Hydro Tasmania

Powering the clean energy transformation

Annual Report 2021

Our vision

Empower people and communities with clean energy

Our values

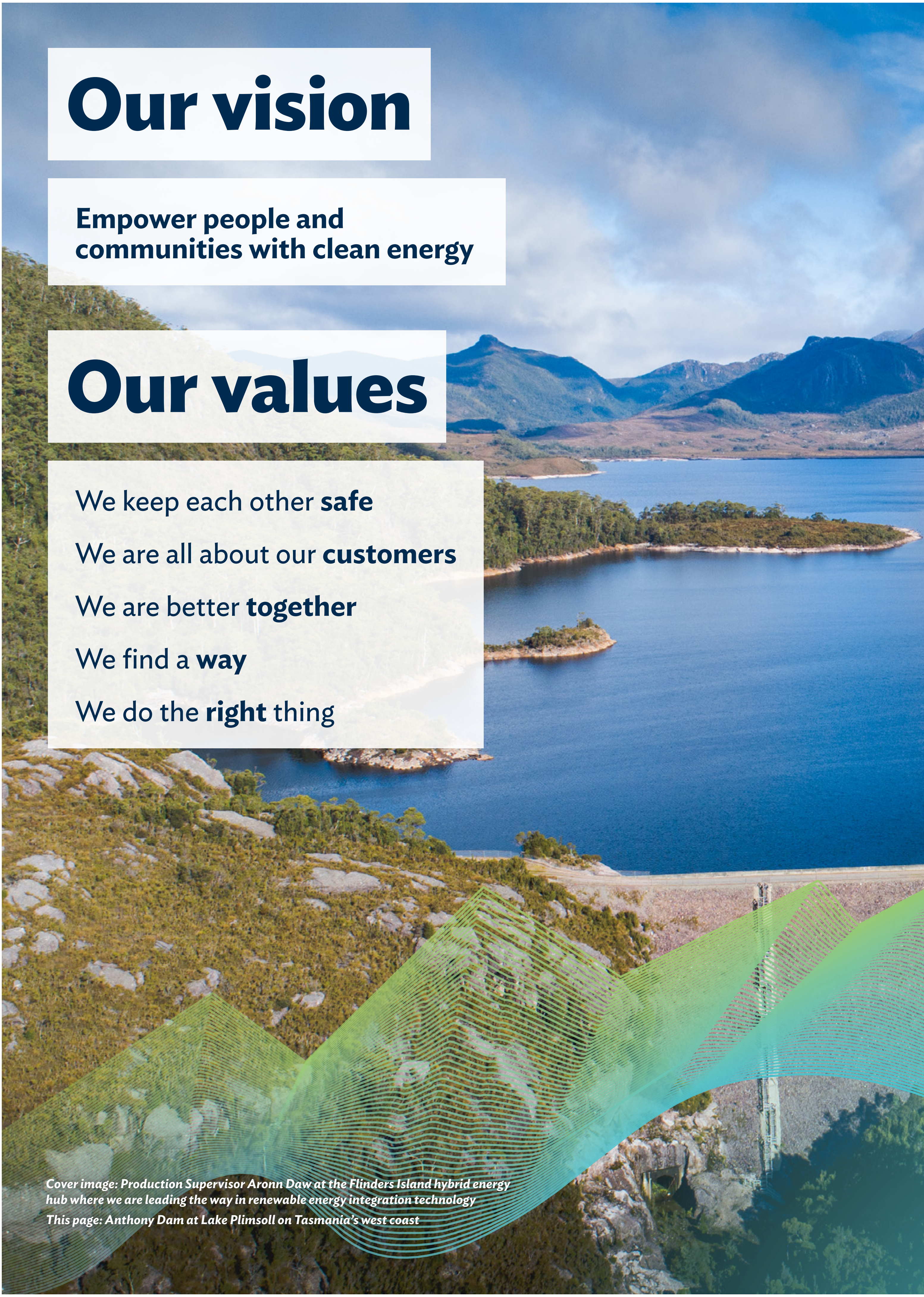
We keep each other **safe**

We are all about our **customers**

We are better **together**

We find a **way**

We do the **right** thing



Cover image: Production Supervisor Aronn Daw at the Flinders Island hybrid energy hub where we are leading the way in renewable energy integration technology

This page: Anthony Dam at Lake Plimsoll on Tasmania's west coast

Directors' statement

To the Honourable Guy Barnett MP, Minister for Energy and Emissions Reduction, 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 ending 30 June 2021. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

Grant Every-Burns
Chairman, Hydro-Electric Corporation
September 2021

Kenneth Hodgson
Director, Hydro-Electric Corporation
September 2021

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance

The short-tailed rain crayfish, thought to be extinct, has been found alive and well in creeks flowing into Lake Burbury, near Queenstown, as part of a Hydro Tasmania environmental survey

Despite another challenging year with ongoing impacts from COVID-19, we've seen significant achievements and a transformation of our business for the future.

As the National Electricity Market continues its rapid transition, we have restructured our organisation to capitalise on the opportunities presented by this change, to become more resilient to this unprecedented industry disruption and ensure our sustainability and future success.

Our *Battery of the Nation* initiative made significant progress and we are now poised to play a key role in Australia's transition to a clean energy future, with strong Tasmanian and Australian Government support.

We've managed our storages prudently, remaining well above the High Reliability Level while also achieving strong returns through favourable trading conditions.

With COVID-19 continuing to impact across Tasmania, we went above and beyond for our communities, collaborating with community partners on initiatives to support hard-hit sectors and help the state's recovery.

Achievements

- We achieved a strong underlying profit of $217 million, above the budgeted target.
- We continued to keep each other safe, achieving a below target Total Recordable Injury Frequency Rate (TRIFR) of 4.18.
- Lake Cethana was announced as our preferred Tasmanian pumped hydro site after detailed investigations looked at our top 3 opportunities.
- The *Battery of the Nation* initiative was part of a new Energy and Emissions Reduction Bilateral Agreement signed between the Tasmanian and Australian Governments, which outlines a shared path forward for progressing both *Battery of the Nation* and the Marinus Link interconnector.
- We headed to Agfest for the first time, welcoming over 3,400 people to our tent over 4 days and enjoying a very high satisfaction score from our visitors.
- The trust the Tasmanian community shows in us grew, with our Net Trust Score increasing from +40 in 2019 to +49.
- The first stage of work on a $20 million upgrade to the Murchison Dam spillway capacity was completed and we made significant progress on a multi-year $80 million refurbishment program for Trevallyn, Catagunya and Lake Echo power stations.
- We installed an eel bypass at Trevallyn Dam to allow the endemic short-finned eel to travel downstream during their migration season, sending them on a journey all the way from the Tamar Estuary / kanamaluka to the Coral Sea off the coast of Queensland.
- A decision in the arbitration process covering a number of disputes between Hydro Tasmania and Basslink Pty Ltd (BPL) was handed down in late 2020, with favourable findings for Hydro Tasmania. The Arbitrator also made a decision on the award of costs, awarding $26 million to Hydro Tasmania.
- Entura was appointed by Australia's Department of Foreign Affairs and Trade to the panel of preferred service providers for the Australian Infrastructure Financing Facility for the Pacific (AIFFP).

Hydro Tasmania is the first Tasmanian business to become a Gold Partner of The Pinnacle Foundation, supporting young LGBTIQ+ tertiary students

Core drilling at Trevallyn Dam to install our innovative eel bypass

- Momentum Energy achieved positive growth, adding approximately 7,000 customer sites, despite challenges with ongoing COVID-19 lockdowns in Victoria. The business also expanded geographically, launching mass market retailing in Queensland.
- We successfully and smoothly transitioned our Tasmanian workforce back to the office environment after a sustained period of working from home due to COVID-19.
- Our commitment to diversity and inclusion was demonstrated through new partnerships with Mentor Walks and The Pinnacle Foundation, and our employee volunteering program was nominated as a finalist in the 2020 Volunteering Tasmania Awards.
- We continued to invest in our recreational sites to provide an even better user experience for Tasmanians. This included new works at Lake Trevallyn picnic area to create a more accessible and safer space, and improved boating facilities at Lake Barrington, completed alongside Marine and Safety Tasmania (MAST) and the Kentish Council.
- Our assets were in the spotlight, with Gordon Dam hosting 'A Piano of Tasmania' performance on the dam wall and the Tasmanian leg of The Amazing Race Australia.
- We rediscovered the short-tailed rain crayfish, once thought extinct, with a waterways survey finding them still living on the shores of Lake Burbury, near Queenstown.
- Our education program, Generation Hydro, reached over 5,200 students and teachers through our programs and events, all designed to spark interest in science, technology, engineering and maths in the next generation.
- We were a major sponsor of:
  - Cricket Tasmania and the Hobart Hurricanes with the formation of a new partnership to support the Hurricanes' programs and much of the activity Cricket Tasmania undertakes in the community.
  - Engineers Australia Tasmania division Driving Diversity Scholarships which support more women entering engineering careers.
  - The Beacon Foundation, announcing a multi-year partnership to help young people transition from education into meaningful employment.
  - The University of Tasmania, providing generous contributions over a three-year period for an Australian Research Council Linkage project on wombat health and ways to combat the devastating effects of mange.
  - Mentor Walks, opening up opportunities for Tasmanian women to receive access to CEOs, executives and other female professionals for career advice and support.
  - The Mind Games, a fun, action-packed corporate event promoting mentally healthy workplaces and raising money for research to support better prevention and treatment of mental illnesses.
- Our dedicated COVID-19 Recovery Program supported local business, not-for-profits and community groups with more than $200,000 in funding, bringing our total COVID-19 program funding since March 2020 to $450,000.
- On top of this, we provided more than $50,000 to 11 organisations through our Community Grant Program and introduced new innovation grants, aimed at helping organisations adapt to changes from COVID-19.

Challenges

- The COVID-19 pandemic continued to cause disruption to our business, however we adapted to find new COVID-safe ways of working and delivering our essential service of keeping the lights on in Tasmania.

Awards

- Our COVID-19 Recovery Program was announced as the winner of the Clean Energy Council's 2021 Community Engagement award.
- Our innovative eel bypass at Trevallyn Dam won the Regional Infrastructure Project Award at the Australian Water Association (AWA) Tasmanian Water Awards.
- Bunfu Yu, Entura's Professional Land Use Planner, won the Outstanding Student Project award at the 2020 National Awards for Planning Excellence hosted by Planning Institute Australia (PIA).
- Seth Langford, a leading specialist renewable energy engineer at Entura, was named Professional Engineer of the Year at the Tasmania Engineering Excellence Awards.

Above: ***Waddamana was Hydro Tasmania's first power station and now as a heritage site, it welcomes more than 7,000 visitors annually***

Contents

Above: We're helping the University of Tasmania to conduct important field research to treat and protect wombats from sarcoptic mange

Message from the Chairman and Chief Executive Officer

Chairman Grant Every-Burns

Chief Executive Officer Evangelista Albertini

Foreword

This has been a year to reflect, review and transform, for our business and our people. We exist to provide essential services to the people of Tasmania and ensuring our ongoing sustainability and future prosperity is vital. This has been our focus throughout our 100 year history and it is now more important than ever in the face of unprecedented change in the energy industry.

We've seen another successful year for the business, despite ongoing challenges as the effects of COVID-19 continue to be felt in communities, cities and countries around the world. Once again, our people have demonstrated their passion, dedication, pride and commitment to delivering the best outcomes for Tasmania. We must acknowledge that they did this in trying circumstances as we underwent a necessary but difficult business transformation. We have defined a new future for ourselves and we have structured our business to give us the agility to adapt to market disruption and take advantage of the opportunities presented by the clean energy transition.

Tasmania is on the cusp of an exciting renewable energy future, powered by *Battery of the Nation* and Marinus Link, leveraging our natural advantages to grow our clean energy contribution and becoming the catalyst for sunrise industries like hydrogen. An ambitious plan has been outlined by the Tasmanian Government in its Tasmanian Renewable Energy Action Plan.

Our incredible renewable energy legacy positions us to lead the way. Hydro Tasmania is already demonstrating Tasmania's expertise and innovation on the national stage with ground breaking projects on Flinders and King Island. We have been steadily delivering outstanding results in integrating renewable energy, moving away from fossil fuels and showing how communities can adapt and embrace clean energy.

There is no doubt that Tasmania can help power a clean energy transformation and this year, many encouraging steps have been taken to bring that vision to reality.

We can look to the future with pride and expectation, knowing that our efforts and contributions – large and small - are laying the foundation for future prosperity and for renewable energy to become a vibrant fourth pillar of the Tasmanian economy, alongside tourism, agriculture and education. And all while we quietly get on with our core business of delivering for Tasmanians.

Operations report

Lake Cethana is our preferred site for pumped hydro development

COVID-19 response

For more than a century, Hydro Tasmania has been committed to growing and strengthening Tasmanian communities. When COVID-19 struck, we recognised the need to step up that support and play a key role in the state's recovery. Our COVID-19 Recovery Program reassured Tasmanians that we were adapting to the conditions and supporting communities. The immediate response was to ensure we kept Tasmania's lights on while our people and communities remained safe.

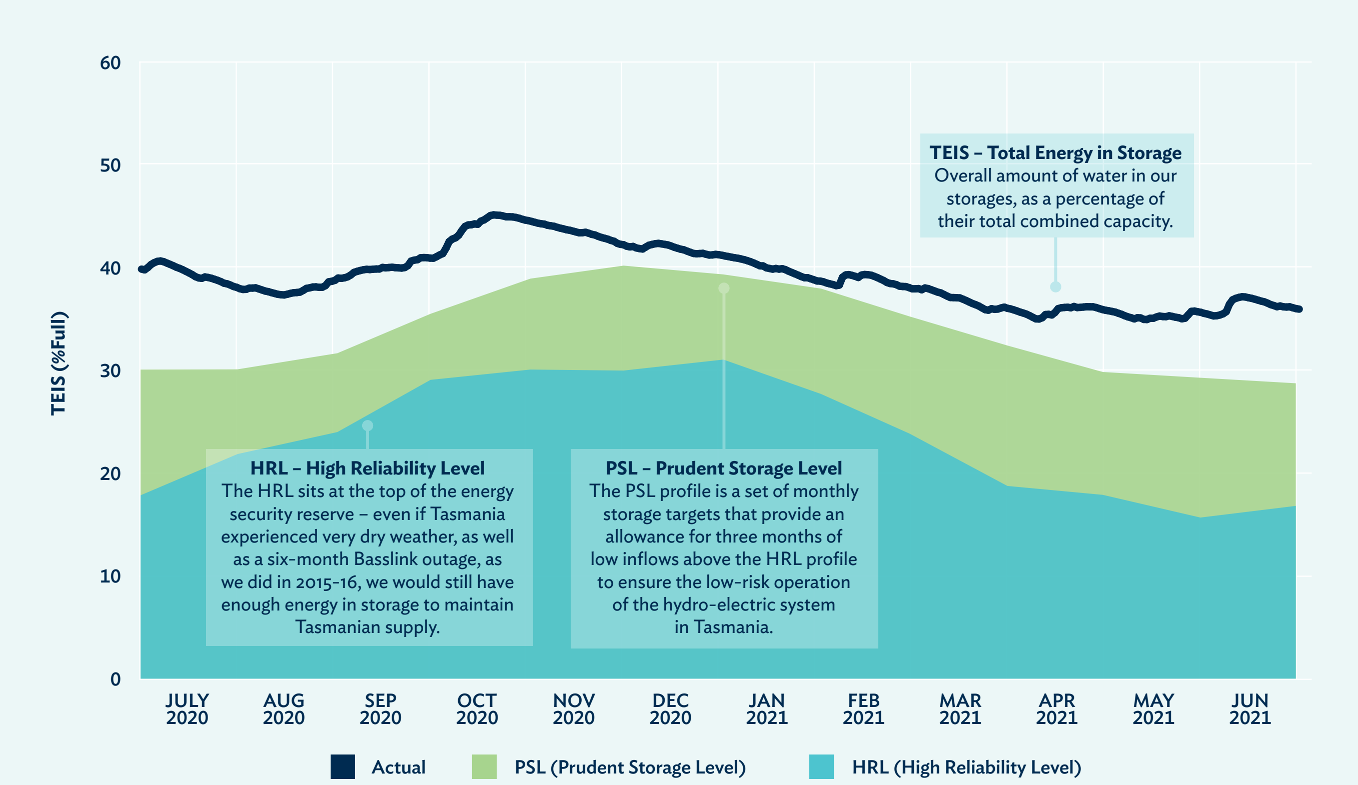
This year, our focus has been on supporting Tasmania's recovery as the effects of COVID-19 continue to ripple through communities. We have partnered with community organisations to deliver initiatives to assist hard-hit sectors and vulnerable groups. We have also targeted assistance to industries that were facing ongoing impacts and those providing support to people in a more digitally connected world. Great examples of this are initiatives with West by Northwest and Libraries Tasmania which have been instrumental in helping communities adapt to the 'new normal'.

As a major contributor to Tasmania's economy and prosperity, we were well placed to increase support to communities in need. Through the passion and dedication of our people, we supported local business, not-for-profits and community groups with more than $200,000 in funding. This brings our total COVID-19 Recovery Program funding since March 2020 to $450,000.

We also provided more than $50,000 to 11 organisations through our Community Grant Program and introduced new innovation grants, aimed at helping organisations adapt to changes resulting from COVID-19.

We have supported our people and kept them safe, including smoothly transitioning our Tasmanian office and call centre workforces back into the office environment. Comprehensive safety and wellbeing processes are in place to continually monitor the pandemic situation and ensure preparedness for a rapid change in our business operations. This includes a COVID-19 Incident Management Team which is convened to guide business decisions and actions that ensure we protect the safety of our people and the community, keep the lights on and minimise disruption to our business and customers.

Figure 1: How we measure energy security



The PSL and HRL are components of the Energy Security Risk Response Framework.

Our people

Transformation is key to Hydro Tasmania's sustainability and future success. As the National Electricity Market (NEM) undergoes unprecedented disruption, we must adapt. This year, we undertook an organisational restructure to ensure we are well placed to capitalise on the opportunities presented by the transformation of the Australian energy sector. Our core business is generating clean and affordable electricity for Tasmanians, and we must adapt quickly to take advantage of opportunities that will grow our business and return economic value to Tasmania.

The changes focused on organising our business around delivery of core services and positioning for the future, while flattening the structure to empower our people. A number of new roles were created and a number of previous roles were no longer required. These structural changes are being supported by technology investment, increased automation and a focus on future proofing the business by ensuring we have the skills, expertise and asset base to thrive in the future energy market.

To support our people to do their best work, we've introduced initiatives for skills development, improved our employee induction process and refreshed processes around professional development, recruitment, remuneration and safety.

We continued to demonstrate our commitment to workplace inclusion and improving the lives of people with disability by progressing the goals set out in our Disability and Inclusion Action Plan, which was lodged with the Australian Human Rights Commission in 2020. Two important partnerships were launched with The Pinnacle Foundation, supporting the LGBTIQ+ community with scholarships, mentoring and advice, and Mentor Walks, linking Tasmanian women with a professional female network for career advice and support.

Energy security

Hydro Tasmania maintained a secure level of energy in storage throughout the year and remained well above the High Reliability Level required by the Tasmanian Energy Security Risk Response Framework. This was achieved in a below average inflow year, with Total Energy In Storage ending June 2021 at 36.2 per cent, a secure position Tasmania can have confidence in.

Generating pedal power at Agfest, where we welcomed more than 3,000 people through our display across four days

Finances

It is very pleasing to report another strong yearly result for the people of Tasmania, with an underlying profit of $217 million, 20 per cent above our corporate target of $180 million. This is an outstanding effort in a year of below average inflows, which means less ability to generate. Favourable trading conditions in the National Electricity Market and significant one-off payments countered the impacts of reduced generation revenue.

As the energy industry continues to transition, we expect to see increasing levels of market volatility. Our business must adapt and position itself to operate successfully in a lower revenue environment.

Over the past year, business improvement initiatives have resulted in cost savings of more than $40 million.

Hydro Tasmania's net debt at 30 June 2021 was $647 million, which has increased by $20 million on the previous year due to investment in our asset and information technology portfolios and the progression of *Battery of the Nation*.

We continue to provide a dividend return to the people of Tasmania, supporting economic stimulus and delivery of programs to support Tasmanians through these challenging times.

Capital investment

The maintenance and modernisation of our generation assets continues to be our biggest investment, reflecting its central importance to the business and the state. Our capital investment program included the following projects.

- Completion of full generating unit refurbishments of Trevallyn Unit 2 and Catagunya Unit 1, and commencement of similar refurbishment of Trevallyn Unit 1, Catagunya Unit 2 and Lake Echo. These refurbishments not only reset the condition of aged assets constructed in the 1950s and 1960s but bring increases in efficiency and maximum capacity. These projects represented a major portion of our capital investment, with refurbishment of the five units costing approximately $80 million over multiple years.
- Continuation of a program to replace the aged secondary systems at Gordon Power Station, with new modern digital unit controls, governors and excitation systems installed on Unit 1 and Unit 3. This program cost approximately $10 million across two years in supply, planning and installation.

- A $3.3 million project to replace the original excitation, governor and protection systems on Reece Unit 1 and John Butters.
- Completion of a $4 million suite of upgrade works at the start of the Liawenee Canal.
- Completion of a project to re-support and replace corroded rock bolts in the Tribute headrace and access tunnels at a cost of $5.5 million over two years.
- Signing of a contract for supply and configuration of a replacement Energy Control System (ECS) for the automated control and dispatch of the generating assets. The ECS replacement will cost approximately $15 million over the next two years.
- Completion of the first stage of work on a $20 million upgrade to the capacity of the Murchison Dam spillway, in line with modern guidelines.

Battery of the Nation

Significant progress was made on realising our *Battery of the Nation* initiative. From a shortlist of three potential sites for pumped hydro development, we announced the north-west Cethana site as our preferred location. We advanced further technical studies on the proposed design, environment, heritage and social considerations and connected with local communities. With support from the Australian Renewable Energy Agency, we concluded our $5 million feasibility study into reimagining the Tarraleah hydropower scheme to suit a future electricity market.

These two flagship projects for *Battery of the Nation* were part of a new bilateral Energy and Emissions Reduction Agreement signed between the Tasmanian and Australian Governments. The Memorandum of Understanding provides a shared pathway for progressing both *Battery of the Nation* and the Marinus Link interconnector.

We welcomed the Federal Government's ongoing support of Marinus Link, with funding committed to support reaching an investment decision and establishment of a new special purpose body to oversee the project. Marinus Link will unlock Tasmania's full renewable energy potential and we stand ready to play our part in powering the transformation of Australia's energy future.

