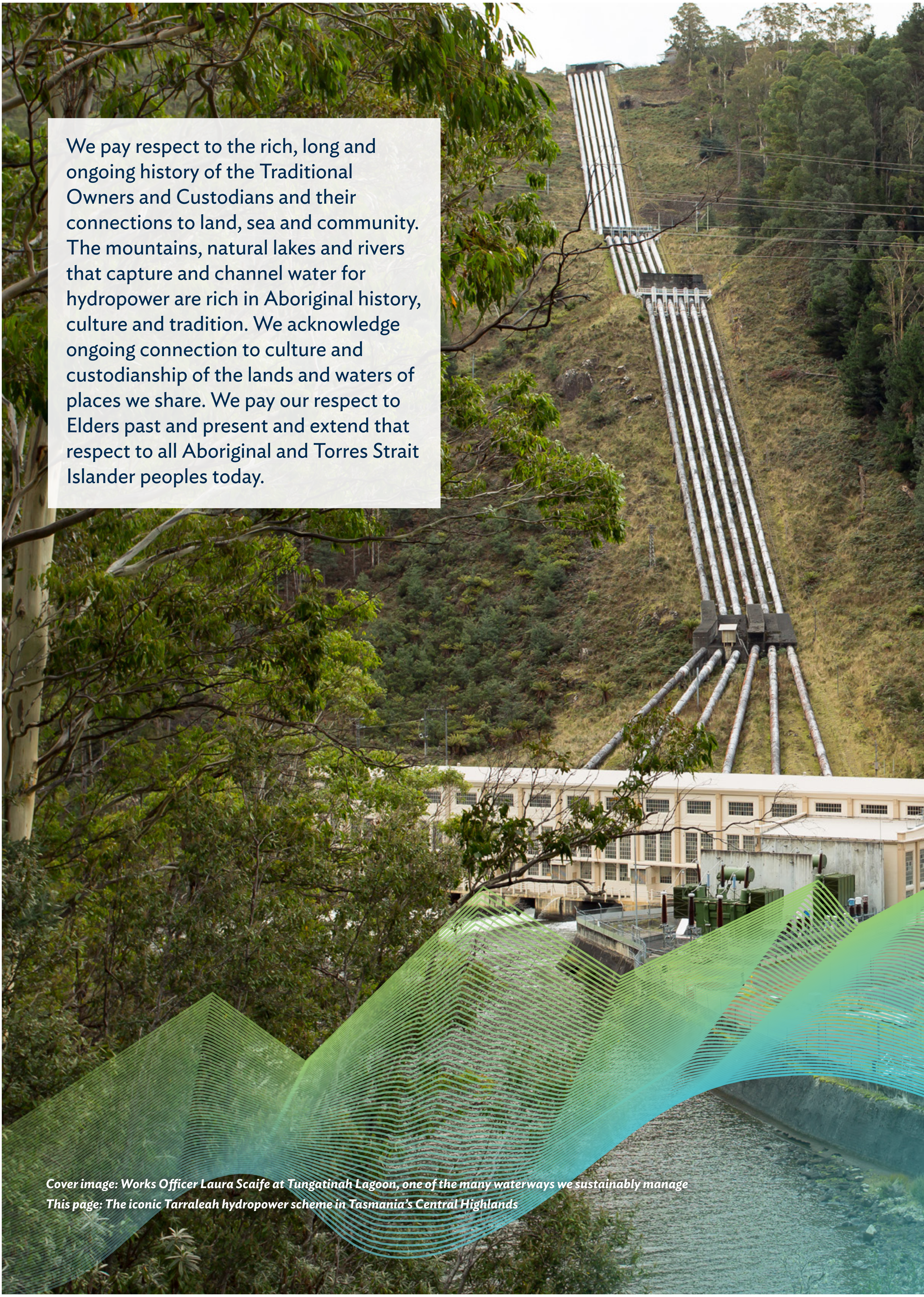
Hydro Tasmania

Powering a sustainable future

Annual Report 2022

We pay respect to the rich, long and ongoing history of the Traditional Owners and Custodians and their connections to land, sea and community. The mountains, natural lakes and rivers that capture and channel water for hydropower are rich in Aboriginal history, culture and tradition. We acknowledge ongoing connection to culture and custodianship of the lands and waters of places we share. We pay our respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



Cover image: Works Officer Laura Scaife at Tungatinah Lagoon, one of the many waterways we sustainably manage

This page: The iconic Tarraleah hydropower scheme in Tasmania's Central Highlands

Directors' statement

To the Honourable Guy Barnett MP, Minister for Energy and Renewables, in compliance with the requirements of the *Government Business Enterprises Act 1995.*

In accordance with Section 55 of the *Government Business Enterprises Act 1995,* we hereby submit for your information and presentation to Parliament, the report of the Hydro-Electric Corporation for the year ending 30 June 2022.

The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

Grant Every-Burns
Chairman, Hydro-Electric Corporation
September 2022

Helen Galloway
Director, Hydro-Electric Corporation
September 2022

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance

This tiny aquatic snail, thought to be extinct, was found alive and well at yingina / Great Lake as part of Hydro Tasmania's environmental surveys

This year saw unprecedented disruption in the electricity industry, a continued acceleration in the growth of renewable energy and a focus on creating a more resilient policy framework for our industry to support Australia's clean energy future.

Amid all of this, we have recorded a productive and successful year and advanced our hydropower projects through *Battery of the Nation*. With strong Tasmanian and Federal Government support, both *Battery of the Nation* and Marinus Link are recognised for the important role they will play in a stable, orderly market transition.

Changing climate and emissions reduction ambitions are driving this transition and the electricity industry needs to quickly adapt. Our rich history and expertise positions us at the leading edge of supporting the decarbonisation challenge. We continue to take positive steps towards both understanding the complex challenges of weather-driven renewable energy generation and the measures we need to take to carefully navigate a sustainable future.

We kept a constant focus on careful management of our storages, remaining comfortably above the High Reliability Level, and achieved strong returns through favourable trading conditions.

Throughout our history, it is our people that have underscored the success and sustainability of our business. This year, our focus has been on building a culture that allows our people to thrive and achieve great things for the benefit of Tasmania and Tasmanians.

Achievements

- We achieved a strong underlying profit of $149 million that exceeded the budgeted target.
- We continued to keep each other safe, achieving another record low Total Recordable Injury Frequency Rate (TRIFR) of 3.87.
- The *Battery of the Nation* initiative took a major step forward with a funding commitment from the Federal Government for progressing activity on reimagining the Tarraleah hydropower scheme. We also completed a technical feasibility assessment on our preferred pumped hydro site at Lake Cethana, gaining the level of confidence we need in the project's viability.
- Significant progress was made on our multi-year $80 million modernisation and maintenance program for Trevallyn, Catagunya and Lake Echo power stations and we invested in our Bass Strait island service capacity to meet increased consumer connection demand.
- Our ongoing commitment to diversity, equity and inclusion was demonstrated through the launch of a new, more equitable and progressive parental leave policy and participation in a national pilot program called RecruitAble, designed to increase the inclusion and accessibility of mainstream recruitment processes.
- Entura achieved a strong overall sales position (104% of target) and also met its international sales target.
- Entura was successfully recertified for its quality, environment and safety systems, without non-conformances identified and maintained a quality system maturity score of 5 out of 5.
- Momentum Energy received a 4.5 star out of 5 rating in the influential 2022 Greenpeace Green Electricity Guide and was named by Choice as one of Australia's top 3 electricity providers.
- We secured funding through the Tasmanian Government's Supporting Women to Succeed Grants Program to run a Girls in Power event, designed to inspire young women on renewable energy career possibilities.

Hydro Tasmania's community grant supported the Jordan River Service to expand their breakfast program to include weekly fresh fruit boxes for 5 local schools. The recipients are pictured with our Community Advisor Kate Hickey (back right).

Increased demand for new connections has seen us invest in 2 new custom-built trucks for King and Flinders Islands. Pictured are King Island Production Supervisor Peter Kempster (left) and Executive GM Assets and Infrastructure Jesse Clark.

- We continued to invest in our recreational sites to provide an even better user experience for Tasmanians. This included upgrading the boat ramp at Dee Lagoon's Spillway Bay to make it easier and safer to use, in collaboration with Marine and Safety Tasmania (MAST). We also improved viewing areas and interpretation signage at lookouts at Tarraleah, Lake King William's Clark Dam and Lake Pieman's Reece Dam.
- Our commitment to community was demonstrated with funding of more than $50,000 provided to 9 organisations through our Community and Innovation Grants Program. We also supported Loaves and Fishes Tasmania with a $10,000 grant to provide healthy breakfasts at 6 local schools over the coming year.
- We provided sponsorship support to:
  - The Multicultural Council of Tasmania to deliver the inaugural Multicultural Tasmania Employer Conference, showcasing the benefits of a diverse workforce and resources to support recruitment in Tasmania.
  - The Clean Energy Council for the Chloe Munro scholarship for Transformational Leadership, established to honour the enormous legacy of Chloe's contribution to the clean energy industry and to support the next wave of female leaders.
- We continued our support of:
  - The Pinnacle Foundation, announcing the first recipient of the Hydro Tasmania Scholarship as part of our Gold Partner agreement. Through Pinnacle, LGBTIQ+ students aged 18 to 26 are provided opportunities, mentoring and scholarships that support their full-time tertiary study and help them realise their full potential.
  - Cricket Tasmania and the Hobart Hurricanes, this year becoming Principal Partner for the Women's Big Bash League (WBBL) and continuing as Official Big Bash League (BBL) Hobart Hurricanes Partner. We supported off-field activities which saw the Hurricanes visiting 65 schools for the Hydro Tasmania Community Cricket Blitz and we hosted 340 cricket fans at our Community Fun Day.
  - Engineers Australia Tasmania division Driving Diversity Scholarships which support more women entering engineering careers.

Challenges

- A number of external factors combined to create unprecedented disruption to the National Electricity Market and saw its suspension in June 2022 for the first time as a measure to stabilise the market. Hydro Tasmania remained strong through this period, reassuring Tasmanians that there was no risk to electricity supply, with more than sufficient generation to meet demand.
- Hydro Tasmania is having to adapt our workforce strategies for attraction and retention, as we experience the employment challenges being felt across many sectors, driven by a highly mobile workforce, record low unemployment levels and extremely competitive labour market.
- Disputes relating to Basslink have been ongoing during the year. In November 2021, Basslink Pty Ltd (BPL) and related entities entered voluntary administration. In February 2022, Hydro Tasmania terminated the Basslink Services Agreement (BSA) and related contracts with BPL as a result of ongoing performance and financial defaults. There are Federal Court Proceedings underway between BPL's receivers and related parties in relation to the validity of those terminations and related matters. Hydro Tasmania is defending its position. In 2022, an inquiry was commenced by the Tasmanian Parliamentary Standing Committee of Public Accounts into the decision to terminate the BSA.

Awards

- Hydro Tasmania won Best ICT Partnership at the TasICT annual awards for our long-term partnership with Dell Technologies.
- Inga Playle, Hydro Tasmania's IT Innovation and Spatial Lead, won Regional Professional of the Year at the 2021 Asia-Pacific Spatial Excellence Awards.
- Entura's Spatial and Data Services Team won the Spatial Industries Association and Geospatial Information & Technology Association award at the Asia-Pacific Spatial Excellence Awards for their work on *Battery of the Nation*.
- Entura won 2 top accolades at the 2021 Engineers Australia Tasmania branch awards, with Paul Southcott taking out Engineer of the Year and Drew Shaw winning Engineering Technologist of the Year.

Our vision

Empower people and communities with clean energy

Our values

We keep each other **safe**

We are all about our **customers**

We are better **together**

We find a **way**

We do the **right** thing

Above: Environmental scientist Andy Taylor surveying the water quality and fish health at Lake Binney

Contents

Above: Area Coordinator Leah Powell at Mackintosh Dam on Tasmania's West Coast

Message from the Chairman and Chief Executive Officer

Chairman Grant Every-Burns

Chief Executive Officer Ian Brooksbank

Foreword

This year has brought into sharp focus the dynamic - and more recently, disruptive - nature of the electricity industry and the need to accelerate Australia's transition to a clean energy future.

It has reinforced that we must remain steadfast in our commitment to powering a sustainable future for our business, our people and the communities in which we live and work. Sustainability is not just about clean, renewable energy generation. It touches every part of our business and is represented in our many initiatives, great and small, that support our people, the community, the economy and the environment in our day-to-day operations.

This focus is more important than ever to ensure our ongoing sustainability and build on our proud legacy for the benefit of future generations.

Despite the volatility seen in the energy market, it's been a successful year for the business, driven by the passion, commitment and hard work of our people to deliver positive outcomes for Tasmania.

Encouraging steps were taken on our renewable energy vision for *Battery of the Nation*. Leveraging our natural advantages will bring benefits flowing back to Tasmania, along with the pride that comes from playing an important role in supporting Australia's clean energy transformation.

We achieved positive results on many fronts - prudently managing storages in a year of inconsistent inflow patterns, progressing initiatives that promote diversity, equity and inclusion, a strengthened focus on waste reduction and management, helping communities thrive by supporting a diverse range of programs and carefully maintaining and modernising our generation asset portfolio.

We finished the year in a strong financial position and continued to focus our efforts on building the skills and capabilities of our people to forge a bright future, supported through an inclusive and vibrant culture.

This provides a strong and stable platform to meet the challenges ahead, seize the opportunities and to drive a sustainable clean energy future that will bring many opportunities for Tasmania.

I am very pleased to confirm the appointment of Ian Brooksbank to the role of Chief Executive Officer. Ian was Acting CEO since September 2021 and Chief Financial Officer for 2 years prior. Ian has provided strong leadership to Hydro Tasmania, delivered positive financial performance and demonstrated a high level of care for our people and the Tasmanian community.

On behalf of the Board, I welcome Ian to the role. He will continue to lead Hydro Tasmania through the unprecedented disruption Australia's energy industry is experiencing as we work to realise the Battery of the Nation opportunity.

***Grant Every-Burns**, Chairman*

Operations report

Our support of Engineers Australia Driving Diversity Scholarships encourages more women to enter engineering careers and the 2021 recipients are getting a first-hand look at our Cambridge workshop. They are pictured with The Honourable Jane Howlett MP (left), Entura Managing Director Tammy Chu (second from right) and Delivery Manager Tim Tritton.

Our people

At the heart of our business is the generation of clean energy. As the electricity market continues its transformation, we must adapt quickly to take advantage of opportunities that will grow our business and return economic value to Tasmania.

Underpinning this is building a strong, inclusive and vibrant culture that inspires our people and enables both attraction and retention of talented staff. We are focused on enhancing our employee experience, investing in the evolution of our culture and creating positive sustainable change.

Workforce planning is also critical to ensure we build the skills and capabilities to meet the challenges and opportunities of a transforming electricity sector. We are focused on new career development and learning opportunities for our people and continue to invest in our graduate and apprentice programs.

Our commitment to workplace inclusion and improving the lives of people with disability is embedded in our Disability and Inclusion Action Plan. One of our goals aims to increase employment opportunities for people with disability. This year, we were proud to be part of a national pilot employment program called RecruitAble. It is designed to increase the inclusion and accessibility of mainstream recruitment processes by enhancing capacity and capability to employ more candidates with disability.

A new, more equitable and progressive parental leave policy was launched, alongside a comprehensive digital platform that provides our people who are carers with practical support across all life stages. Our new policy makes it easier for all working parents to spend time caring for their children, creating the conditions where parents don't have to choose between parenting and having a career.

Our specialist consulting team, Entura, moved to the Hobart office in April, from Cambridge, fostering further collaboration and team connections across our businesses.

COVID-19 again influenced how we kept our people safe, particularly as restrictions were eased in Tasmania and around Australia. We adapted our operations to continue to protect our people and the community, ensure ongoing reliable renewable energy generation and minimise disruption to our business and customers.

Bradys Lake in the Central Highlands is a world renowned white water site and this year, hosted the National Canoe Slalom Championships

For Tasmania

As a major contributor to Tasmania's economy and prosperity, we provide much needed funds to hard working volunteer groups through our Community and Innovation Grants Program. This year saw us provide over $50,000 to 9 diverse organisations across Tasmania, supporting community groups to achieve great outcomes.

Following on from our collaboration with Aurora Energy and TasNetworks to develop and fund an Energy Advocate position at the Tasmanian Council of Social Services (TasCOSS), this year we were proud to again partner with these organisations on TasCollab. This work gives a unique opportunity to better understand the issues facing different Tasmanian communities and facilitate projects to tackle drivers of disadvantage.

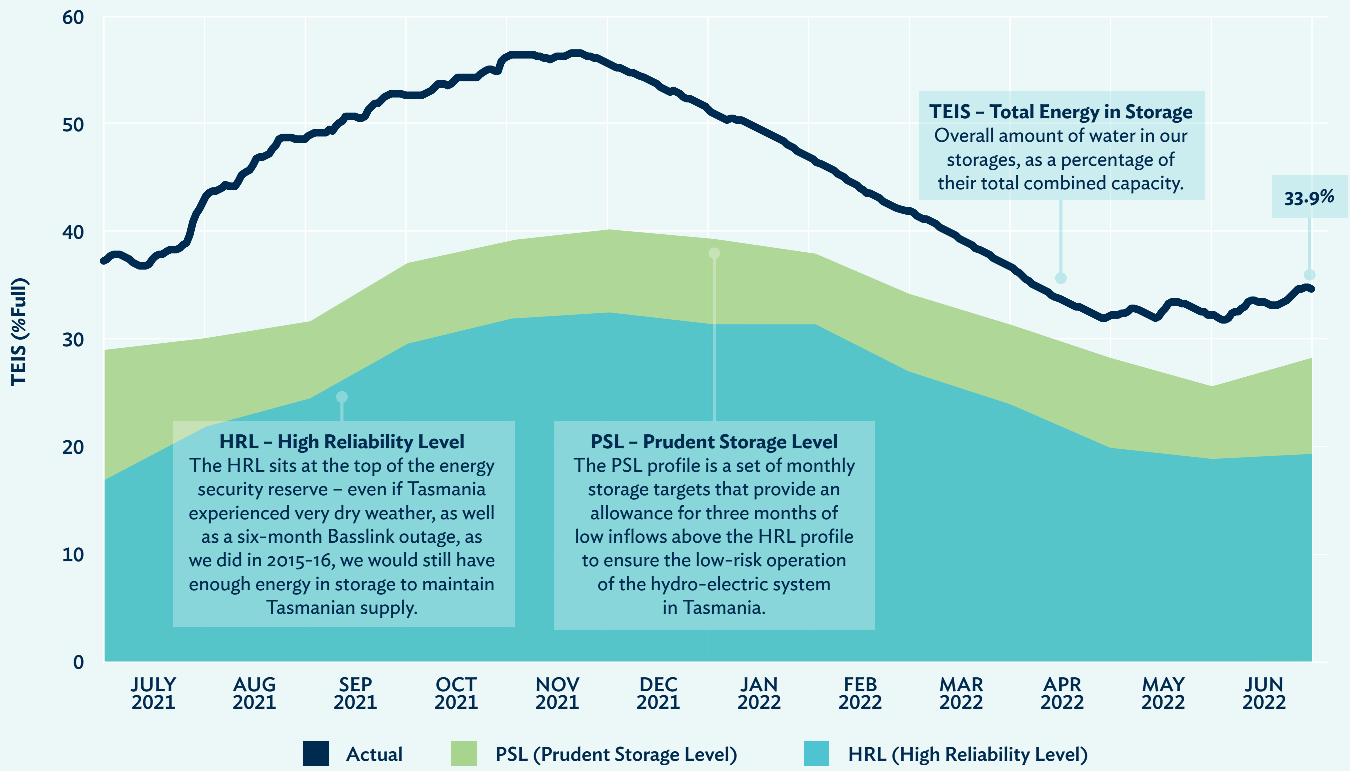
Hydro Tasmania's activities intersect with the cultural values and wellbeing of First Nations people on many levels. This year, we committed to the development of a strategic framework to ensure our existing and future activities support and encourage long-term positive outcomes for Aboriginal and Torres Strait Islander people in Tasmania and across our broader operations.

Our approach is focused on 3 areas - working with Aboriginal people to protect and enhance cultural values and practices; encouraging economic participation and representation of First Nations people through the development of employment and procurement strategies; and supporting the State Government processes of Treaty and Truth Telling.

This year, we developed an Acknowledgement of Country toolkit and commissioned an artwork by Tasmanian Aboriginal artist Bianca Templar for our head office, in partnership with an Aboriginal owned enterprise. We engaged with Aboriginal people to plan for rehabilitation of an Aboriginal heritage site in the Tasmanian Wilderness World Heritage Area. We supported the Long Walk and Indigenous Round for Rocherlea Football Club, the Tasmanian Museum and Art Gallery's *taypani milaythina-tu – Returning to Country* project, and initiatives and events around NAIDOC Week and Reconciliation Week.

Our water storages are managed for a variety of uses, balancing renewable energy generation with providing paddlers, rowers and fishers access to the lakes, rivers and lagoons they enjoy. Our program of planned water releases supports a range of activities including this year, the National Canoe Slalom Championships at Bradys Lake. This event attracted more than 100 of the country's top athletes to our internationally recognised white-water site.

Figure 1: How we measure energy security



A review of the PSL and HRL profiles was completed by the Office of the Tasmanian Energy Regulator (OTTER), following the completion of new wind farms and resultant impact on Tasmania's electricity generation, and took effect on 1 September 2021.

Waddamana Power Station Heritage Site is a much loved museum and this year, we started upgrades to make it an even better place to visit. The works include a new carpark, new pathway access, improved signage and an electric vehicle charging station that is free for public use.

We are passionate about acting sustainably and going beyond compliance requirements in looking after our environment, everything from keeping our waterways healthy to better managing the waste we produce. We're working hard to reduce how much waste we generate and send to landfill by reusing, repurposing and recycling.

This year, we engaged a circular economy consultancy to help us take a fresh look at our operations, using our Gowrie Park stores facility as a case study for initiatives we could implement. A circular economy approach is about designing out waste and pollution, keeping products and materials at their highest value for as long as possible, and regenerating our natural systems. We're looking for ways to put circular principles into practice to transform how we source, store and consume products and materials across the business. We want to lead positive change within our supply chains that help reduce the impact of waste in Tasmania.

Having a skilled, diverse and motivated workforce will be critical to Hydro Tasmania's future success. We take an active role in inspiring young people through our Generation Hydro education program. Our team regularly visits schools around the state, using interactive, fun activities to showcase renewable energy. We offer career exposure programs for secondary students through our partnership with the Beacon Foundation.

Entura's Beth Scott, a civil engineer based in Hobart, was co-opted to Engineers Australia's National Committee for Women in Engineering for 2022, to represent and advocate for Tasmania's aspiring, emerging and established female engineers.

Energy security

Hydro Tasmania maintained a secure level of energy in storage throughout the year, comfortably remaining above the High Reliability Level required by the Tasmanian Energy Security Risk Response Framework. Inflows for the year were slightly above average, with wetter than average conditions in winter and spring offsetting an historically dry 5-month period over summer and autumn. Total Energy in Storage ending June 2022 was at 33.9 per cent.

Finances

We delivered a strong yearly result for the people of Tasmania, with an underlying profit of $149 million, 30 per cent above our corporate target of $115 million. This positive result was built on favourable trading conditions in the National Electricity Market (NEM), with higher prices and above average rainfall inflows allowing for increased electricity generation.

A strong dividend will be returned to the State Government, supporting the people of Tasmania through economic stimulus and the funding of vital infrastructure and services.

As we have seen during the year, the continuing energy market transition and world events are bringing market volatility, with the last 3 months of the year seeing prices at record highs in the NEM. This reinforces our continued journey of business adaption to ensure a sustainable future and successful ongoing operations.

Hydro Tasmania's net debt (inclusive of lease liability) at 30 June 2022 was $543 million which has decreased by $131 million largely due to the group's futures position being favourable against the background of higher market prices. As at 30 June 2022, Hydro Tasmania's gross borrowings were $700 million.

Investing in our hydropower assets

Our capital investment program invests in the maintenance and modernisation required to ensure our generation assets continue to deliver secure and reliable power now and for the next generation. This year, we invested in:

- Refurbishment works at 3 power stations to overhaul the assets and increase efficiency and capacity. This included Trevallyn Unit 1, Catagunya Unit 2 and Lake Echo (where we are undertaking extensive works on the turbines and water conveyance systems and enabling remote operation). These major projects represent a large portion of our capital investment, costing approximately $80 million over multiple years.
- Commencement of design and planning for other major works projects including:
  - Gordon Unit 2 and Poatina Unit 3;
  - Main inlet valve replacements at Gordon and John Butters power stations;
  - Crest gate replacement at Meadowbank to replace the hydraulic cylinders and associated piping, wiring and controls.
- Progressing our dam investment which includes planning for stage 2 of the Murchison Dam spillway upgrade and starting stakeholder engagement on the Edgar Dam strengthening project.
- Commencement of the replacement Energy Control System (ECS) project which will deliver automated control and dispatch of the generating assets. The ECS replacement will cost approximately $15 million over 2 years, with $4.3 million invested this year.
- On the Bass Strait islands, we invested $1.3 million on 2 new custom designed and built crane trucks to meet increased demand for new connections on King and Flinders islands. Hydro Tasmania is responsible for end-to-end service provision on the Bass Strait islands from energy generation to distribution and billing.

Battery of the Nation

Further positive steps were made on realising our *Battery of the Nation* ambitions.

