Public Version

POWER GENERATION CORPORATION

(Trading as Territory Generation)

2022-23 STATEMENT OF CORPORATE INTENT

Introduction

The business environment that TGen operates in is characterised by increasing solar penetration through behind-the-meter solar in households and businesses, as well as large generators connecting to the grid. This is being driven by the Northern Territory Government's policy of 50% renewables by 2030 and the economics of solar power. Our challenge (and that of all industry participants) is to manage the transition adequately to ensure system reliability remains high, and costs are kept down.

Another important consideration is the novel coronavirus (COVID 19) pandemic. While as at the date of this report there has been no significant disruption of operation due to COVID 19, it remains a constant threat if key personnel are affected. Consequently, the following 2022-23 Statement of Corporate Intent (SCI) includes limited assumptions on the pandemic's future financial impact.

The Corporation has delivered a dividend for 2020-21 and is on target to do so for 2021-22. While the decrease in solar feed-in tariffs has slowed uptake, installed behind-the-meter solar capacity has already exceeded 100 MW in the Darwin-Katherine system. Growth in behind-the-meter solar is anticipated to continue for the foreseeable future with six large-scale solar farms (totaling 68 MW of capacity) in the process of connecting to the power system. This continued uptake of renewables is an important step in the transition to 50% renewables by 2030 although it further increases system stability challenges.

The commercial impact of solar penetration has been mitigated in current forecasts by a slight increase in demand, breaking the trend of recent years. This is probably due to increased economic growth, higher than average temperatures, and some delays in solar farms connecting to the system.

The future capital program focuses on delivering flexibility, efficiency and reliability to the Corporation's fleet. The introduction of smaller machines will allow more overall efficient generation, and this has been incorporated in the dispatch modelling for future years.

The Corporation's fleet transition plan strategically directs historically planned capital on our existing fleet and allows for incremental capital expenditure to be invested into new, more efficient and appropriately sized thermal generation assets rather than continuing significant investment in the existing aging fleet that is no longer fit for purpose. The modern fleet will also increase capability to consume renewably sourced fuels, such as hydrogen. Over the transition period a selection of the existing generators is planned to be placed into 'reserve' to maintain the capacity at minimal cost. These initiatives are key to ensuring the reliable, efficient and sustainable supply of energy and system services throughout the remainder of the decade, and provide certainty to the NT Government that sufficient installed capacity exists to support commercial, industrial and residential growth forecast.

TGen is the current supplier of system services and has a load following contract with Jacana which makes us the de facto generator of last resort. It is therefore critical that the Corporation has sufficient and reliable capacity, energy and services capability to ensure system security through the evolving transition to renewables while keeping costs down. Increased focus on the management of existing assets and a considered approach to capital investment is required as well as embracing modern thermal generation and renewable technologies aligned with the current and future needs of the power system.

In the Darwin-Katherine region, the Northern Territory Government (NTG) has approved the commencement of the procurement process for a large battery for the region. This project is critical to deliver system services in the future and support further renewables growth.

The NTG's efforts to attract energy-intensive industries to Middle Arm in Darwin offer significant medium-term potential growth opportunities for the Corporation if these new loads are grid-connected.

In Alice Springs, the Corporation has closed out most actions arising from the 13 October 2019 system black event and is working through the remaining items with the original equipment manufacturers.

In Yulara and Kings Canyon, COVID-19 has significantly reduced tourism and hence demand on the power stations, with ongoing uncertainty surrounding the recovery timeline. Tennant Creek has not seen as marked link to COVID-19 impacts due to the lower representation of tourism ventures in the region, which have been the most impacted in Yulara and Kings Canyon.

Reporting against Legislative Requirements

Section 40 of the *Government Owned Corporations Act 2001 (GOC Act)* provides that the Statement of Corporate Intent (SCI) must specify, in respect of the financial year to which it relates and each of the two following financial years, the following information:

1. The objectives of the Corporation

In accordance with the GOC Act, the Corporation's objectives are to:

- operate at least as efficiently as any comparable business
- maximise the sustainable return to the Northern Territory Government on its investment in the Corporation.