Market innovation

As we look to the future and a vastly transformed electricity market, innovation is driving the sector. We're helping to lead the way, launching the first-ever trade deal for stored energy brokered with Renewable Energy Hub. The innovative 'virtual storage' electricity swap contract is for the buying and selling of stored energy, providing revenue certainty to storage owners and buyers over a long period of time.

Climate adaptation

Weather and climate are at the core of our business. Rain provides the fuel that powers our hydropower turbines, wind drives our wind farms. A very hot or cold day increases the demand for the electricity we produce. We use weather forecasts and climate outlooks every day to assist with operational decision making and long term investment decisions. We pay very close attention to how the climate may be changing over the longer term and to the weather forecast for next week.

Hydro Tasmania has a strong relationship with the Bureau of Meteorology at both the local and national level. We receive regular and targeted briefings on the weather that is expected in both Tasmania and our mainland electricity markets.

Over the past four years, we have engaged with climate researchers at CSIRO to investigate how we could use their decadal climate outlooks in our longer term operational planning. Our civil engineers are participating in a national research project to identify how a changing climate is affecting spillway capacity requirements.

We recognise that climate change poses a risk and an opportunity for our business. Among the identified physical risks are those posed by changing rainfall and inflows to our storages, and increased frequency of bushfires. There are also opportunities presented by the NEM's transition to renewables. With the increasing penetration of variable solar and wind energy, there will be a need for firming to ensure reliability of supply, a service we are well positioned to provide through our deep storage capacity.

As a renewable electricity generator, Hydro Tasmania has a very low emissions profile. We have reduced our reportable emissions by 350,000 tonnes (of carbon dioxide equivalents) over the last 5 years and we aim to reduce our emissions further. We have commenced work to quantify and scope our indirect emissions.

National energy policy

Long-term energy and climate policy is critical to provide a stable framework for investment and market confidence. Hydro Tasmania continues to advocate for the policy mechanisms and measures that will bring about lasting confidence, stability and certainty for the energy market as it undergoes unprecedented disruption and change.

Hydro Tasmania has taken this advocacy to the international stage. We are long standing members of the International Hydropower Association (IHA). This year, we stepped up our involvement, joining the International Forum on Pumped Storage Hydropower and we are sharing our expertise and experience in the development of key insights papers looking at policy and market frameworks, sustainability and innovation. We will be participants in the World Hydropower Congress later in 2021 which is bringing international focus to the positive role of hydropower in the global renewable energy transition.

Momentum Energy

During the year, Hydro Tasmania announced a strategic review of our mainland retailer Momentum Energy, including a potential sale. Momentum Energy has delivered significant achievements through the year for both its customers and for Hydro Tasmania's retail growth strategy. Momentum Energy's focus will now be on revising its retail strategy to optimise markets, customer products and solutions, and maximise value.

COVID-19 maintained an ever present influence on Momentum Energy's activity throughout the year, with changing customer usage, uncertain customer ability to pay and continued regulatory expectations. Momentum Energy introduced a number of measures to ensure that additional customer support continued throughout this period, including introducing payment smoothing functionality, increasing access to payment plans, debt payment matching for customers under extreme duress and pausing all debt based disconnections.

Momentum Energy continued to grow by adding an additional 7,000 customer sites. This growth was underpinned by an expansion into the Queensland electricity market, a shifting focus to business customers and further improvements to both product features and customer servicing channels. Due to extended lockdowns, removal of key acquisition markets and continued high competition, Momentum Energy balanced profitability against growth throughout the year.

Alongside having the workforce in Melbourne working from home for large parts of the year due to lockdown, Momentum Energy continued to transition functions and related roles to Tasmania. There are more than 80 roles now based in Cambridge. Continued support was offered to staff during COVID-19 and whilst disruptive, engagement and collaboration were maintained.

Entura

Our specialist power and water consulting business has delivered exceptional results, despite the ongoing challenges to service delivery nationally and internationally due to COVID-19. Entura has successfully adapted its business to continue to provide valued expertise and service to its clients and showcase its expertise.

Entura was appointed by Australia's Department of Foreign Affairs and Trade to the panel of preferred service providers for the Australian Infrastructure Financing Facility for the Pacific (AIFFP). This positions the business well for expanding its pipeline of power and water projects in the Pacific region.

Entura continued its work as Owner's Engineer for the Kidston Pumped Storage Hydro Project in Queensland which reached a major milestone this year, achieving financial close. Entura will play a vital role in ensuring timely, quality outcomes for Genex Power during the construction phase of this project. Other key projects include the Ross Island Wind Energy Network in Antarctica, supporting commissioning of the Granville Harbour Wind Farm on Tasmania's west coast and oversight of the Cattle Hill Wind Farm in Central Tasmania.

We are proud that Entura improved its service delivery performance for the second consecutive year, especially in light of ongoing COVID-19 challenges to a client-facing business. The 'excellence score' looks at client feedback on reliability, responsiveness, competency and trust.

Entura Managing Director Tammy Chu, centre, welcomes Genex Power's achievement of financial close on its flagship 250 MW Kidston Pumped Storage Hydro Project in North Queensland with Genex Executive Director Simon Kidston, left, and Genex Non-Executive Director Michael Addison

For Tasmania

Supporting the communities in which we work is a core part of our activity. Through new strategic partnerships formed this year, we can deliver more grass roots support and opportunities for community connection. Our support of the Hobart Hurricanes and Cricket Tasmania is providing community access to great sporting events and promoting healthy lifestyles for Tasmanians.

We know that Tasmanians love to see our assets up close and while we haven't yet reintroduced our power station open days due to COVID-19, we have encouraged visitation to our iconic Waddamana Power Station Historic Site following its reopening in January. A special 'New Ways of Living' exhibit showcases how a reliable supply of electricity changed the domestic lives of ordinary Tasmanians.

We are passionate about ensuring that Tasmania's precious water resource remains healthy and available for future generations. That's why we are systematically reviewing the state of our six major water catchments. Assessments are carried out in consultation with stakeholders and consider social, environmental and economic conditions and management practices. We commit to actions that achieve the greatest environmental and social benefits.

This year, we completed our sustainability review of the King and Yolande schemes. Our program of commitments will ensure ongoing collaboration with stakeholders, the implementation of planned actions, the protection of water quality and river health, cultural heritage, and the improvement of weed management in these important west coast catchments.

We are looking to the future with our Generation Hydro education program, supporting an increased interest in STEM learning and preparing Tasmanians for future careers in renewable energy.

Conclusion

Tasmanians can feel proud of our achievements as we have continued to adapt to challenges and disruption, with a keen eye on preparing for a successful future. We are well positioned to help power the clean energy transition. We will continue to deliver for our custodians, the people of Tasmania, and protect and care for the waterways, environment and natural assets that we all utilise and enjoy.

*Above: **Surveying the water quality and fish health at yingina / Great Lake***

Statement of Corporate Intent

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

Hydro Tasmania

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

Momentum Energy

Our electricity and gas retailer, Momentum Energy, is a leading supplier of electricity and gas solutions to business customers and residential markets across Australia, providing competitive rates and quality sustainable products and services.

Entura

Our consulting business, Entura delivers clever solutions in water and energy to clients locally, nationally and internationally.

Figure 2: Active ownership structure

State of Tasmania

Hydro-Electric Corporation trading as Hydro Tasmania

Wholly-owned and controlled subsidiaries

- AETV Pty Ltd
- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd
- HT Wind Operations Pty Ltd
  - HT Wind Developments Pty Ltd
  - Hydro Tasmania Retail Pty Ltd
  - Heemskirk Holdings Pty Ltd
    - Heemskirk Wind Farm Pty Ltd
  - Woolnorth Bluff Point Holdings Pty Ltd
  - Woolnorth Studland Bay Holdings Pty Ltd
- Hydro Tasmania Consulting (Holding) Pty Ltd
  - Entura Hydro Tasmania India Private Limited
- Hydro Tasmania South Africa (Pty) Ltd
  - Hydro Tasmania Neusberg (Pty) Ltd (92% ownership)
- Lofty Ranges Power Pty Ltd
- Momentum Energy Pty Limited
- RE Storage Project Holding Pty Ltd

Joint Ventures (50% holding)

- Cathedral Rocks Constructions and Management Pty Ltd
- Terminal Storage Mini Hydro (SA Water Corporation and Lofty Ranges Power joint venture) - unincorporated

Associates (25% holding)

- Woolnorth Wind Farm Holding Pty Ltd
  - Musselroe Holdings Pty Ltd
    - Musselroe Wind Farm Pty Ltd
  - Woolnorth Wind Farm Finance Holding Pty Ltd
    - Woolnorth Wind Farm Finance Pty Ltd
      - Woolnorth Bluff Point Wind Farm Pty Ltd
      - Woolnorth Studland Bay Wind Farm Pty Ltd

Operating environment

Hydro Tasmania's strategic focus is to demonstrate long term commercial success and underpin State development targets in such a way that the State's natural water resource and infrastructure continues to sustainably drive economic growth.

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transformation. The need for clean energy in the NEM has never been greater, after a series of fossil fuel power station closures in recent years. Tasmania is uniquely placed to help lead Australia through its energy challenges. Large storage options like reservoir storage hydro, pumped storage hydro and batteries will become much more important as Australia seeks to replace coal-fired power and get more energy from other sources, including solar and wind.

Hydro Tasmania's operating environment is affected by

- A volatile wholesale market driven by increasing penetration of variable renewables coupled with the sequenced closure of aging coal fired generation.
- A highly competitive national electricity retail market.
- Changes in the way that electricity is produced, sold, bought and consumed due to developments in technology and enhanced customer awareness.
- Uncertainties and change in national policies to combat climate change and meet energy supply requirements.

Our strategic direction

Hydro Tasmania is focussed on producing affordable and reliable electricity, profitably and effectively managing the risks faced by the business and achieving sustainable returns to government.

We will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible.

We will continue to grow our mainland retail brand Momentum Energy, creating value for all Tasmanians, by strengthening and diversifying revenue sources and mitigating exposure to strategic risks in the NEM. Our strategy continues to evolve to ensure we can respond flexibly to the rapidly changing operating environment. We will pursue profitable revenue growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks.

The *Battery of the Nation* initiative is pursuing opportunities for Tasmania to make a substantially bigger contribution to a future NEM. Tasmania has the potential to dramatically increase its clean energy contribution to the nation by unlocking the full value of Tasmania's hydropower system and renewable energy resources. If realised, this would be good for Tasmania's economy by delivering employment and attracting new industry and supporting reliable, cost competitive energy supply for customers in Tasmania and in the NEM.

The success of our business is underpinned by our people, the effective management of Hydro Tasmania's water resource and generation assets, and the systems and processes in place to support our business operation. Efficiencies in each of these areas are an essential part of our strategy and we are committed to making improvements in each of these areas so Hydro Tasmania can lead Australia's renewable energy transition.

Key financial and non-financial performance indicators and associated targets for FY2021 and are set out in the table below. Dividend recommendations are made annually by Hydro Tasmania's Board, based on financial sustainability and other strategic considerations.

Table 1: Key Performance Indicators

Key performance indicators (KPIs)	FY2020/21
Financial Indicators	
Results before fair value movements and tax	$180.1m
Net debt	$730.8m
Return on equity	8.1%
Capital expenditure	Satisfactory external validation of the ten-year asset management plan
	For capital expenditure projects greater than $500,000: 100% on time and budget
EBIT improvement target	Operating expenditure (excluding retail and exceptional items) of $132m in FY2020/21
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget
Non-financial Indicators	
Total recordable injury frequency rate	<5
Portfolio availability	Availability target of 80 per cent achieved
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices
Storage levels	Consistent with the High Reliability Level

Returns to government (accrual)	
Ordinary dividend	$115.0m
Other returns to government	$66.1m
Total returns to government	$181.1m

Directors’ Statement of Corporate Intent and Agreement of Shareholding Ministers

In signing this Statement of Corporate Intent, the Board of Hydro Tasmania commits to the targets proposed for FY2020/21 on a best endeavours’ basis, subject to Section 24 of the GBE Act. The Board of Hydro Tasmania agrees to provide the Shareholding Ministers with information on progress against the targets included in this Statement of Corporate Intent, as required under the Reporting Guidelines.

This Statement of Corporate Intent has been agreed between:

G. V. Every-Burns
Chairman
Hydro Tasmania

On behalf of the Board

Original signed by

Hon Peter Gutwein MP Premier and Treasurer	Hon Guy Barnett MP Minister for Energy

Performance against the Statement of Corporate Intent

Hydro Tasmania operates under the *Government Business Enterprises Act 1995* (GBE Act) and the *Hydro-Electric Corporation Act 1995*. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year which includes a performance agreement between the business and the shareholding ministers. Performance against the 2020–21 targets is outlined below.

Table 2: **Performance against Statement of Corporate Intent**

Key performance indicators (KPIs)	Target 2020-21	Results
Results before fair value movements and tax	$180.1 million	$216.9 million
Net debt	$730.8 million	$647.3 million
Return on equity	8.1 per cent	9.27 per cent
Capital expenditure	Satisfactory external validation of the ten-year asset management plan	The Strategic Asset Management Plan validated by Ascension Consulting continues to be implemented and refined to meet shareholder expectations amidst a changing external and internal environment
	For capital expenditure projects greater than $500,000*: 100 per cent on time 100 per cent on budget	 100 per cent on time 100 per cent on budget
EBIT Improvement Target	Operating expenditure (excluding retail and exceptional items) of $132m in FY2020/21	$120.9 million
Retail Earnings Before Interest Tax and Depreciation (EBITDA)	Retail EBITDA equal to or greater than budget of $15.4 million	$30.9 million
Total recordable injury frequency rate	<5	4.18
Portfolio availability	Availability target of 80 per cent	Average portfolio availability for the 12 months ending 30 June 2021 was 83.4 per cent
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices	The Hydro Tasmania group has not received any enforceable undertakings or regulatory penalties for the period 1 July 2020 to 30 June 2021
Storage levels – preferred minimum operating level	Consistent with the High Reliability Level	Storages finished the year at 36.2 per cent, above the Prudent Storage Level of 30.0 per cent and High Reliability Level of 22.0 per cent.
Ordinary dividend	$115.0 million	$115.0 million
Total other returns to government	$66.1 million	$67.8 million
Total returns to government	$181.1 million	$182.8 million

* There were ten projects during the year. Each of these projects were completed on time and on budget.

Above: ***Linesperson Jenna Cook gets ready to do maintenance on a transformer on King Island***

Financial Report

For the year ended 30 June 2021

Statement of Financial Performance

for the year ended 30 June 2021

		CONSOLIDATED		PARENT	
	NOTE	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenue					
Sale of products and services	2(a)	1,660,414	1,784,507	804,156	826,277
Fair value gains	2(c)	187,713	205,576	171,207	195,051
Share of profit of associates and joint ventures		15,151	31,397	-	-
Other		36,301	5,636	35,701	4,931
Total revenue		1,899,579	2,027,116	1,011,064	1,026,259
Expenses					
Direct expenses		1,060,549	1,184,848	292,434	306,743
Labour		170,032	159,659	134,228	120,972
Depreciation and amortisation		114,847	125,966	99,995	112,959
Finance expenses	2(b)	39,873	44,185	38,949	43,576
Fair value losses	2(d)	57,691	302,416	56,797	298,637
Revaluation and impairment expenses/(gains)	2(e)	-	878,931	17,200	880,667
Other		98,715	109,173	50,709	60,888
Total expenses		1,541,707	2,805,178	690,312	1,824,442
Profit/(loss) before income tax equivalent expense		357,872	(778,062)	320,752	(798,183)
Comprising:					
Result before fair value movements and revaluation expenses		216,979	171,800	223,542	186,070
Net fair value gains/(losses)		130,022	(96,840)	114,410	(103,586)
Net fair value gains/(losses) from associates and joint ventures		10,871	25,909	-	-
Revaluation and impairment (expenses)/gains		-	(878,931)	(17,200)	(880,667)
Profit/(loss) before income tax equivalent expense		357,872	(778,062)	320,752	(798,183)
Income tax equivalent expense/(benefit)	4(a)	108,759	(234,061)	103,408	(236,677)
Profit/(loss) after tax attributable to owners of the parent		249,113	(544,001)	217,344	(561,506)

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Statement of Comprehensive Income

for the year ended 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
Profit/(loss) after tax attributable to owners of the parent		249,113	(544,001)	217,344	(561,506)
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Revaluation of property, plant and equipment		-	(179,885)	-	(179,886)
Actuarial gain/(loss) on RBF provision	20	12,843	1,302	12,843	1,302
Income tax relating to components of other comprehensive income		(3,853)	53,732	(3,853)	53,732
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		(4)	9	-	-
Fair value gain/(loss) on cash flow hedges					
Interest rate swaps		2,436	1,047	2,436	1,047
Derivative revaluation		108,768	817,838	108,768	817,838
Share of other comprehensive income of associates		1,765	(4,771)	-	-
Income tax relating to components of other comprehensive income		(33,890)	(244,237)	(33,361)	(245,665)
Total other comprehensive income		88,065	445,035	86,833	448,368
Total comprehensive income/(loss) attributable to the owners of the parent		337,178	(98,966)	304,177	(113,138)

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 29 to 92.

Statement of Financial Position

as at 30 June 2021

		CONSOLIDATED		PARENT	
	NOTE	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current assets					
Cash and cash equivalents		18,020	15,143	14,993	12,547
Receivables	6	351,803	341,739	212,770	184,117
Investments	7(a)	74,700	-	74,700	-
Inventories	8	4,506	4,415	4,506	4,415
Other financial assets	11(a)	132,647	234,818	132,647	234,818
Other	12(a)	23,167	13,595	14,080	7,055
Total current assets		604,843	609,710	453,696	442,952
Non-current assets					
Investments	7(b)	-	-	203,827	203,827
Investments in associates and joint ventures	7(b)	71,073	57,440	-	-
Property, plant and equipment	9	3,442,551	3,405,743	3,378,913	3,349,725
Other financial assets	11(b)	704,425	584,974	704,425	584,974
Intangible assets	10	76,233	74,225	41,481	41,610
Goodwill	13	16,396	16,396	-	-
Other	12(b)	14,000	14,503	2,226	1,373
Total non-current assets		4,324,678	4,153,281	4,330,872	4,181,509
TOTAL ASSETS		4,929,521	4,762,991	4,784,568	4,624,461
Current liabilities					
Payables	14	278,773	307,052	212,192	233,165
Interest-bearing liabilities	15(a)	85,957	137,729	84,155	137,729
Provisions	17(a)	330,997	325,441	283,362	270,120
Provision for income tax	4(c)	14,179	240	14,179	240
Other financial liabilities	18(a)	184,697	280,124	184,697	280,124
Other	19	4,345	2,485	172,236	139,216
Total current liabilities		898,948	1,053,071	950,821	1,060,594
Non-current liabilities					
Interest-bearing liabilities	15(a)	679,870	533,644	670,466	533,644
Deferred tax liability	4(d)	276,224	200,623	342,299	281,265
Provisions	17(b)	389,581	412,769	322,364	339,353
Other financial liabilities	18(b)	934,872	1,035,035	934,872	1,035,035
Total non-current liabilities		2,280,547	2,182,071	2,270,001	2,189,297
TOTAL LIABILITIES		3,179,495	3,235,142	3,220,822	3,249,891
NET ASSETS		1,750,026	1,527,849	1,563,746	1,374,570
EQUITY					
Contributed equity		678,206	678,206	678,206	678,206
Reserves		374,966	295,891	377,078	299,235
Retained earnings		696,854	553,752	508,462	397,129
TOTAL EQUITY		1,750,026	1,527,849	1,563,746	1,374,570

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Cash Flow Statement

for the year ended 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		1,840,562	2,022,347	870,019	955,877
Operating grants and subsidies received		-	1,200	-	1,200
Interest received		-	478	-	476
Outflows:					
Payments to suppliers and employees		(1,519,048)	(1,693,394)	(561,104)	(605,418)
Interest paid		(21,229)	(24,681)	(21,229)	(24,678)
Lease interest paid		(785)	(837)	(433)	(837)
Government guarantee fee		(6,282)	(6,704)	(6,282)	(6,704)
Income tax equivalent paid		(56,961)	(70,638)	(56,961)	(70,638)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	236,257	227,771	224,010	249,278
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		1,029	401	1,029	363
Net proceeds from financial derivatives		16,706	-	16,706	-
Net receipts of intercompany loans		-	-	3,172	-
Dividends from joint venture		3,283	4,023	-	-
Outflows:					
Net payments for financial derivatives		-	(42,688)	-	(42,698)
Net payments of intercompany loans		-	-	-	(27,027)
Payments for property, plant and equipment		(155,978)	(141,499)	(146,073)	(131,949)
NET CASH USED IN INVESTING ACTIVITIES		(134,960)	(179,763)	(125,166)	(201,311)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		209,400	119,300	209,400	119,300
Outflows:					
Repayment of Tascorp loans		(111,250)	(92,450)	(111,250)	(92,450)
Repayment of lease liabilities		(6,870)	(6,163)	(4,848)	(6,163)
Dividends paid		(115,000)	(120,000)	(115,000)	(120,000)
NET CASH USED IN FINANCING ACTIVITIES		(23,720)	(99,313)	(21,698)	(99,313)
NET (DECREASE)/INCREASE IN CASH		77,577	(51,305)	77,146	(51,346)
CASH AT BEGINNING OF THE YEAR		15,143	66,448	12,547	63,893
CASH AT END OF THE YEAR	5(a)	92,720	15,143	89,693	12,547

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 29 to 92.

Statement of Changes in Equity

for the year ended 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		678,206	678,206	678,206	678,206
Balance at the end of the year		678,206	678,206	678,206	678,206
RESERVES					
Asset revaluation reserve					
Balance at the beginning of the year		-	125,762	-	125,763
Asset revaluation (decrement)/increment		-	(179,885)	-	(179,886)
Deferred income tax recognised directly in reserves	4(b)	-	54,123	-	54,123
Balance at the end of the year		-	-	-	-
Cash flow hedge reserve					
Balance at the beginning of the year		295,896	(273,985)	299,235	(273,985)
Interest rate swaps		2,436	1,047	2,436	1,047
Share of associates interest rate swaps		1,765	(4,771)	-	-
Derivative revaluation		108,768	817,838	108,768	817,838
Deferred income tax recognised directly in reserves	4(b)	(33,891)	(244,233)	(33,361)	(245,665)
Balance at the end of the year		374,974	295,896	377,078	299,235
Foreign currency translation reserve					
Balance at the beginning of the year		(5)	(10)	-	-
Foreign currency translation		(4)	9	-	-
Deferred income tax recognised directly in reserves	4(b)	1	(4)	-	-
Balance at the end of the year		(8)	(5)	-	-
TOTAL RESERVES		374,966	295,891	377,078	299,235
RETAINED EARNINGS					
Balance at the beginning of the year		553,752	1,216,576	397,129	1,077,457
Net profit/(loss)		249,113	(544,001)	217,344	(561,506)
Dividend paid		(115,000)	(120,000)	(115,000)	(120,000)
Deferred income tax recognised directly in equity	4(b)	(3,853)	(391)	(3,853)	(391)
Actuarial gain/(loss) on defined benefit plans	20	12,843	1,302	12,843	1,302
Other		(1)	266	(1)	267
Balance at the end of the year		696,854	553,752	508,462	397,129
TOTAL EQUITY		1,750,026	1,527,849	1,563,746	1,374,570

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 29 to 92.

