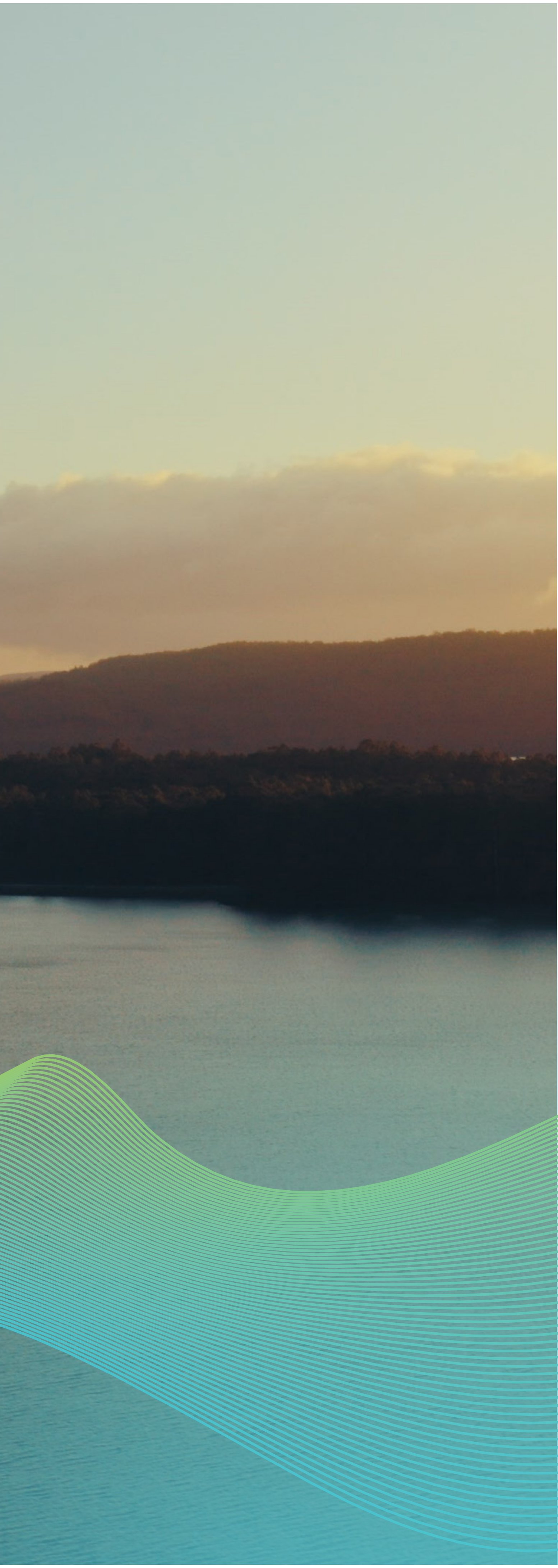
Hydro Tasmania

Creating renewable energy for generations

Annual Report 2023

We acknowledge the rich and long history of the traditional owners of the lands on which we live and work and recognise their connections to land, sea and community.
The mountains, natural lakes and rivers that capture and channel water for hydropower are rich in Aboriginal history, culture and tradition.
We acknowledge the current custodians and their ongoing connection to culture, and the lands and waters of the places we share.
We pay our respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Cover image: Tungatinah Lagoon
This page: Sunrise at Lake Binney



Directors' statement

To the Honourable Guy Barnett MP, Minister for Energy and Renewables, 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 2023. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

Richard Bolt
Chairman, Hydro-Electric Corporation
September 2023

Helen Galloway
Director, Hydro-Electric Corporation
September 2023

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance

$168M
annual profit before tax, exceeding the budgeted target.

1.86
total recordable injury frequency rate.
(lowest on record)

40.4%
total energy storage at 30 June 2023.
(10.7% above prudent storage level)

8,303 GWh
total generated energy.

$123M
committed to Tarraleah's future.

312
releases of water for recreational use.

Net Zero
launched our *Towards Net Zero* plan.

2,290 MW
installed hydro capacity.

39%
of leaders are women.

Our purpose is

Creating renewable energy for generations

We've been proudly generating hydro electricity since our very first power station was opened in Waddamana in 1916. Today, we're Australia's largest generator of renewable energy with big plans and ambitions to be the Battery of the Nation (BotN).

Through our business activities we deliver sustainable value to Tasmania, communities, customers and clients.

Renewable energy for generations. It's why we do what we do. What we've been doing now for over 100 years, and what we'll continue doing for 100 more.

Our vision is

A sustainable energy future for all

We know that tackling climate change is the biggest challenge we'll face in our lifetime and the impacts will be felt for generations to come.

So, we're using our rich experience, knowledge and passion to help accelerate the renewable energy transition to a sustainable energy future across the country, and the world. We will build on our existing assets and adapt our way of working to support Tasmania's future electricity needs and maximise the opportunity of greater interconnection with the mainland.

We will work with communities, clients and customers to help them understand and embrace the renewable energy transition. Sharing the benefits that a sustainable energy future can provide.

Our strategy is

To accelerate the renewable energy transition

As more interconnection is built across Bass Strait, we will be building our BotN projects and continuing to adapt our existing portfolio to be more flexible. We will help accelerate the transition by increasing our role in firming electricity supply, filling the lulls in wind and solar generation and on the flip side, generating far less when supply is plentiful. This will allow more wind and solar generation to enter the market and further lessen the role for aging carbon intensive generation.

Entura's water and energy consulting advice will help accelerate the transition by contributing expertise to BotN projects and assisting clients on their own renewable energy projects.

We will continue to deliver excellent customer service and outcomes to our retail customers in the Bass Strait Islands and interstate through our retail business Momentum Energy. Becoming a trusted partner for homes and businesses on their net zero and decarbonisation journeys over the coming years is a key priority and focus for the retail business.

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

Contents

Chairman's foreword

This report summarises Hydro Tasmania's excellent results for 2022–23, which were achieved in the face of major challenges that arose through the first eight months of the year.

Our staff and management did an exceptional job to navigate those challenges, and were ably led by our CEO, Ian Brooksbank, who was only confirmed in the role at the start of the financial year.

Credit for the results is also owed to the Board, under the steady chairmanship of Grant Every-Burns. Financial year 2022-23 capped off nearly 11 years of service by Grant, who carries the organisation's respect and gratitude, and mine, into his retirement.

I am grateful for this opportunity to follow him in growing the contribution of Australia's largest generator of renewable power. The transition to net zero emissions is well underway in Tasmania, and in the national and global energy systems and markets to which it is connected.

While Hydro was skilfully making and selling one of the state's most essential services, it also made important progress in developing Battery of the Nation (BotN) projects through which it can strengthen its future contribution.

As the name implies, BotN projects are intended to provide important benefits to mainland states through exports of firming power. However, those benefits would be shared by Tasmanians through dividends from interstate sales and jobs in construction. The projects would also help to secure the state's growing power needs and underpin new jobs in the wider economy.

On behalf of the Board, I trust that you will find this report reliable and informative.

Chairman Richard Bolt

Our Hydro Tasmania Board – Helen Galloway, Carlo Botto, Richard Bolt, David Middleton and Selina Lightfoot

Message from the Chief Executive Officer

Hydro Tasmania has successfully navigated another year of opportunities and challenges amid Australia's rapid energy transition. We have kept a sharp focus on our ongoing sustainability to ensure we can continue to provide essential services to the people of Tasmania.

We continuously strive to do more for our people, our communities, our customers and our environment. A particular achievement this year was our lowest ever rate of recordable injuries. There is no greater priority for our people than to return home safely at the end of each shift.

Our focus on ensuring our ongoing sustainability is reflected in our announcement of a Towards Net Zero target, our very strong profit position, careful management of asset upgrades and progress on our renewable energy ambitions through Battery of the Nation.

It is also reflected in the expert advice and support that our skilled team at Entura provide around the world to progress the renewable energy transition. And it is reflected in the care and commitment Momentum Energy shows for its customers, and its support in helping them drive clean energy change.

None of our achievements would be possible without the ongoing effort and dedication of our people to deliver for our businesses and for our communities. I am proud that we have continued to progress initiatives that support our people to be their very best.

I want to sincerely thank Grant Every-Burns for his steady leadership on the Hydro Tasmania Board and more recently as its Chair. Grant leaves us after 11 years of passionate and expert leadership, guiding the businesses through unprecedented change and ensuring we are in a prime position to capitalise on the exciting new clean energy future.

We welcome our new Chair, Richard Bolt, to Hydro Tasmania. Richard comes with exceptional knowledge and experience in the energy industry, as a leading architect of the National Electricity Market's governance system. I look forward to working closely with Richard and the Board as we continue our ambitious renewable energy journey.

No doubt the next year will be another filled with change, challenge, and opportunity but I am confident we can again deliver for our people and for the people of Tasmania.

Chief Executive Officer Ian Brooksbank

Ian with Grant Every-Burns

Operations report

Our leadership team taking part in a smoking ceremony led by Palawa elder, Uncle Rodney Dillon and Hydro Tasmania Aboriginal Advisor, Bron Dillon

The team at Agfest with the award for Most Accessible Site for our efforts in enabling access and information to people of all abilities. Credit: Prime Perspectives

Our community

As a major contributor to Tasmania's economy and prosperity, we provide much needed funds to hard working not-for-profit and community groups through sponsorships and our Community Grants Program.

We have continued to maintain and upgrade assets to provide safe and reliable services to Tasmanians. A total of 8,303 GWh of electricity was generated for the financial year, ensuring we met our commitment to support and supply electricity to homes and business in our community.

Over $165,000 was provided to 16 partner organisations this year to support vulnerable people, undertake community initiatives in rural and regional areas, and assist education providers in STEM education. Additionally, $27,000 was given to six community organisations across Tasmania through our Community Grants Program.

Some of the many great examples of community support shown this year, include:

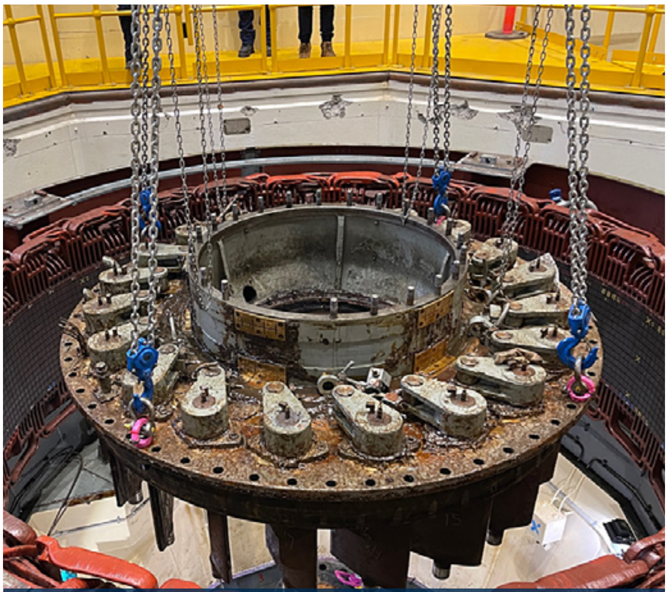
- NAIDOC Week initiatives such as native food tasting with a local Aboriginal catering business, and a business wide 'For our Elders' discussion with local Palawa Elder, Uncle Rodney Dillion and Hydro Tasmania Aboriginal Advisor, Bron Dillon
- supporting the Long Walk and Indigenous Round for Rocherlea Football Club for a second year
- signing a three-year agreement with Reconciliation Tasmania to support Reconciliation Week activities
- maintenance works at Arthurs Lake campsites, including new toilets and improved drainage and site demarcation
- featuring recreation sites management at Agfest, where we were also awarded the Most Accessible Site Award for enabling access and information to people of all abilities
- running a second year of the highly successful Girls in Power program, funded through the Tasmanian Government's Supporting Women to Succeed grants
- partnering with Mentor Walks to provide quality and accessible mentoring to nearly 300 women in Hobart.

We are a proud gold partner of The Pinnacle Foundation, including funding the multi-year Hydro Tasmania Scholarship, which has so far been awarded to Tasmanian medicine student, Eloise Knucky, in 2022 and 2023. This foundation is Australia's LGBTQI+ education charity helping young LGBTQI+ Australians realise their full potential.

