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CELEBRATING 100 YEARS OF FUTURE THINKING

‘The Hydro’ is 100 years old in 2014.

This significant milestone is worth recognising and celebrating by all Tasmanians.

Our history goes well beyond the corporate story and is part of the living memory of thousands of workers and their families.

As we celebrate the first 100 years, it is time to give thanks to the men, women and children who made it all possible, and to hear the stories of the people who contributed so much.

We started in 1914 as the Hydro-Electric Department and were later known as the Hydro-Electric Commission, the Hydro-Electric Corporation and Hydro Tasmania. But it has been known and claimed by Tasmanians for generations simply as the Hydro.

For a century, the Hydro has shaped Tasmania’s industries, economy, landscape and community. Our legacy is not only the engineering and construction feats, but also the lasting impact on the state’s population and culture.

Thousands of ‘Hydro people’, many from overseas, came to toil on the schemes and made Tasmania home.

Annual Report **2014**

Hydro Tasmania

Celebrating 100 years of future thinking


Celebrating where we've **been**...
...and where we're **going**.

DIRECTORS' STATEMENT

To the Honourable Matthew Groom MP, Minister for Energy, in compliance with the requirements of the *Government Business Enterprises Act 1995*.

In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament, the report of the Hydro-Electric Corporation for the year ended 30 June 2014. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

David Crean
Chairman, Hydro-Electric Corporation
October 2014

Janine Healey
Director, Hydro-Electric Corporation
October 2014

Hydro-Electric Corporation
ARBN 072 377 158
ABN 48 072 377 158

OUR VISION

Australia's leading clean energy business inspiring pride and building value for our owners, our customers and our people.

OUR VALUES

- We put people's health and **safety** first
- We build value for our partners and customers through **innovation** and outstanding service
- We behave with honesty and **integrity**
- We work together, **respect** each other and value our diversity
- We are **accountable** for our actions
- We are committed to creating a **sustainable** future

CONTENTS

The past

In the early 1900s, the miracle of hydro-electric power was just arriving in Tasmania. Launceston's streets were lit by the privately-owned Duck Reach Power Station, and a few industries were generating their own electric power. In 1914, the Tasmanian Government bought a small electricity company in financial difficulty and created the Hydro-Electric Department. The first power station at Waddamana in the Great Lakes area was opened in 1916.

By the 1920s, hydro-electric power was revolutionising Tasmanian farms, mills, mines and factories, but electricity was not yet widely available for household use. Constantly growing demand for power kept pressure on the construction program through the 1930s, but equipment, materials, expertise and labour became scarce and progress slowed during the Great Depression and the Second World War.

After the Second World War, the Hydro recruited large numbers of European migrants to construct dams and power stations. Many of these workers settled permanently and stayed with the organisation for decades, even creating multi-generational Hydro families.

During the 1950s, insatiable demand stretched electricity supplies to the limit. Severe drought that began in the late 50s saw power restrictions introduced, new developments proposed and construction taking place through the 60s. The drought broke in 1968 and a major development was planned for the Gordon River, which would later spark Tasmania's greatest environmental conflict.

The 70s and 80s saw growing controversy over the flooding of Lake Pedder and plans for the Lower Gordon scheme. Saving the Franklin River became a national political issue. Ultimately, work on the scheme ended in 1983 when the High Court prevented the Franklin Dam from being built.

Out of the days of environmental conflict came a deepened commitment by the Hydro to environmental planning, revegetation and site restoration. Some of Hydro's technical expertise was diverted into international consulting. We explored alternatives to hydropower and developed wind farms in Tasmania.

In mid-1998, the Hydro-Electric Commission was disaggregated into three government-owned businesses: Hydro Tasmania (power generation), Transend Networks (transmission) and Aurora Energy (retail and distribution).

Tasmania entered the National Electricity Market in 2005 and the Basslink interconnector was commissioned in April 2006.

The present

Since our first hydropower development, Hydro Tasmania has been a leader in its field. We have grown to become Australia's largest generator of renewable energy and the nation's largest water manager. We currently employ over 1100 people locally, nationally and overseas with assets worth more than $5 billion.

Our business operates as an integrated entity through three brands: Hydro Tasmania (generation), Momentum Energy (retail) and Entura (consulting services).

We own and operate an advanced hybrid off-grid power system on King Island, off the north-west coast of Tasmania and own 25 per cent of a wind farm company with 308 MW of installed capacity.

Our business operations are built on the principles established in our Sustainability Code.

This report is about our present activities and what matters to our stakeholders.

Find out more:

Hydro Tasmania	hydro.com.au
Momentum Energy	momentum.com.au
Entura	entura.com.au

The future

Predicting the future is always a challenge, but one thing is for sure, the business is intent on being around for its 200th birthday.

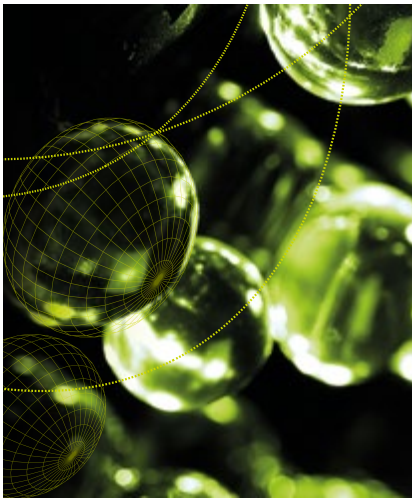
There is no doubt the next few years will be challenging as a range of external factors conspire to reduce profitability from the record levels of recent times. However, the business is responding in the only way it knows how. We have shown over the past 100 years the capacity to adapt to various challenges and changing circumstances. This will be crucial as we set our sights on the next 100 years.

The electricity market is changing dramatically and Hydro Tasmania is responding to these changes. Technological advances and customers taking greater control of the way they manage their energy needs have resulted in a growing 'revolution' which will forever alter the way power is generated, delivered and sold in Australia. Failure to keep up with the needs of customers will threaten the survival of many in the Australian electricity market.

The importance of the Hydro to Tasmania cannot be under-estimated. The Tasmanian Government believes the business is a significant long-term strategic asset for the state that will help grow the economy and attract new investment.

A key part of this will be how we manage our hydro assets. We continue to invest strongly in upgrading infrastructure to lengthen the life of our assets. We are also upgrading our hydro plants to increase their efficiency. These are crucial parts of a rolling 10-year asset management plan which maintains a long-term view on asset management to ensure our assets continue to serve the Tasmanian community for a long time to come.

At the same time Hydro Tasmania is looking further ahead at emerging opportunities in the renewable energy sector. Nobody can predict what life will look like in 2114, but renewable energy will certainly be more important over the next 100 years than it has ever been.



More information on Hydro's centenary can be found at hydro100.com.au.

1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

About this report

This is Hydro Tasmania's ninth annual report integrating financial, environmental and social performance. It covers the financial year from 1 July 2013 to 30 June 2014.

This report provides a succinct summary of our performance, adhering to standards set by the Global Reporting Initiative (GRI) G3.1 guidelines and electric utility sector supplement and the Energy Supply Association of Australia sustainable practice framework.

The structure is based on our Sustainability Code principles. The report complies with the requirements of the *Government Business Enterprises Act 1995* and the associated Tasmanian Government guidelines and Treasurer's Instructions. The Treasurer has issued an exemption in regard to the inclusion of the Statement of Corporate Intent in this report.

Our primary audience is the people of Tasmania because this is where our operations have the most significant impact. Other stakeholder groups—those interested in our organisation and this report—are listed on page 35.

Following feedback from stakeholders asking that we reduce the volume of information, we have focused this year on issues that are important to both internal and external stakeholders rather than reporting on all aspects of our business. We have improved the web version which links to more information on our website.

Identifying material issues

We identified issues material to external stakeholders and customers of the Hydro Tasmania group through media monitoring reports, a stakeholder survey and Hansard for the Parliament of Tasmania Government Businesses Scrutiny Committees. Issues for internal stakeholders are sourced from executive interviews, the risk management system and the employee survey. Priorities are determined by assessing both frequency and significance to stakeholders.
The material issues are listed on page 9.
See more about the process on our website.

Gordon Dam and Lake Pedder

Data collection and basis

We have determined which of our business entities' data to include by referring to guidelines for GRI G3.1, 'guidance and decision tree for boundary setting'. Performance indicator definitions are the same as the GRI G3.1 guidelines where possible, otherwise we explain the difference.

Assurance

Assurance provides a valuable source of feedback for improvement to Hydro Tasmania's business performance, processes and systems, and gives greater confidence to our readers that our report is accurate, transparent and balanced. Hydro Tasmania engaged Net Balance to assure this report against the AA1000 Assurance Standard. The assurer's statement is on page 14.

Global Reporting Initiative application

Hydro Tasmania has assessed that this report conforms to the highest level of GRI reporting, GRI A+.

Net Balance affirms this opinion in its Assurance Statement on page 14.

See the full GRI index on our website.

OUR BUSINESS

Achievements and challenges

Achievements

- Strong financial performance
  - record profit before fair value adjustments of $242 million
  - group revenue exceeded $2 billion
  - returns to government of $235.4 million, including a dividend of $116 million
- Continued growth of our mainland retailer Momentum Energy
  - increased revenue to over $1 billion
  - achieved $21 million profit
  - exceeded 100 000 customers
- Record annual hydro generation of 11 932 GWh
- $70 million in capital works on generation assets
- Successfully integrated the Tamar Valley Power Station into our operations after transfer in June 2013 from Aurora Energy
- Integrated core corporate processes across the group through implementation of SAP software
- Our consulting business Entura opened an office in South Africa
- Concluded the Mersey–Forth Water Management Review
- 83 per cent stakeholder satisfaction
- Employee engagement remained above national high performance benchmark
- Centenary program launched
- Commissioned Musselroe Wind Farm and opened the Tebrakunna Visitor Centre

Challenges

- Preparing the business for leaner financial times ahead as a result of a range of external factors and current debt
- National energy policy uncertainty
- Internal resources stretched during SAP software implementation
- Enterprise agreement supported by staff but not considered for certification by Fair Work Australia
- Missed safety target of zero with four lost-time injuries
- Prolonged downturn in consulting market continued to affect Entura's performance

Awards

Hydro Tasmania employees and programs received the following awards during 2013–2014:

- Electricity Supply Association Australia Innovation Award 2014—King Island Renewable Energy Integration Project (KIREIP)
- United Nations Association of Australia World Environment Day Awards 2014 Best Specific Environmental Initiative category—KIREIP
- Council of Power Utilities (an autonomous organisation consisting of industry representatives from across India) best consultant/consultancy 2013—Entura India
- 2013 Tasmanian Export Award – Entura
- WorldSkills Australia (Tasmania) 2014
  - World Class Fitter gold medal—Carson Denouden
  - Mechanical Workmanship gold medal—Brock Webster
- Australian Institute of Project Management (Tasmania) 2013 Project Award for the performance of a project manager and the program—Thor Madsen
- Clean Energy Council 2013 Community Engagement Award—Musselroe Wind Farm project (also reported in 2013 Annual Report; awarded in 2013–2014 period).

Clean Energy Council award presentation: from left, Musselroe Wind Farm project team's David Mounter and Christina Giudici and Clean Energy Council's CEO David Green

Celebrating Entura's award at the Council of Power Utilities ceremony: from left, former Government of India Secretary Power P Abraham, former Chairman Central Electricity Authority H L Bajaj, President Council of Power Utilities C V J Varma, former Chairman Gas Authority of India Ltd Dr C R Prasad and Entura's Narender Arora and Jitendra Chaubey

Aerial view of Musselroe Wind Farm

Our sustainability vision

As Australia's leading clean energy business, Hydro Tasmania believes that being committed to sustainability and acting sustainably makes good business sense. Our commitment is drawn from our values and our Sustainability Code, and is used to frame business activities, policies and procedures.

Our centenary is the perfect catalyst to stretch our minds to consider the next 100 years of Hydro Tasmania. Sustainability and sustainable development will drive our future planning, as we consider what our generation leaves for future generations. Our long-held culture of innovation and future thinking will be crucial in navigating both imminent challenges and those beyond the horizon.

Measuring sustainability performance

With the premise that we measure what we care about, Hydro Tasmania's long-term sustainability indicators (LSIs) are aligned to our Sustainability Code and are integrated into our business planning and targets. The structure of the annual report is aligned with the seven principles of our Sustainability Code. Our performance against the LSIs for each principle is presented at the end of each chapter.
See the summary of the LSIs on page 110.

Business overview

Hydro Tasmania is the trading name of the Hydro-Electric Corporation, an integrated energy business and water manager owned by the State of Tasmania.

Building on 100 years of experience in the electricity industry, the Hydro Tasmania group operates as one business focused on delivering value to our customers by utilising our three brands: Hydro Tasmania (electricity generation and trading), Momentum Energy (retail) and Entura (professional services). The scale of the business is shown in Table 1.

Hydro Tasmania generates electricity from 30 hydropower stations and one gas-powered station. In 2014, 93 per cent of generation came from hydropower and seven per cent from gas. This is the basis of our trading operations in the NEM. Off-grid, the Bass Strait islands' electricity supply is generated from diesel, wind and solar.

We are Australia's largest water manager, responsible for many significant lakes, rivers and smaller water bodies in six large catchments covering 35 per cent of Tasmania's land area. See Figure 1 for detail.

Woolnorth Wind Farm Holding Pty Ltd is a joint venture with Shenhua Clean Energy Holdings Pty Ltd (owned by Chinese energy company Shenhua Group). Our share is 25 per cent. The joint venture owns the Studland Bay, Bluff Point and Musselroe wind farms, with a combined installed capacity of 308 MW.

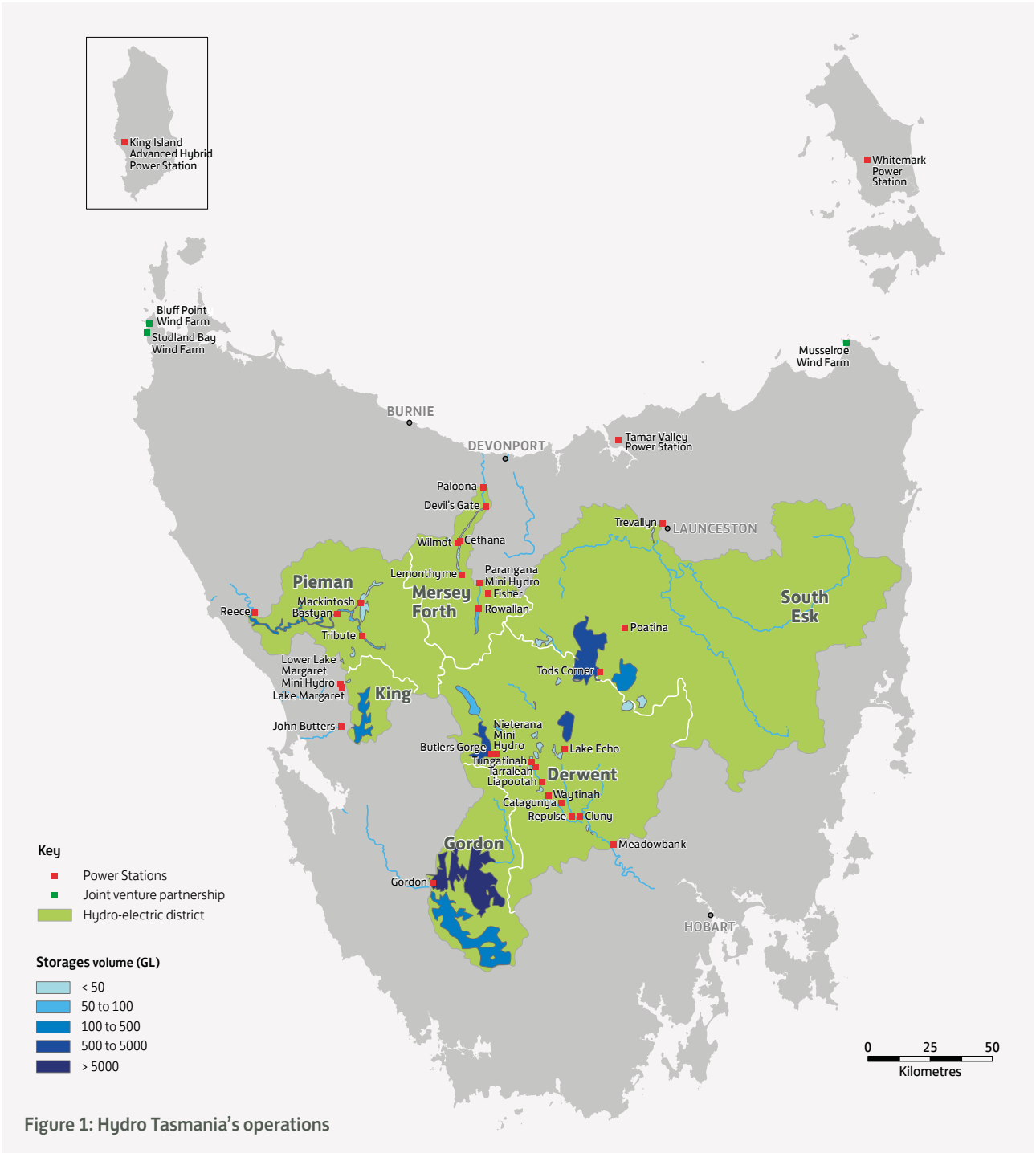


Figure 1: Hydro Tasmania's operations

Table 1: Scale of the Hydro Tasmania group 30 June 2014

Total employees	Head count	1109
Net revenue	$ million	2004
Total equity	$ million	1742
Net debt	$ million	851
Total installed capacity	MW	2653
Total electricity generated	GWh	12 798
Total assets	$ billion	5.036

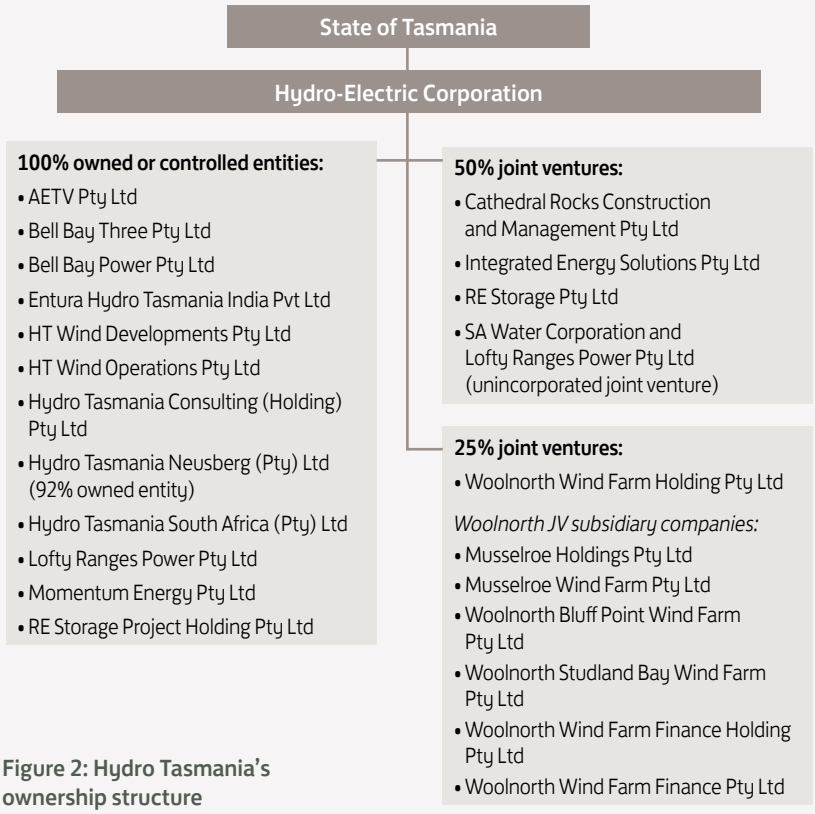


Figure 2: Hydro Tasmania's ownership structure

Figure 3: Hydro Tasmania's business structure at July 2014

Momentum Energy is based in Melbourne and sells electricity and energy services to business and residential customers in Victoria, South Australia, Queensland and New South Wales and gas to customers in Victoria. It provides retail services to the Bass Strait islands. Momentum Energy operates a telesales centre in Tasmania, employing 28 people.

Entura provides engineering, scientific and management services relating to water management and energy supply to national and international clients as well as to Hydro Tasmania for operational and capital programs associated with its generation infrastructure and developments. Based at Cambridge in Tasmania, Entura has offices in Melbourne, Brisbane, India and South Africa and project offices in South Australia and the Northern Territory.

The ownership structure of the Hydro-Electric Corporation is shown in Figure 2 and business structure is shown in Figure 3.

Hydro Tasmania
The power of natural thinking

momentum energy

entura Hydro Tasmania | The power of natural thinking

Waddamana Power Station in the Central Highlands was the first built by the Hydro and began operating in 1916

Material issues

Table 2: 2013–2014 material issues

Principle	Material issue	Stakeholder source	Page
Economic	Changes to federal energy policies (price on carbon and Renewable Energy Target)	External and internal	10, 16
	Financial implications of the Tasmanian electricity reforms	External and internal	12–13, 16
	Adapting to a changing energy market	Internal	13, 16
	Providing cost-effective electricity	External and internal	16
Governance and processes	Compliance and risk management—especially international projects.	External and internal	17
	Working with new state government	Internal	17
	Improving our systems and processes	External and internal	17
Customers	Momentum Energy expanding range of products and services	External and internal	13, 23
	Business focus on customers	Internal	12, 23
	Entura responding to market changes	External and internal	24
Infrastructure and resources	Long-term focus for asset management	External and internal	11, 27
	Basslink operations	External	13, 28
	Responsible water management	External and internal	28, 31, 38
Environment	Managing the aquatic environment	External and internal	31–32
	Environmental management of Hydro Tasmania's operations	Internal	31–32
Community	Community support and multiple-use water management	External and internal	36–38
	Wind farm project engagement	External and internal	37
	Working with stakeholders and suppliers	External and internal	35, 37, 39
People	Valuing employees	Internal	11, 12–13, 41
	Managing our key safety risks	Internal	13, 42

Chairman's review

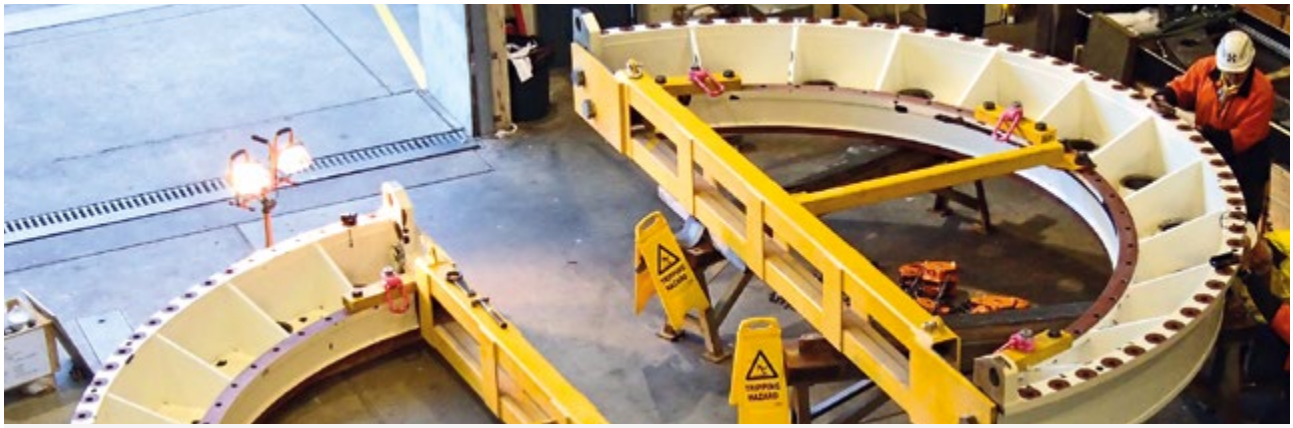
This has been a year of great achievement for Hydro Tasmania.

The business has exceeded expectations with a record profit before fair value adjustments and more renewable energy generated than in any previous year. Of specific note is the performance of our mainland-based retail business Momentum Energy which continued to grow, expanding its customer base and delivering increased returns to its owners.

However, as predicted in last year's report, the outlook for the Hydro Tasmania group over the next five years will be extremely challenging with profitability forecast to decline dramatically from 2014–2015. This is the result of a combination of external factors and events, including reduced demand across the wholesale electricity market, uncertainty around the future of the Renewable Energy Target, the ongoing impact of energy reform in Tasmania and the removal of the price on carbon.

The business has been working diligently to minimise the impact of the predicted profit decline through efficiency savings that included a reduction in staff numbers, at the same time ensuring it adapts and responds to changing customer, business and community demands to protect and increase the value of a century of public investment in Tasmania's iconic renewable energy infrastructure.

Over the coming year the business will continue to work closely with the Tasmanian Government as it develops an integrated energy strategy for the state that will play a key role in attracting further investment and creating jobs.



Refurbished outer top cover of a turbine during the upgrade of Paloona Power Station

Financial

A record profit before fair value adjustment (underlying profit) of $242 million flowed from total group revenue that exceeded $2 billion for the first time with Momentum Energy contributing almost half of the total revenue. This figure reflects the performance of the business and is the basis for the calculation of the annual dividend. The result of our strong performance will see returns to government in 2014–2015 of $233 million, including a dividend of $117 million.

This year the business recorded a profit before tax of $183 million compared to a $248 million loss before tax in 2012–2013. The result highlights the volatility of this particular measure which is an accounting figure that does not necessarily reflect the cash position of the business. The result for 2012–2013 reflected fair value losses, the impairment of assets largely as a result of the acquisition of AETV Pty Ltd (including the Tamar Valley Power Station) and its associated debt, as well as the revaluation of hydro generation assets.

In 2013–2014, the price on carbon and the business generating 11 932 GWh of hydropower—a record amount of renewable energy in a single year—were significant contributors to an operating cash flow of $243 million. Storages finished the year higher than predicted at 28 per cent.

Hydro Tasmania's debt at 30 June 2014 fell to $851 million. Excluding debt associated with AETV, which was transferred to Hydro Tasmania on 1 June 2013, this amounted to a core debt of $646 million. However, debt will increase in the coming year as a result of the aforementioned challenges. The business will continue to work with our shareholder on a review of our capital structure.

Momentum Energy

Our retail business continued its steady growth in a highly competitive and evolving market that has seen its customer base increase to more than 100 000 with revenue exceeding $1 billion. This resulted in a profit of $21 million. Its continued success highlights the importance of owning a retail business. Momentum Energy enables additional paths to market for Tasmanian hydropower thereby diversifying our risk profile.

Entura

The last 12 months have been extremely challenging for the professional services industry in Australia with reported revenue declines and job losses across the sector. Our consulting business Entura has not been immune to the downturn with a reported loss for the year of $6 million and poor operating conditions resulting in the regrettable departure of 100 people through the year and into the new financial year.

This has highlighted the importance of Entura exploring new markets to achieve a return to profit and retain the skills and expertise of its people. The business showcases Tasmania internationally and attracts high level delegations, particularly from the Asia-Pacific region, through the *Entura clean energy and water institute* based at Cambridge.

Assets

Hydro Tasmania will continue to maintain, modernise and upgrade its hydro infrastructure to lengthen the life of assets and, where feasible, increase their efficiency. These are crucial parts of a rolling 10-year asset management plan which maintains a long-term view of asset management to ensure these assets continue to serve the Tasmanian community for a long time to come.

Conclusion

This is my final review as chairman of this great business. I have thoroughly enjoyed my 10 years in the position and leave at a time of reflection across the organisation as we contemplate the achievements of the past 100 years of hydro development in Tasmania and celebrate the effort, ingenuity and imagination of the people who built the state's power schemes. Our centenary is truly a milestone worth recognising and celebrating.

It is also a time to look forward to the next 100 years and what is in store for us both as a business and a community. Whatever the future brings, one thing I know for sure is that the people who work for Hydro Tasmania will once again rise to the challenges as they have done since its creation back in 1914. It has been my pleasure to work with some great people over the years and I wish them all well.

Finally I would like to thank my fellow Directors for their support and commitment during what has been another exciting chapter of the Hydro's rich history.

CEO's report

The continued success of our business has been underpinned by the commitment of our people during what has been a demanding year.

While the record profit is testament to our people's hard work, professionalism and dedication, it has been achieved with the full knowledge that difficult times lie ahead. With a changing external environment putting added pressure on Hydro Tasmania's financial position, our people are well aware of the need for a changed approach to put the business in the best possible shape to meet future challenges.

After a sustained period of strong financial performance and record returns to our shareholders, we are facing a period of reduced profitability. Improvements and efficiencies continue to be implemented, including an expected nine per cent reduction in the size of the workforce, as we pursue opportunities to increase revenue while growing the value of our customer base in both the energy and consulting markets.

While meeting the needs and expectations of our Tasmanian customers will always be Hydro Tasmania's main focus, our mainland retail business Momentum Energy will continue to create value for all Tasmanians by growing its customer base in states such as Victoria and New South Wales. This diversifies our revenue interstate, building on Tasmania's competitive advantage as the nation's renewable energy powerhouse and managing our risks in the highly competitive National Electricity Market.

This capacity to adapt to change has been an integral part of the DNA of the business for the past 100 years. Given the current challenges facing the industry across the country, it is our customers who are demanding greater choice in products and services as they seek to better manage their energy needs at home and for their businesses. We ignore the wishes and expectations of our customers at our peril.

