

Statement of Corporate Intent

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



Who we are

Tasmanians are our owners, our most important customers, and the very people we were created to serve. For more than a century, Tasmanians have relied on hydropower to grow the economy and support communities. We now employ more than 1,100 people, with over 700 based in Tasmania. Our vision and values are guided directly by our people, and shape how we make decisions, achieve our goals, serve our customers, work together and care for the environment.

The Hydro Tasmania group

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.



The primary activities, active ownership structure and operations of the Hydro-Electric Corporation outlined below (Figure 1, 2 and 3).

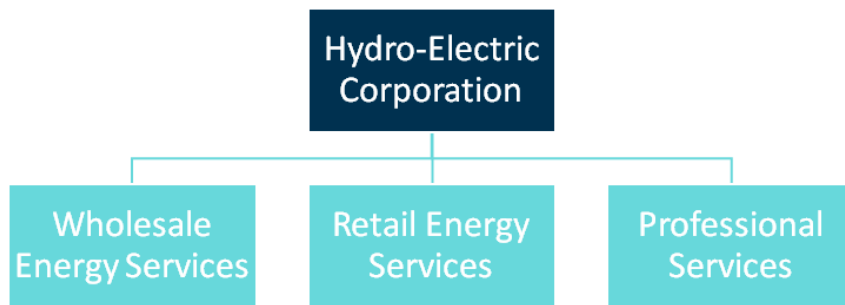


Figure 1 - Primary activities

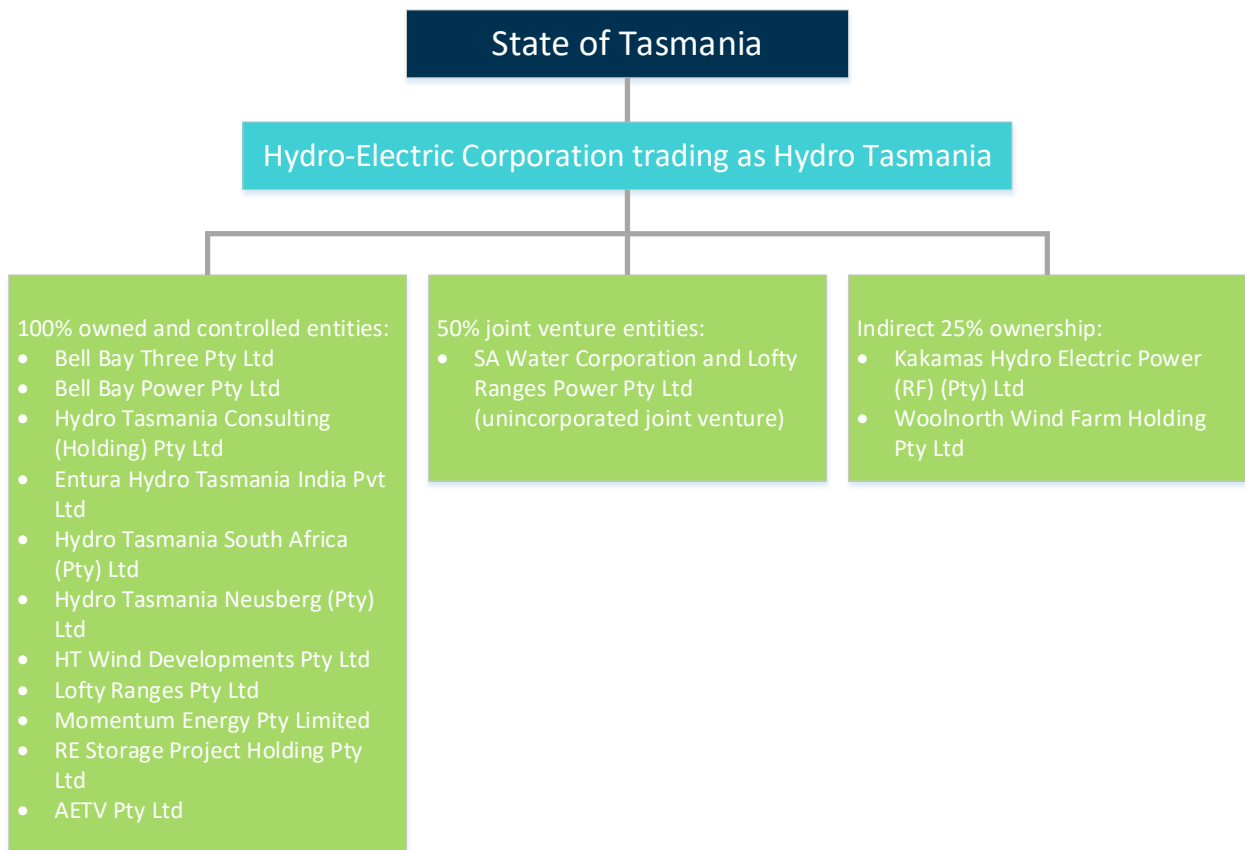


Figure 2 – Active ownership structure

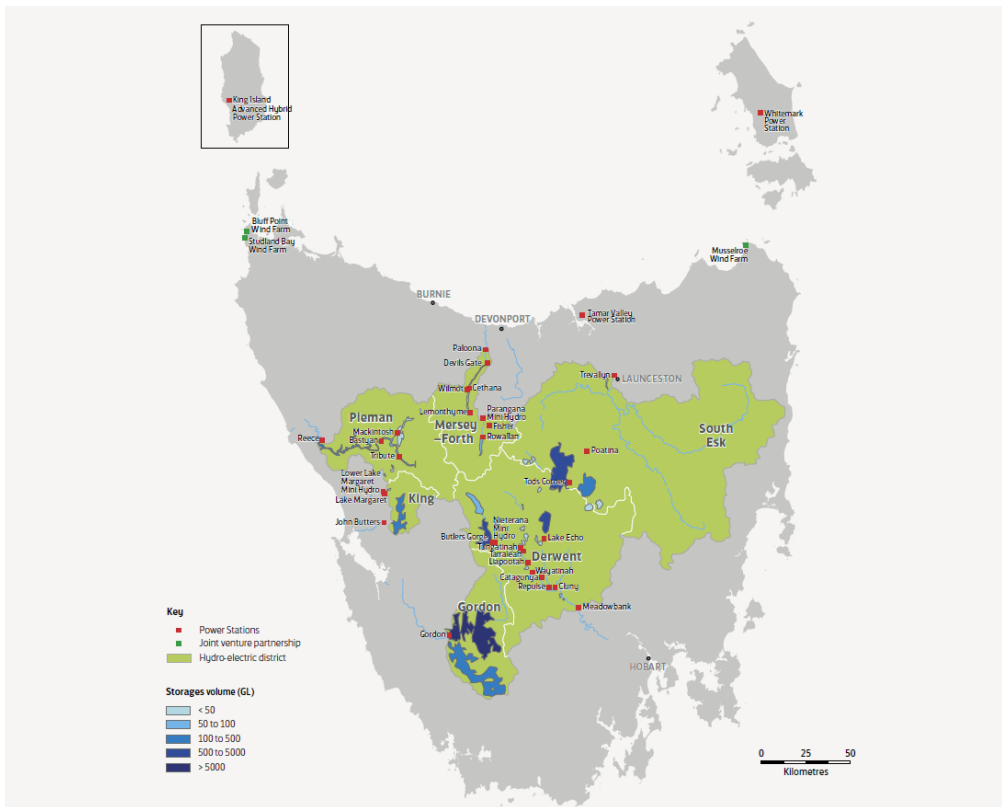


Figure 3 – Hydro Tasmania’s operations

Operating environment

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transformation. The need for clean energy in the NEM has never been greater, after a series of fossil fuel power stations closing in 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.

Aspects affecting Hydro Tasmania’s operating environment are outlined below.

- A high degree of vertical integration and closure of Hazelwood Power Station in Victoria creating wholesale supply constraints.
- 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

Our vision is to be Australia’s leading clean energy business, inspiring pride and building value for our owners, our customers and our people. Our strategy is focussed on producing affordable and reliable electricity and services, 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 grow 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 growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks. In addition, the technological advancements developed for the King Island Renewable Energy Integration Project have positioned the Hydro Tasmania group to continue pursuing emerging opportunities in hybrid energy solutions.