Our hydropower assets

Our capital investment program invests in the maintenance and modernisation required to ensure our generation assets continue to deliver secure and reliable power now and for the next generation. This year, we:

- commenced refurbishment works at Rowallan Power Station and headworks to overhaul the assets and increase efficiency and flexibility. This major project will cost approximately $30 million over multiple years
- completed stage 1 of the Meadowbank dam crest gates
  - Crest gate replacement at Meadowbank Dam to replace the hydraulic cylinders and associated piping, wiring and controls



The top cover and guide vane assembly being removed through the stator as part of the refurbishment works at Rowallan Power Station

The crane in position to lift cylinders as part of the Meadowbank crest gate works

- commenced procurement and contract execution for other major projects including:
  - Gordon 1, 2 and 3 and John Butters main inlet valves (MIVs)
  - Parsons Falls Pumps
  - Fisher Power Station turbine parts
- progressed detailed design and planning for:
  - Gordon Unit 1 and 2
  - Poatina Power Station (including six units)
  - Lemonthyme Power Station machine refurbishment
  - West Coast upgrades (four units)
  - Main inlet valve replacements at Gordon and John Butters Power Stations
  - stage 2 of crest gate replacement at Meadowbank Dam
- progressed our dam investment, which includes commencing stage 2 of the Murchison Dam spillway upgrade and undertaken stakeholder engagement and commenced statutory approvals on the Edgar Dam strengthening project
- made significant progress on our Energy Control System (ECS) replacement project, which will deliver automated control and dispatch of the generating assets. The ECS replacement will cost approximately $18 million over three years
- invested over $3 million on a new 1.5MW solar farm and replacement wind turbine nacelle on the Bass Strait Islands to reset the asset life as a trial for all five turbines.

Our people

Our people continue to show a strong commitment to safety. This year we recorded our lowest total recordable injury frequency rate of 1.86, demonstrating our prioritisation of our people's safety and wellbeing.

We have focused on building a collaborative, inclusive and adaptive culture that aligns with our strategy.

Our desire to build a vibrant and inclusive employee experience that inspires our people and attracts and retains talented employees has been highlighted this financial year through a range of initiatives, such as:

- building a career development framework with our people to bring to life internal opportunities
- continuing to evolve our culture and leadership program, building our leadership capability at all levels and supporting our culture evolution
- determining future workforce needs through effective strategic workforce planning to ensure we are building the skills and capabilities needed to meet business needs into the future, including to deliver our Battery of the Nation (BotN) ambitions
- reducing inequities and addressing bias and barriers to ensure our people are treated fairly and with respect. This includes continuing to develop programs, initiatives and practices that advance gender equity, accessibility and improved outcomes for First Nations People.

STEM Girls in Power 2023

We have refreshed workplace policies, including the Workplace Behaviour and Respectful Interactions Policy and the Leave Policy, which allows employees to substitute a public holiday for a day that better aligns with personal beliefs and preferences.

New enterprise agreements were negotiated during the financial year and are in place for Hydro Tasmania and Entura.

Our finances

We delivered a very strong result for the year with an annual profit of $168 million before tax, which is above our corporate target of $74 million.

Market prices were very high at the beginning of the financial year due to a number of interstate plant issues as well as global fuel prices. This has since stabilised and very low prices occurred during periods of wind and solar generation. Our generation responded to volatile market conditions.

Our financial performance was impacted by several events that occurred during the year:

- low inflows across the first eight months of the year impacted generation
- inflows improved during the last four months of the year, which created opportunities in the market
- the signing of the new Basslink Network Services Agreement during the year had a positive impact on commercial operations
- floods during October caused damage to some Hydro Tasmania assets. This damage was remediated over the next few months. The flooding event also saw an increase to storage levels in particular areas of the state.

On the back of a very positive result, Hydro Tasmania will return an above budget dividend to the State Government.

Our climate

As Australia's largest generator of renewable energy, our portfolio of flexible, renewable generation positions us at the leading edge of supporting Australia's decarbonisation challenge.

Decarbonisation starts with emissions reduction, so we are:

- working towards net zero emissions across our operations and have adopted an initial objective of achieving net zero for our scope one and two emissions by 2025, which will be achieved through a combination of emissions reduction and offsets
- quantifying our scope three emissions by 2025.

This year, Hydro Tasmania commenced transitioning its passenger vehicle fleet to electric vehicles, with the arrival of two electric vehicles during the year.

Clean energy is an early enabler of decarbonisation in other sectors. Our strategy is focussed on enabling the clean energy transition and our BotN initiative is a key element of this. Our climate is driving the need for us all to adapt.

We continued our research collaborating with CSIRO exploring impacts of climate drivers on Tasmania. Sharing information is a key component of climate adaptation, and we proudly continued our support of the fifth annual Tasmanian Climate Symposium. The symposium brings

Tasmanian researchers, industry, and government together to share the latest knowledge and discuss the challenges we are facing as our climate changes.

Our future

We have made significant progress on realising our BotN ambitions.

In October 2022, the Federal Government announced its first commitments under the Rewiring the Nation plan, which includes support for BotN and Marinus Link.

Up to $1 billion in low-cost financing will be made available for BotN, which has two flagship projects:

- a proposed redevelopment of the Tarraleah hydropower scheme
- a proposed new pumped hydro scheme at Lake Cethana.

Marinus Link will unlock Tasmania's renewable energy potential and allow us to progress our bold vision for BotN to support Australia's rapid transition to renewables like wind and solar.

Major advances have been made to our readiness to redevelop the iconic Tarraleah hydropower scheme, with the progression of upgrade works at Lake King William and Mossy Marsh Dam sites. This construction activity supports a potential new scheme and power station in the future and is being funded with a contribution of up to $65 million from the Federal Government announced in April 2022.

We are advancing activities to assess the commercial viability of a future redevelopment, obtain the necessary environmental approvals, prepare construction contracts, finalise the business case and be ready for a final investment decision in late 2024. Tarraleah is a prime example of the potential to repurpose existing hydropower assets to better align to future market opportunities and deliver more value from the same water resource.

Our first pumped hydro project in Tasmania is one of the most cost-effective long-duration storage projects in the National Electricity Market (NEM). Activity has ramped up on the next stage as we progress towards a final investment decision in mid-2025. Like Tarraleah, we will progress environmental approvals, prepare construction contracts and finalise the business case.

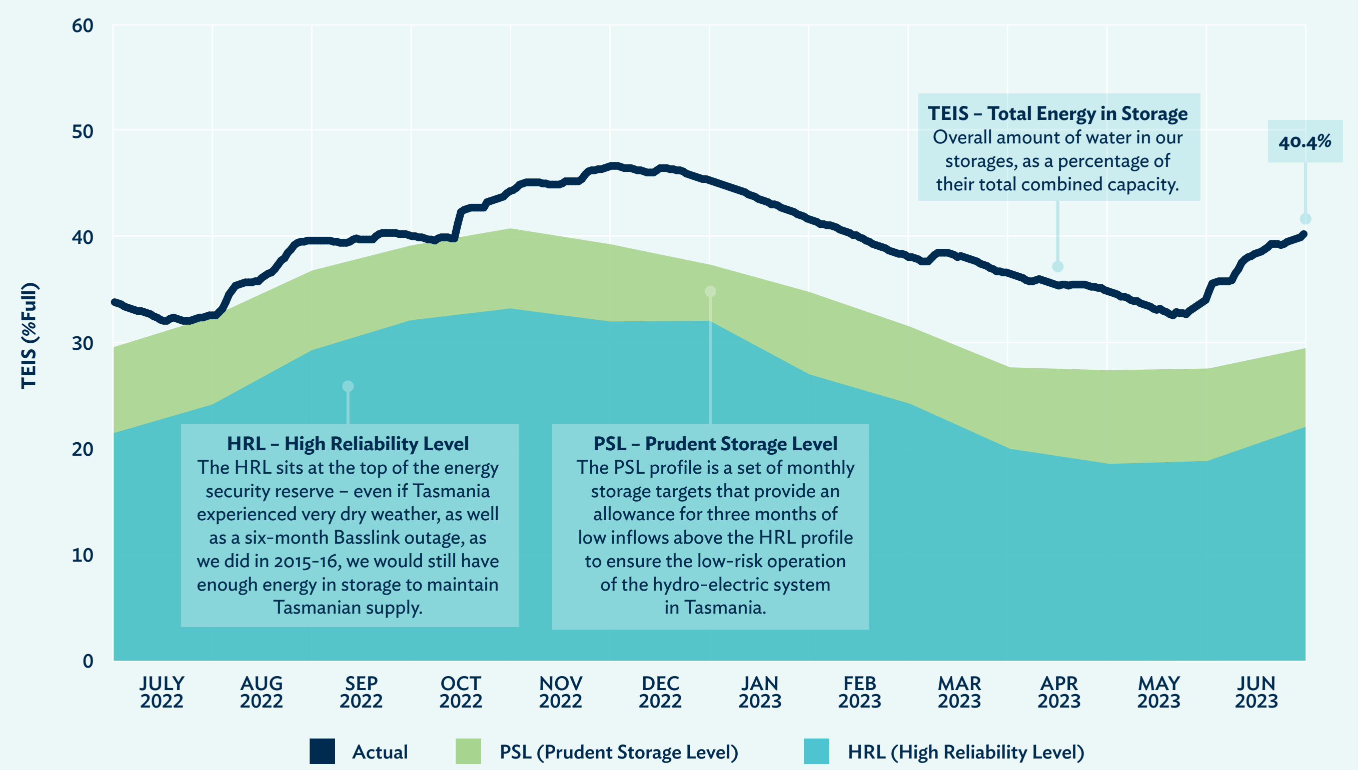
We remain committed to extensive community engagement and sharing progress with local communities.

Our energy security

We have maintained a secure level of energy in storage throughout the year, comfortably remaining above the High Reliability Level required by the Tasmanian Energy Security Risk Response Framework.

Inflows for the year were slightly above average with high variability in month-on-month conditions. Total energy in storage ending June 2023 was at 40.4 per cent.

Figure 1: How we measure energy security



A review of the PSL and HRL profiles was completed by the Office of the Tasmanian Energy Regulator (OTTER), following the completion of new wind farms and resultant impact on Tasmania's electricity generation, and took effect on 1 September 2021.

The Nature Approves campaign shown in Melbourne supporting the greener ambitions of our organisation

Momentum Energy

As Hydro Tasmania's mainland retailer, Momentum Energy (Momentum) supports more than 200,000 residential, small and medium enterprise and commercial and industrial sites across Victoria, Bass Strait Islands, NSW, QLD, SA and the ACT.

In what was an extremely volatile and challenging market environment throughout the year, Momentum is proud to have maintained its customer load coverage of more than 3TWh, while also exceeding its profit target of $11.5 million. The business achieved an EBIT outcome of $12 million through strategic cost and gross margin management, the prudent withdrawal of proactive and discounted sales activity for several months, and a strong focus on customer service and retention activities.

Despite cost-of-living pressures for many customers, this was demonstrated through strong customer satisfaction results (achieving its internal target of an average rating of four out of five across all customer segments), delivery of appropriate debt and hardship support, and recording the lowest ever number of complaints to the Ombudsman for the second consecutive year.

Independently rated as one of Australia's greenest energy companies, Momentum is accelerating the shift to renewables by showing its customers, large and small, how they can benefit from adopting cleaner energy solutions. For example, Momentum is partnering with Australia's leading not-for-profit housing provider, Nightingale Housing, to power its Victorian operations from energy sourced 100 per cent from renewables. In regional Queensland, a Virtual Power Plant (VPP) utilising solar panels and batteries installed at a network of schools has proved a resounding success, demonstrating the important role VPPs can play in Australia's future energy landscape.

To support its green ambitions, Momentum launched a 'Nature Approves' marketing campaign, a light-hearted approach reminding Australians of the value of choosing a greener energy company. The campaign, which includes radio, videos and digital, has proved a success to date in the key metrics of awareness, consideration, and conversion. Momentum was also highly commended in the 2023 Finder Green Energy Retailer of the Year awards.

Internally, there were several initiatives aimed at supporting and empowering team members so they can continue to deliver outstanding service to customers, as well as creating a more inclusive work environment. These include compassion fatigue training for staff supporting the most vulnerable customers, a career development program, Momentum Academy self-leadership training, accredited training in mental health first aid, and 'Language Matters' LGBTQI+ training run by the support group Working It Out. These initiatives were in addition to Hydro Tasmania's programs to ensure Momentum could proactively support team members and address specific development needs.

Momentum continues to proudly support jobs in Tasmania: there are now around 110 roles at Cambridge and Hobart (a 10 per cent increase from last year) with roles including contact centre, sales, customer service, retail IT, learning and development, people and culture and credit operations.