We need to be more efficient and go further for our customers if we are to compete successfully, and reinvest where required while delivering appropriate returns to our owners. We have to recognise the responsibility we have to manage our assets, be sensitive to environmental and social needs and the expectations of future generations.

While our focus is very much on the future, the approaching milestone of our centenary later in 2014 has enabled us to reflect on the role of the business in helping to shape Tasmania's industries and its economy and on the lasting impact it has had on the state's population and culture. A central theme of the planning around celebrating the centenary is that the history of the Hydro is part of the living memory of those workers and their families.

The efforts of those who built the Hydro are clearly in evidence today with a portfolio of power generation assets that continues to be at the heart of our business as we ensure our dams, power stations, canals and associated infrastructure remain in good working order for the next 100 years.

Assets

We invested more than $70 million in our generation assets during the year. The final stage of the $60 million refurbishment of Tungatinah Power Station was completed, work continued on the $20 million refurbishment of Paloona Power Station and we continued the ongoing $37 million upgrade to control and protection systems at a number of stations.

The Tamar Valley Power Station was successfully integrated into our operations. It is primarily used during summer and shut down in winter when wind and rainfall are higher.

The Musselroe Wind Farm was officially opened in January 2014.

The performance of our assets enabled Tasmania to record a net export of 3093 GWh across Basslink, the highest since the link began operating in 2006.

Innovation

The work we are doing on King Island to develop a hybrid off-grid product for remote and isolated communities was recognised with two awards during the year. The King Island Renewable Energy Integration Project won the Electricity Supply Association Australia Innovation Award and the Best Specific Environmental Initiative category at the United Nations Association of Australia World Environment Day Awards.

International

Hydro Tasmania continued to showcase the skills and knowledge built up over the last 100 years with a focus on growth in new and emerging markets overseas for its consulting business Entura. International clients value experience and it is in these markets where Entura will continue to support clean energy and water projects.

Entura's Cape Town office opened in September 2013 with a focus on its civil construction management role in the 10 MW Neusberg run-of-river hydropower project. It is also winning other consulting projects in the region.

Our People

The safety of our people remains a top priority. While there was a welcome drop in the number of lost-time injuries from six to four over the year, we continue to strive for a zero result. In the coming year we will roll out a program to raise individual hazard awareness and triggers to avoid human error and reduce incidents and injuries across the business.

Despite the challenges and demands through the year, employee engagement remained above the national high-performance benchmark. However, I am acutely aware of the impact of ongoing change on our people, and the business will continue to provide support as we implement a new structure and refine the way we work.

Contribution to the Tasmanian economy

Hydro Tasmania is a major contributor to the Tasmanian economy. Of a total staff of more than 1100 at 30 June 2014, we currently employ around 750 people in Tasmania, including 28 staff at Momentum Energy's call centre at Cambridge. The business remains a significant purchaser of Tasmanian goods and services. This year we spent $74.6 million with 931 Tasmanian suppliers—41 per cent of our total procurement.

As has been the case over the past 100 years, Hydro Tasmania will continue to play a significant role in the local economy. We recognise our position as a strategic asset and look forward to working with the Tasmanian Government as it develops an integrated energy strategy to maximise the state's competitive advantage.

Summary

The year ahead will be challenging.

Internally, the focus will continue on refining business processes, finding further efficiencies and evolving our culture to place customers at the centre of everything we do. Externally, there remains significant uncertainty at a national policy level which needs to be resolved. Hydro Tasmania will continue to prosecute the case for long-term and stable policy to support increased use of renewable energy as coal-fired electricity generation is the single greatest contributor to Australia's greenhouse gas emissions.

In conclusion, I would like to thank the staff for their extraordinary effort. I am confident that we are on the right path to ensure Hydro Tasmania is in the best possible shape to create a successful future for our business. I also wish our outgoing chairman David Crean well and, on behalf of everyone at Hydro Tasmania, thank him for his significant contribution over the past 10 years.

Independent assurer's statement

netbalance

AA1000
Licensed Assurance Provider
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To the Board and Management of Hydro Tasmania:

Hydro Tasmania commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance over the sustainability content of the 2014 Annual Report (the Report). The Report presents Hydro Tasmania's sustainability performance over the period 1 July 2013 to 30 June 2014. This statement provides a brief summary of assurance outcomes with a full copy of the assurance statement provided at hydro.com.au.

Assurance Standard and Objectives

The assurance engagement was undertaken in accordance with AccountAbility's AA1000 (2008) Assurance Standard (AA1000AS). This standard allows for the evaluation of whether an organisation is responsible for its management, performance and reporting on sustainability issues. This was undertaken by evaluating the organisation's adherence to the AA1000 AccountAbility Principles (2008) of:

Inclusivity: How does the organisation include stakeholders in developing and achieving an accountable and strategic response to corporate responsibility and sustainability?

Materiality: How does the organisation include in its reporting the material (most important) information required by its stakeholders to make informed judgements, decisions and actions?

Responsiveness: How does the organisation respond to stakeholder concerns, policies and relevant standards and adequately communicate these in its reporting?

Assurance Type, Level and Scope

Net Balance provided Type 2 moderate level of assurance in accordance with the AA1000AS. The review of adherence to the Principles was undertaken using the criteria outlined in the AA1000 Assurance Principles Standard (2008), while assessment of the accuracy and quality of selected sustainability performance information was guided by the ASAE3000. A third-party level check of the Report against the Global Reporting Initiative (GRI) G3.1 Guidelines was also provided.

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity:

Hydro Tasmania was found to have a wide variety of well-established mechanisms that assist the business to engage with its stakeholders. Hydro Tasmania commissions an External Stakeholder Research Report annually to provide its key stakeholders with the opportunity to engage with the organisation and provide valuable feedback. Key stakeholders are particularly focused on continuing to partner with Hydro Tasmania over the long term to develop mutually beneficial relationships and building community links and support.

Materiality:

During the reporting period, Hydro Tasmania has further developed its well-established and documented process to determine its material sustainability issues for reporting. Materiality assessment is undertaken each year using inputs from internal sources and external stakeholders. The materiality assessment has been designed to enable the key issues and interests to be integrated into the annual report and incorporated into strategic planning and project delivery.

The material issues prioritised through this process were found to align with the business' long term sustainability indicators and targets, and with the issues of interest and concern to stakeholders. The report was found to disclose performance information that was reflective of the outcomes of the materiality assessment.

Responsiveness:

Net Balance tested Hydro Tasmania's responsiveness to the management of the selected material sustainability issues through a series of interviews with management, the review of management systems and supporting documentation.

The business was found to be actively managing and responding to its key material issues that included industry reform and a changing energy market, changes to federal energy policies, energy affordability, a focus on customer needs, compliance and risk management, community support and engagement, building mutually beneficial partnerships, long term management of assets and resources, improving systems and processes, valuing and supporting employees and managing key safety risks. The assurance process identified that the business was cognisant and engaged on both the challenges and opportunities associated with each of these issues. It was also found that there were formal approaches in place to help the business to respond in each of these areas.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information included in the scope of this assurance engagement.
- The level of accuracy of sustainability performance information was found to be acceptable.
- Data trails selected were identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin and interpretation of data.
- The GRI application level check found that the report was in accordance with the GRI 3.1 A+.

Based on our assurance procedures, nothing has come to our attention that causes us to conclude that the selected sustainability performance information has not been prepared, in all material respects, in accordance with the criteria as presented in Table 1.

The Way Forward

Overall, it is Net Balance's opinion that nothing came to our attention to indicate that the Report was not a fair representation of Hydro Tasmania's environmental, social and economic performance during the reporting period.

To ensure Hydro Tasmania continues to improve, Net Balance has identified recommendations for the AA1000AS component of the assurance engagement. These recommendations and other areas are discussed in detail in the full copy of the assurance statement provided at hydro.com.au and Net Balance's report to Hydro Tasmania's Board and Management.

On behalf of the assurance team

19 September 2014
Melbourne, Australia

Amanda Nuttall
Associate Director & Lead CSAP
(AccountAbility UK)
Net Balance, Melbourne

ECONOMIC

Financial results

Hydro Tasmania delivered a record profit before fair value adjustment (underlying profit) of $242.1 million in 2013–2014, the fourth consecutive year in which we have generated an underlying profit in excess of $100 million.

Hydro Tasmania's natural competitive advantage in a carbon-constrained economy, combined with our well-executed strategy, has provided the opportunity to achieve a considerable increase in returns to government in 2013–2014. However, our operating environment has undergone considerable change over the past year. This has resulted in a challenging outlook for the business despite the current period of significant financial success.

Operating cash flows declined slightly in 2013–2014 with a total of $242.7 million, down from $261.5 million in 2012–2013. The relatively steady result was driven by high power prices as a result of a fixed carbon price and a record level of generation.

Capital expenditures were $118.3 million in 2013–2014, $18.5 million less than last year (excluding Musselroe Wind Farm). Operating cash flows less capital expenditures remained stable in 2013–2014 at $124.4 million.

Total assets for the year were $5.0 billion in 2013–2014 compared with $5.1 billion in 2012–2013. This decline was largely due to an impairment of Hydro Tasmania's generation assets resulting from the repeal of the carbon price and lower demand forecasts across the NEM.

The BBB credit rating achieved in 2011–2012 was maintained in 2013–2014, supported by strong cash flows and prudent debt management. Core debt was $646 million at 30 June 2014 (excluding $205 million of debt relating to the Tamar Valley Power Station). This is the lowest level of debt since Hydro Tasmania entered the NEM.

The community service obligation (CSO) is a formal agreement between Hydro Tasmania and the Tasmanian Government to provide electricity to consumers on the Bass Strait islands at a concessional and regulated price. In 2013–2014 the net cost of the CSO was $9.2 million. This cost is provided by the Tasmanian Government.

Travel is undertaken by employees during the course of doing business. In 2013–2014, the Hydro Tasmania group spent $1.6million on international travel.

Scotts Peak Dam

Table 3: Financial results

Financial year ending 30 June:	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Profit before fair value, impairment and tax	72.9	100.0	103.4	237.7	242.1
Profit/(loss) before tax	332.1	216.4	17.8[a]	(248.5)[a]	183.7
Cash flow from operating activities	178.0	160.8	107.3	261.5	242.7
Net debt	863.0	964.0[b]	857.0	866.0	851.0
Weighted average cost of debt	6.98%	7.18%	7.08%	6.88%	7.39%
Capital expenditure	95.5	64.3	186.1	164.0	118.3
Other expansion and acquisitions	34.5	0	114.4	0	0
Total assets	5129	5507	5805	5123	5036

[a] Profit before tax for 2012 and 2013 were adversely impacted by movements in the fair value of energy derivatives, and in 2013 by the impairment of generation assets.

[b] Significant increase is because of the acquisition of $143.7 million of Roaring 40s debt following the end of the joint venture with the CLP Group.

Returns to government

Total returns to government for 2013–2014 were $235.4 million, an increase of $109.8 million from 2012–2013. This includes a dividend payment of $116 million.

Table 4: Returns to the Tasmanian Government

Financial year ending 30 June:	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Government guarantee fee	4.9	6.6	8.7	8.6	11.4
Income tax equivalent	0	16.2	54.8	52.8	104.2
Ordinary dividend	5.3	25.5	49.0	50.7	116.0
Special dividend	0	0	0	0	0
Rates equivalent	3.01	3.3	3.5	3.6	3.8
Total returns	13.3	51.7	116.0[a]	115.7	235.4

[a] Excluding stamp duty of $9.9 million.

Impacts from energy reforms and changing policy

The Australian Government's repeal of the carbon tax took effect from 1 July 2014, after this reporting period. However, anticipation of the repeal resulted in a significant decline in the financial forecasts for Hydro Tasmania. The benefit created by the tax in the energy market for low emissions generators will disappear.

Prices for Renewable Energy Certificates are also declining as a result of policy uncertainty regarding the 2014 review of the Renewable Energy Target (RET). The RET review panel provided its recommendations to Government in August 2014. If the RET is phased out or abolished and no grandfathering applied, there will be further significant impacts on revenue for Hydro Tasmania. Since 2001, the total RET revenue from hydro generation (above baseline) is approximately $300 million.

The Tasmanian energy reforms handed Hydro Tasmania ownership of AETV Pty Ltd in June 2013. This includes the Tamar Valley Power Station. AETV is a loss-making venture. The introduction of wholesale pricing regulation which links the Tasmanian regulated contract price to the Victorian price will further reduce our revenue, particularly in respect of Tasmanian mass market customers.

Adapting to a changing energy market

Actual demand for electricity has continued to fall across the NEM. Annual energy consumption has declined since 2008 and is expected to continue. Longer-term price forecasts in the NEM have also been revised downward; falling demand alters the supply/demand balance and hence lowers market prices.

Other NEM dynamics have continued to change. The rising use of distributed generation, increasing energy efficiency behaviours, integration of retail and generation companies, the consolidation of key NEM players, declining industrial use and increased customer sophistication have continued to place further downward pressure on wholesale electricity demand and prices.

The NEM is highly competitive and dynamic. To survive in this market over the long term, we have taken substantial steps in recent years to improve productivity and operational efficiency. We are systematically reducing the costs of the business and diversifying revenue streams. We are reducing exposure to risks in wholesale market concentration through growth in retail sales in the NEM. Continuing to pursue these actions will contribute to our ability to provide more cost-effective electricity as well as improving the ability of the business to withstand market changes.

Long-term sustainability indicators: economic

Sustainability Code

We make sound commercial and investment decisions in our chosen markets, to deliver long-term business value and meet shareholder expectations.

We leverage our low carbon generation and competitive customer focus to create value for our shareholders, the people of Tasmania.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013	2013–2014	Expectations/plans
Shareholder equity	Grow shareholder equity to target by 2017 from $2.01 billion in 2011	$2.13 billion	$1.79 billion	$1.82 billion	Achieving the target depends on the capital structure review of Tasmanian Government-owned energy businesses
Credit rating	Achieve and maintain BBB financial strength	Achieved	Maintained	Maintained	Formal credit rating review planned for 2014–2015
Total returns to government	Deliver target returns to government over the period	$118.7 million	$125.6 million	$235.4 million	Outlook beyond 2014–2015 has fallen due to lower energy and removal of carbon price Projected for 2014–2015: $233m
Base operating expenses[a]	Reduce base operating expenses to ≤$13/MWh (real $2011)	$109.9 million or $11.50/MWh	$119.4 million or $11.60/MWh	$133.25 million[b] or $10.90/MWh	Maintain our operating expenses below the target
Cost-competitive supply to back retail load growth	Ensure cost competitive supply to back sales growth	Sufficient power purchase agreements secured to back sales	Sufficient power purchase agreements secured to back sales	Sufficient power purchase agreements secured to back sales	Continue to actively secure favourable agreements to back sales

[a] Base operating expenses are all Hydro Tasmania group operating expenses excluding AETV-related expenses, transmission charges, NEM and Basslink expenses, operating costs of Entura, Momentum Energy and Bass Strait islands, and the provision of services to wind investments.

[b] Excludes $14.9m relating to a provision for redundancies in 2014–2015 and $3.9m relating to a provision for onerous contracts. These costs have been removed as they are an accounting movement only and do not reflect physical costs to the business. These costs are a one-off and will not constitute part of future base operating expenses.

GOVERNANCE

Hydro Tasmania's corporate governance is strongly supported by our Sustainability Code, Code of Ethical Behaviour, policy framework, and the *Guidelines for Tasmanian Government Businesses Corporate Governance Principles*.

Business processes

Compliance and risk

Delivery of our projects, whether in Tasmania, on the mainland or overseas is undertaken in compliance with all legislative requirements, including those relating to occupational health and safety and the environment. Our established reporting mechanisms ensure internal and external accountability and support our 'no blame' approach to compliance reporting and our desire to continually improve.

We apply our own project management and safety policies and procedures in addition to any legislative requirements in other jurisdictions to ensure that projects are undertaken in a way consistent with our values, including putting people's health and safety first and creating a sustainable future.

Our long-established integrated business risk management framework underpins projects throughout their life, including initial feasibility, with reporting at operational, executive management and Board levels.

The new Code of Ethical Behaviour, developed in 2012–2013, was implemented across the business this year. The Code of Ethical Behaviour sits with the Sustainability Code as a foundation principle for working at Hydro Tasmania.

Mobile workforce

Hydro Tasmania group employees are increasingly mobile and collaborative, benefiting from using mobile applications, cloud services and mobile devices, such as tablets and smart phones. Alongside this greater flexibility and potentially lower cost are risks around placing significant amounts of business-sensitive information in the hands of an external party.

We are addressing these risks through development of a framework for security and usability based on Australian Government and other best-practice frameworks. As scenarios arise that require cloud services or mobile devices, they will be reviewed relative to the framework, including factors such as work/life balance.

Consulting on a hydropower development at Bell Point, South Africa: second from left, Entura's Dave Gerke and second from right Manager of Southern Africa Christoff Le Grange

Working with our shareholder

The Tasmanian elections in March 2014 resulted in a change of government. Hydro Tasmania has provided briefings and held discussions with new ministers and officials to support their understanding of their new portfolios.

Hydro Tasmania and other energy supply industry participants have established a communication protocol with the recently appointed Energy Working Group, set up by the government to provide direct advice on energy supply and consumption and to assist and inform the development of a Tasmanian energy strategy.

Formal reporting requirements have been established to support government oversight of business activities, which principally relate to the management of water, environment and finance. Monthly meetings are held with the minister and various executives to discuss current activities and issues.

Improving our systems and processes

We continue to align our processes and procedures to support our adaptation to the emerging business environment.

We concluded our major project to install SAP software, an integrated business-wide support for core corporate processes, and we are continuing to enhance the system. The project stretched resources and training capability and capacity across the business with impacts on daily operations as people learnt a new way to work.

However, by 30 June benefits were already evident in some areas through the ability to record more consistent data and to view more comprehensive reports. Ongoing attention is focused on employees' uptake of new processes to ensure they are sustained and that expected benefits are realised. We will continue to emphasise improving our corporate processes to support our customers and staff.

We are reviewing retail processes to improve our customers' experience of the business. Some work has already been completed (e.g. improvement in call centre processes) and other areas such as training and billing will be improved in the near future.

We began a major review of critical operational technologies, particularly relating to control of electricity generation, to ensure systems continue to operate efficiently and cost-effectively. This will continue into the next financial year when any decision on necessary investment will be made.

Find more information on Hydro Tasmania's governance on our website.

The Board

The Board: from left, Janine Healey, Saul Eslake, Stan Kalinko, Dr David Crean, Grant Every-Burns, Tessa Jakszewicz

Dr David Crean

Chairman

David Crean was appointed a director of the Hydro-Electric Corporation on 12 July 2004 and chair on 27 September 2004. Dr Crean was Treasurer of the State of Tasmania from August 1998 until his retirement from the position in February 2004. He was also Minister for Employment from July 2002 to February 2004, Member of the Legislative Council from 1992 to May 2004, and a Member of the House of Assembly between 1989 and 1992. From 1993 to 1998 he held Shadow Portfolios of State Development, Public Sector Management, Finance and Treasury. Prior to this he was in private medical practice for 10 years. He holds a Bachelor of Medicine and Bachelor of Surgery from Monash University.

Saul Eslake

Director

Saul Eslake was appointed to the Hydro Tasmania Board on 19 March 2008. Mr Eslake is the Chief Economist at the Bank of America Merrill Lynch Australia. Prior to taking up this role he was a Program Director at the Grattan Institute. He was previously Chief Economist of Australia & New Zealand Banking Group (ANZ) for 14 years to July 2009. Mr Eslake was formerly the Chair of the Tasmanian Arts Advisory Board. He holds an Honours degree in Economics from the University of Tasmania and a post-graduate Diploma in Applied Finance and Investment, and has completed the Senior Executive Program at the Columbia University Graduate School of Business in New York. Mr Eslake is a Senior Fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors.

Grant Every-Burns

Director

Grant Every-Burns was appointed to the Board of Hydro Tasmania on 27 August 2012. Mr Every-Burns brings more than 40 years of experience in the operation and maintenance of large power generation facilities. From 1996 to 2011 he was Chief Executive and Managing Director of Macquarie Generation, Australia's largest producer of electricity in that period. He has previously held directorships of the National Safety Council of Australia and the Energy Association of Australia. Mr Every-Burns holds an Honours degree in Electrical Engineering and is a fellow of the Australian Institute of Company Directors.

Janine Healey

Director

Janine Healey was appointed to the Board on 9 September 2002. Currently a Director with Chartered Accountants, Ruddicks (Launceston, Tasmania), Ms Healey has wide-ranging commercial experience, particularly in the areas of commercial taxation advice, business structures, planning and cash flow management. Ms Healey has a strong history of community and commercial involvement in Tasmania, which includes serving as the current President of the Launceston Chamber of Commerce (Vice-President 2011– 2012 and Treasurer 1999–2010), Director and Chair of the Audit Committee of the Port of Launceston Pty Ltd, a member of the University of Tasmania Council including the Audit and Finance Committees (including a term as Chair), Director of the Inveresk Railyard Development Authority (including Chair of the Audit Committee), and Director of the Female Factory Historic Site Ltd in Hobart. Ms Healey was appointed as a Board member of the Tasmanian Electronic Commerce Centre Pty Ltd (a joint venture between the Government of Tasmania and the University of Tasmania) during December 2006 (resigned July 2012). Her professional memberships include as a Certified Tax Adviser with the Taxation Institute of Australia (including two years as Chairman of the Tasmanian Division), Fellow of the Institute of Chartered Accountants and Member of the Australian Institute of Company Directors (member of State Council and the National Reporting Committee).

Tessa Jakszewicz

Director

Tessa Jakszewicz was appointed to the Board of Hydro Tasmania on 27 August 2012. Ms Jakszewicz is CEO of Landcare Australia Limited, an organisation which is responsible for raising awareness and funding for the Landcare movement to support its role in protecting, restoring and sustaining the productivity and value of Australia's natural environment. In this capacity she plays a lead role in promoting Landcare to government, business and community. She is also is an Independent Officer on two advisory councils for Horticulture Australia Limited. Prior to this she was Deputy CEO at the Antarctic Climate and Ecosystems Co-operative Research Centre in Tasmania and previously a General Manager at Telstra. Ms Jakszewicz has a Master of Business Administration from Macquarie University, a Master of Science from the University of Bath and a Bachelor of Science with Honours from the University of Sheffield. She is a fellow of the Australian Institute of Company Directors and brings to Hydro Tasmania wide-ranging commercial experience predominantly in general management, marketing and business development roles.

Stan Kalinko

Director

Stan Kalinko was appointed to the Board on 25 June 2007. He has been a director of companies for many years, and, since retiring from law on 30 June 2007, his main occupation has been as a director serving on the Boards of FSA Group Limited (a public listed company), Indigenous Community Volunteers Limited, publicly-listed company Seisia Enterprises Pty Ltd and the Central Synagogue. Mr Kalinko practised law for more than 30 years and was a merchant banker for six years. He has a Bachelor of Commerce, a Bachelor of Laws and a Higher Diploma in Tax. Mr Kalinko is an accredited mediator and a fellow of the Australian Institute of Company Directors.

Table 5: Board committee membership at 30 June 2013

Audit	Business Risk	Corporate Governance	Sustainability	Human Resources & Remuneration
Janine Healey^	David Crean^	David Crean^	Stan Kalinko^	Stan Kalinko^
David Crean	Saul Eslake	Stan Kalinko	Tessa Jakszewicz	Tessa Jakszewicz
Saul Eslake	Janine Healey	Tessa Jakszewicz		Janine Healey
	Grant Every-Burns			
	Stephen Davy (CEO)+	Stephen Davy (CEO)	Stephen Davy (CEO)	Stephen Davy (CEO)

^ Committee Chair.
+ CEO is not a director of the Corporation however attends Board and committee meetings as shown.

Table 6: Directors' attendance at Board and committee meetings during 2013–2014

	Board (regular and special meetings)		Audit committee		Business Risk committee		Corporate Governance committee		Environment and Sustainability committee		Human Resources and Remuneration committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Dr David Crean	12	11*	5	4*	4	4	2	2				
Janine Healey	12	11*	5	5	4	4					4	3*
Stan Kalinko	12	12							2	2	4	4
Saul Eslake	12	11*	5	4*	4	4	2	2				
Tessa Jakszewicz	12	12					2	2	2	2	4	4
Grant Every-Burns	12	11*	1	1	4	4					2	2
Stephen Davy (CEO)	12	11							2	2	4	4

Notes:
A = Maximum number of meetings the director could have attended.
B = Number of meetings attended.
* Leave of absence granted.

Executives

The Leadership Group: from left, Andrew Catchpole, Tammy Chu, Luke Stow, Miles Smith, Alan Evans, Stephen Davy, Evangelista Albertini, Hilary Fazackerley, Stephen Bendeich and Gerard Flack

Assets & Infrastructure

Chief Operating Officer
Evangelista Albertini

The Assets and Infrastructure team is responsible for the operation, maintenance and long-term sustainable management of the Hydro Tasmania generating assets. These assets comprise dams, hydropower stations, roads and bridges, extensive civil and water conveyance infrastructure, the generating and distribution assets on the Bass Strait islands and the gas-fired Tamar Valley Power Station. In addition, the team is responsible for the management of the critically important areas of safety and sustainability.

Corporate and People Services

Chief Financial Officer
Miles Smith

The Corporate and People Services team provides a range of services across the whole Hydro Tasmania group to efficiently support the delivery of energy and consulting products to our customers. Services include finance, accounting and financial reporting as well as commercial advice. Also included are human resources, treasury, financial analysis, forecasting, legal, risk, compliance, trading risk management, procurement, fleet management, facilities, internal audit and business improvement.

Information and Systems

Chief Information Officer
Luke Stow

The Information and Systems team is responsible for delivery of information technology and management services across the Hydro Tasmania group.
The team takes a leadership role in process improvement and driving the realisation of business benefits from change initiatives. It sets strategic direction on information technology and provides advice on the use of technology for business innovation. It leads and advises the business on the management and protection of the Corporation's information assets. Luke was appointed on 18 July 2014.

Strategy and Market Development

Director Strategy & Market Development
Andrew Catchpole

The Strategy & Market Development team is responsible for managing business strategy across the Hydro Tasmania group. The team supports wholesale, retail and professional services in the identification and commercialisation of new products and services in response to customer needs. It delivers wind development services and hybrid off-grid solutions both in support of our strategy and to clients and partners. The team also manages Hydro Tasmania group's community and stakeholder engagements including sponsorship, partnering and market policy and regulation.

Wholesale Energy Services

Director Wholesale Markets
Gerard Flack

The Wholesale Energy Services team trades and dispatches Hydro Tasmania's renewable and gas-fired generation portfolio in the NEM. Prudent management of water storages and gas supplies are central to that function. The team directly services the commercial and industrial customer segment and provides portfolio management (financial hedging) services to Momentum Energy to service the mass market customer segment.

Entura

Managing Director
Tammy Chu

Entura is Hydro Tasmania's international consulting business. Entura works with clients in Tasmania, nationally and internationally to deliver a full range of consulting services related to planning, designing, constructing, operating and maintaining all kinds of energy and water projects. Entura's areas of expertise include renewable energy, power engineering, hydropower, water infrastructure, and water and environmental management and planning.

Momentum Energy

Managing Director
Nigel Clark

Momentum Energy is Hydro Tasmania's retail energy business operating on mainland Australia. It is responsible for successfully gaining, retaining, billing and collecting from its retail customer base, covering electricity, gas and energy services. Responsibilities include developing products and branding and marketing Momentum Energy in target markets to achieve profitable growth and support of overall Hydro Tasmania group objectives.

Corporate Governance

Corporation Secretary
Alan Evans

The Corporate Governance team is responsible for establishing, maintaining and operating a best-practice governance framework and the provision of the secretariat function to Hydro Tasmania group's Board, Board committees and subsidiary companies. The team provides surety in corporate obligations. In conjunction with the compliance and risk management team, Corporate Governance ensures the oversight of risk management, audit and compliance.

Counsel, Legal

General Counsel
Stephen Bendeich

The Legal team provides legal support across the business, including legal advice, dispute management and transactional support.

Counsel, Human Resources and Culture

Head of Human Resources
Hilary Fazackerley

The Human Resources team provides advice, programs, policy and support to assist the business in meeting its strategic objectives. The team is responsible for leading and managing human resources and industrial relations strategies, programs and activities across the business to enable the attraction, management, development and retention of our people.

Public interest disclosures

Under the *Public Interest Disclosures Act 2002* (the Act), Hydro Tasmania is required to report on any disclosures about improper conduct by its public officers or Hydro Tasmania. In accordance with the requirements of section 86 of the Act, Hydro Tasmania advises that:

a) Hydro Tasmania's procedures under the Act are available on the Hydro Tasmania website at www.hydro.com.au

b) no disclosures of public interest were made to Hydro Tasmania during the year

c) no public interest disclosures were investigated by Hydro Tasmania during the year

d) no disclosed matters were referred to Hydro Tasmania during the year by the Ombudsman

e) no disclosed matters were referred during the year by Hydro Tasmania to the Ombudsman to investigate

f) no investigations of disclosed matters were taken over by the Ombudsman from Hydro Tasmania during the year

g) there were no disclosed matters that Hydro Tasmania decided not to investigate during the year

h) there were no disclosed matters that were substantiated on investigation as there were no disclosed matters

i) the Ombudsman made no recommendations under the Act that relate to Hydro Tasmania.

Gas turbine at Tamar Valley Power Station

Long-term sustainability indicators: governance

Sustainability Code

We make our decisions within comprehensive governance and risk management frameworks while seeking to continually improve our business processes.