Alongside Entura, we completed a technical feasibility assessment of our preferred pumped hydro site at Lake Cethana, looking at proposed design, environment, heritage and social considerations and cost and we shared our progress with the local community. We have now gained the level of confidence needed in the project's viability and are well positioned for the next stage.

The Federal Government's ongoing support for *Battery of the Nation* was welcomed, with a $65 million funding commitment announced for progressing activity on the Tarraleah hydropower scheme. This icon of our hydropower heritage is having its future reimagined, looking at how we could redevelop the scheme to increase capacity and flexibility – valuable requirements in a future energy market.

Marinus Link received a further funding boost, with a $75 million Federal grant to support completion of the Design and Approvals phase, through to a Final Investment Decision targeted for 2024.

Marinus Link will unlock Tasmania's full renewable energy potential and allow us to progress our bold vision to upgrade our hydropower system and add pumped hydro, to support Australia's rapid transition to renewables like wind and solar.

Momentum Energy

In December 2021, Hydro Tasmania appointed Lisa Chiba as the new Managing Director for our mainland retailer Momentum Energy. Lisa has spent 20 years working in the retail utilities and financial services sectors in Australia and the UK. She is focused on delivering a refreshed retail strategy that will see Momentum Energy continue to strengthen its green credentials and its ability to support customers as efficiently and effectively as possible.

Aligned to this refreshed strategic direction, Momentum's green credentials were boosted significantly with a 4.5 star out of 5 rating in the influential 2022 Greenpeace Green Electricity Guide. The high rating reflects Hydro Tasmania's position as Australia's largest generator of renewable energy and Momentum's own initiatives to promote renewables. The trusted consumer group Choice also named Momentum as one of Australia's top 3 electricity providers.

While COVID-19 and the unprecedented spike in wholesale electricity prices impacted on Momentum's operations, the business continued to deliver significant achievements including a new and simplified product range, increasing the number of customers on direct debit, bill smoothing and GreenPower, while recording its lowest ever number of complaints to the Ombudsman.

In December, it was announced that Momentum had delivered ahead of schedule on the State Government's commitment to bring more than 70 jobs to Tasmania. There are now around 100 roles at Cambridge and Hobart, covering call centre sales roles as well as jobs in customer service, retail IT, learning and development, people and culture, credit, operations and change management.

Entura

Our specialist power and water consulting business has delivered excellent service delivery results both nationally and internationally in a year once again challenged by COVID-19 impacts. Through careful planning and risk management processes, our teams returned to international travel, better connecting with our overseas clients to support project and service delivery.

During the year, Entura supported the national renewable energy transition through involvement in 3.5 GW of renewables projects. Internationally, Entura continued to support diesel replacement programs in the Pacific, bringing financial benefits and delivering on climate change objectives.

Entura continued its work as Owner's Engineer for the Kidston Pumped Storage Project in Queensland, with construction now well underway. Entura will provide a range of services during the construction phase including detailed design and engineering verification, review of EPC contractors' plans, and grid connection arrangements, project management, construction and commissioning advice.

Entura's strong relationship with Genex Power has also seen them provide advice on other projects including grid connection studies and support for its solar projects and wind monitoring.

Entura provided expertise to coordinate commissioning of the new Jabiru Power Station in the Northern Territory's Kakadu National Park, drawing on experience in hybrid off-grid power systems. Entura was instrumental in enabling the hybrid power station to deliver reliable, renewable energy for Jabiru.

Entura's Managing Director, Tammy Chu, will continue to provide a voice for Tasmania and Australia in shaping and guiding the International Hydropower Association's work at a crucial time in the global clean energy transition, after being re-elected to their Board.

Entura entered a 3 year partnership with Engineers Australia to offer a business-to-business pathway for Entura's engineers to achieve chartered status through the Engineering Workforce Credentialing (EWC) Program.

A brand refresh was completed, which better reflects Entura as a modern, forward thinking and people focused consulting business.

Entura improved its service delivery performance for the third consecutive year, again demonstrating commitment to clients despite the pandemic and its challenges. The 'excellence score' looks at client feedback on reliability, responsiveness, competency and trust.

National energy policy

In the face of unprecedented change in our sector this year, Hydro Tasmania continued to take an active role in advocating for the energy and climate policy that will provide long-term market stability and a framework that supports investment confidence. There has been significant policy activity in the past 12 months as the industry's regulatory bodies tackle key challenges in a rapidly transforming market.

As long-standing members of the International Energy Agency Technology Program on Hydropower and the International Hydropower Association (IHA), Hydro Tasmania and Entura have continued to share our expertise and experience on the international stage.

Waddamana Power Station Heritage Site attracts thousands of visitors every year and we've upgraded facilities to make it an even better place to visit

Climate adaptation

Our climate is changing, driving the need for the electricity industry to adapt and carefully navigate a sustainable future.

As Australia's largest generator of renewable energy, our rich history and expertise position us at the leading edge of supporting Australia's decarbonisation challenge. It is more important than ever to have accurate forecasts of rainfall, wind and cloud cover.

Our relationship with the Bureau of Meteorology provides us with expert meteorological and climatological services. This agreement was first signed in 2018 and sees us receive specialist weather updates, insight and analysis of historical conditions and long-term climate outlooks and tailored information such as seasonal rainfall outlooks and high-impact severe weather forecasts. This information is critical to support and inform decision making and planning for our operations. It reflects our continued commitment to tackle the complex challenges and impacts the weather can have on energy management as we work towards a clean energy future.

As a renewable electricity generator, Hydro Tasmania has a very low emission profile. We have reduced our scope 1 and 2 emissions by 350,000 tonnes (of carbon dioxide equivalents) over the last 6 years and we aim to reduce our emissions further. We are continuing work to quantify our scope 3 emissions and working towards targets that will underscore our ambitions to achieve net zero emissions.

Conclusion

Tasmanians can feel proud of our achievements and share our sense of confidence as we continue to build a strong and sustainable business. We are looking forward to another positive year with exciting opportunities to both contribute to Australia's future energy needs and secure our own prosperous future for the benefit of our custodians, the people of Tasmania.

Above: ***We manage our waterways for a variety of uses with angling and kayaking being popular at sites around Tasmania***

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. Hydro Tasmania operates under the *Government Business Enterprises Act 1995* (GBE Act) and the *Hydro Electric Corporation Act 1995*. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year that provides an overview of the business and our strategic direction.

Hydro Tasmania

Hydro Tasmania is Australia's leading clean energy business, 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.

Momentum Energy

Our electricity and gas retailer, Momentum Energy, is a leading supplier of electricity and gas solutions to business customers and residential markets across Australia, providing competitive rates and quality sustainable products and services.

Entura

Our consulting business, Entura delivers clever solutions in water and energy to clients locally, nationally and internationally.

Figure 2: Active ownership structure

State of Tasmania

Hydro-Electric Corporation trading as Hydro Tasmania

Wholly-owned and controlled subsidiaries

- AETV Pty Ltd
- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd
- HT Wind Operations Pty Ltd
  - HT Wind Developments Pty Ltd
  - Hydro Tasmania Retail Pty Ltd
  - Heemskirk Holdings Pty Ltd
    - Heemskirk Wind Farm Pty Ltd
  - Woolnorth Bluff Point Holdings Pty Ltd
  - Woolnorth Studland Bay Holdings Pty Ltd
- Hydro Tasmania Consulting (Holding) Pty Ltd
  - Entura Hydro Tasmania India Private Limited
- Hydro Tasmania South Africa (Pty) Ltd
  - Hydro Tasmania Neusberg (Pty) Ltd (92% ownership)
- Lofty Ranges Power Pty Ltd
- Momentum Energy Pty Limited
- RE Storage Project Holding Pty Ltd

Joint Ventures (50% holding)

- Cathedral Rocks Constructions and Management Pty Ltd
- Terminal Storage Mini Hydro (SA Water Corporation and Lofty Ranges Power joint venture) - unincorporated

Associates (25% holding)

- Woolnorth Wind Farm Holding Pty Ltd
  - Musselroe Holdings Pty Ltd
    - Musselroe Wind Farm Pty Ltd
  - Woolnorth Wind Farm Finance Holding Pty Ltd
    - Woolnorth Wind Farm Finance Pty Ltd
      - Woolnorth Bluff Point Wind Farm Pty Ltd
      - Woolnorth Studland Bay Wind Farm Pty Ltd

Operating environment

Hydro Tasmania's strategic focus is to demonstrate long term commercial success and underpin State development targets in such a way that the State's natural water resource and infrastructure continues to sustainably drive economic growth.

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 station closures in recent years. Tasmania is uniquely placed to help lead Australia through its energy challenges. Large storage options like reservoir storage hydro, pumped storage hydro and batteries will become much more important as Australia seeks to replace coal-fired power and get more energy from other sources, including solar and wind.

Hydro Tasmania's operating environment is affected by:

- A volatile wholesale market driven by increasing penetration of variable renewables coupled with the sequenced closure of aging coal fired generation.
- 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 policies to combat climate change and meet energy supply requirements.

Our strategic direction

Hydro Tasmania is focussed on producing affordable and reliable electricity, profitably and effectively managing the risks faced by the business and achieving sustainable returns to government.

We will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible.

We will continue to manage our mainland retail brand Momentum Energy, creating value for all Tasmanians, 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 by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks.

The Battery of the Nation initiative is pursuing opportunities for Tasmania to make a substantially bigger contribution to a future NEM. Tasmania has the potential to dramatically increase its clean energy and firming capacity contribution to the nation by unlocking the full value of the capacity in Tasmania's hydropower system and renewable energy resources. If realised, this would be good for Tasmania's economy by delivering employment and attracting new industry and supporting reliable, cost competitive energy supply for customers in Tasmania and in the NEM.

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 lead Australia's renewable energy transition.

Key financial and non-financial performance indicators and associated targets for FY2021/22 and are set out in the table below. Dividend recommendations are made annually by Hydro Tasmania's Board, based on financial sustainability and other strategic considerations.

Table 1: Key Performance Indicators

Key performance indicators (KPIs)	FY2021/22
Financial Indicators	
Results before fair value movements and tax	$115m
Net debt	$720m
Return on equity	4.4%
Capital expenditure	Satisfactory external validation of the ten-year asset management plan
	For capital expenditure projects greater than $500,000: 100% on time and budget
EBIT improvement target	Operating expenditure (excluding retail and exceptional items) of $128m in FY2021/22
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget
Non-financial Indicators	
Total recordable injury frequency rate	<5
Portfolio availability	Availability target of 80 per cent achieved
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices
Storage levels	Consistent with the High Reliability Level

Returns to government (accrual)	
Ordinary dividend	$112m[1]
Other returns to government	$47m
Total returns to government	$159m

[1] As directed on 1 October 2021 under section 84(1)(c) of the *Government Business Enterprises Act 1995*

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 FY2021/22 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

Original signed by

Hon Peter Gutwein MP
Premier and Treasurer

Hon Guy Barnett MP
Minister for Energy

Performance against the Statement of Corporate Intent

Hydro Tasmania operates under the *Government Business Enterprises Act 1995* (GBE Act) and the *Hydro-Electric Corporation Act 1995*. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year which includes a performance agreement between the business and the shareholding ministers. Performance against the 2021–22 targets is outlined below.

Table 2: Performance against Statement of Corporate Intent

Key performance indicators (KPIs)	Full year target 2021-22	Results
Financial indicators		
Results before fair value movements and tax	$115.0 million	$148.8 million
Net debt	$720.0 million	$542.9 million
Return on equity	4.4 per cent	6.1 per cent
Capital expenditure	Satisfactory external validation of the ten-year asset management plan	The ten-year asset management plan has been successfully externally validated
	For capital expenditure projects greater than $500,000: 100 per cent on time 100 per cent on budget	100 per cent on time 100 per cent on budget
EBIT Improvement Target	Net general operating expenses equal to $128.8m	$131.7 million
Retail Earnings Before Interest Tax and Depreciation (EBITDA)	$30.9 million	$31.4 million
Non-financial indicators		
Total recordable injury frequency rate (TRIFR)	<5	3.87
Portfolio availability	Availability target of 80 per cent achieved	The portfolio availability as at 30 June 2022 was 90.05 per cent
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices	Zero breaches resulting in regulatory action
Storage levels	Consistent with the High Reliability Level	Storages finished the year at 33.9 per cent, above the Prudent Storage Level of 29.7 per cent and High Reliability Level of 21.7 per cent
Returns to government (accrual)		
Ordinary dividend	$112 million	$112 million
Total other returns to government	$47 million	$85 million
Total returns to government	$159 million	$197 million

Above: ***Sunset over the switchyard at Poatina Power Station***

Financial Report

For the year ended 30 June 2022

Statement of Financial Performance

for the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Revenue					
Sale of products and services	2(a)	1,488,544	1,660,414	682,514	804,156
Fair value gains	2(c)	670,775	187,713	654,702	171,207
Share of profit of associates and joint ventures		-	15,151	-	-
Other		5,476	36,301	15,748	35,701
Total revenue		2,164,795	1,899,579	1,352,964	1,011,064
Expenses					
Direct expenses		944,481	1,060,549	239,921	292,434
Labour		147,410	170,032	108,631	134,228
Depreciation and amortisation		122,720	114,847	103,312	99,995
Finance expenses	2(b)	35,759	39,873	35,000	38,949
Fair value losses	2(d)	158,936	57,691	131,397	56,797
Revaluation and impairment expenses/(gains)	2(e)	(482,675)	-	(480,985)	17,200
Share of loss of associates and joint venture entities		17,315	-	-	-
Other		100,785	98,715	58,327	50,709
Total expenses		1,044,731	1,541,707	195,603	690,312
Profit/(loss) before income tax equivalent expense		1,120,064	357,872	1,157,361	320,752
Comprising:					
Result before fair value movements and revaluation expenses		148,848	216,979	153,071	223,542
Net fair value gains/(losses)		511,839	130,022	523,305	114,410
Net fair value gains/(losses) from associates and joint ventures		(23,298)	10,871	-	-
Revaluation and impairment (expenses)/gains		482,675	-	480,985	(17,200)
Profit/(loss) before income tax equivalent expense		1,120,064	357,872	1,157,361	320,752
Income tax equivalent expense/(benefit)	4(a)	335,837	108,759	344,182	103,408
Profit/(loss) after tax attributable to owners of the parent		784,227	249,113	813,179	217,344

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Statement of Comprehensive Income

for the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Profit/(loss) after tax attributable to owners of the parent		784,227	249,113	813,179	217,344
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Actuarial gain/(loss) on RBF provision	20	59,330	12,843	59,330	12,843
Income tax relating to components of other comprehensive income		(17,799)	(3,853)	(17,799)	(3,853)
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		(182)	(4)	-	-
Fair value gain/(loss) on cash flow hedges					
Interest rate swaps		2,642	2,436	2,642	2,436
Derivative revaluation		(882,427)	108,768	(882,427)	108,768
Share of other comprehensive income of associates		4,280	1,765	-	-
Income tax relating to components of other comprehensive income		262,705	(33,890)	263,935	(33,361)
Total other comprehensive income		(571,451)	88,065	(574,319)	86,833
Total comprehensive income/(loss) attributable to the owners of the parent		212,776	337,178	238,860	304,177

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Statement of Financial Position

as at 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Current assets					
Cash and cash equivalents		45,858	18,020	43,529	14,993
Receivables	6	798,113	351,803	658,975	212,770
Investments	7(a)	132,267	74,700	132,200	74,700
Inventories	8	5,436	4,506	5,436	4,506
Other financial assets	11(a)	673,388	132,647	673,388	132,647
Current tax asset	4(c)	34,524	-	34,524	-
Other	12(a)	17,926	23,167	7,973	14,080
Total current assets		1,707,512	604,843	1,556,025	453,696
Non-current assets					
Investments	7(b)	-	-	203,827	203,827
Investments in associates and joint ventures	7(b)	58,038	71,073	-	-
Property, plant and equipment	9	3,926,833	3,442,551	3,871,041	3,378,913
Other financial assets	11(b)	210,686	704,425	210,686	704,425
Intangible assets	10	66,062	76,233	38,496	41,481
Goodwill	13	16,396	16,396	-	-
Other	12(b)	9,150	14,000	1,324	2,226
Total non-current assets		4,287,165	4,324,678	4,325,374	4,330,872
TOTAL ASSETS		5,994,677	4,929,521	5,881,399	4,784,568
Current liabilities					
Payables	14	712,948	278,773	647,801	212,192
Interest-bearing liabilities	15(a)	105,888	85,957	103,947	84,155
Provisions	17(a)	193,954	330,997	144,946	283,362
Provision for income tax	4(c)	-	14,179	-	14,179
Other financial liabilities	18(a)	1,388,387	184,697	1,388,387	184,697
Other	19	8,005	4,345	184,282	172,236
Total current liabilities		2,409,182	898,948	2,469,363	950,821
Non-current liabilities					
Interest-bearing liabilities	15(a)	615,180	679,870	607,716	670,466
Deferred tax liability	4(d)	341,575	276,224	412,356	342,299
Provisions	17(b)	334,371	389,581	257,791	322,364
Other financial liabilities	18(b)	443,866	934,872	443,866	934,872
Total non-current liabilities		1,734,992	2,280,547	1,721,729	2,270,001
TOTAL LIABILITIES		4,144,174	3,179,495	4,191,092	3,220,822
NET ASSETS		1,850,503	1,750,026	1,690,307	1,563,746
EQUITY					
Contributed equity		678,206	678,206	678,206	678,206
Reserves		(238,016)	374,966	(238,772)	377,078
Retained earnings		1,410,313	696,854	1,250,873	508,462
TOTAL EQUITY		1,850,503	1,750,026	1,690,307	1,563,746

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Cash Flow Statement

for the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		1,636,896	1,840,562	752,537	870,019
Operating grants and subsidies received		10,800	-	10,800	-
Outflows:					
Payments to suppliers and employees		(1,354,883)	(1,519,048)	(492,002)	(561,104)
Interest paid		(22,983)	(21,229)	(22,935)	(21,229)
Lease interest paid		(636)	(785)	(336)	(433)
Government guarantee fee		(5,844)	(6,282)	(5,844)	(6,282)
Income tax equivalent paid		(74,283)	(56,961)	(74,283)	(56,961)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	189,067	236,257	167,937	224,010
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		901	1,029	442	1,029
Net proceeds from financial derivatives		173,680	16,706	173,680	16,706
Net receipts of intercompany loans		-	-	4,341	3,172
Dividends from joint venture		-	3,283	-	-
Dividends from subsidiaries		-	-	10,968	-
Outflows:					
Payments for property, plant and equipment		(119,125)	(155,978)	(114,317)	(146,073)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		55,456	(134,960)	75,114	(125,166)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		415,501	209,400	415,501	209,400
Outflows:					
Repayment of Tascorp loans		(455,506)	(111,250)	(455,506)	(111,250)
Repayment of lease liabilities		(6,813)	(6,870)	(4,710)	(4,848)
Dividends paid		(112,300)	(115,000)	(112,300)	(115,000)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(159,118)	(23,720)	(157,015)	(21,698)
NET INCREASE/(DECREASE) IN CASH		85,405	77,577	86,036	77,146
CASH AT BEGINNING OF THE YEAR		92,720	15,143	89,693	12,547
CASH AT END OF THE YEAR	5(a)	178,125	92,720	175,729	89,693

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Statement of Changes in Equity

for the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		678,206	678,206	678,206	678,206
Balance at the end of the year		678,206	678,206	678,206	678,206
RESERVES					
Cash flow hedge reserve					
Balance at the beginning of the year		374,974	295,896	377,078	299,235
Interest rate swaps		2,642	2,436	2,642	2,436
Share of associates interest rate swaps		4,280	1,765	-	-
Derivative revaluation		(882,427)	108,768	(882,427)	108,768
Deferred income tax recognised directly in reserves	4(b)	262,651	(33,891)	263,935	(33,361)
Balance at the end of the year		(237,880)	374,974	(238,772)	377,078
Foreign currency translation reserve					
Balance at the beginning of the year		(8)	(5)	-	-
Foreign currency translation		(182)	(4)	-	-
Deferred income tax recognised directly in reserves	4(b)	54	1	-	-
Balance at the end of the year		(136)	(8)	-	-
TOTAL RESERVES		(238,016)	374,966	(238,772)	377,078
RETAINED EARNINGS					
Balance at the beginning of the year		696,854	553,752	508,462	397,129
Net profit/(loss)		784,227	249,113	813,179	217,344
Dividend paid		(112,300)	(115,000)	(112,300)	(115,000)
Deferred income tax recognised directly in equity	4(b)	(17,799)	(3,853)	(17,799)	(3,853)
Actuarial gain/(loss) on defined benefit plans	20	59,330	12,843	59,330	12,843
Other		1	(1)	1	(1)
Balance at the end of the year		1,410,313	696,854	1,250,873	508,462
TOTAL EQUITY		1,850,503	1,750,026	1,690,307	1,563,746

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

1.1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Hydro-Electric Corporation (the Corporation) and its controlled entities (the Group), which is a Tasmanian Government Business Enterprise, a consolidated reporting entity, and a for-profit entity. The Corporation was established as the Hydro-Electric Commission by the *Hydro-Electric Commission Act 1944* and was incorporated by the *Hydro-Electric Corporation Act 1995*. The Group trades using the business names, Hydro Tasmania, Entura and through the Group's subsidiaries, Momentum Energy Pty Limited and AETV Pty Ltd.

The Corporation's Australian Business Number is 48 072 377 158. Its principal place of business is 4 Elizabeth Street, Hobart, Tasmania.

The Group owns 55 major dams, 30 operating hydro power stations, the Tamar Valley gas-fired power station and supplies electricity to Bass Strait islands via diesel, solar and wind power generation. The Group sells energy to retail customers through its subsidiary, Momentum Energy Pty Limited, trading in all regions of the National Electricity Market (NEM) except Tasmania. The Group also operates the Entura consulting business.

At 30 June 2022, the Group had 1,218 full-time equivalent employees (FTEs) (2021: 1,233 FTEs) including 5 non-executive directors (2021: 5 non-executive directors).

The Group holds Australian Financial Services Licence number 279796. This licence authorises the Group to carry on a financial services business in accordance with the licence conditions.

The financial report for the year ended 30 June 2022 was adopted by the directors on 12 August 2022.

1.2 Summary of significant accounting policies

The significant accounting policies which have been adopted in the preparation of these financial statements have been consistently applied by each entity in the consolidated group.

(a) Basis of preparation

The financial report is a general purpose financial report prepared on an accrual basis under the historical cost convention except for derivative financial assets and liabilities, environmental energy products and hydro generation assets which are carried at fair value.

The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial report is prepared in accordance with:

- *Hydro-Electric Corporation Act 1995*;
- *Government Business Enterprises Act 1995* (GBE Act) and related Treasurer's Instructions;
- Australian Accounting Standards and interpretations; and
- Financial disclosure requirements of the *Corporations Act 2001*, where applicable to the operations of the Group and its subsidiaries, and other requirements of the law.

(b) Statement of compliance

The financial report is compliant with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The following Australian Accounting Standards are applicable to the Group and have recently been issued or amended. As they are not yet effective, the Group has chosen not to adopt them for the year ended 30 June 2022:

Standard/Interpretation	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2025	30 June 2026
AASB 2020-1 'Classification of Liabilities as Current or Non-current'	1 January 2023	30 June 2024
AASB 2020-3 'Annual Improvements'	1 January 2022	30 June 2023
AASB 2021-2 'Disclosure of Accounting Policies And Definition of Accounting Estimates'	1 January 2023	30 June 2024
AASB 2021-5 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024

The Group anticipates that the adoption of these Standards in future periods will have no material financial impact on the financial statements of the Group. There will be some changes in the disclosures made.

1.2 Summary of significant accounting policies (continued)

(c) Principles of consolidation

The consolidated financial report includes the Group, being the parent entity, and its controlled entities.

The financial report includes the information and results of each controlled entity from the date on which the Group obtained control and until such time as the Group ceased to control the entity. The financial reports of subsidiaries are prepared for the same reporting period as the Group.

In preparing the consolidated financial report, the effects of all transactions between entities in the Group have been eliminated.

(d) Significant accounting judgements

In the process of applying the Group's accounting policies, the Group has made the following judgements, apart from those involving estimates, which have a significant effect on the amount recognised in the financial report.

- **Fair value of hydro generation assets**

  Note 1.2(i) and note 9 describe the judgement process adopted in assessing fair value of hydro generation assets. Note 1.2(m) describes the judgement process adopted to estimate the recoverable amount of property, plant and equipment when an indication of revaluation exists or when current factors and circumstances indicate the current carrying value does not reflect fair value.

- **Financial liabilities and financial assets**

  Notes 1.2(ac) and (ae) describe the valuation methods applied to the Group's financial liabilities and financial assets which include judgements about market conditions and activity.

Note 3 details assumptions on financial assets and liabilities.

(e) Significant accounting estimates and assumptions

The Retirement Benefits Fund liability detailed in note 20 has been assessed by the State Actuary and various actuarial assumptions have been applied to arrive at the carrying value reported.

(f) Receivables

Current trade receivables include amounts receivable on 30 day terms from Australian Energy Market Operator (AEMO) for electricity sales and amounts receivable on 30 to 90 day terms for consulting services. They also include amounts receivable on terms varying from 14 to 90 days for retail sales of electricity and gas. Receivables are recognised and carried at the invoiced amount less an allowance for impairment. Any bad debts are written off as an expense or against the provision for impairment.

The Group uses an expected credit loss model in the provisioning for impairment of trade receivables. Trade receivable amounts are disaggregated into customer segments. Loss rates are estimated in each segment and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and prevailing economic factors.