Members of the Entura project team working on the Antarctica New Zealand's Wind Farm Upgrade

Entura

Continuing to focus on delivering outstanding service for clients, our specialist power and water consulting business deepened partnerships and secured new opportunities across the regions in which Entura operates.

Over 300 packages of work were completed with Hydro Tasmania, including BotN's Tarraleah redevelopment work and Lake King William intake detailed design and construction support, as well as projects delivered as per the strategic asset management plan. Entura also made a significant contribution to power and water asset development and maintenance in Tasmania.

During the year, Entura supported the national renewable energy transition through engineering services for numerous solar, wind, pumped hydro and battery energy storage projects across the country, together with due diligence services associated with project transactions.

Internationally, Entura provided support to Pacific and South-east Asian communities transitioning to renewable energy, including projects in the Solomon Islands, Cook Islands, Tuvalu, Papua New Guinea, the Philippines, Timor and Thailand.

Entura completed the early power systems studies for four new hybrid renewable energy projects for EDL Group Operations, which are just some of the many projects undertaken with this group.

Assisting Entura's engineers to achieve chartered status through the Engineering Workforce Credentialing (EWC) Program, Entura deepened its partnership with Engineers Australia.

Entura improved its service delivery performance for the third consecutive year, again demonstrating commitment to clients. The 'excellence score' looks at client feedback on reliability, responsiveness, competency, and trust.

Senior Environmental Planner, Bunfu Yu, was recognised as the Planning Institute of Australia's Young Planner of the Year, which was the first time in almost 20 years a Tasmanian has achieved this award.

Managing Director, Tammy Chu, was invited to participate in the Australian Senior Business Delegation to India as well as a roundtable session in Sydney at which India's Prime Minister Narendra Modi was a guest. Dr Amanda Ashworth, Director of Strategy, Sales and Commercial, participated in the Australia–Thailand Energy Transition mission coordinated by the Department of Foreign Affairs and Trade and represented Entura as a panellist on the 'Future of Electricity Vietnam' (FE-V) Policy Dialogue. Austrade visited Entura's India office in July, with representatives from Resources and Energy and Future Skills.

Above: ***Andrew Donnellan, Hydro Tasmania line worker on Flinders Island***

Statement of Corporate Intent FY 2022-23

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 in a number of states 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 Construction 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

Subsidiaries, joint ventures and associates are reviewed regularly with actions undertaken and reported as required.

Operating environment

Hydro Tasmania's strategy is to demonstrate long-term commercial success and ensure our natural water resources and infrastructure support sustainable 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, with the accelerated closure of a number of coal fired power stations in recent years. Tasmania is uniquely placed to help lead Australia through its energy transition. Large storage options like conventional 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
- new and existing large industrial customers are increasingly attracted to Tasmania's renewable energy advantage
- 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 renewable electricity. We effectively manage risk to ensure our business is profitable and provides sustainable returns to government.

Hydro Tasmania's strategy is underpinned by effective asset management to maximise the value of our resources and empowerment of our people to achieve the best outcomes for our business and deliver value to Tasmania.

Our strategy continues to evolve in response to the rapidly changing operating environment, with increased focus on the Battery of the Nation (BotN) initiative and the emerging need to maximise asset flexibility to allow continuing penetration of variable renewable energy sources. Pursuing opportunities that leverage the truly unique qualities of hydropower, being both renewable and dispatchable, will allow Tasmania to make a substantially larger contribution to the future NEM.

We will continue to maximise value from our retail brand Momentum Energy, creating value for all Tasmanians by strengthening and diversifying revenue sources and providing employment opportunities in the state.

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

Key financial and non-financial performance indicators and associated targets for FY2022–23 are set out in the adjacent table. Dividend recommendations are made annually by Hydro Tasmania's Board, based on financial sustainability and other strategic considerations agreed with the shareholder.

Table 1: Key Performance Indicators

Key performance indicators (KPIs)	FY2022–23 Targets
Financial Indicators	
Results before fair value movements and revaluations	$73.5M
Net debt	$727.5M
Return on equity	3.97%
Capital expenditure	For capital expenditure projects greater than $500,000: 100% on time and budget
Tarraleah Redevelopment	All milestones met as per the Tarraleah grant funding agreement
EBIT improvement target	Operating expenditure (excluding retail and exceptional items) of $145M in FY2022–23
Momentum Energy earnings before interest tax (EBIT)	Momentum Energy EBIT equal to or greater than budget (target $11.5M)
Non-financial Indicators	
Total recordable injury frequency rate	<3.5
Portfolio availability	Availability target of 80% achieved
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices
Storage levels	Consistent with the High Reliability Level

Returns to government (accrual)	
Ordinary dividend	$74M
Other returns to government	$33.2M
Total returns to government	$107.2M

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 FY2022–23 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

Michael Ferguson MP
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 2022–23 targets is outlined below.

Table 2: Performance against Statement of Corporate Intent

Key performance indicators (KPIs)	Full year target 2022–23	Results
Financial indicators		
Results before fair value movements and tax	$73.5M	$168.4M before tax
Net debt	$727.5M	$673.8M
Return on equity	3.97%	5.9%
Capital expenditure	For capital expenditure projects greater than $500,000: 100% on time 100% on budget	For capital expenditure projects greater than $500,000: 75%on time 100% on budget
Tarraleah Redevelopment	All milestones met as per the Tarraleah grant funding agreement.	All milestones met as per the Tarraleah funding agreement.
EBIT Improvement Target	Operating expenditure (excluding retail and exceptional items) of $145M in FY2022–23	$143M
Momentum Energy earnings before interest & tax (EBIT)	Momentum Energy EBIT equal to or greater than budget (target $11.5M)	$12M
Non-financial indicators		
Total recordable injury frequency rate (TRIFR)	<3.5	The TRIFR as at 30 June 2023 was 1.86
Portfolio availability	Availability target of 80% achieved	The portfolio availability as at 30 June 2023 was 93.24%
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalty notices	There was one breach resolved by agreement with the Regulator (ESCV) in the form of an enforceable undertaking. There was no penalty imposed
Storage levels	Consistent with the High Reliability Level	Storages finished on 30 June 2023 at 40.4%, above the Prudent Storage Level of 29.7% and High Reliability Level of 21.7%
Returns to government (accrual)		
Ordinary dividend	$74M	$74M
Total other returns to government[#]	$33.2M	$12.8M
Total returns to government	$107.2M	$86.8M

[#] The other returns to Government were $20.4m under the target for the year. The shortfall relates to income tax equivalent. Noting for the 2021–22 financial year, the returns to Government exceeded the target by $38m which related to the income tax equivalent.

Above: ***Lake Cethana***

Financial Report

For the year ended 30 June 2023

Statement of Financial Performance

for the year ended 30 June 2023

		CONSOLIDATED		PARENT	
	NOTE	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenue					
Sale of products and services	2(a)(i)	1,450,727	1,488,544	664,542	682,514
Fair value gains	2(c)	183,952	670,775	166,686	654,702
Share of profit of associates and joint ventures		6,158	-	-	-
Other	2(a)(ii)	10,482	5,476	32,964	15,748
Total revenue		1,651,319	2,164,795	864,192	1,352,964
Expenses					
Direct expenses		830,794	901,157	155,766	196,597
Labour		163,794	147,410	122,418	108,631
Depreciation and amortisation		132,064	122,720	113,841	103,312
Finance expenses	2(b)	71,671	79,083	71,040	78,324
Fair value losses	2(d)	19,301	158,936	16,426	131,397
Revaluation and impairment expenses/(gains)	2(e)	683	(482,675)	(2,143)	(480,985)
Share of loss of associates and joint venture entities		-	17,315	-	-
Other		100,191	100,785	57,226	58,327
Total expenses		1,318,498	1,044,731	534,574	195,603
Profit/(loss) before income tax equivalent expense		332,821	1,120,064	329,618	1,157,361
Comprising:					
Result before fair value movements and revaluation expenses		168,417	148,848	177,215	153,071
Net fair value gains/(losses)		164,651	511,839	150,260	523,305
Net fair value gains/(losses) from associates and joint ventures		436	(23,298)	-	-
Revaluation and impairment (expenses)/gains		(683)	482,675	2,143	480,985
Profit/(loss) before income tax equivalent expense		332,821	1,120,064	329,618	1,157,361
Income tax equivalent expense/(benefit)	4(a)	96,226	335,837	88,269	344,182
Profit/(loss) after tax attributable to owners of the parent		236,595	784,227	241,349	813,179

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 2023

		CONSOLIDATED		PARENT	
	NOTE	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit/(loss) after tax attributable to owners of the parent		236,595	784,227	241,349	813,179
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Actuarial gain/(loss) on RBF net defined benefit liability	20	1,674	59,330	1,674	59,330
Income tax relating to components of other comprehensive income		(502)	(17,799)	(502)	(17,799)
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		7	(182)	-	-
Fair value gain/(loss) on cash flow hedges					
Interest rate swaps		302	2,642	302	2,642
Derivative revaluation		205,685	(882,427)	205,685	(882,427)
Share of other comprehensive income of associates		5	4,280	-	-
Income tax relating to components of other comprehensive income		(61,799)	262,705	(61,796)	263,935
Total other comprehensive income		145,372	(571,451)	145,363	(574,319)
Total comprehensive income/(loss) attributable to the owners of the parent		381,967	212,776	386,712	238,860

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 2023

	NOTE	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
Current assets					
Cash and cash equivalents		18,145	45,858	15,932	43,529
Receivables	6	275,015	798,113	135,154	658,975
Investments	7(a)	18,064	132,267	18,000	132,200
Inventories	8	7,038	5,436	6,988	5,436
Other financial assets	11(a)	257,682	673,388	257,682	673,388
Current tax asset	4(c)	-	34,524	-	34,524
Other	12(a)	72,827	22,887	66,235	12,934
Total current assets		648,771	1,712,473	499,991	1,560,986
Non-current assets					
Investments in subsidiaries	7(b)	-	-	203,827	203,827
Investments in associates and joint ventures	7(b)	61,444	58,038	-	-
Property, plant and equipment	9	3,975,342	3,926,833	3,914,605	3,871,041
Other financial assets	11(b)	116,884	210,686	116,884	210,686
Intangible assets	10	58,335	66,062	36,904	38,496
Goodwill	13	16,396	16,396	-	-
Other	12(b)	5,218	9,150	1,274	1,324
Total non-current assets		4,233,619	4,287,165	4,273,494	4,325,374
TOTAL ASSETS		4,882,390	5,999,638	4,773,485	5,886,360
Current liabilities					
Payables	14	201,100	712,948	137,032	647,801
Interest-bearing liabilities	15(a)	4,210	105,888	2,121	103,947
Provisions	17(a)	197,869	193,954	138,673	144,946
Provision for income tax	4(c)	2,479	-	2,479	-
Other financial liabilities	18(a)	393,421	1,388,387	393,421	1,388,387
Other	19	42,576	12,966	211,543	189,243
Total current liabilities		841,655	2,414,143	885,269	2,474,324
Non-current liabilities					
Interest-bearing liabilities	15(a)	719,337	615,180	713,961	607,716
Deferred tax liability	4(d)	455,095	341,575	520,054	412,356
Provisions	17(b)	310,996	334,371	254,345	257,791
Other financial liabilities	18(b)	387,038	443,866	387,038	443,866
Total non-current liabilities		1,872,466	1,734,992	1,875,398	1,721,729
TOTAL LIABILITIES		2,714,121	4,149,135	2,760,667	4,196,053
NET ASSETS		2,168,269	1,850,503	2,012,818	1,690,307
EQUITY					
Contributed equity		688,006	678,206	688,006	678,206
Reserves		(93,816)	(238,016)	(94,581)	(238,772)
Retained earnings		1,574,079	1,410,313	1,419,393	1,250,873
TOTAL EQUITY		2,168,269	1,850,503	2,012,818	1,690,307

