

PUBLIC VERSION

STATEMENT OF CORPORATE INTENT 2025-26



About the Statement of Corporate Intent

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

TGen's 2025-26 Statement of Corporate Intent (SCI), represents the formal agreement between TGen and its shareholding Minister.

The SCI outlines TGen's expected level of financial performance for each financial year as formed by its Strategic Plan, budgeting process and risk assessments.

As required by section 40 of the *Government Owned Corporations Act 2001* (the Act), the SCI includes the following information:

- the objectives of the corporation
- the nature and scope of activities to be undertaken
- the material risks faced by the corporation
- the strategies to minimise material risks faced by the corporation
- the strategies to improve the financial performance of the corporation
- the capital investment plans and projects approved by the shareholding Minister
- the financial targets and other performance measures
 - the accounting policies to be applied in the accounts
 - other matters that may be agreed on by the shareholding Minister and Board.

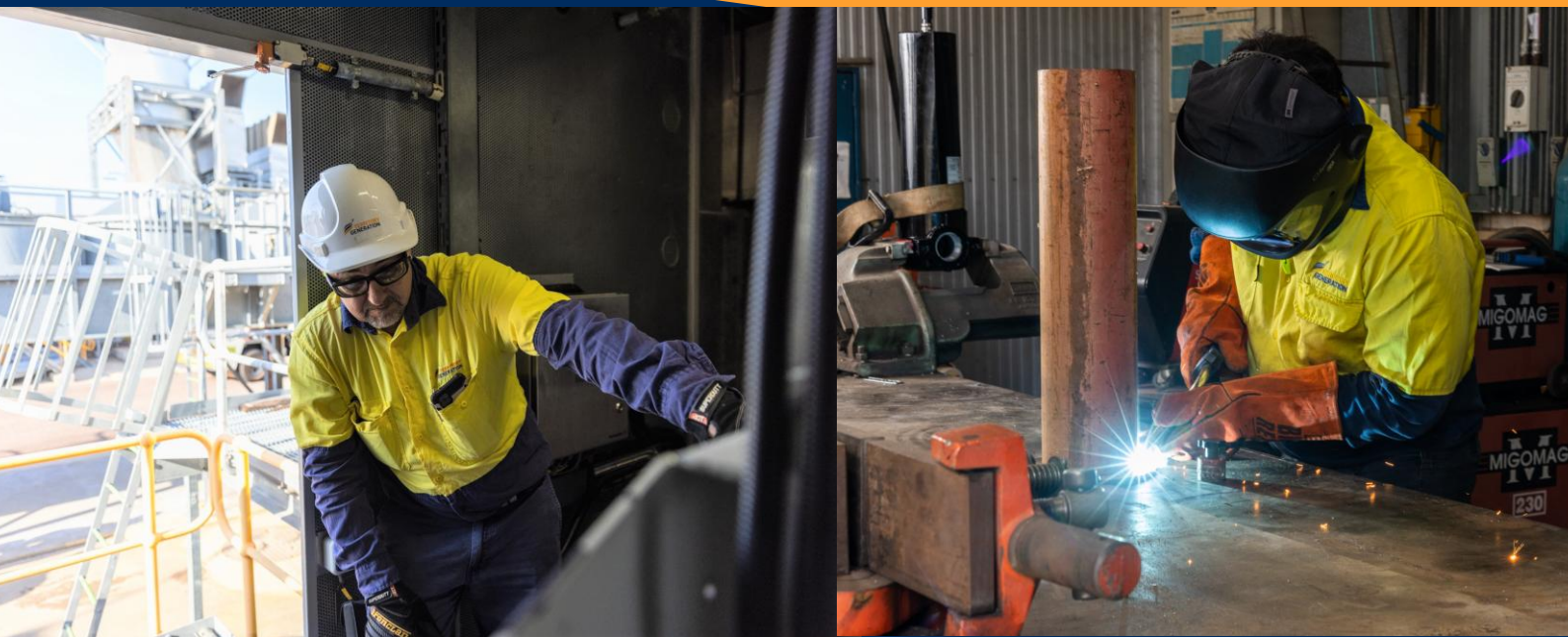


Table of Contents

- 01** Introduction
- 02** Vision and purpose
- 03** Our objectives
- 04** Our business
- 05** Financial performance improvement strategies
- 06** Capital program
- 07** Financial targets and other performance measures
- 08** Accounting policies and other matters
- 09** Our finances



1. Introduction

The global energy landscape is rapidly transforming with ambitious targets to reduce carbon emissions and combat climate change. TGen has a crucial role in supporting sustainable energy solutions driven by the Northern Territory Government (NT Government) energy policies, supporting the transition to renewables at least cost and achieving net zero carbon emissions by 2050.

