

Statement of Corporate Intent

FY2024/25

8 October 2024



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 its strategic direction.

Hydro Tasmania

Hydro Tasmania is Australia's largest producer of renewable energy, and its largest water manager. For more than a century Tasmanians have relied on its hydropower to grow and support the state's communities and economy.

Momentum Energy

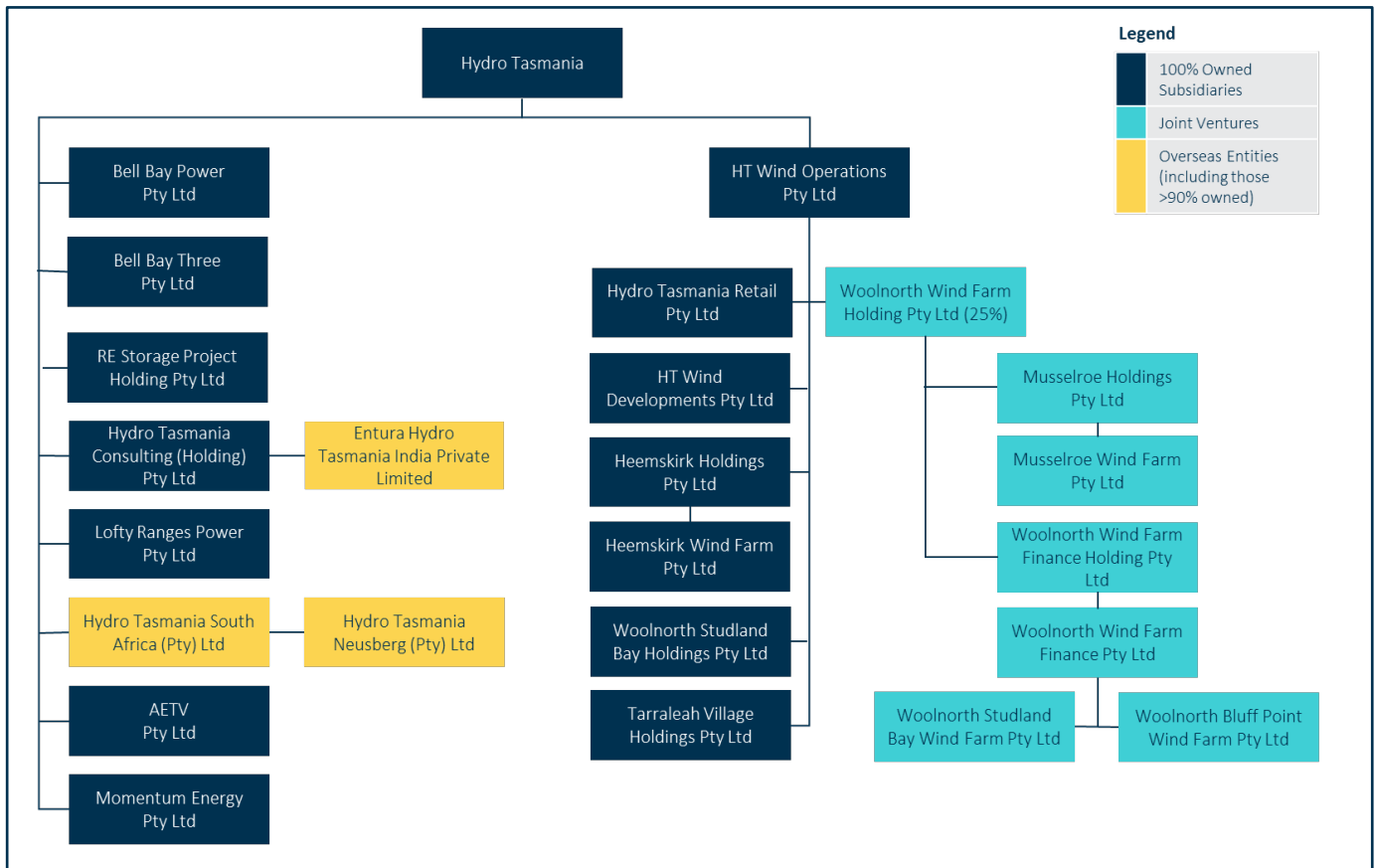
Hydro Tasmania's electricity and gas retailer, Momentum Energy, is a leading supplier of electricity and gas solutions to business customers and residential markets across the National Energy Market (excluding Tasmania), providing competitive rates and quality sustainable products and services.

Entura

Hydro Tasmania's consulting business, Entura, delivers leading solutions in water and energy to clients locally, nationally, and internationally.

We acknowledge the rich and long history of the traditional owners of the lands on which we live and work and recognise 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 the current custodians and their ongoing connection to culture, and the lands and waters on the 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.

Ownership structure



Operating environment

Hydro Tasmania operates in a rapidly evolving and highly variable environment influenced by changes in the Tasmanian and national markets, alongside global economic shifts, geopolitical instability, and a rising societal demand for clean energy. The stakes are high: investments in energy markets are becoming more complex and uncertain, and the cost of getting it wrong is rising.