In addition to these two objectives, the Corporation has developed a set of Values and a Strategic Plan which includes its Vision, Purpose and Strategic Objectives.

VISION

To be the Northern Territory's trusted and respected energy services business.

These words have been carefully chosen, and for us they mean:

- running our business safely is recognised as our highest priority
- we are known for being reliable, available and responsible
- we exceed the expectations of our stakeholders
- we are recognised for technical excellence for energy services in the Territory
- we are cost effective compared to other relevant players in the market
- we are an employer of choice.

PURPOSE

We safely, reliably, and efficiently provide:

- electricity on sustainable terms
- essential system services which facilitate system reliability and the adoption of renewable energy.

We contribute to the provision of sustainable energy solutions for the Northern Territory as part of the transition to 50 per cent renewables by 2030 and net zero emissions by 2050.

VALUES

The Corporation has developed a set of values that underpin the way we work with each other and the way we conduct our business.

FIRST: Focus, Integrity, Respect, Safety and Teamwork

OBJECTIVES

The Corporation has developed a set of Strategic Objectives. The measures of performance in achieving these objectives are set out in Section 6.

- *Safety*
  We have an embedded behavioural based safety culture, where safety is at the core of everything we do.

- *People & Culture*
  We have a culture that attracts, retains and develops highly skilled people aligned with our Vision and Values.

- *Plant Operations*
  We operate our plant safely, reliably and responsibly, every day.

- *Finance*
  We achieve our agreed controllable SCI outcomes.
  We monitor and report the impact of uncontrollable events against our SCI.
  We have an accepted and transparent understanding of the cost of system services.

- *Sustainability*
  We ensure sustainability by effectively managing social, environmental and economic performance.

- *Stakeholder and Customer*
  We are a trusted supplier delivering safe and reliable products and services.

2. The nature and scope of the activities to be undertaken by the Corporation

The Corporation is the largest electricity producer in the Northern Territory, owning generation capacity and contracting from Independent Power Producers to supply customers. The Corporation produces electricity using gas, diesel and solar technologies to power the Territory's major population centres.

In the northern region, the Darwin-Katherine interconnected system includes the Channel Island, Weddell and Katherine power stations.

In the southern region, the Corporation owns and operates the Ron Goodin, Owen Springs, Tennant Creek, Yulara and Kings Canyon power stations and the Sadadeen battery energy storage system.

The Corporation provides two primary products and a range of Essential System services:

Primary Products

All licenced generators have obligations regarding the provision of these products.

- Energy

The provision of energy in the form of megawatt hours (MWh) 'sent out' from power stations required to meet retailers' customer loads.

- Capacity (to supply peak load)
  Maintaining sufficient generation capacity (MW) so that the peak demand can be supplied when it occurs.

Essential System Services

These are the services that are essential to enable the secure operation of a power system and include but are not limited to:

- Frequency Control Ancillary Services (FCAS)
  - Regulating FCAS
  - Contingency FCAS
  - Inertia FCAS
- Voltage Control Services
- Black Start Services

Other System Services

All of these 'other' services provide additional security to the power system and are generally of an ad-hoc nature, and may vary from network to network.

- Capacity Security Services
- Generator Support (testing/commissioning)
- System Strength Services
- Electricity System Services
- Network Support Services
  - Ad-hoc outage support
  - Katherine Power Station N-1
  - Katherine Power Station voltage support
  - Katherine Power Station storm mitigation
  - Weddell Power Station minimum load

The further development of the Northern Territory Electricity Market (NTEM) may impact the categorisation and pricing for these services. The above will be refined as the market rules are defined.

3. The material risks faced by the Corporation and the strategies to minimise these risks

The Corporation has a risk management framework overseen by the Board's Audit and Risk Committee. The risk management framework provides for regular risk assessments undertaken to identify and manage risks faced by the Corporation, its stakeholders and the communities it operates in.