We make ethical decisions by applying our values, sustainability principles and Code of Ethical Behaviour, complying with relevant legislation and delivering on the commitments we make.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013	2013–2014	Expectations/plans
Risk exposure	Risk exposure managed consistently with our risk appetite	Reporting was in alignment with our risk management framework	Risk appetite statement developed	Risk management framework review completed	Implement risk framework more broadly across the business
Compliance risk	Compliance risk minimised in accordance with our Compliance Standard which outlines Hydro Tasmania's compliance program	Compliance framework was externally audited	Started the transition to a new compliance system	Transition to new compliance system substantially completed	Implement compliance system more broadly across the business

CUSTOMERS

Momentum Energy's Try the switch *campaign*

Our markets

The Hydro Tasmania group is refining business processes and focusing on evolving our culture to place customers at the centre of our business. This is because we believe customers in our chosen markets are the foundation of our future success, enabling us to meet the expectations of our shareholders and stakeholders.

Momentum Energy

Momentum Energy is expanding its retail products and services to further diversify revenue and meet the changing needs of customers.

During 2013–2014, initiatives were put in place to increase the range and diversity of products offered to Momentum Energy's growing customer base. These initiatives also create economic value for the Hydro Tasmania group and mitigate against the continued decline of traditional grid-based consumption. Initiatives included:

- the introduction of retail gas in Victoria to residential and business customers
- the introduction of Managed Energy Solutions (retail products which provide access to wholesale markets) for commercial and industrial customers
- the progressive roll-out of energy services to enable residential and business customers to better manage their energy consumption and expenditure.

Gas retailing is a major step towards diversifying revenue and improving the customer experience by providing a single energy retailer. The full implementation of gas retailing for Victorian residential, small business and large commercial and industrial customers will be phased in during 2014–2015.

Momentum Energy is making further changes to improve customer service and reduce costs. A seamless customer interaction service has recently been deployed which integrates voice, email, webchat and social media communication. In the near future, new developments will include a new online sign-up system for electricity and gas, an improved customer web portal and a customer relationship management system.

SmilePower, a renewable energy product based on hydropower, remains the principal energy product for all customers. Momentum Energy has continued to focus its sales efforts in selected areas and/or business segments in Victoria, South Australia, New South Wales and southern Queensland.

For more information on Momentum Energy's products and services, visit its website, momentumenergy.com.au.

Entura

The last 12 months have been challenging for Entura, operating in a contracting and competitive national consulting market in its key segments of energy and water. However, it is expected that a reduction in capital programs for building new infrastructure will cause a shift in focus to operating, maintaining and upgrading existing infrastructure. With its asset knowledge and insights gained from being part of an operating utility, Entura will be favourably positioned to respond to this type of client requirement. This knowledge and experience is highly valued by Entura's international clients, and it is in these markets that Entura will continue to develop its services, supporting clean energy and water projects and building capability for a sustainable future.

The Cape Town office was opened in September 2013 to support Entura's civil construction management role on the 10 MW Neusberg run-of-river hydropower project and a growing list of consulting projects in the region.

The *Entura clean energy and water institute* is proving successful in supporting Entura's international clients. This year it delivered 760 training days to 177 participants from ten countries, mostly from the Asian and Pacific regions.

In recognition of Entura's ability to provide technical excellence for clients, employees won a number of awards. A highlight of the year for Entura India was being judged best consultant/consultancy for 2013 by the Council of Power Utilities, an autonomous organisation consisting of industry representatives from across India. Meanwhile, closer to home, Entura was the proud recipient of a 2013 Tasmanian Export Award. See more on page 5.

In its endeavours to understand and improve the customer experience in this highly competitive sector, Entura is developing a web-based tool for personalised feedback and conversation via mobile, tablet or desktop devices.

Entura provides comprehensive support across a range of programs for Hydro Tasmania's operations and development activities. A sample of Entura's consulting projects in 2013–2014 is shown in Table 9.

For more information on Entura's services, visit its website, entura.com.au.

Entura clean energy and water institute *providing on site tuition at Tarraleah Power Station for Bhutan's Druk Green Power Corporation*

Table 7: Sample of Entura's projects for 2013–2014

Tasmania	
Powercor Network Services Pty Ltd	Design and commissioning services for the Meadowbank substation redevelopment.
TasWater	Dam safety surveillance, electrical assessment and safety audits.
National	
Powerlink, Queensland	Design, construction and testing services for substations with construction partner Downer EDI, including practical completion of several major projects.
Engineers Australia	Testing rainfall runoff modelling methods for flood estimation. The work contributes to the revision of Australia's flood estimation guideline.
Momentum Energy, Victoria	Development of the Momentum customer portal using the Ajenti Data Management System (ADMS). The data delivered through the ADMS to Momentum's customers will inform them about their energy usage patterns, and enable them to manage their electricity usage more effectively.
BHP Billiton	Development of a water management system for BHP Billiton to meet current and future monitoring requirements while conforming to stringent OHS, build and delivery specifications. The system is web-based and accessed via desktop or mobile devices and is fully integrated into their acQuire database.
Seqwater, Queensland	Sideling Creek dam safety review and Moogerah Dam construction support.
International	
Lanco Mandakini Hydro Energy Private Limited, India	Condition assessment and design solutions for dam repair following major damage from floods while under construction.
Asian Development Bank, Yap, Micronesia	Assessment of feasibility of replacing fossil fuel generation through a combination of wind, solar and diesel.
PNG Power, PNG	Engineering for major hydropower refurbishment at Ramu Power Station and other advisory roles and feasibility advice for new projects.
Entura clean energy and water institute	
Department of Foreign Affairs and Trade (DFAT)	Design and delivery of a comprehensive hydropower training program to 15 participants from Druk Green, Bhutan. The program was made possible by securing highly competitive and prestigious funding from DFAT's Australia Awards Fellowship Program.

Wholesale energy

Hydro Tasmania provides wholesale energy to the NEM. Wholesale contract prices in Tasmania are now aligned to Victoria region prices as a result of the Tasmanian Government energy reform, linking to the most competitive prices in the NEM.

Hydro Tasmania's four large industrial electricity users—Bell Bay Aluminium, TEMCO, Nyrstar and Norske Skog—consume approximately 50 per cent of Tasmania's total electricity demand. Energy is a key cost for these businesses. As their supplier, Hydro Tasmania keeps abreast of the challenges in their markets and stays in close contact with each of them to create mutual value.

Spill at Devils Gate Dam

Hybrid off-grid power supply

The demonstration site for our hybrid off-grid product is on King Island in Bass Strait off the north-west tip of Tasmania.

The King Island Renewable Energy Integration Project (KIREIP) integrates technologies including wind, solar, energy storage, flywheels, dynamic load control and the use of biofuels, all managed by a fully automated proprietary control system.

This year the project achieved a significant milestone — it demonstrated the ability to operate solely on renewable technologies. A 100 per cent renewable system has not been demonstrated at this scale prior to KIREIP, representing a major international breakthrough.

Our advanced hybrid system has proven that extended periods of safe, stable and reliable power supply are achievable without diesel generation, even with the highly variable conditions of wind and solar. This has helped to address key risks perceived by our customers and removed significant technical barriers for the use of very high levels of renewable energy off-grid, opening the way for significant reductions in the use of diesel fuel for electricity generation in many thousands of locations around the world.

The hybrid off-grid solution is currently being considered for implementation on Flinders Island and three other sites, two in Australia and one international.

KIREIP received two awards in 2013–2014, the Electricity Supply Association Australia Innovation Award and the Best Specific Environmental Initiative category at the United Nations Association of Australia World Environment Day Awards.

KIREIP was supported by the Tasmanian Government and by a research and development grant from the Australian Renewable Energy Agency.

See more about KIREIP on its website, kingislandrenewableenergy.com.au

The site of the King Island Renewable Energy Integration Project which integrates renewable generation with new energy storage devices and enabling technologies

Long-term sustainability indicators: customers

Sustainability Code

We know that our customers have a choice. We aim to be the first choice through understanding, responding and delivering sustainable solutions to our customers.

We are innovative and creative in developing new products and services in response to the needs of our customers and in order to retain our competitive edge in the marketplace.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013	2013–2014	Expectations/plans
Entura: Total sales ($m)	A percentage increase in sales per year	10	Not achieved	Not achieved	Reset targets to reflect market conditions
Entura: Client satisfaction rating	Achieve a net promoter score within the top quartile (>12.5) of professional service businesses	+21	+21	+23	Improve scores with better understanding of clients' needs
Entura: Customer mix	Achieve a balanced customer mix (type and industry characteristics)	Not achieved	Not achieved	Not achieved	Implement a new marketing and sales strategy targeting preferred customer types
Momentum Energy: Total retail electricity sales	Become a material player in the retail energy market	Exceeded sales and retention targets	Exceeded sales targets	Retail sales and EBIT targets exceeded	Focus on sustainable, profitable growth rather than volumetric targets
Momentum Energy: Retention rates	Market leading retention rates for target market segments	Target achieved	Target achieved	Target achieved	Develop new lead indicators for customer churn to support proactive management
Momentum Energy: Customer mix	Establish a mix of customers that supports profitable and sustainable growth	Annual target achieved	Annual target achieved	Mass market sales target achieved; above budget large business sales	Grow profitable mass market customer base, including gas retail
Client perception score for Entura; Momentum Energy's ability to offer smart and innovative products and services	Entura is recognised by its clients as providing smart and innovative service and products (target 6 out of 7)	NA	Target achieved	Target not achieved; result: 5	Improve our customer insights to deliver optimal solutions for our clients
	Momentum Energy is recognised as a leading NEM energy services provider in the business market	Energy Services division created	Products developed	Several pilot programs completed	Realise the commercial value of pilot programs
Hybrid off-grid product firmly established	Hybrid off-grid credentials are recognised by potential customers; commercial opportunity is understood by our stakeholders	2 projects identified	Funding sought for 6 sites	Funding secured for 3 sites	Continue with commercialisation strategy

INFRASTRUCTURE AND RESOURCES

Asset safety and reliability

Hydro Tasmania maintains a long-term view on asset management. Our priority continues to be addressing condition, risk, reliability and sustainability of our generating assets through investment. This is reflected in over $70 million of capital expenditure on generation assets in 2013–2014.

The cornerstone of Hydro Tasmania's asset safety and reliability is our 10-year asset management plan. The plan ensures the integration of maintenance, condition assessment and major works for maximum value from use of resources.

Capital works for 2013–2014 included:

- completing a major refurbishment of the third machine at Tungatinah Power Station—the final stage of a $60 million investment to reset the condition, performance and risk position of this station built in the 1950s
- continuing a $6 million upgrade for the six machines at Tarraleah Power Station
- a $20 million major refurbishment of the Paloona Power Station near Devonport incorporating a change to the design of the Kaplan turbine that substantially reduces the possibility of the loss of oil into the River Forth (see more about oil risks on page 32)
- starting a $5 million project to paint the external surface of the steel penstock leading to the Poatina Power Station
- developing and implementing a suite of upgrades of control and protection systems at a number of stations as part of a multi-year $37 million program underway across the state
- a substantial package of primary protection valve and gate refurbishments as part of an ongoing upgrade.

We reached a milestone for wind generation in Tasmania when the Musselroe Wind Farm was commissioned in October 2013. This concluded the $394 million project, adding 168 MW of wind capacity to the Tasmanian grid.

Tungatinah Power Station modernisation: lowering a rotor into place

Painting the Poatina Penstock after 50 years' service; it is 1.5 km long, 2.9 m diameter

For optimal use and to reduce the running cost of the Tamar Valley Power Station, the combined cycle gas turbine operates during the summer months to supplement lower generation from wind and hydropower and is shut down over the winter months when wind and rainfall are higher. The smaller open-cycle gas generation units are maintained all year and used as needed for peaking load.

Dam safety-related risk mitigation is progressing to plan. We have completed works at Binney Dam, have works underway at Rowallan Dam and are well advanced on developing dam-strengthening works at Edgar and Scotts Peak dams.

Water storage levels

Paloona Dam

From 2010 to 2012 we built up storages in anticipation of maximising the advantage of the carbon price period. The storage level at the end of June 2014 was a modest reduction overall compared to the previous year and maintained conditions well within the limits of all our obligations. Above average inflows during the year provided water for generation above average levels.

Total energy in storage at 1 July 2014 was 28.0 per cent.

See more about water as a resource for other stakeholders on page 38.

Basslink imports and exports

Hydro Tasmania uses the facility of Basslink to export and import electricity.

During 2013–2014 the net export of energy over Basslink was 3093 GWh, with 3113 GWh of export and 20 GWh of import.

Basslink is owned by CitySpring Infrastructure Trust through Basslilnk Pty Ltd.

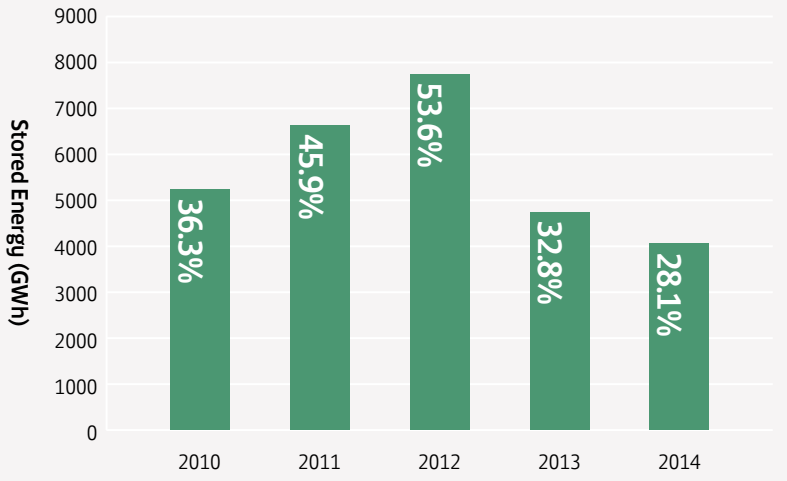


Figure 4: Energy in storage at 1 July

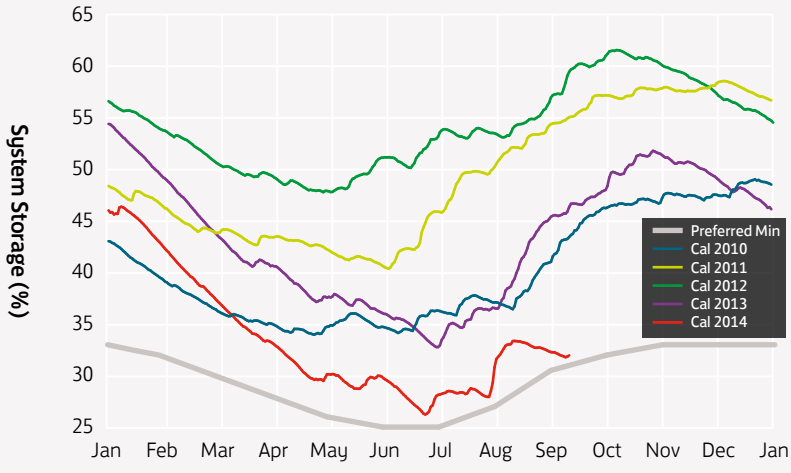


Figure 5: Storage levels 2010–2014

Preferred Min – the minimum average level of storage within which the system operates under normal conditions.
Cal – calendar year

Tungatinah Power Station modernisation: employees and contractors installing a rotor

Long-term sustainability indicators: infrastructure and resources

Sustainability Code
We manage our infrastructure and resources optimally for present and future reliability and with the highest standards of safety.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013	2013–2014	Expectations/plans
Asset performance, safety and compliance obligations as detailed in the 10-year asset management plan	Progress against 10-year asset management plan objectives: – Dam safety risk mitigation works for Binney, Rowallan, and Edgar completed by 2017 – Refurbishment of Tungatinah and Kaplan stations completed by 2017	Planned works completed	Planned works completed or on track	$70 m capital expenditure – planned works on track	Implement major refurbishments for power stations on Derwent and Mersey–Forth rivers
New generation asset completion	Build new generation assets, *if required,* to back sales	Musselroe Wind Farm on track	Musselroe Wind Farm nearing completion	Musselroe Wind Farm commissioned. TasWind feasibility assessment	Conclude Taswind feasibility assessment
Business value	Business value optimised through prudent management of water resources[a]	System yield of 9538 GWh	System yield of 7753 GWh	System yield of 11 294 GWh	Operate according to prudent water management rules and inflow conditions
		Generation of 8334 GWh	Generation of 10 627 GWh	Generation of 11 932 GWh	
		System storage increased from 45.9% to 53.7%	System storage decreased from 53.7% to 32.8%	System storage decreased from 32.8% to 28.0%	
Water rights	Existing water rights optimised through achievement of objectives of our water management plans	Plans finalised and approved	Plans implemented	Plans implemented	Maintain plans

[a] Only hydropower generation data applies to this target

Forth River below Devils Gate Dam

ENVIRONMENT

Ecosystems and heritage

There were no significant environmental or heritage incidents during 2013–2014 and we complied with our obligations to state and federal government agencies for environmental monitoring and reporting.

Water quality

Hydro Tasmania is committed to maintaining healthy ecosystems in our lakes and rivers. To that end we systematically monitor water quality and ecological health. The frequency of sampling and choice of parameters in each waterway are determined either by assessing ecological and business risks, or as prescribed in our Special Water Licence agreement with the Tasmanian Government.

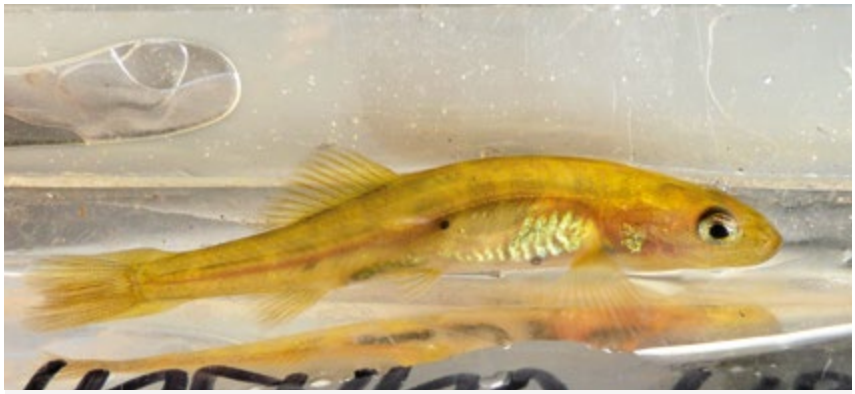
In 2013–2014, our rotational monitoring program occurred in five lakes in the Derwent hydropower scheme: Clarence Weir, Penstock, Shannon, Little Pine and Laughing Jack lagoons. We continued to monitor water quality at Arthurs Lake, Woods Lake, Lake Pieman and Great Lake and monitored water quality and/or ecological health in five rivers: Dee, Derwent, Ouse, Shannon and Pieman.

The data showed water quality was mostly good in the lakes and rivers for the year. However, the shallow waters of Penstock Lagoon, Laughing Jack Lagoon and Shannon Lagoon all showed elevated levels of chlorophyll-a and turbidity, probably reflecting the effect of sediment re-suspension due to wind. Water quality rafts are installed at Penstock Lagoon and Shannon Lagoon to continue monitoring turbidity. Shannon is the only lagoon that showed sustained elevated turbidity levels and is the subject of an ongoing study by the Inland Fisheries Service and Hydro Tasmania.

Threatened species

Great Lake is home to 12 threatened native species. In 2012 we extended a research program to understand the impacts of our operations in Great Lake on two of these species, the native fish *Paragalaxias dissimilis* and *Paragalaxias eleotroides*. The spawning of these species was again monitored during the 2013–2014 spawning season. As a result of this research, we are now more careful of how fast we draw down water levels while these fish species are spawning to ensure their survival.

Lake Parangana



Threatened species: Paragalaxias dissimilis *in Reynolds Bay, Great Lake*

For more information on threatened species go to our website.

Fish migration

It has long been recognised that hydropower generation has an adverse impact on fish migration. Infrastructure blocks the passage of fish migrating from estuaries into the catchments and poses a significant barrier to fish migrating downstream. Hydro Tasmania aims to facilitate the migration of freshwater native fish species and has focused on eel migration as global eel stocks are in decline.

A new research project started in early 2014 to investigate the mortality of migrating eels at Trevallyn Power Station. We monitored eel movement around Trevallyn intake screens using a sonar camera to estimate the number of eels migrating from the South Esk catchment, the number passing through the intake screens and the size of migrating eels. Between January and March 2014 very high levels of eel activity were detected at the intake. The results provide evidence that Hydro Tasmania's infrastructure is preventing fish migration. Investigations will continue in 2014–2015.

A translocation trial with the Inland Fisheries Service was undertaken at Reece Dam on the Pieman River. The trial confirmed the suitability of the sites identified for the capture and relocation of a range of native fish species. Further investigative work into fish passage at the dam is being considered for 2014–2015.

For more information on fish migration projects go to our website.

Gordon River monitoring

As part of our Special Water Licence conditions we have been monitoring the Gordon River since 2001, first to establish baseline conditions and, since 2006, to monitor the effects of the Basslink connection. This monitoring program is now largely complete. As a result of the research we have made adjustments to our operations to improve environmental conditions and mitigate erosion of the riverbanks on the Gordon River. The monitoring program found no significant negative impacts of the Basslink connection on the Gordon River ecosystem.

For more information on Gordon River monitoring, visit our website.

Tasmanian Wilderness World Heritage Area

Hydro Tasmania operates and maintains numerous electricity generating, water control and conveyance assets that were built in wilderness areas of Tasmania. When the Tasmanian Wilderness World Heritage Area (TWWHA) was first declared it included 3500 hectares of land we managed. The Australian Government extensions to the area in 2013 added a further 10 000 hectares.

Hydro Tasmania is among several stakeholders and community groups who work with the Parks and Wildlife Service to manage the TWWHA. The roles and responsibilities of the various stakeholders are sometimes unclear under existing arrangements, creating issues for the operation and maintenance of our sites. The Department of Primary Industries, Parks, Water and the Environment is developing a new TWWHA Management Plan, as well as some legislative changes, which will clarify arrangements for works within the area.

Our existing methods and processes for works within the TWWHA are agreed with the Parks and Wildlife Service. This year we completed rehabilitation and revegetation of land near Lake Mackenzie that had previously shown impacts from works associated with the construction of the Fisher Power Station in the Mersey–Forth catchment. Other activities in the TWWHA during the year included regular road and vegetation maintenance, replacement of power poles, scheduled dam safety investigations and removal of some monitoring devices.

For more information on the TWWHA go to the Parks and Wildlife Service website, parks.tas.gov.au.

Lagoon of Islands: Hydro Tasmania's Dr Carolyn Maxwell manages the rehabilitation

Wind farm impacts

Hydro Tasmania has a service agreement with Woolnorth Wind Farm Holdings for the wind farms which includes environmental management.

Monitoring is conducted for birds and bats that have collided with structures on the wind farms, such as turbines, power poles and meteorological masts.

Collision data are reported in Woolnorth Wind Farm Holding's annual environmental reports. They are also reported to state and federal government regulators in accordance with the requirements at each wind farm.

Reports and scientific papers relating to these wind farms are available on our website.

Managing oil risks

Hydro Tasmania's generation assets use oil for lubrication, control and cooling in turbines and transformers. With many of the assets located in sensitive areas, such as national parks, the TWWHA and in freshwater lakes and rivers, we are taking significant action to reduce the risk of oil loss into waterways.

We have started to remove the standard oil hub from Kaplan turbines and replace them with oil-less hubs, reducing the potential for 13 000 litres of oil loss for each turbine in several run-of-river power stations. In addition, work is underway at power stations to address oil loss risks such as faulty valves and fittings and inadequate bunding. We are also reviewing oil monitoring and inspection practices.

Lagoon of Islands rehabilitation

Originally a unique ecosystem characterised by floating islands of vegetation, Lagoon of Islands was flooded in 1964 to provide water to downstream irrigators along the Ouse River. It has been one year since the dam wall was removed and rehabilitation works started. Vehicle access to the site has been restricted and camp grounds closed to prevent further damage to the fragile ecosystem and to ensure the best results from the rehabilitation activities.

Revegetation of the dam footprint is progressing above expectation: key water quality indicators are showing significant improvement and the algal bloom has disappeared. It is very promising that there is substantial re-colonisation of aquatic vegetation on the lagoon bed—a key indicator that the lagoon is on the path to recovery.

More information on the rehabilitation of Lagoon of Islands is on our website.

Emissions

From 2010 to 2012 Hydro Tasmania generated principally from renewable sources. Gas was added when AETV Pty Ltd, including the Tamar Valley Power Station, was transferred to Hydro Tasmania in June 2013. The 2012–2013 data included one month emission liabilities for AETV and the Tamar Valley Power Station. Additional AETV emission liabilities were transferred to Momentum Energy in October 2013. The increase from previous years to 2013–2014 is shown in figures 6 and 7.

At 30 June total emissions for 2013–2014 were 855 531 tCO_2e. The emissions intensity was 0.0668 tCO_2e/MWh. This compares favourably to the average NEM emissions intensity of 0.086 tCO_2e/MWh for 2013.

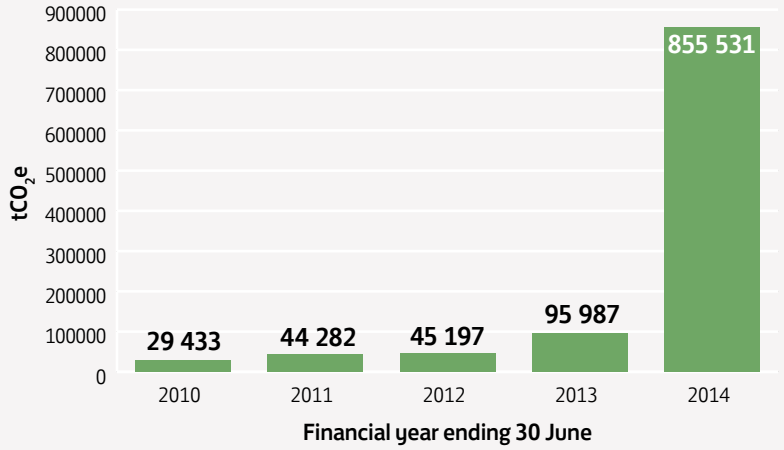


Figure 6: Total emissions 2010–2014

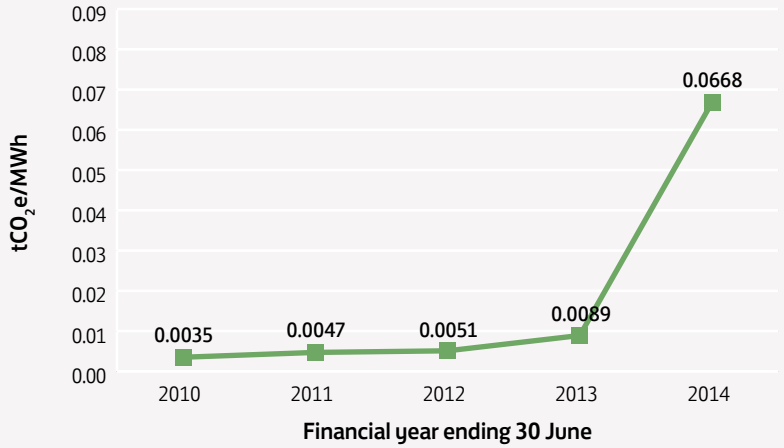


Figure 7: Emissions intensity 2010–2014

Long-term sustainability indicators: environment

Sustainability Code

We aim to minimise our impact on the environment and seek opportunities to enhance environmental, cultural and heritage values.

As climate change has significant implications for our business we are committed to being part of a sustainable solution.

Indicator	Target 2016–2017	Performance 2011–2012	Performance 2012–2013	Performance 2013–2014	Expectations/plans
Environmental conditions in Hydro Tasmania operational areas	Improved environmental conditions, consistent with the environment strategy	Water quality monitoring was conducted at 18 lakes	Removed dam wall at Lagoon of Islands, and completed 14 studies associated with the MFWMR[a]	Water quality monitoring was conducted for 12 lakes and 5 rivers. Conducted significant research into fish migration and threatened species	Continue the rotational aquatic monitoring program; continue the rehabilitation of Lagoon of Islands
Emissions intensity	To be the integrated generator with the lowest emissions intensity in the NEM	Achieved 0.0051 tCO_2e/MWh	Achieved 0.0089 tCO_2e/MWh[b]	Achieved 0.0667 tCO_2e/MWh	Embed energy efficiency opportunities into power station management plans

[a] Mersey–Forth Water Management Review

[b] Average NEM emissions intensity was 0.86 tCO_2e/MWh

COMMUNITY

Unveiling a new mural for Sheffield: from left, Kentish Council's Gerald Monson, the artist Damian Rossiter, Don Thwaites from Kentish Council and Hydro Tasmania's Alison Howman, Andrew Scanlon and Steve Davy

Stakeholder satisfaction

Hydro Tasmania is aware that our operations may have an effect on the communities where we operate. We pursue open and transparent dialogue to discuss matters that are important with the community, stakeholders and suppliers and to keep them informed of our activities.

The survey we use to gather material issues from our stakeholders for this report also measures stakeholder satisfaction with Hydro Tasmania's performance. The 2014 survey conducted in March found 83 per cent of respondents gave a positive overall rating of either 'excellent' or 'good', with a higher percentage than in previous years rating our performance as 'excellent' (33 per cent). It was rated as average by 13 per cent, while just five per cent felt it was 'below average' and none felt it was 'poor'.