Currently, solar power generation, utility scale and behind-the-meter (BTM), combined with energy storage solutions are the main technology pathway towards increasing renewable energy in the Northern Territory. Our challenge, and the challenge of all industry participants, is to manage an effective transition by ensuring electricity system reliability and controlling costs.

Private investment in renewable energy generation has increased markedly over recent years, driven by a combination of factors including government policy incentives, elevated electricity prices and declining cost of renewable technology. This continued uptake of renewables is an essential step in the energy transition, although it further increases system stability challenges. Increased solar, battery energy storage systems (BESS) and synchronous condensers have been incorporated into TGen's dispatch modelling for future years, allowing for more efficient generation and grid stability.

TGen's renewable power purchase agreements, Fleet Transition Plan and Sustaining Capital Program aim to increase renewables at least cost while enhancing our fleet's flexibility, efficiency, and reliability.

TGen is the supplier of essential system services and has load following contracts with customers, making



TGen the default generator of last resort. As the transition to renewables progresses, it is essential that TGen secures sufficient, dependable capacity, energy, and service capabilities to ensure system security while controlling costs. This role provides certainty to the NT Government, and the people of the Territory that sufficient installed capacity is maintained.

In the Darwin-Katherine and Alice Springs regions, TGen has commenced the procurement process for additional large-scale BESS. These projects are critical to delivering essential system services in the future and supporting further renewables growth.

Generally, TGen is expecting total energy demand within each power system to be in line with the Northern Territory Utilities Commission Electricity Outlook Report, being sustaining or modest growth.

2. Vision and purpose

TGen has Vision, purpose and values statements that guide our 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:

- safety is at the core of everything we do
- we are known for being reliable, available and responsible
- we support the Northern Territory Government's renewables energy policies
- we are recognised for technical excellence for energy and services in the Territory
- we pursue sustainable growth by improving the value of energy services
- we are an employer of choice.

Purpose

We safely, reliably, and responsibly provide:

- electricity on sustainable terms
- essential system services
- generator of last resort services.

Values

We have developed a set of values that underpin the way we work with each other and the way we conduct our business.



F

Focus: We focus our efforts on delivering a safe, reliable and cost efficient operation we are all proud to be part of.

I

Integrity: We are open and honest with our words and action: "to do and say the right thing"

R

Respect: We show respect for our teammates, the environment, and the communities in which we work.

S

Safety: We conduct our business and our roles with a strong focus on avoiding injury to our people or damage to assets and the environment. Safety is not negotiable.

T

Teamwork: We are one team with aligned goals working together to achieve Territory Generation's vision.

3. Our objectives

TGen has developed a set of strategic objectives. The measures of performance in achieving these objectives are set out in Section 8.



Safety

We have an embedded safety culture, where safety is at the core of everything we do.



People and capability

We have a culture that retains, attracts, and develops highly skilled people aligned with our values.



Plant operations

We operate our plant safely, reliably, and responsibly every day.



Finance

We achieve our agreed controllable SCI outcomes.



Sustainability

We ensure sustainability by effectively managing our environmental, social and governance (ESG) responsibilities.



Growth

We pursue sustainable growth by improving the value of energy services



4. Our business

TGen is the largest wholesale electricity producer in the Northern Territory, owning 59 generating units, ~617MW of installed generation capacity and an additional 5.1MW contracted from independent power producers. We produce 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 and the LMS power station at the Shoal Bay waste management facility.

In the southern region, TGen owns and operates the Ron Goodin and Owen Springs power stations, and the Sadadeen BESS, as well as contracting the Uterne solar farm under a power purchase agreement in Alice Springs. TGen also owns and operates the Tennant Creek, Yulara, and Kings Canyon power stations.

We provide two primary products and a range of essential system services:

Primary products

Energy: The provision of energy in the form of electricity in megawatt hours (MWh) 'sent out' from power stations required to meet retailers' customer loads on a load following basis.