1.1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Hydro-Electric Corporation (the Corporation) and its controlled entities (the Group), which is a Tasmanian Government Business Enterprise, a consolidated reporting entity, and a for-profit 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 Group trades using the business names Hydro Tasmania, Entura, and through the Group's subsidiaries, Momentum Energy Pty Limited and AETV Pty Ltd.

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

The Group owns 55 major dams, 30 operating hydro power stations, the Tamar Valley gas-fired power station, and supplies electricity to Bass Strait islands via diesel, solar and wind power generation. The Group sells energy to retail customers through its subsidiary, Momentum Energy Pty Limited, trading in all regions of the National Electricity Market (NEM) except Tasmania. The Group also operates the Entura consulting business.

At 30 June 2021 the Group had 1,233 full-time equivalent employees (FTEs) (2020: 1,294 FTEs) including 5 non-executive directors (2020: 5 non-executive directors).

The Group holds Australian Financial Services Licence number 279796. This licence authorises the Group to carry on a financial services business in accordance with the licence conditions.

The financial report for the year ended 30 June 2021 was adopted by the directors on 13 August 2021.

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, environmental energy products and hydro 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 Group and its subsidiaries, and other requirements of the law.

(b) Statement of compliance

The financial report is compliant with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The following Australian Accounting Standards are applicable to the Group and have recently been issued or amended. As they are not yet effective the Group has chosen not to adopt them for the year ended 30 June 2021:

Standard/Interpretation	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2022	30 June 2023
AASB 2020-1 'Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Annual Improvements'	1 January 2022	30 June 2023
AASB 2020-8 'Interest Rate Benchmark Reform – Phase 2'	1 June 2021	30 June 2022
AASB 2021-2 'Disclosure of Accounting Policies And Definition of Accounting Estimates'	1 January 2023	30 June 2024

The Group anticipates that the adoption of these Standards in future periods will have no material financial impact on the financial statements of the Group. There will be some changes in the disclosures made.

1.2 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations

Change in accounting policy

Software-as-a-Service arrangements

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The IFRS Interpretations Committee (IFRIC) has issued two agenda decisions related to accounting for SaaS arrangements:

- In March 2019, the IFRIC considered the accounting for SaaS arrangements (the first agenda decision) and concluded that for many such arrangements the substance is that the entity has contracted to receive services rather than the acquisition (or lease) of software assets. This is because, in a cloud-based environment, the SaaS contract generally only gives the customer the right to receive access to the cloud provider's application software, rather than a license over the IP i.e. control over the software code itself;
- In April 2021, the IFRIC specifically considered how an entity should account for configuration and customisation costs incurred in implementing these SaaS service arrangements. The IFRIC concluded (the second agenda decision) that these costs should be expensed, unless the criteria for recognising a separate asset are met.

The Group has implemented this guidance retrospectively as a change in accounting policy. Previously, the Group capitalised certain upfront configuration and customisation costs incurred in implementing SaaS arrangements. An intangible asset was recognised and amortised over the expected contract period of the SaaS arrangement. On-going service contract fees, to access the cloud provided application software, are expensed at the time the costs are incurred.

During the year the Group has reviewed its Intangibles asset register and Assets Under Construction. SaaS configuration and customisation costs of $1.54m, previously recognised as capital, have been expensed.

(c) Principles of consolidation

The consolidated financial report includes the Group, 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 Group obtained control and until such time as the Group ceased to control the entity. The financial reports of subsidiaries are prepared for the same reporting period as the Group.

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 Group's accounting policies, the Group 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 current factors and circumstances indicate the current carrying value does not reflect fair value.

- **Financial liabilities and financial assets**

  Notes 1.2(ac) and (ae) describe the valuation methods applied to the Group'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 20 has been assessed by the State Actuary and various actuarial assumptions have been applied to arrive at the carrying value reported.

1.2 Summary of significant accounting policies (continued)

(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 and gas. 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.

The Group uses an expected credit loss model in the provisioning for impairment of trade receivables. Trade receivable amounts are disaggregated into customer segments. Loss rates are estimated in each segment and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and prevailing economic factors.

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 Energy 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.

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The carrying amounts of financial assets represent the maximum credit exposure.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Groups' standard payment terms and conditions are offered. The Group's review includes credit agency information and, in some cases if they are available, financial statements and bank references. Sale limits are established for each customer and reviewed in accordance with the internal risk management guidelines.

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.

Expected credit loss assessment for customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

An expected credit limit rate is calculated for each customer segment based on delinquency status and actual credit loss experience over the historic performance of the base. These rates are applied to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(g) Inventories

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 Statement of Financial Position 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 Group carries its hydro generation assets at fair value. The basis for the fair value calculation is described in note 9.

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

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:

	2021	2020
Hydro generation	3–150 years	3–150 years
Other generation	3–50 years	3–50 years
Motor vehicles	3–33 years	3–33 years
Minor assets	1–10 years	1–10 years
Buildings	5–50 years	5–50 years

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

1.2 Summary of significant accounting policies (continued)

(j) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

(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. Note 1.2(m) contains more information on the treatment of Goodwill.

(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(j).

(m) Asset impairment

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists the Group makes an estimate of the asset's recoverable amount. For Goodwill, an assessment of impairment is performed and 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 Group classifies its hydro generating assets, the Momentum Energy retail business and the gas-fired generation business as separate CGUs.

1.2 Summary of significant accounting policies (continued)

(m) Asset impairment (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using the post-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 Statement of Financial Performance. 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. Payables are gross amounts and accrued expenses are net of GST.

(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 Group 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.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(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 Group 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 Corporate 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 Corporate 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 Statement of Financial Performance 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.

- **Employee termination benefits**

  Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

1.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax equivalent

Under the *Government Business Enterprises Act 1995* and the *National Tax Equivalents Regime (NTER)* the Group 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 Group applies tax 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 Group 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.

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 Group 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.

1.2 Summary of significant accounting policies (continued)

(r) Leases

Corporation as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated Statement of Financial Position.

The Group determines whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(s) Borrowing expenses

Borrowing costs are expensed when incurred except those borrowing costs directly attributable to an asset. Borrowing costs attributable to a qualifying asset are included in the capital cost of the asset.

(t) 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.

1.2 Summary of significant accounting policies (continued)

(u) Foreign currency

The consolidated statements of the Group 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(ac) or 1.2(ae).

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 Statement of Financial Performance.

(v) Joint ventures and associates

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

Associates are those entities that Hydro Tasmania has significant influence, but not control over the financial and operating policies of the entity.

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 Group 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 Group having power over any of the joint ventures. The Group 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 and associate 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 or associate is zero, the Group's share of a loss by the joint venture or associate is reported as a loss against the current year operations in the Statement of Financial Performance 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 Group's share of the venture's assets, liabilities, revenues and expenses.

(w) Segment information

The Group has identified segments based on internal management reports. Refer to note 34.

(x) Contributed equity

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

(y) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

1.2 Summary of significant accounting policies (continued)

(z) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognise revenue when it transfers control of a product or service to a customer.

- **Electricity and gas sales**
  Revenue from generated electricity is earned from the AEMO at market prices and is recognised at the time the electricity is provided. Revenue from the sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from the 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 prices. Exposure to fluctuations in market price is managed through the use of derivative contracts executed principally in the Tasmanian and Victorian regions. The effective and ineffective portion of electricity derivatives designated as cash flow hedges and those derivatives not designated as cash flow hedges but considered to represent economic hedges under the Group's Board approved financial risk management policy are recognised in revenue in the period when the contract settles. Note 18 discloses the amount of realised gains and losses included in revenue during the financial year. Customers are billed on a regular basis. At the end of each reporting period, gas and electricity revenue include an accrual (unbilled revenue) for energy delivered to customers but not yet billed.
- **Environmental energy products**
  Revenue from environmental energy products is recognised at the time the Group has earned the right to register the products.
- **Consulting services**
  Consulting revenue is recognised over time based on the completion of performance obligations identified within the contractual agreements that exist with the client.
- **Interest income**
  Interest income 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 revenue from land and buildings is recognised on a straight-line basis over the term of the lease.

(aa) Rounding

The Group is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Group's Instrument, amounts in the financial report are rounded to the nearest thousand dollars unless otherwise indicated.

(ab) Comparative figures

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

(ac) Financial assets

Financial assets in the scope of AASB 9 'Financial Instruments' are classified as being carried at amortised cost, or at fair value through profit or loss. When financial assets are initially recognised they are measured at fair value. The Group 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 Group commits to purchase the assets.

- **Amortised cost**
  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 Statement of Financial Performance 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 Group manages together, has a recent actual pattern of trading and is a derivative that is not designated and effective as a hedging instrument.

De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group transfers substantially all the risks and rewards of the financial assets.

1.2 Summary of significant accounting policies (continued)

(ad) 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.

(ae) Derivative financial instruments

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, some electricity price, gas and aluminium exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in electricity prices and interest rates and certain derivatives.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

2. Revenue and expenses

Revenue by product and customer type is disaggregated below:

(a) Revenue

	CONSOLIDATED 2021				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	217,908	579,919	685,903	-	1,483,730
Sale of gas	90,649	12,497	42,677	-	145,823
Rendering of services	-	-	-	29,964	29,964
Other revenue	-	-	897	-	897
	308,557	592,416	729,477	29,964	1,660,414

	CONSOLIDATED 2020				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	206,414	682,938	697,157	-	1,586,509
Sale of gas	88,072	13,879	46,911	-	148,862
Rendering of services	-	-	-	28,565	28,565
Other revenue	-	-	20,571	-	20,571
	294,486	696,817	764,639	28,565	1,784,507

	PARENT 2021				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	4,103	-	743,373	-	747,476
Sale of gas	-	-	26,696	-	26,696
Rendering of services	-	-	-	29,087	29,087
Other revenue	-	-	897	-	897
	4,103	-	770,966	29,087	804,156

	PARENT 2020				
	Residential $'000	Business $'000	Wholesale $'000	Other $'000	Total $'000
Sale of electricity	3,861	-	747,792	-	751,653
Sale of gas	-	-	25,180	-	25,180
Rendering of services	-	-	-	28,873	28,873
Other revenue	-	-	20,571	-	20,571
	3,861	-	793,543	28,873	826,277

2. Revenue and expenses (continued)

		NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
(b)	**Finance expenses**					
	Loan interest		22,106	25,069	22,099	25,065
	Government guarantee fee		5,586	6,378	5,586	6,378
	RBF net interest	20	10,831	11,296	10,831	11,296
	Lease interest expense		785	837	433	837
	Net other finance costs/(revenue)		565	605	-	-
			39,873	44,185	38,949	43,576
(c)	**Fair value gains**					
	Basslink financial assets and liabilities		66,527	-	66,527	-
	Energy price derivatives - unwind of fair value of cash flow hedges		104,530	140,313	104,530	140,313
	Onerous contracts		11,911	64,675	150	54,738
	Site rehabilitation provision		4,745	-	-	-
	Other		-	588	-	-
			187,713	205,576	171,207	195,051
(d)	**Fair value losses**					
	Basslink financial assets and liabilities		-	23,410	-	23,410
	Energy price derivatives - economic hedges		44,206	275,175	44,206	275,175
	Treasury derivatives		474	52	474	52
	Site rehabilitation provision		207	3,314	-	-
	Onerous contracts		12,804	465	12,117	-
			57,691	302,416	56,797	298,637
	Net fair value gains/(losses)		130,022	(96,840)	114,410	(103,586)
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment of investment in associates		-	8,282	-	-
	Impairment of loans carried at amortised cost		-	-	17,200	10,018
	Impairment expense/(gain) of generation assets		-	870,649	-	870,649
			-	878,931	17,200	880,667

3. Assumptions and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Financial assets and liabilities

Changes in the fair value of financial assets and liabilities described below are presented as gains or losses through the Statement of Financial Performance 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 Group is to let the obligations run their course and deliver the associated financial benefits.

- **Energy price derivatives**

  The Group trades in energy price derivatives in all regions of the NEM as a means of securing the value of future electricity revenue or the cost of future electricity to be delivered under retail contracts. Financial derivatives are recorded at their fair value. Movement in fair value is recorded as a gain or loss in the Statement of Financial Performance as detailed in note 2(c) and (d).

  Mainland electricity contracts are valued using published forward energy prices. The re-measurement of the fair value of energy price derivatives during the current financial year is recorded in the Statement of Financial Performance (note 2).

  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 Group derives forecast prices from an internal model.

- **Basslink financial asset and liabilities**

  The financial asset and liabilities associated with the Basslink agreements are recorded at fair value. The re-measurement of the net financial liability to fair value in the current financial year is recorded in the Statement of Financial Performance (note 2). Note 21(c) 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 CGUs 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 Group's weighted average cost of capital.

Site rehabilitation provision

The Group 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 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 Statement of Financial Performance.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Unbilled energy

The Group recognises revenue from electricity and gas services by estimating customer consumption between the last invoice date and the end of the reporting period and applying this estimate against the various customer pricing data.

COVID-19

A thorough and systematic review of the valuation models has been performed by the Group this year. Management has exercised significant judgement in assessing the impacts of the COVID-19 pandemic and in asserting reasonable assumptions which reflect the conditions existing at the reporting date.

4. Income tax equivalent

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Income tax expense/(benefit) reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	71,413	59,989	80,080	69,579
	Adjustments in respect of income tax of prior years	(484)	(255)	(492)	(256)
	Income tax expense in relation to foreign operations	(28)	501	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	34,997	(294,296)	21,332	(306,000)
	Recognition/derecognition of deferred tax assets/(liabilities)	2,861	-	2,488	-
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	108,759	(234,061)	103,408	(236,677)
	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/(loss) before income tax	357,872	(778,062)	320,752	(798,183)
	Income tax expense/(benefit) calculated at 30%	107,362	(233,419)	96,226	(239,455)
	Adjustment in respect of income tax of previous years	(484)	(255)	(492)	(256)
	Income tax expense in relation to foreign operations	(28)	501	-	-
	Expenditure not deductible for income tax purposes	32	319	26	28
	Franking credits from investments	(984)	(1,207)	-	-
	Recognition/derecognition of deferred tax assets/(liabilities)	2,861	-	2,488	-
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	5,160	3,006
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	108,759	(234,061)	103,408	(236,677)
(b)	**Income tax (expense)/benefit recognised directly in equity**				
	Revaluation of effective hedges	(33,361)	(245,665)	(33,361)	(245,665)
	Actuarial assessment of RBF provision	(3,853)	(391)	(3,853)	(391)
	Revaluation of property, plant and equipment	-	54,123	-	54,123
	Foreign currency translation reserve	1	(4)	-	-
	Share of other comprehensive income of associates	(530)	1,431	-	-
	Income tax (expense)/benefit recognised in equity	(37,743)	(190,506)	(37,214)	(191,933)
(c)	**Current tax assets and liabilities**				
	Provision for income tax	(14,179)	(240)	(14,179)	(240)
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	474,697	551,592	433,384	503,256
	Deferred tax liabilities comprise:				
	Assessable temporary differences	750,921	752,215	775,683	784,521
	Net deferred tax liabilities	276,224	200,623	342,299	281,265

4. Income tax equivalent (continued)

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

	2021 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	617,601	(3,665)	-	2,812	-	616,748
Financial assets	121,783	986	-	-	-	122,769
Investments in associates and joint ventures	130	3,560	530	-	-	4,220
Other	12,701	(5,517)	-	-	-	7,184
	752,215	(4,636)	530	2,812	-	750,921
Deferred tax assets:						
Provision for employee entitlements	115,744	(735)	(3,853)	-	-	111,156
Basslink and other financial liabilities	289,998	(19,009)	-	-	-	270,989
Electricity derivatives	15,637	(18,017)	(33,361)	-	-	(35,741)
Provisions	112,699	(3,317)	-	57	-	109,439
Other	17,514	1,445	1	(106)	-	18,854
	551,592	(39,633)	(37,213)	(49)	-	474,697
Net deferred tax liabilities	200,623	34,997	37,743	2,861	-	276,224

	2021 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	658,101	(7,010)	-	2,812	-	653,903
Financial assets	121,783	986	-	-	-	122,769
Other	4,637	(5,626)	-	-	-	(989)
	784,521	(11,650)	-	2,812	-	775,683
Deferred tax assets:						
Provision for employee entitlements	114,186	(738)	(3,853)	-	-	109,595
Basslink and other financial liabilities	289,998	(19,009)	-	-	-	270,989
Electricity derivatives	15,637	(18,017)	(33,361)	-	-	(35,741)
Provisions	68,706	3,607	-	58	-	72,371
Other	14,729	1,175	-	266	-	16,170
	503,256	(32,982)	(37,214)	324	-	433,384
Net deferred tax liabilities	281,265	21,332	37,214	2,488	-	342,299

4. Income tax equivalent (continued)

	2020 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	930,309	(258,585)	(54,123)	-	-	617,601
Financial assets	90,950	30,833	-	-	-	121,783
Investments in associates and joint ventures	(4,340)	5,901	(1,431)	-	-	130
Other	18,661	(5,960)	-	-	-	12,701
	1,035,580	(227,811)	(55,554)	-	-	752,215
Deferred tax assets:						
Provision for employee entitlements	116,410	(275)	(391)	-	-	115,744
Basslink and other financial liabilities	252,169	37,829	-	-	-	289,998
Electricity derivatives	221,201	40,101	(245,665)	-	-	15,637
Provisions	129,393	(16,694)	-	-	-	112,699
Other	11,992	5,526	(4)	-	-	17,514
	731,165	66,487	(246,060)	-	-	551,592
Net deferred tax liabilities	304,415	(294,298)	190,506	-	-	200,623

	2020 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	974,087	(261,863)	(54,123)	-	-	658,101
Financial assets	90,950	30,833	-	-	-	121,783
Other	12,611	(7,974)	-	-	-	4,637
	1,077,648	(239,004)	(54,123)	-	-	784,521
Deferred tax assets:						
Provision for employee entitlements	115,348	(771)	(391)	-	-	114,186
Basslink and other financial liabilities	252,169	37,829	-	-	-	289,998
Electricity derivatives	221,201	40,101	(245,665)	-	-	15,637
Provisions	84,643	(15,937)	-	-	-	68,706
Other	8,954	5,775	-	-	-	14,729
	682,315	66,997	(246,056)	-	-	503,256
Net deferred tax liabilities	395,333	(306,001)	191,933	-	-	281,265

All deferred tax balances relate to continuing operations.

At the end of the current financial year, there is no recognised or unrecognised deferred tax liability (2020: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures or associates. The Group has no liability for additional taxation should such amounts be remitted.

5. Note to the cash flow statement

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	Cash reconciliation				
	Cash	18,020	15,143	14,993	12,547
	Money market investments	74,700	-	74,700	-
		92,720	15,143	89,693	12,547
	Reconciliation of net cash provided by operating activities to net profit for the year				
(b)	Profit/(loss) after income tax equivalent expense	249,113	(544,001)	217,344	(561,506)
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	93,711	105,849	87,345	101,995
	Amortisation	21,136	20,117	12,650	10,964
	Revaluations and impairment	-	878,931	17,200	880,667
	Loss on derecognition of property, plant and equipment	3,764	1,906	3,325	1,801
	Equity accounted share of associates (profit)/loss	(15,151)	(31,397)	-	-
	Net fair value (gains)/losses	(130,022)	96,840	(114,410)	103,586
	Income tax expense/(benefit)	108,759	(234,061)	103,408	(236,677)
	Cash from operating profit before changes in working capital	331,310	294,184	326,862	300,830
	(Increase)/decrease in receivables	(9,927)	48,891	(28,512)	42,710
	(Increase)/decrease in inventories	(91)	(652)	(91)	(652)
	Increase/(decrease) in other financial assets and liabilities	1,349	13,512	6,557	20,412
	Increase/(decrease) in payables	(28,278)	(38,483)	(20,973)	(33,699)
	Increase/(decrease) in provisions	(58,106)	(89,681)	(59,833)	(80,323)
	Net cash provided by operating activities	236,257	227,771	224,010	249,278

6. Receivables

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables	267,460	258,861	212,801	184,292
Provision for impairment	(13,952)	(21,425)	(31)	(175)
	253,508	237,436	212,770	184,117
Contract assets	98,295	104,303	-	-
	351,803	341,739	212,770	184,117
Ageing of past due but not impaired trade receivables:				
60-90 days	651	2,090	248	355
Over 90 days	1,445	1,241	130	335
	2,096	3,331	378	690

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Contract assets				
Balance at the beginning of the period	104,303	98,648	-	-
Additional costs incurred that are recoverable from customer	98,295	104,303	-	-
Transfer to receivables	(104,303)	(98,648)	-	-
Balance at the end of the period	98,295	104,303	-	-

The amount past due but not impaired included in trade receivables is predominantly attributable to consulting services clients and retail customers. The methodology for doubtful debt provisioning is compliant with AASB 9, and includes an allocation for additional credit risk due to business or economic issues including the effects of COVID-19. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents the expected amount of receivables to be written off in the future. The Group wrote off $8.1m of bad debts during the year (2020: $10.8m). The Group does not hold any security over the balances past due.

Hydro has recognised an additional $4.9m (2020: $8.8m) in provisioning for doubtful debts, up to the end of the current financial year, due to the potential impacts of COVID-19 and the ability of customers to pay their bills. The provision has taken account of customer payment behaviour and a risk analysis of the customer segments to determine the extra provision amount.