Table 13: Stakeholders

Category	Includes
Tasmanian Government	Premier, Treasurer and advisors
	Minister for Energy and advisors
	Tasmanian Government departments and regulators
	State Opposition
	Energy Working Group
Other governments (Australian and state governments)	Regulators
	Government departments
	Ministers, Tasmanian federal politicians
Local government	Councils
Tasmanian electricity industry	Aurora Energy
	TasNetworks
Tasmanian community	Commercial and recreational land and water users
	Environment and heritage groups
	Community organisations
Employees	Staff and contractors
	Unions
Customers, suppliers and partners	Wholesale and retail customers
	Customers of consulting services
	Suppliers of goods and services
	Partners, consultants
Other	Media—national, state, local, industry
	Industry associations

Community support

Our employees can make a difference to the communities in which they live. Our Community Initiative program across the business aims to connect with communities wherever we operate.

Volunteering

Hydro Tasmania's employee volunteering program continues to be successful. The program currently has a participation rate of over 25 per cent of Tasmanian-based employees, equating to over 200 employees volunteering for community organisations across the state.

Momentum Energy employees lent a hand in a variety of employee-selected charities. Among them were the Animal Welfare League in Adelaide and the Asylum Seeker Resource Centre in Melbourne.

Sponsorship

Hydro Tasmania's sponsorships fall into two main categories: helping people who experience disadvantage and investing in regional communities.

Sponsorship of the Tasmanian Symphony Orchestra supports the AccessTix program which provides 1000 free concert tickets annually to Tasmanians experiencing disadvantage.

The sponsorship of AFL Tasmania provides a new leadership program aimed at improving leadership and contributing to the sustainability of regional football clubs across Tasmania.

The festivals and events we support make a considerable difference to the economy of the regions in which they are held. See more about these on our sponsorship web page.

Entura's sponsorship focuses on one major issue: child labour in India. It is a sponsor of the Too Young to Work project paying the wages of 19 teachers. The project is run by the Child Labour Schools Company Limited – India Child Labour Overseas Aid Fund.

Momentum Energy's sponsorship focuses on sport and community events in Victoria, New South Wales and South Australia. It supports the King and Flinders islands' communities through sponsorship of health, energy and sporting activities.

More about Momentum Energy sponsorship can be found on its website, momentumenergy.com.au.

Volunteering at the Asylum Seekers Resource Centre: left, Momentum Energy's Prateek Dhawan

Sponsoring AFL Tasmania leadership: CEO Stephen Davy celebrates the Hydro Tasmania Leadership Award with recipient Julie Doran and North Hobart Junior players

The Tasmanian Symphony Orchestra playing at the Royal Hobart Hospital

Too Young to Work: Entura Managing Director Tammy Chu, right, visiting a participating school

Engaging with communities

Centenary

In October 2014 Hydro Tasmania celebrates 100 years of government-led hydro development in Tasmania.

Hydro development has played a crucial role in building our state's infrastructure, economy and place in Australia. Thousands of people came to Tasmania from all over the world to build the hydropower schemes, helping to shape today's diverse Tasmanian community.

Early in 2014 the business launched a program of events and initiatives and encouraged people to share their Hydro stories. Former and current employees, those who came into contact with the business and members of Hydro families have contributed personal accounts and photographs, many from times spent living and working in Hydro villages and construction sites around the state. These stories can be found at hydro100.com.au.

In June Hydro Tasmania supported the world-renowned Dark Mofo arts festival in Hobart to raise awareness of the impending milestone.

More information on the centenary can be found on the centenary website.

Tarraleah interpretation

Tarraleah lies on a major Tasmanian tourist route where assets associated with power generation are highly visible. During 2013–2014 Hydro Tasmania worked with the owner of the Tarraleah village and other stakeholders to develop interpretation boards that tell the story of the Upper Derwent power scheme and the people who built it.

Interpretive signs have been placed within the village and other sites in the area, including the top of the Tarraleah Power Station penstocks, the surge towers on the pipeline leading to the village and the picnic ground near Tungatinah Power Station.

Musselroe Wind Farm

From the announcement of the proposal, the community of north-east Tasmania was keen to support construction of the Musselroe Wind Farm. Hydro Tasmania received industry recognition with the 2013 Clean Energy Council Awards for excellence in community engagement.

The Tebrakunna Visitor Centre was officially opened in January 2014.

Tebrakunna is the name given to the land by the traditional owners. Acknowledging that the site is historically very significant to the Aboriginal community in the area, we sought a name with the agreement of the traditional land owners.

The visitor centre provides a focal point to celebrate the heritage of the traditional owners as well as containing information about the construction of the wind farm. Visitors can also enjoy the experience of seeing a wind turbine at close range from a viewing area.

TasWind proposal

In November 2012, Hydro Tasmania announced the intention to investigate the TasWind concept on King Island. Consultation with the island community began immediately. The support of King Islanders would be crucial for the project to proceed to any investigation into its feasibility.

If the project were to proceed it would involve building a 600 MW wind farm (approximately 200 wind turbines) on King Island and a high-voltage underwater cable across Bass Strait to connect to the NEM.

From our community engagement in 2012–2013, we understood that the principal concern of the community was the visual impact of a wind farm, followed by noise and health issues. During 2013–2014, along with investigations into the feasibility of the project, we focused on addressing these concerns with the community, especially the location of the wind turbines.

The No TasWind Farm Group, which had formed in April 2013, started legal proceedings in September 2013 seeking an injunction restraining Hydro Tasmania from proceeding with the project, and making representations about having 'community support' or a 'social licence' to proceed with the project, together with other orders and declarations. The matter is scheduled for mediation.

Launching the centenary celebrations: supporting Dark Mofo arts festival in Hobart by sponsoring Articulated Intersect by Rafael Lozano-Hemmer. Photo courtesy of MONA Museum of Old and New Art

Welcome to country ceremonial dancers at Musselroe Wind Farm official opening January 2014

Recognising a significant contribution to the Midlands Water Scheme, Tasmanian Irrigation's Chris Oldfield, left, presents an award to Hydro Tasmania's Greg Carson

Multiple use of water

Hydro Tasmania manages water in six catchments of Tasmania. Communities and other stakeholders are involved in our water management through water management reviews, recreational use and in the commercial use of water for towns and agriculture.

Mersey–Forth Water Management Review

The Mersey–Forth Water Management Review began in 2011 and finished in 2013. One of the results of community consultation was the Mersey–Forth Recreation Development and Management Plan. Stakeholders were unclear on the roles and responsibilities of the various bodies managing recreational sites. The plan, devised jointly by stakeholders including Hydro Tasmania, provides for effective co-ordination and management of recreational facilities and assets in the Mersey–Forth catchment.

In November 2013 we concluded the review at a celebration when a new mural was unveiled in the town of Sheffield. This was a gift from Hydro Tasmania in recognition of the long-term association with the community due to the Mersey–Forth hydropower scheme.

See more about how the community was involved in the Mersey–Forth and other water management reviews on our website.

Irrigation and community water use

Hydro Tasmania has a close working relationship with TasWater and Tasmanian Irrigation Pty Ltd. Our operations are critical to these organisations; for example, the Derwent River, Lake Trevallyn, Lake Paloona and Lake Rosebery are the source of significant volumes of town water supplies. We have incorporated these requirements into our operating guidelines.

Tasmanian Irrigation is developing irrigation schemes across Tasmania; six of the schemes rely upon Hydro Tasmania's operations and water management for either their normal water supply or top-up water during a drought. The largest completed development is the Midlands Water Scheme which draws from Arthurs Lake. The schemes and their sources are listed in Table 9.

Recreational water use

The reservoirs and rivers that Hydro Tasmania manages are used extensively for recreation, such as rowing, kayaking, angling and water skiing. Recreational water users are able to request a flow release down a river, or a particular water level at a reservoir. In a typical year over 200 requests are made and the majority of these are met.

Bradys Lake, in the upper Derwent catchment, is one of the top five angling destinations in Tasmania. The channel between Bradys Lake and Bronte Lagoon is a popular destination for whitewater kayaking. A plan developed with local and government agencies, recreational and interest groups and the community to improve recreational facilities at Bradys Lake was implemented over the last year. During 2013–2014 access to the lake was improved with a concrete boat ramp, navigational lights and a new pontoon.

Table 9: Irrigation schemes and water sources

Scheme	Source
Midlands Water	Arthurs Lake
Cressy Longford Irrigation	Poatina Power Station tailrace
Whitemore Irrigation	Poatina Power Station tailrace
Kindred/North Motton Irrigation	Downstream Paloona Dam
South East Stage 3 Irrigation	Downstream Meadowbank Dam
Sassafras/Wesley Vale Irrigation	Downstream Parangana Dam

Suppliers

This year has brought significant changes in the way we do business with our suppliers following the introduction of SAP software for integrated corporate processes. We have implemented a number of new ways to interact with our suppliers including:

- directly linking to our suppliers' web catalogues for efficient ordering
- providing suppliers with remote access to our systems to respond to our requests for quotations
- streamlining the way that our employees request goods and services from suppliers.

Annual supplier survey

This year we invited 1378 of our suppliers to give us their feedback about how we meet our own sustainability principles and what we are like to do business with. We received a response from 205 suppliers representing a good cross-section of our supplier base.

The satisfaction rating was 89 per cent against a target of 75 per cent. The main areas identified for improvement were that we communicate more effectively with our suppliers and that we pay promptly.

We are integrating our procurement and payment functions to improve our payment times to suppliers. This will also help us spend more time engaging with our key suppliers.

Sustainability in the supply chain

As is our annual practice, we asked 21 of our key suppliers to self-assess their sustainability performance against our sustainability principles. The results of this assessment show an 80 per cent alignment with our code against a target of 75 per cent. The three-year rolling average score is 82 per cent, up from 80 per cent last year.

In the future we will extend our sustainability self-assessment to the suppliers of our suppliers.

Procurement expenditure

In 2013–2014 we spent $74.6 million with Tasmanian suppliers out of a total $183 million procuring goods and services. Tasmanian suppliers are defined as businesses operating in Tasmania that have a permanent office or presence in the state and employ Tasmanian workers. Utility costs such as electricity, transmission and fixed telephony are excluded.

Our policy is to consider local suppliers. We work with the Industry Capability Network to help find Australian suppliers before sourcing overseas. Our tender documents require that suppliers provide information on their environmental and safety practices and their sustainability policy and actions.

See our procurement policy on our website.

Long-term sustainability indicators: community

Sustainability Code

We understand that we have the potential to impact on people through our activities, We:

- aim to have regular, open and transparent dialogue with our community
- aim to make a genuine difference in the communities in which we operate
- work with our customers, stakeholders, suppliers and partners to contribute to a sustainable future.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013[a]	2013–2014	Expectations/plans
Stakeholder satisfaction rating	Stakeholder satisfaction rating of greater than 80%	91	76	83	Increase our satisfaction rating
	At least 40% participation	40	41	47	
Level of community awareness	50% of Tasmanian survey respondents are aware of what Hydro Tasmania does and its contribution to Tasmania	NA	83	NA	This biennial survey will be conducted again in 2014–2015
Staff participation in the Community Initiative	25% of Tasmanian staff are involved in the Community Initiative volunteering program	7.5	22.8	26.8	Continue the Community Initiative
Suppliers' alignment with Hydro Tasmania's sustainability principles	Suppliers are 75% aligned with Hydro Tasmania's sustainability principles (rolling three year average)	79	80	82	Extend our sustainability expectations to suppliers of our suppliers

[a] Survey methodology changed to give more accurate result through professional survey provider, EMRS.

A harnessed contractor viewing the Musselroe Wind Farm from the top of a turbine

OUR PEOPLE

Valuing employees

The employee feedback survey, conducted in May, is the opportunity for our people to express how they feel about the business. In 2014 the overall engagement score was 61, slightly down on last year's 63, but remains above the national high-performance benchmark of 58 set by survey manager Right Management. The response rate was down from 84 per cent to 79 per cent, but nonetheless a high response rate.

The strengths of the business noted by employees continue to relate to health, safety, wellbeing and commitment to the environment, sustainability and our values. The opportunities to improve remain the same as last year: managing change, attracting and retaining talent and learning from the past.

Employees have faced some challenges this year due to a restructure of the business to adapt to the new energy industry environment and significant changes to the way the business operates instigated by the implementation of SAP software for integrated processes.

Despite these challenges, it is likely that the employee engagement score remained relatively consistent with the previous year due to work undertaken in teams to address concerns raised in the previous survey, particularly around managing change and improving processes.

Table 10: Employees at 30 June

Contract Type	2010	2011[a]	2012	2013	2014
Full-Time	752	697	884	1015	965
Part-Time	73	74	85	107	123
Casual	19	20	25	24	21
Total	**844**	**791**	**994**	**1146**	**1109**

[a] Data for 2011 does not include staff of Momentum Energy or Entura India, with the exception of the manager of Entura India. Data from 2012 reflects all employees of the Hydro Tasmania group.

Graduates working on the Neusberg project in South Africa: Eoin Nicholson, left, Scott De Keizer, right, with Manager Southern Africa Christoff Le Grange

Enterprise agreements

A vote on the Hydro Tasmania Enterprise Agreement 2013–2017 was taken in August 2013. The outcome of the ballot was a 70 per cent 'no' vote. Further negotiations were held, some changes made and a second vote held in December with nearly 80 per cent participation. The agreement was accepted with 64 per cent support. In good faith, all salary increases and other payments negotiated as part of the new agreement were paid in January 2014 before certification of the agreement by Fair Work Australia. In June, following an application by Hydro Tasmania, Fair Work Australia ruled that the process had not met the required access period prior to voting and it was not able to consider the agreement for certification. The enterprise agreement process began again in August 2014.

The Entura Enterprise Agreement 2013–2015 was voted in with 91 per cent agreement and 74 per cent participation in November 2013. It was certified in January 2014. The vote was taken while consultation and notification of 30 redundancies were being managed. Entura managed the redundancy process through consultation with employees, especially those directly affected, and by seeking ideas on how to make identified savings before retrenchments. Ideas implemented included employees electing to take accrued leave, reducing hours to part-time and job sharing where appropriate.

Attraction and retention

Momentum Energy experienced rapid growth this year, increasing the number of employees from 150 to 270. As a result, it has changed its induction process to ensure all new employees are welcomed effectively, and has introduced contact officers to support employees. Some initiatives introduced during 2013 have received a positive response from employees, such as the introduction of a reward and recognition framework, corporate games, paid volunteer leave and paid parental leave. With the help of Hydro Tasmania's Corporate and People Services team, it has also put together the building blocks of a capability framework which will assist in consistent succession planning for all Momentum Energy's employees.

Consistent processes across the Hydro Tasmania group underpin the recruitment, development and retention of employees. Greater use of social media, particularly building our profile on LinkedIn, created efficiencies in the recruiting process which freed time to work more closely on tailoring vacancy campaigns with managers.

Safety, health and wellbeing

The annual safety improvement plan starts with each business unit identifying health and safety risks. The data are amalgamated and, while each team concentrates on their highest risks, a whole-of-business plan is implemented to ensure a consistent approach to striving for our safety goal—'no harm to anyone at any time'.

Health, safety and environment system

The health, safety and environment system was integrated across the business and recertified to OHSAS18001. Procedures were developed and implemented to support gas retailing and Momentum Energy operations. A high level gap analysis confirmed alignment between the Tamar Valley Power Station and the Hydro Tasmania system.

Driving

Driving poses a significant risk to employees, with corporate cars clocking 6.7 million kilometres in 2013–2014. The trend downward of speeding infringements and incidents continues. We will build on this improvement with online driver assessment and training throughout 2014.

Healthy Hydro

Healthy Hydro provides employees with access to health professionals for health checks and healthy lifestyle coaching services, such as ergonomic checks, health awareness, fatigue management, manual handling training and influenza vaccinations. In 2013–2014 there was a 96 per cent participation rate. In conjunction with this the business-wide Employee Assistance Program offers counselling services to all employees and their immediate family.

Emergency response

Entura conducted emergency response exercises to test potential overseas scenarios, adopting new practices into their continually improving emergency procedures.

Momentum Energy conducted emergency response training sessions for an explosion, a crane collapsing on the building and a package containing unidentified white powder.

Hydro Tasmania conducted six emergency response scenarios for power stations and asset sites and a dam safety scenario. A review of emergency response processes and procedures and hazard and risk assessments has resulted in emergency management plans for power stations and civil assets against 12 emergency event categories. Training was rolled out to all regional areas. An app is being tested for use on mobile devices.

Hydro Tasmania and TasNetworks have developed a formal emergency management plan to be rolled out to executives and tested in the coming months. This approach has been highly regarded by external OHSAS18001 audits conducted in the last year.

Fatigue

Fatigue continues to be one of the major safety risks facing the business. A review of procedures, training sessions and the continued use of fatigue monitoring bands throughout the business has been a positive step in reducing employee fatigue through increasing awareness of the effectiveness of self-managed fatigue practices.

Behavioural safety

We continually strive to meet our lost time injury (LTI) target of zero lost time incidents per million man hours worked. As 95 per cent of all workplace incidents are caused by human error, field and engineering employees over the last two years have undertaken a trial of a safety behaviour program, SafeStart. This will now be introduced across the business. It provides simple tools for raising individual hazard awareness and specific triggers to help avoid human error and reduce incidents and injuries.

A home safety exhibition was held by the Hobart safety team; from left, Mick Halbwirth, Jo Morris, Claire Harbod, Kevin Manderson and Ryan Willems

Random testing for alcohol and other drugs was also implemented. Momentum Energy was excluded as it is currently reviewing procedures for transition in the coming year.

Table 11: Safety statistics at June 30*

	2010	2011	2012	2013	2014
Fatalities	0	0	0	0	0
LTI frequency rate[a]	2.1	0.6	2.32	2.39	1.89
Medical treatment injury frequency rate[b]	6.0	11.6	10.3	11.2	11.95
All injury frequency rate[c]	39.4	31.4	38.2	32.2	27.9
Occupational disease rate[d]	0.645	0	0	0.45	0
Hydro Tasmania staff LTI	3	1	2	2	2
Contractor LTI	2	0	3	4	2
Safety reporting index (SRI)	-	-	-	3.8[e]	4.52

* Data does not include Entura's India office.

[a] OHS data does not comply with Global Reporting Initiative (GRI) methodology, as it is based on AS 1885, except the number of employees is based on full-time equivalent (FTE) rather than head count. Contractor incidents and hours are included in the LTIFR.
The calculation for LTI frequency rate is:
(Number of incidents/number of hours worked) x 1 000 000
Number of hours worked = number of FTE x number of working days x number of hours in a working day (7.5)
LTI is an absence from a complete shift due to workplace injury (scheduled work only).

[b] Medical treatment injury rate (MTI) is calculated as a rolling average and relates to receiving medical attention due to workplace injury and returning to work.

[c] All injury frequency rate is calculated as a rolling average and relates to LTIs, MTIs and first aid treatments.

[d] This relates to stress.

[e] Hydro Tasmania commenced recording/reporting on the SRI in July 2012. SRI is calculated as the sum of the number of reported hazards and near-misses divided by the total number of injuries. Data provided is the 12 month average from July 2013.
SRI = (Number of hazard & near-miss reports)
(total number of injuries)

Apprentice Jenna Cook joined the King Island distribution team; from left Graeme Keeley, Terry Szabo, Jenna, Mark Enniss and Brendan Perry (Photo courtesy of King Island Courier)

Volunteers at MS Colour Dash: left, Pippa Williams with Varun Dewan

Long-term sustainability indicators: our people

Sustainability Code

We will continue to:

- offer opportunities for our employees to grow and develop
- reward, recognise and value employee contribution
- listen and engage with our employees and maintain sound employment relations
- ensure a diverse and equitable workplace
- provide a safe and healthy working environment.

Indicator	Target 2016–2017	Performance 2011–2012	2012–2013	2013–2014	Expectations/plans
Staff engagement score	Maintain engagement levels in the high performing benchmark for energy industry (58%)	Achieved 63%	Achieved 63%	Achieved 61%	Identify and implement actions to address the findings from the staff survey for whole-of-business and within teams
Percentage of work and development plans implemented	80% of work and development plans completed within set timeframes	No data available	No data available	Data not yet available but process in place	Baseline data to be reported
Lost time injuries	Zero LTIs	5	6	4	Implement SafeStart across the business
Safety rating index (SRI)	SRI =10	No data available	Year target of 3 achieved	4.52 Year target of 5 not achieved	SRI target: 7
Participation in Healthy Hydro program	90% participation in program	85%	95%	96%	Continue to implement initiatives

Looking up inside a a turbine tower at Musselroe Wind Farm

FINANCIAL REPORT
for the Year Ended 30 June 2014

Hydro-Electric Corporation
ARBN 072 377 158
ABN 48 072 377 158

Income Statement
for the Year Ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Revenue					
Sale of products and services		1,978,012	1,541,617	877,706	732,021
Fair value gains	2(b)	167,572	17,789	165,791	16,397
Share of profit of joint venture entities		3,070	1,756	-	-
Other		26,551	11,860	37,722	3,079
Total revenue		2,175,205	1,573,022	1,081,219	751,497
Expenses					
Direct expenses		1,319,456	960,782	259,439	206,331
Labour		149,941	123,242	119,764	102,118
Depreciation		88,230	91,373	83,486	89,937
Finance expenses	2(a)	79,840	67,501	78,424	66,451
Fair value losses	2(c)	5,462	19,712	1,693	19,712
Revaluation and impairment expenses	2(d)	220,492	484,315	272,690	396,889
Other		128,054	82,074	89,143	64,468
Total expenses		1,991,475	1,828,999	904,639	945,906
Profit/(loss) before income tax equivalent expense		183,730	(255,977)	176,580	(194,409)
Comprising:					
Result before fair value movements and revaluation expenses		242,112	230,261	285,172	205,795
Net fair value gains/(losses)		162,110	(1,923)	164,098	(3,315)
Revaluation and impairment expenses	2(d)	(220,492)	(484,315)	(272,690)	(396,889)
Profit/(loss) before income tax equivalent expense		183,730	(255,977)	176,580	(194,409)
Income tax equivalent expense/(benefit)		39,182	(59,697)	55,514	32,659
Profit/(loss) after tax attributable to owners of the parent		144,548	(196,281)	121,066	(227,068)

The Income Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 51 to 103.

Statement of Comprehensive Income
for the Year Ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Profit/(loss) after tax attributable to owners of the parent		144,548	(196,281)	121,066	(227,068)
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Revaluation of property, plant and equipment		-	(321,351)	-	(321,351)
Actuarial gain/(loss) on RBF provision	16	232	53,592	232	53,592
Income tax relating to components of other comprehensive income		(70)	81,138	(70)	81,138
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		79	96	-	-
Fair value gain/(loss) on cash flow hedges		5,904	5,122	2,973	9,119
Income tax relating to components of other comprehensive income		(1,794)	(4,564)	(891)	(5,763)
Total other comprehensive income		4,351	(185,967)	2,444	(183,265)
Total comprehensive income/(loss) attributable to the owners of the parent		148,899	(382,248)	123,310	(410,333)

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial report included on pages 51 to 103.

Balance Sheet
as at 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Current assets					
Cash and cash equivalents		13,001	15,669	8,306	11,111
Receivables	6	241,086	220,828	96,419	127,999
Investments	7(a)	11	24,137	-	24,100
Inventories	8	60,133	38,928	57,250	46,799
Other financial assets	10(a)	165,022	84,353	150,850	106,168
Total current assets		479,253	383,915	312,825	316,177
Non-current assets					
Investments	7(b)	68,866	66,696	203,827	205,478
Property plant and equipment	9	3,969,768	4,188,436	3,852,038	4,070,467
Other financial assets	10(b)	501,658	473,915	488,546	473,471
Goodwill	11	16,396	16,396	-	-
Total non-current assets		4,556,688	4,745,443	4,544,411	4,749,416
TOTAL ASSETS		5,035,941	5,129,358	4,857,236	5,065,593
Current liabilities					
Payables	12	176,073	142,732	120,253	78,696
Interest-bearing liabilities	13(a)	369,285	135,669	369,285	135,669
Provisions	14(a)	100,400	58,570	37,321	31,038
Provision for income tax	4(c)	46,755	59,528	46,780	59,528
Other financial liabilities	15(a)	175,250	184,849	209,784	317,801
Total current liabilities		867,763	581,348	783,423	622,732
Non-current liabilities					
Interest-bearing liabilities	13(a)	494,717	770,126	494,717	770,126
Deferred tax liability	4(d)	508,332	561,575	597,559	646,099
Provisions	14(b)	458,692	492,799	345,667	350,256
Other financial liabilities	15(b)	890,797	934,355	890,797	934,355
Total non-current liabilities		2,352,538	2,758,855	2,328,740	2,700,836
TOTAL LIABILITIES		3,220,301	3,340,203	3,112,163	3,323,568
NET ASSETS		1,815,640	1,789,155	1,745,073	1,742,025
EQUITY					
Contributed equity		353,206	360,239	353,206	360,239
Reserves		(13,242)	(19,226)	(11,816)	(14,789)
Retained earnings		1,475,676	1,448,142	1,403,683	1,396,575
TOTAL EQUITY		1,815,640	1,789,155	1,745,073	1,742,025

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial report included on pages 51 to 103.

Cash Flow Statement
for the Year Ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		1,998,460	1,488,304	963,636	731,643
Operating grants and subsidies received		9,264	7,756	9,264	7,756
Interest received		1,031	685	472	298
Outflows:					
Payments to suppliers and employees		(1,598,810)	(1,129,478)	(564,380)	(312,948)
Interest paid		(51,842)	(44,354)	(46,776)	(44,418)
Government guarantee fee		(11,222)	(8,595)	(11,427)	(8,595)
Income tax equivalent paid		(104,208)	(52,769)	(104,208)	(52,769)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	242,673	261,549	246,581	320,967
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		4,156	763	3,970	763
Proceeds from financial derivatives		15,792	31,679	7,815	31,679
Proceeds from divestment		-	90,176	-	-
Dividends from joint venture		900	1,400	-	-
Outflows:					
Business acquisition		-	(4,326)	-	(1,875)
Payments for property, plant and equipment		(125,155)	(141,558)	(120,111)	(110,652)
NET CASH USED IN INVESTING ACTIVITIES		(104,307)	(21,866)	(108,326)	(80,085)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		185,700	427,000	185,700	427,000
Outflows:					
Repayment of Tascorp loans		(227,100)	(582,600)	(227,100)	(582,600)
Repayment of finance lease		(669)	(652)	(669)	(652)
Dividends paid		(116,058)	(50,686)	(116,058)	(50,686)
Equity contributions repaid		(7,033)	-	(7,033)	-
NET CASH USED IN FINANCING ACTIVITIES		(165,160)	(206,938)	(165,160)	(206,938)
NET (DECREASE)/INCREASE IN CASH		(26,794)	32,745	(26,905)	33,944
CASH AT BEGINNING OF THE YEAR		39,806	7,061	35,211	1,267
CASH AT END OF THE YEAR	5(a)	13,012	39,806	8,306	35,211

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 51 to 103.

Statement of Changes in Equity
for the year ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		360,239	271,100	360,239	271,100
Equity contributions from the State of Tasmania		-	89,139	-	89,139
Equity contributions repaid to the State of Tasmania		(7,033)	-	(7,033)	-
Balance at the end of the year		353,206	360,239	353,206	360,239
RESERVES					
Asset revaluation reserve					
Balance at the beginning of the year		-	321,351	-	321,351
Asset revaluation (decrement)/increment		-	(321,351)	-	(321,351)
Balance at the end of the year		-	-	-	-
Derivative revaluation reserve	1.2(j),				
Balance at the beginning of the year	1.2(r)	(18,785)	(23,907)	(14,789)	(23,907)
Forward exchange contracts		5,094	4,450	2,163	4,450
Interest rate swaps		810	672	810	4,668
Balance at the end of the year		(12,881)	(18,785)	(11,816)	(14,789)
Foreign currency translation reserve					
Balance at the beginning of the year		(440)	(536)	-	-
Foreign currency translation		79	96	-	-
Balance at the end of the year		(361)	(440)	-	-
TOTAL RESERVES		(13,242)	(19,225)	(11,816)	(14,789)
RETAINED EARNINGS					
Balance at the beginning of the year		1,448,141	1,564,040	1,396,575	1,543,888
Net profit/(loss)		144,548	(196,281)	121,066	(227,068)
Dividend paid		(116,058)	(50,686)	(116,058)	(50,686)
Deferred income tax recognised directly in equity	4(b)	(1,864)	76,574	(961)	75,375
Actuarial gain on defined benefit plans	16	232	53,592	232	53,592
Musselroe accumulated losses divested		-	91	-	-
Other		677	811	2,829	1,474
Balance at the end of the year		1,475,676	1,448,141	1,403,683	1,396,575
TOTAL EQUITY		1,815,640	1,789,155	1,745,073	1,742,025

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report included on pages 51 to 103.

1.1 DETAILS OF REPORTING ENTITY

The financial statements and notes thereto relate to Hydro-Electric Corporation (the Corporation), which is a Tasmanian Government Business Enterprise and a consolidated reporting entity. The Corporation was established as the Hydro-Electric Commission by the *Hydro-Electric Commission Act 1944* and was incorporated by the *Hydro-Electric Corporation Act 1995.* The Corporation trades using the business names Hydro Tasmania, Entura and Momentum Energy.

The Corporation's Australian Business Number is 48 072 377 158. Its principal place of business is 4 Elizabeth Street, Hobart, Tasmania.