All trade receivables are non-interest bearing except for Entura consulting receivables which, if past due, are charged interest in accordance with the contract.

Non-current receivables are recognised and carried at amortised cost. Amortisation of receivables is calculated using the effective interest method. Any allowance for impairment is deducted from the carrying value.

Prior to extending credit to new Entura consulting clients and Momentum retail customers, credit checks are undertaken by referencing external credit reports and contacting credit referees. Additional risks are reviewed in relation to new international clients.

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The carrying amounts of financial assets represent the maximum credit exposure.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group's review includes credit agency information and, in some cases if they are available, financial statements and bank references. Sale limits are established for each customer and reviewed in accordance with the internal risk management guidelines.

Ongoing credit evaluation is performed on the financial condition of debtors, and where necessary recovery action is undertaken and contract penalty clauses activated. Appropriate credit management practices are adopted to protect against exposure to non-payment by retail customers.

Contract assets

Contract assets are recognised when an energy sale has been consumed by the customer without the Group establishing an unconditional right to consideration. The Group estimates customer consumption between the last invoice date and the end of the reporting period. Contract assets are treated as financial assets for impairment purposes.

1.2 Summary of significant accounting policies (continued)

(f) Receivables (continued)

Expected credit loss assessment for customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

An expected credit loss rate is calculated for trade receivables and contract assets for each customer segment based on delinquency status and actual credit loss experience over the historic performance of the base. These rates are applied to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents reported in the Statement of Financial Position and Cash Flow Statement comprises cash and short-term deposits. Short-term deposits have an original maturity of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(i) Property, plant and equipment

The Group carries its hydro generation assets at fair value. The basis for the fair value calculation is described in note 9.

The Group's other property, plant and equipment assets are carried at cost less accumulated depreciation and impairment.

The remaining useful life of property, plant and equipment and the residual value at the end of the useful life are reviewed annually.

Depreciation of property, plant and equipment, other than land, is based on remaining useful life using the straight-line method. Useful lives applicable to each class are as follows:

	2022	2021
Hydro generation	3–150 years	3–150 years
Other generation	3–50 years	3–50 years
Motor vehicles	3–33 years	3–33 years
Minor assets	1–10 years	1–10 years
Buildings	5–50 years	5–50 years

Property, plant and equipment are written off upon disposal or when there is no future economic benefits expected from its continued use. Any gain or loss is reported in the Statement of Financial Performance.

(j) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

1.2 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation of intangibles is based on remaining useful life. The remaining useful life of intangibles are reviewed annually and are currently 3-13 years (2021: 3-13 years).

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

(k) Goodwill

Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill is measured at cost less accumulated impairment losses. Note 1.2(m) contains more information on the treatment of Goodwill.

(l) Research and development

Research expenditure is expensed when incurred. Expenditure incurred during the development phase of an internal project is recognised as an asset only when all of the following criteria are met:

- technical feasibility demonstrates the asset to be available for use or sale currently or after completion of development;
- there is an intention, and the ability, to use or sell the asset upon completion;
- generation of probable future economic benefits can be demonstrated;
- adequate technical, financial and other resources are available to develop the asset to a state where it can be used or sold; and
- expenditure incurred in the development phase can be reliably measured and attributed to the asset.

Following initial recognition of development expenditure, the asset is valued in accordance with note 1.2(j).

(m) Asset impairment

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For Goodwill, an assessment of impairment is performed and the recoverable amount is estimated each year. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Value in use is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases the asset is tested for revaluation as part of the cash generating unit (CGU) to which it belongs. Goodwill acquired in a business combination, for the purpose of revaluation testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. The Group classifies its hydro generating assets, the Momentum Energy retail business and the gas-fired generation business as separate CGUs.

In assessing value in use, the estimated future cash flows are discounted to their present value using the post-tax nominal weighted average cost of capital that reflects current market assessment of the time value of money and the expected life of the asset. In assessing fair value, estimates are made of the current market value of an asset less estimated cost of sale.

An assessment is also made at each reporting date as to whether there is any indication that the cause of previously recognised impairment losses may no longer exist or have decreased. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount and a gain is recognised in the Statement of Financial Performance. The impairment reversal cannot result in a carrying amount exceeding the amount that would have been determined, net of depreciation or amortisation, had no revaluation loss been recognised for the asset in prior years. An impairment of goodwill is not reversed.

1.2 Summary of significant accounting policies (continued)

(n) Payables

All trade payables and accrued expenses are unsecured and non-interest bearing, are normally settled within supplier credit terms and are carried at amortised cost. Payables are gross amounts and accrued expenses are net of GST.

(o) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions relating to a liability that is expected to be settled more than 12 months after the balance date are discounted using a pre-tax rate that reflects the risks of the underlying liability.

An onerous contract is considered to exist when the Group is party to a contract under which the unavoidable cost of meeting contractual obligations exceeds the economic benefits to be received. Net obligations arising under onerous contracts are recognised as a provision.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(p) Employee benefits

- **Wages, salaries and annual leave**

  Liabilities for wages, salaries and annual leave are recognised as the present obligations resulting from employees' services provided to the reporting date. These liabilities include related on-costs. Liabilities expected to be settled within 12 months are based on wage and salary rates that the Group expects to pay at the time of settlement. For those expected to be settled later than 12 months the liability is calculated using expected future increases in wage and salary rates including related on-costs and the expected rate of utilisation based on historical patterns and is discounted using Corporate Bond rates at reporting date.

- **Long service leave**

  The provision for long service leave represents the present value of the expected future cash payments for entitlements earned through employees' services provided to reporting date.

  The provision is calculated using expected future increases in wage and salary rates including related on-costs and the expected rate of utilisation based on historical patterns and is discounted using Corporate Bond rates at reporting date. The provision is segregated into current and non-current portions based on vesting of entitlements in the next 12 months.

- **Defined benefit plan**

  The Retirement Benefits Fund (RBF) is a defined benefit plan funded by employee and employer contributions. Employee contributions to the fund are transferred to independent RBF administrators while employer obligations are raised as a provision. The defined benefit plan is closed to new members.

  An interest charge, calculated by the application of market-related interest rates, is added to this provision each year after advice from the State Actuary. This is reported in the Statement of Financial Performance as part of finance costs.

- **Defined contribution plans**

  Contributions to defined contribution superannuation plans are made as directed by the employee and are expensed when the employee has rendered service entitling them to the contribution.

- **Employee termination benefits**

  Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

1.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax equivalent

Under the *Government Business Enterprises Act 1995* and the *National Tax Equivalents Regime (NTER),* the Group is required to pay an income tax equivalent to the State of Tasmania as if it were a company under Commonwealth income tax laws. As a result, the Group applies tax accounting principles prescribed in AASB 112 *Income Taxes*.

Current tax assets and liabilities are measured at the amount expected to be paid or recovered. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Subject to the condition noted below, deferred income tax assets and liabilities are recorded for all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes relating to items recognised directly in equity are recognised as other comprehensive income or expense in the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right of set-off exists and they relate to the same taxable entity and the same taxation authority.

Tax consolidation

Income tax legislation allows groups, comprising a parent entity and its Australian wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes.

The Group and its wholly owned Australian resident subsidiaries have consolidated for tax purposes under this legislation and have elected to be taxed as a single entity. The head entity within the tax consolidation group is Hydro-Electric Corporation.

Tax sharing agreements between the Corporation as head entity and its subsidiaries define the liability for tax of each member of the group and the process by which members can exit the group. As a result of these agreements, amounts equivalent to the deferred tax assets and liabilities are disclosed by each subsidiary as intercompany loan balances as if the subsidiary were a stand-alone tax entity.

Each of the entities in the tax consolidated group has agreed to make a tax equivalent payment to the head entity based on that entity's tax payable on a stand-alone basis. Such amounts are reflected as amounts receivable from or payable to other entities in the tax consolidated group.

Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- When the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1.2 Summary of significant accounting policies (continued)

(r) Leases

Corporation as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated Statement of Financial Position.

The Group determines whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(s) Borrowing expenses

Borrowing costs are expensed when incurred except those borrowing costs directly attributable to an asset. Borrowing costs attributable to a qualifying asset are included in the capital cost of the asset.

(t) Interest-bearing liabilities

Loans are recognised initially at the fair value of the consideration received. Subsequent to initial recognition loans are measured at amortised cost using the effective interest method.

1.2 Summary of significant accounting policies (continued)

(u) Foreign currency

The consolidated statements of the Group are presented in the functional currency which is Australian dollars.

All foreign currency transactions are brought to account using the spot exchange rate in effect at the date of the transaction. Foreign currency amounts at balance date are translated to Australian dollars using the exchange rate in effect at that date.

Foreign currency transactions that are hedged are accounted for as detailed in note 1.2(ac) or 1.2(ae).

Exchange variances resulting from the translation of balances of foreign subsidiaries are recognised in the foreign currency translation reserve in equity.

All other exchange differences in the consolidated financial report are reported as gains or losses from current year operations in the Statement of Financial Performance.

(v) Joint ventures and associates

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Associates are those entities that the Group has significant influence, but not control over the financial and operating policies of the entity.

An investor controls an investee if they have power over the investee, are exposed to variable returns, and are able to use their power over the investee to affect the amount of the returns. The Group has assessed power over the joint ventures by reference to the shareholders agreement relating to each joint venture, the respective voting rights held and the percentage of vote required to effect a decision. In each case the requirement to have unanimous agreement to a decision prevents the Group having power over any of the joint ventures. The Group is subject to variable returns but is unable to influence the amount of those returns in the absence of having power over the joint venture.

Interests in incorporated joint venture and associate entities are reported using the equity method. If the carrying amount of an investment in a joint venture or associate is zero, the Group's share of a loss by the joint venture or associate is reported as a loss against the current year operations in the Statement of Financial Performance and accrued as a provision for later offset against any investments.

Unincorporated joint ventures which operate jointly controlled assets are accounted for by recognising the Group's share of the venture's assets, liabilities, revenues and expenses.

(w) Segment information

The Group has identified segments based on internal management reports. Refer to note 34.

(x) Contributed equity

Contributed equity from the State of Tasmania is recorded when received.

(y) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Where a grant is received as compensation for certain expenditure, the grant is recognised as revenue in the Statement of Financial Performance on a basis that matches the timing of the expenditure.

Where a grant is received relating to an asset, it is recognised in the Statement of Financial Position by deducting the grant received from other costs incurred in arriving at the carrying amount of the asset.

1.2 Summary of significant accounting policies (continued)

(z) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognise revenue when it transfers control of a product or service to a customer.

- **Electricity and gas sales**
  Revenue from generated electricity is earned from the AEMO at market prices and is recognised at the time the electricity is provided. Revenue from sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from sale of retail electricity is earned at contract prices and is recognised at the time of delivery to the customer. Retail electricity sold is purchased from AEMO at market prices. Exposure to fluctuations in market price is managed through the use of derivative contracts executed principally in the Tasmanian and Victorian regions. The effective and ineffective portion of electricity derivatives designated as cash flow hedges and those derivatives not designated as cash flow hedges but considered to represent economic hedges under the Group's Board approved financial risk management policy are recognised in revenue in the period when the contract settles. Note 18 discloses the amount of realised gains and losses included in revenue during the financial year. Customers are billed on a regular basis. At the end of each reporting period, gas and electricity revenue include an accrual (unbilled revenue) for energy delivered to customers but not yet billed.
- **Environmental energy products**
  Revenue from environmental energy products is recognised at the time the Group has earned the right to register the products.
- **Consulting services**
  Consulting revenue is recognised over time based on the completion of performance obligations identified within the contractual agreements that exist with the client.
- **Interest income**
  Interest income is recognised on an accrual basis using the effective interest method. This is based on the amortised cost of a financial asset and the allocation of the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- **Dividends**
  Revenue is recognised when the Corporation's right to receive the payment is established.
- **Rental revenue**
  Rental revenue from land and buildings is recognised on a straight-line basis over the term of the lease.

(aa) Rounding

The Group is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Group's Instrument, amounts in the financial report are rounded to the nearest thousand dollars unless otherwise indicated.

(ab) Comparative figures

Where necessary, the comparative figures for the previous year have been reclassified to facilitate comparison with the current year.

(ac) Financial assets

Financial assets in the scope of AASB 9 'Financial Instruments' are classified as being carried at amortised cost, or at fair value through profit or loss. When financial assets are initially recognised, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where appropriate, re-evaluates this designation at each financial year end. All routine purchases and sales of financial assets are recognised on the trade date being the date that the Group commits to purchase the assets.

- **Amortised cost**
  Investments and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Financial Performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.
- **At fair value through profit or loss**
  Financial assets are classified as being at fair value through profit or loss where the financial asset has been acquired principally for resale in the near future, is part of an identified portfolio of financial instruments that the Group manages together, has a recent actual pattern of trading and is a derivative that is not designated and effective as a hedging instrument.

De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group transfers substantially all the risks and rewards of the financial assets.

1.2 Summary of significant accounting policies (continued)

(ad) Financial liabilities

Financial liabilities include trade payables and interest-bearing liabilities carried at amortised cost and derivative financial instruments such as energy contracts, credit swaps, interest rate swaps, forward foreign exchange contracts and the Basslink contracts carried at fair value through profit or loss.

(ae) Derivative financial instruments

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, some electricity price, gas and aluminium exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in electricity prices and interest rates and certain derivatives.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

2. Revenue and expenses

Revenue by product and customer type is disaggregated below:

(a) Revenue

	CONSOLIDATED 2022				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	198,707	539,600	554,925	-	1,293,232
Sale of gas	95,109	13,709	17,829	-	126,647
Rendering of services	-	-	-	29,510	29,510
Other revenue	-	-	39,155	-	39,155
	293,816	553,309	611,909	29,510	1,488,544

	CONSOLIDATED 2021				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	217,908	579,919	685,903	-	1,483,730
Sale of gas	90,649	12,497	42,677	-	145,823
Rendering of services	-	-	-	29,964	29,964
Other revenue	-	-	897	-	897
	308,557	592,416	729,477	29,964	1,660,414

	PARENT 2022				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	4,061	-	599,245	-	603,306
Sale of gas	-	-	11,121	-	11,121
Rendering of services	-	-	-	28,932	28,932
Other revenue	-	-	39,155	-	39,155
	4,061	-	649,521	28,932	682,514

	PARENT 2021				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	4,103	-	743,373	-	747,476
Sale of gas	-	-	26,696	-	26,696
Rendering of services	-	-	-	29,087	29,087
Other revenue	-	-	897	-	897
	4,103	-	770,966	29,087	804,156

2. Revenue and expenses (continued)

			CONSOLIDATED		PARENT	
		NOTE	2022 $'000	2021 $'000	2022 $'000	2021 $'000
(b)	**Finance expenses**					
	Loan interest		18,154	22,106	18,154	22,099
	Government guarantee fee		6,028	5,586	6,028	5,586
	RBF net interest	20	10,480	10,831	10,480	10,831
	Lease interest expense		636	785	336	433
	Net other finance costs/(revenue)		461	565	2	-
			35,759	39,873	35,000	38,949
(c)	**Fair value gains**					
	Basslink financial assets and liabilities		307,884	66,527	307,884	66,527
	Energy price derivatives - unwind of fair value of cash flow hedges		74,018	104,530	74,018	104,530
	Energy price derivatives - economic hedges		132,615	-	132,615	-
	Onerous contracts		145,239	11,911	139,187	150
	Site rehabilitation provision		10,021	4,745	-	-
	Other		998	-	998	-
			670,775	187,713	654,702	171,207
(d)	**Fair value losses**					
	Energy price derivatives - economic hedges		86,262	44,206	86,262	44,206
	Treasury derivatives		45,135	474	45,135	474
	Site rehabilitation provision		-	207	-	-
	Onerous contracts		27,539	12,804	-	12,117
			158,936	57,691	131,397	56,797
	Net fair value gains/(losses)		511,839	130,022	523,305	114,410
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment of loans carried at amortised cost		-	-	1,690	17,200
	Reversal of impairment of generation assets		(482,675)	-	(482,675)	-
			(482,675)	-	(480,985)	17,200

3. Assumptions and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Financial assets and liabilities

Changes in the fair value of financial assets and liabilities described below are presented as gains or losses through the Statement of Financial Performance and are calculated based on the present value of projected cash flows. None of the adjustments reflect cash flow transactions during the year. In the case of those financial liabilities valued using published forward prices, while fair value represents an estimate of the cost of closing out the obligations at year end, the intention of the Group is to let the obligations run their course and deliver the associated financial benefits.

- **Energy price derivatives**

  The Group trades in energy price derivatives in all regions of the NEM as a means of securing the value of future electricity revenue or the cost of future electricity to be delivered under retail contracts. Financial derivatives are recorded at their fair value. Movement in fair value is recorded as a gain or loss in the Statement of Financial Performance as detailed in note 2(c) and (d).

  Mainland electricity contracts are valued using published forward energy prices. The re-measurement of the fair value of energy price derivatives during the current financial year is recorded in the Statement of Financial Performance (note 2).

  In the event of a lack of quoted market prices, the fair value of financial instruments has been calculated using valuation models that make maximum use of available market inputs to produce a reasonable estimate of the price that would be determined by the market. In many cases this entails projecting future cash flows that are then discounted to present value using the appropriate discount rate, including the credit risk of the in and out of the money party to the agreement. The calculation of projected future cash flows requires, among other things, a forecast electricity price. Beyond the period when market prices are observable, the Group derives forecast prices from an internal model.

- **Basslink financial asset and liabilities**

  The financial asset and liabilities associated with the Basslink agreements are recorded at fair value. The Basslink Services Agreement (BSA) was terminated on 10 February 2022 (note 21(b)). The re-measurement of the net financial liability to fair value is recorded in the Statement of Financial Performance (note 2). Note 21(c) details the methodology used to calculate the fair value of the Basslink financial asset and liabilities.

Asset valuation

Assets are fair valued and assessed for impairment in accordance with the methodology described in note 1.2(m). Note 9 describes the inputs to the asset revaluation model. Goodwill generated by acquisition of a business is attributed to CGUs as described in note 1.2(m). Assessment of this goodwill for impairment is conducted in conjunction with the revaluation assessment of the relevant CGUs. Impairment assessment is undertaken on a value-in-use basis involving assessment of future cash flows associated with the strategic direction over the ensuing five years or useful life of the plant discounted at the Group's weighted average cost of capital.

Site rehabilitation provision

The Group has provided for the cost of removing the Bell Bay plant and removing the Tamar Valley Power Station at the end of its useful life. The provision includes the cost of remediating the site within prescribed limits. The provision is reassessed each year to reflect the current estimated cost of the demolition and remediation. Any adjustment to the provision is reflected as a gain or loss in the Statement of Financial Performance.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Unbilled energy

The Group recognises revenue from electricity and gas services by estimating customer consumption between the last invoice date and the end of the reporting period and applying this estimate against the various customer pricing data.

COVID-19

A thorough and systematic review of the valuation models has been performed by the Group this year. Management has exercised significant judgement in assessing the impacts of the COVID-19 pandemic and in asserting reasonable assumptions which reflect the conditions existing at the reporting date.

Supply Chain

In the current year, the Group has experienced supply-chain issues with delays or extended delivery times. Significant price increases have been experienced as suppliers incur price increases for raw materials, other inputs and freight costs, due to the impacts of COVID-19 and more recently the conflict in parts of Europe. The Group has been working with suppliers to alleviate the effects of this disruption. The supply chain issues are expected to continue in the next financial year.

4. Income tax equivalent

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	**Income tax expense/(benefit) reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	25,640	71,413	28,095	80,080
	Adjustments in respect of income tax of prior years	(110)	(484)	(106)	(492)
	Income tax expense in relation to foreign operations	50	(28)	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	310,412	34,997	316,356	21,332
	Adjustments in respect of deferred tax of prior years	(329)	341	(334)	341
	Recognition/derecognition of deferred tax assets/(liabilities)	229	2,520	229	2,147
	Other adjustments	(55)	-	(58)	-
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	335,837	108,759	344,182	103,408
	A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's income tax rate is as follows:				
	Accounting profit/(loss) before income tax	1,120,064	357,872	1,157,361	320,752
	Income tax expense/(benefit) calculated at 30%	336,019	107,362	347,208	96,226
	Adjustment in respect of income tax of previous years	(439)	(143)	(440)	(151)
	Income tax expense in relation to foreign operations	50	(28)	-	-
	Expenditure not deductible for income tax purposes	33	32	26	26
	Franking credits from investments	-	(984)	-	-
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	(2,783)	5,160
	Recognition/derecognition of deferred tax assets/(liabilities)	229	2,520	229	2,147
	Other adjustments	(55)	-	(58)	-
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	335,837	108,759	344,182	103,408
(b)	**Income tax (expense)/benefit recognised directly in equity**				
	Revaluation of effective hedges	263,935	(33,361)	263,935	(33,361)
	Actuarial assessment of RBF provision	(17,799)	(3,853)	(17,799)	(3,853)
	Foreign currency translation reserve	54	1	-	-
	Share of other comprehensive income of associates	(1,284)	(530)	-	-
	Income tax (expense)/benefit recognised in equity	244,906	(37,743)	246,136	(37,214)
(c)	**Current tax assets and liabilities**				
	Current tax asset	34,524	-	34,524	-
	Provision for income tax	-	(14,179)	-	(14,179)
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	438,928	474,697	395,049	433,384
	Deferred tax liabilities comprise:				
	Assessable temporary differences	780,503	750,921	807,405	775,683
	Net deferred tax liabilities	341,575	276,224	412,356	342,299

4. Income tax equivalent (continued)

The tax effect of assessable and deductible temporary differences arises from the following:

	2022 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	616,748	154,573	-	(408)	-	770,913
Financial assets	122,769	(122,769)	-	-	-	-
Investments in associates and joint ventures	4,220	(5,195)	1,284	-	-	309
Other	7,184	1,833	-	264	-	9,281
	750,921	28,442	1,284	(144)	-	780,503
Deferred tax assets:						
Provision for employee entitlements	111,156	(1,300)	(17,799)	-	-	92,057
Basslink and other financial liabilities	270,989	(216,367)	-	-	-	54,622
Electricity derivatives	(35,741)	(22,536)	263,935	(120)	-	205,538
Provisions	109,439	(36,790)	-	37	-	72,686
Other	18,854	(4,977)	54	94	-	14,025
	474,697	(281,970)	246,190	11	-	438,928
Net deferred tax liabilities	276,224	310,412	(244,906)	(155)	-	341,575

	2022 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	653,903	151,756	-	(408)	-	805,251
Financial assets	122,769	(122,769)	-	-	-	-
Other	(989)	2,879	-	264	-	2,154
	775,683	31,866	-	(144)	-	807,405
Deferred tax assets:						
Provision for employee entitlements	109,595	(1,340)	(17,799)	-	-	90,456
Basslink and other financial liabilities	270,989	(216,367)	-	-	-	54,622
Electricity derivatives	(35,741)	(22,537)	263,935	(120)	-	205,537
Provisions	72,371	(40,422)	-	42	-	31,991
Other	16,170	(3,824)	-	97	-	12,443
	433,384	(284,490)	246,136	19	-	395,049
Net deferred tax liabilities	342,299	316,356	(246,136)	(163)	-	412,356

4. Income tax equivalent (continued)

	2021 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	617,601	(3,665)	-	2,812	-	616,748
Financial assets	121,783	986	-	-	-	122,769
Investments in associates and joint ventures	130	3,560	530	-	-	4,220
Other	12,701	(5,517)	-	-	-	7,184
	752,215	(4,636)	530	2,812	-	750,921
Deferred tax assets:						
Provision for employee entitlements	115,744	(735)	(3,853)	-	-	111,156
Basslink and other financial liabilities	289,998	(19,009)	-	-	-	270,989
Electricity derivatives	15,637	(18,017)	(33,361)	-	-	(35,741)
Provisions	112,699	(3,317)	-	57	-	109,439
Other	17,514	1,445	1	(106)	-	18,854
	551,592	(39,633)	(37,213)	(49)	-	474,697
Net deferred tax liabilities	200,623	34,997	37,743	2,861	-	276,224

	2021 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	658,101	(7,010)	-	2,812	-	653,903
Financial assets	121,783	986	-	-	-	122,769
Other	4,637	(5,626)	-	-	-	(989)
	784,521	(11,650)	-	2,812	-	775,683
Deferred tax assets:						
Provision for employee entitlements	114,186	(738)	(3,853)	-	-	109,595
Basslink and other financial liabilities	289,998	(19,009)	-	-	-	270,989
Electricity derivatives	15,637	(18,017)	(33,361)	-	-	(35,741)
Provisions	68,706	3,607	-	58	-	72,371
Other	14,729	1,175	-	266	-	16,170
	503,256	(32,982)	(37,214)	324	-	433,384
Net deferred tax liabilities	281,265	21,332	37,214	2,488	-	342,299

All deferred tax balances relate to continuing operations.

At the end of the current financial year, there is no recognised or unrecognised deferred tax liability (2021: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures or associates. The Group has no liability for additional taxation should such amounts be remitted.