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 2023

		CONSOLIDATED		PARENT	
	NOTE	2023 $'000	2022 $'000	2023 $'000	2022 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		1,709,145	1,636,896	833,730	752,537
Operating grants and subsidies received		-	10,800	-	10,800
Interest received		2,520	-	2,456	-
Outflows:					
Payments to suppliers and employees		(1,377,880)	(1,311,559)	(540,202)	(448,678)
Interest paid		(44,689)	(66,307)	(44,680)	(66,259)
Lease interest paid		(495)	(636)	(250)	(336)
Government guarantee fee		(5,387)	(5,844)	(5,387)	(5,844)
Income tax equivalent paid		(7,130)	(74,283)	(7,130)	(74,283)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	276,084	189,067	238,537	167,937
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		792	901	792	442
Net proceeds from financial derivatives		-	173,680	-	173,680
Net receipts of intercompany loans		-	-	9,182	4,341
Dividends from joint venture		2,758	-	-	-
Dividends from subsidiaries		-	-	23,245	10,968
Outflows:					
Net payments for financial derivatives		(170,485)	-	(170,486)	-
Payments for property, plant and equipment		(180,782)	(119,125)	(174,971)	(114,317)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(347,717)	55,456	(312,238)	75,114
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		771,855	415,501	771,855	415,501
Outflows:					
Repayment of Tascorp loans		(761,864)	(455,506)	(761,864)	(455,506)
Repayment of lease liabilities		(6,274)	(6,813)	(4,087)	(4,710)
Dividends paid		(74,000)	(112,300)	(74,000)	(112,300)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(70,283)	(159,118)	(68,096)	(157,015)
NET INCREASE/(DECREASE) IN CASH		(141,916)	85,405	(141,797)	86,036
CASH AT BEGINNING OF THE YEAR		178,125	92,720	175,729	89,693
CASH AT END OF THE YEAR	5(a)	36,209	178,125	33,932	175,729

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 2023

		CONSOLIDATED		PARENT	
	NOTE	2023 $'000	2022 $'000	2023 $'000	2022 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		678,206	678,206	678,206	678,206
Equity contributions from the State of Tasmania		9,800	-	9,800	-
Balance at the end of the year		688,006	678,206	688,006	678,206
RESERVES					
Cash flow hedge reserve					
Balance at the beginning of the year		(237,880)	374,974	(238,772)	377,078
Interest rate swaps		302	2,642	302	2,642
Share of associates interest rate swaps		5	4,280	-	-
Derivative revaluation		205,685	(882,427)	205,685	(882,427)
Deferred income tax recognised directly in reserves	4(b)	(61,797)	262,651	(61,796)	263,935
Balance at the end of the year		(93,685)	(237,880)	(94,581)	(238,772)
Foreign currency translation reserve					
Balance at the beginning of the year		(136)	(8)	-	-
Foreign currency translation		7	(182)	-	-
Deferred income tax recognised directly in reserves	4(b)	(2)	54	-	-
Balance at the end of the year		(131)	(136)	-	-
TOTAL RESERVES		(93,816)	(238,016)	(94,581)	(238,772)
RETAINED EARNINGS					
Balance at the beginning of the year		1,410,313	696,854	1,250,873	508,462
Net profit/(loss)		236,595	784,227	241,349	813,179
Dividend paid		(74,000)	(112,300)	(74,000)	(112,300)
Deferred income tax recognised directly in equity	4(b)	(502)	(17,799)	(502)	(17,799)
Actuarial gain/(loss) on defined benefit plans	20	1,674	59,330	1,674	59,330
Other		(1)	1	(1)	1
Balance at the end of the year		1,574,079	1,410,313	1,419,393	1,250,873
TOTAL EQUITY		2,168,269	1,850,503	2,012,818	1,690,307

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 and 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 54 major dams, 30 operating hydro power stations, the Tamar Valley gas-fired power station and supplies electricity to the 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 2023, the Group had 1,290 full-time equivalent employees (FTEs) (2022: 1,218 FTEs) including 5 non-executive directors (2022: 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 2023 was adopted by the directors on 14 August 2023.

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.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

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 2023:

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 2025	30 June 2026
AASB 2020-1 'Classification of Liabilities as Current or Non-current'	1 January 2024	30 June 2025
AASB 2021-2 'Disclosure of Accounting Policies And Definition of Accounting Estimates'	1 January 2023	30 June 2024
AASB 2021-5 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024
AASB 2022-5 'Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	30 June 2025

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; however, there will be some changes in the disclosures made.

1.2 Summary of significant accounting policies (continued)

(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), 1.2(ad) and 1.2(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.

(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. 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 retail customers, credit checks are undertaken by referencing external credit reports and or 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 standard payment terms and conditions are offered. The review includes credit agency information and bank references and, in some cases, financial statements. 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.

Contract assets

Contract assets are recognised when an energy sale has been consumed by the customer without the Group establishing an unconditional right to consideration. The Group estimates customer consumption between the last invoice date and the end of the reporting period. Contract assets are treated as financial assets for impairment purposes.

1.2 Summary of significant accounting policies (continued)

(f) Receivables (continued)

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 loss rate is calculated for trade receivables and contract assets 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 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:

	2023	2022
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.

Items may be produced while bringing an item of property, plant and equipment to an operational condition. The Group will recognise the sales proceeds and cost of producing these items, in the Statement of Financial Performance.

(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.

1.2 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

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.

Amortisation of intangibles is based on remaining useful life. The remaining useful life of intangibles are reviewed annually and are currently 3-13 years (2022: 3-13 years).

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.

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.

1.2 Summary of significant accounting policies (continued)

(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 amortised cost. 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 fulfilling contractual obligations exceeds the economic benefits to be received. Net obligations arising under onerous contracts are recognised as a provision.

The cost of fulfilling a contract comprises the costs that relate directly to the contract, which include:

- the incremental costs of fulfilling the contract, and
- an allocation of other costs that relate directly to fulfilling the contract.

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 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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future profits available to recover the asset.

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), 1.2(ad) 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 the Group 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 using the equity 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 or recognised when deed obligation have been satisfied.

(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.

Where a grant is received relating to an asset, it is recognised in the Statement of Financial Position by deducting the grant received from other costs incurred in arriving at the carrying amount of the asset.

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 sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from sale of retail electricity is earned at contract prices and is recognised at the time of delivery to the customer. Retail electricity sold is purchased from AEMO at market 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.
- **Contracts revenue**
  Contracts revenue is recognised when it is received or when the right to receive payment is established.
- **Other revenue**
  Other revenue is recognised when it is received or when the right to receive payment is established.

(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**
  Investments 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 and interest-bearing liabilities carried at amortised cost and derivative financial instruments such as energy contracts, credit swaps, interest rate swaps, forward foreign exchange contracts and the Basslink Network Services Agreement (NSA) are carried at fair value through profit or loss.

(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 and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income 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)(i) Revenue

	CONSOLIDATED 2023				
	Residential[1] $'000	Business[1] $'000	Wholesale[1] $'000	Other[2] $'000	Total $'000
Sale of electricity	193,815	518,904	386,308	-	1,099,027
Sale of gas	99,215	15,041	1,999	-	116,255
Rendering of services	-	-	-	25,392	25,392
Contracts revenue	-	-	210,053	-	210,053
	293,030	533,945	598,360	25,392	1,450,727

	CONSOLIDATED 2022				
	Residential[1] $'000	Business[1] $'000	Wholesale[1] $'000	Other[2] $'000	Total $'000
Sale of electricity	198,707	539,600	554,925	-	1,293,232
Sale of gas	95,109	13,709	17,829	-	126,647
Rendering of services	-	-	-	29,510	29,510
Contracts revenue	-	-	39,155	-	39,155
	293,816	553,309	611,909	29,510	1,488,544

	PARENT 2023				
	Residential[1] $'000	Business[1] $'000	Wholesale[1] $'000	Other[2] $'000	Total $'000
Sale of electricity	4,448	-	425,320	-	429,768
Sale of gas	-	-	-	-	-
Rendering of services	-	-	-	24,721	24,721
Contracts revenue	-	-	210,053	-	210,053
	4,448	-	635,373	24,721	664,542

	PARENT 2022				
	Residential[1] $'000	Business[1] $'000	Wholesale[1] $'000	Other[2] $'000	Total $'000
Sale of electricity	4,061	-	599,245	-	603,306
Sale of gas	-	-	11,121	-	11,121
Rendering of services	-	-	-	28,932	28,932
Contracts revenue	-	-	39,155	-	39,155
	4,061	-	649,521	28,932	682,514

Timing of revenue recognition

[1] Products transferred at a point in time.

[2] Services transferred over time.

2. Revenue and expenses (continued)

		NOTE	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
(a)(ii)	**Other revenue**					
	Dividends from subsidiaries		-	-	23,245	10,968
	Other		10,482	5,476	9,719	4,780
			10,482	5,476	32,964	15,748
(b)	**Finance expenses**					
	Loan interest		51,715	61,478	51,715	61,478
	Government guarantee fee		4,959	6,028	4,959	6,028
	RBF net interest	20	14,116	10,480	14,116	10,480
	Lease interest expense		495	636	250	336
	Net other finance costs/(revenue)		386	461	-	2
			71,671	79,083	71,040	78,324
(c)	**Fair value gains**					
	Basslink financial assets and liabilities*		-	307,884	-	307,884
	Energy price derivatives - unwind of fair value of cash flow hedges		61,236	74,018	61,236	74,018
	Energy price derivatives - economic hedges		66,303	132,615	66,303	132,615
	Treasury derivatives		31,113	-	31,113	-
	Onerous contracts		20,536	145,239	8,034	139,187
	Site rehabilitation provision		4,764	10,021	-	-
	Other		-	998	-	998
			183,952	670,775	166,686	654,702
(d)	**Fair value losses**					
	Basslink financial assets and liabilities^		16,426	-	16,426	-
	Energy price derivatives - economic hedges		-	86,262	-	86,262
	Treasury derivatives		-	45,135	-	45,135
	Site rehabilitation provision		2,875	-	-	-
	Onerous contracts		-	27,539	-	-
			19,301	158,936	16,426	131,397
	Net fair value gains/(losses)		164,651	511,839	150,260	523,305
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment (gain)/expense of loans carried at amortised cost		-	-	(2,826)	1,690
	Impairment expense of work in progress		683	-	683	-
	Reversal of impairment of generation assets		-	(482,675)	-	(482,675)
			683	(482,675)	(2,143)	(480,985)

* The Basslink Services Agreement (BSA) was terminated on 10 February 2022.
^ The Basslink Network Services Agreement (NSA) was executed on 20 October 2022.

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 2(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 in and 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 Network Services Agreement (NSA) is recorded at fair value. The re-measurement of the net financial liability to fair value 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 fulfilling the obligations under the contract exceed the economic benefits expected to be received from the contract.

Regulatory Environmental Schemes

Under the Renewable Energy (Electricity) Act, liable entities are required to meet the Renewable Energy Targets. Liable entities are required to discharge their liability by surrendering Environmental Energy Products (EEPs) to the Regulator or pay a shortfall charge. To provide for this, a liability is recognised and this is extinguished when the EEPs are surrendered. The Group is also a registered GreenPower provider and is required to make offers of 'voluntary surrender' of eligible EEPs (those created by a GreenPower Generator), as created under the renewable energy target for each MWh of generation acquired by the GreenPower provider and sold as part of a GreenPower product within a settlement period. It is also a condition of the Group's retail licences that it comply with similar environmental and energy efficiency schemes on a jurisdictional basis.

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.

Supply Chain

In the current year, the Group has experienced supply-chain issues caused by delays in overseas manufacturing environments as well as extended delivery times. Price rises have continued to be experienced as suppliers incur increases for raw materials, labour, other inputs and freight costs. Prices have been impacted by inflation and the flow on impacts of the conflict in parts of Europe. The Group has been working with suppliers to alleviate the effects of this disruption. The supply chain issues are expected to continue in the next financial year.