7. Investments

	NOTE	CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a) Current investments					
Money market investments		74,700	-	74,700	-
(b) Non-current investments					
Investment in associates and joint ventures	31	71,073	57,440	-	-
Investment in subsidiaries		-	-	203,827	203,827
		71,073	57,440	203,827	203,827

8. Inventories

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Maintenance stores	4,506	4,415	4,506	4,415
	4,506	4,415	4,506	4,415

9. Property, plant and equipment

Asset valuation

The hydro generation class of assets is carried at fair value using a discounted cash flow model. The fair value calculation incorporates long-term electricity price forecasts from an in-house market model and references observable Victorian forward contract prices in the first three years. The market model forecasts expected future prices based on a range of input assumptions reflecting the many variables that may influence future prices including existing generation cost and bidding assumptions and likely future plant build and retirements. The price curve has been validated with reference to other published price predictions in the NEM. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on observable contract market prices.

The other principal inputs to the fair value of generation assets are forecast generation, major industrial contracts, inflation, discount rate and terminal growth rate. The Group 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 8,900 Gigawatt hours (GWh) per annum at the generator, adjusted to the node for the valuation.

Revenue and expenses in the fair value calculation are inflated at the forecast CPI and are discounted using the Group post-tax nominal weighted average cost of capital (WACC) of 6.75% (2020: 7.25%). This has been substantiated against Australian financial and equity market data.

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 will increase by $343m (2020: $382m) for a 10 per cent 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.

Had the Group's generation assets been measured on a historic cost basis, their carrying amount would be $3,985m (2020: $3,961m).

Gas-fired generation assets are carried at fair value based on an independent valuation every 3 years.

Revaluation of assets

Note 1.2(i) and (m) details the Group's valuation policy with respect to assets.

The fair value of the Hydro Tasmania generation assets was determined using the income approach which reflects current market expectations about future cash flows and expenses. In the current financial year an assessment has indicated there is no requirement to adjust the valuation of the Hydro Tasmania generation class of assets.

Details of the Group's generation assets fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2021
Generating plant				
Consolidated	-	28,459	3,090,568	3,119,027
Parent	-	-	3,089,004	3,089,004

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

9. Property, plant and equipment (continued)

2021 CONSOLIDATED	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	4,117,806	26,407	15,412	108,199	88,153	223,781	4,579,758
Additions	-	-	-	1,637	176	155,978	157,791
Disposals	(3,170)	(179)	(1,074)	(1,375)	(1,640)	(3,157)	(10,595)
Transfers#	122,948	1,605	2,260	8,311	6,711	(164,782)	(22,947)
Balance at the end of the year	4,237,584	27,833	16,598	116,772	93,400	211,820	4,704,007
Accumulated depreciation							
Balance at the beginning of the year	(1,052,089)	(16,238)	(8,287)	(33,365)	(64,036)	-	(1,174,015)
Disposals	3,170	169	984	1,228	1,637	-	7,188
Transfers#	-	-	-	(918)	-	-	(918)
Depreciation expense	(69,638)	(812)	(2,048)	(9,832)	(11,381)	-	(93,711)
Balance at the end of the year	(1,118,557)	(16,881)	(9,351)	(42,887)	(73,780)	-	(1,261,456)
Net book value at the end of the year	3,119,027	10,952	7,247	73,885	19,620	211,820	3,442,551

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	23,660
Minor assets	278

2021 PARENT	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	3,954,550	26,226	15,123	86,578	84,863	218,602	4,385,942
Additions	-	-	-	1,636	176	146,073	147,885
Disposals	(3,170)	(180)	(1,074)	(1,375)	(1,640)	(2,718)	(10,157)
Transfers#	122,175	1,605	2,260	(5,864)	6,711	(155,727)	(28,840)
Balance at the end of the year	4,073,555	27,651	16,309	80,975	90,110	206,230	4,494,830
Accumulated depreciation							
Balance at the beginning of the year	(920,737)	(16,124)	(8,066)	(28,545)	(62,745)	-	(1,036,217)
Disposals	3,170	169	984	1,229	1,636	-	7,188
Transfers#	-	-	-	457	-	-	457
Depreciation expense	(66,984)	(801)	(2,035)	(6,794)	(10,731)	-	(87,345)
Balance at the end of the year	(984,551)	(16,756)	(9,117)	(33,653)	(71,840)	-	(1,115,917)
Net book value at the end of the year	3,089,004	10,895	7,192	47,322	18,270	206,230	3,378,913

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	13,180
Minor assets	278

Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

9. Property, plant and equipment (continued)

2020 CONSOLIDATED	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	4,361,005	25,807	15,735	74,935	90,702	193,864	4,762,048
Additions	-	-	-	33,129	1,271	141,499	175,899
Disposals	(828)	-	(1,638)	(8,315)	(11,416)	(724)	(22,921)
Transfers#	78,289	600	1,315	8,450	7,596	(110,858)	(14,608)
Net revaluation adjustment	(320,660)	-	-	-	-	-	(320,660)
Balance at the end of the year	4,117,806	26,407	15,412	108,199	88,153	223,781	4,579,758
Accumulated depreciation							
Balance at the beginning of the year	(236,543)	(15,481)	(7,668)	(31,038)	(66,456)	-	(357,186)
Disposals	639	-	1,410	6,001	10,842	-	18,892
Transfers#	(40)	-	-	-	40	-	-
Revaluation and impairment	(729,872)	-	-	-	-	-	(729,872)
Depreciation expense	(86,273)	(757)	(2,029)	(8,328)	(8,462)	-	(105,849)
Balance at the end of the year	(1,052,089)	(16,238)	(8,287)	(33,365)	(64,036)	-	(1,174,015)
Net book value at the end of the year	3,065,717	10,169	7,125	74,834	24,117	223,781	3,405,743

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	28,014
Minor assets	642

2020 PARENT	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	4,198,910	25,626	15,437	58,230	86,301	183,937	4,568,441
Additions	-	-	-	33,129	1,271	131,949	166,349
Disposals	(773)	-	(1,628)	(7,713)	(8,662)	(2,744)	(21,520)
Transfers#	77,073	600	1,314	2,932	5,953	(94,540)	(6,668)
Net revaluation adjustment	(320,660)	-	-	-	-	-	(320,660)
Balance at the end of the year	3,954,550	26,226	15,123	86,578	84,863	218,602	4,385,942
Accumulated depreciation							
Balance at the beginning of the year	(107,581)	(15,379)	(7,447)	(26,325)	(63,129)	-	(219,861)
Disposals	616	-	1,400	5,399	8,095	-	15,510
Transfers#	(40)	-	-	-	40	-	-
Revaluation and impairment	(729,872)	-	-	-	-	-	(729,872)
Depreciation expense	(83,860)	(745)	(2,019)	(7,619)	(7,751)	-	(101,994)
Balance at the end of the year	(920,737)	(16,124)	(8,066)	(28,545)	(62,745)	-	(1,036,217)
Net book value at the end of the year	3,033,813	10,102	7,057	58,033	22,118	218,602	3,349,725

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	28,014
Minor assets	642

#Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

10. Intangible assets

	CONSOLIDATED		PARENT	
	2021 Software at cost $'000	2020 Software at cost $'000	2021 Software at cost $'000	2020 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	192,150	183,984	136,900	134,478
Disposals	(1,438)	(6,442)	(1,438)	(4,246)
Transfers from capital work in progress	23,864	14,608	13,241	6,668
Balance at the end of the year	214,576	192,150	148,703	136,900
Accumulated amortisation				
Balance at the beginning of the year	(117,925)	(104,203)	(95,290)	(88,558)
Disposals	718	6,395	718	4,231
Amortisation expense	(21,136)	(20,117)	(12,650)	(10,963)
Balance at the end of the year	(138,343)	(117,925)	(107,222)	(95,290)
Net book value at the end of the year	76,233	74,225	41,481	41,610

11. Other financial assets

			CONSOLIDATED		PARENT	
		NOTE	2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Current other financial assets**					
	Energy price derivatives - economic hedges	18	45,043	127,251	45,043	127,251
	Energy price derivatives - cash flow hedges	18	-	7,496	-	7,496
	Basslink financial asset (i)	18	60,173	64,428	60,173	64,428
	Environmental energy products		27,431	35,643	27,431	35,643
			132,647	234,818	132,647	234,818
(b)	**Non-current other financial assets**					
	Basslink financial asset (i)	18	349,057	341,517	349,057	341,517
	Basslink security deposit (ii)		50,000	50,000	50,000	50,000
	Energy price derivatives - economic hedges	18	11,331	30,014	11,331	30,014
	Energy price derivatives - cash flow hedges	18	294,037	163,443	294,037	163,443
			704,425	584,974	704,425	584,974

(i) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Services Agreement (note 21).

(ii) 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.

12. Other assets

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Current other assets**				
	Prepayments	14,235	7,004	13,155	6,550
	Other	8,932	6,591	925	505
		23,167	13,595	14,080	7,055
(b)	**Non-current other assets**				
	Prepayments	2,407	1,483	2,226	1,373
	Other	11,593	13,020	-	-
		14,000	14,503	2,226	1,373

13. Goodwill

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance at the beginning of the year	16,396	16,396	-	-
Balance at the end of the year	16,396	16,396	-	-

At the end of each reporting period the Group is required to assess if there are any indications of impairment. The assessment found there were no indicators for impairment of Goodwill.

14. Payables

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade creditors	198,402	225,251	178,855	204,810
Accrued expenses	73,027	75,573	25,993	22,127
Accrued interest payable	7,344	6,228	7,344	6,228
	278,773	307,052	212,192	233,165

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp (i)	80,000	131,850	80,000	131,850
	Lease liability (ii)	5,957	5,879	4,155	5,879
		85,957	137,729	84,155	137,729
	Non-current				
	Loans from Tascorp (i)	660,000	510,000	660,000	510,000
	Lease liability (ii)	19,870	23,644	10,466	23,644
		679,870	533,644	670,466	533,644

(i) The loans from Tascorp are unsecured
(ii) The finance leases are secured by the leased assets

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	1,527,000	1,305,000	1,527,000	1,305,000
	Facility used/committed	740,000	641,850	740,000	641,850
	Facility balance	787,000	663,150	787,000	663,150
	Standby revolving credit facility				
	Facility limit	30,000	30,000	30,000	30,000
	Facility used/committed	-	-	-	-
	Facility balance	30,000	30,000	30,000	30,000
	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	7,500	7,500	7,500
	Facility used/committed	3,761	4,426	3,761	4,426
	Facility balance	3,739	3,074	3,739	3,074

The Group manages its debt portfolio under a Board approved Treasury Policy, in line with the requirement of the *GBE Act* and related Treasurer's Instructions. The policy includes a weighted average term to maturity of 4 years. The policy also places limits around maturity profile of the debt. The maturity profile of the Group's debt is included in note 21. At the end of the current financial year the consolidated entity has a deficiency of current assets to current liabilities of $294m (2020: $443m). Having regard to the budgeted cash flows for the year ending 30 June 2022 and the unused loan facilities of $817m (2020: $693m), there is sufficient funding to settle the current liabilities as and when they become due and payable.

As part of the Government's response to the COVID-19 pandemic, the Treasurer has ensured that all Government businesses have access to sufficient funds. On 17 November 2020 the Treasurer provided explicit support to the Tasmanian Public Finance Corporation for the Corporation's borrowing limit of $1,557m.

15. Interest-bearing liabilities (continued)

	CONSOLIDATED			
	2021 $'000 Less than one year	2021 $'000 Between one and five years	2021 $'000 Later than five years	2021 $'000 Total
(c) Lease liabilities				
Future minimum lease payments	6,582	18,461	2,507	27,550
Interest	(625)	(1,058)	(40)	(1,723)
Present value of future minimum lease payments	5,957	17,403	2,467	25,827

	CONSOLIDATED			
	2020 $'000 Less than one year	2020 $'000 Between one and five years	2020 $'000 Later than five years	2020 $'000 Total
Future minimum lease payments	6,657	21,706	3,473	31,836
Interest	(778)	(1,482)	(53)	(2,313)
Present value of future minimum lease payments	5,879	20,224	3,420	29,523

	PARENT			
	2021 $'000 Less than one year	2021 $'000 Between one and five years	2021 $'000 Later than five years	2021 $'000 Total
Future minimum lease payments	4,479	9,176	1,779	15,434
Interest	(324)	(450)	(39)	(813)
Present value of future minimum lease payments	4,155	8,726	1,740	14,621

	PARENT			
	2020 $'000 Less than one year	2020 $'000 Between one and five years	2020 $'000 Later than five years	2020 $'000 Total
Future minimum lease payments	6,657	21,706	3,473	31,836
Interest	(778)	(1,482)	(53)	(2,313)
Present value of future minimum lease payments	5,879	20,224	3,420	29,523

15. Interest-bearing liabilities (continued)

(d) Reconciliation of financing activities

	CONSOLIDATED						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2020	Non-cash changes			Cash flows		2021
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	29,523	892	1,497	785	-	(6,870)	25,827
Tascorp loans	641,850	-	-	-	209,400	(111,250)	740,000
	671,373	892	1,497	785	209,400	(118,120)	765,827

	CONSOLIDATED						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2019	Non-cash changes			Cash flows		2020
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	3,620	34,494	(3,265)	837	-	(6,163)	29,523
Tascorp loans	615,000	-	-	-	119,300	(92,450)	641,850
	618,620	34,494	(3,265)	837	119,300	(98,613)	671,373

	PARENT						
	Closing balance	New leases acquired/ (transferred)	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2020	Non-cash changes			Cash flows		2021
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	29,523	(11,399)	912	433	-	(4,848)	14,621
Tascorp loans	641,850	-	-	-	209,400	(111,250)	740,000
	671,373	(11,399)	912	433	209,400	(116,098)	754,621

	PARENT						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2019	Non-cash changes			Cash flows		2020
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	3,620	34,494	(3,265)	837	-	(6,163)	29,523
Tascorp loans	615,000	-	-	-	119,300	(92,450)	641,850
	618,620	34,494	(3,265)	837	119,300	(98,613)	671,373

(e) Fair value disclosures

Details of the fair value of the Group's interest-bearing liabilities are set out in note 18.

16. Leases

Leases as a lessee

The Group leases many assets including land and buildings and IT equipment. Information about leases for which the Group is lessee is presented below.

Right-of-use assets

	CONSOLIDATED 2021			PARENT 2021		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2020	28,014	642	28,656	28,014	642	28,656
Additions	1,649	176	1,825	1,637	176	1,813
Disposals	(15)	-	(15)	(15)	-	(15)
Transfers	-	-	-	(12,541)		(12,541)
Depreciation	(5,976)	(540)	(6,516)	(3,914)	(540)	(4,454)
Balance at 30 June 2021	23,672	278	23,950	13,181	278	13,459

	CONSOLIDATED 2020			PARENT 2020		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2019	18,727	1,271	19,998	18,727	1,271	19,998
Additions	14,402	-	14,402	14,402	-	14,402
Disposals	(39)	-	(39)	(39)	-	(39)
Depreciation	(5,076)	(629)	(5,705)	(5,076)	(629)	(5,705)
Balance at 30 June 2020	28,014	642	28,656	28,014	642	28,656

Lease liabilities

Maturity analysis – contractual undiscounted cash flows

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Less than one year	6,582	6,657	4,479	6,657
One to five years	18,461	21,706	9,175	21,706
More than five years	2,507	3,473	1,779	3,473
Total undiscounted lease liabilities	27,550	31,836	15,433	31,836
Current	5,957	5,879	4,155	5,879
Non-current	19,870	23,644	10,466	23,644
Lease liabilities in Statement of Financial Position	25,827	29,523	14,621	29,523

16. Leases (continued)

Amounts recognised in Statement of Financial Performance

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Depreciation expense on right-of-use assets	6,516	5,705	4,454	5,705
Interest expense on lease liabilities	785	837	433	837
Income from sub-leasing right-of-use assets	(154)	(150)	(154)	(150)
Expense relating to short-term leases	219	235	194	235
Expense relating to leases of low value assets	16	13	12	13
	7,382	6,640	4,939	6,640

Amounts recognised in the Statement of Cash Flows

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Total cash outflow for leases*	7,105	6,799	5,054	6,799
	7,105	6,799	5,054	6,799

*Cash outflow includes right-of-use assets, short-term and low value leases

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $18.4m (2020: $19.9m).

During the year the Group did not receive any rent concessions as a result of COVID-19.

17. Provisions

		NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
(a)	**Current provisions**					
	Employee entitlements		29,797	28,628	24,980	23,907
	Retirement Benefits Fund provision	20	18,466	18,265	18,466	18,265
	Other provisions		282,734	278,548	239,916	227,948
			330,997	325,441	283,362	270,120
(b)	**Non-current provisions**					
	Employee entitlements		4,127	4,074	3,654	3,685
	Retirement Benefits Fund provision	20	318,710	335,239	318,710	335,239
	Other provisions		66,744	73,456	-	429
			389,581	412,769	322,364	339,353

Employee entitlements include redundancy costs.

Other provisions	Consolidated Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation (ii) $'000	Total $'000
Balance at 1 July 2020	260,161	25,185	66,658	352,004
Additional provision recognised	12,117	75,464	-	87,581
Reductions arising from payments	-	-	(375)	(375)
Reductions from settlement	-	(73,541)	-	(73,541)
Movements resulting from re-measurement or settlement without cost	(11,224)	-	(4,967)	(16,191)
Balance at 30 June 2021	261,054	27,108	61,316	349,478

Other provisions	Parent Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2020	227,948	-	429	228,377
Additional provision recognised	12,117	-	-	12,117
Movements resulting from re-measurement or settlement without cost	(149)	-	(429)	(578)
Balance at 30 June 2021	239,916	-	-	239,916

(i) Onerous contracts include gas contracts and Large Generation Certificates valuation. There is judgment required in estimating the costs and timing of the future cashflows relating to the Large Generation Certificates.

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

18. Other financial liabilities

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Current other financial liabilities**				
	Basslink Services Agreement	92,816	87,317	92,816	87,317
	Basslink Facility Fee Swap	33,002	43,756	33,002	43,756
	Interest rate swaps	1,749	4,319	1,749	4,319
	Energy trade credit support	400	-	400	-
	Energy price derivatives - economic hedges	55,808	103,456	55,808	103,456
	Energy price derivatives - cash flow hedges	922	41,276	922	41,276
		184,697	280,124	184,697	280,124
(b)	**Non-current other financial liabilities**				
	Basslink Services Agreement	490,040	491,665	490,040	491,665
	Basslink Facility Fee Swap	287,434	343,916	287,434	343,916
	Energy price derivatives - economic hedges	157,398	149,609	157,398	149,609
	Energy price derivatives - cash flow hedges	-	49,845	-	49,845
		934,872	1,035,035	934,872	1,035,035

18. Other financial liabilities (continued)

	NOTE	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000	PARENT 2021 $'000	PARENT 2020 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		15,982	741,567	15,982	741,567
Amount included in electricity revenue due to settlement during the year		159,838	(34,172)	162,808	(31,702)
Net cash payments/(receipts) on futures margin account		(16,826)	42,610	(16,826)	42,610
Fair value (gain)/loss on contracts outstanding as at 30 June		(295,277)	(734,023)	(298,247)	(736,493)
Liability/(asset) at the end of the year		(136,283)	15,982	(136,283)	15,982
Represented by:					
Current energy price derivative liability - economic hedges	18(a)	55,808	103,456	55,808	103,456
Current energy price derivative liability - cash flow hedges	18(a)	922	41,276	922	41,276
Non-current energy price derivative liability - economic hedges	18(b)	157,398	149,609	157,398	149,609
Non-current energy price derivative liability - cash flow hedges	18(b)	-	49,845	-	49,845
		214,128	344,186	214,128	344,186
Current energy price derivative asset - economic hedges	11(a)	45,043	127,251	45,043	127,251
Current energy price derivative asset - cash flow hedges	11(a)	-	7,496	-	7,496
Non-current energy price derivative asset - economic hedges	11(b)	11,331	30,014	11,331	30,014
Non-current energy price derivative asset - cash flow hedges	11(b)	294,037	163,443	294,037	163,443
		350,411	328,204	350,411	328,204
Net energy price derivatives liability/(asset)		(136,283)	15,982	(136,283)	15,982
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		560,709	537,388	560,709	537,388
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		(66,645)	(54,981)	(66,645)	(54,981)
Increase/(decrease) in present value of projected rights and obligations of later years as at the beginning of the year		104,796	28,942	104,796	28,942
(Gain)/loss arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		(104,798)	49,360	(104,798)	49,360
Balance at the end of the year		494,062	560,709	494,062	560,709
Represented by:					
Current Basslink financial liability	18(a)	125,818	131,073	125,818	131,073
Non-current Basslink financial liability	18(b)	777,474	835,581	777,474	835,581
		903,292	966,654	903,292	966,654
Current Basslink financial asset	11(a)	60,173	64,428	60,173	64,428
Non-current Basslink financial asset	11(b)	349,057	341,517	349,057	341,517
		409,230	405,945	409,230	405,945
Net Basslink financial liability		494,062	560,709	494,062	560,709

19. Other liabilities

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current other liabilities				
Income received in advance	3,623	2,384	3,547	335
Loans from subsidiaries (i)	-	-	167,980	138,780
Other	722	101	709	101
	4,345	2,485	172,236	139,216

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

20. Retirement Benefits Fund provision

Plan information

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

The Scheme operates under the *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017.*

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 SIS legislation, as far as practicable.

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 Tasmanian Government and RBF elect) up to the amount of "untaxed" benefits paid to members in the year.

The Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

There are a number of risks to which the Scheme exposes the Group. 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 over the long term.

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 over the long term.

Inflation risk - The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.

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 Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

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

20. Retirement Benefits Fund provision (continued)

Reconciliation of the net liability recognised in the Statement of Financial Position:

	NOTE	2021 $'000	2020 $'000
Defined benefit obligation		411,755	420,102
Fair value of plan assets		(74,579)	(66,598)
Net superannuation liability		337,176	353,504
Comprising:			
Current net liability	17	18,466	18,265
Non-current net liability	17	318,710	335,239
Net superannuation liability		337,176	353,504

Reconciliation of the present value of the defined benefit obligation:

	2021 $'000	2020 $'000
Present value of defined benefit obligations at the beginning of the year	420,102	429,439
Current service cost	3,717	4,141
Interest cost	12,849	13,546
Contributions by plan participants	1,083	1,196
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(1,287)
Actuarial (gains)/losses arising from changes in financial assumptions	(2,481)	(5,008)
Actuarial losses/(gains) arising from liability experience	584	2,285
Benefits paid	(24,091)	(24,202)
Taxes, premiums and expenses paid	(8)	(8)
Present value of defined benefit obligations at year end	411,755	420,102

The asset ceiling has no impact on the defined benefit liability.