Capacity: Maintaining sufficient generation capacity (MW) to ensure TGen's customer demand can be reliably supplied.

Essential system services

TGen currently provides essential system services as part of a bundled wholesale electricity price and ancillary services charges to other generators. Essential system services, as defined in the NT Government's Review of Essential System Services Draft Position Paper January 2021, include the following:

Essential system service	Purpose
Rate of Change of Frequency (RoCoF) Control	- Control maximum RoCoF on power systems. - Ensure system security for credible contingency events and 'protected events'.
Contingency frequency control (raise)	- Stabilise frequency within 'emergency' defined operating band after a credible contingency resulting in the net disconnection of generation. - Ensure system security without Under Frequency Load Shedding for all credible contingency events.
Contingency frequency control (lower)	- Stabilise frequency within 'emergency' defined operating band after a credible contingency resulting in the net disconnection of load. - Ensure system security without over frequency generator tripping for all credible contingency events.
Regulating frequency control	Regulate power system frequency within normal defined frequency operating band.
Voltage management/network support	- Management of network voltage control issues where required. - Management of network capacity shortfall issues where required.
System restart	Enable the restart of the regulated power systems from a 'black system' event.
System strength	Sufficient system strength capability to ensure voltage stability and sufficient fault current.
Additional services	Services necessary to address a system security issue that cannot be managed through the planning timescales, as approved by the Utilities Commission.

The further development of the market reform process may impact the categorisation and pricing for these services. The above will be refined as the market rules are defined.

Generator of last resort services

Further to those essential system services defined above, TGen also provides the following essential services:

Capacity (to supply peak demand): Maintaining sufficient generation capacity (MW) to meet the system peak demand when it occurs, including coverage of third-party generators.

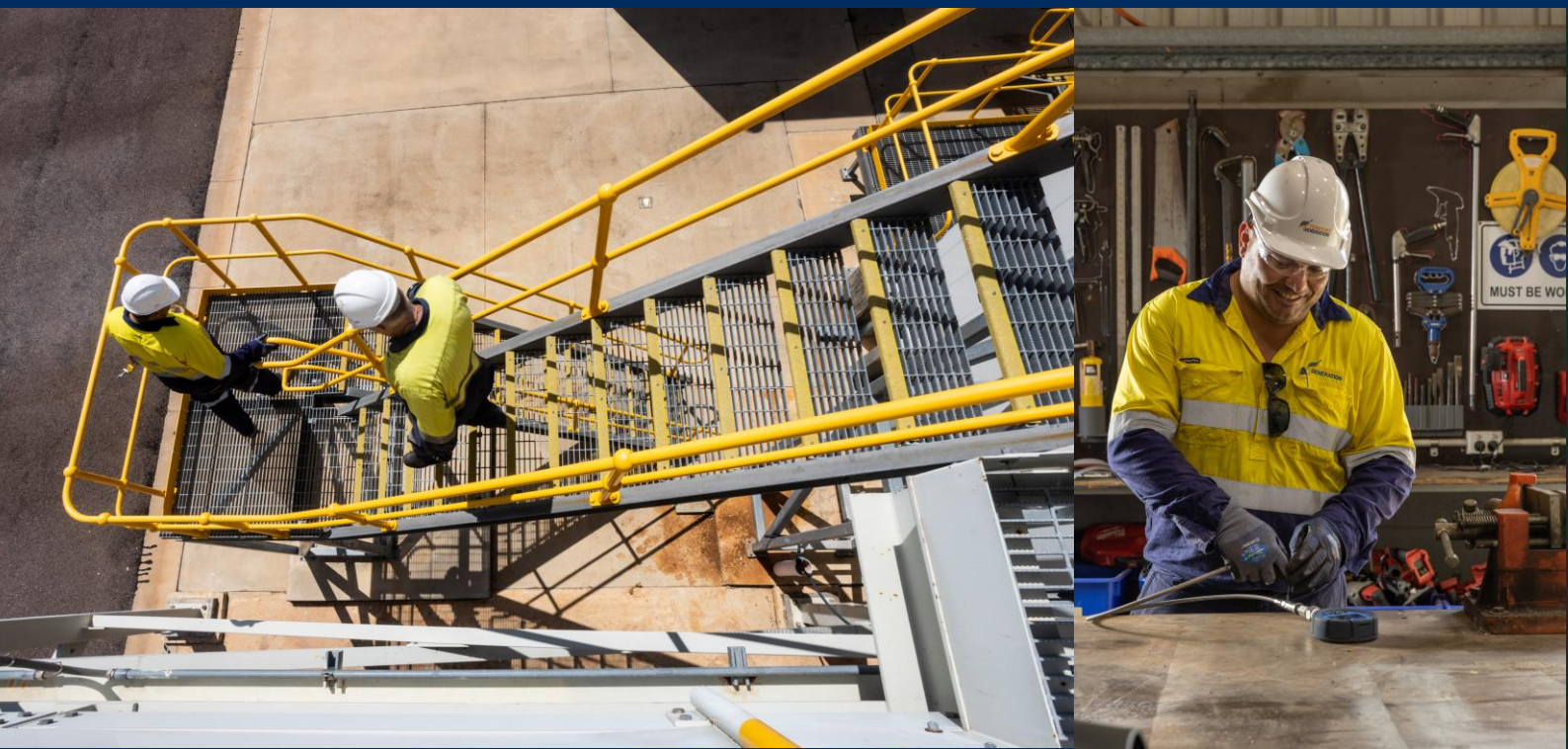
Diesel capability: TGen maintains capability and inventory to support the reliability of the power system during emergency gas fuel shortages.