5. Note to the cash flow statement

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	Cash reconciliation				
	Cash	45,858	18,020	43,529	14,993
	Money market investments	132,267	74,700	132,200	74,700
		178,125	92,720	175,729	89,693
(b)	Reconciliation of net cash provided by operating activities to net profit for the year				
	Profit/(loss) after income tax equivalent expense	784,227	249,113	813,179	217,344
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	95,738	93,711	89,386	87,345
	Amortisation	26,982	21,136	13,926	12,650
	Revaluations and impairment	(482,675)	-	(480,984)	17,200
	Loss on derecognition of property, plant and equipment	4,485	3,764	3,201	3,325
	Equity accounted share of associates (profit)/loss	17,315	(15,151)	-	-
	Dividend from subsidiary	-	-	(10,968)	-
	Net fair value (gains)/losses	(511,839)	(130,022)	(523,306)	(114,410)
	Income tax expense/(benefit)	335,837	108,759	344,182	103,408
	Cash from operating profit before changes in working capital	270,070	331,310	248,616	326,862
	(Increase)/decrease in receivables	(446,704)	(9,927)	(446,338)	(28,512)
	(Increase)/decrease in inventories	(931)	(91)	(931)	(91)
	Increase/(decrease) in other financial assets and liabilities	11,942	1,349	9,736	6,557
	Increase/(decrease) in payables	434,175	(28,278)	435,609	(20,973)
	Increase/(decrease) in provisions	(79,485)	(58,106)	(78,755)	(59,833)
	Net cash provided by operating activities	189,067	236,257	167,937	224,010

6. Receivables

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Trade receivables	709,231	267,460	659,057	212,801
Contract assets	100,355	98,295	-	-
Loss allowance	(11,473)	(13,952)	(82)	(31)
	798,113	351,803	658,975	212,770
Ageing of past due but not impaired trade receivables:				
60-90 days	736	651	443	248
Over 90 days	25,610	1,445	25,089	130
	26,346	2,096	25,532	378

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Contract assets				
Balance at the beginning of the period	98,295	104,303	-	-
Additional costs incurred that are recoverable from customer	100,355	98,295	-	-
Transfer to receivables	(98,295)	(104,303)	-	-
Balance at the end of the period	100,355	98,295	-	-

The amount past due but not impaired included in trade receivables is predominantly attributable to an outstanding dispute. The methodology for doubtful debt provisioning, is compliant with AASB 9, and includes an allocation for additional credit risk due to business or economic issues including the effects of COVID-19. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents the expected amount of receivables to be written off in the future. The Group wrote off $7.4m of bad debts during the year (2021: $8.1m). The Group does not hold any security over the balances past due.

Hydro Tasmania has recognised no additional (2021: $4.9m) provisioning for doubtful debts, up to the end of the current financial year, due to the potential impacts of COVID-19 and the ability of customers to pay their bills. The original provision took into account customer payment behaviour and a risk analysis of the customer segments to determine the provisioned amount.

In the current year, there have been significant flood events in New South Wales and Queensland. The Group was not materially impacted by these events.

Market conditions and price volatility have impacted the trade receivables balance at year end.

7. Investments

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
(a) Current investments					
Money market investments		132,267	74,700	132,200	74,700
(b) Non-current investments					
Investment in associates and joint ventures	31	58,038	71,073	-	-
Investment in subsidiaries		-	-	203,827	203,827
		58,038	71,073	203,827	203,827

8. Inventories

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Maintenance stores	5,436	4,506	5,436	4,506
	5,436	4,506	5,436	4,506

9. Property, plant and equipment

Asset valuation

The hydro generation class of assets is carried at fair value using a discounted cash flow model. The fair value calculation incorporates long-term electricity price forecasts from an in-house market model and references observable Victorian forward contract prices in the first three years. The market model forecasts expected future prices based on a range of input assumptions reflecting the many variables that may influence future prices including existing generation cost and bidding assumptions and likely future plant build and retirements. The price curve has been validated with reference to other published price predictions in the NEM. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on observable contract market prices.

The other principal inputs to the fair value of generation assets are forecast generation, major industrial contracts, inflation, discount rate and terminal growth rate. The Group meets forecast contractual obligations from generation or by purchasing energy from the market. Opportunities for export of generation over Basslink will also be taken into account. The volume of energy generated from hydro assets is principally determined by actual and forecast water storage positions. These are in turn affected by the expected annual inflows to water storages from rainfall over catchments. The financial forecasts used to value the hydro generation assets are based on an assumed equivalent generation volume of 8900 Gigawatt hours (GWh) per annum at the generator, adjusted to the node for the valuation.

Revenue and expenses in the fair value calculation are inflated at the forecast CPI and are discounted using the Group post-tax nominal weighted average cost of capital (WACC) of 6.75% (2021: 6.75%). This has been substantiated against Australian financial and equity market data.

Movements in fair value of hydro generation assets will offset movement in the fair value of financial liabilities for the same forecast price change. Fair value of hydro generation assets will increase by $405m (2021: $343m) for a 10% increase in forecast prices and decrease by a similar amount for a 10% reduction in forecast prices. In both scenarios, prices have been uniformly changed across all years of the fair value calculation.

Had the Group's generation assets been measured on a historic cost basis, their carrying amount would be $3,975m (2021: $3,985m).

Gas-fired generation assets are carried at fair value based on an independent valuation every 3 years.

Revaluation of assets

Note 1.2(i) and (m) details the Group's valuation policy with respect to assets.

The fair value of the Hydro Tasmania generation assets was determined using the income approach which reflects current market expectations about future cash flows and expenses. In the current financial year an assessment indicated there was a requirement to increase the valuation of the Hydro Tasmania generation class of assets by partially reversing previous impairment.

Details of the Group's generation assets fair value hierarchy are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30 June 2022 $'000
Generating plant				
Consolidated	-	26,583	3,589,294	3,615,877
Parent	-	-	3,587,820	3,587,820

There were no transfers between Level 1 and Level 2 during the year.

9. Property, plant and equipment (continued)

2022 CONSOLIDATED	Generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,237,585	27,832	16,598	116,772	93,400	211,820	4,704,007
Additions	-	-	7	586	836	117,692	119,121
Disposals	(2,822)	(183)	(867)	(2,240)	(1,356)	(3,689)	(11,157)
Transfers#	86,374	860	909	7,595	6,734	(119,817)	(17,345)
Balance at the end of the year	4,321,137	28,509	16,647	122,713	99,614	206,006	4,794,626
Accumulated depreciation							
Balance at the beginning of the year	(1,118,557)	(16,881)	(9,351)	(42,886)	(73,780)	-	(1,261,455)
Disposals	2,623	181	787	1,868	1,266	-	6,725
Transfers#	-	-	(8)	-	8	-	-
Revaluation and impairment	482,675	-	-	-	-	-	482,675
Depreciation expense	(72,001)	(799)	(1,913)	(10,574)	(10,451)	-	(95,738)
Balance at the end of the year	(705,260)	(17,499)	(10,485)	(51,592)	(82,957)	-	(867,793)
Net book value at the end of the year	3,615,877	11,010	6,162	71,121	16,657	206,006	3,926,833

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	18,225
Minor assets	724

2022 PARENT	Generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,073,555	27,651	16,309	80,975	90,110	206,230	4,494,830
Additions	-	-	-	586	836	112,895	114,317
Disposals	(2,719)	(183)	(867)	(2,236)	(1,258)	(3,760)	(11,023)
Transfers#	85,662	860	909	7,458	6,706	(112,611)	(11,016)
Balance at the end of the year	4,156,498	28,328	16,351	86,783	96,394	202,754	4,587,108
Accumulated depreciation							
Balance at the beginning of the year	(984,551)	(16,756)	(9,117)	(33,653)	(71,840)	-	(1,115,917)
Disposals	2,531	181	787	1,864	1,198	-	6,561
Revaluation and impairment	482,675	-	-	-	-	-	482,675
Depreciation expense	(69,333)	(787)	(1,913)	(7,526)	(9,827)	-	(89,386)
Balance at the end of the year	(568,678)	(17,362)	(10,243)	(39,315)	(80,469)	-	(716,067)
Net book value at the end of the year	3,587,820	10,966	6,108	47,468	15,925	202,754	3,871,041

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	9,807
Minor assets	724

Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

9. Property, plant and equipment (continued)

2021 CONSOLIDATED	Generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,117,806	26,407	15,412	108,199	88,153	223,781	4,579,758
Additions	-	-	-	1,637	176	155,978	157,791
Disposals	(3,170)	(179)	(1,074)	(1,375)	(1,640)	(3,157)	(10,595)
Transfers#	122,948	1,605	2,260	8,311	6,711	(164,782)	(22,947)
Balance at the end of the year	4,237,584	27,833	16,598	116,772	93,400	211,820	4,704,007
Accumulated depreciation							
Balance at the beginning of the year	(1,052,089)	(16,238)	(8,287)	(33,365)	(64,036)	-	(1,174,015)
Disposals	3,170	169	984	1,228	1,637	-	7,188
Transfers#	-	-	-	(918)	-	-	(918)
Depreciation expense	(69,638)	(812)	(2,048)	(9,832)	(11,381)	-	(93,711)
Balance at the end of the year	(1,118,557)	(16,881)	(9,351)	(42,887)	(73,780)	-	(1,261,456)
Net book value at the end of the year	3,119,027	10,952	7,247	73,885	19,620	211,820	3,442,551

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	28,014
Minor assets	642

2021 PARENT	Generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	3,954,550	26,226	15,123	86,578	84,863	218,602	4,385,942
Additions	-	-	-	1,636	176	146,073	147,885
Disposals	(3,170)	(180)	(1,074)	(1,375)	(1,640)	(2,718)	(10,157)
Transfers#	122,175	1,605	2,260	(5,864)	6,711	(155,727)	(28,840)
Balance at the end of the year	4,073,555	27,651	16,309	80,975	90,110	206,230	4,494,830
Accumulated depreciation							
Balance at the beginning of the year	(920,737)	(16,124)	(8,066)	(28,545)	(62,745)	-	(1,036,217)
Disposals	3,170	169	984	1,229	1,636	-	7,188
Transfers#	-	-	-	457	-	-	457
Depreciation expense	(66,984)	(801)	(2,035)	(6,794)	(10,731)	-	(87,345)
Balance at the end of the year	(984,551)	(16,756)	(9,117)	(33,653)	(71,840)	-	(1,115,917)
Net book value at the end of the year	3,089,004	10,895	7,192	47,322	18,270	206,230	3,378,913

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	13,180
Minor assets	278

#Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

10. Intangible assets

	CONSOLIDATED		PARENT	
	2022 Software at cost $'000	2021 Software at cost $'000	2022 Software at cost $'000	2021 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	214,576	192,150	148,703	136,900
Additions	4	-	-	-
Disposals	(2,407)	(1,438)	(812)	(1,438)
Transfers from capital work in progress	17,345	23,864	11,016	13,241
Balance at the end of the year	229,518	214,576	158,907	148,703
Accumulated amortisation				
Balance at the beginning of the year	(138,343)	(117,925)	(107,222)	(95,290)
Disposals	1,873	718	737	718
Transfers	(4)	-	-	-
Amortisation expense	(26,982)	(21,136)	(13,926)	(12,650)
Balance at the end of the year	(163,456)	(138,343)	(120,411)	(107,222)
Net book value at the end of the year	66,062	76,233	38,496	41,481

11. Other financial assets

		NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
(a)	**Current other financial assets**					
	Energy price derivatives - economic hedges	18	614,068	45,043	614,068	45,043
	Basslink financial asset (i)	18	-	60,173	-	60,173
	Environmental energy products		59,320	27,431	59,320	27,431
			673,388	132,647	673,388	132,647
(b)	**Non-current other financial assets**					
	Basslink financial asset (i)	18	-	349,057	-	349,057
	Basslink security deposit (ii)		50,000	50,000	50,000	50,000
	Energy price derivatives - economic hedges	18	102,883	11,331	102,883	11,331
	Energy price derivatives - cash flow hedges	18	57,803	294,037	57,803	294,037
			210,686	704,425	210,686	704,425

(i) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Services Agreement which was terminated on 10 February 2022 (see note 21(b)).

(ii) Basslink security deposit represents the contribution made to the asset owner upon commissioning. It became due and payable on the termination of the Basslink Services Agreement.

12. Other assets

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	**Current other assets**				
	Prepayments	9,580	14,235	7,919	13,155
	Other	8,346	8,932	54	925
		17,926	23,167	7,973	14,080
(b)	**Non-current other assets**				
	Prepayments	1,324	2,407	1,324	2,226
	Other	7,826	11,593	-	-
		9,150	14,000	1,324	2,226

13. Goodwill

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at the beginning of the year	16,396	16,396	-	-
Balance at the end of the year	16,396	16,396	-	-

At the end of each reporting period, the Group is required to assess if there are any indications of impairment. The assessment found there were no indicators for impairment of Goodwill.

14. Payables

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade creditors	638,787	198,402	624,671	178,855
Accrued expenses	71,546	73,027	20,515	25,993
Accrued interest payable	2,615	7,344	2,615	7,344
	712,948	278,773	647,801	212,192

Market conditions and price volatility have impacted the trade creditors balance at year end.

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp (i)	100,000	80,000	100,000	80,000
	Lease liability (ii)	5,888	5,957	3,947	4,155
		105,888	85,957	103,947	84,155
	Non-current				
	Loans from Tascorp (i)	599,996	660,000	599,995	660,000
	Lease liability (ii)	15,184	19,870	7,721	10,466
		615,180	679,870	607,716	670,466

(i) The loans from Tascorp are unsecured
(ii) The leases are secured by the leased assets

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	2,009,000	1,527,000	2,009,000	1,527,000
	Facility used/committed	699,996	740,000	699,995	740,000
	Facility balance	1,309,004	787,000	1,309,005	787,000
	Standby revolving credit facility				
	Facility limit	30,000	30,000	30,000	30,000
	Facility used/committed	-	-	-	-
	Facility balance	30,000	30,000	30,000	30,000
	Bank overdraft				
	Facility limit	1,000	1,000	1,000	1,000
	Facility used/committed	-	-	-	-
	Facility balance	1,000	1,000	1,000	1,000
	Corporate purchasing card				
	Facility limit	7,500	7,500	7,500	7,500
	Facility used/committed	2,812	3,761	2,812	3,761
	Facility balance	4,688	3,739	4,688	3,739

The Group manages its debt portfolio under a Board approved Treasury Policy and Procedure, in line with the requirement of the GBE Act and related Treasurer's Instructions. The procedure includes a minimum weighted average term to repricing of 3 years. The procedure also places limits around the maturity profile of the debt. The maturity profile of the Group's debt is included in note 21. At the end of the current financial year, the consolidated entity has a deficiency of current assets to current liabilities of $702m (2021: $294m). Having regard to the budgeted cash flows for the year ending 30 June 2022 and the unused loan facilities of $1,339m (2021: $817m), there is sufficient funding to settle the current liabilities as and when they become due and payable.

The Group's borrowings are funded by the Tasmanian Public Finance Corporation under the borrowing limit, currently supported by a guarantee provided by the Treasurer.

15. Interest-bearing liabilities (continued)

	CONSOLIDATED			
	2022 $'000	2022 $'000	2022 $'000	2022 $'000
	Less than one year	Between one and five years	Later than five years	Total
(c) Lease liabilities				
Future minimum lease payments	6,773	14,569	879	22,221
Interest	(491)	(649)	(9)	(1,149)
Present value of future minimum lease payments	6,282	13,920	870	21,072

	CONSOLIDATED			
	2021 $'000	2021 $'000	2021 $'000	2021 $'000
	Less than one year	Between one and five years	Later than five years	Total
Future minimum lease payments	6,582	18,461	2,507	27,550
Interest	(625)	(1,058)	(40)	(1,723)
Present value of future minimum lease payments	5,957	17,403	2,467	25,827

	PARENT			
	2022 $'000	2022 $'000	2022 $'000	2022 $'000
	Less than one year	Between one and five years	Later than five years	Total
Future minimum lease payments	4,587	6,741	879	12,207
Interest	(246)	(284)	(9)	(539)
Present value of future minimum lease payments	4,341	6,457	870	11,668

	PARENT			
	2021 $'000	2021 $'000	2021 $'000	2021 $'000
	Less than one year	Between one and five years	Later than five years	Total
Future minimum lease payments	4,479	9,176	1,779	15,434
Interest	(324)	(450)	(39)	(813)
Present value of future minimum lease payments	4,155	8,726	1,740	14,621

15. Interest-bearing liabilities (continued)

(d) Reconciliation of financing activities

	CONSOLIDATED						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2021	Non-cash changes			Cash flows		2022
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	25,827	1,422	-	636	-	(6,813)	21,072
Tascorp loans	740,000	-	-	-	415,501	(455,506)	699,995
	765,827	1,422	-	636	415,501	(462,319)	721,067

	CONSOLIDATED						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2020	Non-cash changes			Cash flows		2021
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	29,523	892	1,497	785	-	(6,870)	25,827
Tascorp loans	641,850	-	-	-	209,400	(111,250)	740,000
	671,373	892	1,497	785	209,400	(118,120)	765,827

	PARENT						
	Closing balance	New leases acquired/ (transferred)	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2021	Non-cash changes			Cash flows		2022
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	14,621	1,422	-	335	-	(4,710)	11,668
Tascorp loans	740,000	-	-	-	415,501	(455,506)	699,995
	754,621	1,422	-	335	415,501	(460,216)	711,663

	PARENT						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2020	Non-cash changes			Cash flows		2021
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	29,523	(11,399)	912	433	-	(4,848)	14,621
Tascorp loans	641,850	-	-	-	209,400	(111,250)	740,000
	671,373	(11,399)	912	433	209,400	(116,098)	754,621

(e) Fair value disclosures

Details of the fair value of the Group's interest-bearing liabilities are set out in note 18.

16. Leases

Leases as a lessee

The Group leases many assets including land and buildings and IT equipment. Information about leases for which the Group is lessee is presented below.

Right-of-use assets

	CONSOLIDATED 2022			PARENT 2022		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2021	23,660	278	23,938	13,181	278	13,459
Additions	586	836	1,422	586	836	1,422
Depreciation	(6,021)	(390)	(6,411)	(3,959)	(390)	(4,349)
Balance at 30 June 2022	18,225	724	18,949	9,808	724	10,532

	CONSOLIDATED 2021			PARENT 2021		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2020	28,014	642	28,656	28,014	642	28,656
Additions	1,637	176	1,813	1,637	176	1,813
Disposals	(15)	-	(15)	(15)	-	(15)
Transfers	-	-	-	(12,541)		(12,541)
Depreciation	(5,976)	(540)	(6,516)	(3,914)	(540)	(4,454)
Balance at 30 June 2021	23,660	278	23,938	13,181	278	13,459

Lease liabilities

Maturity analysis – contractual undiscounted cash flows

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Less than one year	6,773	6,582	4,587	4,479
One to five years	14,569	18,461	6,741	9,175
More than five years	879	2,507	879	1,779
Total undiscounted lease liabilities	22,221	27,550	12,207	15,433
Current	5,888	5,957	3,947	4,155
Non-current	15,184	19,870	7,721	10,466
Lease liabilities in Statement of Financial Position	21,072	25,827	11,668	14,621

16. Leases (continued)

Amounts recognised in Statement of Financial Performance

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Depreciation expense on right-of-use assets	6,411	6,516	4,349	4,454
Interest expense on lease liabilities	636	785	336	433
Income from sub-leasing right-of-use assets	(132)	(154)	(132)	(154)
Expense relating to short-term leases	162	219	134	194
Expense relating to leases of low value assets	40	16	36	12
	7,117	7,382	4,723	4,939

Amounts recognised in the Statement of Cash Flows

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Total cash outflow for leases*	7,015	7,105	4,880	5,054
	7,015	7,105	4,880	5,054

*Cash outflow includes right-of-use assets, short-term and low value leases

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $10.5m (2021: $18.4m).

During the year, the Group did not receive any rent concessions as a result of COVID-19 (2021: nil).

17. Provisions

		NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
(a)	**Current provisions**					
	Employee entitlements		28,667	29,797	23,903	24,980
	Retirement Benefits Fund provision	20	20,314	18,466	20,314	18,466
	Other provisions		144,973	282,734	100,729	239,916
			193,954	330,997	144,946	283,362
(b)	**Non-current provisions**					
	Employee entitlements		4,165	4,127	3,711	3,654
	Retirement Benefits Fund provision	20	254,080	318,710	254,080	318,710
	Other provisions		76,126	66,744	-	-
			334,371	389,581	257,791	322,364

Employee entitlements include redundancy costs.

Other provisions	Consolidated Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation (ii) $'000	Total $'000
Balance at 1 July 2021	261,054	27,108	61,316	349,478
(Reduction)/additional provision recognised	(139,187)	76,156	-	(63,031)
(Reductions) arising from payments	-	-	(102)	(102)
(Reductions) from settlement	-	(76,665)	-	(76,665)
Movements resulting from re-measurement or settlement without cost	21,487	-	(10,068)	11,419
Balance at 30 June 2022	143,354	26,599	51,146	221,099

Other provisions	Parent Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2021	239,916	-	-	239,916
(Reduction)/additional provision recognised	(139,187)	-	-	(139,187)
Balance at 30 June 2022	100,729	-	-	100,729

(i) Onerous contracts include gas contracts and Large Generation Certificates valuation. There is judgment required in estimating the costs and timing of the future cashflows relating to the Large Generation Certificates.

(ii) Site rehabilitation provision represents estimated future cost of demolishing the Bell Bay plant and the Tamar Valley Power Station at the end of its useful life and of rehabilitating the site.

18. Other financial liabilities

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	**Current other financial liabilities**				
	Basslink Services Agreement^	-	92,816	-	92,816
	Basslink Facility Fee Swap#	-	33,002	-	33,002
	Interest rate swaps	87,870	1,749	87,870	1,749
	Energy trade credit support	28,509	400	28,509	400
	Energy price derivatives - economic hedges	739,045	55,808	739,045	55,808
	Energy price derivatives - cash flow hedges	532,963	922	532,963	922
		1,388,387	184,697	1,388,387	184,697
(b)	**Non-current other financial liabilities**				
	Interest rate swaps	149,069	-	149,069	-
	Basslink Services Agreement^	-	490,040	-	490,040
	Basslink Facility Fee Swap#	-	287,434	-	287,434
	Energy price derivatives - economic hedges	168,400	157,398	168,400	157,398
	Energy price derivatives - cash flow hedges	126,397	-	126,397	-
		443,866	934,872	443,866	934,872

^ The Basslink Services Agreement was terminated on 10 February 2022 (see note 21(b)).

The Basslink Facility Fee Swap (BFFS) has been reallocated to interest rate swaps.

18. Other financial liabilities (continued)

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		(136,283)	15,982	(136,283)	15,982
Amount included in electricity revenue due to settlement during the year		(471,210)	159,838	(475,343)	162,808
Net cash payments/(receipts) on futures margin account		(166,278)	(16,826)	(166,278)	(16,826)
Fair value (gain)/loss on contracts outstanding as at 30 June		1,565,822	(295,277)	1,569,955	(298,247)
Liability/(asset) at the end of the year		792,051	(136,283)	792,051	(136,283)
Represented by:					
Current energy price derivative liability - economic hedges	18(a)	739,045	55,808	739,045	55,808
Current energy price derivative liability - cash flow hedges	18(a)	532,963	922	532,963	922
Non-current energy price derivative liability - economic hedges	18(b)	168,400	157,398	168,400	157,398
Non-current energy price derivative liability - cash flow hedges	18(b)	126,397	-	126,397	-
		1,566,805	214,128	1,566,805	214,128
Current energy price derivative asset - economic hedges	11(a)	614,068	45,043	614,068	45,043
Non-current energy price derivative asset - economic hedges	11(b)	102,883	11,331	102,883	11,331
Non-current energy price derivative asset - cash flow hedges	11(b)	57,803	294,037	57,803	294,037
		774,754	350,411	774,754	350,411
Net energy price derivatives liability/(asset)		792,051	(136,283)	792,051	(136,283)
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		494,062	560,709	494,062	560,709
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		(65,645)	(66,645)	(65,645)	(66,645)
Increase/(decrease) in present value of projected rights and obligations of later years as at the beginning of the year		366,420	104,796	366,420	104,796
(Gain)/loss arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		(794,837)	(104,798)	(794,837)	(104,798)
Balance at the end of the year		-	494,062	-	494,062
Represented by:					
Current Basslink financial liability^#	18(a)	-	125,818	-	125,818
Non-current Basslink financial liability^#	18(b)	-	777,474	-	777,474
		-	903,292	-	903,292
Current Basslink financial asset^	11(a)	-	60,173	-	60,173
Non-current Basslink financial asset^	11(b)	-	349,057	-	349,057
		-	409,230	-	409,230
Net Basslink financial liability		-	494,062	-	494,062

^ The Basslink Services Agreement was terminated on 10 February 2022 (see note 21(b)).

\# The Basslink Facility Fee Swap (BFFS) has been reallocated to interest rate swaps.

19. Other liabilities

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current other liabilities				
Income received in advance	7,489	3,623	7,406	3,547
Loans from subsidiaries (i)	-	-	176,288	167,980
Other	516	722	588	709
	8,005	4,345	184,282	172,236

(i) Loans from associates and subsidiaries are interest-free and on-call and presented on a net basis.

20. Retirement Benefits Fund provision

Plan information

The Retirement Benefits Fund (RBF) is a defined benefit fund which pays lump sum or pension benefits on retirement, death, invalidity or upon reaching preservation age after resignation. The defined benefit section of RBF is closed to new members. All new members receive accumulation-only benefits.

The Scheme operates under the *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017.*

Although the Scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the Scheme in accordance with the SIS legislation, as far as practicable.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the fund's taxable income is taxed at a concessional rate of 15%. However, RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the Tasmanian Government and RBF elect) up to the amount of "untaxed" benefits paid to members in the year.

The Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

There are a number of risks to which the Scheme exposes the Group. The more significant risks relating to the defined benefits are:

Investment risk - The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.