Reconciliation of the fair value of Scheme assets:

	2021 $'000	2020 $'000
Fair value of plan assets at beginning of the year	66,598	71,650
Interest income	2,018	2,250
Actual return on plan assets less interest income	10,946	(2,708)
Employer contributions	18,033	18,420
Contributions by plan participants	1,083	1,196
Benefits paid	(24,091)	(24,202)
Taxes, premiums and expenses paid	(8)	(8)
Fair value of plan assets at end of the year	74,579	66,598

20. Retirement Benefits Fund provision (continued)

Fair value of Scheme assets:

		2021		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Australian equities	11,783	-	11,783	-
International equities	14,916	-	14,916	-
Infrastructure	9,695	-	2,461	7,234
Diversified fixed interest	18,571	-	18,571	-
Property	14,095	-	1,044	13,051
Alternative investments	5,519	-	5,519	-
Total	74,579	-	54,294	20,285

		2020		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Australian equities	10,656	-	10,656	-
International equities	13,586	-	13,586	-
Infrastructure	8,591	2,331	-	6,260
Diversified fixed interest	16,782	-	16,782	-
Property	11,988	-	11,988	-
Alternative investments	4,995	-	4,995	-
Total	66,598	2,331	58,007	6,260

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

Assets are not held separately for each reporting entity 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, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, a Government Bond yield of 2.15% has been used, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

For the purpose of performing the calculations necessary under AASB 119, various actuarial assumptions are required. The Department of Treasury and Finance has approved these assumptions.

Significant actuarial assumptions as at balance date:

Financial year ending	2021 %	2020 %
Assumptions to determine defined benefit cost		
Discount rate (active members)	3.15	3.25
Discount rate (pensioners)	3.15	3.25
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.25	2.50

20. Retirement Benefits Fund provision (continued)

	2021 %	2020 %
Assumptions to determine defined benefit obligation		
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.25	2.25

	2021 $'000	2020 $'000
Gain/(loss) recognised in Other Comprehensive Income		
Actuarial gain/(loss)	12,843	1,302

Sensitivity analysis:

The defined benefit obligation as at 30 June 2021 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: 1.0% pa lower discount rate assumption

Scenario B: 1.0% pa higher discount rate assumption

Scenario C: 1.0% pa lower expected pension increase rate assumption

Scenario D: 1.0% pa higher expected pension increase rate assumption

	Base Case	Scenario A -1.0% pa discount rate	Scenario B +1.0% pa discount rate	Scenario C -1.0% pa increase rate	Scenario D +1.0% pa increase rate
Discount rate %	3.20	2.20	4.20	3.20	3.20
Pension increase rate %	2.25	2.25	2.25	1.25	3.25
Defined benefit obligation (A$'000s)	411,755	466,778	367,124	375,616	454,811

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

We are not aware of any asset and liability matching strategies adopted by the fund.

The Group 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 Group is 12.4 years.

	2022 $'000
Expected employer contributions	18,466

21. Financial instruments disclosures

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

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

The main risks arising from the Group'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 Group holds are detailed in the following table:

	CONSOLIDATED				PARENT			
	Carrying amount 2021 $'000	Net fair value 2021 $'000	Carrying amount 2020 $'000	Net fair value 2020 $'000	Carrying amount 2021 $'000	Net fair value 2021 $'000	Carrying amount 2020 $'000	Net fair value 2020 $'000
Financial assets								
Cash	18,020	18,020	15,143	15,143	14,993	14,993	12,547	12,547
Amortised cost								
Receivables	351,803	351,803	341,739	341,739	212,770	212,770	184,117	184,117
Investments	74,700	74,700	-	-	74,700	74,700	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	294,037	294,037	170,939	170,939	294,037	294,037	170,939	170,939
Fair value through profit or loss								
Interest rate swaps	211,390	211,390	261,623	261,623	211,390	211,390	261,623	261,623
Forward foreign exchange contracts	120	120	144	144	120	120	144	144
Basslink financial asset	409,230	409,230	405,945	405,945	409,230	409,230	405,945	405,945
Energy price derivatives - economic hedges*	56,374	56,374	157,266	157,266	56,374	56,374	157,266	157,266
Other assets	14,715	14,715	7,484	7,484	13,155	13,155	6,550	6,550
	1,430,389	1,430,389	1,360,283	1,360,283	1,286,769	1,286,769	1,199,131	1,199,131
Financial liabilities								
Amortised cost								
Accounts payable	271,430	271,430	300,824	300,824	204,848	204,848	226,938	226,938
Tascorp loans	747,344	778,535	648,078	657,186	747,344	778,535	648,078	657,186
Designated hedge accounting derivatives								
Interest rate swaps	2,944	2,944	5,380	5,380	2,944	2,944	5,380	5,380
Energy price derivatives - cash flow hedges	922	922	91,121	91,121	922	922	91,121	91,121
Fair value through profit or loss								
Interest rate swaps	210,195	210,195	260,562	260,562	210,195	210,195	260,562	260,562
Forward foreign exchange contracts	823	823	241	241	823	823	241	241
Basslink Services Agreement	582,856	582,856	578,983	578,983	582,856	582,856	578,983	578,983
Basslink Facility Fee Swap	320,436	320,436	387,672	387,672	320,436	320,436	387,672	387,672
Energy price derivatives - economic hedges	213,206	213,206	253,065	253,065	213,206	213,206	253,065	253,065
Other liabilities	649	649	2,160	2,160	572	572	111	111
	2,350,805	2,381,996	2,528,086	2,537,194	2,284,146	2,315,337	2,452,151	2,461,259

* Energy price derivatives – economic hedges includes an asset balance of $15.0m relating to Hydro-Electric Corporation futures cash account.

21. Financial instruments disclosures (continued)

(a) Financial instrument categories (continued)

Cash flow hedges

The Group designates specific electricity and interest rate derivative hedging transactions in cash flow hedge relationships as described in accounting policy note 1.2(ae). These electricity derivative hedging transactions are used to manage electricity price risks associated with the Group's operations. These interest rate derivative hedging transactions are used to manage interest rate risks associated with the Group's funding positions.

The effective portion of the changes in the fair value of the derivative is recognised in Other Comprehensive Income and presented in cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur in the future.

The hedge ratio between the notional amount of the hedging instrument and hedged item is one. Potential sources of ineffectiveness includes:

- Changes in credit risks of the derivative counterparties and the group;
- Designating the economic hedges after trade date resulting in a non-zero fair values on hedge designation date;
- Contractual features embedded in the actual hedging instruments that cannot be replicated in the hedged item.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	CONSOLIDATED 2021				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1,3]	2,944	2,436	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	(293,115)	108,768	-	104,530	-

	CONSOLIDATED 2020				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1,3]	5,380	1,047	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	(79,818)	817,838	17,211	140,313	-

1 The line item in the Statement of Financial Position where the hedging instrument is included is in other financial liabilities.
2 The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value gains.
3 The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value losses.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies

The Group 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 Group enters into these derivatives in accordance with the policies approved by the Board. All these hedges are cash flow hedges (refer note 1.2(ae)).

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(ac).

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

(i) Capital risk management

The Group'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 Group includes loans disclosed in note 15, contributed equity and cash and cash equivalents disclosed in note 5.

The Group is subject to financial covenants on its borrowings and the BFFS. 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 Group reviews its capital risk and performance against these covenants on a monthly basis.

The Group has been compliant with all financial covenants.

(ii) Market risk management

The Group's activities primarily expose it to energy 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 Group'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 Group'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 (BFF). The Group 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 Group's current Tasmanian forward contracts are determined by the actual load consumed in the contract period.

The Group manages electricity trading risk using an earnings at risk approach combined with an asset backed trading model.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

The Group assesses its electricity price risk exposure through sensitivity analysis. The following table shows the effect on the Statement of Financial Performance of a feasible movement (10 per cent) in forecast electricity prices.

	2021				2020			
	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	29,384	-	29,384	-	25,492	-	25,492	-
Energy derivative - economic hedges net liability	5,469	-	5,469	-	30,159	-	30,159	-
Energy derivative - cash flow hedges net liability	-	(125,328)	-	(125,328)	8,896	(181,350)	8,896	(181,350)
Electricity forward price -10%								
Basslink net liability	(29,384)	-	(29,384)	-	(24,305)	-	(24,305)	-
Energy derivative - economic hedges net liability	(6,852)	-	(6,852)	-	(30,242)	-	(30,242)	-
Energy derivative - cash flow hedges net liability	-	125,328	-	125,328	-	172,454	-	172,454

The sensitivity of the fair value of the BSA 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 based on published three-year NEM electricity price curves. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curves have been validated by comparison to other published price trend predictions in the NEM. Beyond the period when market prices are observable, the Group derives forecast prices from an in-house long term price curve.

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 Group to commodity price risk.

(B) Interest rates

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

The Group 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 Group. Interest rate exposure on specific loans is managed using highly effective hedge derivatives. The Group applies hedge accounting treatment to hedges of the Tascorp debt as described in note 1.2(ae).

In pursuit of these objectives, the Group 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 2021 fixed rate loans varied from 0.77% to 5.45% (2020: 1.25% to 5.45%). Floating rates were based on bank bill rates and these were 0.02% to 0.04% at 30 June 2021 (2020: 0.10%).

The Government Guarantee Fee rate varied from 0.52% to 1.31% for this financial year (2020: 0.78% to 1.73%). The Group designates specific interest rate swaps in cash flow hedge relationships. Refer to note 21(a) for further details.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

Basslink

The BSA and FFFI between the Group 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 BFF by the Group to BPL. These agreements are financial assets and financial liabilities whereby the Group 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 the Corporation, physical access to the Victorian region of the NEM.

The Group entered into the 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%.

Interest rates

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

	2021				2020			
	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 +1 bps								
Financial assets	485	-	485	-	518	-	518	-
Financial liabilities	(1,044)	(5)	(1,044)	(5)	(1,197)	(11)	(1,197)	(11)
Forward interest rates -1 bps								
Financial assets	(485)	-	(485)	-	(518)	-	(518)	-
Financial liabilities	1,044	5	1,044	5	1,197	11	1,197	11

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 for 2021 for both the parent and consolidated entities is 3.52% (2020: 4.92%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 0.79% (2020: 1.00%).

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

(C) Foreign currency

The Group owns and operates 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 Group as a whole.

The Group 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 Group considers the risk exposure to be insignificant.

The Group 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.

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

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Receivables				
Not later than one year	5,595	2,882	5,595	2,882
Later than one year but not later than two years	-	147	-	147
Later than two years	-	-	-	-
Total	5,595	3,029	5,595	3,029
Payables				
Not later than one year	16,568	904	16,568	904
Later than one year but not later than two years	5,764	1,997	5,764	1,997
Later than two years	-	-	-	-
Total	22,332	2,901	22,332	2,901

(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 Group measures credit risk on non-derivative financial instruments as the carrying amount of any instruments that represent an asset to the Group.

Derivative financial instruments

The credit exposure on a derivative financial instrument is its positive market valuation at the reporting date. Exposure tables below exclude credit exposures with other Tasmanian government agencies.

In the main, the Group 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 Group 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 documentation. Where possible this documentation contains clauses enabling the netting of exposures.

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

Receivables

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

The Group's credit exposure to AEMO is regulated 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. The Corporation has recognised an additional $4.9m (2020: $8.8m) in provisioning for doubtful debts due to the potential impacts of COVID-19 and the ability of customers to pay their bills.

Loan and receivables balance approximate fair value.

Basslink interest rate swaps

While the BFFS transaction has been executed with a single counterparty, the Group 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.

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	92,720	15,143	89,693	12,547
Receivables	351,803	341,740	212,770	184,117
Derivative financial instruments				
Energy price derivatives	2,645	7,214	2,645	7,214
Environmental product contracts	3,019	3,399	3,019	3,399
Total credit risk exposure	450,187	367,496	308,127	207,277
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA- ratings	104,403	30,698	90,929	16,692
A+ to A- ratings	610	4,755	610	4,755
BBB+ to BBB- ratings	1,827	690	1,827	690
Unrated	196,245	128,840	214,761	185,140
	303,085	164,983	308,127	207,277
Overseas-based entities				
AA+ to AA- ratings	7,274	-	-	-
A+ to A- ratings	876	12,561	-	-
BBB+ to BBB- ratings	138,952	189,273	-	-
Unrated	-	678	-	-
	147,102	202,512	-	-
Total credit risk exposure	450,187	367,495	308,127	207,277

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk

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

To manage this risk, the Group maintains adequate standby funding facilities and other arrangements as detailed in note 15.

The Group's exposure at 30 June 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 Group monitors its liquidity risk on a daily basis. The following table details the Group's liquidity exposure.

	2021 CONSOLIDATED				2021 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								
Amortised cost								
Cash	18,020	-	-	-	14,993	-	-	-
Receivables	351,803	-	-	-	212,770	-	-	-
Investments	74,700	-	-	-	74,700	-	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	(2,520)	(2,832)	7,901	-	(2,520)	(2,832)	7,901	-
Fair value through profit or loss								
Interest rate swaps	18,273	17,617	110,954	73,750	18,273	17,617	110,954	73,750
Forward foreign exchange contracts	-	18	-	-	-	18	-	-
Energy price derivatives - economic hedges	14,156	21,233	253,054	169,011	14,156	21,233	253,054	169,011
Basslink financial asset	30,086	30,086	281,016	357,333	30,086	30,086	281,016	357,333
Other assets	14,715	-	-	-	13,155	-	-	-
	519,233	66,122	652,925	600,094	375,613	66,122	652,925	600,094
Financial liabilities								
Amortised cost								
Accounts payable	271,430	-	-	-	204,848	-	-	-
Tascorp loans	20,190	79,938	400,756	357,002	20,190	79,938	400,756	357,002
Designated hedge accounting derivatives								
Interest rate swaps	1,289	1,273	623	-	1,289	1,273	623	-
Energy price derivatives - cash flow hedges	11,038	6,694	44,163	49,385	11,038	6,694	44,163	49,385
Fair value through profit or loss								
Interest rate swaps	18,200	17,546	110,401	18,200	18,200	17,546	110,401	18,200
Forward foreign exchange contracts	2	1	-	-	2	1	-	-
Basslink Services Agreement	55,628	55,628	448,001	568,654	55,628	55,628	448,001	568,654
Basslink Facility Fee Swap	9,723	9,664	82,424	91,145	9,723	9,664	82,424	91,145
Energy price derivatives - economic hedges	19,717	19,201	84,598	23,481	19,717	19,201	84,598	23,481
Other liabilities	649	-	-	-	572	-	-	-
	407,866	189,945	1,170,966	1,107,867	341,207	189,945	1,170,966	1,107,867

21. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

	2020 CONSOLIDATED				2020 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								
Amortised cost								
Cash	15,143	-	-	-	12,547	-	-	-
Receivables	341,739	-	-	-	184,117	-	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	(50)	7,958	99,923	106,069	(50)	7,958	99,923	106,069
Fair value through profit or loss								
Interest rate swaps	18,122	17,732	128,049	116,368	18,122	17,732	128,049	116,368
Forward foreign exchange contracts	129	6	8	-	129	6	8	-
Energy price derivatives - economic hedges	54,436	41,327	30,577	-	54,436	41,327	30,577	-
Basslink financial asset	32,214	32,214	253,245	379,641	32,214	32,214	253,245	379,641
Other assets	7,484	-	-	-	6,550	-	-	-
	469,217	99,237	511,802	602,078	308,065	99,237	511,802	602,078
Financial liabilities								
Amortised cost								
Accounts payable	300,824	-	-	-	226,938	-	-	-
Tascorp loans	91,941	58,885	354,703	215,422	91,941	58,885	354,703	215,422
Designated hedge accounting derivatives								
Interest rate swaps	1,280	1,258	3,112	-	1,280	1,258	3,112	-
Energy price derivatives - cash flow hedges	3,163	4,993	16,096	(2,604)	3,163	4,993	16,096	(2,604)
Fair value through profit or loss								
Interest rate swaps	18,068	17,678	127,616	115,772	18,068	17,678	127,616	115,772
Forward foreign exchange contracts	40	192	65	-	40	192	65	-
Basslink Services Agreement	55,629	55,629	444,653	675,523	55,629	55,629	444,653	675,523
Basslink Facility Fee Swap	9,877	9,720	80,362	110,026	9,877	9,720	80,362	110,026
Energy price derivatives - economic hedges	73,422	74,291	162,783	55,072	73,422	74,291	162,783	55,072
Other liabilities	2,160	-	-	-	111	-	-	-
	556,404	222,646	1,189,390	1,169,211	480,469	222,646	1,189,390	1,169,211

21. Financial instruments disclosures (continued)

(c) Fair values

AASB 9 requires recognition of some financial assets and financial liabilities at fair value on the Statement of Financial Position.

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 Group derives forecast prices from an internal model.

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

	CONSOLIDATED							
	2021				2020			
	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								
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	-	-	294,037	294,037	-	-	170,938	170,938
Fair value through profit or loss								
Interest rate swaps	-	211,390	-	211,390	-	261,623	-	261,623
Forward foreign exchange contracts	-	120	-	120	-	144	-	144
Basslink financial asset	-	-	409,230	409,230	-	-	405,945	405,945
Energy price derivatives - economic hedges	33,535	2,656	20,183	56,374	83,016	6,958	67,292	157,266
	33,535	214,166	723,450	971,151	83,016	268,725	644,175	995,916
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	2,944	-	2,944	-	5,380	-	5,380
Energy price derivatives - cash flow hedges	-	-	922	922	-	-	91,121	91,121
Fair value through profit or loss								
Interest rate swaps	-	210,195	-	210,195	-	260,562	-	260,562
Forward foreign exchange contracts	-	823	-	823	-	241	-	241
Basslink Services Agreement	-	-	582,856	582,856	-	-	578,983	578,983
Basslink Facility Fee Swap	-	-	320,436	320,436	-	-	387,672	387,672
Energy price derivatives - economic hedges	13,872	61,544	137,790	213,206	61,555	93,156	98,355	253,066
	13,872	275,506	1,042,004	1,331,382	61,555	359,339	1,156,131	1,577,025

21. Financial instruments disclosures (continued)

(c) Fair values (continued)

	PARENT							
	2021				2020			
	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								
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	-	-	294,037	294,037	-	-	170,938	170,938
Fair value through profit or loss								
Interest rate swaps	-	211,390	-	211,390	-	261,623	-	261,623
Forward foreign exchange contracts	-	120	-	120	-	144	-	144
Basslink financial asset	-	-	409,230	409,230	-	-	405,945	405,945
Energy price derivatives - economic hedges	33,535	2,656	20,183	56,374	83,016	6,958	67,292	157,266
	33,535	214,166	723,450	971,151	83,016	268,725	644,175	995,916
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	2,944	-	2,944	-	5,380	-	5,380
Energy price derivatives - cash flow hedges	-	-	922	922	-	-	91,121	91,121
Fair value through profit or loss								
Interest rate swaps	-	210,195	-	210,195	-	260,562	-	260,562
Forward foreign exchange contracts	-	823	-	823	-	241	-	241
Basslink Services Agreement	-	-	582,856	582,856	-	-	578,983	578,983
Basslink Facility Fee Swap	-	-	320,436	320,436	-	-	387,672	387,672
Energy price derivatives - economic hedges	13,872	61,544	137,790	213,206	61,555	93,156	98,355	253,066
	13,872	275,506	1,042,004	1,331,382	61,555	359,339	1,156,131	1,577,025

The following table shows a reconciliation of movements in the value of instruments included in Level 3 of the fair value hierarchy.

	CONSOLIDATED 2021 $'000	PARENT 2021 $'000
Balance at the beginning of the period	(511,956)	(511,956)
Net gain/(loss) recognised in other comprehensive income	108,768	108,768
Net gain/(loss) from financial instruments at fair value	84,634	84,634
Balance at the end of the period	(318,554)	(318,554)

21. Financial instruments disclosures (continued)

(c) Fair values (continued)

Basslink financial instruments

The Basslink financial instruments comprise the BSA, FFFI and 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 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 15 year forward market interest rate.

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

Energy price derivatives

The Group has entered into derivative contracts in the electricity 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, adjusting for any inception day one fair value gains/losses. Projected market price is based on an in-house long term price curve.

The financial instruments above are valued using non-market unobservable inputs, the following table details the nature and sensitivities of those inputs.

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

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

The relationship of unobservable inputs to the fair value of the BSA and FFS liability is as follows:

- The higher the weighted average cost of capital, the smaller the liability
- The higher the price spread the smaller the liability
- The higher the long term average generation forecast 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	Unobservable input	Range (weighted average)	Valuation change $'000
Energy price derivatives - economic hedges	(156,832)	Discounted cash flow	Long term flat electricity price	-10% to +10%	(6,852) to 5,469
Energy price derivatives - cash flow hedges	293,115	Discounted cash flow	Long term flat electricity price	-10% to +10%	125,328 to (125,328)
Basslink Services Agreement and Facility Fee Swap	(494,062)	Discounted cash flow	Weighted average cost of capital	10% to 12% (11%)	(10,823) to 10,113
			Average Victorian price spread	-10% to +10%	(29,384) to 29,384
			Long term average annual generation (GWh)	8,600 to 9,200 (8,900)	(58,525) to 58,525
			Counterparty credit margin	0.05% to 0.25% (0.15%)	887 to (881)
			Long term interest rate	0.82% to 1.02% (0.92%)	62 to (61)

22. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
(a)	**Capital expenditure commitments**				
	Not later than one year	42,927	37,828	42,927	37,818
	Later than one year but not later than two years	9,265	13,129	9,265	13,129
	Later than two year but not later than five years	3,167	8,185	3,167	8,185
	Later than five years	-	254	-	254
		55,359	59,396	55,359	59,386

23. Contingent assets and liabilities

Under the terms of ASIC Instrument [15-0576] and [15-0577], AETV Pty Ltd and Momentum Energy Pty Limited have been granted relief from the requirement to prepare audited financial statements. The Group has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities. The parties to the Deed are the Hydro-Electric Corporation, AETV Pty Ltd and Momentum Energy Pty Limited.

A consolidated Statement of Comprehensive Income and retained profits, and a consolidated Statement of Financial Position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2021, are set out in note 32.

The Group and Basslink Pty Ltd have made claims against each other in respect of contractual arrangements between them concerning the Basslink interconnector. The claims relate to an outage of the interconnector in 2018, and are unresolved as at 30 June 2021.

24. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2021 $	2020 $	2021 $	2020 $
Amounts received, or due and receivable, by the Auditor-General from the Group for auditing the financial statements of the Group	424,600	460,420	424,600	460,420
Amounts received, or due and receivable, for compliance audits	12,400	11,735	12,400	11,735
	437,000	472,155	437,000	472,155

25. Key management personnel compensation

a) Remuneration policy

Remuneration levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The HR, Remuneration and Safety 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 Group'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 segment's performance
- achievement of the Group's strategic initiatives
- government wages and salaries expectations.

Remuneration packages include contribution to post-employment superannuation plans.