5. Financial performance improvement strategies

TGen is addressing future operational efficiencies, principally through its asset management improvement and fleet transition plan. Our capital program focuses on transitioning our fleet to increase renewable penetration in the power systems.

TGen is continually assessing the impact on our assets and business from increasing levels of intermittent solar photovoltaic (PV) and system support requirements. Increased cycling (starts/stops) and the fast ramp-up of machines is becoming the standard mode of operation due to impacts from the increase in distributed renewable energy resources across the Northern Territory.

We monitor our operational costs to identify possible cost savings across the business. TGen is pursuing renewables growth opportunities within the Territory with the potential of direct connected customers and grid connected proponents. These opportunities will be incorporated into financial planning as and when they reach maturity.



6. Capital program

Our Capital program is differentiated into sustaining and new capital. Our new capital investment is transitioning the size and nature of our fleet, while our sustaining capital aims to extract the remaining value efficiently and effectively from our existing assets.

The new fleet focuses on the efficient delivery of essential system services in support of increased renewable energy contributions. This includes projects to incorporate BESS's and synchronous condensers, to enable increased penetration of renewable energy, and more efficient dispatch of TGen's thermal generation assets.

TGen will continue to assess the viability of more flexible, efficient, and reliable thermal generation assets capable of consuming renewably sourced fuel, such as hydrogen, combined with renewable generation and storage systems.

For existing fleet, our capital planning targets investments to extend the life of assets while the power systems transition to renewables at lowest cost. Condition based assessments and capacity calculations are used to inform investment decisions.

This approach provides the ability to plan the future asset requirements without over investing in replacement of gas only technology.

The construction of the first large-scale energy storage system for the Darwin-Katherine region was successfully completed and will be fully commissioned early in 2025. The project aims to increase system stability, reduce gas-fired spinning reserves and emissions, and will provide a positive return within five years through reduced gas consumption. The procurement of a second large-scale energy storage system for the Darwin-Katherine region has commenced.

Approved major capital expenditure

The following major capital expenditure has been approved by the shareholding Minister:

Item (\$M)	24-25	25-26	26-27	27-28	28-29
Total approved	12.9	0.5	0.0	0.0	0.0

Other capital expenditure

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

Item (\$M)	24-25	25-26	26-27	27-28	28-29
Major projects > \$1M	25.8	64.5	66.3	70.0	51.0
Medium projects > = \$0.25M < = \$1M	8.2	1.8	1.1	0.3	0.3
Minor projects < \$0.25M	3.5	0.7	0.6	0.1	0.1
Total other capital expenditure	37.5	66.9	68.0	70.4	51.4

Total capital expenditure

The total forecast for capital expenditure is:

Item (\$M)	24-25	25-26	26-27	27-28	28-29
Total capital expenditure	50.3	67.4	68.0	70.4	51.4



7. Financial targets and other performance measures

TGen has developed key performance indicators (KPIs) to define our strategic direction for the coming financial year. Our strategic direction is to operate our plant safely, reliably and responsibly every day, driving continual improvement in all areas focused on the strategic objectives for the SCI period.