On a national level, the National Electricity Market (**NEM**) is undergoing a major transformation as Australia accelerates its transition towards a more renewable and diverse energy system. The Australian Government aims to achieve an ambitious target of 82% renewable electricity generation in the NEM by 2030, highlighting the scale of this transformation. While the shift to wind, solar, and other renewable sources is gaining momentum, it also results in significant market volatility, growing price pressures, and increased infrastructure build costs.

To meet this 2030 goal, the NEM will need to massively scale up its renewable energy sources, as outlined by the Australian Energy Market Operator's (**AEMO**) most likely 'Step Change'¹ scenario:

- An increase of energy storage capacity from 3 GW to 22 GW to maintain grid reliability,
- Grid-scale variable renewable energy (**VRE**) to increase from 21 GW to 55 GW,
- Distributed solar PV to increase from 21 GW to 36 GW,
- Electricity usage from the grid to increase from 174 TWh to 202 TWh,
- Gas-fired peaking generation to increase from 11 GW to 15 GW (by 2050), and
- All coal generation to be withdrawn from the NEM by 2038.

This transformation highlights the immense infrastructure and system challenges the NEM faces, requiring technological, market, policy, and operational changes.

Tasmania's energy transition aligns with national trends, but the local context brings unique opportunities and challenges. With over a century of hydropower expertise, Hydro Tasmania is well-positioned to adapt to this shifting landscape. However, climate change-induced variability in rainfall and inflows to hydro dams introduces uncertainty into water resource management and generation, adding a layer of complexity to energy planning.

At the same time, Tasmania faces a rise in electricity demand, driven by household electrification, industrial decarbonisation, and emerging industries. These trends add pressure on the existing energy infrastructure and create a need for significant investment in both capacity and flexibility to meet growing demand sustainably.

¹ AEMO. 2024 Integrated System Plan (2024)

Strategic direction

Hydro Tasmania is uniquely positioned to navigate this complex environment while continuing to play a central role in the Tasmanian energy system. With over 100 years of experience managing hydropower assets, Hydro Tasmania has a deep understanding of both the opportunities and challenges of a renewable energy system. As the share of variable renewable energy (VRE), particularly wind and solar, grows, Hydro Tasmania must adapt from its role as a predominantly baseload generator to providing more flexible, dispatchable, and firming capacity. This shift towards firming capacity—filling the gaps when wind and solar generation is insufficient—is essential to realising the full value of Tasmania’s hydropower resources in a renewable-dominated future and meeting future Tasmanian energy demand.

To embrace these changes, Hydro Tasmania is embarking on a bold new era of hydropower transformation, focusing on delivering greater capacity, flexibility, and efficiency in a carefully planned manner. This will strengthen the reliability and resilience of Tasmania’s energy system while supporting the growth of on-island VRE and new industries. **In line with this, Hydro Tasmania is taking a more active role in enabling new on-island VRE generation by engaging with private-sector wind and solar developers** whose projects align with our strategic objectives. These activities will seek to support Tasmania’s energy policy objectives, drive economic development, and create job opportunities, ensuring the state remains at the forefront of Australia’s clean energy industry.

Central to this strategy are two proposed major developments:

- **Redevelopment of the Tarraleah hydropower scheme**, which will modernise and enhance one of Tasmania’s most important energy assets.
- **Pumped hydro at Lake Cethana**, providing the critical energy storage needed to balance renewable generation and support energy reliability and security.

These projects, alongside investments to optimise existing infrastructure, are designed to secure Tasmania’s position as a renewable energy powerhouse, providing reliable, renewable electricity while supporting lowest power prices for Tasmanians. As interconnection with the mainland increases, Hydro Tasmania is set to play a leading role in the national firming market, capitalising on opportunities within the NEM and delivering sustainable returns to the Tasmanian Government and economic value to Tasmanians.

To deliver its vision of *a sustainable energy future for all*, Hydro Tasmania is focused on achieving long-term operational and financial sustainability, delivering for its customers and community and continuing to improve its employee experience, and inclusive and adaptive culture.

Hydro Tasmania Statement of Corporate Intent 2024: Key Performance Indicators

Key Performance Indicator	Target
Financial Indicators	
Results before fair value movements and revaluations	\$91.2m
Net Debt (excluding leases)	\$1,014m
Return on equity	2.8%
Tarraleah Redevelopment	All milestones met as per the Tarraleah federal grant funding agreement
EBIT Improvement Target	Operating expenditure (excluding retail, AETV and exceptional items) of \$184.3m
Momentum Energy earnings before interest tax (EBIT)	Momentum Energy EBIT equal to or greater than budget \$13.7m
Non-financial Indicators	
Total recordable injury frequency rate	<2.5
Portfolio availability	Availability target of 80% 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	\$122m
Other returns to Government	\$42m
Total returns to Government	\$164m

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 FY2024/25 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:



R Bolt
Chair
Hydro Tasmania
On behalf of the Board



Hon Guy Barnett MP
Deputy Premier and Treasurer



Hon Nicholas (Nick) Duigan MP
Minister for Energy and Renewables