The outgoing Chief Executive Officer's (CEO) (ceased 04/09/2020) remuneration package was approved by the Government in December 2017.

The incumbent Chief Executive Officer's (CEO) (appointed 05/09/2020) remuneration package was approved by the Government in July 2020.

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 in accordance with the relevant Guidelines for Tasmanian Government Businesses – Board Appointments.

The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

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

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

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel, reflect the principles outlined in the Guidelines, and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Premier and portfolio Minister following selection and recommendation by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

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 the Corporation's strategic objectives and business performance results across a mix of corporate 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 in line with individual's contracts prior to termination of the contract. CEO contracts for GBEs include a set term consistent with the requirements of *Government Business Enterprises Act 1995*. Whilst not automatic, contracts can be extended.

25. Key management personnel compensation (continued)

The aggregate compensation to key management personnel of the Group is set out below:

	Director remuneration		Executive remuneration		Consolidated	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Short-term employee benefits	393	378	3,301	4,312	3,694	4,690
Post-employment benefits	37	36	251	363	288	399
Other long-term employee benefits	-	-	(314)	188	(314)	188
Termination benefits	-	-	2,383	162	2,383	162
	430	414	5,621	5,025	6,051	5,439

b) Director remuneration[1]

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

			2021			
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Super-annuation[2] $'000	Total 2020-21 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	120	11	12	143
Mr C Botto	Director	Full term	56	10	6	72
Mr K Hodgson	Director	Full term	56	4	6	66
Ms S Hogg	Director	Full term	56	17	7	80
Ms S Lightfoot	Director	Full term	56	7	6	69
Executive director						
Mr S Davy	Chief Executive Officer[3]	To 04/09/20	-	-	-	-
Total			344	49	37	430

			2020			
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Super-annuation[2] $'000	Total 2020-21 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	116	10	12	138
Mr C Botto	Director	Full term	54	10	6	70
Mr K Hodgson	Director	Full term	54	4	5	63
Ms S Hogg	Director	Full term	54	16	7	77
Ms S Lightfoot	Director	Full term	54	6	6	66
Executive director						
Mr S Davy	Chief Executive Officer[3]	Full term	-	-	-	-
Total			332	46	36	414

Board remuneration notes and statements

[1] Amounts are all forms of consideration paid, payable or provided by the entity.
[2] Superannuation means the contribution to the superannuation fund of the individual.
[3] The CEO does not receive additional remuneration as a Director.

25. Key management personnel compensation (continued)

c) Executive remuneration

The following table discloses the remuneration details for each person that acted as a senior executive during the current financial year:

	2021								
Executive remuneration	Base Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other long-term benefits[7] $'000	Total 2020-21 $'000
Mr E Albertini** Chief Executive Officer (from 05/09/20)	520	-	23	4	-	547	-	46	593
Mr J Barriga* Chief Information Officer (to 26/10/20)	110	-	12	-	-	122	-	12	134
Mr I Brooksbank* EGM Finance and Strategy/CFO	345	45	34	-	-	424	-	24	448
Mr A Catchpole* Chief Strategy Officer (to 02/07/21)	371	-	23	4	-	398	542	(66)	874
Ms A Childs*** Managing Director Momentum	335	45	34	-	-	414	-	8	422
Ms T Chu Managing Director Entura	328	38	23	3	-	392	-	10	402
Mr J Clark** EGM Assets & Infrastructure (from 07/09/20)	252	26	24	-	-	302	-	17	319
Mr S Davy** Chief Executive Officer (to 04/09/20)	109	-	4	10	-	123	669	(179)	613
Mr G Flack* Chief Operations Officer (to 26/10/20)	115	-	24	5	2	146	965	(201)	910
Ms R Groom[8] Acting EGM People Enablement (from 01/05/21)	51	4	5	-	-	60	-	3	63
Ms K McKenzie* Chief Governance Officer (to 26/10/20)	101	-	12	-	-	113	-	10	123
Mr R Tanti* Chief People Officer (to 26/10/20)	99	-	11	-	-	110	207	(24)	293
Ms C Wykamp EGM Commercial	344	35	22	-	-	401	-	26	427
Total	3,080	193	251	26	2	3,552	2,383	(314)	5,621

25. Key management personnel compensation (continued)

Executive remuneration (continued)

The following table discloses the remuneration details for each person that acted as a senior executive during the previous financial year:

	2020								
Executive remuneration	Base Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other long-term benefits[7] $'000	Total 2019-20 $'000
Mr E Albertini Chief Asset Management & Investment Officer	409	31	21	7	-	468	-	(2)	466
Mr J Barriga Chief Information Officer (from 05/08/19)	319	17	30	1	-	367	-	29	396
Mr V Borovac Chief Financial Officer (to 17/09/19)	70	-	18	-	-	88	142	4	234
Mr I Brooksbank Chief Financial Officer (from 25/11/19)	191	14	18	-	-	223	-	3	226
Mr A Catchpole Chief Strategy Officer	357	25	21	5	-	408	-	21	429
Ms A Childs Managing Director Momentum	334	26	36	12	-	408	-	21	429
Ms T Chu Managing Director Entura	316	24	21	4	-	365	-	13	378
Mr J Clark[8] Acting Chief Operations Officer (from 08/08/19 to 11/02/20)	141	-	13	-	-	154	-	4	158
Mr S Davy Chief Executive Officer	506	42	21	16	-	585	-	26	611
Mr G Flack Chief Operations Officer	331	23	65	7	-	426	-	5	431
Mr J Jenkins[8] Acting Chief Financial Officer (from 17/09/19 to 25/11/19)	61	-	6	-	-	67	-	(5)	62
Ms K McKenzie Chief Governance Officer	292	22	31	-	-	345	-	27	372
Mr S McKinnon Chief Information Officer (to 22/08/19)	58	-	11	-	-	69	20	(2)	87
Mr R Tanti Chief People Officer	284	16	30	-	-	330	-	26	356
Ms C Wykamp Chief Commercial Officer	328	23	21	-	-	372	-	18	390
Total	3,997	263	363	52	-	4,675	162	188	5,025

25. Key management personnel compensation (continued)

Executive remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accrual basis and includes all accrued benefits at 30 June.

[1] Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts. In a standard year the base salary is calculated on 26 pays during the year. In 2021 there were 27 pays.

[2] Short-term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15 per cent of base salary as per the remuneration Guidelines. The CEO incentive payment is in line with the remuneration package approved by the Government in July 2020. The CEO incentive is based on 12 months of performance. This 12 month period is not due until September 2021 and therefore no calculation has been included in the 2021 Financial Statements.

[3] Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 17 per cent.

[4] The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e., the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.

[5] Other benefits include other monetary or non-monetary benefits of all other forms of employment allowances (excluding reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable to the executive, either directly or indirectly.

[6] Termination benefits include all forms of benefit paid or accrued as a consequence of termination, including leave entitlements.

[7] Other long-term benefits include annual and long service leave movements.

[8] When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

* During the year the Group conducted a restructure which resulted in some changes in senior executive roles. From the initial announcement of the restructure, Mr J Barriga, Mr G Flack, Ms K McKenzie and Mr R Tanti were no longer classified as senior executives. Mr I Brooksbank continued as Chief Financial Officer and also acted as Executive General Manager People Enablement until 30/04/21. Mr A Catchpole continued in his current role until 02/07/21.

** Mr S Davy completed his contract as Chief Executive Officer 04/09/20 and Mr E Albertini was appointed Chief Executive Officer 05/09/20 who had previously been Chief Asset Management & Investment Manager. Mr J Clark was appointed Acting Chief Asset Management & Investment Manager 07/09/20 and was then appointed to the new role Executive General Manager Assets & Infrastructure from 02/11/20.

*** Ms A Childs resigned as Managing Director of Momentum 19/07/21.

The Directors of the Group as at 30 June 2021 were:

Mr C Botto

Mr S Davy (to 04/09/2021)

Mr G Every-Burns

Mr K Hodgson

Ms S Hogg

Ms S Lightfoot

During the year no non-executive Directors of the Group undertook any overseas trips (2020: nil).

Employees undertook overseas travel on 8 occasions during the year at a cost of $11,252 (2020: $613,405). Of these none (2020: $417,669) were made while undertaking work for clients. The cost of Entura travel on client business is recovered from these clients.

26. Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	876	513	59,407	39,765	518	92	-	-
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
	-		-					
PARENT	-		-					
HT Wind Operations Pty Ltd	-	-	-	-	-	-	170,508	167,226
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
Bell Bay Power Pty Ltd	2	28	-	-	1,557	1,295	-	-
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,424
Lofty Ranges Power Pty Ltd	-	-	-	-	281	196	-	-
Entura Hydro Tasmania Consulting (Holding) Pty Ltd	-	-	-	-	-	-	-	-
Hydro Tasmania Consulting India Pvt Ltd	-	-	-	-	-	-	33	148
HT Wind Developments Pty Ltd	-	-	-	-	-	-	695	603
Hydro Tasmania Retail Pty Ltd	-	-	-	-	-	-	-	-
RE Storage Project Holding Pty Ltd	-	-	-	-	700	715	-	-
Heemskirk Holdings Pty Ltd	-	-	-	-	-	-	-	-
Heemskirk Windfarm Pty Ltd	-	-	-	-	-	-	-	-
Woolnorth Studland Bay Holdings Pty Ltd	-	-	-	-	-	-	-	-
Woolnorth Bluff Point Holdings Pty Ltd	-	-	-	-	-	-	-	-
Momentum Energy Pty Limited	409,118	465,647	-	-	8,178	33,933	-	-
AETV Pty Ltd	239	89	11,823	13,379	327,939	311,001	-	-
Hydro Tasmania South Africa (Pty) Ltd	-	-	-	-	5,403	5,403	-	-
Hydro Tasmania Neusberg (Pty) Ltd	-	-	-	-	1,578	1,578	-	-

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.

Samantha Hogg is a Director of Hydro Tasmania and also a Director of Tasmanian Irrigation. Hydro Tasmania sold water and services to Tasmanian Irrigation of $5.6m (2020: $4.5m). These sales were made at arm's length and were on normal commercial terms. There were no other transactions with director related entities during the year.

Amounts owed by AETV to the parent are fully impaired.

27. Events subsequent to balance date

Subsequent to the end of the financial year there has been some uncertainty about the ongoing economic impacts in Australia and globally arising from the COVID-19 pandemic. There have been various lockdowns throughout Australia and the Group is continuing to monitor the developments and the impact on its operations, people, customers and suppliers.

At the date of signing the financial report, the Group is unable to fully determine the future financial impacts that the COVID-19 pandemic may have, however, the Group has taken into account the potential financial impacts where exposures are expected and made appropriate disclosures about the expected impact of COVID-19 throughout these financial statements.

28. Government grants

The Corporation has recognised $1.05m (2020: $1.20m) of grant revenue during the year ended 30 June 2021 as detailed below:

IEA Hydro activities

In April 2018, the Commonwealth Government entered into a $280k funding agreement through the Australian Renewable Energy Agency (ARENA) for IEA Hydro Activities including, engaging in the activities undertaken and supported by ARENA funding throughout one-year period, and fulfilling obligations of sharing insights and knowledge attained through the international engagement activities. As the total project expenditure came in under budget, it was agreed between Hydro Tasmania and ARENA to forego the final 10% of the remaining grant.

During the year ended 30 June 2021, the Corporation did not receive any funding (2020: Nil) for the IEA Hydro Activities from ARENA.

***Battery of the Nation* project**

On 20 April 2017, the Prime Minister and Federal Energy Minister met in Tasmania to announce the plan for Tasmania to be the 'battery of the nation' (BotN). Australian Renewable Energy Agency (ARENA) initially agreed to fund $3.8m over the next 3 years in relation to a number of projects, ranging from pumped Hydro, Tarraleah redevelopment and the future state NEM. The term of the funding arrangement was extended through to November 2020 due to the deferral of the original completion date.

During the year ended 30 June 2021, ARENA paid $1.05m (2020: $1.20m) for BotN funding.

29. Controlled entities

			Percentage of share held by the Group	
	Footnote	Country of incorporation	2021 %	2020 %
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
Entura Hydro Tasmania Consulting (Holding) Pty Ltd	5	Australia	100	100
Momentum Energy Pty Limited	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 Entura 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 Limited 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 Hydro Tasmania Retail Pty Ltd (previously named HT Wind New Zealand Pty Ltd). HT Wind Operations Pty Ltd was registered on 29 November 2004. Heemskirk Holdings Pty Ltd holds 100% ownership of the issued capital of Heemskirk Windfarm Pty Ltd.
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 at midnight 1 June 2013.

30. Interest in associates and joint ventures

			CONSOLIDATED				PARENT			
			Ordinary share ownership interest		Associate and joint venture agreement voting rights		Ordinary share ownership interest		Associate and joint venture agreement voting rights	
	Principal activity	Associate and joint venture balance date	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Joint ventures										
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	-	-	-	-
Associates										
Woolnorth Wind Farm Holding Pty Ltd	Wind farm operation	30 June	25	25	25	25	-	-	-	-

The Group holds a 50% interest in a dormant joint venture (Cathedral Rocks Construction and Management Pty Ltd) with Acciona Energy Oceania Pty Ltd. The joint venture was previously engaged in managing the construction and operation of a wind farm at Cathedral Rocks, South Australia (note 31).

A subsidiary of the Group, 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.

A subsidiary of the Group, HT Wind Operations Pty Ltd, became a partner in Woolnorth Wind Farm Holdings Pty Ltd with Shenhua Clean Energy Holding Pty Ltd in February 2012 and holds a 25% interest. The principal activity of the business is to operate wind farms.

31. Incorporated associates and joint ventures

The Statement of Financial Performance and Position of the following incorporated associates and joint ventures are not consolidated but are instead accounted for under the equity method.

	CONSOLIDATED		
	Associate	Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Total
	2021 $'000	2021 $'000	2021 $'000
Statement of Financial Performance			
Revenue	95,528	-	95,528
Expenses	70,743	-	70,743
Profit/(loss) before fair value	24,785	-	24,785
Fair value gains/(losses)	62,120	-	62,120
Profit/(loss) before income tax benefit	86,905	-	86,905
Income tax expense	(26,303)	-	(26,303)
Net (loss)/profit after tax	60,602	-	60,602
Statement of Financial Position			
Current assets	88,661	55	88,716
Non-current assets	543,575	-	543,575
Total assets	632,236	55	632,291
Current liabilities	189,546	-	189,546
Non-current liabilities	158,467	-	158,467
Total liabilities	348,013	-	348,013
Net assets	284,223	55	284,278
Share of accumulated profits/(losses)			
Share of accumulated profits/(losses) at the beginning of the year	43,253	(21)	43,232
Share of profit after income tax expense	15,151	-	15,151
Share of accumulated profits/(losses) at the end of the year	58,404	(21)	58,383
Movements in carrying amount of investment			
Carrying amount at the beginning of the year	57,423	17	57,440
Dividends received	(3,283)	-	(3,283)
Share of associates other comprehensive income	1,765	-	1,765
Share of profit after income tax for the year	15,151	-	15,151
Carrying amount at the end of the year	71,056	17	71,073

31. Incorporated associates and joint ventures (continued)

	CONSOLIDATED			
	Associates		Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Kakamas Hydro Electric Power Pty Ltd 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Total
	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Statement of Financial Performance				
Revenue	110,468	3,436	-	113,904
Expenses	76,008	5,748	-	81,756
Profit/(loss) before fair value	34,460	(2,312)	-	32,148
Fair value gains/(losses)	148,054	-	-	148,054
Profit/(loss) before income tax benefit	182,514	(2,312)	-	180,202
Income tax expense	(54,614)	-	-	(54,614)
Net (loss)/profit after tax	127,900	(2,312)	-	125,588
Statement of Financial Position				
Current assets	83,053	-	55	83,108
Non-current assets	519,562	-	-	519,562
Total assets	602,615	-	55	602,670
Current liabilities	67,311	-	-	67,311
Non-current liabilities	305,613	-	-	305,613
Total liabilities	372,924	-	-	372,924
Net assets	229,691	-	55	229,746
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning of the year	11,278	(4,448)	(21)	6,809
Share of profit after income tax expense	31,975	(578)	-	31,397
Share of accumulated profits/(losses) at the end of the year	43,253	(5,026)	(21)	38,206
Movements in carrying amount of investment				
Carrying amount at the beginning of the year	42,523	-	17	42,540
Dividends received	(4,023)	-	-	(4,023)
Impairment of investment	(8,281)	578	-	(7,703)
Share of associates other comprehensive income	(4,771)	-	-	(4,771)
Share of (loss)/profit after income tax for the year	31,975	(578)	-	31,397
Carrying amount at the end of the year	57,423	-	17	57,440

32. Deed of cross guarantee

The following consolidated Statement of Comprehensive Income and retained profits, and the Statement of Financial Position comprises the Group and its controlled entities which are party to the Deed of Cross Guarantee (refer note 23), after eliminating all transactions between parties to the Deed.

	2021 $'000	2020 $'000
Consolidated Statement of Comprehensive Income and retained profits		
Revenue	1,883,295	1,995,111
Expenses	1,540,374	2,792,742
Profit/(loss) before income tax equivalent expense	342,921	(797,631)
Income tax equivalent (benefit)/expense	105,286	(239,226)
Profit/(loss) for the period	237,635	(558,405)
Other comprehensive income	86,833	448,368
Total comprehensive income/(loss) for the period	324,468	(110,037)
Retained earnings at the beginning of the period	510,180	1,187,408
Dividends paid	(115,000)	(120,000)
Net profit/(loss)	237,635	(558,405)
Other movements	8,989	1,177
Retained earnings at the end of the period	641,804	510,180
Current assets		
Cash and cash equivalents	15,204	12,757
Receivables	350,165	339,800
Investments	74,700	-
Inventories	4,506	4,415
Other financial assets	132,647	234,818
Other	23,130	13,558
Total current assets	600,352	605,348

32. Deed of cross guarantee (continued)

	2021 $'000	2020 $'000
Non-current assets		
Investments	184,410	184,410
Property, plant and equipment	3,430,379	3,393,439
Intangible assets	76,230	74,222
Deferred tax asset	62,976	73,403
Other financial assets	704,425	584,974
Goodwill	16,396	16,396
Other	13,818	14,393
Total non-current assets	4,488,634	4,341,237
TOTAL ASSETS	5,088,986	4,946,585
Current liabilities		
Payables	275,458	303,758
Interest-bearing liabilities	85,957	137,729
Provisions	340,918	315,444
Other financial liabilities	184,697	280,124
Other	178,856	173,827
Total current liabilities	1,065,886	1,210,882
Non-current liabilities		
Interest-bearing liabilities	679,870	533,644
Deferred tax liability	342,299	281,265
Provisions	368,971	398,138
Other financial liabilities	934,872	1,035,035
Total non-current liabilities	2,326,012	2,248,082
TOTAL LIABILITIES	3,391,898	3,458,964
NET ASSETS	1,697,088	1,487,621
EQUITY		
Contributed equity	678,206	678,206
Reserves	377,078	299,235
Retained earnings	641,804	510,180
TOTAL EQUITY	1,697,088	1,487,621

33. Dividend

	CONSOLIDATED		PARENT	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Declared and paid during the year				
Statutory dividend	-	115,000	-	115,000
Proposed for approval (not recognised as a liability as at 30 June)				
Statutory dividend	50,000	-	50,000	-

34. Segment information

Identification of reportable segments

The Group 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 NEM from hydro generation assets and provides consulting services.

(ii) AETV

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

(iii) Momentum Energy

Momentum Energy sells energy to retail customers trading in all regions of the NEM except Tasmania.

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.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2021					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	805,069	83,178	896,869	1,785,116	(124,702)	1,660,414
Fair value gains	171,206	16,507	-	187,713	-	187,713
Share of associates and joint ventures	15,151	-	-	15,151	-	15,151
Other revenue	35,923	-	378	36,301	-	36,301
Total revenue	1,027,349	99,685	897,247	2,024,281	(124,702)	1,899,579
Segment results						
Depreciation and amortisation	100,127	3,019	11,701	114,847	-	114,847
Finance expenses	38,949	-	924	39,873	-	39,873
Fair value losses	57,003	688	-	57,691	-	57,691
Net revaluation and impairment	17,200	-	-	17,200	(17,200)	-
Other expense	478,366	110,195	865,437	1,453,998	(124,702)	1,329,296
Total expense	691,645	113,902	878,062	1,683,609	(141,902)	1,541,707
Profit/(loss) before income tax equivalent expense	335,704	(14,217)	19,185	340,672	17,200	357,872
Comprising:						
Result before fair value movements and revaluation	227,830	(30,036)	19,185	216,979	-	216,979
Net fair value gains/(losses)	114,203	15,819	-	130,022	-	130,022
Net fair value gains/(losses) from associates and joint ventures	10,871	-	-	10,871	-	10,871
Revaluation and impairment (expenses)/gains	(17,200)	-	-	(17,200)	17,200	-
Profit/(loss) before income tax equivalent expense	335,704	(14,217)	19,185	340,672	17,200	357,872
Income tax equivalent expense	106,882	(4,265)	6,142	108,759	-	108,759
Segment profit/(loss) after tax	228,822	(9,952)	13,043	231,913	17,200	249,113
Total assets	4,641,498	97,027	210,413	4,948,938	(19,417)	4,929,521
Total liabilities	2,678,922	405,669	94,904	3,179,495	-	3,179,495
Other disclosures						
Investment in associates and joint ventures	71,073	-	-	71,073	-	71,073
Capital expenditure	146,073	-	9,905	155,978	-	155,978

Inter-segment revenues are eliminated on consolidation.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2020					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	826,122	106,626	987,441	1,920,189	(135,682)	1,784,507
Fair value gains	195,638	9,937	-	205,575	-	205,575
Share of associates and joint ventures	31,397	-	-	31,397	-	31,397
Other revenue	5,108	1	528	5,637	-	5,637
Total revenue	1,058,265	116,564	987,969	2,162,798	(135,682)	2,027,116
Segment results						
Depreciation and amortisation	113,092	2,704	10,170	125,966	-	125,966
Finance expenses	43,576	-	609	44,185	-	44,185
Fair value losses	301,140	1,276	-	302,416	-	302,416
Net revaluation and impairment	888,949	-	-	888,949	(10,018)	878,931
Other expense	490,122	127,450	971,790	1,589,362	(135,682)	1,453,680
Total expense	1,836,879	131,430	982,569	2,950,878	(145,700)	2,805,178
Profit/(loss) before income tax equivalent expense	(778,614)	(14,866)	5,400	(788,080)	10,018	(778,062)
Comprising:						
Result before fair value movements and revaluation	189,927	(23,527)	5,400	171,800	-	171,800
Net fair value gains/(losses)	(105,501)	8,661	-	(96,840)	-	(96,840)
Net fair value gains/(losses) from associates and joint ventures	25,909	-	-	25,909	-	25,909
Revaluation and impairment (expenses)/gains	(888,949)	-	-	(888,949)	10,018	(878,931)
Profit/(loss) before income tax equivalent expense	(778,614)	(14,866)	5,400	(788,080)	10,018	(778,062)
Income tax equivalent expense	(231,512)	(4,460)	1,911	(234,061)	-	(234,061)
Segment profit/(loss) after tax	(547,102)	(10,406)	3,489	(554,019)	10,018	(544,001)
Total assets	4,457,263	105,672	219,473	4,782,408	(19,417)	4,762,991
Total liabilities	2,713,773	404,362	117,007	3,235,142	-	3,235,142
Other disclosures						
Investment in associates and joint ventures	57,440	-	-	57,440	-	57,440
Capital expenditure	131,949	-	9,550	141,499	-	141,499

34. Segment information (continued)

	YEAR ENDED	
	2021 $'000	2020 $'000
Reconciliation of profit		
Segment profit	231,913	(554,019)
Energy sales	124,702	135,682
Purchased energy	(124,702)	(135,682)
Intercompany loan impairment	17,200	10,018
Consolidated profit	249,113	(544,001)
Reconciliation of assets		
Segment total assets	4,948,938	4,782,408
Elimination of investment in subsidiary	(19,417)	(19,417)
Corporation total assets	4,929,521	4,762,991
Reconciliation of liabilities		
Segment total liabilities	3,179,495	3,235,142
Elimination of intercompany revaluation and balances	-	-
Corporation total liabilities	3,179,495	3,235,142

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 2021 and the financial position at 30 June 2021 of the Corporation and the Consolidated entity;

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

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

c) there are reasonable grounds to believe that the Corporation, AETV Pty Ltd and Momentum Energy Pty Limited will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those entities pursuant to ASIC Instrument [15-0576] and [15-0577].