The Corporation owns 55 major dams, 30 operating hydro power stations, supplies electricity to Bass Strait islands via diesel and wind power generation and operates a consulting business. The Corporation also owns a retail electricity company, Momentum Energy Pty Ltd, trading in all regions of the National Electricity Market (NEM). On 1 June 2013, under the Tasmanian Government's electricity reform, the Tamar Valley gas-fired power station was transferred to the Corporation. This comprises two open-cycle gas turbines and one closed-cycle gas turbine.

At 30 June 2014 the Corporation had 1,101 full-time equivalent employees (FTEs) (2013: 1,126 FTEs) including 6 non-executive directors (2013: 6).

The Corporation holds Australian Financial Services Licence number 279796 and Momentum Energy Pty Ltd holds Australian Financial Services Licence number 253085. These licences authorise the Corporation to carry on a financial services business in accordance with the licence conditions.

The financial report for the year ended 30 June 2014 was adopted by the directors on 14 August 2014.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements have been consistently applied by each entity in the consolidated group.

(a) Basis of preparation

The financial report is a general purpose financial report prepared on an accrual basis under the historical cost convention except for derivative financial assets and liabilities, inventory of environmental energy products and generation assets which are carried at fair value.

The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial report is prepared in accordance with:

- *Hydro-Electric Corporation Act 1995*;
- *Government Business Enterprises Act 1995* (GBE Act) and related Treasurer's Instructions;
- Australian Accounting Standards and interpretations; and
- Financial disclosure requirements of the Corporations Act 2001, where applicable to the operations of the Corporation and its subsidiaries, and other requirements of the law.

(b) Statement of compliance

The financial report is compliant with Australian Accounting Standards including the Australian equivalents to International Financial Reporting Standards (AIFRS).

In complying with AIFRS the Corporation is ensuring that the consolidated financial statements and accompanying notes are also compliant with International Financial Reporting Standards (IFRS).

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following Australian Accounting Standards are applicable to the Corporation and have recently been issued or amended but as they are not yet effective the Corporation has chosen not to adopt them for the year ended 30 June 2014:

AASB Amendment	Affected Standard	Nature of Change to Accounting Policy	Reporting periods commencing on or after	Application date for the Corporation
AASB 9	Financial Instruments	New standard partially replacing *AASB 139 Financial Instruments Recognition and Measurement* – the classification and measurement of all financial assets will mean the redesignation of some financial assets.	1 January 2018	30 June 2019
AASB 2012-3	Offsetting Financial Assets and Financial Liabilities	Addresses inconsistencies in current practice when applying the offsetting criteria in *AASB 132 Financial Instruments: Presentation* – no change to current policy	1 January 2014	30 June 2015

(c) Principles of consolidation

The consolidated financial report includes the Corporation, being the parent entity, and its controlled entities.

The financial report includes the information and results of each controlled entity from the date on which the Corporation obtained control and until such time as the Corporation ceased to control the entity. The financial reports of subsidiaries are prepared for the same reporting period as the Corporation.

In preparing the consolidated financial report, the effects of all transactions between entities in the group have been eliminated.

(d) Significant accounting judgements

In the process of applying the Corporation's accounting policies, the Corporation has made the following judgements, apart from those involving estimates, which have a significant effect on the amount recognised in the financial report.

- **Fair value of hydro generation assets**

  Note 1.2 (i) and note 9 describe the judgement process adopted in assessing fair value of hydro generation assets. Note 1.2(m) describes the judgement process adopted to estimate the recoverable amount of property, plant and equipment when an indication of revaluation exists or when a previous indicator of revaluation has reversed.

- **Financial liabilities and financial assets**

  Notes 1.2(j) and (r) describe the valuation methods applied to the Corporation's financial liabilities and financial assets which include judgements about market conditions and activity.

Note 3 details assumptions on financial assets and liabilities.

(e) Significant accounting estimates and assumptions

The Retirement Benefits Fund liability detailed in note 16 has been assessed by the State Actuary and various actuarial assumptions have been applied to arrive at the carrying value reported.

(f) Receivables

Current trade receivables include amounts receivable on 30 day terms from Australian Energy Market Operator (AEMO) for electricity sales and amounts receivable on 30 to 90 day terms for consulting services. They also include amounts receivable on terms varying from 14 to 90 days for retail sales of electricity. Receivables are recognised and carried at the invoiced amount less an allowance for impairment. Such an allowance is only recognised when there is objective evidence that the debt is impaired. Any bad debts are written off as an expense or against the provision for impairment.

All trade receivables are non-interest bearing except for Entura consulting receivables which, if past due, are charged interest in accordance with the contract.

Non-current receivables are recognised and carried at amortised cost. Amortisation of receivables is calculated using the effective interest method. Any allowance for impairment is deducted from the carrying value.

Prior to extending credit to new Entura consulting clients and Momentum retail customers, credit checks are undertaken by referencing external credit reports and contacting credit referees. Additional risks are reviewed in relation to new international clients.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventory of environmental energy products (EEPs) is carried at fair value. Fair value represents prices under forward sales contracts and, to the extent that inventory is not held for delivery against forward contracts, spot prices at balance date. Renewable energy certificates created through energy generation are recognised as inventory once the calendar year is completed and the certification process has been completed. In addition, if baseline generation has been exceeded in the current calendar year, the EEPs generated from that excess are recognised as inventory.

Other inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents reported in the Balance Sheet and Cash Flow Statement comprises cash on hand and in banks and short-term deposits. Short-term deposits have an original maturity of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(i) Property, plant and equipment

The Corporation carries its hydro generation assets at fair value. The basis for the fair value calculation is described in note 9.

The Corporation's other property, plant and equipment assets are carried at cost less accumulated depreciation and revaluation.

The remaining useful life of property, plant and equipment and the residual value at the end of the useful life are reviewed annually.

Depreciation of property, plant and equipment, other than land, is based on remaining useful life using the straight-line method. Useful lives applicable to each class are as follows:

	2014	2013
Hydro Generation	3 – 150 years	3 – 150 years
Other Generation	3 – 50 years	3 – 50 years
Motor Vehicles	4 – 33 years	4 – 33 years
Minor Assets	1 – 10 years	1 – 10 years
Buildings	5 – 50 years	5 – 50 years

Property, plant and equipment is written off upon disposal or when there are no future economic benefits expected from its continued use. Any gain or loss is reported in the Income Statement.

(j) Other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as held-to-maturity investments, loans and receivables, at fair value through profit or loss or available for sale investments. When financial assets are initially recognised they are measured at fair value. Directly attributable transaction costs are included in the carrying value of investments classified as held to maturity. The Corporation determines the classification of its financial assets after initial recognition and, where appropriate, re-evaluates this designation at each financial year end. All routine purchases and sales of financial assets are recognised on the trade date being the date that the Corporation commits to purchase the assets.

- **Held-to-maturity investments**

  Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Corporation has the intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments plus or minus the cumulative amortisation of any difference between the initially recognised amount and the maturity amount, calculated using the effective interest method. This calculation includes all fees and margins paid or received between parties to the contract that are an integral part of the effective interest rate, all transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired, as well as through the amortisation process.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans and receivables**

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- **At fair value through profit or loss**

  Financial assets are classified as being at fair value through profit or loss where the financial asset has been acquired principally for resale in the near future, is part of an identified portfolio of financial instruments that the Corporation manages together, has a recent actual pattern of trading and is a derivative that is not designated and effective as a hedging instrument.

(k) Goodwill

Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill is measured at cost less accumulated impairment losses. Refer note 1.2(m).

(l) Research and development

Research expenditure is expensed when incurred. Expenditure incurred during the development phase of an internal project is recognised as an asset only when all of the following criteria are met:

- technical feasibility demonstrates the asset to be available for use or sale currently or after completion of development;
- there is an intention, and the ability, to use or sell the asset upon completion;
- generation of probable future economic benefits can be demonstrated;
- adequate technical, financial and other resources are available to develop the asset to a state where it can be used or sold; and
- expenditure incurred in the development phase can be reliably measured and attributed to the asset.

Following initial recognition of development expenditure, the asset is valued in accordance with note 1.2(i).

(m) Asset impairment

At each reporting date the Corporation assesses whether there is an indication that an asset may be impaired. If any such indication exists the Corporation makes an estimate of the asset's recoverable amount. For goodwill that has indefinite life the recoverable amount is estimated each year. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Value in use is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases the asset is tested for revaluation as part of the cash generating unit (CGU) to which it belongs. Goodwill acquired in a business combination, for the purpose of revaluation testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. The Corporation classifies its hydro generating assets, the Momentum Energy retail business and the gas fired generation business as separate CGUs.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax nominal weighted average cost of capital that reflects current market assessment of the time value of money and the expected life of the asset. In assessing fair value, estimates are made of the current market value of an asset less estimated cost of sale.

An assessment is also made at each reporting date as to whether there is any indication that the cause of previously recognised impairment losses may no longer exist or have decreased. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount and a gain is recognised in the Income Statement. The impairment reversal cannot result in a carrying amount exceeding the amount that would have been determined, net of depreciation or amortisation, had no revaluation loss been recognised for the asset in prior years. An impairment of goodwill is not reversed.

(n) Payables

All trade payables and accrued expenses are unsecured and non-interest bearing, are normally settled within supplier credit terms and are carried at the invoiced amount.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions relating to a liability that is expected to be settled more than 12 months after the balance date are discounted using a pre-tax rate that reflects the risks of the underlying liability.

An onerous contract is considered to exist when the Corporation is party to a contract under which the unavoidable cost of meeting contractual obligations exceeds the economic benefits to be received. Net obligations arising under onerous contracts are recognised as a provision.

(p) Employee benefits

- **Wages, salaries and annual leave**

Liabilities for wages, salaries and annual leave are recognised as the present obligations resulting from employees' services provided to the reporting date. These liabilities include related on-costs. Liabilities expected to be settled within 12 months are based on wage and salary rates that the Corporation expects to pay at the time of settlement. For those expected to be settled later than 12 months the liability is calculated using expected future increases in wage and salary rates including related on-costs and the expected rate of utilisation based on historical patterns and is discounted using Commonwealth Bond rates at reporting date.

- **Long service leave**

The provision for long service leave represents the present value of the expected future cash payments for entitlements earned through employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and the expected rate of utilisation based on historical patterns and is discounted using Commonwealth Bond rates at reporting date. The provision is segregated into current and non-current portions based on vesting of entitlements in the next 12 months.

- **Defined benefit plan**

The Retirement Benefits Fund (RBF) is a defined benefit plan funded by employee and employer contributions. Employee contributions to the fund are transferred to independent RBF administrators while employer obligations are raised as a provision. The defined benefit plan is closed to new members.

An interest charge, calculated by the application of market-related interest rates, is added to this provision each year after advice from the State Actuary. This is reported in the Income Statement as part of finance costs.

- **Defined contribution plans**

Contributions to defined contribution superannuation plans are made as directed by the employee and are expensed when the employee has rendered service entitling them to the contribution.

(q) Taxation

- **Income tax equivalent**

Under the *Government Business Enterprises Act 1995* the Corporation is required to pay an income tax equivalent to the State of Tasmania as if it were a company under Commonwealth income tax laws. As a result the Corporation applies tax effect accounting principles prescribed in AASB 112 *Income Taxes*.

Current tax assets and liabilities are measured at the amount expected to be paid or recovered. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Subject to the condition noted below, deferred income tax assets and liabilities are recorded for all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint ventures except where the Corporation is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes relating to items recognised directly in equity are recognised as other comprehensive income or expense in the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right of set-off exists and they relate to the same taxable entity and the same taxation authority.

- **Tax consolidation**

Income tax legislation allows groups, comprising a parent entity and its Australian wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes.

The Corporation and its wholly-owned Australian resident subsidiaries have consolidated for tax purposes under this legislation and have elected to be taxed as a single entity. The head entity within the tax consolidation group is Hydro-Electric Corporation.

Tax sharing agreements between the Corporation as head entity and its subsidiaries define the liability for tax of each member of the group and the process by which members can exit the group. As a result of these agreements amounts equivalent to the deferred tax assets and liabilities are disclosed by each subsidiary as intercompany loan balances as if the subsidiary were a stand-alone tax entity.

Each of the entities in the tax consolidated group has agreed to make a tax equivalent payment to the head entity based on that entity's tax payable on a stand-alone basis. Such amounts are reflected as amounts receivable from or payable to other entities in the tax consolidated group.

- **Other taxes**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

– When the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Other financial liabilities

Financial liabilities include trade payables, interest-bearing liabilities and derivative financial instruments such as energy contracts, credit swaps, interest rate swaps, forward foreign exchange contracts and the Basslink contracts.

The Corporation enters into derivative financial instruments to manage financial exposure to electricity prices, exchange rates and interest rates.

Derivatives are initially recognised at fair value on the date the Corporation becomes party to a contract. At subsequent reporting dates the fair value is remeasured and any gain or loss (with the exception of cash flow hedges qualifying for hedge accounting) is recognised in the Income Statement.

The Corporation designates certain derivatives as effective hedges to allow hedge accounting rules to be applied. A hedge is effective if it demonstrates changes in fair value or cash flows that offset those attributable to the hedged risk over the designated hedging period. At inception of a hedge relationship the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the alignment of the hedge to the Corporation's risk management objectives and strategies. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Corporation will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are hedges of the Corporation's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised as a gain or loss from current year operations in the Income Statement.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast transaction occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are recognised as gains or losses from current year operations in the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

- **Corporation as a lessee**

  When the Corporation assumes substantially all the risks and rewards of ownership under a lease it is classified as a finance lease. Upon initial recognition the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the class of asset to which it is assigned. Lease payments under a finance lease are apportioned between the finance expense and the reduction of the outstanding liability.

  Other leases are operating leases. Payments under operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

- **Corporation as a lessor**

  Leases in which the Corporation retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset.

(t) Borrowing expenses

Borrowing costs associated with the raising of loans are expensed when incurred except those borrowing costs directly attributable to an asset. Borrowing costs attributable to an asset are included in the capital cost of the asset.

(u) Interest-bearing liabilities

Loans are recognised initially at the fair value of the consideration received. Subsequent to initial recognition loans are measured at amortised cost using the effective interest method.

(v) Foreign currency

The consolidated statements of the Corporation are presented in the functional currency which is Australian dollars.

All foreign currency transactions are brought to account using the spot exchange rate in effect at the date of the transaction. Foreign currency amounts at balance date are translated to Australian dollars using the exchange rate in effect at that date.

Foreign currency transactions that are hedged are accounted for as detailed in note 1.2 (j) or 1.2 (r).

Exchange variances resulting from the translation of balances of foreign subsidiaries are recognised in the foreign currency translation reserve in equity.

All other exchange differences in the consolidated financial report are reported as gains or losses from current year operations in the Income Statement.

(w) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

An investor controls an investee if they have power over the investee, are exposed to variable returns, and are able to use their power over the investee to affect the amount of the returns. The Corporation has assessed power over the joint ventures by reference to the shareholders agreement relating to each joint venture, the respective voting rights held and the percentage of vote required to effect a decision. In each case the requirement to have unanimous agreement to a decision prevents the Corporation having power over any of the joint ventures. The Corporation is subject to variable returns but is unable to influence the amount of those returns in the absence of having power over the joint venture.

Interests in incorporated joint venture entities are reported in the consolidated financial report using the equity method and in the parent entity financial report using the cost method. If the carrying amount of an investment in a joint venture is zero, the Corporation's share of a loss by the joint venture is reported as a loss against the current year operations in the Income Statement and accrued as a provision for later offset against any investments.

Unincorporated joint ventures which operate jointly controlled assets are accounted for by recognising the Corporation's share of the venture's assets, liabilities, revenues and expenses.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Segment Information

The Corporation has identified segments based on internal management reports. Refer to note 31.

(y) Contributed equity

Contributed equity from the State of Tasmania is recorded when received.

(z) Government grants

Government grants are recognised as revenue when there is reasonable assurance that the Corporation is able to meet the qualifying conditions.

Where a grant is received as compensation for certain expenditure, the grant is recognised as revenue in the Income Statement on a basis that matches the timing of the expenditure.

(aa) Revenue recognition

Revenue is recognised when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation, control over any goods and the associated risks and rewards of ownership have flowed to the buyer and any costs associated with the transaction can be reliably measured.

- **Electricity and gas sales**

  Revenue from generated electricity and traded gas is earned from the Australian Energy Market Operator (AEMO) at market price and is recognised at the time the electricity or gas is provided. Revenue from sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from sale of retail electricity is earned at contract prices and is recognised at the time of delivery to the customer. Retail electricity sold is purchased from AEMO at market price. Exposure to fluctuations in market price is managed through the use of derivative contracts executed principally in the Tasmanian and Victorian regions. The realised gain or loss on settlement of these contracts against market price is included in electricity revenue or cost of electricity as applicable.

- **Environmental energy products**

  Revenue from environmental energy products is recognised at the time the Corporation has earned the right to register the products.

- **Consulting services**

  Consulting revenue is recognised on the basis of work completed and with regard to the contractual agreements that exist with the client.

- **Interest income**

  Interest revenue is recognised on an accrual basis using the effective interest method. This is based on the amortised cost of a financial asset and the allocation of the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

- **Dividends**

  Revenue is recognised when the Corporation's right to receive the payment is established.

- **Rental revenue**

  Rental income from land and buildings is recognised on a straight-line basis over the term of the lease.

(ab) Rounding

Amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

(ac) Comparative figures

Where necessary, the comparative figures for the previous year have been reclassified to facilitate comparison with the current year.

(ad) Correction of prior year error

An adjustment has been made to the year ended 30 June 2013 figures within the 30 June 2014 financial statements. The adjustment relates to the correction of an error within the income tax expense and related intercompany loans within the parent entity financial statements only. The adjustment has the effect of increasing tax expense by $15,131 thousand at 30 June 2013, and increasing intercompany receivables by the corresponding amount.

2. REVENUE AND EXPENSES

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
(a) Finance expenses					
Loan interest		51,095	42,418	51,095	41,368
Government guarantee fee		12,063	8,595	12,063	8,595
RBF interest	16	14,693	16,048	14,693	16,048
Other finance costs		1,989	440	573	440
		79,840	67,501	78,424	66,451
(b) Fair value gains					
Basslink financial asset and liabilities		106,181	-	106,181	-
Energy price derivatives		59,450	-	59,450	-
Treasury derivatives		2	623	-	625
AETV onerous contract		1,457	206	-	-
Site rehabilitation provision		-	1,188	-	-
Other		482	15,772	160	15,772
		167,572	17,789	165,791	16,397
(c) Fair value losses					
Energy price derivatives		-	19,712	-	19,712
Treasury derivatives		1,696	-	1,693	-
Site rehabilitation provision		3,766	-	-	-
		5,462	19,712	1,693	19,712
Net fair value gains/(losses)		162,110	(1,923)	164,098	(3,315)
(d) Revaluation and impairment expense					
Impairment relating to AETV Pty Ltd*		(8,235)	335,046	43,963	279,020
Revaluation of hydro generation assets		228,727	117,869	228,727	117,869
Impairment of goodwill attributable to hydro generation assets		-	31,400	-	-
		220,492	484,315	272,690	396,889

* See Note 32

3. ASSUMPTIONS AND JUDGEMENTS

Financial assets and liabilities

Changes in the fair value of financial assets and liabilities described below are presented as gains or losses through the Income Statement and are calculated based on the present value of projected cash flows. None of the adjustments reflect cash flow transactions during the year. In the case of those financial liabilities valued using published forward prices, while fair value represents an estimate of the cost of closing out the obligations at year end, the intention of the Corporation is to let the obligations run their course and deliver the associated financial benefits.

- **Energy price derivatives**

  The Corporation trades in energy price derivatives in all regions of the National Electricity Market (NEM) as a means of securing the value of future electricity revenue or the cost of future electricity to be delivered under retail contracts. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* financial derivatives are recorded at their fair value. Movement in fair value is recorded as a gain or loss in the Income Statement as detailed in note 2(b) and (c).

  Mainland electricity contracts are valued using published forward energy prices. The remeasurement of the fair value of energy price derivatives at 30 June 2014 has resulted in a gain being recorded in the Income Statement (note 2(b)). Details of the methodology adopted are provided in note 17(c).

- **Basslink financial asset and liabilities**

  The financial asset and liabilities associated with the Basslink agreements are recorded at fair value in accordance with AASB 139. The remeasurement of the net financial liability to fair value at 30 June 2014 has resulted in gain being recorded in the Income Statement (note 2(b)). Note 17(b) details the methodology used to calculate the fair value of the Basslink financial asset and liabilities.

Asset valuation

Assets are fair valued and assessed for impairment in accordance with the methodology described in note 1.2(m). Note 9 describes the inputs to the asset revaluation model. Goodwill generated by acquisition of a business is attributed to cash generating units (CGU) as described in note 1.2(m). Assessment of this goodwill for impairment is conducted in conjunction with the revaluation assessment of the relevant CGUs. Impairment assessment is undertaken on a value-in-use basis involving assessment of future cash flows associated with the strategic direction over the ensuing five years or useful life of the plant discounted at the Corporation's weighted average cost of capital.

Acquisition of Tamar Valley power station and associated contracts

The transfer of the Tamar Valley power station and associated contracts from Aurora Energy Pty Ltd to the Corporation occurred on 1 June 2013 as part of the Tasmanian Government energy reforms. Further details of this transfer are provided in note 32.

Musselroe Wind Farm divestment

During 2013 the Corporation divested Musselroe Holdings Pty Ltd and its wholly owned subsidiary, Musselroe Wind Farm Pty Ltd, to Woolnorth Wind Farm Holdings Pty Ltd in which it holds a 25% interest in partnership with Shenhua Clean Energy Pty Ltd.

Site rehabilitation provision

The Corporation has provided for the cost of removing the Bell Bay plant and removing the Tamar Valley power station at the end of its useful life. The provision also includes the cost of remediating the site within prescribed limits. The provision is reassessed each year to reflect the current estimated cost of the demolition and remediation. Any adjustment to the provision is reflected as a gain or loss in the Income Statement.

Unbilled energy

In valuing unbilled energy the Corporation estimates the load of electricity sold to customers as at 30 June and the average sale price.

4. INCOME TAX EQUIVALENT

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a)	**Income tax (benefit)/expense reported in the Income Statement**				
	Current income tax liability	104,806	91,428	113,980	74,692
	Adjustments in respect of income tax of prior years	(21,620)	6,272	(15,458)	20,195
	Income tax expense in relation to foreign operations	321	-	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	(44,325)	(157,397)	(43,008)	(62,228)
	Income tax expense/(benefit) recognised in the Income Statement	39,182	(59,697)	55,514	32,659
	A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's income tax rate is as follows:				
	Accounting profit before income tax	183,730	(255,977)	176,580	(194,409)
	Income tax expense/(benefit) calculated at 30%	55,119	(76,793)	52,974	(58,323)
	Adjustment in respect of income tax of previous years	(15,477)	17,248	(13,346)	34,576
	Income tax expense in relation to foreign operations	321	-	-	-
	Other permanent differences	-	312	20	-
	Expenditure not deductible for income tax purposes	59	129	16,706	56,999
	Research and development concession	(840)	(593)	(840)	(593)
	Income tax expense/(benefit) recognised in the Income Statement	39,182	(59,697)	55,514	32,659
(b)	**Income tax benefit/(expense) recognised directly in the Statement of Changes in Equity**				
	Revaluation of effective hedges	(1,794)	(4,564)	(891)	(5,763)
	Actuarial assessment of RBF provision	(70)	(15,267)	(70)	(15,267)
	Revaluation of property, plant and equipment	-	96,405	-	96,405
	Other	-	-	-	-
	Income tax (expense)/benefit recognised in equity	(1,864)	76,574	(961)	75,375
(c)	**Current tax assets and liabilities**				
	Provision for income tax	46,755	59,528	46,780	59,528
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	447,665	502,125	391,913	388,710
	Tax losses	3,892	-	3,892	-
		451,557	502,125	395,805	388,710
	Deferred tax liabilities comprise:				
	Assessable temporary differences	959,889	1,063,700	993,364	1,034,809
	Net deferred tax liabilities	508,332	561,575	597,559	646,099

4. INCOME TAX EQUIVALENT (CONTINUED)

The tax effect of assessable and deductible temporary differences arises from the following:

	2014 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	884,962	(73,243)	-	(178)	-	811,541
Electricity derivatives	(24,199)	15,482	-	-	-	(8,717)
Financial assets	117,762	19,273	-	-	-	137,035
Other	85,175	(57,542)	-	(7,604)	-	20,029
	1,063,700	(96,030)	-	(7,782)	-	959,888
Deferred tax assets:						
Provision for employee entitlements	103,004	11,430	70	-	-	114,503
Basslink and other financial liabilities	275,626	(12,233)	-	-	-	263,393
Provisions	48,752	4,899	-	(472)	-	53,179
Tax losses	11,540	(7,694)	-	46	-	3,892
Transfer to assets held for sale	-	-	-	-	-	-
Other	63,203	(48,107)	1,794	(301)	-	16,589
	502,125	(51,705)	1,864	(727)	-	451,556
Net deferred tax liabilities	561,575	(44,325)	(1,864)	(7,055)	-	508,332

	2014 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	939,560	(85,666)	-	15	-	853,909
Electricity derivatives	(24,199)	15,482	-	-	-	(8,717)
Financial assets	116,553	20,482	-	-	-	137,035
Other	2,895	16,531	-	(8,289)	-	11,137
	1,034,809	(33,171)	-	(8,274)	-	993,364
Deferred tax assets:						
Provision for employee entitlements	114,932	(1,447)	70	-	-	113,555
Basslink and other financial liabilities	275,627	(12,234)	-	-	-	263,393
Provisions	-	24	-	-	-	24
Tax losses	15,288	(7,694)	-	(3,702)	-	3,892
Transfer to assets held for sale	-	-	-	-	-	-
Other	(17,137)	31,188	891	-	-	14,942
	388,710	9,837	961	(3,702)	-	395,806
Net deferred tax liabilities	646,099	(43,008)	(961)	(4,572)	-	597,559

4. INCOME TAX EQUIVALENT (CONTINUED)

	2013 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,091,869	(113,743)	(96,405)	(13,912)	17,153	884,962
Electricity derivatives	818	(25,017)	-	-	-	(24,199)
Financial assets	126,543	(15,733)	4,564	2,388	-	117,762
Other	(18,939)	11,891	-	92,223	-	85,175
	1,200,291	(142,602)	(91,841)	80,699	17,153	1,063,700
Deferred tax assets:						
Provision for employee entitlements	129,255	678	(15,267)	(12,136)	474	103,004
Basslink and other financial liabilities	296,145	(20,517)	-	(2)	-	275,626
Provisions	8,128	31,049	-	4,118	5,457	48,752
Tax losses	2,961	(7,196)	-	15,775	-	11,540
Transfer to assets held for sale	(933)	933	-	-	-	-
Other	(8,040)	9,848	-	61,395	-	63,203
	427,516	14,795	(15,267)	69,150	5,931	502,125
Net deferred tax liabilities	772,775	(157,397)	(76,574)	11,549	11,222	561,575

	2013 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,083,486	(49,619)	(96,405)	2,098	-	939,560
Electricity derivatives	818	(25,017)	5,763	(5,763)	-	(24,199)
Financial assets	126,543	(15,733)	-	5,743	-	116,553
Other	15,410	4,231	-	(16,746)	-	2,895
	1,226,257	(86,138)	(90,642)	(14,668)	-	1,034,809
Deferred tax assets:						
Provision for employee entitlements	128,693	1,066	(15,267)	440	-	114,932
Basslink and other financial liabilities	296,144	(20,517)	-	-	-	275,627
Tax losses	2,961	(7,196)	-	19,523	-	15,288
Other	2,235	2,737	-	(22,109)	-	(17,137)
	430,033	(23,910)	(15,267)	(2,146)	-	388,710
Net deferred tax liabilities	796,224	(62,228)	(75,375)	(12,522)	-	646,099

All deferred tax balances relate to continuing operations.

At 30 June 2014, there is no recognised or unrecognised deferred income tax liability (2013: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures. The Group has no liability for additional taxation should such amounts be remitted.

5. NOTE TO THE CASH FLOW STATEMENT

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a)	Cash reconciliation				
	Cash	13,001	15,669	8,306	11,111
	Money market investments	11	24,137	-	24,100
		13,012	39,806	8,306	35,211
(b)	Reconciliation of net cash provided by operating activities to net profit for the year				
	Profit/(loss) after income tax equivalent expense	144,548	(196,281)	121,066	(227,068)
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	88,230	91,373	83,486	89,937
	Revaluation of property, plant and equipment	220,492	149,269	272,690	117,869
	Revaluation arising on acquisition of AETV Pty Ltd	-	335,046	-	279,020
	Loss on derecognition of property, plant and equipment	22,726	3,908	22,726	2,499
	Site rehabilitation provision	3,766	(1,188)	-	-
	Equity accounted share of joint venture (profit)/loss	(3,070)	(1,756)	-	-
	Fair value adjustments	(166,514)	(6,436)	(161,469)	69,247
	Income tax (benefit)/expense	39,182	(59,697)	55,514	32,659
	Cash from underlying profit before changes in working capital	349,360	314,238	394,013	364,163
	(Increase)/decrease in receivables	(20,656)	(61,683)	39,817	(40,316)
	(Increase)/decrease in inventories	(21,205)	15,597	(10,450)	(4,138)
	Increase/(decrease) in other financial assets and liabilities	(494)	35,263	(50,711)	45,516
	Increase/(decrease) in payables	32,154	19,420	(23,574)	1,140
	Increase/(decrease) in provisions	7,722	(8,517)	1,694	7,371
	Income tax equivalent paid	(104,208)	(52,769)	(104,208)	(52,769)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	242,673	261,549	246,581	320,967

6. RECEIVABLES

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	243,299	222,356	96,819	128,199
Provision for impairment	(2,213)	(1,528)	(400)	(200)
	241,086	220,828	96,419	127,999
Ageing of past due but not impaired trade receivables:				
60-90 Days	2,357	2,539	798	759
Over 90 Days	16,077	5,552	13,913	3,122
	18,434	8,091	14,711	3,881

The amount past due but not impaired included in trade receivables is predominantly attributable to consulting services clients and retail customers. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents those accounts considered to be wholly or partially non-recoverable. The Corporation expensed $5.6m of bad debts during the year (2013: $3.3m). The Corporation does not hold any security over the balances past due.