Very high and extreme rated risks are monitored by the Executive Leadership Team (ELT) monthly and presented to the Board at Board meetings. The Audit and Risk Committee undertakes deep dives into nominated risk categories and reports to the Board regularly.

The following table summarises the highest-rated strategic risks facing the business. The Corporation's Risk Register captures all other recognised risks.

Key Risk	Mitigation strategy
Inadequate Operational Technology security.	• Network access controls. • System access controls. • Virus protection. • Audit logs. • Secure network system & NTG Security Guidelines. • Review of cyber risks and systems & audit of current systems and security measures. • ICT strategy.
Loss or disruption of gas supply for an extended period resulting in the need to run emergency gas and or diesel at higher cost and higher carbon emissions.	• Fuel Emergency Advisory Committee - emergency planning. • Diesel storage. • Engagement with PWC gas unit on planned works and back-up arrangements. • Explore new gas supply agreements with other gas suppliers & emergency fuel cover. • Exploring more efficient plant and alternate energy sources. • Having emergency procedures. • Exploring additional back-up gas storage facilities. • Emergency supply of fuel via trucks. • Confirmation and reliance on PWC having agreements with Inpex, ConocoPhillips and Central Petroleum for emergency gas supply.
Significant incident resulting in injury to worker/contractor, and damage to plant, equipment and/or the environment.	• Safety Management Plan. • Environment Management Plan. • Integrated Change Management Process. • Electrical tagging & testing, test equipment. • Restricted access to high risk areas. • Safety signage. • PPE provided and training as appropriate. • Security / monitoring. • Safe System of Work process adherence. • Safety governance & consultation.
Breach of legislation and or Generation licence obligations.	• Compliance Framework, Policy and Compliance Register. • Monitoring and communication of licence requirements. • Regular reporting to Board on compliance activities and progress. • Clearly defined escalation process. • Annual Compliance Report to the Utilities Commission. • Regular reporting to the NT Environment Protection Agency.

4. The strategies to improve the financial performance of the Corporation

The Corporation is addressing future operational efficiencies, principally through its asset management improvement and fleet transition plan. The revised capital plan focuses on a fleet transition for the Darwin-Katherine region, which directs capital into flexible, efficient and reliable thermal generation assets capable of consuming renewably sourced fuel, such as hydrogen. With this proactive approach, the Darwin-Katherine fleet will transition to an efficient asset base over the next 10 years.

Modifications have been made to the BESS at Sadadeen and Jenbacher control systems at Owen Springs Power Station in 2021 to improve reliability. Resolving the issues with the generating units in Alice Springs and Tennant Creek has been a priority to further realise improved efficiencies from these units.

There is a focus on improved communication and collaboration between the Corporation and System Control to facilitate improved current efficiencies primarily influenced by system security requirements implemented in the Alice Springs Power System.

The Corporation contributes to the various I-NTEM submissions to highlight the areas it can contribute in and their potential cost to the Corporation.

The Corporation is working on unbundling its wholesale electricity tariffs in the regulated markets and investigating the options available within the I-NTEM to differentiate the system services from electricity tariffs to further recover costs for the services it contributes to the system.

The Corporation continually monitors operational costs to identify possible cost savings and exceed the committed savings target.

The procurement of the large-scale energy storage system for the Darwin-Katherine region is already underway. The project aims to increase system stability, reduce gas-fired spinning reserves and emissions, and provide a positive return over five years through reduced energy costs.

5. The capital investment plans of the Corporation that have been approved by the Government Owned Corporation's Shareholding Minister

The Corporation has the following major capital expenditure approved by the Shareholding Minister:

Item ($ Million)	21-22	22-23	23-24	24-25	25-26
Total approved	**30.8**	**29.9**	**0.9**	**0.0**	**0.0**

Other Capital Expenditure:

The following table summarises other capital expenditure by value. Each project will be subjected to a business case analysis and if above the threshold will be submitted for approval by the Shareholding Minister:

Item ($ Million)	21-22	22-23	23-24	24-25	25-26
Major projects > $1M	21.3	22.6	37.1	42.4	43.5
Medium projects > = $0.25M < = $1M	4.3	7.8	11.4	3.5	2.2
Minor projects < $0.25M	1.6	1.6	1.4	0.3	0.7
Total other capital expenditure	**27.3**	**32.0**	**49.9**	**46.2**	**46.4**

Total Capital Expenditure:

The total forecast for capital expenditure is:

Item ($ Million)	21-22	22-23	23-24	24-25	25-26
Total all items	**58.1**	**61.8**	**50.8**	**46.2**	**46.4**

The Corporation is continually assessing the impact on its assets and the business from increasing levels of intermittent solar photovoltaic (PV) and system support requirements. Increased cycling, increased starts/stops, and fast ramp-up of machines is becoming the standard mode of operation due to solar impacts.

Original plant life component expectancy will not be achieved with the current required running regimes. There is an increased risk of earlier failure if enhanced maintenance practices are not applied.

Investment in new assets is staggered throughout the SCI period and is generally aligned with the retirement of the existing fleet in the fleet transistion plan to ensure that sufficient capacity is maintained, with surplus capacity placed into 'reserve' to support future growth. The modern fleet will increase the Corporation's capability to consume renewably sourced fuels, such as hydrogen. This strategic capital plan has been factored into the assessment of the above capital expenditure tables.

These initiatives are vital to ensure the reliable, efficient and sustainable supply of both energy and system services throughout the remainder of the decade.

6. The financial targets and other measures by which the performance of the Corporation may be judged

The Board has developed Key Performance Indicators (KPIs) to define the strategic direction for the coming financial year clearly. The strategic direction of the Corporation is to operate our plant safely, reliably and responsibly every day and is aligned to driving continual improvement in all areas focused on the strategic objectives for the SCI period.

The Corporation will continue to utilise the Strategic Plan Progress Update Report to detail each business unit's specific action plans and function. Through ongoing reviews of key lead and lag indicators, the Corporation will assess the headway achieved towards its strategic goals. From these evaluations, the Corporation will assess the effectiveness of the current action plans and make any necessary adjustments to continue the positive momentum or realign specific business units' efforts.

Objective	KPI Measure	Target	Action Area
Safety			
We have an embedded behavioural based safety culture, where safety is the core of everything we do	• Report lead indicators • Increase safe act observations and safety interaction reporting rates and improve quality • Lost Time Injury (LTI)	Increase in incident and hazard reporting Monthly allocated targets met or exceeded Zero LTI recorded	Continuous improvement in safety leadership, behaviours, systems, processes and reporting
People and Culture			
We have a culture that attracts, retains and develops highly skilled people aligned with our Vision and Values	• Employee engagement survey outcomes • Number of People – Full Time Equivalent (FTE) • Compliance training provided as per training schedule	Engagement survey result > 60% FTE < = SCI and Cap Training completed on time > 90%	Building a positive culture and develop capability to achieve our Vision
Plant Operations			
We operate our plant safely, reliably and responsibly, every day	• Plant availability across portfolio • Operating expenditure (less energy) as a percentage of total revenue • Operating expenditure (less energy) per sent out MWh generated • Start reliability	Total average > = 88% Achieve < = Budget % Achieve < = Budget $/MWh Achieve > = 95% across all sites	To deliver safe, reliable and efficient plant operations in a rapidly changing environment

Objective	KPI Measure	Target	Action Area
Finance			
We achieve our agreed controllable SCI outcomes *We monitor and report the impact of uncontrollable events against our SCI* *We have an accepted and transparent understanding of the cost of system services*	• Achievement of budgeted outcomes EBITDA/ROA/EBIT • Capital program delivered within approved base currency budget	• Debt to equity < = across SCI period • Revenue growth > operating expenditure growth • Controllable costs < = previous year • Dividends proposed • Program completion within +/- 10% of approved budget	Understanding, measuring and actively managing financial drivers with a focus on financial discipline and sustainability
Sustainability			
We ensure sustainability by effectively managing the social, environmental and economic performance	• No reportable environmental harm incidents • An ongoing overall reduction in CO2 • Darwin Katherine Energy Storage System constructed in accordance with project schedule	Target = 0 Continuous reduction on prior year emissions Constructed and commissioned	Continue to safely, reliably and responsibly provide energy system services to achieve a decreasing carbon intensity trend on all systems in which we operate
Objective	**KPI Measure**	**Target**	**Action Area**
Stakeholders & Customers			
We are a trusted supplier delivering safe and reliable products and services	• WESAs negotiated and approved • System Average Interruption Duration Index (SAIDI) for regulated network	Approved by Board Target < 10 year average	Continue to engage with stakeholders and customers with a focus on creating valued outcomes