4. Income tax equivalent

		CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a)	**Income tax expense/(benefit) reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	47,634	25,640	45,462	28,095
	Adjustments in respect of income tax of prior years	(3,474)	(110)	(3,446)	(106)
	Income tax expense in relation to foreign operations	847	50	853	-
	Deferred income tax expense arising from origination and reversal of temporary differences	51,441	310,412	45,652	316,356
	Adjustments in respect of deferred tax of prior years	(222)	(329)	(252)	(334)
	Recognition/derecognition of deferred tax assets/(liabilities)	-	229	-	229
	Other adjustments	-	(55)	-	(58)
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	96,226	335,837	88,269	344,182
	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	332,821	1,120,064	329,618	1,157,361
	Income tax expense/(benefit) calculated at 30%	99,846	336,019	98,885	347,208
	Adjustment in respect of income tax of previous years	(3,699)	(439)	(3,698)	(440)
	Income tax expense in relation to foreign operations	847	50	853	-
	Expenditure not deductible for income tax purposes	59	33	50	26
	Franking credits from investments	(827)	-	-	-
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	(7,821)	(2,783)
	Recognition/derecognition of deferred tax assets/(liabilities)	-	229	-	229
	Other adjustments	-	(55)	-	(58)
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	96,226	335,837	88,269	344,182
(b)	**Income tax (expense)/benefit recognised directly in equity**				
	Revaluation of effective hedges	(61,796)	263,935	(61,796)	263,935
	Actuarial assessment of RBF provision	(502)	(17,799)	(502)	(17,799)
	Foreign currency translation reserve	(2)	54	-	-
	Share of other comprehensive income of associates	(1)	(1,284)	-	-
	Income tax (expense)/benefit recognised in equity	(62,301)	244,906	(62,298)	246,136
(c)	**Current tax assets and liabilities**				
	Current tax asset	-	34,524	-	34,524
	Provision for income tax	(2,479)	-	(2,479)	-
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	324,948	438,928	286,296	395,049
	Deferred tax liabilities comprise:				
	Assessable temporary differences	780,043	780,503	806,350	807,405
	Net deferred tax liabilities	455,095	341,575	520,054	412,356

4. Income tax equivalent (continued)

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

	2023 CONSOLIDATED				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Closing balance $'000
Deferred tax liabilities:					
Property, plant and equipment	770,913	(1,538)	-	-	769,375
Financial assets	-	-	-	-	-
Investments in associates and joint ventures	309	1,020	1	-	1,330
Other	9,281	57	-	-	9,338
	780,503	(461)	1	-	780,043
Deferred tax assets:					
Provision for employee entitlements	92,057	30	(502)	-	91,585
Basslink and other financial liabilities	54,622	10,001	(91)	-	64,532
Electricity derivatives	205,538	(51,570)	(61,705)	-	92,263
Provisions	72,686	(7,573)	-	221	65,334
Other	14,025	(2,790)	(2)	1	11,234
	438,928	(51,902)	(62,300)	222	324,948
Net deferred tax liabilities	341,575	51,441	62,301	(222)	455,095

	2023 PARENT				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Closing balance $'000
Deferred tax liabilities:					
Property, plant and equipment	805,251	(3,207)	-	-	802,044
Financial assets	-	-	-	-	-
Other	2,154	2,152	-	-	4,306
	807,405	(1,055)	-	-	806,350
Deferred tax assets:					
Provision for employee entitlements	90,456	(3)	(502)	-	89,951
Basslink and other financial liabilities	54,622	10,001	(91)	-	64,532
Electricity derivatives	205,537	(51,570)	(61,705)	-	92,262
Provisions	31,991	(3,423)	-	251	28,819
Other	12,443	(1,712)	-	1	10,732
	395,049	(46,707)	(62,298)	252	286,296
Net deferred tax liabilities	412,356	45,652	62,298	(252)	520,054

4. Income tax equivalent (continued)

	2022 CONSOLIDATED				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Closing balance $'000
Deferred tax liabilities:					
Property, plant and equipment	616,748	154,573	-	(408)	770,913
Financial assets	122,769	(122,769)	-	-	-
Investments in associates and joint ventures	4,220	(5,195)	1,284	-	309
Other	7,184	1,833	-	264	9,281
	750,921	28,442	1,284	(144)	780,503
Deferred tax assets:					
Provision for employee entitlements	111,156	(1,300)	(17,799)	-	92,057
Basslink and other financial liabilities	270,989	(216,367)	-	-	54,622
Electricity derivatives	(35,741)	(22,536)	263,935	(120)	205,538
Provisions	109,439	(36,790)	-	37	72,686
Other	18,854	(4,977)	54	94	14,025
	474,697	(281,970)	246,190	11	438,928
Net deferred tax liabilities	276,224	310,412	(244,906)	(155)	341,575

	2022 PARENT				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Closing balance $'000
Deferred tax liabilities:					
Property, plant and equipment	653,903	151,756	-	(408)	805,251
Financial assets	122,769	(122,769)	-	-	-
Other	(989)	2,879	-	264	2,154
	775,683	31,866	-	(144)	807,405
Deferred tax assets:					
Provision for employee entitlements	109,595	(1,340)	(17,799)	-	90,456
Basslink and other financial liabilities	270,989	(216,367)	-	-	54,622
Electricity derivatives	(35,741)	(22,537)	263,935	(120)	205,537
Provisions	72,371	(40,422)	-	42	31,991
Other	16,170	(3,824)	-	97	12,443
	433,384	(284,490)	246,136	19	395,049
Net deferred tax liabilities	342,299	316,356	(246,136)	(163)	412,356

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 (2022: 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	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a)	Cash reconciliation				
	Cash	18,145	45,858	15,932	43,529
	Money market investments	18,064	132,267	18,000	132,200
		36,209	178,125	33,932	175,729
(b)	Reconciliation of net cash provided by operating activities to net profit for the year				
	Profit/(loss) after income tax equivalent expense	236,595	784,227	241,349	813,179
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	106,954	95,738	100,851	89,386
	Amortisation	25,110	26,982	12,990	13,926
	Revaluations and impairment	683	(482,675)	(2,143)	(480,984)
	Loss on derecognition of property, plant and equipment	3,122	4,485	3,108	3,201
	Equity accounted share of associates (profit)/loss	(6,158)	17,315	-	-
	Dividend from subsidiary	-	-	(23,245)	(10,968)
	Net fair value (gains)/losses	(164,651)	(511,839)	(150,260)	(523,306)
	Income tax expense/(benefit)	96,226	335,837	88,269	344,182
	Cash from operating profit before changes in working capital	297,881	270,070	270,919	248,616
	(Increase)/decrease in receivables	532,972	(446,704)	533,803	(446,338)
	(Increase)/decrease in inventories	(1,602)	(931)	(1,552)	(931)
	Increase/(decrease) in other financial assets and liabilities	(38,166)	11,942	(46,061)	9,736
	Increase/(decrease) in payables	(512,510)	434,175	(511,431)	435,609
	Increase/(decrease) in provisions	(2,491)	(79,485)	(7,141)	(78,755)
	Net cash provided by operating activities	276,084	189,067	238,537	167,937

6. Receivables

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables	198,997	719,954	135,194	659,057
Provision for Impairment	(8,254)	(10,055)	(40)	(82)
	190,743	709,899	135,154	658,975
Contract assets	96,622	100,355	-	-
Customer payments received in advance	(10,949)	(10,723)	-	-
Provision for Impairment	(1,401)	(1,418)	-	-
	84,272	88,214	-	-
	275,015	798,113	135,154	658,975
Ageing of past due but not impaired trade receivables:				
60-90 days	1,435	1,468	463	443
Over 90 days	3,988	29,787	95	25,089
	5,423	31,255	558	25,532

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Contract assets				
Balance at the beginning of the period	100,355	98,295	-	-
Additional costs incurred that are recoverable from customer	96,622	100,355	-	-
Transfer to receivables	(100,355)	(98,295)	-	-
Balance at the end of the period	96,622	100,355	-	-

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. 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 $7.5m of bad debts during the year (2022: $7.4m). The Group does not hold any security over the balances past due.

Market conditions and price volatility have impacted the trade debtors balance between years.

7. Investments

	NOTE	CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a) Current investments					
Money market investments		18,064	132,267	18,000	132,200
(b) Non-current investments					
Investment in associates and joint ventures	31	61,444	58,038	-	-
Investment in subsidiaries		-	-	203,827	203,827
		61,444	58,038	203,827	203,827

8. Inventories

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Maintenance stores	7,038	5,436	6,988	5,436
	7,038	5,436	6,988	5,436

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 8900 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 7.10% (2022: 6.75%). 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 $425m (2022: $405m) for a 10% increase in forecast prices and decrease by a similar amount for a 10% reduction in forecast prices. In both scenarios, prices have been uniformly changed across all years of the fair value calculation.

Had the Group's generation assets been measured on a historic cost basis, their carrying amount would be $3,898m (2022: $3,975m).

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 1.2(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 indicated there was a requirement to increase the valuation of the Hydro Tasmania generation class of assets by partially reversing previous impairment.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30 June 2023 $'000
Generating plant				
Consolidated	-	24,354	3,523,836	3,548,190
Parent	-	-	3,523,525	3,523,525

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

9. Property, plant and equipment (continued)

	2023 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	4,321,137	28,508	16,647	122,712	99,614	206,006	4,794,624
Additions	-	-	-	772	253	179,757	180,782
Business acquisitions	-	-	15	10,996	627	(11,638)	-
Disposals	(4,193)	(353)	(754)	(3,624)	(7,858)	(1,791)	(18,573)
Transfers#	18,504	2,045	2,745	6,545	15,959	(63,750)	(17,952)
Impairment expense of work in progress	-	-	-	-	-	(683)	(683)
Balance at the end of the year	4,335,448	30,200	18,653	137,401	108,595	307,901	4,938,198
Accumulated depreciation							
Balance at the beginning of the year	(705,259)	(17,498)	(10,485)	(51,591)	(82,958)	-	(867,791)
Disposals	2,273	302	717	757	7,840	-	11,889
Depreciation expense	(84,272)	(819)	(1,752)	(9,916)	(10,195)	-	(106,954)
Balance at the end of the year	(787,258)	(18,015)	(11,520)	(60,750)	(85,313)	-	(962,856)
Net book value at the end of the year	3,548,190	12,185	7,133	76,651	23,282	307,901	3,975,342

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	10,969
Minor assets	469

	2023 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	4,156,498	28,328	16,351	86,783	96,394	202,754	4,587,108
Additions	-	-	-	772	49	174,150	174,971
Disposals	(2,665)	(353)	(754)	(3,624)	(7,790)	(14,103)	(29,289)
Transfers#	18,176	2,045	2,745	6,461	15,689	(57,083)	(11,967)
Impairment expense of work in progress	-	-	-	-	-	(683)	(683)
Balance at the end of the year	4,172,009	30,020	18,342	90,392	104,342	305,035	4,720,140
Accumulated depreciation							
Balance at the beginning of the year	(568,678)	(17,362)	(10,243)	(39,315)	(80,469)	-	(716,067)
Disposals	1,836	302	717	757	7,771	-	11,383
Depreciation expense	(81,642)	(808)	(1,752)	(6,864)	(9,785)	-	(100,851)
Balance at the end of the year	(648,484)	(17,868)	(11,278)	(45,422)	(82,483)	-	(805,535)
Net book value at the end of the year	3,523,525	12,152	7,064	44,970	21,859	305,035	3,914,605

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	4,613
Minor assets	469

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

9. Property, plant and equipment (continued)

	2022 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	4,237,585	27,832	16,598	116,772	93,400	211,820	4,704,007
Additions	-	-	7	586	836	117,692	119,121
Disposals	(2,822)	(183)	(867)	(2,240)	(1,356)	(3,689)	(11,157)
Transfers#	86,374	860	909	7,595	6,734	(119,817)	(17,345)
Balance at the end of the year	4,321,137	28,509	16,647	122,713	99,614	206,006	4,794,626
Accumulated depreciation							
Balance at the beginning of the year	(1,118,557)	(16,881)	(9,351)	(42,886)	(73,780)	-	(1,261,455)
Disposals	2,623	181	787	1,868	1,266	-	6,725
Transfers#	-	-	(8)	-	8	-	-
Revaluation and impairment	482,675	-	-	-	-	-	482,675
Depreciation expense	(72,001)	(799)	(1,913)	(10,574)	(10,451)	-	(95,738)
Balance at the end of the year	(705,260)	(17,499)	(10,485)	(51,592)	(82,957)	-	(867,793)
Net book value at the end of the year	3,615,877	11,010	6,162	71,121	16,657	206,006	3,926,833

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	18,225
Minor assets	724

	2022 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	4,073,555	27,651	16,309	80,975	90,110	206,230	4,494,830
Additions	-	-	-	586	836	112,895	114,317
Disposals	(2,719)	(183)	(867)	(2,236)	(1,258)	(3,760)	(11,023)
Transfers#	85,662	860	909	7,458	6,706	(112,611)	(11,016)
Balance at the end of the year	4,156,498	28,328	16,351	86,783	96,394	202,754	4,587,108
Accumulated depreciation							
Balance at the beginning of the year	(984,551)	(16,756)	(9,117)	(33,653)	(71,840)	-	(1,115,917)
Disposals	2,531	181	787	1,864	1,198	-	6,561
Transfers#	-	-	-	-	-	-	-
Revaluation and impairment	482,675	-	-	-	-	-	482,675
Depreciation expense	(69,333)	(787)	(1,913)	(7,526)	(9,827)	-	(89,386)
Balance at the end of the year	(568,678)	(17,362)	(10,243)	(39,315)	(80,469)	-	(716,067)
Net book value at the end of the year	3,587,820	10,966	6,108	47,468	15,925	202,754	3,871,041

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	9,807
Minor assets	724

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

10. Intangible assets

	CONSOLIDATED		PARENT	
	2023 Software at cost $'000	2022 Software at cost $'000	2023 Software at cost $'000	2022 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	229,517	214,576	158,907	148,703
Additions	-	-	-	-
Disposals	(5,686)	(2,407)	(5,686)	(812)
Transfers from capital work in progress	17,952	17,349	11,967	11,016
Balance at the end of the year	241,783	229,518	165,188	158,907
Accumulated amortisation				
Balance at the beginning of the year	(163,455)	(138,343)	(120,411)	(107,222)
Disposals	5,117	1,873	5,117	737
Transfers	-	(4)	-	-
Amortisation expense	(25,110)	(26,982)	(12,990)	(13,926)
Balance at the end of the year	(183,448)	(163,456)	(128,284)	(120,411)
Net book value at the end of the year	58,335	66,062	36,904	38,496

11. Other financial assets

		NOTE	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
(a)	**Current other financial assets**					
	Energy price derivatives - economic hedges	18	143,215	614,068	143,215	614,068
	Basslink financial asset (i)	18	56,298	-	56,298	-
	Environmental energy products		58,169	59,320	58,169	59,320
			257,682	673,388	257,682	673,388
(b)	**Non-current other financial assets**					
	Basslink financial asset (i)	18	51,736	-	51,736	-
	Basslink security deposit (ii)		-	50,000	-	50,000
	Energy price derivatives - economic hedges	18	65,148	102,883	65,148	102,883
	Energy price derivatives - cash flow hedges	18	-	57,803	-	57,803
			116,884	210,686	116,884	210,686

(i) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Network Services Agreement (NSA) executed on 20 October 2022.