Salary growth risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.

Inflation risk - The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.

Benefits options risk - The risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

Pensioner mortality risk - The risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Information in this note applies equally to the parent and consolidated entities.

20. Retirement Benefits Fund provision (continued)

Reconciliation of the net liability recognised in the Statement of Financial Position:

	NOTE	2022 $'000	2021 $'000
Defined benefit obligation		344,861	411,755
Fair value of plan assets		(70,467)	(74,579)
Net superannuation liability		274,394	337,176
Comprising:			
Current net liability	17	20,314	18,466
Non-current net liability	17	254,080	318,710
Net superannuation liability		274,394	337,176

Reconciliation of the present value of the defined benefit obligation:

	2022 $'000	2021 $'000
Present value of defined benefit obligations at the beginning of the year	411,755	420,102
Current service cost	3,172	3,717
Interest cost	12,785	12,849
Contributions by plan participants	922	1,083
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(66,705)	(2,481)
Actuarial losses/(gains) arising from liability experience	5,625	584
Benefits paid	(22,657)	(24,091)
Taxes, premiums and expenses paid	(36)	(8)
Present value of defined benefit obligations at year end	344,861	411,755

The asset ceiling has no impact on the defined benefit liability.

Reconciliation of the fair value of Scheme assets:

	2022 $'000	2021 $'000
Fair value of plan assets at beginning of the year	74,579	66,598
Interest income	2,305	2,018
Actual return on plan assets less interest income	(1,750)	10,946
Employer contributions	17,104	18,033
Contributions by plan participants	922	1,083
Benefits paid	(22,657)	(24,091)
Taxes, premiums and expenses paid	(36)	(8)
Fair value of plan assets at end of the year	70,467	74,579

20. Retirement Benefits Fund provision (continued)

Fair value of Scheme assets:

		2022		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	**Total**	**Level 1**	**Level 2**	**Level 3**
Australian equities	12,262	-	12,262	-
International equities	14,869	-	14,869	-
Infrastructure	9,090	-	2,325	6,765
Diversified fixed interest	15,714	-	15,714	-
Property	13,177	-	1,198	11,979
Alternative investments	5,355	-	5,355	-
Total	70,467	-	51,723	18,744

		2021		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	**Total**	**Level 1**	**Level 2**	**Level 3**
Australian equities	11,783	-	11,783	-
International equities	14,916	-	14,916	-
Infrastructure	9,695	-	2,461	7,234
Diversified fixed interest	18,571	-	18,571	-
Property	14,095	-	1,044	13,051
Alternative investments	5,519	-	5,519	-
Total	74,579	-	54,294	20,285

The fair value of the Scheme assets includes no amounts relating to any of the Group's own financial instruments or to any property occupied by, or other assets used by the Group.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, a Government Bond yield of 3.85% has been used, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

For the purpose of performing the calculations necessary under AASB 119, various actuarial assumptions are required. The Department of Treasury and Finance has approved these assumptions.

Significant actuarial assumptions as at balance date:

Financial year ending	2022 %	2021 %
Assumptions to determine defined benefit cost		
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.25	2.25

20. Retirement Benefits Fund provision (continued)

	2022 %	2021 %
Assumptions to determine defined benefit obligation		
Discount rate (active members)	5.35	3.20
Discount rate (pensioners)	5.35	3.20
Expected rate of increase in compulsory preserved amounts	5.50 for 2022/23, and then 3.50 pa	3.00
Expected salary increase rate	3.50	3.00
Expected pension increase rate	5.50 for 2022/23, 3.25 for 2023/24 and then 2.50 pa	2.25

	2022 $'000	2021 $'000
Gain/(loss) recognised in Other Comprehensive Income		
Actuarial gain/(loss)	59,330	12,843

Sensitivity analysis:

The defined benefit obligation as at 30 June 2022 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 1.0% pa lower discount rate assumption

Scenario B: 1.0% pa higher discount rate assumption

Scenario C: 1.0% pa lower expected pension increase rate assumption

Scenario D: 1.0% pa higher expected pension increase rate assumption

	Base Case	Scenario A -1.0% pa discount rate	Scenario B +1.0% pa discount rate	Scenario C -1.0% pa increase rate	Scenario D +1.0% pa increase rate
Discount rate %	5.35	4.35	6.35	5.35	5.35
Pension increase rate %	2.50	2.50	2.50	1.50	3.50
Defined benefit obligation (A$'000s)	344,861	382,003	313,879	319,522	374,483

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

We are not aware of any asset and liability matching strategies adopted by the fund.

The Group contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

The weighted average duration of the defined benefit obligation for the Group is 10.3 years.

	2023 $'000
Expected employer contributions	20,314

21. Financial instruments disclosures

The Group's primary purpose for holding financial instruments is to fund its operations and manage its financial risks.

The Group's principal financial instruments are derivatives and loans. The Group has other financial assets and liabilities such as a bank overdraft, cash and short-term investments, and trade receivables and payables which arise directly from its operations.

The main risks arising from the Group's operations which are managed through financial instruments are electricity price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

(a) Financial instrument categories

The categories and fair value of financial instruments the Group holds are detailed in the following table:

	CONSOLIDATED				PARENT			
	Carrying amount 2022 $'000	Net fair value 2022 $'000	Carrying amount 2021 $'000	Net fair value 2021 $'000	Carrying amount 2022 $'000	Net fair value 2022 $'000	Carrying amount 2021 $'000	Net fair value 2021 $'000
Financial assets								
Amortised cost								
Cash	45,858	45,858	18,020	18,020	43,529	43,529	14,993	14,993
Receivables	798,113	798,113	351,803	351,803	658,975	658,975	212,770	212,770
Investments	132,267	132,267	74,700	74,700	132,200	132,200	74,700	74,700
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	57,803	57,803	294,037	294,037	57,803	57,803	294,037	294,037
Fair value through profit or loss								
Interest rate swaps	85,966	85,966	211,390	211,390	85,966	85,966	211,390	211,390
Forward foreign exchange contracts	6	6	120	120	6	6	120	120
Basslink financial asset^	-	-	409,230	409,230	-	-	409,230	409,230
Energy price derivatives - economic hedges	716,950	716,950	56,374	56,374	716,950	716,950	56,374	56,374
Other assets	10,066	10,066	14,715	14,715	7,919	7,919	13,155	13,155
	1,847,029	1,847,029	1,430,389	1,430,389	1,703,348	1,703,348	1,286,769	1,286,769
Financial liabilities								
Amortised cost								
Accounts payable	710,333	710,333	271,430	271,430	645,186	645,186	204,848	204,848
Tascorp loans	702,611	656,588	747,344	778,535	702,611	656,588	747,344	778,535
Designated hedge accounting derivatives								
Interest rate swaps	301	301	2,944	2,944	301	301	2,944	2,944
Energy price derivatives - cash flow hedges	659,360	659,360	922	922	659,360	659,360	922	922
Fair value through profit or loss								
Interest rate swaps	322,604	322,604	210,195	210,195	322,604	322,604	210,195	210,195
Forward foreign exchange contracts	582	582	823	823	582	582	823	823
Basslink Services Agreement^	-	-	582,856	582,856	-	-	582,856	582,856
Basslink Facility Fee Swap#	-	-	320,436	320,436	-	-	320,436	320,436
Energy price derivatives - economic hedges*	907,445	907,445	213,206	213,206	907,445	907,445	213,206	213,206
Other liabilities	28,684	28,684	649	649	28,600	28,600	572	572
	3,331,920	3,285,897	2,350,805	2,381,996	3,266,689	3,220,666	2,284,146	2,315,337

* Energy price derivatives – economic hedges includes a balance of $151.3m relating to Hydro-Electric Corporation futures cash account.
^ The Basslink Services Agreement (BSA) was terminated on 10 February 2022, see note 21(b)
# The Basslink Facility Fee Swap (BFFS) has been reallocated to interest rate swaps

21. Financial instruments disclosures (continued)

(a) Financial instrument categories (continued)

Cash flow hedges

The Group designates specific electricity and interest rate derivative hedging transactions in cash flow hedge relationships as described in accounting policy note 1.2(ae). These electricity derivative hedging transactions are used to manage electricity price risks associated with the Group's operations. These interest rate derivative hedging transactions are used to manage interest rate risks associated with the Group's funding positions.

The effective portion of the changes in the fair value of the derivative is recognised in other comprehensive income and presented in cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur in the future.

The hedge ratio between the notional amount of the hedging instrument and hedged item is one. Potential sources of ineffectiveness includes:

- Changes in credit risks of the derivative counterparties and the group;
- Designating the economic hedges after trade date resulting in a non-zero fair values on hedge designation date;
- Contractual features embedded in the actual hedging instruments that cannot be replicated in the hedged item.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	CONSOLIDATED 2022				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1,3]	301	2,642	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	601,557	(882,427)	(86,262)	74,018	-

	CONSOLIDATED 2021				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1,3]	2,944	2,436	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	(293,115)	108,768	-	104,530	-

1 The line item in the Statement of Financial Position where the hedging instrument is included is in other financial liabilities.
2 The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value gains.
3 The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value losses.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies

The Group enters into derivative contracts, being principally energy price contracts, interest rate swaps and forward currency exchange contracts. The risk management objective is to manage exposure to market electricity prices, interest rates and foreign currency rates arising from operations and funding. The Group enters into these derivatives in accordance with the policies approved by the Board. All these hedges are cash flow hedges (refer note 1.2(ae)).

The Basslink contracts including the Basslink Services Agreement (BSA), Floating Facility Fee Instrument (FFFI) and Basslink Facility Fee Swap (BFFS) have been designated as derivatives.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect to each class of financial asset and financial liability are disclosed in notes 1.2(ac).

The Group's objectives, policies and processes for managing its risk exposures are consistent with previous years.

(i) Capital risk management

The Group's policy is to maintain an appropriate capital structure to ensure it will continue as a going concern while maximising the return to stakeholders through an appropriate balance of debt and equity.

The capital structure of the Group includes loans disclosed in note 15, contributed equity and cash and cash equivalents disclosed in note 5.

The Group is subject to financial covenants on its borrowings and the BFFS. The latter requires a minimum level of equity, sets a maximum level of debt, and requires a minimum of 50 per cent of debt to be held with the Tasmanian Government's central borrowing authority, Tascorp. The loan agreement with Tascorp sets a maximum financial leverage ratio and a minimum interest coverage ratio.

The Group reviews its capital risk and performance against these covenants on a monthly basis.

The Group has been compliant with all financial covenants.

(ii) Market risk management

The Group's activities primarily expose it to energy price risk and interest rate risk. In addition, the Corporation operates consulting businesses in foreign countries and enters into foreign currency transactions which expose it to foreign currency risk.

(A) Energy prices

The Group's revenue is exposed to fluctuations in the market price of electricity in Tasmania. In addition, on 1 January 2014 wholesale regulation began in Tasmania. The wholesale pricing methodology links Tasmanian regulated contract prices to Victorian market prices. Prior to termination of the BSA, the Group's revenue was also exposed to fluctuations in the Victorian market price to the extent of electricity flows over Basslink, and, through the variable portion of the Basslink Facility Fee (BFF). The Group is also exposed to fluctuations in electricity market prices in all NEM regions in relation to its retail operation in Victoria and other NEM regions. Exposure to these fluctuations in market price is managed through the use of derivative contracts executed in all regions of the NEM in accordance with Board approved policy. Contract volumes for many of the Group's current Tasmanian forward contracts are determined by the actual load consumed in the contract period.

The Group manages electricity trading risk using an earnings at risk approach combined with an asset backed trading model.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

The Group assesses its electricity price risk exposure through sensitivity analysis. The following table shows the effect on the Statement of Financial Performance of a feasible movement (10%) in forecast electricity prices.

	2022				2021			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Electricity forward price +10%								
Basslink net liability	-	-	-	-	29,384	-	29,384	-
Energy derivative - economic hedges net liability	2,803	-	2,803	-	5,469	-	5,469	-
Energy derivative - cash flow hedges net liability	5,050	(190,423)	5,050	(190,423)	-	(125,328)	-	(125,328)
Electricity forward price -10%								
Basslink net liability	-	-	-	-	(29,384)	-	(29,384)	-
Energy derivative - economic hedges net liability	(4,320)	-	(4,320)	-	(6,852)	-	(6,852)	-
Energy derivative - cash flow hedges net liability	-	165,270	-	165,270	-	125,328	-	125,328

The BSA was terminated by Hydro Tasmania on 10 February 2022, resulting in the Basslink net liability for 2022 being zero. The sensitivity of the fair value of the BSA to energy price movements has been based on adjustments to forecast price differences between the Tasmanian and Victorian regions. The sensitivity of the fair value of energy price derivatives to energy price movements has been determined by adjusting the forecast prices for the Tasmanian and mainland regions.

The forecast price methodology is based on published three-year NEM electricity price curves. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curves have been validated by comparison to other published price trend predictions in the NEM. Beyond the period when market prices are observable, the Group derives forecast prices from an in-house long-term price curve.

The fair value movements in the energy trading derivatives arising from variation in forecast prices are offset by movements in the fair value of the generation assets to the extent that they hedge generation revenue. An energy price derivative instrument may also expose the Group to commodity price risk.

(B) Interest rates

The Group's exposure to changes in market interest rates arises primarily from the Group's borrowings and the Basslink contracts.

The Group has entered into interest rate swap contracts to achieve an interest rate risk exposure profile that is consistent with the long-term cash flow stability and the debt management strategy of the Group. Interest rate exposure on specific loans is managed using highly effective hedge derivatives. The Group applies hedge accounting treatment to hedges of the Tascorp debt as described in note 1.2(ae).

In pursuit of these objectives, the Group manages its debt through setting and achieving benchmarks for the two key portfolio indicators of repricing profile and weighted average term to maturity.

At 30 June 2022, fixed rate loans varied from 0.77% to 5.45% (2021: 0.77% to 5.45%). Floating rates were based on bank bill rates and these were 1.00% to 1.71% at 30 June 2022 (2021: 0.02% to 0.04%).

The Government Guarantee Fee rate varied from 0.52% to 1.31% for this financial year (2021: 0.52% to 1.31%). The Group designates specific interest rate swaps in cash flow hedge relationships. Refer to note 21(a) for further details.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

Basslink

The BSA between Hydro Tasmania and Basslink Pty Ltd (BPL) (Receivers and Administrators appointed) commenced upon successful commissioning of Basslink on 28 April 2006 and was entered into for a term of 25 years, with an option for a further 15 years. On 12 November 2021, voluntary administrators and Receivers were appointed to BPL by BPL's financiers. Hydro Tasmania terminated the BSA and some related contracts on 10 February 2022.

The BSA included rights and obligations for both parties with respect to the operation of Basslink including an obligation on Hydro Tasmania to pay the monthly BFF to BPL. This agreement was a financial asset and financial liability whereby Hydro Tasmania was committed to make payments to BPL over the term of the contract should BPL meet its obligations to keep Basslink available in exchange for the right to receive Inter Regional Revenues (IRRs). The latter was previously recognised as a financial asset.

Hydro Tasmania entered into the BFFS in 2002 for a 25 year term to eliminate the interest rate and foreign exchange risk arising from the Basslink construction and operational agreements. The BFFS hedged the interest rate and foreign exchange risk during construction and swapped the floating interest rate exposure in the BFF. The inherent fixed interest rate is 7.83%. The BFFS and FFFI were not impacted by the termination of the BSA by Hydro Tasmania however have been reallocated to interest rate swaps.

Interest rates

The Group assesses its interest rate risk exposure through sensitivity analysis. The following table shows the effect on the Statement of Financial Performance of a movement of 1 basis point (bps) in forecast interest rates.

	2022				2021			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Forward interest rates +1 bps								
Financial assets	338	-	338	-	485	-	485	-
Financial liabilities	(694)	268	(694)	268	(1,044)	(5)	(1,044)	(5)
Forward interest rates -1 bps								
Financial assets	(338)	-	(338)	-	(485)	-	(485)	-
Financial liabilities	694	(268)	694	(268)	1,044	5	1,044	5

The sensitivity of the fair value of financial assets and liabilities to interest rates has been determined by adjusting closing published forward market rates. The impact on the fair value of financial instruments is calculated using standard Australian treasury valuation formulae.

The weighted average cost of debt for 2022 for both the parent and consolidated entities is 3.67% (2021: 3.52%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 0.75% (2021: 0.79%).

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

(C) Foreign currency

The Group owns and operates companies in India and South Africa and is exposed to foreign exchange rate risks upon translation into Australian dollars. This risk is considered to be insignificant relative to the Group as a whole.

The Group transacts in foreign currency for operational and capital requirements and enters into forward foreign exchange contracts to eliminate currency exposure in accordance with Board approved policy. Due to the relatively small size of the transactions, the Group considers the risk exposure to be insignificant.

The Group ensures that the term of the hedge derivatives matches the term of the currency exposure in order to maximise hedge effectiveness and enable application of hedge accounting.

The settlement dates and principal amounts of the Group's outstanding foreign exchange hedge contracts were:

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Receivables				
Not later than one year	11,524	5,595	11,524	5,595
Later than one year but not later than two years	988	-	988	-
Later than two years	-	-	-	-
Total	12,512	5,595	12,512	5,595
Payables				
Not later than one year	12,100	16,568	12,100	16,568
Later than one year but not later than two years	993	5,764	993	5,764
Later than two years	-	-	-	-
Total	13,093	22,332	13,093	22,332

(iii) Credit Risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The Group measures credit risk on non-derivative financial instruments as the carrying amount of any instruments that represent an asset to the Group.

Derivative financial instruments

The credit exposure on a derivative financial instrument is its positive market valuation at the reporting date. Exposure tables below exclude credit exposures with other Tasmanian government agencies.

In the main, the Group reduces credit risk on derivative financial assets by only transacting with high credit quality counterparties up to a pre-determined counterparty limit or by limiting credit exposure to unrated counterparties. The Group also obtains credit support for counterparties of low credit quality. Interest rate swaps and energy contracts are subject to the industry recommended International Swap Dealers Association documentation. Where possible, this documentation contains clauses enabling the netting of exposures.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

Receivables

Receivables represent amounts due from AEMO, electricity, gas, treasury and environmental energy product counterparties, consulting service clients and retail energy customers.

The Group's credit exposure to AEMO is regulated by the provisions of the National Electricity Rules (NER). The NER define the rules for conduct of the wholesale electricity market.

Consulting services clients are spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of debtors, and where necessary recovery action is undertaken and contract penalty clauses activated.

Appropriate credit management practices are adopted to protect against exposure to non-payment by retail customers. The Corporation has recognised no additional (2021: $4.9m) provision for doubtful debts due to the potential impacts of COVID-19 and the ability of customers to pay their bills.

Loan and receivables balance approximate fair value.

Interest rate swaps

While the BFFS transaction has been executed with a single counterparty, the Group has also entered into supplementary interest rate swap transactions with other counterparties to mitigate the potential credit risk associated with a single counterparty. These swaps are readily tradeable financial instruments.

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	178,125	92,720	175,729	89,693
Receivables	798,113	351,803	658,975	212,770
Derivative financial instruments				
Energy price derivatives	152,853	2,645	152,853	2,645
Environmental product contracts	1,849	3,019	1,849	3,019
Total credit risk exposure	1,130,940	450,187	989,406	308,127
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA- ratings	212,728	104,403	196,148	90,929
A+ to A- ratings	-	610	-	610
BBB+ to BBB- ratings	66,883	1,827	66,883	1,827
Unrated	836,736	196,245	726,375	214,761
	1,116,347	303,085	989,406	308,127
Overseas-based entities				
AA+ to AA- ratings	803	7,274	-	-
A+ to A- ratings	13,047	876	-	-
BBB+ to BBB- ratings	743	138,952	-	-
Unrated	-	-	-	-
	14,593	147,102	-	-
Total credit risk exposure	1,130,940	450,187	989,406	308,127

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk

Liquidity risk represents the possibility that the Group may be unable to settle an obligation on the due date.

To manage this risk, the Group maintains adequate standby funding facilities and other arrangements as detailed in note 15.

The Group's exposure at 30 June is detailed in the tables below. The tables are based on the undiscounted cash flows of the financial assets and liabilities based on the date on which the payments fall due. The tables include principal and interest cash flows.

The Group monitors its liquidity risk on a daily basis. The following table details the Group's liquidity exposure.

	2022 CONSOLIDATED				2022 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Amortised cost								
Cash	45,858	-	-	-	43,529	-	-	-
Receivables	798,113	-	-	-	658,975	-	-	-
Investments	132,267	-	-	-	132,200	-	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	(102,943)	(46,024)	44,798	174,755	(102,943)	(46,024)	44,798	174,755
Fair value through profit or loss								
Interest rate swaps	14,953	8,002	46,647	28,448	14,953	8,002	46,647	28,448
Forward foreign exchange contracts	612	93	-	-	612	93	-	-
Energy price derivatives - economic hedges	351,898	232,406	151,921	(6,449)	351,898	232,406	151,921	(6,449)
Other assets	10,066	-	-	-	7,919	-	-	-
	1,250,824	194,477	243,366	196,754	1,107,143	194,477	243,366	196,754
Financial liabilities								
Amortised cost								
Accounts payable	710,333	-	-	-	645,186	-	-	-
Tascorp loans	69,021	48,457	296,924	395,024	69,021	48,457	296,924	395,024
Designated hedge accounting derivatives								
Interest rate swaps	16,798	16,477	128,656	106,670	16,798	16,477	128,656	106,670
Energy price derivatives - cash flow hedges	259,346	140,718	199,770	-	259,346	140,718	199,770	-
Fair value through profit or loss								
Interest rate swaps	34,307	21,741	145,430	109,020	34,307	21,741	145,430	109,020
Forward foreign exchange contracts	1,852	1,393	360	-	1,852	1,393	360	-
Energy price derivatives - economic hedges	382,162	169,971	189,955	57,431	382,162	169,971	189,955	57,431
Other liabilities	28,684	-	-	-	28,600	-	-	-
	1,502,503	398,757	961,095	668,145	1,437,272	398,757	961,095	668,145

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

	2021 CONSOLIDATED				2021 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Amortised cost								
Cash	18,020	-	-	-	14,993	-	-	-
Receivables	351,803	-	-	-	212,770	-	-	-
Investments	74,700				74,700			
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	(2,520)	(2,832)	7,901	-	(2,520)	(2,832)	7,901	-
Fair value through profit or loss								
Interest rate swaps	18,273	17,617	110,954	73,750	18,273	17,617	110,954	73,750
Forward foreign exchange contracts	-	18	-	-	-	18	-	-
Energy price derivatives - economic hedges	14,156	21,233	253,054	169,011	14,156	21,233	253,054	169,011
Basslink financial asset	30,086	30,086	281,016	357,333	30,086	30,086	281,016	357,333
Other assets	14,715	-	-	-	13,155	-	-	-
	519,233	66,122	652,925	600,094	375,613	66,122	652,925	600,094
Financial liabilities								
Amortised cost								
Accounts payable	271,430	-	-	-	204,848	-	-	-
Tascorp loans	20,190	79,938	400,756	357,002	20,190	79,938	400,756	357,002
Designated hedge accounting derivatives								
Interest rate swaps	1,289	1,273	623	-	1,289	1,273	623	-
Energy price derivatives - cash flow hedges	11,038	6,694	44,163	49,385	11,038	6,694	44,163	49,385
Fair value through profit or loss								
Interest rate swaps	18,200	17,546	110,401	18,200	18,200	17,546	110,401	18,200
Forward foreign exchange contracts	2	1	-	-	2	1	-	-
Basslink Services Agreement	55,628	55,628	448,001	568,654	55,628	55,628	448,001	568,654
Basslink Facility Fee Swap	9,723	9,664	82,424	91,145	9,723	9,664	82,424	91,145
Energy price derivatives - economic hedges	19,717	19,201	84,598	23,481	19,717	19,201	84,598	23,481
Other liabilities	649	-	-	-	572	-	-	-
	407,866	189,945	1,170,966	1,107,867	341,207	189,945	1,170,966	1,107,867

21. Financial instruments disclosures (continued)

(c) Fair values

AASB 9 requires recognition of some financial assets and financial liabilities at fair value on the Statement of Financial Position.

Where possible, this fair value is determined from prices quoted for the financial instrument on an active market.

In the event of a lack of quoted market prices, the fair value of financial instruments has been calculated using valuation models that make maximum use of available market inputs to produce a reasonable estimate of the price that would be determined by the market. In many cases, this entails projecting future cash flows that are then discounted to present value using the appropriate discount rate, including the credit risk of the out of the money party to the agreement. The calculation of projected future cash flows requires, among other things, a forecast electricity price. Beyond the period when market prices are observable, the Group derives forecast prices from an internal model.

The fair values of financial assets and liabilities carried at fair value through profit or loss and other comprehensive income are determined using the following valuation inputs:

	CONSOLIDATED & PARENT							
	2022				2021			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000
Financial assets								
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	-	-	57,803	57,803	-	-	294,037	294,037
Fair value through profit or loss								
Interest rate swaps	-	85,966	-	85,966	-	211,390	-	211,390
Forward foreign exchange contracts	-	6	-	6	-	120	-	120
Basslink financial asset^	-	-	-	-	-	-	409,230	409,230
Energy price derivatives - economic hedges	476,034	159,247	79,782	715,063	33,535	2,656	20,183	56,374
	476,034	245,219	137,585	858,838	33,535	214,166	723,450	971,151
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	301	-	301	-	2,944	-	2,944
Energy price derivatives - cash flow hedges	-	-	659,360	659,360	-	-	922	922
Fair value through profit or loss								
Interest rate swaps	-	130,023	192,581	322,604	-	210,195	-	210,195
Forward foreign exchange contracts	-	582	-	582	-	823	-	823
Basslink Services Agreement^	-	-	-	-	-	-	582,856	582,856
Basslink Facility Fee Swap#	-	-	-	-	-	-	320,436	320,436
Energy price derivatives - economic hedges	389,655	116,940	398,963	905,558	13,872	61,544	137,790	213,206
	389,655	247,846	1,250,904	1,888,405	13,872	275,506	1,042,004	1,331,382

^ The Basslink Services Agreement (BSA) was terminated on 10 February 2022, see note 21(b).
# The Basslink Facility Fee Swap (BFFS) has been reallocated to interest rate swaps.