The accounting policies to be applied in the accounts of the Corporation

Power Generation Corporation (the Corporation) trading as Territory Generation was established on 29 May 2014 under the *Power Generation Corporation Act 2014 (PGC Act).*

The Corporation is declared to be a Government Owned Corporation for the purposes of the GOC Act.

The Board of Directors is responsible to the Shareholding Minister for the financial performance of the Corporation.

The principal accounting policies adopted in preparing the financial statements are set out on pages 37-43 of the 2020-21 Annual Report. These policies have been consistently applied to all years presented unless otherwise stated.

7. Any other matter that may be agreed on by the Shareholding Minister and the Corporation's Board of Directors

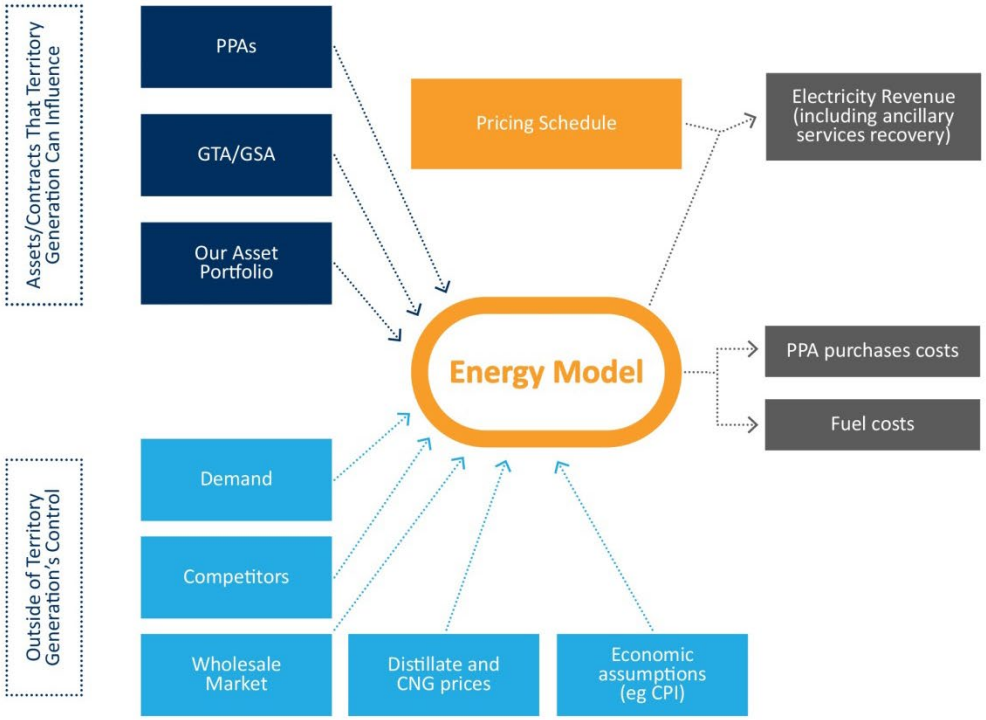
No other matters apply at this time.

1 Appendix 1 – Financial Projections

1.1 Methodology

As in previous years, technical and economic models have been integrated to forecast the financial outcomes for the Corporation over the SCI period.