(ii) Basslink security deposit represented the contribution made to the asset owner upon commissioning. It became due and payable on the termination of the Basslink Services Agreement.

12. Other assets

		CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a)	**Current other assets**				
	Prepayments	10,977	9,580	9,521	7,919
	Premiums paid in advance	53,557	4,961	53,557	4,961
	Other	8,293	8,346	3,157	54
		72,827	22,887	66,235	12,934
(b)	**Non-current other assets**				
	Prepayments	1,274	1,324	1,274	1,324
	Other	3,944	7,826	-	-
		5,218	9,150	1,274	1,324

Market conditions and price volatility have impacted the premiums paid in advance between years.

13. Goodwill

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade creditors	117,752	638,787	103,439	624,671
Accrued expenses	73,751	71,546	23,996	20,515
Accrued interest payable	9,597	2,615	9,597	2,615
	201,100	712,948	137,032	647,801

Market conditions and price volatility impacted the trade creditors balance between years.

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp (i)	-	100,000	-	100,000
	Lease liability (ii)	4,210	5,888	2,121	3,947
		4,210	105,888	2,121	103,947
	Non-current				
	Loans from Tascorp (i)	709,987	599,996	709,987	599,995
	Lease liability (ii)	9,350	15,184	3,974	7,721
		719,337	615,180	713,961	607,716

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

		CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	1,909,000	2,009,000	1,909,000	2,009,000
	Facility used/committed	709,987	699,996	709,987	699,995
	Facility balance	1,199,013	1,309,004	1,199,013	1,309,005
	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	3,092	2,812	3,092	2,812
	Facility balance	4,408	4,688	4,408	4,688

The Group manages its debt portfolio under a Board approved Treasury Policy and Procedure, in line with the requirement of the GBE Act and related Treasurer's Instructions. The procedure includes a minimum weighted average term to repricing of 3 years. The procedure also places limits around the 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 $193m (2022: $702m). Having regard to the budgeted cash flows for the year ending 30 June 2023 and the unused loan facilities of $1,229m (2022: $1,339m), there is sufficient funding to settle the current liabilities as and when they become due and payable.

The Group's borrowings are funded by the Tasmanian Public Finance Corporation under the borrowing limit, currently supported by a guarantee provided by the Treasurer. The Treasurer provided explicit support to the Tasmanian Public Finance Corporation for the Corporation's borrowings as part of the Government's response to the COVID-19 pandemic. This support is limited to a maximum borrowing limit of $1,939m.

15. Interest-bearing liabilities (continued)

	CONSOLIDATED			
	2023 $'000 Less than one year	2023 $'000 Between one and five years	2023 $'000 Later than five years	2023 $'000 Total
(c) Lease liabilities				
Future minimum lease payments	4,526	9,715	-	14,241
Interest	(316)	(365)	-	(681)
Present value of future minimum lease payments	4,210	9,350	-	13,560

	CONSOLIDATED			
	2022 $'000 Less than one year	2022 $'000 Between one and five years	2022 $'000 Later than five years	2022 $'000 Total
Future minimum lease payments	6,773	14,569	879	22,221
Interest	(491)	(649)	(9)	(1,149)
Present value of future minimum lease payments	6,282	13,920	870	21,072

	PARENT			
	2023 $'000 Less than one year	2023 $'000 Between one and five years	2023 $'000 Later than five years	2023 $'000 Total
Future minimum lease payments	2,251	4,162	-	6,413
Interest	(130)	(188)	-	(318)
Present value of future minimum lease payments	2,121	3,974	-	6,095

	PARENT			
	2022 $'000 Less than one year	2022 $'000 Between one and five years	2022 $'000 Later than five years	2022 $'000 Total
Future minimum lease payments	4,587	6,741	879	12,207
Interest	(246)	(284)	(9)	(539)
Present value of future minimum lease payments	4,341	6,457	870	11,668

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
	2022	Non-cash changes			Cash flows		2023
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	21,072	128	(1,861)	495	-	(6,274)	13,560
Tascorp loans	699,996	-	-	-	771,855	(761,864)	709,987
	721,068	128	(1,861)	495	771,855	(768,138)	723,547

	CONSOLIDATED						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2021	Non-cash changes			Cash flows		2022
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	25,827	1,422	-	636	-	(6,813)	21,072
Tascorp loans	740,000	-	-	-	415,501	(455,506)	699,995
	765,827	1,422	-	636	415,501	(462,319)	721,067

	PARENT						
	Closing balance	New leases acquired/ (transferred)	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2022	Non-cash changes			Cash flows		2023
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	11,668	126	(1,862)	250	-	(4,087)	6,095
Tascorp loans	699,996	-	-	-	771,855	(761,864)	709,987
	711,664	126	(1,862)	250	771,855	(765,951)	716,082

	PARENT						
	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2021	Non-cash changes			Cash flows		2022
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	14,621	1,422	-	335	-	(4,710)	11,668
Tascorp loans	740,000	-	-	-	415,501	(455,506)	699,995
	754,621	1,422	-	335	415,501	(460,216)	711,663

(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 2023			PARENT 2023		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2022	18,225	724	18,949	9,807	724	10,531
Additions	771	49	820	771	49	820
Disposals	(2,555)	-	(2,555)	(2,555)	-	(2,555)
Depreciation	(5,472)	(304)	(5,776)	(3,410)	(304)	(3,714)
Balance at 30 June 2023	10,969	469	11,438	4,613	469	5,082

	CONSOLIDATED 2022			PARENT 2022		
	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2021	23,660	278	23,938	13,181	278	13,459
Additions	586	836	1,422	586	836	1,422
Depreciation	(6,021)	(390)	(6,411)	(3,959)	(390)	(4,349)
Balance at 30 June 2022	18,225	724	18,949	9,808	724	10,532

Lease liabilities

Maturity analysis – contractual undiscounted cash flows

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Less than one year	4,526	6,773	2,251	4,587
One to five years	9,715	14,569	4,162	6,741
More than five years	-	879	-	879
Total undiscounted lease liabilities	14,241	22,221	6,413	12,207
Current	4,210	5,888	2,121	3,947
Non-current	9,350	15,184	3,974	7,721
Lease liabilities in Statement of Financial Position	13,560	21,072	6,095	11,668

16. Leases (continued)

Amounts recognised in Statement of Financial Performance

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Depreciation expense on right-of-use assets	5,776	6,411	3,715	4,349
Interest expense on lease liabilities	495	636	250	336
Income from sub-leasing right-of-use assets	(3)	(132)	(3)	(132)
Expense relating to short-term leases	143	162	115	134
Expense relating to leases of low value assets	9	40	5	36
	6,420	7,117	4,082	4,723

Amounts recognised in the Statement of Cash Flows

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total cash outflow for leases*	6,426	7,015	4,207	4,880
	6,426	7,015	4,207	4,880

*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 $10.6m (2022: $10.5m).

17. Provisions

		NOTE	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
(a)	**Current provisions**					
	Employee entitlements		31,025	28,667	26,175	23,903
	Retirement Benefits Fund provision	20	19,803	20,314	19,803	20,314
	Other provisions		147,041	144,973	92,695	100,729
			197,869	193,954	138,673	144,946
(b)	**Non-current provisions**					
	Employee entitlements		4,060	4,165	3,579	3,711
	Retirement Benefits Fund provision	20	250,766	254,080	250,766	254,080
	Other provisions		56,170	76,126	-	-
			310,996	334,371	254,345	257,791

Other provisions	Consolidated Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation (ii) $'000	Total $'000
Balance at 1 July 2022	143,354	26,599	51,146	221,099
(Reduction)/additional provision recognised	(8,034)	77,029	(1,889)	67,106
(Reductions) arising from payments	-	-	(342)	(342)
(Reductions) from settlement	-	(72,150)	-	(72,150)
Movements resulting from re-measurement or settlement without cost	(12,502)	-	-	(12,502)
Balance at 30 June 2023	122,818	31,478	48,915	203,211

Other provisions	Parent Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2022	100,729	-	-	100,729
(Reduction)/additional provision recognised	(8,034)	-	-	(8,034)
Balance at 30 June 2023	92,695	-	-	92,695

17. Provisions (continued)

Other provisions	Consolidated Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation (ii) $'000	Total $'000
Balance at 1 July 2021	261,054	27,108	61,316	349,478
(Reduction)/additional provision recognised	(139,187)	76,156	-	(63,031)
(Reductions) arising from payments	-	-	(102)	(102)
(Reductions) from settlement	-	(76,665)	-	(76,665)
Movements resulting from re-measurement or settlement without cost	21,487	-	(10,068)	11,419
Balance at 30 June 2022	143,354	26,599	51,146	221,099

Other provisions	Parent Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2021	239,916	-	-	239,916
(Reduction)/additional provision recognised	(139,187)	-	-	(139,187)
Balance at 30 June 2022	100,729	-	-	100,729

(i) Onerous contracts include gas contracts and Large Generation Certificates valuation. There is judgement 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 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
(a)	**Current other financial liabilities**				
	Basslink financial liability^	63,124	-	63,124	-
	Interest rate swaps	72,522	87,870	72,522	87,870
	Energy trade credit support	100	28,509	100	28,509
	Energy price derivatives - economic hedges	89,665	739,045	89,665	739,045
	Energy price derivatives - cash flow hedges	168,010	532,963	168,010	532,963
		393,421	1,388,387	393,421	1,388,387
(b)	**Non-current other financial liabilities**				
	Interest rate swaps	132,663	149,069	132,663	149,069
	Basslink financial liability^	61,336	-	61,336	-
	Energy price derivatives - economic hedges	73,692	168,400	73,692	168,400
	Energy price derivatives - cash flow hedges	119,347	126,397	119,347	126,397
		387,038	443,866	387,038	443,866

^ The Basslink Network Service Agreement (NSA) was executed on 20 October 2022 (see note 21(b)).