7. INVESTMENTS

	NOTE	CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Current investments					
Money market investments		11	24,137	-	24,100
(b) Non-current investments					
Investment in joint ventures	29	68,866	66,696	-	-
Investment in subsidiaries		-	-	203,827	205,478
		68,866	66,696	203,827	205,478

8. INVENTORIES

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Maintenance stores	2,331	2,237	2,331	2,237
Environmental energy products	57,802	36,691	54,919	44,562
	60,133	38,928	57,250	46,799

9. PROPERTY, PLANT AND EQUIPMENT

Asset valuation

The hydro generation class of assets is carried at fair value based on value-in-use. The fair value calculation is based on an internally generated Tasmanian energy price curve derived from the published three-year Victorian energy price curve. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curve has been validated by comparison to other published price trend predictions in the National Electricity Market (NEM). The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target until 2030 based on observed market prices.

Gas-fired generation assets are carried at fair value at date of acquisition based on the higher of value-in-use and market value less costs to sell.

Beyond the period when market prices are observable, the Corporation derives forecast prices from an internal model for use in the fair value calculation. The modelled prices assume an uplift in electricity prices from carbon abatement policies from the 2020s onwards. There is no carbon included in either the market or modelled prices prior to the 2020s.

The other principal inputs to the fair value of generation assets are forecast generation and total energy demand. The Corporation meets forecast contractual obligations from generation or by purchasing energy from the market. Opportunities for export of generation over Basslink will also be taken into account. The volume of energy generated from hydro assets is principally determined by actual and forecast water storage positions. These are in turn affected by the expected annual inflows to water storages from rainfall over catchments. The financial forecasts used to value the hydro generation assets are based on an assumed equivalent generation volume of 9000 GWh per annum.

Revenue and expenses in the fair value calculation are inflated at the forecast CPI and are discounted using the Corporation's pre-tax nominal weighted average cost of capital of 11.00% (2013: 11.00%). This has been validated against Australian financial and equity market data.

As disclosed in note 17, the financial assets and liabilities representing the Basslink and energy price derivatives are also carried at fair value. In both cases forecast energy prices are a key input to determination of fair value. The sensitivity of the fair value of these financial assets and liabilities to changes in forecast energy prices is disclosed in note 17. Movements in fair value of hydro generation assets will offset movement in the fair value of financial liabilities for the same forecast price change. Fair value of hydro generation assets is estimated to increase by $489 million (2013 $555 million) for a 10% increase in forecast prices and decrease by a similar amount for a 10% reduction in forecast prices. In both scenarios prices have been uniformly changed across all years of the fair value calculation.

AASB 116 *Property, Plant and Equipment* requires that, when an asset class is carried at fair value, disclosure must be made of the carrying amount that would be recognised had it been carried under the cost method. If the hydro generation assets had remained under the cost method their carrying amount would be $3.915bn (2013: $3.808bn).

Revaluation of assets

Note 1.2(i) and (m) details the Corporation's valuation policy with respect to assets. Impairment triggers have been assessed for indication of impairment of the carrying value of property, plant and equipment.

An assessment in 2014 has indicated a downward revaluation of the generation class of assets. This is attributable to a reduction in forecast energy and carbon prices.

Details of the Groups generation assets fair value hierarchy as at 30 June 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30/06/14
	$'000	$'000	$'000	$'000
Generating Plant	-	-	3,675,520	3,675,520

There were no transfers between Level 1 and Level 2 during the year.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2014 CONSOLIDATED						
	Hydro & gas generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & Buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,052,624	13,365	12,969	63,856	122,376	203,338	4,468,528
Additions	4,971	-	61	-	38	118,598	123,668
Disposals	(6,890)	-	(2,627)	(51)	(645)	(20,781)	(30,994)
Transfers	75,833	6,447	3,460	(2,688)	74,555	(157,607)	-
Revaluations	1,202	-	-	-	-	-	1,202
Balance at the end of the year	4,127,740	19,812	13,863	61,117	196,324	143,548	4,562,404
Accumulated depreciation							
Balance at the beginning of the year	(153,221)	(6,375)	(5,914)	(16,917)	(97,665)	-	(280,092)
Disposals	1,564	-	2,000	17	531	-	4,112
Transfers	(447)	(5,901)	-	440	5,908	-	-
Revaluations	(227,525)	-	-	-	-	-	(227,525)
Depreciation expense	(72,591)	(386)	(2,071)	(2,145)	(11,938)	-	(89,131)
Balance at the end of the year	(452,220)	(12,662)	(5,985)	(18,605)	(103,164)	-	(592,636)
Net book value at the end of the year	3,675,520	7,150	7,878	42,512	93,160	143,548	3,969,768

	2014 PARENT						
	Hydro generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & Buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	3,923,488	13,357	12,634	47,303	118,740	201,728	4,317,250
Additions	4,967	-	-	-	-	115,248	120,215
Disposals	(6,890)	-	(2,482)	(23)	(532)	(20,782)	(30,709)
Transfers	75,832	6,365	3,460	(2,688)	74,429	(157,398)	-
Balance at the end of the year	3,997,397	19,722	13,612	44,592	192,637	138,796	4,406,756
Accumulated depreciation							
Balance at the beginning of the year	(124,035)	(6,367)	(5,777)	(14,179)	(96,425)	-	(246,783)
Disposals	1,564	-	1,952	3	494	-	4,013
Transfers	(447)	(5,901)	-	440	5,908	-	-
Revaluations	(228,727)	-	-	-	-	-	(228,727)
Depreciation expense	(67,581)	(383)	(2,041)	(1,836)	(11,380)	-	(83,221)
Balance at the end of the year	(419,226)	(12,651)	(5,866)	(15,572)	(101,403)	-	(554,718)
Net book value at the end of the year	3,578,171	7,071	7,746	29,020	91,234	138,796	3,852,038

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2013 CONSOLIDATED						
	Hydro & gas generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & Buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,325,506	13,347	11,733	62,677	124,000	107,220	4,644,483
Additions	-	-	3,134	-	3,845	313,679	320,658
Assets held for sale	-	-	-	-	91	114,318	114,409
Business acquisitions	98,523	-	58	995	407	-	99,983
Disposals	(1,196)	-	(1,956)	-	(13,343)	(1,568)	(18,063)
Transfers	24,432	18	-	184	7,467	(32,101)	-
Business divestment	-	-	-	-	(91)	(298,210)	(298,301)
Net revaluation adjustment	(394,641)	-	-	-	-	-	(394,641)
Balance at the end of the year	4,052,624	13,365	12,969	63,856	122,376	203,338	4,468,528
Accumulated depreciation							
Balance at the beginning of the year	(32,351)	(5,968)	(5,400)	(15,460)	(100,735)	-	(159,914)
Disposals	179	-	1,478	-	13,148	-	14,805
Business divestment	-	-	-	-	91	-	91
Revaluation and impairment	(117,946)	-	-	-	-	-	(117,946)
Net revaluation adjustment	74,244	-	-	-	-	-	74,244
Depreciation expense	(77,347)	(407)	(1,992)	(1,457)	(10,169)	-	(91,372)
Balance at the end of the year	(153,221)	(6,375)	(5,914)	(16,917)	(97,665)	-	(280,092)
Net book value at the end of the year	3,899,403	6,990	7,055	46,939	24,711	203,338	4,188,436

	2013 PARENT						
	Hydro generation at fair value $'000	Other generation at cost $'000	Motor vehicles at cost $'000	Land & Buildings at cost $'000	Minor assets at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount							
Balance at the beginning of the year	4,295,535	13,339	11,448	47,119	123,339	104,871	4,595,651
Additions	-	-	3,105	-	1,266	130,526	134,897
Disposals	(1,196)	-	(1,919)	-	(13,332)	(1,568)	(18,015)
Transfers	24,432	18	-	184	7,467	(32,101)	-
Net revaluation adjustment	(395,283)	-	-	-	-	-	(395,283)
Balance at the end of the year	3,923,488	13,357	12,634	47,303	118,740	201,728	4,317,250
Accumulated depreciation							
Balance at the beginning of the year	(3,928)	(5,959)	(5,253)	(12,725)	(100,045)	-	(127,910)
Disposals	179	-	1,441	-	13,147	-	14,767
Transfers	-	-	-	-	-	-	-
Net revaluation adjustment	74,244	-	-	-	-	-	74,244
Revaluation and impairment	(117,946)	-	-	-	-	-	(117,946)
Depreciation expense	(76,584)	(408)	(1,965)	(1,454)	(9,527)	-	(89,938)
Balance at the end of the year	(124,035)	(6,367)	(5,777)	(14,179)	(96,425)	-	(246,783)
Net book value at the end of the year	3,799,453	6,990	6,857	33,124	22,315	201,728	4,070,467

10. OTHER FINANCIAL ASSETS

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
(a) Current other financial assets					
Prepayments		9,968	16,286	8,250	10,067
Loans to subsidiaries (i)		-	-	-	41,806
Loans to joint ventures (ii)		12,464	13,772	-	-
Energy price derivatives	15	76,850	23,471	76,850	23,471
Basslink financial asset (iii)	15	65,750	30,823	65,750	30,823
Other		(10)	1	-	1
		165,022	84,353	150,850	106,168
(b) Non-current other financial assets					
Basslink financial asset (iii)	15	391,034	361,718	391,034	361,718
Basslink security deposit (iv)		50,000	50,000	50,000	50,000
Energy price derivatives	15	47,349	61,355	47,349	61,355
Loans to associates		135	-	135	-
Prepayments		5,807	444	-	-
Other		7,333	398	28	398
		501,658	473,915	488,546	473,471

(i) Loans to subsidiaries are interest free and on-call and presented on a net basis. Refer to Note 15 and Note 22.

(ii) Loans to joint ventures represent loans to Woolnorth Wind Farm Holding Pty Ltd (WNWFH) and Cathedral Rocks Construction and Management Pty Ltd (CRCM). The loan to CRCM is interest free and on-call. The loan to WNWFH is interest bearing and for a fixed term.

(iii) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Services Agreement (note 17).

(iv) Basslink security deposit represents the contribution made to the asset owner upon commissioning. This will be recovered via lower facility fee payments over the final 3 years of the agreement.

11. GOODWILL

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Balance at the beginning of the year	16,396	47,796	-	-
Goodwill arising on acquisition of AETV Pty Ltd	-	335,046	-	-
Impairment of AETV Pty Ltd goodwill	-	(335,046)	-	-
Impairment of goodwill attributed to hydro generation assets	-	(31,400)	-	-
Closing balance of goodwill	16,396	16,396	-	-

In 2014 goodwill has been tested for impairment, and no adjustment was required. In 2013 the goodwill portion attributable to the generation class of the Corporation's assets was impaired.

In 2013 goodwill arising on acquisition of AETV Pty Ltd was impaired in full following assessment against the fair value of the net assets acquired.

12. PAYABLES

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade creditors	70,472	61,554	75,889	55,368
Accrued expenses	95,172	67,947	33,935	15,161
Accrued interest payable	10,429	13,231	10,429	8,167
	176,073	142,732	120,253	78,696

13. INTEREST-BEARING LIABILITIES

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp	368,600	135,000	368,600	135,000
	Finance Lease Liability	685	669	685	669
		369,285	135,669	369,285	135,669
	Non-current				
	Loans from Tascorp	490,000	765,000	490,000	765,000
	Finance Lease Liability	4,717	5,126	4,717	5,126
		494,717	770,126	494,717	770,126

Additional debt was acquired in 2013 as part of the acquisition of AETV Pty Ltd (refer note 32).

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	1,001,000	1,080,000	1,001,000	1,080,000
	Facility used/committed	858,600	900,000	858,600	900,000
	Facility balance	142,400	180,000	142,400	180,000
	Standby revolving credit facility				
	Facility limit	30,000	20,000	30,000	20,000
	Facility used/committed	-	-	-	-
	Facility balance	30,000	20,000	30,000	20,000
	Bank overdraft				
	Facility limit	1,000	1,000	1,000	1,000
	Facility used/committed	-	-	-	-
	Facility balance	1,000	1,000	1,000	1,000
	Corporate purchasing card				
	Facility limit	7,500	7,675	7,500	7,500
	Facility used/committed	4,743	5,101	4,163	4,926
	Facility balance	2,757	2,574	3,337	2,574

13. INTEREST-BEARING LIABILITIES (CONTINUED)

	PARENT & CONSOLIDATED			
	2014 $'000	2014 $'000	2014 $'000	2014 $'000
	Less than one year	Between one and five years	Later than five years	Total
(c) Finance lease liabilities				
Future minimum lease payments	685	2,917	4,076	7,678
Interest	-	(568)	(1,707)	(2,275)
Present value of future minimum lease payments	685	2,349	2,369	5,403

	PARENT & CONSOLIDATED			
	2013 $'000	2013 $'000	2013 $'000	2013 $'000
	Less than one year	Between one and five years	Later than five years	Total
Future minimum lease payments	669	2,846	4,833	8,348
Interest	-	(525)	(2,027)	(2,552)
Present value of future minimum lease payments	669	2,321	2,806	5,796

(d) Fair value disclosures

Details of the fair value of the Corporation's interest-bearing liabilities are set out in note 17.

14. PROVISIONS

	NOTE	CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Current provisions					
Employee entitlements		20,582	14,114	17,933	11,618
Retirement Benefits Fund provision	16	18,488	19,048	18,488	19,048
Onerous contracts (i)		23,482	11,021	900	372
Regulatory environmental schemes liability		23,371	11,491	-	-
Site rehabilitation provision (ii)		14,477	2,896	-	-
		100,400	58,570	37,321	31,038
(b) Non-current provisions					
Employee entitlements		6,537	13,863	6,087	13,704
Retirement Benefits Fund provision	16	336,220	336,552	336,220	336,552
Onerous contracts (i)		81,156	99,424	3,360	-
Site rehabilitation provision (ii)		34,779	42,960	-	-
		458,692	492,799	345,667	350,256

Employee entitlements include redundancy costs.

(i) Onerous contracts include the Corporation's obligation to remediate the Studland Bay wind farm foundations plus the value of AETV Pty Ltd onerous contracts recognised on acquisition.

(ii) Site rehabilitation provision represents estimated future cost of demolishing the Bell Bay plant and the Tamar Valley plant at the end of its useful life and of rehabilitating the site.

15. OTHER FINANCIAL LIABILITIES

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a)	**Current other financial liabilities**				
	Income received in advance	620	562	471	475
	Basslink Services Agreement	65,327	82,604	65,327	82,604
	Basslink Facility Fee Swap	12,057	9,836	12,057	9,836
	Interest rate swaps	12,881	17,978	11,816	13,979
	Loans from associates (i)	16,081	11,076	51,831	148,114
	Energy price derivatives	67,350	62,746	67,350	62,746
	Other	934	47	932	47
		175,250	184,849	209,784	317,801
(b)	**Non-current other financial liabilities**				
	Basslink Services Agreement	515,657	542,632	515,657	542,632
	Basslink Facility Fee Swap	284,936	283,682	284,936	283,682
	Energy price derivatives	90,204	108,041	90,204	108,041
		890,797	934,355	890,797	934,355

(i) Loans from associates are interest-free and on-call and presented on a net basis.

15. OTHER FINANCIAL LIABILITIES (CONTINUED)

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Energy price derivatives movement reconciliation:					
Liability at the beginning of the year		85,962	71	85,962	71
Amount included in electricity revenue due to settlement during the year		133,181	(15,143)	120,765	(12,651)
Net cash (payments)/receipts on futures margin account		(4,565)	31,679	(4,565)	31,679
Fair value (gain)/loss on contracts outstanding as at 30 June		(181,223)	69,355	(168,807)	66,863
Liability at the end of the year		33,355	85,962	33,355	85,962
Represented by:					
Current energy price derivative liability	15(a)	67,350	62,746	67,350	62,746
Non-current energy price derivative liability	15(b)	90,204	108,041	90,204	108,041
		157,554	170,787	157,554	170,787
Current energy price derivative asset	10(a)	76,850	23,471	76,850	23,471
Non-current energy price derivative asset	10(b)	47,349	61,355	47,349	61,355
		124,199	84,826	124,199	84,826
Net energy price derivatives liability		33,355	85,961	33,355	85,961
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		526,213	541,632	526,213	541,632
Current year net revenue and operating expenses realised during the year and included in the operating valuation		(61,617)	(34,809)	(61,617)	(34,809)
Increase in present value of projected rights and obligations of later years as at the beginning of the year		153,115	65,147	153,115	65,147
Gain arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		(196,518)	(45,757)	(196,518)	(45,757)
Balance at the end of the year		421,193	526,213	421,193	526,213
Represented by:					
Current Basslink financial liabilitity		77,384	92,440	77,384	92,440
Non-current Basslink financial liability		800,593	826,314	800,593	826,314
		877,977	918,754	877,977	918,754
Current Basslink financial asset	10(a)	65,750	30,823	65,750	30,823
Non-current Basslink financial asset	10(b)	391,034	361,718	391,034	361,718
		456,784	392,541	456,784	392,541
Net Basslink financial liability		421,193	526,213	421,193	526,213

16. RETIREMENT BENEFITS FUND PROVISION

Plan Information

The Retirement Benefits Fund (RBF) is a defined benefit fund which pays lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

The scheme operates under the *Retirement Benefits Act 1993* and the *Retirement Benefits Regulations 2005*.

Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the RBF Board elects) up to the amount of "untaxed" benefits paid to members in the year.

The RBF Board (the Board) is responsible for the governance of the scheme. As trustee, the Board has a legal obligation to act solely in the best interests of scheme beneficiaries. The Board has the following roles:

- Administration of the scheme and payment to the beneficiaries when required in accordance with the scheme rules;
- Management and investment of the scheme assets; and
- Compliance with the Heads of Government Agreement referred to above.

There are a number of risks to which the scheme exposes the Corporation. The more significant risks relating to the defined benefits are:

Investment risk – The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.

Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.

Benefits options risk – The risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

Pensioner mortality risk – The risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

There were no planned amendments, curtailments or settlements during the year.

Information in this note applies equally to the parent and consolidated entities.

Reconciliation of the net liability recognised in the Balance Sheet:

	NOTE	2014 $'000	2013 $'000
Defined benefit obligation		422,689	425,159
Fair value of plan assets		(67,981)	(69,559)
Net superannuation liability		354,708	355,600
Comprising:			
Current net liability	14	18,488	19,048
Non-current net liability	14	336,220	336,552
Net superannuation liability		354,708	355,600

16. RETIREMENT BENEFITS FUND PROVISION (CONTINUED)

Reconciliation of the present value of the defined benefit obligation:

	2014 $'000	2013 $'000
Present value of defined benefit obligations at the beginning of the year	425,159	477,671
Current service cost	4,814	5,595
Interest cost	17,534	16,048
Contributions by plan participants	1,311	1,281
Actuarial (gains)/losses arising from changes in demographic assumptions	(4,143)	-
Actuarial losses/(gains) arising from changes in financial assumptions	8,937	(51,240)
Actuarial (gains)/losses arising from liability experience	(3,659)	809
Benefits paid	(26,651)	(24,314)
Taxes, premiums and expenses paid	(613)	(691)
Present value of defined benefit obligations at year end	422,689	425,159

Reconciliation of the fair value of scheme assets:

	2014 $'000	2013 $'000
Fair value of plan assets at beginning of the year	69,559	69,522
Interest income	2,841	2,302
Actual return on plan assets less interest income	1,367	3,160
Employer contributions	20,167	18,299
Contributions by plan participants	1,311	1,281
Benefits paid	(26,651)	(24,314)
Taxes, premiums and expenses paid	(613)	(691)
Fair value of plan assets at end of the year	67,981	69,559

Fair value of scheme assets:

	2014			
Asset category	Total $'000	Quoted prices in active markets – Level 1 $'000	Significant observable inputs – Level 2 $'000	Unobservable inputs Level 3 $'000
Cash and cash equivalents	9,455	9,455	-	-
Equity instruments	48,016	24,289	21,790	1,937
Debt instruments	9,474	2,742	3,935	2,797
Derivatives	(354)	-	(354)	-
Real estate	1,390	-	1,390	-
Total	67,981	36,486	26,761	4,734

The fair value of the scheme assets includes no amounts relating to any of the Corporation's own financial instruments or to any property occupied, or other assets used by the Corporation.

Assets are not held separately for each employer but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report.

The actuarial assumptions used in the calculations have been agreed with the Tasmanian Department of Treasury and Finance and have been specified in the preceding tables of this note.

16. RETIREMENT BENEFITS FUND PROVISION (CONTINUED)

Significant actuarial assumptions as at balance date:

	2014 %	2013 %
Assumptions to determine defined benefit cost and defined benefit obligation at the start of the year		
Discount rate (active members)	4.25	3.45
Discount rate (pensioners)	4.25	3.45
Expected rate of increase in compulsory preserved amounts	3.75	3.75
Expected salary increase rate	3	3.5
Expected pension increase rate	2.5	2.5

	2014 %	2013 %
Assumptions used to determine defined benefit obligation at the end of the year		
Discount rate (active members)	4.1	4.25
Discount rate (pensioners)	4.1	4.25
Expected salary increase rate	3	3
Expected rate of increase in compulsory preserved amounts	4.5	3.75
Expected pension increase rate	2.5	2.5

	2014 $'000	2013 $'000
Gain/(loss) recognised in Other Comprehensive Income		
Actuarial (gains)/losses	232	53,592

16. RETIREMENT BENEFITS FUND PROVISION (CONTINUED)

The defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption
Scenario B: 0.5% pa higher discount rate assumption
Scenario C: 0.5% pa lower expected pension increase rate assumption
Scenario D: 0.5% pa higher expected pension increase rate assumption

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa increase rate	Scenario D +0.5% pa increase rate
Discount rate (%)	4.1	3.6	4.6	4.1	4.1
Pension increase rate (%)	2.5	2.5	2.5	2	3
Defined benefit obligation (A$'000s)	422,689	450,997	397,346	402,653	444,577

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

There were no asset and liability matching strategies adopted by the fund.

The Corporation contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

The weighted average duration of the defined benefit obligation for the Corporation is 13.2 years.

	2015 $'000
Expected employer contributions	18,488

17. FINANCIAL INSTRUMENTS DISCLOSURES

The Corporation's primary purpose for holding financial instruments is to fund its operations and manage its financial risks.

The Corporation's principal financial instruments, other than derivatives, comprise loans, bank overdraft, cash and short-term investments. The Corporation has other financial assets and liabilities such as trade receivables and payables which arise directly from its operations.

The main risks arising from the Corporation's operations which are managed through financial instruments are electricity price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

(a) Financial instrument categories

The categories and fair value of financial instruments the Corporation holds are detailed in the following table:

	CONSOLIDATED				PARENT			
	Carrying amount 2014 $'000	Net fair value 2014 $'000	Carrying amount 2013 $'000	Net fair value 2013 $'000	Carrying amount 2014 $'000	Net fair value 2014 $'000	Carrying amount 2013 $'000	Net fair value 2013 $'000
Financial assets								
Cash	13,001	13,001	15,669	15,669	8,306	8,306	11,111	11,111
Loans and receivables								
Receivables	241,086	241,086	220,828	220,828	96,419	96,419	127,999	127,999
Held to maturity								
Investments	11	11	24,137	24,137	-	-	24,100	24,100
Fair value through profit or loss								
Forward foreign exchange contracts	104	104	-	-	104	104	-	-
Credit swaps	152,191	152,191	139,742	139,742	152,191	152,191	139,742	139,742
Basslink financial asset	456,784	456,784	392,541	392,541	456,784	456,784	392,541	392,541
Energy price derivatives	124,199	124,199	84,826	84,826	124,199	124,199	84,826	84,826
Other assets	21,443	21,443	13,696	13,696	8,250	8,250	10,068	10,068
	1,008,819	1,008,819	891,439	891,439	846,253	846,253	790,387	790,387
Financial liabilities								
Loans and receivables								
Accounts payable	165,644	165,644	129,501	129,501	109,824	109,824	70,529	70,529
Tascorp loans	869,029	857,781	913,231	939,375	869,029	677,761	908,167	939,375
Designated hedge accounting derivatives								
Interest rate swaps	12,881	12,881	21,102	21,102	11,816	11,816	14,027	14,027
Fair value through profit or loss								
Forward foreign exchange contracts	1,039	1,039	57	57	1,039	1,039	57	57
Credit swaps	152,191	152,191	139,742	139,742	152,191	152,191	139,742	139,742
Basslink Services Agreement	580,984	580,984	625,236	625,236	580,984	580,984	625,236	625,236
Basslink Facility Fee Swap	296,993	296,993	293,518	293,518	296,993	296,993	293,518	293,518
Energy price derivatives	153,254	153,254	165,487	165,487	153,254	153,254	165,487	165,487
Other liabilities	4,920	4,920	5,856	5,856	4,771	4,771	5,775	5,775
	2,236,935	2,225,687	2,293,730	2,319,874	2,179,901	1,988,633	2,222,538	2,253,746

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(b) Financial risk management objectives and policies

The Corporation enters into derivative contracts being principally energy price contracts, interest rate swaps and forward currency exchange contracts. The risk management objective is to manage exposure to market electricity prices, interest rates and foreign currency rates arising from operations and funding. The Corporation enters into these derivatives in accordance with the policies approved by the Board. All hedges are cash flow hedges (refer note 1.2(r)).

The Basslink contracts including the Basslink Services Agreement (BSA), Floating Facility Fee Instrument (FFFI) and Basslink Facility Fee Swap (BFFS) have been designated as derivatives.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect to each class of financial asset and financial liability are disclosed in notes 1.2(j) and (r).

The Corporation's objectives, policies and processes for managing its risk exposures are consistent with previous years.

(i) Capital risk management

The Corporation's policy is to maintain an appropriate capital structure to ensure it will continue as a going concern while maximising the return to stakeholders through an appropriate balance of debt and equity.

The capital structure of the Corporation includes loans disclosed in note 13, contributed equity and cash and cash equivalents disclosed in note 5.

The Corporation is subject to financial covenants on its borrowings and the Basslink Facility Fee Swap. The latter requires a minimum level of equity, sets a maximum level of debt and requires a minimum of 50 per cent of debt to be held with the Tasmanian Government's central borrowing authority, Tascorp. The loan agreement with Tascorp sets a maximum financial leverage ratio and a minimum interest coverage ratio.

The Corporation reviews its capital risk and performance against these covenants on a monthly basis.

The Corporation has been compliant with all financial covenants.

(ii) Market risk management

The Corporation's activities primarily expose it to electricity price risk and interest rate risk. In addition, the Corporation operates consulting businesses in foreign countries and enters into foreign currency transactions which expose it to foreign currency risk.

(A) Energy prices

The Corporation's revenue is exposed to fluctuations in the market price of electricity in Tasmania. In addition, on 1 January 2014 wholesale regulation began in Tasmania. The wholesale pricing methodology links Tasmanian regulated contract prices to Victorian market prices. The Corporation's revenue is also exposed to fluctuations in the Victorian market price to the extent of electricity flows over Basslink, and through the variable portion of the Basslink facility fee. The Corporation is also exposed to fluctuations in electricity market prices in all NEM regions in relation to its retail operation in Victoria and other NEM regions. Exposure to these fluctuations in market price is managed through the use of derivative contracts executed in all regions of the NEM in accordance with Board approved policy. Contract volumes for many of the Corporation's current Tasmanian forward contracts are determined by the actual load consumed in the contract period.

Until December 2013 Board approved policies prescribe the management of electricity trading risk in line with an asset backed trading model. From December 2013 the Corporation has managed electricity trading risk using a earnings at risk approach combined with an asset backed trading model.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The Corporation assesses its electricity price risk exposure through sensitivity analysis. The following table shows the effect on the Income Statement of a feasible movement (10%) in forecast electricity prices.

	2014				2013			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Electricity forward price +10%								
Basslink net liability	(38,911)	-	(38,911)	-	(15,190)	-	(15,190)	-
Energy derivative net asset	(85,318)	-	(85,318)	-	(175,508)	-	(175,508)	-
Electricity forward price -10%								
Basslink net liability	40,140	-	40,140	-	17,237	-	17,237	-
Energy derivative net asset	47,671	-	47,671	-	4,786	-	4,786	-

The sensitivity of the fair value of the Basslink Services Agreement to energy price movements has been based on adjustments to forecast price differences between the Tasmanian and Victorian regions. The sensitivity of the fair value of energy price derivatives to energy price movements has been determined by adjusting the forecast prices for the Tasmanian and mainland regions. The forecast price methodology is outlined in note 10. The fair value movements in the energy trading derivatives arising from variation in forecast prices are offset by movements in the fair value of the generation assets to the extent that they hedge generation revenue. An energy price derivative instrument may also expose the Corporation to commodity price risk.

(B) Interest rates

The Corporation's exposure to changes in market interest rates arises primarily from the Corporation's borrowings and the Basslink contracts.