The diagram below summarises the key energy revenue and cost components of the forecast and the related inputs and outputs. During 2021, the Corporation implemented a new energy modelling software, Plexos, to undertake investment analysis and SCI energy and demand modelling.



The forecast development methodology is outlined below.

- The annual forecast energy demand, including the impact of uncontrolled rooftop solar, is determined by region (power system).
- The required system services levels are estimated, together with known operational constraints likely to be imposed by the system controller. These are overlaid as operating parameters in the Plexos model to estimate the required system security.
- The generation output of each unit at each station is then determined to meet demand requirements, including the Corporation's units, electricity purchased under power purchase agreements (PPAs), and other market participants. The key inputs of this 'dispatch model' are:
    - the high-level technical characteristics of all generators on the power system, including an estimate of solar output.
    - power system constraints.
    - the fuel efficiency and variable operating cost of each unit.
    - the availability of generators.
    - the demand forecast.

- The volume of fuel (both gas and diesel) used by each power station is then determined based on the amount of electricity produced and the plant's assumed thermal efficiency. The cost of fuel includes both the fuel commodity and associated transportation charges.
- Electricity sold (including production and purchases) is priced according to current and estimated pricing schedule.
- Personnel costs have been aggregated from a bottom-up forecast by individual and role across the organisational structure, inclusive of all allowances and on-costs.
- The repairs and maintenance and capital expenditure projects have been identified, prioritised and reviewed in the context of the strategic direction and projected operational outcomes of the business, and incorporate the expected reallocation of internal labour costs in line with accounting standards.
- The remaining forecast operating expenditures are based on a bottom-up review of requirements taking account of historical spending and future strategic direction.
- A preliminary and conservative estimate of savings from the fleet transition has been calculated based upon the expected efficiency improvements, which is anticipated to be material to the outer years of the SCI only due to timing of investment and commissioning.
- As a consequence of all revenue, cost and capital input assumptions, a theoretical test of the carrying value of the Corporation's assets is undertaken (Impairment Test). As a result of this Impairment Test, any Cash Generating Units which have been unable to demonstrate their fair value will be subject to the application of an impairment. This impairment will reduce the carrying value of assets, as well as the future depreciation expense.
- Finally, the application of Australian taxation regulations and Australian Accounting Standards is applied to forecast profits and losses to ensure regulatory compliance.

1.2 Key Assumptions

The financial forecast has been based on the following key assumptions:

Item	Assumption
Underlying Demand	For each of the regulated regions, the Corporation generally aligns with the annual underlying demand forecast provided in the latest available Electricity Outlook Report (EOR), produced annually by the Utilities Commission. For this SCI, it was the 2019-20 EOR. Where appropriate, the Corporation has adjusted these forecasts to reflect any new information within the market. For the Darwin-Katherine region, population growth forecasts drive annual demand growth. Alice Springs' demand is anticipated to increase substantially in 2023-24 when a new customer connects to the power system, with small underlying demand growth. Tennant Creek is estimated to see a slight growth in demand based upon new developments despite an estimated minor decline in population.
Behind-the-meter solar	For each of the regulated regions, the Corporation utilises EOR forecasts for residential and commercial behind-the-meter solar capacity. The forecasts combine theoretical aggregated solar output profiles to estimate the impact on underlying demand.

Other Participants

New grid-connected entrants to the NT power generation market have been flagged for some time and are expected to continue to displace the Corporation's market share.

Name	Capacity (MW)	2022-23 Forecast yield (MWh)	Technology	Developer	Forecast Start Date
	Darwin-Katherine				
Pine Creek Power Station	27	174,820	Combined cycle gas turbines	EDL	In operation
Hudson Creek Power Station	12	45,943	Gas reciprocating engines	Merricks Capital	1/01/2023
Katherine Solar Power Station	25	74,895	Single axis tracking solar	Eni	1/06/2022
Manton Solar	10	25,272	Single axis tracking solar	Eni	1/08/2022
Batchelor Solar 1	10	27,493	Single axis tracking solar	Eni	1/07/2022
Batchelor Solar 2	10	22,642	Single axis tracking solar	Merricks Capital	1/09/2022
RAAF Darwin	3.2	4,521	Fixed	Assure	1/11/2022
Robertson Barracks	10	14,345	Fixed	Assure	1/11/2022
	Alice Springs				
Uterne solar farm (PPA)	3.88	7,828	Single axis tracking solar	Epuron	In operation
	Tennant Creek				
Nil					
	Yulara				
Yulara solar	1.8	N/A	Mixed technology solar	Epuron	In operation
	Kings Canyon				
Kings Canyon Solar and Diesel	0.45	N/A	Solar and Diesel	G'Day Group	In Operation