18. Other financial liabilities (continued)

	NOTE	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		792,051	(136,283)	792,051	(136,283)
Amount included in electricity revenue due to settlement during the year		(800,832)	(471,210)	(803,322)	(475,343)
Net cash payments/(receipts) on futures margin account		216,477	(166,278)	216,477	(166,278)
Fair value (gain)/loss on contracts outstanding as at 30 June		34,655	1,565,822	37,145	1,569,955
Liability/(asset) at the end of the year		242,351	792,051	242,351	792,051
Represented by:					
Current energy price derivative liability - economic hedges	18(a)	89,665	739,045	89,665	739,045
Current energy price derivative liability - cash flow hedges	18(a)	168,010	532,963	168,010	532,963
Non-current energy price derivative liability - economic hedges	18(b)	73,692	168,400	73,692	168,400
Non-current energy price derivative liability - cash flow hedges	18(b)	119,347	126,397	119,347	126,397
		450,714	1,566,805	450,714	1,566,805
Current energy price derivative asset - economic hedges	11(a)	143,215	614,068	143,215	614,068
Non-current energy price derivative asset - economic hedges	11(b)	65,148	102,883	65,148	102,883
Non-current energy price derivative asset - cash flow hedges	11(b)	-	57,803	-	57,803
		208,363	774,754	208,363	774,754
Net energy price derivatives liability/(asset)		242,351	792,051	242,351	792,051
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		-	494,062	-	494,062
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		-	(65,645)	-	(65,645)
Increase/(decrease) in present value of projected rights and obligations of later years as at the beginning of the year		(16,426)	366,420	(16,426)	366,420
(Gain)/loss arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		32,852	(794,837)	32,852	(794,837)
Balance at the end of the year		16,426	-	16,426	-
Represented by:					
Current Basslink financial liability^	18(a)	63,124	-	63,124	-
Non-current Basslink financial liability^	18(b)	61,336	-	61,336	-
		124,460	-	124,460	-
Current Basslink financial asset^	11(a)	56,298	-	56,298	-
Non-current Basslink financial asset^	11(b)	51,736	-	51,736	-
		108,034	-	108,034	-
Net Basslink financial liability		16,426	-	16,426	-

^ The Basslink Network Service Agreement (NSA) was executed on 20 October 2022 (see note 21(b)).

19. Other liabilities

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current other liabilities				
Income received in advance	42,582	12,450	42,494	12,367
Loans from subsidiaries (i)	-	-	169,049	176,288
Other	(6)	516	-	588
	42,576	12,966	211,543	189,243

(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 the Superannuation Commission so 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	2023 $'000	2022 $'000
Defined benefit obligation		340,385	344,861
Fair value of plan assets		(69,816)	(70,467)
Net superannuation liability		270,569	274,394
Comprising:			
Current net liability	17	19,803	20,314
Non-current net liability	17	250,766	254,080
Net superannuation liability		270,569	274,394

Reconciliation of the present value of the defined benefit obligation:

	2023 $'000	2022 $'000
Present value of defined benefit obligations at the beginning of the year	344,861	411,755
Current service cost	2,036	3,172
Interest cost	17,741	12,785
Contributions by plan participants	816	922
Actuarial (gains)/losses arising from changes in demographic assumptions	3,894	-
Actuarial (gains)/losses arising from changes in financial assumptions	(8,191)	(66,705)
Actuarial losses/(gains) arising from liability experience	3,136	5,625
Benefits paid	(23,874)	(22,657)
Taxes, premiums and expenses paid	(34)	(36)
Present value of defined benefit obligations at year end	340,385	344,861

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

Reconciliation of the fair value of Scheme assets:

	2023 $'000	2022 $'000
Fair value of plan assets at beginning of the year	70,467	74,579
Interest income	3,625	2,305
Actual return on plan assets less interest income	513	(1,750)
Employer contributions	18,303	17,104
Contributions by plan participants	816	922
Benefits paid	(23,874)	(22,657)
Taxes, premiums and expenses paid	(34)	(36)
Fair value of plan assets at end of the year	69,816	70,467

20. Retirement Benefits Fund provision (continued)

Fair value of Scheme assets:

		2023		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Australian equities	10,822	-	10,822	-
International equities	13,124	-	13,124	-
Infrastructure	11,101	-	2,723	8,378
Diversified fixed interest	16,476	-	16,476	-
Property	13,196	-	1,327	11,869
Alternative investments	5,097	-	5,097	-
Total	69,816	-	49,569	20,247

		2022		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Australian equities	12,262	-	12,262	-
International equities	14,869	-	14,869	-
Infrastructure	9,090	-	2,325	6,765
Diversified fixed interest	15,714	-	15,714	-
Property	13,177	-	1,198	11,979
Alternative investments	5,355	-	5,355	-
Total	70,467	-	51,723	18,744

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 4.3% 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	2023 %	2022 %
Assumptions to determine defined benefit cost		
Discount rate (active members)	5.35	3.20
Discount rate (pensioners)	5.35	3.20
Expected rate of increase in compulsory preserved amounts	5.50 for 2022–23, and then 3.50 pa	3.00
Expected salary increase rate	3.50	3.00
Expected pension increase rate	5.50 for 2022–23, 3.25 for 2023–24 and then 2.50 pa	2.25

20. Retirement Benefits Fund provision (continued)

	2023 %	2022 %
Assumptions to determine defined benefit obligation		
Discount rate (active members)	5.70	5.35
Discount rate (pensioners)	5.70	5.35
Expected rate of increase in compulsory preserved amounts	3.50	5.50 for 2022–23, and then 3.50 pa
Expected salary increase rate	3.50	3.50
Expected pension increase rate	3.50 for 2023–24, 3.50 for 2024–25, 3.00 for 2025–26 and then 2.50 pa	5.50 for 2022–23, 3.25 for 2023–24 and then 2.50 pa

	2023 $'000	2022 $'000
Profit and loss impact		
Service cost	2,036	3,172
Interest cost	14,116	10,480
Defined benefit cost recognised in profit and loss	16,152	13,652
Gain/(loss) recognised in Other Comprehensive Income		
Actuarial gain/(loss)	1,674	59,330

Sensitivity analysis:

The defined benefit obligation as at 30 June 2023 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 %	5.70	4.70	6.70	5.70	5.70
Pension increase rate %	2.50	2.50	2.50	1.50	3.50
Defined benefit obligation (A$'000s)	340,385	376,305	310,301	315,477	369,888

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 10.2 years.

	2024 $'000
Expected employer contributions	19,803

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 2023 $'000	Net fair value 2023 $'000	Carrying amount 2022 $'000	Net fair value 2022 $'000	Carrying amount 2023 $'000	Net fair value 2023 $'000	Carrying amount 2022 $'000	Net fair value 2022 $'000
Financial assets								
Amortised cost								
Cash	18,145	18,145	45,858	45,858	15,932	15,932	43,529	43,529
Receivables	275,015	275,015	798,113	798,113	135,154	135,154	658,975	658,975
Investments	18,064	18,064	132,267	132,267	18,000	18,000	132,200	132,200
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	-	-	57,803	57,803	-	-	57,803	57,803
Fair value through profit or loss								
Interest rate swaps	66,877	66,877	85,966	85,966	66,877	66,877	85,966	85,966
Forward foreign exchange contracts	3,254	3,254	6	6	3,254	3,254	6	6
Basslink financial asset^	108,034	108,034	-	-	108,034	108,034	-	-
Energy price derivatives - economic hedges	208,363	208,363	716,950	716,950	208,363	208,363	716,950	716,950
Other assets	11,446	11,446	10,066	10,066	9,521	9,521	7,919	7,919
	709,198	709,198	1,847,029	1,847,029	565,135	565,135	1,703,348	1,703,348
Financial liabilities								
Amortised cost								
Accounts payable	191,504	191,504	710,333	710,333	127,436	127,436	645,186	645,186
Tascorp loans	719,584	674,806	702,611	656,588	719,584	674,806	702,611	656,588
Designated hedge accounting derivatives								
Interest rate swaps	-	-	301	301	-	-	301	301
Forward foreign exchange contracts	105	105	-	-	105	105	-	-
Energy price derivatives - cash flow hedges	287,357	287,356	659,360	659,360	287,357	287,356	659,360	659,360
Fair value through profit or loss								
Interest rate swaps	273,529	273,529	322,604	322,604	273,529	273,529	322,604	322,604
Forward foreign exchange contracts	26	26	582	582	26	26	582	582
Basslink financial liability^	124,460	124,460	-	-	124,460	124,460	-	-
Energy price derivatives - economic hedges*	163,357	163,357	907,445	907,445	163,357	163,357	907,445	907,445
Other liabilities	253	253	28,684	28,684	165	165	28,600	28,600
	1,760,175	1,715,396	3,331,920	3,285,897	1,696,019	1,651,240	3,266,689	3,220,666

* Energy price derivatives – economic hedges includes a balance of $65.2m relating to Hydro-Electric Corporation futures cash account.
^ The Basslink Network Services Agreement (NSA) was executed on 20 October 2022, see note 21(b).

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 2023				
	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]	-	301	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	287,357	205,685	47,279	61,236	-

	CONSOLIDATED 2022				
	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]	301	2,642	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	601,557	(882,427)	(86,262)	74,018	-

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 reversal of hedge ineffectiveness and hedge unwind is fair value gains.
3 The line item in the Statement of Financial Performance that includes hedge ineffectiveness 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(ac), 1.2(ad) and 1.2(ae)).

The Basslink Network Services Agreement (NSA) has been designated a derivative.

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) and 1.2(ad).

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. 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 was also exposed to fluctuations in the Victorian market price to the extent of electricity flows over Basslink. 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%) in forecast electricity prices.

	2023				2022			
	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	10,803	-	10,803	-	-	-	-	-
Energy derivative - economic hedges net liability	6,692	-	6,692	-	2,803	-	2,803	-
Energy derivative - cash flow hedges net liability	3,154	(141,218)	3,154	(141,218)	5,050	(190,423)	5,050	(190,423)
Electricity forward price -10%								
Basslink net liability	(10,803)	-	(10,803)	-	-	-	-	-
Energy derivative - economic hedges net liability	(5,753)	-	(5,753)	-	(4,320)	-	(4,320)	-
Energy derivative - cash flow hedges net liability	5,507	132,951	5,507	132,951	-	165,270	-	165,270

The NSA was executed on 20 October 2022. The sensitivity of the fair value of the NSA 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 contract.

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 2023 fixed rate loans varied from 0.77% to 5.04% (2022: 0.77% to 5.45%). There were no floating rates based on bank bill rates at 30 June 2023 (2022: 1.00% to 1.71%).

The Government Guarantee Fee rate varied from 0.52% to 0.89% for this financial year (2022: 0.52% to 1.31%). 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 NSA between Hydro Tasmania and Basslink Pty Ltd (BPL) commenced on 20 October 2022 for a term up to 30 June 2025, with options to extend.

The BSA between Hydro Tasmania and Basslink Pty Ltd (BPL) commenced upon successful commissioning of Basslink on 28 April 2006 and was entered into for a term of 25 years, with an option for a further 15 years. Hydro Tasmania terminated the BSA and related contracts on 10 February 2022.

The NSA includes rights and obligations for both parties with respect to the operation of Basslink including an obligation on Hydro Tasmania to pay the Facility Fee to BPL. This agreement is a financial asset and financial liability whereby Hydro Tasmania 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).

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.

	2023				2022			
	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	287	-	287	-	338	-	338	-
Financial liabilities	(588)	233	(588)	233	(694)	268	(694)	268
Forward interest rates -1 bps								
Financial assets	(287)	-	(287)	-	(338)	-	(338)	-
Financial liabilities	588	(233)	588	(233)	694	(268)	694	(268)

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 2023 for both the parent and consolidated entities is 3.88% (2022: 3.67%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 0.77% (2022: 0.75%).

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Receivables				
Not later than one year	20,174	11,524	20,174	11,524
Later than one year but not later than two years	25,103	988	25,103	988
Later than two years	37,926	-	37,926	-
Total	83,203	12,512	83,203	12,512
Payables				
Not later than one year	19,497	12,100	19,497	12,100
Later than one year but not later than two years	23,533	993	23,533	993
Later than two years	36,712	-	36,712	-
Total	79,742	13,093	79,742	13,093

(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.

Loan and receivables balance approximate fair value.

Interest rate swaps

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	36,209	178,125	33,932	175,729
Receivables	275,015	798,113	135,154	658,975
Derivative financial instruments				
Energy price derivatives	18,499	152,853	18,499	152,853
Environmental product contracts	7,031	1,849	7,031	1,849
Total credit risk exposure	336,754	1,130,940	194,616	989,406
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA- ratings	123,525	212,728	106,112	196,148
A+ to A- ratings	-	-	-	-
BBB+ to BBB- ratings	5,429	66,883	5,429	66,883
Unrated	184,416	836,736	83,075	726,375
	313,370	1,116,347	194,616	989,406
Overseas-based entities				
AA+ to AA- ratings	656	803	-	-
A+ to A- ratings	22,089	13,047	-	-
BBB+ to BBB- ratings	639	743	-	-
Unrated	-	-	-	-
	23,384	14,593	-	-
Total credit risk exposure	336,754	1,130,940	194,616	989,406

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.