We will continue to utilise our Strategic Plan to detail each business unit's specific action plans and function. Through ongoing reviews of key lead and lag indicators, we will assess the headway achieved towards our strategic goals. From these evaluations, we 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.

Safety	KPI measure	Target
Objective: We have an embedded safety culture, where safety is at the core of everything we do		
	Lost Time Injury (LTI)	Allocated Target Met
	Take 5 completion rates	Allocated Target Met
	Safety conversation rates	Allocated Target Met

People & Capability	KPI measure	Target
Objective: We have a culture that retains, attracts, and develops highly skilled people aligned with our values		
	Employee Achievement Plan	Allocated Target Met
	Staff turnover	Allocated Target Met
	Investment in learning and development	Allocated Target Met

Plant operations	KPI measure	Target
------------------	-------------	--------

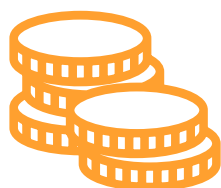
Objective: We operate our plant safely, reliably, and responsibly every day



Plant availability across portfolio	Allocated Target Met
Plant and system reliability	Allocated Target Met

Finance	KPI measure	Target
---------	-------------	--------

Objective: We achieve our agreed controllable SCI outcomes



Budgeted and fiscal strategy outcomes	<i>Achievement of budgeted and fiscal strategy outcomes:</i>
	EBITDA/EBIT/ROE
	Return on assets
	Debt to equity ratio
	Revenue growth and expenditure growth
	Controllable costs
Operating expenditure (less energy) as a percentage of total revenue	Allocated Target Met
Capital program delivered within budget	Allocated Target Met

Sustainability	KPI measure	Target
----------------	-------------	--------

Objective: We ensure sustainability by effectively managing our environmental, social and governance (ESG) responsibilities



Reportable environmental harm incidents	Allocated Target Met
An ongoing overall reduction of greenhouse gas emissions	Allocated Target Met
Grow workforce diversity	Allocated Target Met

Growth	KPI measure	Target
Objective: We pursue sustainable growth by improving the value of energy services		
	Support NT Government energy policy	Allocated Target Met
	Energy services costs are transparent to customers	Allocated Target Met
	New opportunities offer sustainable returns	Allocated Target Met

8. Accounting policies

The Board of Directors is responsible to the shareholding Minister for the financial performance of TGen.

The principal accounting policies adopted in preparing the financial statements are set out on pages 38-45 of the 2023-24 Annual Report. These policies have been consistently applied to all years presented unless otherwise stated.

