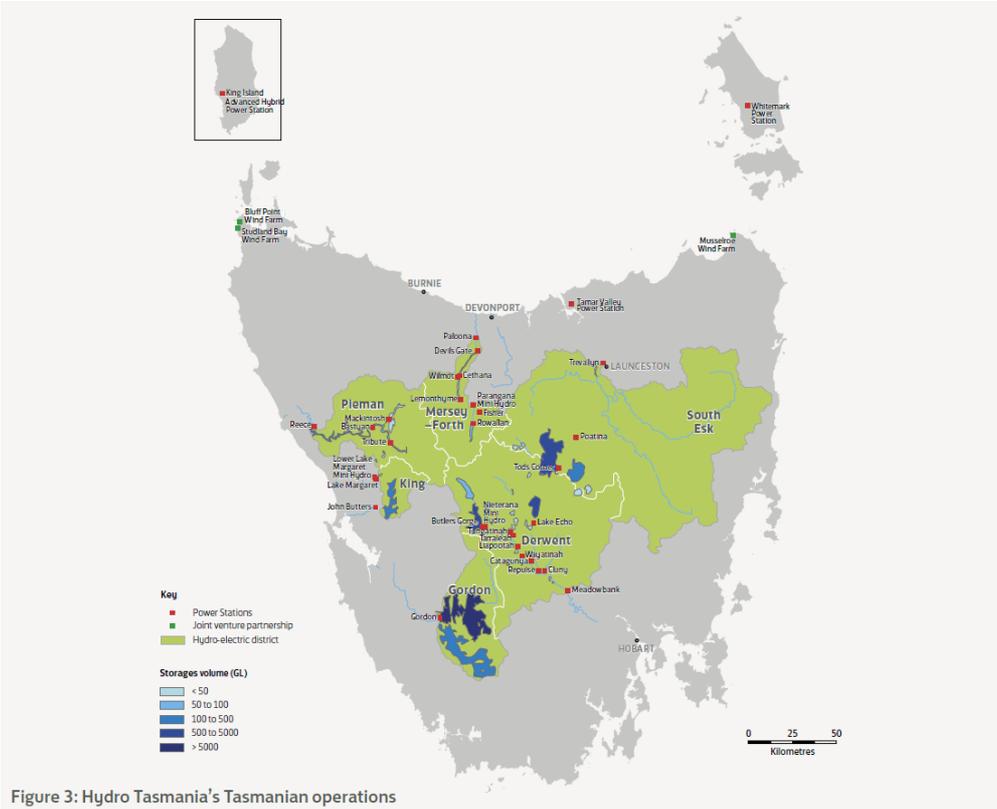


Figure 3: Hydro Tasmania's Tasmanian operations

## **Operating environment**

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transformation. The need for clean energy in the NEM has never been greater, after a series of fossil fuel power stations closing in the past few years. Tasmania is uniquely placed to help lead Australia through its energy challenges. Large storage devices like batteries and pumped storage hydro will become much more important as Australia seeks to replace coal-fired power and get more energy from other sources, including solar and wind.

Aspects affecting Hydro Tasmania's operating environment include the following:

- An illiquid wholesale market due to the high degree of vertical integration and closure of Hazelwood Power Station in Victoria.
- A highly competitive national electricity retail market.
- Changes in the way that electricity is produced, sold, bought and consumed due to developments in technology and enhanced customer awareness.
- Uncertainties and change in national renewable energy and climate change policies.
- The review of the Tasmanian energy security settings.

## **Our strategic direction**

Our vision is to be Australia's leading clean energy business, inspiring pride and building value for our owners, our customers and our people. Our strategy seeks to deliver on this vision by providing profitable revenue growth, ensuring a customer-first approach and maintaining our renewable energy generation assets for future generations.

We will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible to assist the Government achieve its vision of restoring energy as a competitive advantage for Tasmania, as outlined in the Government's Tasmanian Energy Strategy. This includes working with the recommendations of the Tasmanian Energy Security Taskforce to help ensure Tasmania's energy security.

Our mainland retail brand Momentum Energy will continue to create value for all Tasmanians as we grow customer numbers on the mainland, by strengthening and diversifying revenue sources and mitigating exposure to strategic risks in the NEM. Our strategy continues to evolve to ensure we can respond flexibly to the rapidly changing operating environment. We will pursue profitable revenue growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks. In addition, the technological advancements developed for the King Island Renewable Energy Integration Project have positioned Hydro Tasmania to continue pursuing emerging opportunities in hybrid energy solutions.

The success of our business is underpinned by our people, the effective management of Hydro Tasmania's water resource and generation assets, and the systems and processes in place to support our business operation. Efficiencies in each of these areas are an essential part of our strategy and we are committed to making improvements in each of these areas so Hydro Tasmania can be Australia's leading clean energy business.

Key financial and non-financial performance indicators and associated targets for 2017-18 and estimates for 2018-19 to 2020-21 are set out in the following table.

Key performance indicators (KPIs)	Target 2017-18	2018-19	2019-20	2020-21
<b>Financial Indicators</b>				
Results before fair value movements and revaluations	\$41m	\$61m	\$117m	\$144m
Core gross borrowings	\$765m	\$702m	\$641m	\$623m
Return on equity	1.30%	1.91%	3.56%	4.31%
Capital expenditure*	Satisfactory external validation of the ten year asset management plan			
	For capital expenditure projects greater than \$500,000: 100% on time 100% on budget			
Cost savings target	Momentum Energy operating costs per account less than budget	Operating costs per account less than previous year		
	Net general operating expenses \$146.5m	Net general operating expenses to increase at 1%		
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget	Retail EBITDA greater than previous year		
<b>Non-financial Indicators</b>				
Lost time injury	0			
Portfolio availability	Availability target of 80 per cent achieved			
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties			
Storage levels - preferred minimum operating level	Consistent with the Prudent Storage Level (PSL)			
<b>Returns to government (accrual)</b>				
Ordinary dividend	\$0 million	\$13 million	\$30 million	\$74 million
Total other returns to government	\$24 million	\$31 million	\$46 million	\$54 million
<b>Total returns to government</b>	\$24 million	\$44 million	\$76 million	\$127 million

\* Measured against the targets approved via the Investment Management Team process

**Directors' Statement of Corporate Intent and Agreement of Shareholding Ministers**

In signing this Statement of Corporate Intent, the Board of Hydro Tasmania commits to the targets proposed for 2017-18 on a best endeavours basis, subject to Section 24 of the GBE Act. The Board of Hydro Tasmania agrees to provide the Shareholding Ministers with information on progress against the targets included in this Statement of Corporate Intent, as required under the Reporting Guidelines.

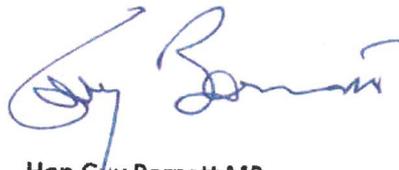
This Statement of Corporate Intent has been agreed between:



**G. V. Every-Burns**  
Chairman  
Hydro Tasmania  
on behalf of the Board



**Hon Peter Gutwein MP**  
Treasurer



**Hon Guy Barnett MP**  
Minister for Energy