21. Financial instruments disclosures (continued)

(c) Fair values (continued)

The following table shows a reconciliation of movements in the value of instruments included in Level 3 of the fair value hierarchy.

	CONSOLIDATED 2022 $'000	PARENT 2022 $'000
Balance at the beginning of the period	(318,554)	(318,554)
Net gain/(loss) recognised in other comprehensive income	(882,427)	(882,427)
Net gain/(loss) from financial instruments at fair value	87,662	87,662
Balance at the end of the period	(1,113,319)	(1,113,319)

Basslink financial instruments

The Basslink financial instruments for 2021 comprise the BSA, FFFI and BFFS. The BSA was terminated on 10 February 2022 (see note 21(b)). The BSA at 30 June 2022 is zero, the FFFI and BFFS are now reallocated in the interest rate swap section of note 21. The fair value of the Basslink financial instruments has been calculated using a valuation model based on the present value of expected contractual cash flows. The fair value of expected receipts of IRRs under the BSA has been separately calculated based on experience to date and projected operating conditions and reported as a financial asset. The expected contractual payments under the BSA, FFFI and BFFS have been reported as financial liabilities. These represent the Basslink facility fees and interest rate swap settlements payable under these contracts.

The fair value of the BSA has been calculated using the pre-tax weighted average cost of capital as the nominal discount rate. The fair values of the FFFI and BFFS have been calculated using a 15 year forward market interest rate.

The BSA, FFFI and BFFS are not readily tradeable financial instruments.

Energy price derivatives

The Group has entered into derivative contracts in the electricity market to manage its exposure to market price risks and has developed a model to value these contracts. To the extent that each contract incorporates special term, load or other conditions, the price at commencement of the contract will be at a discount from the spot price at that time. Fair value at balance date has been calculated as the present value of the difference between the projected market price and each contract price, adjusting for any inception day one fair value gains/losses. Projected market price is based on an in-house long term price curve.

The financial instruments above are valued using non-market unobservable inputs, the following table details the nature and sensitivities of those inputs.

The relationship of unobservable inputs to the fair value of energy price derivatives is as follows:

- The lower the electricity price, the smaller the fair value liability of energy price derivatives.

Description	Fair value at end of year $'000	Valuation technique	Unobservable input	Range (weighted average)	Valuation change $'000
Energy price derivatives - economic hedges	(190,495)	Discounted cash flow	Long term flat electricity price	-10% to +10%	(4,320) to 2,803
Energy price derivatives - cash flow hedges	(601,557)	Discounted cash flow	Long term flat electricity price	-10% to +10%	185,374 to (185,374)

22. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a)	**Capital expenditure commitments**				
	Not later than one year	39,124	42,927	39,119	42,927
	Later than one year but not later than two years	6,425	9,265	6,425	9,265
	Later than two year but not later than five years	492	3,167	492	3,167
	Later than five years	-	-	-	-
		46,041	55,359	46,036	55,359

23. Contingent assets and liabilities

Under the terms of ASIC Instrument [15-0576] and [15-0577], AETV Pty Ltd and Momentum Energy Pty Limited have been granted relief from the requirement to prepare audited financial statements. The Group has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities. The parties to the Deed are the Hydro-Electric Corporation, AETV Pty Ltd and Momentum Energy Pty Limited.

A consolidated Statement of Comprehensive Income and retained profits, and a consolidated Statement of Financial Position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2022, are set out in note 32.

The Group and Basslink Pty Ltd (Receivers and Administrators appointed) and its receivers and financier have made claims against each other in respect of contractual arrangements between them concerning the Basslink interconnector. The claims relate to an outage of the interconnector in 2018 and amounts Hydro Tasmania says are owed from BPL to Hydro Tasmania, and the termination of the BSA and related contracts in 2022 and are unresolved as at 30 June 2022.

24. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2022 $	2021 $	2022 $	2021 $
Amounts received, or due and receivable, by the Auditor-General from the Group for auditing the financial statements of the Group	424,600	424,600	424,600	424,600
Amounts received, or due and receivable, for compliance audits	12,400	12,400	12,400	12,400
	437,000	437,000	437,000	437,000

25. Key management personnel compensation

a) Remuneration policy

Remuneration levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The People & Safety Committee, a committee of the Board, obtains independent advice on the appropriateness of remuneration packages given trends in comparative entities both locally and interstate and the objectives of the Group's remuneration policy.

The remuneration structures take into account:

- the capability and experience of key management personnel
- the key management personnel's ability to control the relevant segment's performance
- achievement of the Group's strategic initiatives
- government wages and salaries expectations.

Remuneration packages include contribution to post-employment superannuation plans.

The outgoing Chief Executive Officer's (CEO) (ceased 12 November 2021) remuneration package was approved by the Government in December 2020.

The incumbent Acting Chief Executive Officer's (CEO) (appointed 6 September 2021) remuneration package was approved by the Government in October 2021. The Acting Chief Executive Officer was appointed Chief Executive Officer 14 July 2022.

Non-executive directors' remuneration

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant Guidelines for Tasmanian Government Businesses – Board Appointments.

The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued or paid to directors.

Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and portfolio Minister.

Senior executives

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel, reflect the principles outlined in the Guidelines, and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO band as prescribed by the Department of Treasury and Finance.

The CEO is appointed by the Premier and portfolio Minister following selection and recommendation by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

The CEO and executive-level employees are also eligible for a short-term incentive payment subject to meeting agreed key performance indicators. *The CEO and Executive Remuneration Policy* is aligned to the Corporation's strategic objectives and business performance results across a mix of corporate and individual measures. The *CEO and Executive Remuneration Policy* is also aligned with guidelines issued by the Treasurer.

Short-term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary.

The performance of each senior executive, including the CEO, is reviewed annually including a review of the remuneration package.

The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the CEO to provide a minimum notice period in line with individuals' contracts prior to termination of the contract. CEO contracts for GBEs include a set term consistent with the requirements of *Government Business Enterprises Act 1995*. Whilst not automatic, contracts can be extended.

25. Key management personnel compensation (continued)

The aggregate compensation to key management personnel of the Group is set out below:

	Director remuneration		Executive remuneration		Consolidated	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Short-term employee benefits	398	393	2,997	3,301	3,395	3,694
Post-employment benefits	39	37	259	251	298	288
Other long-term employee benefits	-	-	(163)	(314)	(163)	(314)
Termination benefits	-	-	568	2,383	568	2,383
	437	430	3,661	5,621	4,098	6,051

b) Director remuneration[1]

The following tables disclose the remuneration details for each person that acted as a non-executive director during the current and previous financial years:

			2022			
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Super-annuation[2] $'000	Total 2021-22 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	124	10	13	147
Mr C Botto	Director	Full term	58	10	7	75
Ms H Galloway	Director	From 24/08/21	48	11	6	65
Mr K Hodgson	Director	Full term	58	4	6	68
Ms S Hogg	Director	To 23/08/21	8	2	1	11
Ms S Lightfoot	Director	Full term	58	7	6	71
Total			354	44	39	437

			2021			
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Super-annuation[2] $'000	Total 2020-21 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	120	11	12	143
Mr C Botto	Director	Full term	56	10	6	72
Mr K Hodgson	Director	Full term	56	4	6	66
Ms S Hogg	Director	Full term	56	17	7	80
Ms S Lightfoot	Director	Full term	56	7	6	69
Executive director						
Mr S Davy	Chief Executive Officer[3]	To 04/09/20	-	-	-	-
Total			344	49	37	430

Board remuneration notes and statements

1 Amounts are all forms of consideration paid, payable or provided by the entity.
2 Superannuation means the contribution to the superannuation fund of the individual.
3 The CEO does not receive additional remuneration as a director.

25. Key management personnel compensation (continued)

c) Executive remuneration

The following table discloses the remuneration details for each person that acted as a senior executive during the current financial year:

	2022								
Executive remuneration	Base Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other long-term benefits[7] $'000	Total 2021-22 $'000
Mr E Albertini* Chief Executive Officer (to 12/11/21)	193	42	9	3	-	247	475	(256)	466
Mr I Brooksbank* Acting Chief Executive Officer (from 06/09/21), EGM Finance and Strategy (to 19/09/21)	433	-	48	-	-	481	-	28	509
Ms L Chiba Managing Director Momentum (from 10/01/22)	150	15	15	-	-	180	-	13	193
Ms A Childs*** Managing Director Momentum (to 19/10/21)	112	-	16	-	1	129	26	(13)	142
Ms T Chu Managing Director Entura	324	32	24	3	-	383	-	7	390
Mr J Clark EGM Assets & Infrastructure	309	32	33	2	-	376	-	26	402
Ms R Groom** EGM People, Culture and Engagement	305	32	31	-	-	368	-	11	379
Ms K McKenzie General Counsel & Corporation Secretary (from 22/09/21)	228	23	23	-	-	274	-	14	288
Ms N Morton*** Acting Managing Director Momentum (from 04/08/21 to 31/10/21)	74	-	7	-	-	81	67	(9)	139
Mr T Peters* Acting EGM Finance and Strategy (from 20/09/21)	234	24	23	-	-	281	-	(1)	280
Mr M Pucar Acting Managing Director Momentum (from 01/11/21 to 09/01/22)	58	7	6	-	-	71	-	7	78
Ms C Wykamp EGM Commercial	340	21	24	-	-	385	-	10	395
Total	2,760	228	259	8	1	3,256	568	(163)	3,661

25. Key management personnel compensation (continued)

Executive remuneration (continued)

The following table discloses the remuneration details for each person that acted as a senior executive during the previous financial year:

	2021								
Executive remuneration	Base Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other long-term benefits[7] $'000	Total 2020-21 $'000
Mr E Albertini Chief Executive Officer (from 05/09/20)	520	-	23	4	-	547	-	46	593
Mr J Barriga Chief Information Officer (to 26/10/20)	110	-	12	-	-	122	-	12	134
Mr I Brooksbank EGM Finance and Strategy/CFO	345	45	34	-	-	424	-	24	448
Mr A Catchpole Chief Strategy Officer (to 02/07/21)	371	-	23	4	-	398	542	(66)	874
Ms A Childs Managing Director Momentum	335	45	34	-	-	414	-	8	422
Ms T Chu Managing Director Entura	328	38	23	3	-	392	-	10	402
Mr J Clark EGM Assets & Infrastructure (from 07/09/20)	252	26	24	-	-	302	-	17	319
Mr S Davy Chief Executive Officer (to 04/09/20)	109	-	4	10	-	123	669	(179)	613
Mr G Flack Chief Operations Officer (to 26/10/20)	115	-	24	5	2	146	965	(201)	910
Ms R Groom[8] Acting EGM People Enablement (from 01/05/21)	51	4	5	-	-	60	-	3	63
Ms K McKenzie Chief Governance Officer (to 26/10/20)	101	-	12	-	-	113	-	10	123
Mr R Tanti Chief People Officer (to 26/10/20)	99	-	11	-	-	110	207	(24)	293
Ms C Wykamp EGM Commercial	344	35	22	-	-	401	-	26	427
Total	3,080	193	251	26	2	3,552	2,383	(314)	5,621

25. Key management personnel compensation (continued)

Executive remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accrual basis and includes all accrued benefits at 30 June.

[1] Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts. In a standard year, the base salary is calculated on 26 pays during the year. In 2021, there were 27 pays.

[2] Short-term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary as per the remuneration Guidelines. The outgoing CEO incentive payment is in line with the remuneration package approved by the Government in July 2020. The outgoing CEO incentive was based on 12 months of performance which was calculated and paid in September 2021. Mr Brooksbank's contract as Acting CEO precluded him from participating in the bonus pool.

[3] Superannuation means the contribution to the superannuation fund of the individual.

[4] The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e., the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.

[5] Other benefits include other monetary or non-monetary benefits of all other forms of employment allowances (excluding reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable to the executive, either directly or indirectly.

[6] Termination benefits include all forms of benefit paid or accrued as a consequence of termination, including leave entitlements. Termination benefits are paid according to employee contracts and statutory guidelines.

[7] Other long-term benefits include annual and long service leave movements.

[8] When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

* Mr Albertini resigned as Chief Executive Officer 05/09/21, with his final day 12/11/21. Mr Brooksbank was appointed Acting Chief Executive Officer 06/09/21 and subsequently appointed Chief Executive Officer 14/07/22. There was a short period of time when Mr Brooksbank held the position of both EGM Finance and Strategy and Acting Chief Executive Officer until Mr Peters was appointed Acting EGM Finance and Strategy 20/09/21.

** Ms Groom was Acting EGM People Enablement from 01/05/21 to 19/09/21 and subsequently appointed to the role 20/09/21.

*** Ms A Childs resigned as Managing Director of Momentum 19/07/21, with her final day 19/10/21. Ms N Morton was appointed Acting Managing Director of Momentum 04/08/21.

During the year, no non-executive directors of the Group undertook any overseas trips (2021: nil).

Employees undertook overseas travel on 19 occasions during the year at a cost of $84,196 (2021: $11,252). Of these, 5 trips at a cost of $30,547 (2021: $0) were made while undertaking work for clients. The cost of Entura travel on client business is recovered from these clients.

26. Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	986	876	35,013	59,407	110	518	-	-
	-		-					
PARENT								
HT Wind Operations Pty Ltd	-	-	-	-	-	-	170,508	170,508
Bell Bay Power Pty Ltd	13	2	-	-	1,662	1,557	-	-
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,424
Lofty Ranges Power Pty Ltd	-	-	-	-	126	281	-	-
Hydro Tasmania Consulting India Pvt Ltd	-	-	-	-	-	-	113	33
HT Wind Developments Pty Ltd	-	-	-	-	-	-	790	695
RE Storage Project Holding Pty Ltd	-	-	-	-	687	700	-	-
Momentum Energy Pty Limited	340,549	409,118	-	-	-	8,178	-	-
AETV Pty Ltd	485	239	3,343	11,823	329,524	327,939	-	-
Hydro Tasmania South Africa (Pty) Ltd	-	-	-	-	5,403	5,403	-	-
Hydro Tasmania Neusberg (Pty) Ltd	-	-	-	-	1,578	1,578	-	-

Transactions with related parties are made at arm's length at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured and interest free. Settlement with related parties not wholly owned occurs in cash. Cash settlement does not occur between wholly-owned subsidiaries and the parent.

Samantha Hogg was a Director of Hydro Tasmania (resigned 23 August 2021) and also a Director of Tasmanian Irrigation. Hydro Tasmania sold water and services to Tasmanian Irrigation of $2.8m (2021: $5.6m). These sales were made at arm's length and were on normal commercial terms.

Helen Galloway is a Director of Hydro Tasmania. Hydro Tasmania used services from Helicopter Resources $52k during the year. A close associate of Helen Galloway is employed by Helicopter Resources. The sales of these services were made at arm's length and were on normal commercial terms. There were no other transactions with director related entities during the year.

Amounts owed by AETV to the parent are fully impaired.

27. Events subsequent to balance date

Subsequent to the end of the financial year, there has been some uncertainty about the ongoing economic impacts in Australia and globally arising from the COVID-19 pandemic. There have been various lockdowns throughout Australia and the Group is continuing to monitor the developments and the impact on its operations, people, customers and suppliers.

At the date of signing the financial report, the Group is unable to fully determine the future financial impacts that the COVID-19 pandemic may have, however, the Group has taken into account the potential financial impacts where exposures are expected and made appropriate disclosures about the expected impact of COVID-19 throughout these financial statements.

Wholesale spot prices in the National Electricity Market (NEM) and eastern Australian gas markets rose to unprecedented average levels in the last quarter of the financial year. A variety of domestic and international factors have contributed to this volatile market and price uncertainty.
This outlook is set to continue into the next financial year.

28. Government grants

The Corporation has recognised $10.8m (2021: $1.05m) of grant revenue during the year ended 30 June 2022 as detailed below:

***Battery of the Nation* Project – Tarraleah Hydropower Scheme Redevelopment**

In April 2022, the Commonwealth and State Governments entered into a funding agreement through the Federal Department of Industry, Science, Energy and Resources (now the Department of Climate Change, Energy, the Environment and Water) to provide up to $65m to support the redevelopment of the Tarraleah hydropower scheme. The funding will enable the project to be progressed to Final Investment Decision (FID) and will contribute to a package of upgrade works prior to FID. The funding is expected to be a mixture of both grant ($13m) and equity ($52m) contributions.

During the year ended 30 June 2022, the Department of Treasury and Finance paid $9.8m for the Tarraleah funding.

Department of State Growth – King Island network upgrade

In October 2021, the Department of State Growth entered into a $2m funding agreement to support the upgrade of the electricity infrastructure between the King Island Power Station and the existing Scheelite Mine at Grassy on King Island.

During the year ended 30 June 2022, the Department of State Growth paid $1m for the King Island funding.

29. Controlled entities

			Percentage of share held by the Group	
	Footnote	Country of incorporation	2022 %	2021 %
Parent entity				
Hydro-Electric Corporation				
Controlled entities				
Bell Bay Power Pty Ltd	1	Australia	100	100
Lofty Ranges Power Pty Ltd	2	Australia	100	100
Bell Bay Three Pty Ltd	3	Australia	100	100
RE Storage Project Holding Pty Ltd	4	Australia	100	100
Hydro Tasmania Consulting (Holding) Pty Ltd	5	Australia	100	100
Momentum Energy Pty Limited	6	Australia	100	100
HT Wind Operations Pty Ltd	7	Australia	100	100
Hydro Tasmania South Africa (Pty) Ltd	8	South Africa	100	100
AETV Pty Ltd	9	Australia	100	100

Footnotes

1. Bell Bay Power Pty Ltd was incorporated on 20 December 2001.
2. Lofty Ranges Power Pty Ltd was incorporated on 26 April 2002.
3. Bell Bay Three Pty Ltd was incorporated on 7 December 2005.
4. RE Storage Project Holding Pty Ltd was incorporated on 11 April 2006.
5. Hydro Tasmania Consulting (Holding) Pty Ltd was incorporated on 20 October 2006. It holds a 99.9% interest (9,999 shares) in Hydro Tasmania Consulting India Private Limited with Hydro-Electric Corporation holding 1 share.
6. Hydro Tasmania acquired 51% of the issued capital of Momentum Energy Pty Limited on 31 August 2008. The remaining 49% of the issued capital was acquired on 30 September 2009. Momentum was incorporated on 8 July 2002.
7. Hydro Tasmania acquired 100% of the issued capital of HT Wind Operations Pty Ltd on 30 June 2011. HT Wind Operations Pty Ltd owns 100% of Woolnorth Bluff Point Holdings Pty Ltd, Woolnorth Studland Bay Holdings Pty Ltd, Heemskirk Holdings Pty Ltd, HT Wind Developments Pty Ltd and Hydro Tasmania Retail Pty Ltd (previously named HT Wind New Zealand Pty Ltd). HT Wind Operations Pty Ltd was registered on 29 November 2004. Heemskirk Holdings Pty Ltd holds 100% ownership of the issued capital of Heemskirk Windfarm Pty Ltd.
8. Hydro Tasmania acquired 100% ownership of Hydro Tasmania South Africa (Pty) Ltd on 23 January 2012. Hydro Tasmania South Africa (Pty) Ltd holds a 92% ownership interest in Hydro Tasmania Neusberg (Pty) Ltd.
9. AETV Pty Ltd was transferred to Hydro Tasmania by Ministerial direction at midnight 1 June 2013.

30. Interest in associates and joint ventures

			CONSOLIDATED				PARENT			
		Associate and joint venture balance date	Ordinary share ownership interest		Associate and joint venture agreement voting rights		Ordinary share ownership interest		Associate and joint venture agreement voting rights	
	Principal activity		2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Joint ventures										
Cathedral Rocks Construction and Management Pty Ltd	Wind farm construction and operation	30 June	50	50	50	50	50	50	50	50
SA Water Corporation & Lofty Ranges Power Pty Ltd joint venture	Mini-hydro operation	30 June	50	50	50	50	-	-	-	-
Associates										
Woolnorth Wind Farm Holding Pty Ltd	Wind farm operation	30 June	25	25	25	25	-	-	-	-

The Group holds a 50% interest in a dormant joint venture (Cathedral Rocks Construction and Management Pty Ltd) with Acciona Energy Oceania Pty Ltd. The joint venture was previously engaged in managing the construction and operation of a wind farm at Cathedral Rocks, South Australia (note 31).

A subsidiary of the Group, Lofty Ranges Power Pty Ltd, holds a 50% interest in an unincorporated joint venture operation named SA Water Corporation & Lofty Ranges Power Pty Ltd Joint Venture. The principal activity of the joint venture is the operation of mini hydro facilities.

A subsidiary of the Group, HT Wind Operations Pty Ltd, became a partner in Woolnorth Wind Farm Holdings Pty Ltd with Shenhua Clean Energy Holding Pty Ltd in February 2012 and holds a 25% interest. The principal activity of the business is to operate wind farms.

31. Incorporated associates and joint ventures

The Statement of Financial Performance and Position of the following incorporated associates and joint ventures are not consolidated but are instead accounted for under the equity method.

	CONSOLIDATED		
	Associate	Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Total
	2022 $'000	2022 $'000	2022 $'000
Statement of Financial Performance			
Revenue	103,567	-	103,567
Expenses	69,497	-	69,497
Profit/(loss) before fair value	34,070	-	34,070
Fair value gains/(losses)	(133,134)	-	(133,134)
Profit/(loss) before income tax benefit	(99,064)	-	(99,064)
Income tax expense	29,804	-	29,804
Net (loss)/profit after tax	(69,260)	-	(69,260)
Statement of Financial Position			
Current assets	87,054	55	87,109
Non-current assets	468,045	-	468,045
Total assets	555,099	55	555,154
Current liabilities	88,446	-	88,446
Non-current liabilities	234,569	-	234,569
Total liabilities	323,015	-	323,015
Net assets	232,084	55	232,139
Share of accumulated profits/(losses)			
Share of accumulated profits/(losses) at the beginning of the year	58,404	(21)	58,383
Share of profit/(loss) after income tax expense	(17,315)	-	(17,315)
Share of accumulated profits/(losses) at the end of the year	41,089	(21)	41,068
Movements in carrying amount of investment			
Carrying amount at the beginning of the year	71,056	17	71,073
Dividends received	-	-	-
Share of associates other comprehensive income	4,280	-	4,280
Share of profit/(loss) after income tax for the year	(17,315)	-	(17,315)
Carrying amount at the end of the year	58,021	17	58,038

31. Incorporated associates and joint ventures (continued)

	CONSOLIDATED		
	Associate	Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Total
	2021 $'000	2021 $'000	2021 $'000
Statement of Financial Performance			
Revenue	95,528	-	95,528
Expenses	70,743	-	70,743
Profit/(loss) before fair value	24,785	-	24,785
Fair value gains/(losses)	62,120	-	62,120
Profit/(loss) before income tax benefit	86,905	-	86,905
Income tax expense	(26,303)	-	(26,303)
Net (loss)/profit after tax	60,602	-	60,602
Statement of Financial Position			
Current assets	88,661	55	88,716
Non-current assets	543,575	-	543,575
Total assets	632,236	55	632,291
Current liabilities	189,546	-	189,546
Non-current liabilities	158,467	-	158,467
Total liabilities	348,013	-	348,013
Net assets	284,223	55	284,278
Share of accumulated profits/(losses)			
Share of accumulated profits/(losses) at the beginning of the year	43,253	(21)	43,232
Share of profit/(loss) after income tax expense	15,151	-	15,151
Share of accumulated profits/(losses) at the end of the year	58,404	(21)	58,383
Movements in carrying amount of investment			
Carrying amount at the beginning of the year	57,423	17	57,440
Dividends received	(3,283)	-	(3,283)
Share of associates other comprehensive income	1,765	-	1,765
Share of profit/(loss) after income tax for the year	15,151	-	15,151
Carrying amount at the end of the year	71,056	17	71,073

32. Deed of cross guarantee

The following consolidated Statement of Comprehensive Income and retained profits, and the Statement of Financial Position comprises the Group and its controlled entities which are party to the Deed of Cross Guarantee (refer note 23), after eliminating all transactions between parties to the Deed.