Other matters

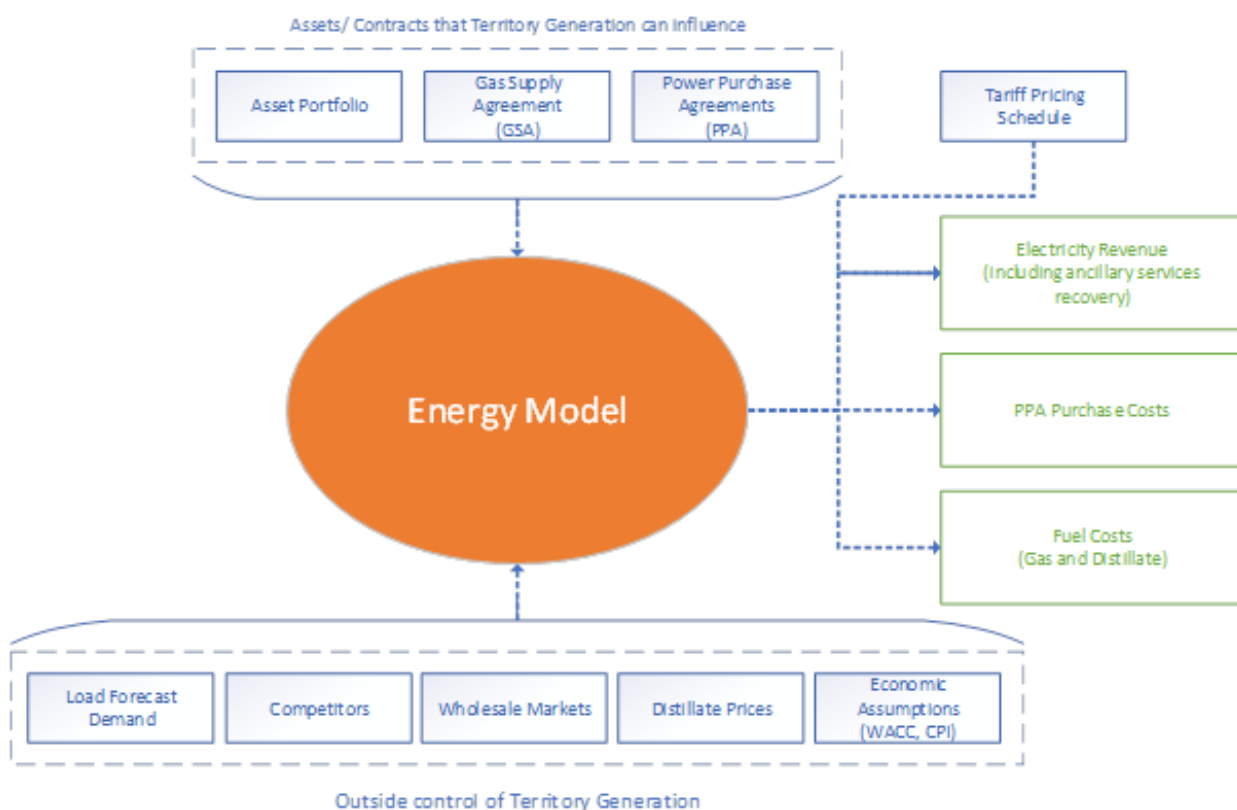
No other matters agreed on by the Board and the shareholding Minister apply at this time.

9. Our finances

Methodology

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

The diagram below summarises the key energy revenue and cost components of the forecast and the related inputs and outputs. Plexos, an industry leading energy market simulation software, is used for undertaking renewable energy investment analysis, economic dispatch simulations and SCI budgeting purposes.



The forecast development methodology is outlined below:

1. The annual forecast energy demand includes the impact of uncontrolled rooftop solar and is determined by region (power system).
2. The required system services levels are estimated, together with known operational constraints likely to be imposed by the system controller. These are incorporated as operating parameters in the Plexos model to estimate the required system security.

3. The generation output of every unit at each station is calculated to meet demand requirements, including TGen'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.
4. The volume of fuel (both gas and diesel) used by each power station is 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.
5. Electricity sold (including production and purchases) is priced according to current and estimated pricing schedules, inclusive of pricing risk management.
6. Personnel costs have been calculated with references to the organisational structure, inclusive of all allowances and on-costs.
7. 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.
8. The remaining forecast operating expenditure is based on a bottom-up review of requirements considering historical spending and the future strategic direction.
9. A preliminary 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 due to timing of investment and commissioning.
10. Lastly, the application of Australian taxation regulations and Australian Accounting Standards is applied to ensure regulatory compliance.

Key assumptions

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

Underlying demand

For each of the regulated regions, TGen generally aligns with the annual underlying demand forecast provided in the latest available Electricity Outlook Report (EOR), published annually by the Utilities Commission. For this SCI, it was the 2023 EOR. The underlying demand is forecast by combining the system consumption and BTM solar production. Where appropriate, TGen 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 2025-26 when a new customer connects to the power system, however there is negligible underlying demand growth.

Tennant Creek demand is expected to remain reasonably flat over the forecast period.

The assumed annual underlying demand volumes are summarised below.

Underlying demand (GWh)	25-26	26-27	27-28	28-29
Darwin-Katherine	1,736.2	1,744.0	1,752.4	1,760.7
Alice Springs	232.6	258.1	259.0	259.8
Tennant Creek	30.9	30.9	31.0	31.0

Behind-the-meter (BTM) solar

For each of the regulated regions, TGen utilises EOR forecasts for residential and commercial BTM solar capacity. The forecasts combine theoretical aggregated solar output profiles to estimate the impact on underlying demand.

The assumed BTM solar capacity by region is summarised below.

