

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.

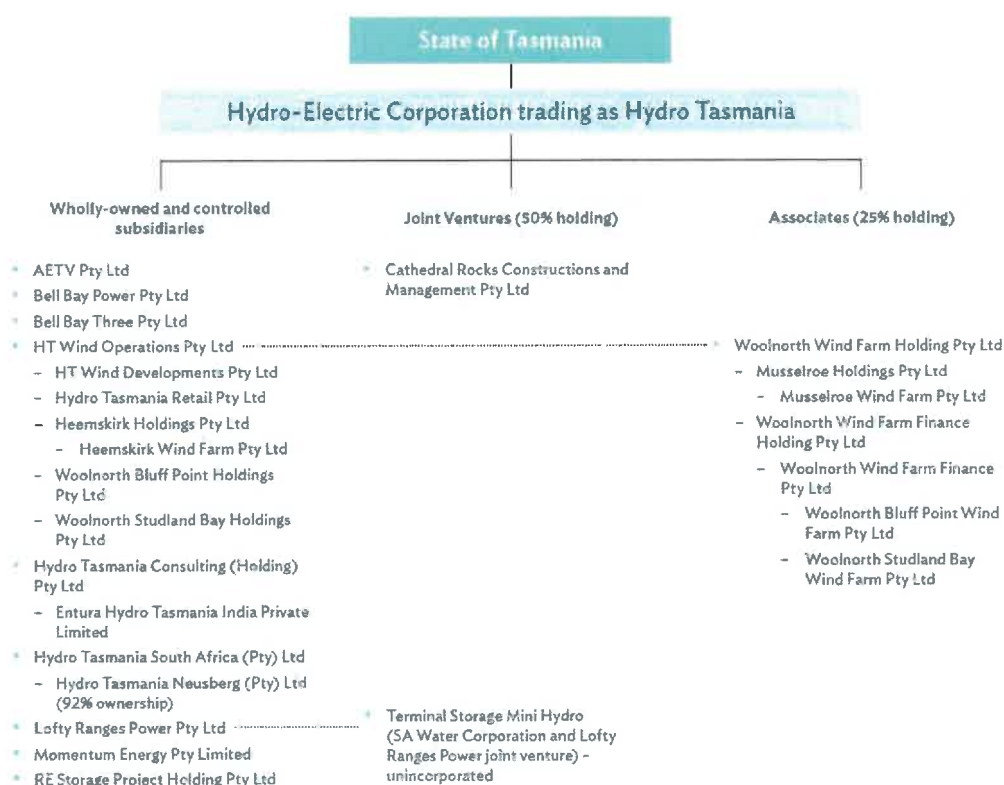
Momentum Energy

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.

Ownership structure



Operating environment

Hydro Tasmania's strategic focus is to maintain 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 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.

Key performance indicators		FY2021/22
Financial Indicators		
Results before fair value movements and revaluations		\$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

¹As 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 on a best endeavours' basis, subject to Section 24 of the GBE Act. The Board of Hydro Tasmania agrees to provide the Shareholding Ministers with information on progress against the targets included in this Statement of Corporate Intent, as required under the Reporting Guidelines.

This Statement of Corporate Intent has been agreed between:



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



Hon Peter Gutwein MP
Premier and Treasurer



Hon Guy Barnett MP
Minister for Energy