	2022 $'000	2021 $'000
Consolidated Statement of Comprehensive Income and retained profits		
Revenue	2,162,282	1,883,295
Expenses	1,026,501	1,540,374
Profit/(loss) before income tax equivalent expense	1,135,781	342,921
Income tax equivalent (benefit)/expense	340,533	105,286
Profit/(loss) for the period	795,248	237,635
Other comprehensive income	(574,319)	86,833
Total comprehensive income/(loss) for the period	220,929	324,468
Retained earnings at the beginning of the period	641,804	510,180
Dividends paid	(112,300)	(115,000)
Net profit/(loss)	795,248	237,635
Other movements	39,973	8,989
Retained earnings at the end of the period	1,364,725	641,804

32. Deed of cross guarantee (continued)

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	43,781	15,204
Receivables	795,777	350,165
Investments	132,200	74,700
Inventories	5,436	4,506
Other financial assets	673,388	132,647
Current tax asset	34,524	-
Other	17,744	23,130
Total current assets	1,702,850	600,352
Non-current assets		
Investments	184,410	184,410
Property, plant and equipment	3,914,806	3,430,379
Intangible assets	66,062	76,230
Deferred tax asset	64,192	62,976
Other financial assets	210,686	704,425
Goodwill	16,396	16,396
Other	9,150	13,818
Total non-current assets	4,465,702	4,488,634
TOTAL ASSETS	6,168,552	5,088,986
Current liabilities		
Payables	709,176	275,458
Interest-bearing liabilities	105,888	85,957
Provisions	190,008	340,918
Other financial liabilities	1,388,387	184,697
Other	184,281	178,856
Total current liabilities	2,577,740	1,065,886
Non-current liabilities		
Interest-bearing liabilities	615,180	679,870
Deferred tax liability	412,356	342,299
Provisions	315,249	368,971
Other financial liabilities	443,867	934,872
Total non-current liabilities	1,786,652	2,326,012
TOTAL LIABILITIES	4,364,392	3,391,898
NET ASSETS	1,804,160	1,697,088
EQUITY		
Contributed equity	678,206	678,206
Reserves	(238,771)	377,078
Retained earnings	1,364,725	641,804
TOTAL EQUITY	1,804,160	1,697,088

33. Dividend

	CONSOLIDATED		PARENT	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Declared and paid during the year				
Statutory dividend	-	112,300	-	112,300
Proposed for approval (not recognised as a liability as at 30 June)				
Statutory dividend	74,000	-	74,000	-

34. Segment information

Identification of reportable segments

The Group has identified its material operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (CEO) as chief operating decision maker in assessing the performance and determining the allocation of resources. Three material segments have been identified as Momentum Energy, AETV and the rest of the Hydro Tasmania Group.

Types of products and services by segment

(i) Hydro Tasmania

Hydro Tasmania generates and sells wholesale energy into the NEM from hydro generation assets and provides consulting services.

(ii) AETV

AETV Pty Ltd generates and sells wholesale energy into the NEM from gas fired generation assets and sells gas to wholesale customers in Tasmania.

(iii) Momentum Energy

Momentum Energy sells energy to retail customers trading in all regions of the NEM except Tasmania.

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all financial information reported to the CEO with respect to individual segments is determined in accordance with the accounting policies adopted in the financial statements as detailed in note 1.2.

Inter-segment revenues are eliminated on consolidation.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2022					
	Hydro* Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	694,317	89,426	843,063	1,626,806	(138,262)	1,488,544
Fair value gains	656,144	14,631	-	670,775	-	670,775
Other revenue	5,016	1	459	5,476	-	5,476
Total revenue	1,355,477	104,058	843,522	2,303,057	(138,262)	2,164,795
Segment results						
Depreciation and amortisation	103,437	2,980	16,303	122,720	-	122,720
Finance expenses	35,000	-	759	35,759	-	35,759
Fair value losses	131,397	27,539	-	158,936	-	158,936
Net revaluation and impairment	(481,089)	-	-	(481,089)	(1,586)	(482,675)
Share of associates and joint venture	17,315	-	-	17,315	-	17,315
Other expense	418,740	96,021	816,177	1,330,938	(138,262)	1,192,676
Total expense	224,800	126,540	833,239	1,184,579	(139,848)	1,044,731
Profit/(loss) before income tax equivalent	1,130,677	(22,482)	10,283	1,118,478	1,586	1,120,064
Comprising:						
Result before fair value movements and revaluation	148,139	(9,574)	10,283	148,848	-	148,848
Net fair value gains/(losses)	524,747	(12,908)	-	511,839	-	511,839
Net fair value gains/(losses) from associates and joint ventures	(23,298)	-	-	(23,298)	-	(23,298)
Revaluation and impairment (expenses)/gains	481,089	-	-	481,089	1,586	482,675
Profit/(loss) before income tax equivalent	1,130,677	(22,482)	10,283	1,118,478	1,586	1,120,064
Income tax equivalent expense	339,485	(6,741)	3,092	335,837	-	335,837
Segment profit/(loss) after tax	791,192	(15,741)	7,191	782,641	1,586	784,227
Total assets	5,723,920	93,195	196,979	6,014,094	(19,417)	5,994,677
Total liabilities	3,641,350	417,578	85,247	4,144,174	-	4,144,174
Other disclosures						
Investment in associates and joint ventures	58,038	-	-	58,038	-	58,038
Capital expenditure	114,324	-	4,797	119,121	-	119,121

Inter-segment revenues are eliminated on consolidation.

* Hydro Tasmania represents Hydro Tasmania parent entity plus the remaining subsidiaries in the Hydro Tasmania Group.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2021					
	Hydro* Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	805,069	83,178	896,869	1,785,116	(124,702)	1,660,414
Fair value gains	171,206	16,507	-	187,713	-	187,713
Share of associates and joint ventures	15,151	-	-	15,151	-	15,151
Other revenue	35,923	-	378	36,301	-	36,301
Total revenue	1,027,349	99,685	897,247	2,024,281	(124,702)	1,899,579
Segment results						
Depreciation and amortisation	100,127	3,019	11,701	114,847	-	114,847
Finance expenses	38,949	-	924	39,873	-	39,873
Fair value losses	57,003	688	-	57,691	-	57,691
Net revaluation and impairment	17,200	-	-	17,200	(17,200)	-
Other expense	478,366	110,195	865,437	1,453,998	(124,702)	1,329,296
Total expense	691,645	113,902	878,062	1,683,609	(141,902)	1,541,707
Profit/(loss) before income tax equivalent expense	335,704	(14,217)	19,185	340,672	17,200	357,872
Comprising:						
Result before fair value movements and revaluation	227,830	(30,036)	19,185	216,979	-	216,979
Net fair value gains/(losses)	114,203	15,819	-	130,022	-	130,022
Net fair value gains/(losses) from associates and joint ventures	10,871	-	-	10,871	-	10,871
Revaluation and impairment (expenses)/gains	(17,200)	-	-	(17,200)	17,200	-
Profit/(loss) before income tax equivalent expense	335,704	(14,217)	19,185	340,672	17,200	357,872
Income tax equivalent expense	106,882	(4,265)	6,142	108,759	-	108,759
Segment profit/(loss) after tax	228,822	(9,952)	13,043	231,913	17,200	249,113
Total assets	4,641,498	97,027	210,413	4,948,938	(19,417)	4,929,521
Total liabilities	2,678,922	405,669	94,904	3,179,495	-	3,179,495
Other disclosures						
Investment in associates and joint ventures	71,073	-	-	71,073	-	71,073
Capital expenditure	146,073	-	9,905	155,978	-	155,978

* Hydro Tasmania represents Hydro Tasmania parent entity plus the remaining subsidiaries in the Hydro Tasmania Group.

34. Segment information (continued)

	YEAR ENDED	
	2022 $'000	2021 $'000
Reconciliation of profit		
Segment profit	782,641	231,913
Energy sales	138,262	124,702
Purchased energy	(138,262)	(124,702)
Intercompany loan impairment	1,586	17,200
Consolidated profit	784,227	249,113
Reconciliation of assets		
Segment total assets	6,014,094	4,948,938
Elimination of investment in subsidiary	(19,417)	(19,417)
Corporation total assets	5,994,677	4,929,521
Reconciliation of liabilities		
Segment total liabilities	4,144,174	3,179,495
Elimination of intercompany revaluation and balances	-	-
Corporation total liabilities	4,144,174	3,179,495

Statement of certification

In the opinion of the directors of the Hydro-Electric Corporation (the "Corporation"):

a) the financial statements and notes of the Corporation and of the consolidated entity are in accordance with the *Government Business Enterprises Act 1995*, including:

 (i) giving a true and fair view of the results and cash flows for the year ended 30 June 2022 and the financial position at 30 June 2022 of the Corporation and the Consolidated entity;

 (ii) complying with the Australian Accounting Standards and Interpretations, and with the Treasurer's Instructions.

b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

c) there are reasonable grounds to believe that the Corporation, AETV Pty Ltd and Momentum Energy Pty Limited will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those entities pursuant to ASIC Instrument [15-0576] and [15-0577].

This declaration has been made after receiving the following declaration from the Chief Executive Officer and Chief Financial Officer of the Corporation:

a) the financial records of the Corporation for the year ended 30 June 2022 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;

b) the financial statements and notes for the year ended 30 June 2022 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and

c) the financial statements and notes for the year ended 30 June 2022 give a true and fair view.

Signed in accordance with a resolution of the directors:

Grant Every-Burns

G Every-Burns
Chairman
12 August 2022

H Galloway
Director
12 August 2022

Superannuation declaration

I, Ian Brooksbank, hereby certify that the Hydro-Electric Corporation has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the Hydro-Electric Corporation contributes.

I Brooksbank
Chief Executive Officer
12 August 2022

Auditor’s independence declaration

Tasmanian
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 l Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

12 August 2022

The Board of Directors
Hydro-Electric Corporation
4 Elizabeth Street
HOBART TAS 7000

Dear Board Members

Auditor’s Independence Declaration

In relation to my audit of the financial report of Hydro-Electric Corporation for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of Australian Auditing Standards in relation to the audit

(b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General

Independent Auditor's Report

To the Members of Parliament

Hydro-Electric Corporation

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Hydro-Electric Corporation (the Corporation) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance and its cash flows for the year then ended

(b) complying with Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration provided to the directors of the Corporation on 12 August 2022, would be in the same terms if provided to the directors at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Fair value of generation assets *Refer to notes 1.2(i), 3 and 9*	
As at 30 June 2022, the Group's generation assets of $3,616 million recognised at fair value, representing 60 per cent of the total assets. The generation class of assets are carried at fair value using a discounted cash flow model. The fair value calculation is based on long-term electricity prices determined with reference to published energy prices and price trend predictions in the National Energy Market. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on internal models. Other key inputs to the fair value model are forecast generation, inflation, discount rate and terminal growth rates. Significant management judgment was required in determining the key assumptions used in the model and changes in the underlying assumptions can significantly impact the valuation.	In conjunction with corporate finance and valuation specialists: • Assessing the reasonableness of key assumptions used in the model with reference to relevant internal and external evidence. The key assumptions included the long-term electricity prices, generation capacity, expenses, capex, inflation rate, discount rate and terminal growth rate for reasonableness of achievability and consistency with the external and / or internal environment. • Assessing the reasonableness of cashflow forecasts relative to corporate plans and other relevant internal and external evidence. Performed sensitivity analysis in relation to key assumptions in the model to assess the potential reasonable change. • Undertaking integrity checks of the model calculations, including re-performing the valuation of generation assets and comparing the result to the valuation and performing sensitivity analysis in relation to key model assumptions. • Testing, on a sample basis, the mathematical accuracy of the discounted cashflow model. Assessing the adequacy of relevant disclosures in the financial statements in

	accordance with AASB 13 *Fair Value Measurement* and the appropriateness of the classification of cash generating units.
Energy price derivatives *Refer to notes 1.2(ae), 2, 3, 11, 18 and 21*	
As at 30 June 2022, the Group's energy price derivative assets totalled $775 million and energy price derivative liabilities totalled $1,566 million. Significant management judgment is required in determining the value of the energy price derivative assets and liabilities due to the highly technical and complex nature of the valuations, which included management estimation of future electricity prices, inflation and discount factors. Changes in the underlying estimates can significantly impact the value of energy price derivative assets and liabilities.	In conjunction with corporate finance and energy derivative valuation specialists: • Assessing the effectiveness of middle office control and oversight function, and its involvement in fair value measurement process. Including access and version controls. • Reviewing the design and testing the effectiveness of key controls associated with trading of energy price derivatives, including verification of trades. • Evaluating the methodology of the internal valuation models applied to Level 3 financial instruments against market practices and testing the internally derived inputs, such as long-term price curves and forecast volumes. • Assessing and challenging market data inputs and assumptions in valuation models for consistency with publicly available and other external market data. • Evaluating the configuration of internal models and the valuation methodology applied to fair value structured and complex energy derivatives classified as Level 3 having regard to generally accepted market practices. • Re-performing fair value calculations for a sample of derivative financial instruments using industry acceptable valuation practices. • Re-performing a sample of Level 1 and Level 2 financial instruments valuations and hedge accounting results. • Assessing the documentation, measurement of hedge effectiveness,

	and accounting for cashflow hedges designated from 1 July 2020. • Checking, on a sample basis, the key terms for the entry of trades to underlying third party transaction documents. • Reviewing the completeness and accuracy of the financial statement disclosures relating to the financial assets and liabilities to ensure compliance with applicable Accounting Standards disclosure requirements, including testing the integrity and mathematical accuracy of disclosure spreadsheets. Assessing the fair value hierarchy disclosures and validate appropriateness of disclosures based on observable and/or unobservable inputs.
Basslink financial assets and liabilities *Refer to notes 1.2(ac), 2(c), 3, 11, 18 and 21*	
As at 30 June 2022, the Group's Basslink financial assets totalled \$50 million (relating to the Basslink Security Deposit) and Basslink financial liabilities were \$0. On 10 February 2022, the Group terminated the Basslink Services Agreement (BSA) and recognised a fair value gains of \$308 million associated with Basslink financial assets and liabilities. Significant management judgment was required in valuing the Basslink financial assets and liabilities as they are sensitive to inputs within the discounted cash flow model such as electricity prices, forecast interconnect energy flow over the Basslink cable and inflation and discount factors	In conjunction with corporate finance and energy derivative valuation specialists: • Assessing effectiveness of middle office control and oversight function, and its involvement in fair value measurement process. Including access and version controls. • Assessing and challenging key inputs and assumptions underpinning the valuation of the BSA including inputs such as the long-term electricity price curve, interconnector energy flow, volatility of Victoria and Tasmania price spreads, including comparing inputs to external sources, where available. • Reviewing the fair value gains associated with Basslink financial asset and liabilities transactions during the financial year, particularly in regard to the termination of the BSA. • Undertaking integrity checks and mathematical accuracy of the model

	calculations and disclosure spreadsheets. • Considering the recoverability of any related asset balances, including the Basslink security deposit and arbitration cost awards and any associated financial statement disclosures. • Reviewing the completeness and accuracy of the financial statement disclosures to ensure compliance with applicable Accounting Standards.

Responsibilities of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

15 August 2022
Hobart

Above: ***Technology plays a large role in our day-to-day operations with Maintenance Assistant Anthony Franklin using a drone at Meadowbank Dam***

Summary information

Community service obligations summary

Formalised directions issued by the Minister for Energy and Renewables and Treasurer to Hydro Tasmania to perform community service obligations (CSOs) pursuant to section 65(1) of the *Government Business Enterprises Act 1995* (Tas) (GBE Act) as required by section 55(2)(a) of the GBE Act.

Bass Strait islands

The Hydro Tasmania group provides electricity services to the Bass Strait islands in accordance with the direction to perform an unfunded CSO. Retail services are provided by Momentum Energy. The CSO ensures that consumers on the Bass Strait islands receive electricity at a concessional and regulated price. In 2021-22, the net cost of the CSO to Hydro Tasmania was $10.11 million.

Granville Harbour Wind Farm

On 5 September 2017, Hydro Tasmania was directed to enter a power purchase agreement with West Coast Wind to facilitate the construction of the Granville Harbour Wind Farm. The power purchase agreement took effect once the wind farm became operational in 2020. In 2021-22, this unfunded CSO direction has an implied cost to Hydro Tasmania of $1.6m due to the prevailing market price for LGCs.

Sponsorship of Cricket Tasmania and the Hobart Hurricanes

Beginning FY2020-21, Hydro Tasmania was directed to perform an unfunded CSO to become a major sponsor of Cricket Tasmania and the Hobart Hurricanes BBL cricket team for a three year period. In 2021-22, the cost of the CSO to Hydro Tasmania was $300,000.

Financial summary

Financial results

Table 3: **Financial results 2018–2022**

Year ending 30 June:	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m
Result before fair value, impairment and tax	167.9	195.0	171.8	217.0	148.8
Profit/(loss) before tax[a]	168.8	216.2	(778.1)	357.9	1,120.1
Comprehensive income/(loss)	30.7	(169.2)	(99.0)	337.2	212.8
Cash flow from operating activities	357.1	257.4	227.8	236.3	189.1
Net debt	703	549	627	673	543
Weighted average cost of debt	4.90%	5.08%	4.92%	3.52%	3.67%
Capital expenditure	124.9	145.1	141.5	156.0	117.7
Other expansion and acquisitions	0.0	0.0	0.0	0.0	0.0
Total assets	5,706	5,702	4,763	4,930	5,995

[a] Profit/(loss) before tax is impacted by movements in the fair value of energy derivatives, and by the impairment of generation assets

Year ending 30 June:	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m
Government guarantee fee	8.2	7.9	6.7	6.3	5.8
Income tax equivalent	8.6	69.1	70.6	56.9	74.3
Ordinary dividend[a]	0.0	80.0	120.0	115.0	112.3
Rates equivalent	4.3	4.4	4.6	4.6	5.0
Total returns	21.1	161.4	201.9	182.8	197.4

[a] Represents the dividend paid in the period, relating to performance in the previous period

Five-year summary

Table 4: Financial statistics 2018–2022, year ending 30 June

	Financial year ending 30 June				
	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000
Five-year profile – Statement of Comprehensive Income					
Income					
Sales of goods and services	1,769,696	1,824,372	1,784,507	1,660,414	1,488,544
Other income	25,662	26,181	5,636	36,301	5,476
TOTAL INCOME	**1,795,358**	**1,850,553**	**1,790,143**	**1,696,715**	**1,494,020**
Less expenses					
Labour	140,791	160,453	159,659	170,032	147,410
Direct operating expenses	1,196,666	1,214,769	1,184,848	1,060,549	944,481
Depreciation and amortisation of non-current assets	116,521	118,065	125,966	114,847	122,720
Impairment of non-current assets	227	11,050	878,931	-	(482,675)
Finance costs	54,379	50,129	44,185	39,873	35,759
Net fair value movements	(1,111)	(48,196)	96,840	(130,022)	(511,839)
Other operating expenses	119,099	128,092	77,776	83,564	118,100
TOTAL EXPENSES	**1,626,572**	**1,634,362**	**2,568,205**	**1,338,843**	**373,956**
NET PROFIT/(LOSS) BEFORE TAX	**168,786**	**216,191**	**(778,062)**	**357,872**	**1,120,064**
Five-year profile - Balance Sheet					
Assets					
Cash and cash equivalents	65,890	66,448	15,143	92,720	178,125
Investments	58,144	42,540	57,440	71,073	58,038
Receivables	387,512	390,621	341,739	351,803	798,113
Property, plant and equipment	4,474,381	4,484,642	3,479,968	3,518,784	3,992,895
Financial and other assets	720,178	718,212	868,701	895,141	967,506
TOTAL ASSETS	**5,706,105**	**5,702,463**	**4,762,991**	**4,929,521**	**5,994,677**
Liabilities					
Payables	347,891	345,534	307,052	278,773	712,948
Provisions	571,401	819,452	738,210	720,578	528,325
Interest bearing liabilities	769,204	618,620	671,373	765,827	721,068
Tax liabilities	470,350	315,058	200,863	290,403	341,575
Financial liabilities	1,551,703	1,857,250	1,317,644	1,123,914	1,840,258
TOTAL LIABILITIES	**3,710,549**	**3,955,914**	**3,235,142**	**3,179,495**	**4,144,174**
NET ASSETS	**1,995,556**	**1,746,549**	**1,527,849**	**1,750,026**	**1,850,503**
EQUITY	**1,995,556**	**1,746,549**	**1,527,849**	**1,750,026**	**1,850,503**
Five-year profile - Capital Works					
Expenditure					
Generation assets	88,314	101,121	95,559	94,313	80,488
Bass Strait islands	2,592	2,052	2,387	2,934	2,834
Land and buildings	4,534	9,608	5,134	7,812	4,297
Fleet	2,748	2,003	2,937	863	2,996
Information systems	24,555	26,831	26,618	35,720	23,994
Renewable developments*	280	2,111	7,726	10,772	(155)
Other assets	1,913	1,341	1,138	3,564	3,238
TOTAL CAPITAL EXPENDITURE	**124,936**	**145,067**	**141,499**	**155,978**	**117,692**

* Grant revenue received has been recognised against the carrying amount of the asset

Generation summary

Table 5: **Generation summary 2016-2022**

		As at June 30						
	Units*	2016	2017	2018	2019	2020	2021	2022
Mainland Tasmania								
Power stations								
Hydro	Number	30	30	30	30	30	30	30
Thermal (gas)	Number	1	1	1	1	1	1	1
Thermal (diesel)	Number	2[a]	-	-	-	-	-	-
Total	**Number**	**33**	**31**	**31**	**31**	**31**	**31**	**31**
Installed capacity[b]								
Hydro	MW	2,281	2,281	2,283[c]	2,283	2,287[d]	2,290[e]	2,290
Thermal (gas)	MW	372	372	372	372	372	372	372
Thermal (diesel)	MW	123	-	-	-	-	-	-
Total	**MW**	**2,776**	**2,653**	**2,655**	**2,655**	**2,659**	**2,662**	**2,662**
Energy generated[f]								
Hydro	GWh	8,038	8,305	9,178	9,681	9,697	8,177	9,560
Thermal (gas)	GWh	769	767	820	465	87	76	31
Thermal (diesel)	GWh	55	-	-	-	-	-	-
Total	**GWh**	**8,862**	**9,072**	**9,998**	**10,146**	**9,784**	**8,253**	**9,591**
Generation peak	MW	2,161	2,038	2,160	2,175	2,131	2,152	2,158
Generation load factor[g]	%	47	51	53	53	52	44	51
Bass Strait islands								
King Island								
Diesel	MWh	6,587	7,482	6,010	5,939	5,834	6,343	6,746
Wind/Solar[h]	MWh	4,907	4,497	5,679	6,520	7,329	7,642	7,666
Flinders Island								
Diesel	MWh	3,539	4,038	2,721	2,609	2,064	2,383	2,295
Wind/Solar[i]	MWh	-	65	1,887	1,970	2,769	2,733	2,902
Total Bass Strait islands	MWh	15,033	16,082	16,297	17,038	17,996	19,101	19,609

* MW (megawatt); Mwh (megawatt hour = one thousand kilowatt hours); GWh (gigawatt hour) = one million kilowatt hours

a Temporary diesel generation of up to a maximum registered capacity of 236 MW was installed at six sites during the latter part of 2015-16. As at 30 June 2016, diesel generation was still installed at Bell Bay Power Station and Que River Substation.

b Power station registered nameplate capacity.

Generation summary 2016-2022 (continued)

c From 2 May 2018, installed capacity increased by 2 MW due to Cluny Power Station upgrade.

d From September 2019, installed capacity increased by 3.6 MW due to Liapootah Unit 3 upgrade.

e From 19 February 2021, installed capacity increased by 3 MW due to Catagunya Unit 1 upgrade.

f Mainland Tasmania energy generated is calculated as the net energy measured at the power station market and distribution connection points.

g Calculated as average MW divided by peak MW. Average MW calculated from total energy divided by hours in the year.

h King Island wind and solar generation is calculated as the net output for the year from Hydro Tasmania's wind generators and solar installations.

i Net energy supplied to customers from Hydro Tasmania's wind turbine, Flinders Island Renewable Energy Developments Pty Ltd's wind turbine and Hydro Tasmania's solar installation at Flinders Island.