Cash flow hedges

The Corporation has entered into interest rate swap contracts to achieve an interest rate risk exposure profile that is consistent with the long-term cash flow stability and the debt management strategy of the Corporation. Interest rate exposure on specific loans is managed using highly effective hedge derivatives. The Corporation applies hedge accounting treatment to hedges of the Tascorp debt as described in note 1.2(r).

In pursuit of these objectives, the Corporation manages its debt through setting and achieving benchmarks for the two key portfolio indicators of repricing profile and weighted average term to maturity.

At 30 June 2014 fixed rate loans varied from 3.9% to 7.0% (2013: 4.7% to 7.0%). Floating rates were based on bank bill rates and these varied from 2.6% to 3.7% (2013: 2.7% to 4.2%).

The Government Guarantee Fee rate varied from 0.5% to 1.8% for this financial year (2013: 0.5% to 2.0%).

Basslink

The Basslink Services Agreement (BSA) and Floating Facility Fee Instrument (FFFI) between the Corporation and Basslink Pty Ltd (BPL) establish the rights and obligations of both parties with respect to the operation of Basslink including the monthly payment of the Basslink Facility Fee (BFF) by the Corporation to BPL. These agreements are financial assets and financial liabilities whereby the Corporation is committed to make payments to BPL over the term of the contract should BPL meet its obligations to keep Basslink available in exchange for the right to receive Inter Regional Revenues (IRRs). The latter has been recognised as a financial asset.

The BSA commenced upon successful commissioning of Basslink on 28 April 2006 and was for a term of 25 years, with an option for a further 15 years. Basslink effectively gives Tasmania, including Hydro Tasmania, physical access to the Victorian region of the NEM.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The Corporation entered into the Basslink Facility Fee Swap (BFFS) in 2002 for a 25 year term to eliminate the interest rate and foreign exchange risk arising from the Basslink construction and operational agreements. The BFFS hedged the interest rate and foreign exchange risk during construction and swapped the floating interest rate exposure in the BFF. The inherent fixed interest rate is 7.83%.

The Corporation assesses its interest rate risk exposure through sensitivity analysis. The following table shows the effect on the Income Statement of a movement of 1 basis point (bps) in forecast interest rates.

	2014				2013			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Forward interest rates +0.1 bps								
Financial assets	1,362	-	1,362	-	1,374	-	1,374	-
Financial liabilities	(1,515)	(59)	(1,515)	(59)	(1,534)	(55)	(1,534)	(55)
Forward interest rates -0.1 bps								
Financial assets	(1,362)	-	(1,362)	-	(1,374)	-	(1,374)	-
Financial liabilities	1,515	59	1,515	59	1,534	55	1,534	55

The sensitivity of the fair value of financial assets and liabilities to interest rates has been determined by adjusting closing published forward market rates. The impact on the fair value of financial instruments is calculated using standard Australian treasury valuation formulae.

The Weighted Average Cost of Debt (WACD) for 2014 for both the parent and consolidated entities is 7.39% (2013: 6.88%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 1.41% (2013: 1.03%).

(C) Foreign currency rates

The Corporation owns and operates consulting companies in India and South Africa and is exposed to foreign exchange rate risks upon translation into Australian dollars. This risk is considered to be insignificant relative to the Corporation as a whole.

The Corporation transacts in foreign currency for operational and capital requirements and enters into forward foreign exchange contracts to eliminate currency exposure in accordance with Board approved policy. Due to the relatively small size of the transactions the Corporation considers the risk exposure to be insignificant.

The Corporation ensures that the term of the hedge derivatives matches the term of the currency exposure in order to maximise hedge effectiveness and enable application of hedge accounting.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The settlement dates and principal amounts of the Corporation's outstanding foreign exchange hedge contracts were:

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Receivables				
Not later than one year	925	929	925	929
Later than one year but not later than two years	8,135	294	8,135	294
Later than two years	5,523	-	5,523	-
Total	14,583	1,223	14,583	1,223
Payables				
Not later than one year	8,213	2,337	8,213	2,337
Later than one year but not later than two years	4,668	3,778	4,668	3,778
Later than two years	2,372	777	2,372	777
Total	15,253	6,892	15,253	6,892

(iii) Credit Risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The Corporation measures credit risk on non-derivative financial instruments as the carrying amount of any instruments that represent an asset to the Corporation.

Derivative Financial Instruments

The credit exposure on a derivative financial instrument is its positive market valuation at the reporting date. In addition a potential exposure, calculated broadly in accordance with Reserve Bank guidelines, is included for all interest rate swaps. These include the BFFS and the Basslink credit swaps.

In the main, the Corporation reduces credit risk on derivative financial assets by only transacting with high credit quality counterparties up to a pre-determined counterparty limit or by limiting credit exposure to unrated counterparties. The Corporation also obtains credit support for counterparties of low credit quality. Interest rate swaps and energy contracts are subject to the industry recommended International Swap Dealers Association (ISDA) documentation. Where possible this documentation contains clauses enabling the netting of exposures.

Receivables

Receivables represent amounts due from AEMO, electricity, gas, treasury and environmental energy product counterparties, consulting service clients and retail electricity customers.

The Corporation's credit exposure to AEMO is mitigated by the provisions of the National Electricity Rules (NER). The NER define the rules for conduct of the wholesale electricity market.

Consulting services clients are spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of debtors, and where necessary recovery action is undertaken and contract penalty clauses activated.

Appropriate credit management practices are adopted to protect against exposure to non-payment by retail customers.

Basslink credit swaps

While the BFFS transaction has been executed with a single counterparty, the Corporation has also entered into supplementary interest rate swap transactions with other counterparties to mitigate the potential credit risk associated with a single counterparty. These swaps are readily tradeable financial instruments.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

	CONSOLIDATED			
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	13,012	39,806	8,306	35,211
Receivables	241,086	220,828	96,419	127,999
Basslink financial asset	1,784	1,614	1,784	1,614
Derivative financial instruments				
Interest rate swaps	27	43	27	43
Forward foreign exchange contracts	(930)	166	(930)	166
Basslink Facility Fee Swap	12,215	9,307	12,215	9,307
Energy price derivatives	24,280	39,385	24,280	39,385
Environmental product contracts	9,337	-	9,337	-
Total credit risk exposure	300,811	311,149	151,438	213,725
Credit risk exposure by institution ratings				
Australian-based institutions				
AA+ to AA- ratings	117,500	148,117	74,830	148,117
A+ to A- ratings	13,282	11,539	13,282	11,539
BBB+ to BBB- ratings	1,260	470	1,249	470
Unrated	141,696	146,754	35,004	49,330
	273,738	306,880	124,365	209,456
Overseas-based institutions				
AA+ to AA- ratings	11,258	166	11,258	166
A+ to A- ratings	10,358	4,103	10,358	4,103
Unrated	5,457	-	5,457	-
	27,073	4,269	27,073	4,269
Total credit risk exposure	300,811	311,149	151,438	213,725

(iv) Liquidity Risk

Liquidity risk represents the possibility that the Corporation may be unable to settle an obligation on the due date.

To manage this risk, the Corporation maintains adequate stand-by funding facilities and other arrangements as detailed in note 13.

The Corporation's exposure at 30 June 2014 is detailed in the tables below. The tables are based on the undiscounted cash flows of the financial assets and liabilities based on the date on which the payments fall due. The tables include principal and interest cash flows.

The Corporation has issued a performance guarantee in favour of ETSA Utilities in relation to Co-ordination Agreement obligations of Momentum Energy Pty Ltd. The probability of the guarantee being called has been assessed as nil.

The Corporation monitors its liquidity risk on a daily basis. The following table details the Corporation's liquidity exposure.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

	2014 CONSOLIDATED				2014 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Loans and receivables								
Cash	13,001	-	-	-	8,306	-	-	-
Receivables	241,086	-	-	-	96,419	-	-	-
Held to maturity								
Investments	11	-	-	-	-	-	-	-
Fair value through profit or loss								
Credit swaps	12,830	12,569	78,953	91,094	12,830	12,569	78,953	91,094
Forward foreign exchange contracts	16	21	78	-	16	21	78	-
Energy price derivatives	47,328	30,133	48,153	17,668	47,328	30,133	48,153	17,668
Basslink financial asset	45,826	45,826	300,675	816,562	45,826	45,826	300,675	816,562
Other assets	21,443	-	-	-	4,771	-	-	-
	381,541	88,549	427,859	925,324	215,496	88,549	427,859	925,324
Financial liabilities								
Loans and receivables								
Accounts payable	165,644	-	-	-	109,824	-	-	-
Tascorp loans	103,225	112,852	300,526	249,943	103,225	112,852	300,526	249,943
Designated hedge accounting derivatives								
Interest rate swaps	2,960	3,025	7,594	1,174	2,960	3,025	7,594	1,174
Forward foreign exchange contracts	259	357	865	-	259	357	865	-
Fair value through profit or loss								
Credit swaps	12,843	14,060	89,816	95,480	12,843	14,060	89,816	95,480
Basslink Services Agreement	38,639	38,639	322,828	1,110,172	38,639	38,639	322,828	1,110,172
Basslink Facility Fee Swap	18,185	17,981	123,824	242,632	18,185	17,981	123,824	242,632
Energy price derivatives	30,834	23,246	90,711	21,066	30,834	23,246	90,711	21,066
Other liabilities	4,920	-	-	-	4,771	-	-	-
	377,509	210,160	936,164	1,720,467	321,540	210,160	936,164	1,720,467

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

	2013 CONSOLIDATED				2013 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Loans and receivables								
Cash	15,669	-	-	-	11,111	-	-	-
Receivables	220,828	-	-	-	127,999	-	-	-
Held to maturity								
Investments	24,137	-	-	-	24,100	-	-	-
Fair value through profit or loss								
Credit swaps	16,575	21,572	166,223	394,109	16,575	21,572	166,223	394,109
Forward foreign exchange contracts	101	42	35	-	101	42	35	-
Energy price derivatives	9,014	15,025	58,632	32,378	9,014	15,025	58,632	32,378
Basslink financial asset	15,412	15,412	246,576	618,683	15,412	15,412	246,576	618,683
Other assets	13,696	-	-	-	5,775	-	-	-
	315,432	52,051	471,466	1,045,170	210,087	52,051	471,466	1,045,170
Financial liabilities								
Loans and receivables								
Accounts payable	129,501	-	-	-	70,529	-	-	-
Tascorp loans	35,575	63,007	522,904	175,326	35,575	63,007	522,904	175,326
Designated hedge accounting derivatives								
Interest rate swaps	16,596	21,572	166,201	394,109	16,596	21,572	166,201	394,109
Forward foreign exchange contracts	62	-	188	-	62	-	188	-
Fair value through profit or loss								
Credit swaps	16,596	21,572	166,201	394,109	16,596	21,572	166,201	394,109
Basslink Services Agreement	37,836	37,836	281,263	1,153,009	37,836	37,836	281,263	1,153,009
Basslink Facility Fee Swap	21,551	25,887	200,901	530,922	21,551	25,887	200,901	530,922
Energy price derivatives	42,448	21,900	91,033	69,746	42,448	21,900	91,033	69,746
Other liabilities	5,856	-	-	-	5,775	-	-	-
	306,021	191,774	1,428,691	2,717,221	246,968	191,774	1,428,691	2,717,221

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(c) Fair values

AASB 139 requires recognition of some financial assets and financial liabilities at fair value on the Balance Sheet.

Where possible this fair value is determined from prices quoted for the financial instrument on an active market.

In the event of a lack of quoted market prices, the fair value of financial instruments has been calculated using valuation models that make maximum use of available market inputs to produce a reasonable estimate of the price that would be determined by the market. In many cases this entails projecting future cash flows that are then discounted to present value using the appropriate discount rate, including the credit risk of the out of the money party to the agreement. The calculation of projected future cash flows requires, among other things, a forecast electricity price. Beyond the period when market prices are observable, the Corporation derives forecast prices from an internal model. The modelled prices assume an uplift in electricity prices from carbon abatement policies from the 2020s onwards. There is no carbon included in either the market or modelled prices prior to the 2020s.

The fair values of financial assets and liabilities carried at fair value through profit or loss are determined using the following valuation inputs:

	CONSOLIDATED							
	2014				2013			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique – market observable inputs $'000	Level 3 Valuation technique – non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique – market observable inputs $'000	Level 3 Valuation technique – non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Credit swaps	-	152,191	-	152,191	-	139,742	-	139,742
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
Basslink financial asset	-	-	456,784	456,784	-	-	392,541	392,541
Energy price derivatives	34,650	48,841	40,708	124,199	14,881	27,895	42,049	84,825
	34,650	201,032	497,492	733,174	14,881	167,637	434,590	617,108
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	12,881	-	12,881	-	21,102	-	21,102
Forward foreign exchange contracts	-	1,039	-	1,039	-	57	-	57
Fair value through profit or loss								
Credit swaps	-	152,191	-	152,191	-	139,742	-	139,742
Basslink Services Agreement	-	-	580,984	580,984	-	-	625,236	625,236
Basslink Facility Fee Swap	-	-	296,993	296,993	-	-	293,518	293,518
Energy price derivatives	18,653	27,414	107,187	153,254	4,098	49,000	112,389	165,487
	18,653	193,525	985,164	1,197,342	4,098	209,901	1,031,143	1,245,142

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

	PARENT							
	2014				2013			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique – market observable inputs $'000	Level 3 Valuation technique – non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique – market observable inputs $'000	Level 3 Valuation technique – non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Credit swaps	-	152,191	-	152,191	-	139,742	-	139,742
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
Basslink financial asset	-	-	456,784	456,784	-	-	392,541	392,541
Energy price derivatives	34,650	48,841	40,708	124,199	14,881	27,895	42,049	84,825
	34,650	201,032	497,492	733,174	14,881	167,637	434,590	617,108
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	11,816	-	11,816	-	14,027	-	14,027
Forward foreign exchange contracts	-	1,039	-	1,039	-	57	-	57
Fair value through profit or loss								
Credit swaps	-	152,191	-	152,191	-	139,742	-	139,742
Basslink Services Agreement	-	-	580,984	580,984	-	-	625,236	625,236
Basslink Facility Fee Swap	-	-	296,993	296,993	-	-	293,518	293,518
Energy price derivatives	18,653	27,414	107,187	153,254	4,098	49,000	112,389	165,487
	18,653	192,460	985,164	1,196,277	4,098	202,826	1,031,143	1,238,067

There were no transfers between Level 1, 2 and 3 during the year.

Basslink financial instruments

The Basslink financial instruments comprise the Basslink Services Agreement (BSA), Floating Facility Fee Instrument (FFFI) and Basslink Facility Fee Swap (BFFS). The fair value of the Basslink financial instruments has been calculated using a valuation model based on the present value of expected contractual cash flows. The fair value of expected receipts of inter regional revenues (IRRs) under the BSA has been separately calculated based on experience to date and projected operating conditions and reported as a financial asset. The expected contractual payments under the BSA, FFFI and BFFS have been reported as financial liabilities. These represent the Basslink facility fees and interest rate swap settlements payable under these contracts.

The fair value of the BSA has been calculated using the pre-tax weighted average cost of capital as the nominal discount rate. The fair values of the FFFI and BFFS have been calculated using a 17 year forward market interest rate.

The BSA, FFFI and BFFS are not readily tradeable financial instruments.

17. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Tasmanian energy price derivatives

The Corporation has entered into energy contracts in the Tasmanian market to manage its exposure to market price risks and has developed a model to value these contracts. To the extent that each contract incorporates special term, load or other conditions the price at commencement of the contract will be at a discount from the spot price at that time. Fair value at balance date has been calculated as the present value of the difference between the projected market price and each contract price, taking into account any discount provided on inception. Projected market price is based on an internally generated long term Tasmanian energy price curve.

For the financial instruments above, valued using non-market unobservable inputs, the following table details the nature and sensitivities of those inputs. For a description of the valuation method relating to fair value and unobservable inputs refer to note 17(c).

The relationship of unobservable inputs to the fair value of energy price derivatives is as follows:

- The higher the electricity price, the smaller the fair value liability of energy price derivatives

The relationship of unobservable inputs to the fair value of the Basslink Services Agreement and Facility Fee Swap liability is as follows:

- The higher the weighted average cost of capital, the smaller the liability
- The higher the long term price the smaller the liability
- The higher the long term water storage position the smaller the liability
- The higher the counterparty credit margin the larger the liability
- The higher the long term interest rate the larger the liability.

Description	Fair value at end of year $'000	Valuation technique	Significant unobservable input	Range (weighted average)	Valuation change $'000
Energy price derivatives	(21,075)	Discounted cash flow	Long term flat electricity price	-10% to +10%	28,478 to (28,457)
Basslink Services Agreement and Facilty Fee Swap	(414,222)	Discounted cash flow	Weighted average cost of capital	10% to 12% (11%)	(10,706) to 9,626
			Long term price benchmark	-10% to +10%	(40,140) to 38,911
			Long term water storage positions (GWh)	8,700 to 9,300 (9,000)	(54,093) to 54,093
			Counterparty credit margin	0.73% to 1.13% (0.93%)	3,547 to (3,475)
			Long term interest rate	3.10% to 3.50% (3.30%)	3,187 to (3,125)

18. COMMITMENTS FOR EXPENDITURE

		CONSOLIDATED		PARENT	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a)	**Capital expenditure commitments**				
	Not later than 1 year	17,639	25,368	17,639	25,368
	Over 1 year and up to 2 years	11,109	6,176	11,109	6,176
		28,748	31,544	28,748	31,544
(b)	**Operating lease commitments**				
	Future minimum lease payments				
	Not later than 1 year	4,022	4,214	3,094	3,255
	Over 1 year and up to 2 years	4,013	3,137	3,081	3,137
	Over 2 years and up to 5 years	11,612	9,224	8,703	9,224
	Later than 5 years	10,951	13,429	10,951	13,429
		30,598	30,004	25,829	29,045

The majority of the Corporation's leases are for office accommodation.

Payments made under operating leases are expensed as incurred over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(c)	**Other commitments**				
	Not later than 1 year	22,739	57,786	19,500	54,534
	Over 1 year and up to 2 years	3,279	24,751	602	22,178
	Over 2 years and up to 5 years	4,735	7,238	-	21
	Later than 5 years	8,162	10,265	-	-
		38,915	100,040	20,102	76,733

The other commitments relate to pass-through costs for consulting work, energy transmission charges, contracted maintenance services and supply of general goods and services.

Commitments include those relating to the jointly controlled entities detailed in note 26.

19. CONTINGENT ASSETS AND LIABILITIES

Contingent asset

The Corporation has made a claim against Jacobs (formerly SKM) in respect of additional work required to be carried out by the Corporation, as the EPC contractor, on the foundations for the towers of some wind turbines at Musselroe wind farm.

The Corporation has made a claim against Basslink Pty Ltd (BPL) in respect of losses incurred by the Corporation as a result of BPL's failure to make available the full contractual capability of Basslink between 24 December 2012 and 14 January 2014.

20. AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT	
	2014 $	2013 $	2014 $	2013 $
Amounts received, or due and receivable, by the Auditor-General from the Corporation for auditing the financial statements of the Corporation	443,495	407,619	343,495	339,216
Amounts received, or due and receivable, for compliance audits	17,825	16,925	17,825	16,925

21. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Remuneration policy

Remuneration levels for key management personnel of the Corporation are competitively set to attract and retain appropriately qualified and experienced executives. The HR and Remuneration Committee, a Committee of the Board, obtains independent advice on the appropriateness of remuneration packages given trends in comparative entities both locally and interstate and the objectives of the Corporation's remuneration policy.

The remuneration structures take into account:

- the capability and experience of key management personnel
- the key management personnel's ability to control the relevant segments' performance
- achievement of the Corporation's strategic initiatives
- government wages and salaries expectations.

Remuneration packages include contribution to post-employment superannuation plans.

The Corporation has complied with Treasury guidelines in the presentation of the executive remuneration in 2014.

Non-executive directors' remuneration

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed.

The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued or paid to directors.

Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

Senior executives' remuneration

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave and salary sacrifice provisions.

The CEO is appointed by the Board. Independent professional advice is obtained prior to entering into, or extending an employment agreement and when determining the CEO's remuneration package.

The Board consults with the Treasurer and Portfolio Minister prior to finalising the CEO's remuneration package. The CEO's remuneration package is also approved by Cabinet.

The CEO and executive level employees are also eligible for a short term incentive payment subject to meeting agreed key performance indicators. The CEO and Executive Remuneration policy is aligned to Hydro Tasmania's strategic objectives and business performance results across a mix of corporate, team and individual measures. The CEO and Executive Remuneration Policy is also aligned with Guidelines issued by the Treasurer.

Short term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary.

The performance of each senior executive, including the CEO, is reviewed annually including a review of the remuneration package.

The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the CEO to provide a minimum notice period of up to 6 months prior to termination of the contract.

21. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(b) Director remuneration

The following tables disclose the remuneration details in bands for each person that acted as a non-executive director during the current and previous financial years:

2014						
Band	Number of directors $	Directors' fees $	Committee fees $	Superannuation $	Total 2013/14 $	Total 2012/13 $
<$50,000	-	-	-	-	-	90,042
$50,000 - $100,000	5	227,002	43,848	27,607	298,457	183,904
>$100,000	1	98,865	18,020	11,812	127,697	128,062
Total	6	324,867	61,868	39,419	426,154	402,008

2013						
Band	Number of directors $	Directors' fees $	Committee fees $	Superannuation $	Total 2012/13 $	Total 2011/12 $
< $50,000	2	76,525	5,413	8,104	90,042	33,441
$50,000 = $100,000	3	133,346	34,006	16,552	183,904	232,247
> $100,000	1	96,092	20,444	11,526	128,062	121,624
Total	6	305,963	59,863	36,182	402,008	387,312

(c) Executive remuneration

The following table discloses the remuneration details of senior executives during the current and previous financial years:

2014		Cash		Other				
Band	Number of employees	Base salaries $	Short-term incentive payments $	Super-annuation $	Vehicles $	Other Benefits $	Total 2013/14 $	Total 2012/13 $
< $150,000	-	-	-	-	-	-	-	-
$150,001 - $300,000	2	329,744	61,729	25,850	21,332	10,427	449,082	437,527
$300,000 - $450,000	5	1,318,421	219,713	88,982	67,121	40,836	1,735,073	1,459,804
$450,000 - $600,000	4	1,633,229	315,474	83,510	70,084	31,821	2,134,118	2,524,002
Total	11	3,281,394	596,916	198,342	158,537	83,084	4,318,273	4,421,333

21. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

		2013						
		Cash		Other				
Band #	Number of employees	Base salaries $	Short-term incentive payments $	Super-annuation $	Vehicles $	Other Benefits $	Total 2012/13 $	Total 2011/12 $
< $150,000	-	-	-	-	-	-	-	-
$150,001 - $300,000	2	309,513	89,760	23,284	6,638	8,332	437,527	240,234
$300,000 - $450,000	4	1,019,022	292,270	65,700	47,472	35,340	1,459,804	1,835,392
$450,000 - $600,000	5	1,769,390	528,332	105,276	90,698	30,306	2,524,002	1,978,323
Total	11	3,097,925	910,362	194,260	144,808	73,978	4,421,333	4,053,949

The 2013 table does not include a payment of $425,000 made to an executive in accordance with entitlements under the employee's contract of employment.

The Directors of the Corporation as at 30 June 2014 were:

Dr D M Crean, Chairman
Mr S R Eslake
Mr G Every-Burns
Ms J M Healey
Ms T C Jakszewicz
Mr S S Kalinko

During the year Directors of the Corporation undertook 1 overseas trip at an aggregate cost of $17,513.

Employees undertook overseas travel on 255 occasions during the year at a cost of $1,627,000. 97 of these, at a cost of $331,000, were made while undertaking work for clients. The cost of Entura travel on client business was recovered from these clients.

22. RELATED PARTY INFORMATION

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	11,497	3,775	25,747	36,892	12,042	995	-	-
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	135	135	-	-
Kakamas Hydro Electric Power (Pty) Ltd	-	-	-	-	-	-	-	-
PARENT								
HT Wind Operations Pty Ltd	-	-	-	-	-	-	144,891	127,549
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	135	135	-	-
Bell Bay Power Pty Ltd	320	341	-	-	134	-	-	382
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,472
Lofty Ranges Power Pty Ltd	-	-	-	-	541	622	-	-
Hydro Tasmania Consulting (Holding) Pty Ltd	-	-	-	-	4,035	4,035	-	-
Hydro Tasmania Consulting India Pty Ltd	-	-	-	-	171	-	-	30
Hydro Tasmania Wind Developments Pty Ltd	-	-	-	-	-	-	114	-
RE Storage Project Holding Pty Ltd	-	-	-	-	936	936	-	-
Heemskirk Wind Farm Pty Ltd	-	-	-	-	95	95	-	-
Studland Bay Holdings Pty Ltd	-	-	-	-	11,370	11,370	-	-
Bluff Point Holdings Pty Ltd	-	-	-	-	18,666	18,666	-	-
Momentum Energy Pty Ltd	401,794	314,601	-	-	49,091	50,740	-	-
AETV Pty Ltd	-	-	-	-	245,158	189,881	-	-
Hydro Tasmania South Africa (Pty) Ltd	-	-	-	-	4,612	1,756	-	-
Hydro Tasmania Neusberg (Pty) Ltd	-	-	-	-	665	-	-	-

Transactions with related parties are made at arm's length at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured and interest free. Settlement with related parties not wholly owned occurs in cash. Cash settlement does not occur between wholly-owned subsidiaries and the parent.

There were no transactions with director related entities during the year. Amounts owed by AETV to the parent are fully provided for.

23. ENERGY REFORM

The Tamar Valley power station and associated contracts were transferred on 1 June 2013 to the Corporation as part of the Tasmanian Government energy reforms under a transfer notice issued by the Minister. The regulation of Hydro Tasmania's wholesale electricity contracts commenced on 1 January 2014.

The Corporation incurred costs in relation to the reform process, as detailed below:

	2014 $'000	2013 $'000
Nature		
The Corporations' share of costs of funding the Business Transition Group	-	915
Costs of consultants engaged by the State-owned electricity business	19	1,788
Cost of employees who spend greater than 80% of their time on reform-related activities	63	990
Capital costs	-	-
Other costs	167	169
Corporation's share of costs	249	3,862

24. EVENTS SUBSEQUENT TO BALANCE DATE

The carbon tax repeal legislation received Royal Assent on Thursday, 17 July 2014 and the bills as part of this package are now law, with effect from 1 July 2014. Hydro Tasmania has removed carbon from its forecast forward electricity price curves until the 2020s. Consequently, the repeal of the carbon price has affected valuations on Hydro Tasmania's balance sheet that use the forecast electricity price curve as an input, including the hydro asset value and energy price derivatives.

After due enquiry, there have been no other matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent financial years.

25. GOVERNMENT GRANTS

The Corporation has recognised $15 million of grant revenue during the year (2013: $9 million) as detailed below:

Community Service Obligations

On 1 June 1999, the State Government agreed to formally recognise the cost of concessions to eligible customers living on the Bass Strait Islands as Community Service Obligations (CSOs), as defined under the *Government Business Enterprises Act* 1995.

During the year ended 30 June 2014, the State paid the Corporation $9.2million (2013: $7.7 million) as reimbursement of the cost of providing CSOs.

Department of Resources, Energy and Tourism – King Island Renewable Energy Integration Project

During the year ended 30 June 2011, the Commonwealth Government entered into a $15.28m funding agreement with the Corporation under the auspices of the Renewable Energy Demonstration Program.

Under the agreement the Corporation will receive 33.3% funding for the integration of multiple renewable energy sources into an existing small scale diesel generation system.

During the year ended 30 June 2014 the Corporation recognised $5.8m (2013: $1.3m) as reimbursement of costs relating to the grant.

26. CONTROLLED ENTITIES

	Footnote	Country of incorporation	Percentage of share held by Hydro-Electric Corporation 2014 %	2013 %
Parent entity				
Hydro-Electric Corporation				
Controlled entities				
Bell Bay Power Pty Ltd	1	Australia	100	100
Lofty Ranges Power Pty Ltd	2	Australia	100	100
Bell Bay Three Pty Ltd	3	Australia	100	100
RE Storage Project Holding Pty Ltd	4	Australia	100	100
Hydro Tasmania Consulting (Holding) Pty Ltd	5	Australia	100	100
Momentum Energy Pty Ltd	6	Australia	100	100
HT Wind Operations Pty Ltd	7	Australia	100	100
Hydro Tasmania South Africa (Pty) Ltd	8	South Africa	100	100
AETV Pty Ltd	9	Australia	100	100

Footnotes

1. Bell Bay Power Pty Ltd was incorporated on 20 December 2001.
2. Lofty Ranges Power Pty Ltd was incorporated on 26 April 2002.
3. Bell Bay Three Pty Ltd was incorporated on 7 December 2005.
4. RE Storage Project Holding Pty Ltd was incorporated on 11 April 2006.
5. Hydro Tasmania Consulting (Holding) Pty Ltd was incorporated on 20 October 2006. It holds a 99.9% interest (9,999 shares) in Hydro Tasmania Consulting India Private Limited with Hydro Electric Corporation holding 1 share.
6. Hydro Tasmania acquired 51% of the issued capital of Momentum Energy Pty Ltd on 31 August 2008. The remaining 49% of the issued capital was acquired on 30 September 2009. Momentum was incorporated on 8 July 2002.
7. Hydro Tasmania acquired 100% of the issued capital of HT Wind Operations Pty Ltd on 30 June 2011. HT Wind Operations Pty Ltd owns 100% of Woolnorth Bluff Point Holdings Pty Ltd, Woolnorth Studland Bay Holdings Pty Ltd, Heemskirk Holdings Pty Ltd, HT Wind Developments Pty Ltd and HT Wind New Zealand Pty Ltd. HT Wind Operations Pty Ltd was registered on 29 November 2004.
8. Hydro Tasmania acquired 100% ownership of Hydro Tasmania South Africa (Pty) Ltd on 23 January 2012. Hydro Tasmania South Africa (Pty) Ltd holds a 92% ownership interest in Hydro Tasmania Neusberg (Pty) Ltd.
9. AETV Pty Ltd was transferred to Hydro Tasmania by Ministerial direction on 1 June 2013.