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 2021 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 2021 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 2021 give a true and fair view.

Signed in accordance with a resolution of the directors:

Grant Every-Burns

G Every-Burns
Chairman
13 August 2021

Samantha Hogg

S Hogg
Director
13 August 2021

Superannuation declaration

I, Evangelista Albertini, 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.

E Albertini

E Albertini
Chief Executive Officer
13 August 2021

Auditor's independence declaration

Tasmanian Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 I Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

13 August 2021

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

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Hydro-Electric Corporation for the financial year ended 30 June 2021, 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

Rod Whitehead
Auditor-General

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism I Respect I Camaraderie I Continuous Improvement I Customer Focus

Strive I Lead I Excel I To Make a Difference

Tasmanian Audit Office

Independent Auditor's Report

To the Members of Parliament

Hydro-Electric Corporation

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Hydro-Electric Corporation (the Corporation) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance and its cash flows for the year then ended

(b) complying with Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration was provided to the directors of the Corporation on the same date as this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Fair value of generation assets **Refer to notes 1.2(i), 3 and 9**	
As at 30 June 2021, the Group's generation assets recognised at fair value of \$3 119.03m represented 63% of the total assets. The hydro generation class of assets are carried at fair value using a discounted cash flow model. The fair value calculation is based on long-term electricity prices determined with reference to published energy prices and price trend predictions in the National Energy Market. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on internal models. Other key inputs to the fair value model are forecast generation, inflation, discount rate and terminal growth rates. Significant management judgment was required in determining the key assumptions used in the model and changes in the underlying assumptions can significantly impact the valuation.	In conjunction with corporate finance and valuation specialists: • Assessing the reasonableness of key assumptions used in the model with reference to relevant internal and external evidence. The key assumptions included the long-term electricity prices, generation capacity, expenses, capex, inflation rate, discount rate and terminal growth rate for reasonableness of achievability and consistency with the external and internal environment. • Assessing the reasonableness of cashflow forecasts relative to corporate plans and other relevant internal and external evidence. Performing sensitivity analysis in relation to key assumptions in the model to assess the potential reasonable change. • Undertaking integrity checks of the model calculations, including reperforming the valuation of generation assets and comparing the result to the valuation and performing sensitivity analysis in relation to key model assumptions. • Testing, on a sample basis, the mathematical accuracy of the discounted cashflow model.

	• Assessing the adequacy of relevant disclosures in the financial statements in accordance with *AASB 13 Fair Value Measurement* and the appropriateness of the classification of cash generating units.
Energy price derivatives **Refer to notes 1.2(ae), 2, 3, 11, 18 and 21**	
As at 30 June 2021, the Group's energy price derivative assets totalled $350.41m and energy price derivative liabilities totalled $214.13m. Significant management judgment was required in determining the value of the energy price derivative assets and liabilities due to the highly technical and complex nature of the valuations, which included management estimation of future electricity prices, inflation and discount factors. Changes in the underlying estimates can significantly impact the value of energy price derivative assets and liabilities.	In conjunction with corporate finance and energy derivative valuation specialists: • Assessing the effectiveness of middle office control and oversight function, and its involvement in fair value measurement process. This included access and version controls. • Reviewing the design and testing the effectiveness of key controls associated with trading of energy price derivatives, including verification of trades. • Evaluating the methodology of the internal valuation models applied to Level 3 financial instruments against market practices and test the internally derived inputs, such as long-term price curves and forecast volumes. • Assessing and challenging market data inputs and assumptions in valuation models for consistency with publicly available and other external market data. • Evaluating the configuration of internal models and the valuation methodology applied to fair value structured and complex energy derivatives classified as Level 3 having regard to generally accepted market practices. • Reperforming fair value calculations for a sample of derivative financial instruments using industry acceptable valuation practices.

	• Reperforming a sample of Level 1 and Level 2 financial instruments valuations and hedge accounting results. • Assessing the documentation, measurement of hedge effectiveness, and accounting for cashflow hedges designated from 1 July 2020. • Checking, on a sample basis, the key terms for the entry of trades to underlying third party transaction documents. • Reviewing the completeness and accuracy of the financial statement disclosures relating to the financial assets and liabilities to ensure compliance with applicable Accounting Standards disclosure requirements, including testing the integrity and mathematical accuracy of disclosure spreadsheets. • Assessing the fair value hierarchy disclosures and validate appropriateness of disclosures based on observable and/or unobservable inputs.
Basslink financial assets and liabilities **Refer to notes 1.2(ac), 2, 3, 11, 18 and 21**	
As at 30 June 2021, the Group's Basslink financial assets totalled \$409.23m and Basslink financial liabilities totalled \$903.29m. Significant management judgment was required in valuing the Basslink financial assets and liabilities as they are sensitive to inputs within the discounted cash flow model such as electricity prices, forecast interconnect energy flow over the Basslink cable and inflation and discount factors. Changes in the underlying inputs can significantly impact the valuation of the Basslink financial assets and liabilities.	In conjunction with corporate finance and energy derivative valuation specialists: • Assessing effectiveness of middle office control and oversight function, and its involvement in fair value measurement process. This included access and version controls. • Assessing and challenging key inputs and assumptions underpinning the valuation of the Basslink Service Agreement including inputs such as the long-term electricity price curve, interconnector energy flow, volatility of Victoria and Tasmania price spreads,

	including comparing inputs to external sources, where available. • Undertaking integrity checks and mathematical accuracy of the model calculations and disclosure spreadsheets, including reperforming the valuation of Basslink financial assets and liabilities and comparing the result to the Group's valuation and performing sensitivity analysis in relation to key model assumptions. • Reperforming a sample of Level 1 and Level 2 financial instrument valuations and hedge accounting results • Assessing the documentation of hedge effectiveness and accounting for cash flow hedges designated from 1 July 2020. • Checking, on a sample basis, the key terms for the entry of trades to underlying third party transaction documents. • Considering the status of the arbitration between the Corporation and Basslink Pty Ltd. • Review the completeness and accuracy of the financial statement disclosures to ensure compliance with applicable Accounting Standards.

Responsibilities of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rod Whitehead
Auditor-General
Tasmanian Audit Office

13 August 2021
Hobart

Above: Penstock Lagoon is one of our most popular waterways for fly fishing

Summary information

Community service obligations summary

Formalised directions issued by the Minister for Energy and Emissions Reduction and Treasurer to Hydro Tasmania to perform community service obligations (CSOs) pursuant to section 65(1) of the *Government Business Enterprises Act 1995* (Tas) (GBE Act) as required by section 55(2)(a) of the GBE Act.

Bass Strait islands

The Hydro Tasmania group provides electricity services to the Bass Strait islands in accordance with the direction to perform an unfunded CSO. Retail services are provided by Momentum Energy. The CSO ensures that consumers on the Bass Strait islands receive electricity at a concessional and regulated price. In 2020-21 the net cost of the CSO to Hydro Tasmania was $9.14 million.

Wholesale electricity price (WEP) order

The Minister for Energy and Emissions Reduction and Treasurer direct Hydro Tasmania to offer load-following (whole-of-meter) contracts if requested to do so by retailers, for load relating to small customers in Tasmania at a prescribed price. This is an unfunded CSO obligation and applies to contracts with all retailers. The WEP order directions have been issued between the years FY2017-18 to FY2019-20. No WEP order price was directed for FY2020-21.

Granville Harbour Wind Farm

On 5 September 2017 Hydro Tasmania was directed to enter a power purchase agreement with West Coast Wind to facilitate the construction of the Granville Harbour Wind Farm. The power purchase agreement took effect once the wind farm became operational in 2020. In 2020-21, this unfunded CSO direction has an implied cost to Hydro Tasmania of $2.7 million due to the prevailing market price for LGCs.

Sponsorship of Cricket Tasmania and the Hobart Hurricanes

Beginning FY2020-21 Hydro Tasmania was directed to perform an unfunded CSO to become a major sponsor of Cricket Tasmania and the Hobart Hurricanes BBL cricket team for a three year period. In 2020-21 the cost of the CSO to Hydro Tasmania was $250,000.

Financial summary

Financial results

Table 3: Financial results 2017–2021

Year ending 30 June:	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m
Result before fair value, impairment and tax	20.1	167.9	195.0	171.8	217.0
Profit/(loss) before tax[a]	(308.7)	168.8	216.2	(778.1)	357.9
Comprehensive income/(loss)	(181.8)	30.7	(169.2)	(99.0)	337.2
Cash flow from operating activities	117.6	357.1	257.4	227.8	236.3
Net debt	738	703	549	627	647
Weighted average cost of debt	4.87%	4.90%	5.08%	4.92%	3.52%
Capital expenditure	131.0	124.9	145.1	141.5	156.0
Other expansion and acquisitions	0.0	0.0	0.0	0.0	0.0
Total assets	6,322	5,706	5,702	4,763	4,930

[a] Profit/(loss) before tax is impacted by movements in the fair value of energy derivatives, and by the impairment of generation assets

Year ending 30 June:	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m
Government guarantee fee	8.6	8.2	7.9	6.7	6.3
Income tax equivalent	0.0	8.6	69.1	70.6	56.9
Ordinary dividend[a]	0.0	0.0	80.0	120.0	115.0
Rates equivalent	4.1	4.3	4.4	4.6	4.6
Total returns	12.7	21.1	161.4	201.9	182.8

[a] Represents the dividend paid in the period, relating to performance in the previous period

Five-year summary

Table 4: Financial statistics 2017–2021, year ending 30 June

	Financial year ending 30 June				
	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000
Five-year profile – Statement of Comprehensive Income					
Income					
Sales of goods and services	1,440,403	1,769,696	1,824,372	1,784,507	1,660,414
Other income	41,241	25,662	26,181	5,636	36,301
TOTAL INCOME	**1,481,644**	**1,795,358**	**1,850,553**	**1,790,143**	**1,696,715**
Less expenses					
Labour	129,311	140,791	160,453	159,659	170,032
Direct operating expenses	1,048,215	1,196,666	1,214,769	1,184,848	1,060,549
Depreciation and amortisation of non-current assets	109,094	116,521	118,065	125,966	114,847
Impairment of non-current assets	781	227	11,050	878,931	-
Finance costs	56,668	54,379	50,129	44,185	39,873
Net fair value movements	328,022	(1,111)	(48,196)	96,840	(130,022)
Other operating expenses	118,261	119,099	128,092	77,776	83,564
TOTAL EXPENSES	**1,790,352**	**1,626,572**	**1,634,362**	**2,568,205**	**1,338,843**
NET PROFIT/(LOSS) BEFORE TAX	**(308,708)**	**168,786**	**216,191**	**(778,062)**	**357,872**
Five-year profile - Balance Sheet					
Assets					
Cash and cash equivalents	117,057	65,890	66,448	15,143	92,720
Investments	59,262	58,144	42,540	57,440	71,073
Receivables	368,659	387,512	390,621	341,739	351,803
Property, plant and equipment	4,646,203	4,474,381	4,484,642	3,479,968	3,518,784
Financial and other assets	1,130,795	720,178	718,212	868,701	895,141
TOTAL ASSETS	**6,321,976**	**5,706,105**	**5,702,463**	**4,762,991**	**4,929,521**
Liabilities					
Payables	318,713	347,891	345,534	307,052	278,773
Provisions	517,920	571,401	819,452	738,210	720,578
Interest bearing liabilities	854,833	769,204	618,620	671,373	765,827
Tax liabilities	472,997	470,350	315,058	200,863	290,403
Financial liabilities	2,192,974	1,551,703	1,857,250	1,317,644	1,123,914
TOTAL LIABILITIES	**4,357,437**	**3,710,549**	**3,955,914**	**3,235,142**	**3,179,495**
NET ASSETS	**1,964,539**	**1,995,556**	**1,746,549**	**1,527,849**	**1,750,026**
EQUITY	**1,964,539**	**1,995,556**	**1,746,549**	**1,527,849**	**1,750,026**
Five-year profile - Capital Works					
Expenditure					
Generation assets	83,837	88,314	101,121	95,559	94,313
Bass Strait islands	2,883	2,592	2,052	2,387	2,934
Land and buildings	4,082	4,534	9,608	5,134	7,812
Fleet	1,931	2,748	2,003	2,937	863
Information systems	32,031	24,555	26,831	26,618	35,720
Renewable developments	4,662	280	2,111	7,726	10,772
Other assets	1,567	1,913	1,341	1,138	3,564
TOTAL CAPITAL EXPENDITURE	**130,993**	**124,936**	**145,067**	**141,499**	**155,978**

Generation summary

Table 5: Generation summary 2015-2021

	Units*	As at June 30 2015	2016	2017	2018	2019	2020	2021
Mainland Tasmania								
Power stations								
Hydro	Number	30	30	30	30	30	30	30
Thermal (gas)	Number	1	1	1	1	1	1	1
Thermal (diesel)	Number	-	2[a]	-	-	-	-	-
Total	**Number**	**31**	**33**	**31**	**31**	**31**	**31**	**31**
Installed capacity[b]								
Hydro	MW	2,281	2,281	2,281	2,283[c]	2,283	2,287[d]	2,290[e]
Thermal (gas)	MW	372	372	372	372	372	372	372
Thermal (diesel)	MW	-	123	-	-	-	-	-
Total	**MW**	**2,653**	**2,776**	**2,653**	**2,655**	**2,655**	**2,659**	**2,662**
Energy generated[f]								
Hydro	GWh	8,176	8,038	8,305	9,178	9,681	9,697	8,177
Thermal (gas)	GWh	4	769	767	820	465	87	76
Thermal (diesel)	GWh	-	55	-	-	-	-	-
Total	**GWh**	**8,180**	**8,862**	**9,072**	**9,998**	**10,146**	**9,784**	**8,253**
Generation peak	MW	2,187	2,161	2,038	2,160	2,175	2,131	2,152
Generation load factor[g]	%	43	47	51	53	53	52	44
Bass Strait islands								
King Island								
Diesel	MWh	7,430	6,587	7,482	6,010	5,939	5,834	6,343
Wind[h]	MWh	4,144	4,907	4,497	5,679	6,520	7,329	7,642
Flinders Island								
Diesel	MWh	3,536	3,539	4,038	2,721	2,609	2,064	2,383
Wind/Solar[i]	MWh	-	-	65	1,887	1,970	2,769	2,733
Total Bass Strait islands	MWh	15,110	15,033	16,082	16,297	17,038	17,996	19,101

* MW (megawatt); Mwh (megawatt hour = one thousand kilowatt hours); GWh (gigawatt hour) = one million kilowatt hours

a Temporary diesel generation of up to a maximum registered capacity of 236 MW was installed at six sites during the latter part of 2015-16. As at 30 June 2016 diesel generation was still installed at Bell Bay Power Station and Que River Substation.

b Power station registered nameplate capacity.

Generation summary 2015-2021 (continued)

[c] From 2 May 2018 installed capacity increased by 2 MW due to Cluny Power Station upgrade.

[d] From September 2019 installed capacity increased by 3.6 MW due to Liapootah Unit 3 upgrade.

[e] From 19 February 2021 installed capacity increased by 3 MW due to Catagunya Unit 1 upgrade.

[f] Mainland Tasmania energy generated is calculated as the net energy measured at the power station market and distribution connection points.

[g] Calculated as average MW divided by peak MW. Average MW calculated from total energy divided by hours in the year.

[h] King Island wind generation is calculated as the net wind output for the year from Hydro Tasmania's wind generators.

[i] Net energy supplied to customers from Hydro Tasmania's wind turbine, Flinders Island Renewable Energy Developments Pty Ltd's wind turbine and Hydro Tasmania's solar installation at Flinders Island.

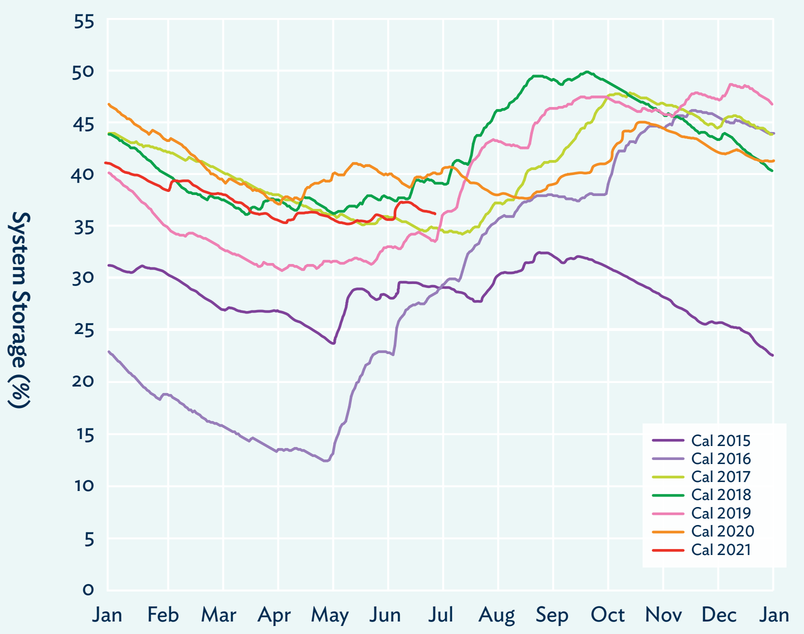
Table 6: Basslink imports and exports at 30 June 2015-2021

	Financial year ending 30 June						
	2015	2016	2017	2018	2019	2020	2021
Export (GWh)	725	479	977	1,074	1,496	1,376	1,007
Import (GWh)	2,141	1,067	1,342	865	991	867	1,612
Net[a] (GWh)	(1417)	(588)	(365)	209	505	509	(605)

[a] Positive numbers indicate net export, negative numbers indicate net import

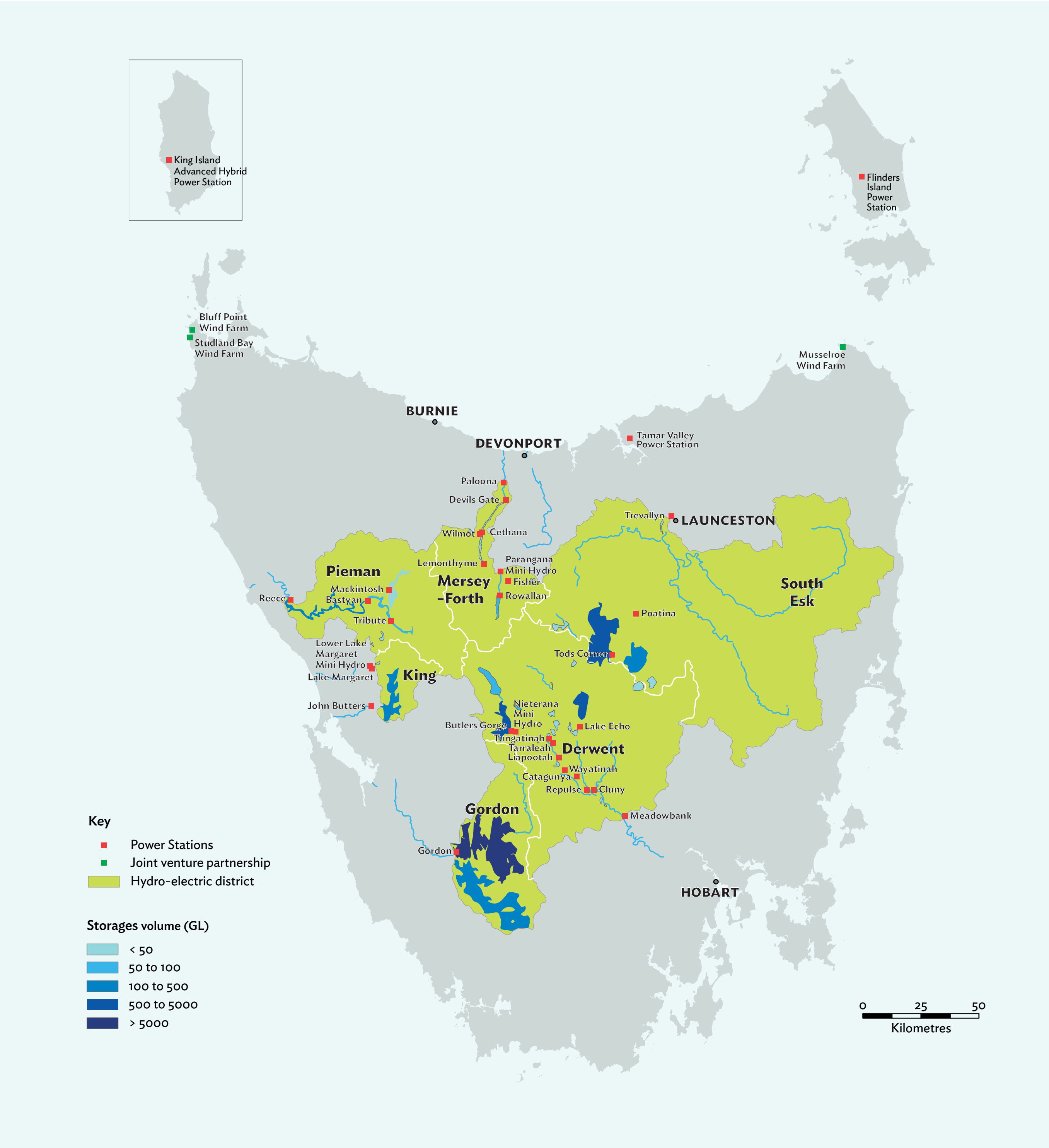
Table 7: Energy in storage at 1 July 2021

	Storage at 1 July						
TEIS	2015	2016	2017	2018	2019	2020	2021
GWh	4,268	4,205	5,031	5,658	5,007	5,774	5,228
%	29.6	29.1	34.8	39.2	34.7	40.0	36.2



Storage levels 2015–2021
Cal – calendar year

Figure 3: Hydro Tasmania's Tasmanian operations



Governance summary

The Directors of the Corporation at any time during or since the end of the financial year were:

Mr Grant Every-Burns Chairman	Mr Every-Burns was first appointed to the Board in August 2012. He is a member of the Corporation's Audit Committee, Risk Management Committee and HR, Remuneration and Safety Committee. **Appointed:** 27 August 2012 **Current term:** 13 October 2020 until 12 October 2022
Ms Samantha Hogg Independent Director	Ms Hogg was first appointed to the Board in August 2015. She is a member of the Risk Management Committee and HR, Remuneration and Safety Committee and serves as Chair of the Audit Committee. **Appointed:** 24 August 2015 **Current term:** 24 August 2018 to 23 August 2021 Ms Hogg did not seek reappointment and her term ended on 23 August 2021. A new director has been appointed to replace Ms Hogg. The new Director's term will commence in late August 2021.
Mr Kenneth Hodgson Independent Director	Mr Hodgson was first appointed to the Board in June 2016. He is Chair of the HR, Remuneration and Safety Committee. **Appointed:** 13 June 2016 **Current term:** 13 June 2019 to 12 June 2022
Mr Carlo Botto Independent Director	Mr Botto was appointed to the Board in July 2018. He became Chair of the Risk Management Committee in March 2019. **Appointed:** 31 July 2018 **Current term:** 31 July 2018 to 30 July 2021 Mr Botto has received confirmation of a further appointment term to 22 August 2024.
Ms Selina Lightfoot Independent Director	Ms Lightfoot was appointed to the Board in July 2018. She was appointed as a member of the HR, Remuneration and Safety Committee in March 2019 and Audit Committee in April 2019. **Appointed:** 31 July 2018 **Current term:** 31 July 2018 to 30 July 2021 Ms Lightfoot has received confirmation of a further appointment term to 22 August 2024.
Mr Stephen Davy Former Executive Director and CEO	Mr Davy was appointed as Executive Director in December 2014. He was a member of both the Risk Management and HR, Remuneration and Safety Committees. **Appointed:** 16 December 2014 **term:** 28 December 2017 to 4 September 2020 Mr Davy did not seek reappointment and his term ended on 4 September 2020. He was replaced as CEO by Mr Evangelista Albertini who was appointed on 5 September 2020. Mr Albertini is not a Director.