Table 6: Basslink imports and exports at 30 June 2016-2022 (Based on publically available data)

	Financial year ending 30 June						
	2016	2017	2018	2019	2020	2021	2022
Export[a] (GWh)	479	977	1,074	1,496	1,376	1,007	1,417
Import[b] (GWh)	1,067	1,342	865	991	867	1,612	1,145
Net[c] (GWh)	(588)	(365)	209	505	509	(605)	272

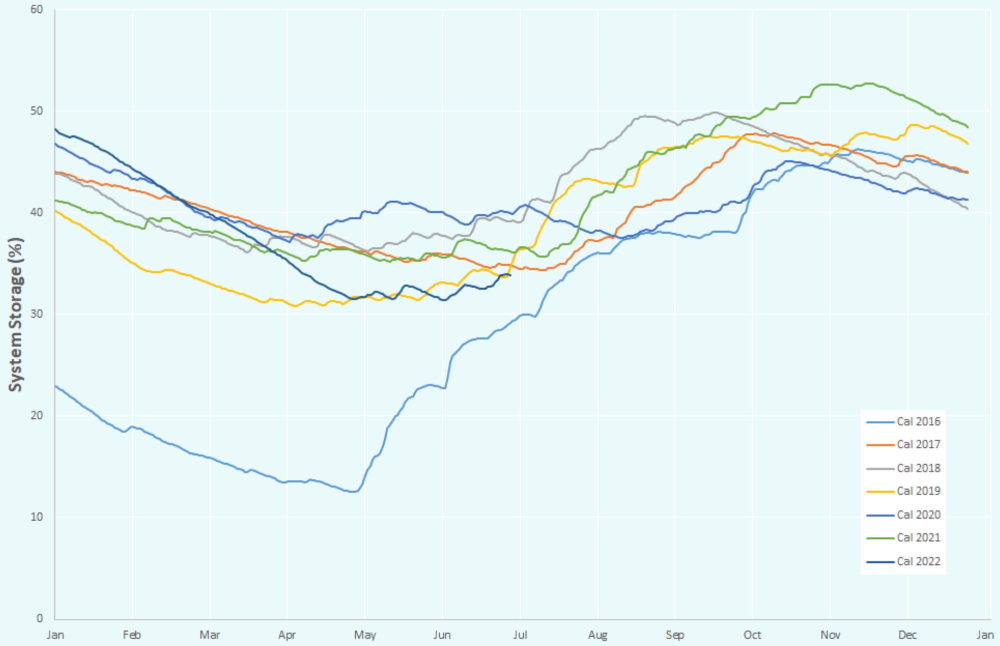
a Measured at Loy Yang Victoria

b Measured at George Town Tasmania

c Positive numbers indicate net export, negative numbers indicate net import

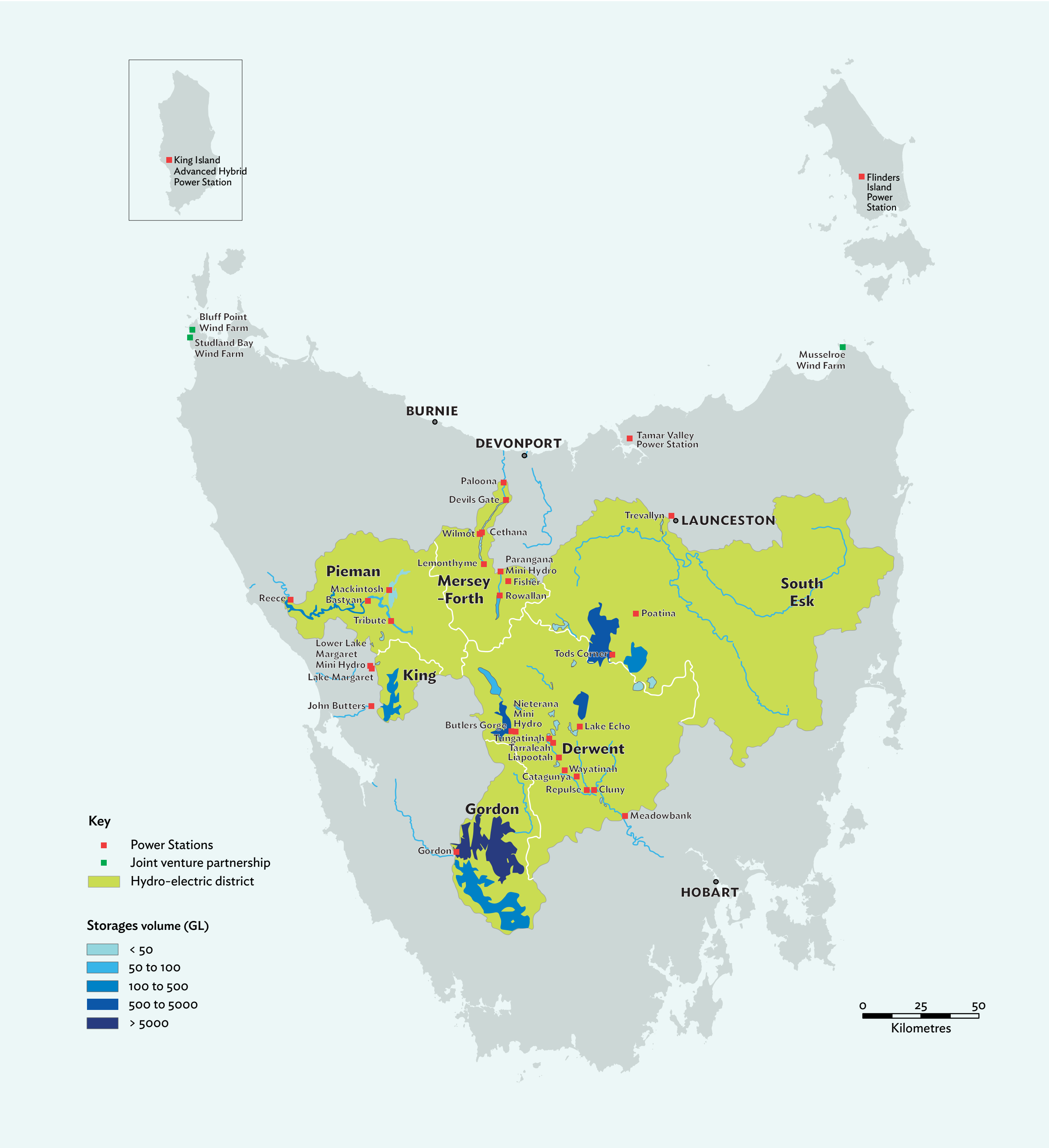
Table 7: Energy in storage at 1 July 2022

	Storage at 1 July						
TEIS	2016	2017	2018	2019	2020	2021	2022
GWh	4,205	5,031	5,658	5,007	5,774	5,228	4,887
%	29.1	34.8	39.2	34.7	40.0	36.2	33.9



Storage levels 2016-2022
Cal - calendar year

Figure 3: Hydro Tasmania's Tasmanian operations



Governance summary

The Directors of the Corporation at any time during or since the end of the financial year were:

Mr Grant Every-Burns Chairman	Mr Every-Burns was first appointed to the Board in August 2012. He is a member of the Corporation's Audit Committee, Risk Management Committee and the People & Safety Committee (formerly HR, Remuneration & Safety Committee). **Appointed:** 27 August 2012 **Current term:** 13 October 2020 until 12 October 2022
Mr Carlo Botto Independent Director	Mr Botto was appointed to the Board in July 2018 and is Chair of the Risk Management Committee. **Appointed:** 31 July 2018 **Current term:** 23 August 2021 to 22 August 2024
Ms Selina Lightfoot Independent Director	Ms Lightfoot was appointed to the Board in July 2018. She is Chair of the People & Safety Committee (formerly HR, Remuneration & Safety Committee) and a member of the Audit Committee. **Appointed:** 31 July 2018 **Current term:** 23 August 2021 to 22 August 2024
Ms Helen Galloway Independent Director	Ms Galloway was appointed to the Board in August 2021. She is Chair of the Audit Committee and is a member of the Risk Management Committee. **Appointed:** 24 August 2021 **Current term:** 24 August 2021 to 23 August 2024
Mr Kenneth Hodgson Independent Director	Mr Hodgson was first appointed to the Board in June 2016. He was Chair of the People & Safety Committee (formerly HR, Remuneration & Safety Committee). **Appointed:** 13 June 2016 **Current term:** 13 June 2019 to 12 June 2022 Mr Hodgson's term was extended until the appointment of a new Director.
Ms Samantha Hogg Independent Director	Ms Hogg was first appointed to the Board in August 2015. She was a member of the Risk Management Committee and HR, Remuneration and Safety Committee (now People & Safety Committee) and served as Chair of the Audit Committee. **Appointed:** 24 August 2015 **Current term:** 24 August 2018 to 23 August 2021 Ms Hogg completed the second term of her appointment on 23 August 2021.

Governance summary (continued)

Table 8: Board Committee membership

Audit Committee	Risk Management Committee	People & Safety Committee
Helen Galloway*	Carlo Botto*	Ken Hodgson*
Grant Every-Burns	Grant Every-Burns	Grant Every-Burns
Selina Lightfoot	Helen Galloway	Selina Lightfoot

*Committee Chair

Table 9: Directors' attendance at Board and committee meetings during 2021-22

	Board (regular and special meetings)		Audit Committee		Risk Management Committee		People & Safety Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	18	18	4	4	4	4	4	4
Helen Galloway[2]	14	14	3	3	4	4	4	3**
Samantha Hogg[1]	5	5	1	1	0	0	0	0
Ken Hodgson	18	16*	4	2**	4	2**	4	4
Carlo Botto	18	18	4	4**	4	4	4	3**
Selina Lightfoot	18	18	4	4	4	4**	4	4

A Number of meetings held during the time the director held office or was a member of the Committee during the year

B Number of meetings attended

* Leave of absence granted

** Not a member of this committee, however, attended as a guest

¹ Ms Hogg's term expired on 23 August 2021

² Ms Galloway was appointed to the Board on 24 August 2021

In addition to scheduled meetings, directors conducted visits of company operations at various sites and met with operational management during the year.

Board and executive performance evaluation

One of the independent directors, on a rotating basis, evaluates the meeting at the conclusion of each Board meeting. This process allows for contemporaneous consideration of the strengths and opportunities of the meeting, how it ran, the presentations given and the discussions.

Each director, including the Chairman, undergoes a formal performance evaluation by their fellow directors and the Hydro Tasmania leadership team when their term of office is under consideration and they elect to seek re-appointment.

In addition, the Chairman provides continual individual feedback on performance to each director.

The performance of the Board and each of its Committees is assessed on an annual basis. The Board, as well as the Audit, People & Safety and Risk Management Committees carried out self-assessments. The leadership team and relevant management personnel are also asked to provide feedback on the effectiveness of the committees and their members.

An external evaluation of Board performance was not undertaken during the 2021-22 year. The performance of the CEO and other senior executives is reviewed annually using robust, measurable and qualitative key performance indicators.

Director induction, education and training

Each new Board member receives a Board induction pack and meets with the Hydro Tasmania leadership team and the Corporation Secretary for introductory briefings. Access to the main governance, Board administration and reference materials is available through a secure web-based application used by Hydro Tasmania directors. The information made available to directors includes content suggested by the Guidelines for Tasmanian Government Businesses on Director Induction, Education and Training.

Ongoing training and education for directors is provided through a combination of in-house presentations and site visits as well as through external providers as required. Training is structured to enable directors to be informed of and understand all key developments relating to Hydro Tasmania's business and the industry and environment in which we operate.

Public Interest Disclosures

Under the *Public Interest Disclosures Act 2002* (the Act), Hydro Tasmania is required to report on any disclosures about improper conduct by its public officers or Hydro Tasmania. In accordance with the requirements of section 86 of the Act, Hydro Tasmania advises that:

a) Hydro Tasmania's current disclosure policy under the Act is available on the Hydro Tasmania website at www.hydro.com.au;

b) there were three (3) disclosures made to Hydro Tasmania during the year. Hydro Tasmania determined that the 3 disclosures were protected disclosures, but none were public interest disclosures;

c) there were no public interest disclosures referred to Hydro Tasmania during the year by the Ombudsman;

d) there were no public interest disclosure matters referred by Hydro Tasmania to the Ombudsman to investigate;

e) there were no investigations of public interest disclosures matters taken over by the Ombudsman from Hydro Tasmania during the year;

f) there were no public interest disclosures that Hydro Tasmania decided not to investigate;

g) there was one disclosed matter that was not a public interest disclosure that was substantiated in part on investigation. Hydro Tasmania has implemented several organisational improvements in response; and

h) the Ombudsman made no recommendations under the Act that relate to Hydro Tasmania.

Payment of accounts summary

Table 10: Accounts due or paid within each year—Hydro Tasmania and subsidiary companies

Measure	
Creditor days: 1,628 creditors with the following payment terms:	
7 days	59
14 days	877
21 days	15
30 days	677
Total number of accounts due for payment	26,551
Number of accounts paid on time	24,983
Amount due for payment	$213,275,543.78
Amount paid on time	$197,584,895.70
Number of payments for interest on overdue accounts	7
Interest paid on overdue accounts	$64.01

The COVID-19 pandemic had an impact on the payment of accounts during the financial year, with supply delays a contributing factor. In an effort to help our Tasmanian based suppliers and in line with the Government guidelines, suppliers with 30 day terms were being paid within 14 days. Internal processes have been identified for improvement in the coming year that will improve the payment cycle for all our suppliers.

Procurement summary

Table 11: **Consultancies valued at more than $50,000 (ex GST), 2021-22**

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
Clayton Utz - Sydney	Sydney, NSW	Legal Advisors	01 July 2021 to 30 June 2022	$1,612,933.77
White & Case	Melbourne, VIC	Legal Advisors	01 July 2021 to 30 June 2022	$1,405,118.65
Price Waterhouse Coopers - VIC	Melbourne, VIC	Financial Consultants	01 July 2021 to 30 June 2022	$873,452.46
PSM Consult Pty Ltd	Sydney, NSW	Geotechnical Consultant	01 July 2021 to 30 June 2022	$684,416.93
Cova Thinking Pty Ltd	Hobart, TAS	Environmental Consultants	01 July 2021 to 30 June 2022	$483,423.96
GHD Pty Ltd - TAS	Hobart, TAS	Engineering Consultants	01 July 2021 to 30 June 2022	$480,153.72
Veris Australia Pty Ltd	Devonport, TAS	Survey Consultants	01 July 2021 to 30 June 2022	$398,289.06
KPMG Australia - Victoria	Melbourne, VIC	Risk Consultant	01 July 2021 to 30 June 2022	$323,098.58
Pitt & Sherry Operations Pty Ltd	Launceston and Hobart, TAS	Compliance and Risk Consultants	01 July 2021 to 30 June 2022	$283,593.21
SICC Services	Devonport, TAS	Engineering Consultants	01 July 2021 to 30 June 2022	$241,176.45
DamWatch Engineering Ltd	Wellington, New Zealand	Engineering Consultants	01 July 2021 to 30 June 2022	$185,810.64
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental Consultants	01 July 2021 to 30 June 2022	$172,555.00
Howarth Fisher and Associates	Sandy Bay, TAS	Engineering Consultants	01 July 2021 to 30 June 2022	$156,358.54
AECOM Australia Pty Ltd	Melbourne, VIC	Engineering Consultants	01 July 2021 to 30 June 2022	$150,897.00
WSP UK Limited	London, UK	Engineering Consultants	01 July 2021 to 30 June 2022	$143,818.34
Baringa Partners LLP	Sydney, NSW	Strategic Advisory Services	01 July 2021 to 30 June 2022	$142,353.03
Herbert Smith Freehills	Melbourne, VIC	Legal Advisors	01 July 2021 to 30 June 2022	$139,449.44
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering Consultants	01 July 2021 to 30 June 2022	$129,364.94
Gondwana Heritage Solutions	Oatlands, TAS	Heritage Consultants	01 July 2021 to 30 June 2022	$126,795.12
Gilbert & Toblin	Melbourne, VIC	Legal Consultant	2 July 2021 to 30 June 2022	$115,701.40
Rachel Trindade	South Yarra, VIC	Legal Advisors	01 July 2021 to 30 June 2022	$110,687.50
Deloitte Risk Advisory Pty Ltd	Melbourne, VIC	Financial Consultants	01 July 2021 to 30 June 2022	$106,921.21
Truth Agency	Melbourne, VIC	PR Consultants	3 July 2021 to 30 June 2022	$92,000.00
Celsius Graphic Design	Collingwood, VIC	Marketing Consultant	01 July 2021 to 30 June 2022	$73,221.20
Biosis Pty Ltd	Port Melbourne, VIC	Environmental Consultants	01 July 2021 to 30 June 2022	$71,824.75
Resource Management Associates	Colombo, SRI LANKA	Environmental Consultants	01 July 2021 to 30 June 2022	$70,053.51

Procurement summary (continued)

Table 11: Consultancies valued at more than $50,000 (ex GST), 2021-22

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
UNSW Sydney	Sydney, NSW	Environmental Consultants	01 July 2021 to 30 June 2022	$62,367.00
Deloitte Private PL Melbourne	Melbourne, VIC	Financial Consultants	01 July 2021 to 30 June 2022	$62,254.50
Quest Integrity AUS Pty Limited	Varsity Lake, QLD	Legal Advisors	01 July 2021 to 30 June 2022	$57,950.00
Dobson Mitchell Allport	Hobart, TAS	Legal Advisors	01 July 2021 to 30 June 2022	$51,985.90
WMA Water Pty Ltd	Hobart, TAS	Environmental Consultants	01 July 2021 to 30 June 2022	$51,663.00
Direct Current Consulting Ltd	Wellington, NZ	Environmental Consultants	01 July 2021 to 30 June 2022	$50,013.82
Total				$9,109,702.63
Total expenditure on 32 other consultants engaged for $50,000 or less				$604,209.50
In addition to the consultants listed in the table above, Entura engages consultants for specialist advice in the delivery of services to external clients and Hydro Tasmania engaged other consultants on a confidential basis for specialist advice				$161,460.33
Total payments to consultants				**$9,875,372.46**

Table 12: Proportion of spending on local suppliers

Indicator	Location of supplier	2017-18	2018-2019	2019-2020	2020-2021	2021-2022
Proportion of spending on local suppliers for the Hydro Tasmania group (%)[a]	Mainland Australia	31.5	32.7	32.1	25.7	28.5
	Tasmania	57.9	57.9	61.6	61.5	62.2
	Overseas	10.6	9.3	6.2	12.8	9.2
Value of spending on local suppliers for Hydro Tasmania group ($)	Mainland Australia				$53,441,914	$53,272,990
	Tasmania				$128,166,498	$116,190,476
	Overseas				$26,700,460	$17,250,475
Proportion of spending on local suppliers for Momentum Energy (%)	Mainland Australia	98.6	98.8	98.6	98.5	95.5
	Tasmania	0.8	0.7	0.4	1.3	4
	Overseas	0.6	0.5	1	0.16	0.46
Value of spending on local suppliers for Momentum Energy ($)	Mainland Australia				$27,668,884	$25,367,208
	Tasmania				$44,360	$122,995
	Overseas				$378,805	$1,071,398

[a] Includes Entura and AETV

Remuneration report

For the financial year ended 2022, Hydro Tasmania has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*. Hydro Tasmania has an approved exception to the CEO band, which was approved on 13 July 2020.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration including superannuation and incentives. A decision to cease the executive vehicle scheme was made in FY2020/21. Four senior executives held a vehicle for a time in FY2021/22 as the program was closed out, as reported in the Key Management Personnel note.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Executive Remuneration Framework

Remuneration levels for senior executives are intended to attract and retain top talent while also complying with the *Guidelines for Tasmanian Government Businesses - Director and Executive Remuneration*. Hydro Tasmania seeks independent expert remuneration guidance annually to position executive salaries in the market. Individual roles are evaluated based on a range of factors including the expertise and judgement required to perform the role, as well as the level of accountability for managing the organisation's resources. This market data, combined with individual role evaluations, forms the basis of our Executive Remuneration Framework. All matters related to executive remuneration are governed by the People & Safety Committee, comprised of non-executive directors, some of whom are also members of the Audit and Risk Committee.

Executive Remuneration components

Executive annual remuneration arrangements are comprised of 2 components:

1. Total Employment Package (TEP, i.e. base salary and superannuation paid at the statutory level) and
2. Short Term Incentives (STI).

The CEO and executive-level employees are eligible for a short-term incentive payment subject to meeting the corporate and individual targets. These payments are non-recurrent and capped at 15 per cent of base salary, in line with the *Guidelines*.

Individual targets for CEO and executive-level employees are directly aligned with the corporate targets, so achievement of individual performance goals contributes directly to the achievement of Hydro Tasmania's performance.

The performance and remuneration of each senior executive, including the CEO, is reviewed annually by the Board.

The Board approves the release of a corporate multiplier based on the achievement of the corporate targets, and the individual performance multiplier is calculated on the individual's performance.

The formula for calculating executive bonuses is as follows:

1 Individual's maximum potential incentive
(% of base salary)

2 Board approved release multiplier
(Board elected pool release %)

3 Individual performance multiplier
(Performance review rating)

Final incentive payable

Remuneration report (continued)

The below is a summary of the corporate targets achieved by the corporation in FY2021-22 which formed the basis of the Board release multiplier:

Table 13: Summary of corporate targets achieved by the corporation

Corporate targets	Target	Description	Result	Weighting
Total Recordable Injury Frequency Rate	<4.5	Lost time injury x 1,000,000 / Hours worked rolling basis	3.87	20%
Assured risk and compliance program established and independently assessed	100%	All risk and compliance programs are reviewed for revised accountability and independently assessed for quality of controls assigned	Good progress	10%
Improve Inclusion and Engagement score	+10%	Measured via Employee Engagement survey conducted in May/June 2022	Engagement +6.5% Inclusion: +5.5%	10%
Trading benchmark (historical performance) exceeded	+5%	Performance against 'perfect' trading in hindsight to demonstrate continuous trading improvement against a 3-year average benchmark. NB: Q4 excluded due to extreme market situation not comparable to 3-year average.	+42% (9 month result) Q4 not comparable	10%
Outages allow full export availability at all times	95%	Outages managed for Basslink to reach +450 MW above total Tasmanian load (total export always achievable)	97.63	10%
Profit (before fair value)	>$115m	Resultant financial performance	$149m	40%

Based on the attainment of the corporate targets as outlined above, and strong financial performance amidst unprecedented market conditions, the Board approved a release multiplier of 85%.

Further information on our performance against these corporate targets can be found in the Performance Against the Statement of Corporate Intent on page 21.

With a view to increasing strategic alignment and collaboration, individual goals were common across all senior executives and very closely linked to the corporate targets, while recognising the unique contributions of each role.

Remuneration report (continued)

The below is a summary of the individual objectives achieved by our senior executives in FY2021-22 which formed the basis of the individual performance multiplier:

Table 14: Summary of corporate targets achieved by the corporation

Role accountabilities	Achieve Corporate Scorecard, budget and business plan.	• Total Recordable Injury Frequency Rate <4.5 • Assured compliance program established and independently assessed • Outages allow full export availability ≥95% of the year • Beat historical net trading benchmark by 5% • Achieve profit before fair value of >$115m
Collaboration	Create and maintain valued and constructive relationships with our key stakeholders.	• Improved relationships based on feedback from key stakeholders
	Build and actively contribute to a high performing Hydro Tasmania Leadership Team (HLT).	• Increase HLT collaboration score by 5%
Continuous improvement	Embed a culture of Continuous Improvement (CI) within the business, senior leadership team, and own team. Create space for innovation and continuous improvement within the team.	• Lead and develop team CI plan • Achieve ≥90% of CI plan • Deliver 10-12 CI improvements in own business unit
Employee experience	Drive and sponsor best in class employee experience that ensures we attract and retain the best talent into the future.	• Increase group engagement and inclusion score ≥10% • Improve HLT engagement score

Remuneration report (continued)

Each executive's performance was assigned an individual rating based on their contribution towards the achievement of these individual objectives.

Table 15: Summary of executive individual goals

Name	Position	Individual Performance Multiplier	Total Short Term Incentive available
Ms. Lisa Chiba	Managing Director, Momentum Energy	80%	10.2% of base salary pro-rata for length of service
Ms. Tammy Chu	Managing Director, Entura	80%	10.2% of base salary
Mr. Jesse Clark	Executive General Manager, Assets & Infrastructure	80%	10.2% of base salary
Ms. Ruth Groom	Executive General Manager, People, Culture & Engagement	80%	10.2% of base salary
Ms. Kate McKenzie	Company Secretary and General Counsel	80%	10.2% of base salary
Mr. Timothy Peters	Acting Executive General Manager, Finance & Strategy	80%	10.2% of base salary
Ms. Caroline Wykamp	Executive General Manager, Commercial	50%	6.37% of base salary

Refer to Note 25 of the Financial Statements – Key management personnel compensation – which includes the details of payments made to senior executives for FY 2021-22.

Note 1: Mr Brooksbank's contract as Acting CEO precluded him participating in the bonus pool.

Note 2: Lisa Chiba's incentive is a pro-rata figure based on her length of service in the role of Managing Director, Momentum Energy.

Note 3: Mike Pucar commenced acting in the role of Managing Director, Momentum Energy on 1 November 2021, until 10 January 2022. Mr Pucar's incentive payment was based on performance in his substantive role, which is not considered a senior executive role/key management personnel under the Guidelines.

Note 4: Former CEO Evangelista Albertini's Board performance review occurred in September 2021. Although related to performance in FY2020-21, this performance review and short term incentive payment of $42,250 occurred after the finalisation of the Financial Statements, and therefore has been disclosed in the Remuneration Report of the FY2021-22 Annual Report.

Hydro Tasmania

www.hydro.com.au

4 Elizabeth Street
Hobart, Tasmania 7000
Postal Address: GPO Box 355
Hobart Tasmania 7001

Phone within Australia: 1300 360 441
Phone international: +61 3 6230 5111
Fax: +61 3 6230 5855
Email: contactus@hydro.com.au

Entura

www.entura.com.au

4 Elizabeth Street
Hobart, Tasmania 7000
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550
Email: info@entura.com.au

Melbourne

Level 8, 530 Collins Street
Melbourne, Victoria 3000
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550

Adelaide

25A King William Road, Unley,
South Australia 5061
Phone: +61 8 8338 0085
Fax: +61 8 8338 4733

New Delhi, India

Unit 3A, 3rd Floor
Plot No. FC-24, Film City Sector-16A,
Noida, District Gautam Budh Nagar,
Uttar Pradesh-201301, India
+91 120 403 3100
+91 120 403 3130

Momentum Energy

www.momentum.com.au

Postal Address:
PO Box 353 Flinders Lane
Melbourne, Victoria 8009
Phone: 1800 794 824 (1800 SWITCH)
1300 662 778 (Customer Care)
Email: info@momentum.com.au

Contact

We welcome feedback, comments and any queries regarding this report or its contents so that we can continue to improve its value to our readers.

Contact us by phone on 1300 360 441 or email contactus@hydro.com.au or write to GPO Box 355, Hobart, Tasmania, Australia 7001

facebook.com/HydroTasmania

twitter.com/HydroTasmania

youtube.com/HydroTasmania

linkedin.com/company/hydro-tasmania

About this report

Hydro Tasmania's Annual Report covers the financial year from 1 July 2021 to 30 June 2022. The report complies with the requirements of the *Government Business Enterprises Act 1995* and the associated Treasurer's Instructions and guidelines for Tasmanian Government businesses.


Hydro
Tasmania