27. INTEREST IN JOINT VENTURES

			CONSOLIDATED				PARENT			
			Ordinary share ownership interest		Joint venture agreement voting rights		Ordinary share ownership interest		Joint venture agreement voting rights	
	Principal activity	Joint venture balance date	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Cathedral Rocks Construction and Management Pty Ltd	Wind farm construction and operation	30 June	50	50	50	50	50	50	50	50
SA Water Corporation & Lofty Ranges Power Pty Ltd Joint Venture	Mini-hydro operation	30 June	50	50	50	50	50	50	50	50
RE Storage Pty Ltd	Investigation of renewable energy commercial opportunities	30 June	50	50	50	50	50	50	50	50
Integrated Energy Solutions Pty Ltd	Implementation of renewable energy project	30 June	50	50	50	50	-	-	-	-
Woolnorth Wind Farm Holding Pty Ltd	Wind farm operation	30 June	25	25	25	25	-	-	-	-
Kakamas Hydro Electric Power (Pty) Ltd	Mini-hydro operation	30 June	25	25	25	25	-	-	-	-

The Corporation holds a 50% interest in a joint venture (Cathedral Rocks Construction and Management Pty Ltd) with Acciona Energy Oceania Pty Ltd. The joint venture was established to manage the construction and operation of a wind farm at Cathedral Rocks, South Australia (note 29).

A subsidiary of the Corporation, Lofty Ranges Power Pty Ltd, holds a 50% interest in an unincorporated joint venture operation named SA Water Corporation & Lofty Ranges Power Pty Ltd Joint Venture. The principal activity of the joint venture is the operation of mini hydro facilities (note 28).

The Corporation holds a 50% interest in an incorporated joint venture operation with CBD Energy Limited, named RE Storage Pty Ltd. The principal activity of the joint venture is the investigation of renewable energy commercial opportunities.

A subsidiary of the Corporation, RE Storage Project Holding Pty Ltd holds a 50% interest in an incorporated joint venture with CBD Project Holdings Pty Ltd, a 100% owned subsidiary of CBD Energy Limited, named Integrated Energy Solutions Pty Ltd. The principal activity of the joint venture is the implementation of a renewable energy project on King Island.

On 5 February 2013 the Corporation divested ownership of Musselroe Holdings Pty Ltd, which wholly owns Musselroe Windfarm Pty Ltd, to the Woolnorth Wind Farm Holding Pty Ltd joint venture.

A subsidiary of the Corporation, Hydro Tasmania South Africa (Pty) Ltd became a joint venture partner in the Kakamas Hydro Electric Power (Pty) Ltd joint venture during 2013 and holds a 25% interest in the joint venture. The principal activity of the joint venture is to develop a mini hydro scheme in Neusberg South Africa.

28. JOINT VENTURES OPERATIONS

The share of assets and liabilities of the unincorporated jointly controlled operation, SA Water Corporation & Lofty Ranges Pty Ltd Joint Venture, which are included in the financial statements, is as follows as at 30 June.

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current assets		
Cash	10	43
Receivables	31	3
Other	-	1
Total current assets	41	47
Non-current assets		
Property plant and equipment	1,209	1,231
Total non-current assets	1,209	1,231
TOTAL ASSETS	1,250	1,278
Current liabilities		
Payables	26	21
Total current liabilities	26	21
TOTAL LIABILITIES	26	21
NET ASSETS	1,224	1,257

29. INCORPORATED JOINT VENTURES

The income statements and balance sheets of the following incorporated joint ventures are not consolidated but are instead accounted for under the equity method.

	CONSOLIDATED			
	Woolnorth Wind Farm Joint Venture 25% 2014 $'000	Cathedral Rocks Construction and Management Pty Ltd 50% 2014 $'000	Kakamas Hydro Electric Power Pty Ltd 25% 2014 $'000	Total 2014 $'000
Income statement				
Revenue	91,363	8	3	91,374
Expenses	76,189	1	2,911	79,101
Profit/(loss) before income tax expense	15,174	7	(2,908)	12,273
Income tax expense	(4,564)	(2)	-	(4,566)
Net profit/(loss) after tax	10,610	5	(2,908)	7,707
Balance Sheet				
Current assets	70,678	411	1,785	72,874
Non-current assets	622,743	-	37,085	659,828
Total assets	693,421	411	38,870	732,702
Current liabilities	48,318	272	108	48,698
Non-current liabilities	425,860	-	28,598	454,458
Total liabilities	474,178	272	28,706	503,156
Net assets	219,243	139	10,164	229,546
Share of accumulated profits/(losses)				
Share of accumulated profit/(losses) at the beginning of the year	7,574	(26)	-	7,548
Share of profit/(loss) before income tax expense	3,794	3	(727)	3,070
Share of accumulated profits/(losses) at the end of the year	11,368	(23)	(727)	10,618
Movements in carrying amount of investment in joint ventures				
Carrying amount at the beginning of the year	62,358	12	4,326	66,696
Dividends received	(900)	-	-	(900)
Share of profit/(loss) before income tax for the year	3,794	3	(727)	3,070
Carrying amount at the end of the year	65,252	15	3,599	68,866

29. INCORPORATED JOINT VENTURES (CONTINUED)

	CONSOLIDATED			
	Woolnorth Wind Farm Joint Venture 25% 2013 $'000	Cathedral Rocks Construction and Management Pty Ltd 50% 2013 $'000	Kakamas Hydro Electric Power Pty Ltd 25% 2013 $'000	Total 2013 $'000
Income statement				
Revenue	43,080	10	-	43,090
Expenses	35,856	-	-	35,856
Profit/(loss) before income tax expense	7,224	10	-	7,234
Income tax expense	(22,764)	(3)	-	(22,767)
Net profit/(loss) after tax	(15,540)	7	-	(15,533)
Balance Sheet				
Current assets	77,452	404	10,892	88,748
Non-current assets	592,812	-	22,438	615,250
Total assets	670,264	404	33,330	703,998
Current liabilities	28,785	272	2,747	31,804
Non-current liabilities	447,526	-	17,167	464,693
Total liabilities	476,311	272	19,914	496,497
Net assets	193,953	132	13,416	207,501
Share of accumulated profits/(losses)				
Share of accumulated profit/(losses) at the beginning of the year	5,823	(31)	-	5,792
Share of profit before income tax expense	1,751	5	-	1,756
Share of accumulated profit/(losses) at the end of the year	7,574	(26)	-	7,548
Movements in carrying amount of investment in joint ventures				
Carrying amount at the beginning of the year	34,549	7	-	34,556
Investment in Musselroe Wind Farm Holding Pty Ltd	27,458	-	-	27,458
Investment in Hydro Tasmania South Africa Pty Ltd	-	-	4,326	4,326
Dividends received	(1,400)	-	-	(1,400)
Share of profit before income tax for the year	1,751	5	-	1,756
Carrying amount at the end of the year	62,358	12	4,326	66,696

The fair value of the Corporation's investment in joint ventures is equivalent to its carrying value in the absence of a quoted market price for investment shares in joint venture.

The Woolnorth Wind Farm joint venture has finance agreements in place which impose conditions on it making distributions in the form of dividends or loan repayments.

30. DIVIDEND

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Declared and Paid during the year				
Statutory dividend	116,058	50,686	116,058	50,686
Proposed for approval				
Statutory dividend	-	116,058	-	116,058

At the date of signing the Annual Report the Board had not yet declared a dividend.

31. SEGMENT INFORMATION

Identification of reportable segments

The Corporation has identified its material operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (CEO) as chief operating decision maker in assessing the performance and determining the allocation of resources. Three material segments have been identified as Hydro Tasmania, AETV and Momentum Energy.

Types of products and services by segment

(i) Hydro Tasmania

Hydro Tasmania generates and sells wholesale energy into the National Electricity Market from hydro generation assets and provides consulting services.

(ii) AETV

AETV Pty Ltd generates and sells wholesale energy into the National Electricity Market from gas fired generation assets and sells gas to wholesale customers in Tasmania.

(iii) Momentum Energy

Momentum Energy sells energy to retail customers in the Victorian, New South Wales, South Australian and Queensland regions of the National Electricity Market.

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all financial information reported to the CEO with respect to individual segments is determined in accordance with the accounting policies adopted in the financial statements as detailed in note 1.2.

Inter-segment revenues are eliminated on consolidation.

31. SEGMENT INFORMATION (CONTINUED)

	YEAR ENDED 30 JUNE 2014					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total Segments $'000	Adjustments & eliminations $'000	Consolidated $'000
Revenue						
External customers	887,114	85,107	1,033,232	2,005,148	(27,136)	1,978,012
Other revenue	41,409		305	41,714	(15,163)	26,551
Total revenue	928,523	85,107	1,033,537	2,046,862	(42,299)	2,004,563
Segment results						
Interest expense	79,840	15,163	-	95,003	(15,163)	79,840
Depreciation & amortisation	83,804	3,941	485	88,230	-	88,230
Share of joint venture	3,070	-	-	3,070	-	3,070
Income tax expense/(benefit)	54,512	(19,598)	4,268	39,182	-	39,182
Segment profit/(loss)	268,916	(43,684)	16,880	242,112	-	242,112
Total assets	4,956,815	192,734	175,703	5,325,252	(289,311)	5,035,941
Total liabilities	3,007,313	386,077	135,213	3,528,603	(308,302)	3,220,301
Other disclosures						
Investment in joint venture	68,866	-	-	68,866	-	68,866
Capital expenditure	120,317	36	3,315	123,668	-	123,668

Inter-segment revenues are eliminated on consolidation.

	YEAR ENDED 30 JUNE 2013					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total Segments $'000	Adjustments & eliminations $'000	Consolidated $'000
Revenue						
External customers	749,321	11,896	800,237	1,561,454	(19,837)	1,541,617
Other revenue	11,226	-	634	11,860		11,860
Total revenue	760,547	11,896	800,871	1,573,314	(19,837)	1,553,477
Segment results						
Interest expense	66,451	1,050	-	67,501	-	67,501
Depreciation & amortisation	90,461	294	618	91,373	-	91,373
Share of joint venture	1,756	-	-	1,756	-	1,756
Income tax expense/(benefit)	38,724	(103,811)	5,390	(59,697)	-	(59,697)
Segment profit/(loss)	214,981	(2,098)	17,586	230,469	(208)	230,261
Total assets	4,795,719	205,883	136,597	5,138,199	(8,841)	5,129,358
Total liabilities	3,007,313	355,542	112,987	3,349,252	(9,049)	3,340,203
Other disclosures						
Investment in joint venture	66,696	-	-	66,696	-	66,696
Capital expenditure	82,412	667	2,665	85,744	-	85,744

Segment results for AETV are for the period from acquisition on 1 June 2013 to 30 June 2013.

31. SEGMENT INFORMATION (CONTINUED)

	YEAR ENDED	
	2014 $'000	2013 $'000
Reconciliation of profit		
Segment profit	242,112	230,469
Energy sales	27,136	19,837
Purchased energy	(27,136)	(19,837)
Other income	15,163	-
Interest expense	(15,163)	-
Environmental energy products	-	(208)
Result before fair value movements and revaluation expenses	242,112	230,261
Reconciliation of assets		
Segment total assets	5,325,252	5,138,199
Elimination of investment in subsidiary	(289,311)	-
Inventory valuation	-	(8,841)
Corporation total assets	5,035,941	5,129,358
Reconciliation of liabilities		
Segment total liabilities	3,528,603	3,349,252
Elimination of intercompany revaluation and balances	(308,302)	-
Environmental schemes liability valuation	-	(9,049)
Corporation total liabilities	3,220,301	3,340,203

32. BUSINESS ACQUISITION

The Tamar Valley Power station and associated contracts were transferred from Aurora Energy to the Corporation on 1 June 2013 as part of the Tasmanian Government energy reforms (refer note 3). The Parent entity assumed 100% ownership of the shares of AETV Pty Ltd by equity contribution from the State of $89.1 million.

On 23 September 2013, in accordance with the Transfer Notice, $7m was returned to Aurora Energy for finalisation of the acquisition of Tamar Valley power station. As a result, the contribution from the Tasmanian Government, being the revised net assets value, is $82.1 million.

	YEAR ENDED 30 JUNE 2013		
	Book value $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Net assets acquired			
Current assets			
Cash and cash equivalents	17,296	-	17,296
Receivables	-	-	-
Investments	-	-	-
Prepayments	2,497	(1,907)	590
Inventories	-	-	-
	19,793	(1,907)	17,886
Non-current assets			
Property plant and equipment	317,473	(216,271)	101,202
Other financial assets	8,670	(8,670)	-
	326,143	(224,941)	101,202
Current liabilities			
Payables	(6,277)	-	(6,277)
Interest-bearing liabilities	(3,949)	-	(3,949)
Provisions	(1,417)	-	(1,417)
Other financial liabilities	(509)	(8,567)	(9,076)
	(12,152)	(8,567)	(20,719)
Non-current liabilities			
Interest-bearing liabilities	(205,000)	-	(205,000)
Provisions	(26,109)	-	(26,109)
Other financial liabilities	(2,315)	-	(101,946)
Deferred tax liability	(11,221)	-	(11,221)
	(244,645)	(99,631)	(344,276)
Net assets	89,139	(335,046)	(245,907)

	YEAR ENDED 30 JUNE 2013	
	CONSOLIDATED 2013 $'000	PARENT 2013 $'000
Net cash flow on acquisition		
Consideration paid in cash	-	-
Cash and cash equivalent balances acquired	17,296	-
Net cash flow on acquisition	17,296	-

Superannuation declaration

I, Stephen Davy, hereby certify that the Hydro-Electric Corporation has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the Hydro-Electric Corporation contributes.

S Davy
Chief Executive Officer
14 August 2014

Statement of certification

In the opinion of the directors of the Hydro-Electric Corporation (the "Corporation"):

a) the financial statements and notes of the Corporation and of the consolidated entity are in accordance with the *Government Business Enterprises Act 1995*, including:

   (i) giving a true and fair view of the results and cash flows for the year ended 30 June 2014 and the financial position at 30 June 2014 of the Corporation and its subsidiaries;

   (ii) complying with the Australian Accounting Standards and Interpretations, and with the Treasurers' Instructions.

b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

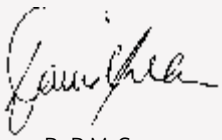
This declaration has been made after receiving the following declaration from the Chief Executive Officer and Chief Financial Officer of the Corporation:

a) the financial records of the Corporation for the year ended 30 June 2014 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995;*

b) the financial statements and notes for the year ended 30 June 2014 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995; and*

c) the financial statements and notes for the year ended 30 June 2014 give a true and fair view.

Signed in accordance with a resolution of the directors:



Dr D.M. Crean
Chairman
14 August 2014

J Healey
Director
14 August 2014

Auditor's independence declaration

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

12 September 2014

The Board of Directors
Hydro-Electric Corporation
4 Elizabeth Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

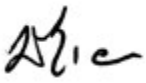
In relation my audit of the financial report of the Hydro-Electric Corporation for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of Australian Auditing Standards in relation to the audit

(b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual report.

Yours sincerely



H M Blake
Auditor-General

Independent audit report

Tasmanian Audit Office

Independent Auditor's Report

To Members of the Tasmanian Parliament

Hydro-Electric Corporation

Consolidated Financial Report for the Year Ended 30 June 2014

Report on the Consolidated Financial Report

I have audited the accompanying consolidated financial report (the financial report) of the Hydro-Electric Corporation (the Corporation), which comprises the balance sheet as at 30 June 2014 and the income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification statement by the Directors on the financial report on the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion:

(a) the Corporation's financial report:

(i) presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2014, and its financial performance, cash flows and changes in equity for the year then ended

(ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2(b).

The Responsibility of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1.2(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

Independent audit report (continued)

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

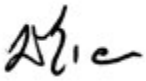
Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

My independence declaration was provided to the Directors on the same date as this auditor's report and is included in the Annual Report.

Tasmanian Audit Office



H M Blake
Auditor-General

Hobart
12 September 2014

SUMMARIES

Generation summary

As at June 30		2010	2011	2012	2013	2014
Mainland Tasmania						
Power stations						
Hydro	No.	30[1]	**30**	**30**	**30**	**30**
Thermal (gas)	No.	0	**0**	**0**	**1**[2]	**1**
Wind	No.	0	2[3]	0[4]	0[5]	0
Total no. of power stations	**No.**	**30**	**32**	**30**	**31**	**31**
Installed capacity						
Hydro	MW	2 281	2 281	2 281	2 281	2 281
Thermal (gas)	MW	0	0	0	372[6]	372
Wind	MW	0	140	0	0	0
Total installed capacity	**MW**	**2 281**	**2 421**	**2 281**	**2 653**	**2 653**
Energy generated[7]						
Hydro	GWh	8 167	9 273	8 334	10 627	11 932
Thermal (gas)	GWh	0	0	0	140[8]	866
Wind[9]	GWh	0	0	313	0	0
Total energy generated	**GWh**	**8 167**	**9 273**	**8 647**	**10 767**	**12 798**
Generation peak	MW	2131	2093	2 042	2 222	2 168
Generation load factor [10]	%	44	51	48	55	67
Bass Strait islands						
King Island						
Diesel	MWh	10 480	11 232	11 635	7968	**7220**
Wind	MWh	4 724	5 139	4 830	4 133	**4974**
Flinders Island diesel	MWh	4 340	4 232	4 123	3 569	**3 734**
Total Bass Strait islands	**MWh**	**19 544**	**20 603**	**20 588**	**15 670**	**15 928**

Notes:

1) Upper Lake Margaret Power Station recommenced generation in October 2009; Lower Lake Margaret Power Station commenced generation in June 2010.
2) Tamar Valley Power Station transferred to Hydro Tasmania on 1 June 2013.
3) Woolnorth Bluff Point Wind Farm and Woolnorth Studland Bay Wind Farm transferred to Hydro Tasmania on 30 June 2011.
4) Woolnorth Bluff Point Wind Farm and Woolnorth Studland Bay Wind Farm transferred from Hydro Tasmania in February 2012.
5) Musselroe Wind Farm transferred from Hydro Tasmania on 5 February 2013 before operational production commenced.
6) Tamar Valley Power Station registered capacity.
7) Mainland Tasmania energy generated is calculated as the net energy measured at the market and distribution connection points.
8) Tamar Valley Power Station energy generated for the month of June 2013.
9) Wind energy generation is from 1 July 2011 to 27 February 2012 when the wind farms were transferred from Hydro Tasmania.
10) Calculated as average MW divided by peak MW. Average MW calculated from total energy divided by hours in the year.

Financial statistical summary

Five Year Profile - Statement of Comprehensive Income

	2010 $'000's	2011 $'000's	2012 $'000's	2013 $'000's	2014 $'000's
Income					
Sales of goods and services	717,246	804,181	1,039,693	1,541,617	1,978,012
Other income	9,687	8,591	11,438	13,616	29,621
TOTAL INCOME	**726,933**	**812,772**	**1,051,131**	**1,555,233**	**2,007,633**
Less Expenses					
Labour	100,763	104,660	104,802	123,242	149,941
Direct operating expenses	319,018	374,930	590,001	960,782	1,319,456
Depreciation and amortisation of non-current assets	77,681	79,873	82,273	91,373	88,230
Impairment of non-current assets	-	-	-	484,315	220,492
Finance costs	80,337	80,481	86,687	67,501	79,840
Fair value movements	(259,194)	(116,389)	85,571	1,923	(162,110)
Other operating expenses	76,248	72,812	83,928	82,074	128,054
TOTAL EXPENSES	**394,853**	**596,367**	**1,033,262**	**1,811,210**	**1,823,903**
NET PROFIT/(LOSS) BEFORE TAX	**332,080**	**216,405**	**17,869**	**(255,977)**	**183,730**

Five Year Profile - Balance Sheet

	2010 $'000's	2011 $'000's	2012 $'000's	2013 $'000's	2014 $'000's
Assets					
Cash and cash equivalents	3,038	13,199	7,061	39,806	13,012
Investments	121,790	-	34,557	66,696	68,866
Receivables	82,657	114,253	142,062	220,828	241,086
Property, plant and equipment	4,161,631	4,414,220	4,484,569	4,188,436	3,969,768
Financial and other assets	759,886	964,922	1,137,587	613,592	743,2089
TOTAL ASSETS	**5,129,002**	**5,506,594**	**5,805,836**	**5,129,358**	**5,035,941**
Liabilities					
Payables	69,935	81,260	124,700	142,732	176,073
Provisions	363,461	371,154	467,247	551,369	559,090
Interest bearing liabilities	872,864	983,366	856,806	905,795	864,003
Tax liabilities	749,099	804,684	801,713	621,103	555,087
Financial liabilities	1,191,713	1,252,677	1,423,323	1,119,204	1,066,047
TOTAL LIABILITIES	**3,247,072**	**3,493,141**	**3,673,789**	**3,340,203**	**3,220,301**
NET ASSETS	**1,881,930**	**2,013,453**	**2,132,047**	**1,789,155**	**1,815,640**
EQUITY	**1,881,930**	**2,013,453**	**2,132,047**	**1,789,155**	**1,815,640**

Five Year Profile - Capital Works

	2010 $'000's	2011 $'000's	2012 $'000's	2013 $'000's	2014 $'000's
Expenditure					
Generation assets	78,423	48,049	147,310	85,732	71,034
Bass Strait Islands	860	1,144	6,389	1,828	1,164
Communications	7		-	-	
Land and buildings	973	823	956	1,286	686
Fleet	2,784	1,938	2,159	2,887	3,646
Information systems	10,299	9,279	20,617	57,047	35,904
Renewable developments	-	-	3,584	8,654	412
Other assets	2,187	3,105	5,120	6,604	5,426
TOTAL CAPITAL EXPENDITURE	**95,533**	**64,338**	**186,135**	**164,038**	**118,272**

Long-term sustainability indicator (LSI) summary

Sustainability Code principle	Element and sustainability commitment	Long-term sustainability indicator	Read more
Economic	**Long term business value** We make sound commercial and investment decisions in our chosen markets, to deliver long-term business value and meet shareholder expectations.	Shareholder equity	16
		Credit rating	16
		Total returns to government	16
	Low cost provider of supply We leverage our low carbon generation and competitive customer focus to create value for our shareholders, the people of Tasmania	Base operating expenses	16
		Cost-competitive supply to back retail sales	16
Governance	**Risk and governance processes** We make our decisions within comprehensive governance and risk management frameworks while seeking to continually improve our business processes.	Risk exposure	22
	Compliance We make ethical decisions by applying our values, sustainability principles and Code of Ethical Behaviour, complying with relevant legislation and delivering on the commitments we make.	Compliance risk	22
Customers	**Customer satisfaction** We know our customers have a choice. We aim to be the first choice through understanding, responding and delivering sustainable solutions to our customers.	Entura total sales ($m)	26
		Client satisfaction rating	26
		Customer mix	26
		Momentum total retail electricity sales (TWh)	26
		Retention rates	26
		Customer mix	26
	Products and services We are innovative and creative in developing new products and services in response to the needs of our customers and in order to retain our competitive edge in the marketplace	Client perception score for Entura; Momentum's ability to offer smart and innovative products and services	26
		Hybrid off-grid product firmly established	26
Infrastructure and resources	**Asset safety and reliability** We manage our infrastructure optimally for present and future reliability and with the highest standards of safety.	Asset performance, safety and compliance obligations as detailed in the 10-year asset management plan	29
		New generation asset completion	29
	Resource use We manage our resources optimally for present and future reliability.	Business value	29
		Water rights	29
Environment	**Ecosystems and heritage** We aim to minimise our impact on the environment and seek opportunities to enhance environmental and cultural values.	Environmental conditions in Hydro Tasmania operational areas	33
	Carbon status As climate change has significant implications for our business we are committed to being part of a sustainable solution	Emissions intensity	33
Community	**Community engagement** We aim to have regular, open and transparent dialogue with our community	Level of community awareness	39
	Community capability We aim to make a genuine difference in the communities in which we operate	Staff participation in the Community Initiative	39
	Suppliers and partners We work with our customers, stakeholders, suppliers and partners to contribute to a sustainable future.	Suppliers' alignment with Hydro Tasmania's sustainability principles	39
People	**Attraction, capability and retention** We will continue to: – offer opportunities for our employees to grow and develop – reward, recognise and value employee contribution – listen and engage with our employees and maintain sound employment relations – ensure a diverse and equitable workplace	Staff engagement score	43
		Percentage of work and development plans implemented	43
	Safety, health and wellbeing We provide a safe and healthy working environment	Lost time injuries	43
		Safety reporting index	43
		Participation in Healthy Hydro	43

Abbreviations, acronyms and glossary

AETV Pty Ltd	The trading name for the electricity/gas sales entity that includes the Tamar Valley Power Station
Basslink	An undersea high-voltage direct current cable carrying electricity between Tasmania and Victoria owned by CitySpring Infrastructure Fund through Basslink Pty Ltd
BBB financial strength	Assessment of an organisation's financial strength based on Standard and Poor's method. BBB reflects an investment-grade credit rating whereby the organisation has adequate capacity to meet financial commitments but Is more subject to adverse economic conditions
CEO	Chief executive officer
CSO	Community service obligation
EBIT	Earnings before interest and tax
Emissions intensity	greenhouse gas emissions per unit of energy generated. Measured in tonnes of carbon dioxide equivalent per megawatt-hour (tCO_2e/MWhr)
FTE	Full-time equivalent
GBE Act	*Government Business Enterprises Act 1995* (Tasmania)
GRI	Global Reporting Initiative
HSE	Health, safety and environment
Kaplan turbine	A propeller-type water turbine which has adjustable blades
KIREIP	King Island Renewable Energy Integration Project
LSI	Long-term sustainability indicator
LTI	Lost time injury: an absence from a complete shift due to workplace injury (scheduled work only)
Ministerial Charter	A requirement of the GBE Act; it specifies broad policy expectations of Ministers for the Government Business Enterprise and its subsidiaries
NEM	National Electricity Market
Net promoter score	A measure for client satisfaction based on the response to a direct question: *How likely is it that you would recommend our company/product/service to a friend or colleague?* The result is calculated by subtracting the percentage of customers who are Detractors (survey scores <7 out of 10) from the percentage of customers who are Promoters (survey scores >8 out of 10)
OHS	Occupational health and safety
RET	Renewable Energy Target where 20 per cent of Australia's electricity comes from renewable sources by 2020
Shareholding Ministers	For Hydro Tasmania: Treasurer and Minister for Energy
SmilePower	Momentum Energy power product
Special Water Licence	A Special Water Licence has been granted to Hydro Tasmania under the Tasmanian *Water Management Act 1999*. Under the licence, we are responsible for prudent management of an extensive network of modified lakes, rivers, streams and canals flowing through a diverse range of landforms and land use zones, each of which have unique aquatic issues
SRI	Safety reporting index: the number of reported hazards and near-misses divided by the total number of injuries
'the Hydro'	the affectionate abbreviation of the Hydro-Electric Department and Hydro-Electric Commission before branding as Hydro Tasmania
TVPS	Tamar Valley Power Station
TWWHA	Tasmanian Wilderness World Heritage Area

Measuring water storage levels

Mersey River below Parangana Dam

Hydro Tasmania publishes water storage data in two ways: 'energy in storage', and 'lake levels'.

Lake levels are reported as metres below full and are a measure of the level of the lake relative to its full supply level.

Energy in storage is the amount of electricity that could be generated from the water stored in a lake. Storage levels are described as 'x per cent full in energy terms' or 'per cent full of energy' or 'gigawatt hours'. The figure is not the same as the level of water in the storage. Energy in storage can be reported for the system as a whole or for individual lakes.

The preferred operating minimum level forms part of our obligations to prudently manage our water storages, and is a seasonal energy in storage level for the system as a whole. We aim to keep above this level under median inflows.

Economic Operating Levels are seasonal lake level targets that ensure a reasonable balance between risk of spill and risk of energy shortfall.

Terms of energy measurement

kW – kilowatt	One kW = 1000 watts. A watt is the rate at which electrical energy is produced or used.
MW – megawatt	One MW = 1000 kilowatts or one million watts.
kWh – kilowatt hour	The standard unit of energy, equivalent to production or consumption at the rate of one kilowatt for one hour.
MWh – megawatt-hour	One MWh = 1000 kilowatt hours.
GW – gigawatt	One GW = 1000 megawatts or one million kilowatts.
GWh – gigawatt hour	One GWh = 1 million kilowatt hours, or 1000 megawatt hours.
TW – terawatt	One TW = 1000 gigawatts or one million megawatts.
TWh – terawatt hour	One TWh = 1000 gigawatt hours, or one million megawatt hours.
kV – kilovolt	One kV = 1000 volts. A volt is the unit of potential or electrical pressure.

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We welcome feedback, comments and any queries regarding this report or its contents so that we can continue to improve its value to our readers. Contact us by phone on 1300 360 441 or email contactus@hydro.com.au or write to GPO Box 355, Hobart, Tasmania, Australia 7001

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