The following table highlights the expected introduction of private participation in terms of installed capacity by year of installation, for each of the markets in which we operate. This includes both solar and thermal generation capacity.

Installations Capacity (MW)	Existing	22-23	23-24	24-25	25-26
Darwin-Katherine	27.00	62.00	111.20	115.20	119.20
Alice Springs	3.88	3.88	3.88	3.88	3.88
Tennant Creek	0.00	0.00	0.00	0.00	0.00
Yulara	1.80	1.80	1.80	1.80	1.80
Kings Canyon	0.45	0.45	0.45	0.45	0.45
Total	**33.13**	**68.13**	**117.33**	**121.33**	**125.33**

Electricity sent-out

The result of underlying demand, behind-the-meter solar and participation assumptions on the Corporation's market share is demonstrated by the forecast sent out electricity.

Region (MWh)	21-22*	22-23	23-24	24-25	25-26
Darwin-Katherine	1,186,149	1,118,563	1,045,691	1,049,555	1,059,269
Alice Springs	200,299	206,495	206,329	206,232	206,003
Tennant Creek	29,414	31,335	31,383	31,525	31,613
Yulara	15,797	18,021	19,932	20,304	20,681
Kings Canyon	1,356	1,267	1,407	1,430	1,453
Total	**1,433,014**	**1,375,682**	**1,304,743**	**1,309,045**	**1,319,019**

***2021-22 Actuals to December 2021 and Forecast to June 2022.*

Capacity

The Corporation's existing plant is assumed to be maintained and operated to optimise its outputs and costs in accordance with the approved Asset Management Plan throughout the SCI period, consistent with the capital program. Notable regional strategies are listed below.

Darwin-Katherine: Sufficient capacity to supply the full system demand energy and services shall be maintained throughout the SCI period. Into the longer term TGen will only provide capacity for its market share in alignment to its DK Transition Plan to prevent an uneconomical over supply of capacity. The fleet transition plan strategically replaces existing assets with modern, more flexible assets. The Darwin Katherine ESS and first fleet transition projects have been approved, with these assets expected to commence operations in 2022-23.

Alice Springs: The Ron Goodin Power Station is currently projected to operate under the current operational philosophy through to 2023-24 when the generation transitions to Owen Springs Power Station which will eventually service the full demand of Alice Springs.

Tennant Creek: Adequate capacity is currently installed in Tennant Creek, with the station capable of meeting demand on both gas and diesel fuels. Following the completion of the decommissioning of the aged Ruston diesel units, it is not anticipated to be any changes to the installed capacity within the SCI period.

Yulara: Planned capital projects will optimise the use of existing renewable assets and ensure capacity remains available and reliable into the future.

Kings Canyon: The capacity in Kings Canyon is sufficient to meet the demand requirements. It is anticipated that a transition to an increased mix of renewable energy and battery storage will result in reduced operating costs, and these capital projects will be assessed over the coming SCI period through the Corporation's microgrids grant.

Energy

By far, the largest single cost item is the cost of energy, including gas and diesel input costs, together with Power Purchase Agreement costs. The amount of fuel required to generate at power stations is based on the forecast volume output from each unit and each unit's efficiency based on an assumed heat rate curve. For 2022-23, the cost of delivered gas is based on the current agreement with PWC. For the purposes of the SCI, the Corporation has assumed that the current agreement will be continued with PWC, with terms and conditions substantially the same.