The Battery of the Nation (BotN) project is investigating opportunities for Tasmania to make a substantially bigger contribution to a future National Electricity Market (NEM). The Tasmanian power system has the potential to double in size and unlock the full value of Tasmania's hydropower system and renewable energy resources. Analysis confirms *Battery of the Nation* is an extremely viable and cost-competitive option for supporting Australia's future energy needs. If realised, this would be good for Tasmania's economy and for Hydro Tasmania, and support 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 be Australia's leading clean energy business.

Key financial and non-financial performance indicators and associated targets for 2018-19 and estimates through to 2021-22 are set out in the following table.

Table 1 - Key performance indicators

Key performance indicators (KPIs)	Target for 2018-19	2019-20	2020-21	2021-22
Financial Indicators				
Results before fair value movements and revaluations	\$165m	\$132m	\$132m	\$123m
Core gross borrowings	\$699m	\$688m	\$689m	\$699m
Return on equity	6.3%	4.8%	4.7%	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 100% on budget			
Cost savings target	Momentum Energy operating costs per account less than budget		Operating costs per account less than previous year	
	Net general operating expenses equal to \$148.4m		Net general operating expenses to increase at 1% on the previous year	
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget		Retail EBITDA greater than previous year	
Non-financial Indicators				
Lost time injury	0			
Portfolio availability	Availability target of 80 per cent achieved			
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties			
Storage levels - preferred minimum operating level	Consistent with the Prudent Storage Level (PSL)			

Returns to government (accrual)				
Ordinary dividend	\$78m	\$75m	\$84m	\$84m
Total other returns to government	\$64m	\$51m	\$49m	\$47m
Total returns to Government	\$142m	\$126m	\$133m	\$131m

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

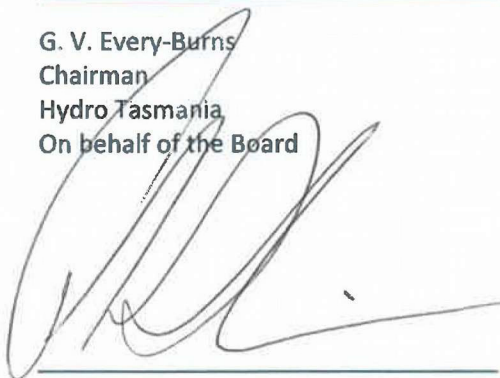
Directors' Statement of Corporate Intent and Agreement of Shareholding Ministers

In signing this Statement of Corporate Intent, the Board of Hydro Tasmania commits to the targets proposed for 2018-19 on a best endeavours basis, subject to Section 24 of the GBE Act. The Board of Hydro Tasmania agrees to provide the Shareholding Ministers with information on progress against the targets included in this Statement of Corporate Intent, as required under the Reporting Guidelines.

This Statement of Corporate Intent has been agreed between:



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



Hon Peter Gutwein MP
Treasurer



Hon Guy Barnett MP
Minister for Energy