Governance summary (continued)

Table 8: Board Committee membership

Audit Committee	Risk Management Committee	Human Resources, Remuneration and Safety Committee
Samantha Hogg*	Carlo Botto*	Ken Hodgson*
Grant Every-Burns	Grant Every-Burns	Grant Every-Burns
Selina Lightfoot	Samantha Hogg	Samantha Hogg
		Selina Lightfoot

*Committee Chair

Table 9: Directors' attendance at Board and committee meetings during 2020-21

	Board (regular and special meetings)		Audit Committee		Risk Management Committee		HR, Remuneration and Safety Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	16	16	4	4	4	4	4	4
Stephen Davy	3	3***	1***	1***	0	0***	0	0***
Samantha Hogg	16	13*	4	4	4	3*	4	2*
Ken Hodgson	16	16	4	2**	4	2**	4	4
Carlo Botto	16	16	4	2**	4	4	4	1**
Selina Lightfoot	16	15*	4	4	4	1**	4	4

A Maximum number of meeting the director could have attended

B Number of meetings attended

* Leave of absence granted

** Not a member of this committee, however, attended as a guest

*** Mr Davy's term expired on 4 September 2020 and he did not seek reappointment

Board and Executive performance evaluation

(see the guideline at https://www.treasury.tas.gov.au/Documents/Guidelines-Assessing-Board-Performance.pdf)

One of the independent directors, on a rotating basis, evaluates the meeting at the conclusion of each Board meeting. This process allows for contemporaneous consideration of the strengths and opportunities of the meeting, how it ran, the presentations given and the discussions.

Each director, including the Chairman, undergoes a formal performance evaluation by their fellow directors and the Hydro Tasmanian leadership team when their term of office is under consideration and they elect to seek re-appointment. Due to the expiration of their current terms in 2021, a formal review of Carlo Botto and Selina Lightfoot's respective performance was conducted during the financial year. The re-appointment of Mr Botto and Ms Lightfoot was recommended and was approved by Cabinet on 23 August 2021.

In addition, the Chairman provides continual individual feedback on performance to each director.

The performance of Board Committees is assessed in accordance with their Terms of Reference, usually annually. In 2020-21, the Board's Audit and Risk Management committees carried out self-assessments. The leadership team and relevant management personnel are also asked to provide feedback on the effectiveness of the committees and their members.

The Board elected not to undertake an external evaluation during the 2020-21 year. The performance of the CEO and other senior executives is reviewed annually using robust, measurable and qualitative key performance indicators.

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. Hydro Tasmania's revised procedures are currently being reviewed by the Tasmanian Ombudsman

b) there were three (3) public interest disclosures made to Hydro Tasmania during the year. These public interest disclosures contained allegations in respect of historical workplace and safety related incidents and historical claims concerning Basslink

c) one (1) of the public interest disclosures was investigated by Hydro Tasmania during the year, which concerned the allegations in respect of the historical safety incidents

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 two (2) disclosed matters that Hydro Tasmania decided not to investigate during the year as Hydro Tasmania determined that there were grounds under section 64 of the Act not to do so, as similar allegations had been raised, assessed and investigated previously and the disclosures did not provide material new information

h) there were six (6) allegations contained within the disclosed matters that were substantiated in part or required further inquiry, and one (1) allegation was substantiated on investigation. The disclosed matters concerned historical safety incidents and the factual occurrence of the events and how they were reported. The allegation that was substantiated related to an incident which occurred in 2018 which was not recorded in the Hydro Tasmania incident management system, SAP, although it was managed by the production manager at the time. Corrective action has been taken. Of the six (6) allegations that were substantiated in part or required further inquiry, these incidents have been reviewed and have been recorded as incidents (as some of them had not been recorded), although they were managed at the time of the incident. In respect of one of the incidents, Hydro Tasmania will review the relevant procedure to ascertain if an operational communication is required

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

Irrigation District Administration summary

This section has been prepared in accordance with section 182(3) of the *Water Management Act 1999* (the "Act") and provides details on the water entity, the irrigation district and the activities undertaken in administering the irrigation district.

By way of the *Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Order 2020*, Hydro Tasmania was appointed as the water entity responsible for the administration of the Lake River Irrigation District and the River Ouse Irrigation Districts under the Act. In assuming that role, Hydro Tasmania has created irrigation rights registers in respect of each Irrigation District and copies of those registers are provided to the Minister responsible for the administration of the Act ("Minister"). Hydro Tasmania is currently preparing operational ordering requirements which are anticipated will be publicly accessible on the Hydro Tasmania website for the 2021-2022 irrigation season.

River Ouse Irrigation District

The River Ouse Irrigation District covers 8,879 hectares of land and sources water from natural inflows to the Shannon and Ouse Rivers as well as releases from Shannon Lagoon. During the 2020-2021 irrigation season:

- 19 new irrigation rights were issued
- There were 0 transfers of irrigation rights
- The total entitlement volume in the River Ouse Irrigation District was 22,275ML per annum
- In additional natural inflows, an annual volume of 5,908ML of water was delivered to the River Ouse Irrigation District.

Lake River Irrigation District

The Lake River Irrigation District covers 25,138 hectares of land and sources water from natural inflows to Lake River as well as releases from Woods Lake, via the Macquarie Settlement Pipeline and the Poatina Re-Regulation Pond. During the 2020-2021 irrigation season:

- 48 new irrigation rights were issued
- There was 1 transfer of an irrigation right:
  - Irrigation Right No. 2020LR004 in the volume of 115 megalitres per annum was permanently transferred from Bovill to Talbot and Collier on 11 December 2020.
- The total entitlement volume in the Lake River Irrigation District was 65,872ML per annum
- In additional to natural inflows, an annual volume of 27,769ML of water was delivered to the Lake River Irrigation District.

*Note, from 2022, Hydro Tasmania will report on the corporation's administration of water districts to the Minister responsible for the Act in accordance with section 182 of that Act.

Payment of accounts summary

Table 10: Accounts due or paid within each year—Hydro Tasmania and subsidiary companies

Measure	
Creditor days: 1,642 creditors with the following payment terms:	
7 days	83
14 days	219
21 days	17
30 days	1,323
Total number of accounts due for payment	28,980
Number of accounts paid on time	26,754
Amount due for payment	$ 236,400,921
Amount paid on time	$ 219,043,013
Number of payments for interest on overdue accounts	39
Interest paid on overdue accounts	$ 1,067.18

The COVID-19 pandemic had an impact on the payment of accounts during the financial year. In an effort to help our Tasmanian based suppliers and in line with the Government guidelines, suppliers with 30 day terms were being paid within 14 days. A number of processes have been identified for improvement in the coming year that will improve the payment cycle for all our suppliers.

Procurement summary

Table 11: Consultancies valued at more than $50,000 (ex GST), 2020-21

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
Clayton Utz - Sydney	Sydney, NSW	Legal Advisors	01 July 2020 to 30 June 2021	$7,433,289.12
Price Waterhouse Coopers - VIC	Melbourne, VIC	Financial Consultants	01 July 2020 to 30 June 2021	$376,010.00
Pitt & Sherry Operations Pty Ltd	Launceston and Hobart, TAS	Compliance and Risk Consultants	01 July 2020 to 30 June 2021	$343,122.53
Cova Thinking Pty Ltd	Hobart, TAS	Environmental Consultants	01 July 2020 to 30 June 2021	$358,330.75
Veris Australia Pty Ltd	Devonport, TAS	Survey Consultants	01 July 2020 to 30 June 2021	$305,012.81
Baringa Partners LLP	Sydney, NSW	Strategic Advisory Services	01 July 2020 to 30 June 2021	$283,099.99
Howarth Fisher and Associates	Sandy Bay, TAS	Engineering Consultants	01 July 2020 to 30 June 2021	$272,424.00
GHD Pty Ltd - TAS	Hobart, TAS	Engineering Consultants	01 July 2020 to 30 June 2021	$225,063.60
AECOM Australia Pty Ltd	Melbourne, VIC	Engineering Consultants	01 July 2020 to 30 June 2021	$205,882.76
SICC Services	Devonport, TAS	Engineering Consultants	01 July 2020 to 30 June 2021	$203,122.66
White & Case	Melbourne, VIC	Legal Advisors	01 July 2020 to 30 June 2021	$162,025.89
Deloitte Private PL Melbourne	Melbourne, VIC	Financial Consultants	01 July 2020 to 30 June 2021	$173,221.14
PSM Consult Pty Ltd	Sydney, NSW	Geotechnical Consultant	01 July 2020 to 30 June 2021	$126,418.00
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental Consultants	01 July 2020 to 30 June 2021	$149,992.00
DamWatch Engineering Ltd	Wellington, New Zealand	Engineering Consultants	01 July 2020 to 30 June 2021	$138,872.69
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering Consultants	01 July 2020 to 30 June 2021	$122,593.67
Deloitte Touche Tohmatsu - TAS	Hobart, TAS	Financial Consultants	01 July 2020 to 30 June 2021	$110,710.00
Celsius Graphic Design	Collingwood, VIC	Marketing Consultant	01 July 2020 to 30 June 2021	$107,600.33
Sodia	Melbourne, VIC	Management Consultants	01 July 2020 to 30 June 2021	$99,800.00
Make Studios Australia Pty Ltd	Melbourne, VIC	HR Consultant	01 July 2020 to 30 June 2021	$99,725.00
Gondwana Heritage Solutions	Oatlands, TAS	Heritage Consultants	01 July 2020 to 30 June 2021	$99,249.42
WSP UK Limited	London, UK	Engineering Consultants	01 July 2020 to 30 June 2021	$97,548.65
Herbert Smith Freehills	Melbourne, VIC	Legal Advisors	01 July 2020 to 30 June 2021	$89,289.42
Ignite Project Services Pty Ltd	Hobart, TAS	IT Consultants	01 July 2020 to 30 June 2021	$81,059.02
FACTION Consulting Pty Ltd	Brisbane, Qld	Legal Advisors	01 July 2020 to 30 June 2021	$81,512.30
UNSW Sydney	Sydney, NSW	Environmental Consultants	01 July 2020 to 30 June 2021	$79,750.00

Procurement summary (continued)

Table 12: Consultancies valued at more than $50,000 (ex GST), 2020-21

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
Janybek Omorov	Kok Jar, Krgyzstan	Economic Advisor	01 July 2020 to 30 June 2021	$69,313.83
Veldhoen + Company	Sydney, NSW	Management Consultants	01 July 2020 to 30 June 2021	$67,498.00
Envoca	Mt Stuart, TAS	Environmental Consultants	01 July 2020 to 30 June 2021	$63,204.95
Pacific Consulting Group	Sydney, NSW	Financial Consultants	01 July 2020 to 30 June 2021	$62,500.00
Dobson Mitchell Allport	Hobart, TAS	Legal Advisors	01 July 2020 to 30 June 2021	$57,384.86
IPM	Hobart, TAS	Safety Consultants	01 July 2020 to 30 June 2021	$57,125.00
Mercer Consulting Aus	Victoria, VIC	HR Consultant	01 July 2020 to 30 June 2021	$56,230.00
Johnstone McGee & Gandy P/L	Hobart, TAS	Building Surveyor	01 July 2020 to 30 June 2021	$54,712.50
Baynes Geologic Pty Ltd	Malmsbury, VIC	Geotechnical Consultants	01 July 2020 to 30 June 2021	$51,654.88
WMA Water Pty Ltd	Hobart, TAS	Environmental Consultants	01 July 2020 to 30 June 2021	$51,390.00
Total				$12,415,739.77
Total expenditure on 37 other consultants engaged for $50 000 or less				$693,299.88
In addition to the consultants listed in the table above Entura engages consultants for specialist advice in the delivery of services to external clients and Hydro Tasmania engaged other consultants on a confidential basis for specialist advice				$648,849.79
Total payments to consultants				**$13,757,889.44**

Table 13: Proportion of spending on local suppliers

Indicator	Location of supplier	2016-17	2017-2018	2018-2019	2019-2020	2020-2021
Proportion of spending on local suppliers for the Hydro Tasmania group (%)[a]	Mainland Australia	40.6	31.5	32.7	32.1	25.7
	Tasmania	45.7	57.9	57.9	61.6	61.5
	Overseas	13.7	10.6	9.3	6.2	12.8
Value of spending on local suppliers for Hydro Tasmania group ($)	Mainland Australia				$67,655,930	$53,441,914
	Tasmania				$129,682,000	$128,166,498
	Overseas				$13,121,715	$26,700,460
Proportion of spending on local suppliers for Momentum Energy (%)	Mainland Australia	97.9	98.6	98.8	98.6	98.5
	Tasmania	1.4	0.8	0.7	0.4	1.3
	Overseas	0.7	0.6	0.5	1	.16
Value of spending on local suppliers for Momentum Energy ($)	Mainland Australia				$30,729,694	$27,668,884
	Tasmania				$117,075	$44,360
	Overseas				$316,344	$378,805

[a] Includes Entura and AETV Power

Remuneration report

For the financial year ended 2021, Hydro Tasmania has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*. Hydro Tasmania has an approved exception to the CEO band, which was approved on 13 July 2020, and an approved exception to the requirement that no senior executive receives a remuneration package exceeding 80 per cent of the CEO's remuneration package, which was approved on 17 August 2018.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration including superannuation and vehicle provisions where applicable.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Executive Remuneration Framework

Remuneration levels for senior executives are intended to attract and retain top talent while also complying with the *Guidelines for Tasmanian Government Businesses - Director and Executive Remuneration*. Hydro Tasmania seeks independent expert remuneration guidance annually to position executive salaries in the market. Individual roles are evaluated based on a range of factors including the expertise and judgement required to perform the role, as well as the level of accountability for managing the organisation's resources. This market data, combined with individual role evaluations, forms the basis of our Executive Remuneration Framework. All matters related to executive remuneration are governed by the Human Resources, Remuneration & Safety Committee, comprised of independent directors.

Executive Remuneration components

Executive annual remuneration arrangements are comprised of two components:

1. Total Employment Package (TEP, i.e. base salary and superannuation paid at the statutory level of 9.5%) and
2. Short Term Incentives (STI).

The CEO and executive-level employees are eligible for a short-term incentive payment subject to meeting the corporate and individual targets. These payments are non-recurrent and capped at 15 per cent of base salary, in line with the *Guidelines*.

Individual targets for CEO and executive-level employees are directly aligned with the corporate targets, so achievement of individual performance goals contributes directly to the achievement of Hydro Tasmania's performance.

The performance and remuneration of each senior executive, including the CEO, is reviewed annually by the Board.

The Board approves the release of a corporate multiplier based on the achievement of the corporate targets, and the individual performance multiplier is calculated on the individual's performance.

The formula for calculating executive bonuses is as follows:

1 Individual's maximum potential incentive
(% of total employment package)

2 Board approved release multiplier
(Board elected pool release %)

3 Individual performance multiplier
(Performance review rating)

Final incentive payable

The below is a summary of the goals achieved by the corporation in FY2020-21 which formed the basis of the short-term incentive payments:

Table 14: Summary of goals achieved by the corporation

Measure	Target	Result
Completion of hazard, safety incident and risk audit corrective actions on time	100%	100%
Total Recordable Injury Frequency Rate	<5	4.18
Increase and sustain both Engagement and Inclusion Score	>5%	-15%
Compliance incidents investigated, and actions assigned within 22 business days	>80%	90.7%
Increase Tas Net Trust Score (+48)	+48	+49
Entura Excellence scores achieved (≥ 6 / 7) to beat FY2019/20 baseline of 40	≥40	39
Drive Momentum Customer Effort	≤37	33.6
Profit before Fair Value	$180m	$217m

In addition to the above targets, there were also targets related to Momentum retail site growth and EBITDA, as well as Entura EBITDA, both of which are commercial in confidence.

Based on the attainment of the corporate targets as outlined above, the Board approved a release multiplier of 90 per cent.

Further information on our performance against these corporate targets can be found in the Performance Against the Statement of Corporate Intent on Page 21.

In addition to the corporate targets, each executive was evaluated on their attainment against individual targets. The individual targets are closely linked to the overall group targets, however, with the ability to tailor based on the individual role accountabilities and influence.

The below is a summary of each executive's individual goals in FY2020-21.

Table 15: Summary of executive individual goals

Name	Position	Corporate Targets	Total Short Term Incentive Available
Mr. Ian Brooksbank	Executive General Manager, Finance & Strategy	Targets linked to the corporate targets in particular a focus on cost savings, Profit before Fair Value, Momentum EBITDA and Entura EBITDA.	13.5% of TEP
Ms. Amy Childs	Managing Director, Momentum Energy	Targets focused on Momentum growth, EBITDA and customer experience.	13.5% of TEP
Ms. Tammy Chu	Managing Director, Entura	Targets focused on Entura growth, EBITDA, project delivery and cost savings.	12.15% of TEP
Mr. Jesse Clark	Executive General Manager, Assets & Infrastructure	Targets focused on safety performance, program delivery and cost savings.	10.8% of TEP
Ms. Caroline Wykamp	Executive General Manager, Commercial	Targets focused on value generation including trading strategy, contracting, and portfolio optimisation.	10.8% of TEP

Refer to Section 25 of the Financial Statements – Key management personnel compensation – which includes the details of payments made to senior executives for FY2020-21.

Note 1: Evangelista Albertini's Board performance review occurred after the finalisation of the Financial Statements, and therefore his short-term incentive of $42,250 will be appearing on the Remuneration Report of the FY2021-22 Annual Report.

Note 2: Ruth Groom commenced acting in the role of Executive General Manager People Enablement on 1 May 2021. Ms Groom's incentive payment was based on performance in her substantive role, which is not considered a senior executive role/key management personnel under the *Guidelines*.

Hydro Tasmania

www.hydro.com.au

4 Elizabeth Street
Hobart, Tasmania 7000
Postal Address: GPO Box 355
Hobart Tasmania 7001

Phone within Australia: 1300 360 441
Phone international: +61 3 6230 5111
Fax: +61 3 6230 5855
Email: contactus@hydro.com.au

Entura

www.entura.com.au

89 Cambridge Park Drive
Cambridge, Tasmania 7170
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550
Email: info@entura.com.au

Melbourne

Level 8, 530 Collins Street
Melbourne, Victoria 3000
Phone: +61 3 8628 9700
Fax: +61 3 8628 9764

Adelaide

25A King William Road, Unley,
South Australia 5061
Phone: +61 8 8338 0085
Fax: +61 8 8338 4733

New Delhi, India

Unit 3A, 3rd Floor
Plot No. FC-24, Film City Sector-16A,
Noida, District Gautam Budh Nagar,
Uttar Pradesh-201301, India
+91 120 403 3100
+91 120 403 3130

Momentum Energy

www.momentum.com.au

Postal Address:
PO Box 353 Flinders Lane
Melbourne, Victoria 8009
Phone: 1800 794 824 (1800 SWITCH)
1300 662 778 (Customer Care)
Email: info@momentum.com.au

Contact

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

facebook.com/HydroTasmania

twitter.com/HydroTasmania

youtube.com/HydroTasmania

linkedin.com/company/hydro-tasmania

About this report

Hydro Tasmania's annual report covers the financial year from 1 July 2020 to 30 June 2021. The report complies with the requirements of the *Government Business Enterprises Act 1995* and the associated Treasurer's Instructions and guidelines for Tasmanian Government businesses.

Hydro Tasmania