With reducing market share, gas consumption reduces annually. These savings are not fully realised due to declining efficiency from increasing system services requirements and displacement of load from the Corporation's fleet. Capital projects in the Darwin-Katherine region, including the Darwin-Katherine ESS and fleet transition plan, will reduce gas consumption. Diesel usage is based on the historical proportion of usage for the level of output for the regulated power systems and servicing the entirety of the load in Yulara and Kings Canyon.

Repairs and Maintenance (R&M)

R&M expenses include the cost of materials, internal and external labour. The expenses have been estimated by power station unit over the planning period and comprise planned maintenance and an allowance for unplanned maintenance. The estimated spend over the period is as follows.

Power Station ($Million)	**21-22**	**22-23**	**23-24**	**24-25**	**25-26**
Channel Island	8.2	14.6	11.0	9.6	9.6
Weddell	2.0	2.9	3.3	2.9	2.9
Katherine	0.8	1.2	1.3	1.3	1.3
Tennant Creek	1.5	1.2	1.3	1.3	1.3
Ron Goodin	6.0	2.9	3.3	2.3	2.1
BESS	0.0	0.1	0.1	0.1	0.1
Owen Springs	7.5	4.5	4.1	4.9	4.0
Kings Canyon	0.3	0.2	0.2	0.2	0.2
Yulara	1.3	1.1	1.1	1.1	1.1
Total	**27.6**	**28.7**	**25.7**	**23.8**	**22.7**

Personnel Numbers

Staff roles have been based on assumed organisational structure to align with the overall strategic direction.

Personnel Costs

A wage freeze for the proceeding 4 years has been incorporated in line with the NT Government's Wage Freeze Policy. A $4,000 bonus for all ongoing employees has been included for 2022-23 and a $2,000 for the following 3 years has been budgeted.

Operational Projects

Operational projects are non-capital projects intended to improve safety, reliability, efficiencies or reduce the costs of doing business.

Description ($'000)	**22-23**	**23-24**	**24-25**	**25-26**
Total operational projects	**2,660**	**854**	**387**	**449**

Committed Savings

Committed savings have been assumed for the full period of the SCI.

Item ($ Million)	22-23	23-24	24-25	25-26
Committed savings	3.5	3.5	3.5	3.5

A formal work plan will be developed to create and test initiatives to achieve the delivery of the committed savings.

Capital Expenditure

The total forecast for capital expenditure is:

Item ($ Million)	21-22	22-23	23-24	24-25	25-26
Total all items	**58.1**	**61.8**	**50.8**	**46.2**	**46.4**

The continued increase in solar PV has resulted in an increased emphasis on the management of the Corporation's assets as this increases physical stress on the generators that will need to stop and start more often than designed.

Fixed Assets and Depreciation Expense

The cost and book value of fixed assets is based on the fair value recorded in the Corporation's accounts.

Depreciation rates are forecast based on equivalent operating hours for the Prime Movers, and all other depreciable assets on the straight-line method over their useful lives. An approximate apportionment of depreciation expense by method is provided below:

Straight line	90%
Equivalent operating hours	10%

A capitalisation threshold of $1,000 has been adopted, with new assets capitalised and depreciated from the time they are available and ready for use.

Consumer Price Index (CPI)

Revenue and cost escalation assumptions are based on contractual or employment obligations where applicable.
Where no mandated escalations exist, the following CPI rates have been assumed:

- 2022-23 – 1.4%
- 2023-24 – 1.8%
- 2024-25 – 2.2%
- 2025-26 – 2.2%

Debt and Interest

Debt is interest only and is assumed to be extended upon maturity through the SCI period.

	21-22	22-23	23-24	24-25	25-26
Average Interest Rate	3.23%	3.40%	3.67%	3.88%	4.36%

Tax

Tax expense is assumed at the corporate tax rate and includes the impact of tax effect accounting on taxable income over the period.

Dividend

The NTG is considered to have the right to receive a dividend from applicable entities calculated at 50% of the 30 June net profit after tax, subject to recommendation by the Corporation's Board.

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