Behind-the-meter solar (MW)	25-26	26-27	27-28	28-29
Darwin-Katherine	138.1	145.9	153.7	161.5
Alice Springs	23.5	24.6	25.7	26.8
Tennant Creek	1.07	1.08	1.10	1.11

Other participants

New grid-connected entrants to the Northern Territory power generation market have been identified for some time and are expected to continue to displace TGen's market share. TGen's assumptions on commencement dates for these large-scale solar farms have been estimated using the available information at the time of publishing.

Name	Capacity (MW)	Technology	Developer
Pine Creek Power Station	26.4	Combined cycle gas turbines	EDL
Hudson Creek Power Station	14.4	Gas reciprocating engines	Merricks Capital
Katherine Solar Power Station	25	Single axis tracking solar	Eni
Manton Solar	10	Single axis tracking solar	Eni
Batchelor Solar 1	10	Single axis tracking solar	Eni
Batchelor Solar 2	10	Single axis tracking solar	Merricks Capital
RAAF Darwin	2.9	Fixed	Assure
Robertson Barracks	8.9	Fixed	Assure
Shoal Bay Bioenergy Facility	1.1	Landfill gas	LMS Energy (TGen PPA)
Uterne solar farm (PPA)	3.90	Single axis tracking solar	ARK Energy (TGen PPA)
Yulara solar	1.8	Mixed technology solar	ARK Energy
Kings Canyon solar	0.01	Solar	

Capacity

TGen'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 will be maintained throughout the SCI period. The Fleet Transition Plan strategically incorporates BESS systems and synchronous condensers in support of new solar, and considers life extension or replacement of existing thermal assets dependent on system need.

Alice Springs: Sufficient capacity to supply the full system demand energy and services will be maintained throughout the SCI period. The Fleet Transition Plan strategically incorporates BESS systems and considers synchronous condensers in support of new solar, and replacement of existing thermal assets dependent on system need.

Tennant Creek: Adequate capacity is currently installed in Tennant Creek, with the station capable of meeting demand on both gas and diesel fuels.

Yulara: Completion of the diesel capacity project in 2024-25 will ensure capacity remains available and reliable into the future.

Kings Canyon: The capacity in Kings Canyon is sufficient to meet current and forecast demand requirements. A BESS has been leased through TGen's microgrids feasibility study grant and is being installed and commissioned in 2024-25. It is anticipated that transitioning to a mix of renewable energy and battery storage will result in reduced operating costs at the power station.



Energy

Energy (including gas, diesel and PPA costs) is TGen's greatest cost. 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 is based on an assumed heat rate curve.

Gas

TGen has entered into a long-term gas supply agreement with Power and Water Corporation (PWC). Gas pricing comprises of a commodity charge, a transport charge and penalties subject to variance in nominations.

Diesel usage

Diesel usage is based on the historical proportion of consumption for the level of output for the regulated power systems, and the servicing of 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 and services. The expenses have been estimated by each power station unit over the planning period and comprises of the costs for planned maintenance and an allowance for any unplanned maintenance. The estimated spend over the period is as follows.

Power station (\$M)	24-25	25-26	26-27	27-28	28-29
Total R&M	30.1	31.7	31.6	33.7	33.8

Personnel

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

Wages are assumed to increase in line with TGen's 2022-2026 Enterprise Agreement (EA).

Operational projects

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

Description (\$M)	25-26	26-27	27-28	28-29
Total operational projects	2.7	2.7	2.8	0.0

Capital expenditure

The continued increase in solar PV has resulted in an increased emphasis on managing TGen's assets. This increases physical stress on the generators that must stop and start more often than designed.

The capital expenditure includes the cost of TGen's Fleet Transition Plan.

The total forecast for capital expenditure is:

Item (\$M)	24-25	25-26	26-27	27-28	28-29
Total	50.4	67.4	68.0	70.4	51.4

Fixed assets and depreciation expense

The cost and book value of fixed assets is based on the fair value recorded in TGen'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%

TGen has a capitalisation threshold of \$1,000, 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:

	25-26	26-27	27-28	28-29
Consumer price index (%)	2.8	2.4	2.4	2.5

Debt and interest

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

	25-26	26-27	27-28	28-29
Interest rate assumptions on new borrowings (%)	6.8	6.8	6.8	6.8

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 has the right to receive a dividend from TGen from 30 June net profit after tax, on the recommendation of TGen's Board.