	2023 CONSOLIDATED				2023 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	18,145	-	-	-	15,932	-	-	-
Receivables	275,015	-	-	-	135,154	-	-	-
Investments	18,064	-	-	-	18,000	-	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	-	-	-	-	-	-	-	-
Fair value through profit or loss								
Interest rate swaps	6,466	4,634	45,790	20,680	6,466	4,634	45,790	20,680
Forward foreign exchange contracts	2,862	326	417	-	2,862	326	417	-
Energy price derivatives - economic hedges	33,735	57,600	76,109	(4,965)	33,735	57,600	76,109	(4,965)
Basslink financial asset	31,012	31,012	62,776	-	31,012	31,012	62,776	-
Other assets	11,446	-	-	-	9,521	-	-	-
	396,745	93,572	185,092	15,715	252,682	93,572	185,092	15,715
Financial liabilities								
Amortised cost								
Accounts payable	191,504	-	-	-	127,436	-	-	-
Tascorp loans	10,715	10,715	386,541	475,546	10,715	10,715	386,541	475,546
Designated hedge accounting derivatives								
Forward foreign exchange contracts	66	2	39	10	-	-	-	-
Energy price derivatives - cash flow hedges	77,628	99,083	149,972	(17,560)	77,628	99,083	149,972	(17,560)
Fair value through profit or loss								
Interest rate swaps	22,759	20,739	171,399	96,983	22,759	20,739	171,399	96,983
Forward foreign exchange contracts	-	10	17	-	-	10	17	-
Basslink financial liability^	37,049	32,494	74,426	-	37,049	32,494	74,426	-
Energy price derivatives - economic hedges	40,439	49,420	82,479	-	40,439	49,420	82,479	-
Other liabilities	253	-	-	-	165	-	-	-
	380,413	212,463	864,873	554,979	316,191	212,461	864,834	554,969

^ The Basslink Network Services Agreement (NSA) was executed on 20 October 2022, see note 21(b).

21. Financial instruments disclosures (continued)

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

	2022 CONSOLIDATED				2022 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	45,858	-	-	-	43,529	-	-	-
Receivables	798,113	-	-	-	658,975	-	-	-
Investments	132,267	-	-	-	132,200	-	-	-
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	(102,943)	(46,024)	44,798	174,755	(102,943)	(46,024)	44,798	174,755
Fair value through profit or loss								
Interest rate swaps	14,953	8,002	46,647	28,448	14,953	8,002	46,647	28,448
Forward foreign exchange contracts	612	93	-	-	612	93	-	-
Energy price derivatives - economic hedges	351,898	232,406	151,921	(6,449)	351,898	232,406	151,921	(6,449)
Other assets	10,066	-	-	-	7,919	-	-	-
	1,250,824	194,477	243,366	196,754	1,107,143	194,477	243,366	196,754
Financial liabilities								
Amortised cost								
Accounts payable	710,333	-	-	-	645,186	-	-	-
Tascorp loans	69,021	48,457	296,924	395,024	69,021	48,457	296,924	395,024
Designated hedge accounting derivatives								
Energy price derivatives - cash flow hedges	259,346	140,718	199,770	-	259,346	140,718	199,770	-
Fair value through profit or loss								
Interest rate swaps	51,105	38,218	274,086	215,690	51,105	38,218	274,086	215,690
Forward foreign exchange contracts	1,852	1,393	360	-	1,852	1,393	360	-
Energy price derivatives - economic hedges	382,162	169,971	189,955	57,431	382,162	169,971	189,955	57,431
Other liabilities	28,684	-	-	-	28,600	-	-	-
	1,502,503	398,757	961,095	668,145	1,437,272	398,757	961,095	668,145

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 & PARENT							
	2023				2022			
	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	-	-	-	-	-	-	57,803	57,803
Fair value through profit or loss								
Interest rate swaps	-	66,877	-	66,877	-	85,966	-	85,966
Forward foreign exchange contracts	-	3,254	-	3,254	-	6	-	6
Basslink financial asset^	-	-	108,034	108,034	-	-	-	-
Energy price derivatives - economic hedges	155,812	19,405	33,146	208,363	476,034	159,247	79,782	715,063
	155,812	89,536	141,180	386,528	476,034	245,219	137,585	858,838
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	-	-	-	-	301	-	301
Forward foreign exchange contracts	-	105	-	105	-	-	-	-
Energy price derivatives - cash flow hedges	-	-	287,357	287,357	-	-	659,360	659,360
Fair value through profit or loss								
Interest rate swaps	-	111,314	162,215	273,529	-	130,023	192,581	322,604
Forward foreign exchange contracts	-	26	-	26	-	582	-	582
Basslink financial liability^	-	-	124,460	124,460	-	-	-	-
Energy price derivatives - economic hedges	62,618	42,444	58,296	163,358	389,655	116,940	398,963	905,558
	62,618	153,889	632,328	848,835	389,655	247,846	1,250,904	1,888,405

^ The Basslink Network Services Agreement (NSA) was executed on 20 October 2022, see note 21(b).

21. Financial instruments disclosures (continued)

(c) Fair values (continued)

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

	CONSOLIDATED 2023 $'000	PARENT 2023 $'000
Balance at the beginning of the period	(1,113,319)	(1,113,319)
Net gain/(loss) recognised in other comprehensive income	205,685	205,685
Net gain/(loss) from financial instruments at fair value	416,486	416,486
Balance at the end of the period	(491,148)	(491,148)

Basslink financial instruments

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 NSA 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 NSA have been reported as financial liabilities.

The fair value of the NSA has been calculated using the pre-tax weighted average cost of capital as the nominal discount rate.

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.

Description	Fair value at end of year $'000	Valuation technique	Unobservable input	Range (weighted average)	Valuation change $'000
Energy price derivatives - economic hedges	45,006	Discounted cash flow	Long term flat electricity price	-10% to +10%	(5,753) to 6,692
Energy price derivatives - cash flow hedges	(287,357)	Discounted cash flow	Long term flat electricity price	-10% to +10%	132,558 to (138,064)
Basslink financial liability	(16,426)	Discounted cash flow	Weighted average cost of capital	9% to 11% (10%)	(203) to 218
			Average Victorian price spread	-10% to +10%	(10,803) to 10,803
			Long term average annual generation (GWh)	8,600 to 9,200 (8,900)	(16,683) to 16,683

22. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
(a)	**Capital expenditure commitments**				
	Not later than one year	67,583	39,124	66,977	39,119
	Later than one year but not later than two years	40,223	6,425	40,223	6,425
	Later than two year but not later than five years	35,355	492	35,355	492
	Later than five years	1,263	-	1,263	-
		144,424	46,041	143,818	46,036

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 Corporation 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 2023, are set out in note 32.

The Group had no contingent assets or contingent liabilities at 30 June 2023.

24. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2023 $	2022 $	2023 $	2022 $
Amounts received, or due and receivable, by the Auditor-General from the Group for auditing the financial statements of the Group	424,600	424,600	424,600	424,600
Amounts received, or due and receivable, for compliance audits	12,400	12,400	12,400	12,400
	437,000	437,000	437,000	437,000

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 People 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 business unit's performance
- achievement of the Group's strategic initiatives
- Government Business Treasurer's Instructions - Guidelines for Director and Executive Remuneration
- government wages and salaries expectations.

Remuneration packages include contribution to post-employment superannuation plans.

The Chief Executive Officer's (CEO) (appointed 13 July 2022) remuneration package was approved by the Government in July 2022. From the period 1 July to 12 July the CEO was in an Acting capacity with a remuneration package approved by the Government in October 2021.

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 are 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.

The Chairman Mr Every-Burns concluded his term 30 June 2023. The incoming Chairman Mr Richard Bolt commenced his term 1 July 2023.

The Director Mr Hodgson was due to conclude his term on 12 June 2022; however, his term was extended until 25 September 2022.

The Director Mr Middleton commenced with the Board 26 September 2022.

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 Guidelines for Director and Executive Remuneration. 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 band as prescribed by the Department of Treasury and Finance.

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 Executive Incentive Plan is aligned to the Corporation's strategic objectives and business performance results across a mix of corporate and individual measures. The Executive Incentive Plan 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 individuals' 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Short-term employee benefits	400	403	3,218	2,997	3,618	3,400
Post-employment benefits	42	39	288	259	330	298
Other long-term employee benefits	-	-	76	(163)	76	(163)
Termination benefits	-	-	113	568	113	568
	442	442	3,695	3,661	4,137	4,103

For Director remuneration, short-term employment benefits includes Director fees, Committee fees and Other benefits. Post employment benefits represents superannuation contributions.

For Executive remuneration, Short-term employment benefits includes Salary, Short-term incentive payments, Other monetary benefits, Vehicle benefits and Other non-monetary benefits. Post employment benefits represents superannuation contributions and Long-term employee benefits includes leave movements. Termination benefits are as provided for below.

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:

			2023				
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Other benefits[2] $'000	Super-annuation[3] $'000	Total 2022–23 $'000
Non-executive directors							
Mr G Every-Burns	Chairman	Full term	121	10	3	14	148
Mr C Botto	Director	Full term	56	10	3	7	76
Ms H Galloway	Director	Full term	56	14	1	7	78
Mr K Hodgson	Director	To 25/09/22	13	1	-	2	16
Ms S Lightfoot	Director	Full term	56	8	3	7	74
Mr D Middleton	Director	From 26/09/22	43	1	1	5	50
Total			345	44	11	42	442

			2022				
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Other benefits[2] $'000	Super-annuation[3] $'000	Total 2021–22 $'000
Non-executive directors							
Mr G Every-Burns	Chairman	Full term	124	10	1	13	148
Mr C Botto	Director	Full term	58	10	2	7	77
Ms H Galloway	Director	From 24/08/21	48	11	-	6	65
Mr K Hodgson	Director	Full term	58	4	1	6	69
Ms S Hogg	Director	To 23/08/21	8	2	-	1	11
Ms S Lightfoot	Director	Full term	58	7	1	6	72
Total			354	44	5	39	442

Board remuneration notes and statements

1 Amounts are all forms of consideration paid, payable or provided by the entity.
2 Other benefits include a travel allowance for attending committee meetings.
3 Superannuation means the contribution to the superannuation fund of the individual.

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:

	2023								
Executive remuneration	Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Reported Remun-eration[6] $'000	Termin-ation benefits[7] $'000	Other long-term benefits[8] $'000	Total 2022–23 $'000
Mr I Brooksbank* Chief Executive Officer	495	75	52	-	-	622	-	(4)	618
Ms S Brown# Acting EGM Governance(from 19/09/22 to 02/06/23)	154	19	16	-	-	189	-	5	194
Ms L Chiba Managing Director Momentum	336	51	37	-	-	424	-	26	450
Ms T Chu Managing Director Entura	337	39	25	-	-	401	-	4	405
Mr J Clark EGM Assets & Infrastructure	332	40	38	-	-	410	-	4	414
Ms R Groom EGM People, Culture and Engagement	324	39	37	-	-	400	-	16	416
Mr V Kovac*** EGM Commercial (from 09/12/22)	174	22	18	-	-	214	-	(1)	213
Ms K McKenzie# EGM Governance & Corporation Secretary to 16/09/22 & from 01/05/23)	105	13	14	-	-	132	-	11	143
Mr T Peters** EGM Finance	329	50	28	-	-	407	-	11	418
Ms E van Maanen EGM Strategy (from 20/02/22)	115	15	12	-	-	142	-	14	156
Ms C Wykamp*** EGM Commercial (to 08/12/2022)	154	-	11	-	-	165	113	(10)	268
Total	2,855	363	288	-	-	3,506	113	76	3,695

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:

	2022								
Executive remuneration	Salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Reported Remun-eration[6] $'000	Termin-ation benefits[7] $'000	Other long-term benefits[8] $'000	Total $'000
Mr E Albertini Chief Executive Officer (to 12/11/21)	193	42	9	3	-	247	475	(256)	466
Mr I Brooksbank Acting Chief Executive Officer (from 06/09/21), EGM Finance and Strategy (to 19/09/21)	433	-	48	-	-	481	-	28	509
Ms L Chiba Managing Director Momentum (from 10/01/22)	150	15	15	-	-	180	-	13	193
Ms A Childs Managing Director Momentum (to 19/10/21)	112	-	16	-	1	129	26	(13)	142
Ms T Chu Managing Director Entura	324	32	24	3	-	383	-	7	390
Mr J Clark EGM Assets & Infrastructure	309	32	33	2	-	376	-	26	402
Ms R Groom EGM People Enablement	305	32	31	-	-	368	-	11	379
Ms K McKenzie EGM Governance & Corporate Secretary (from 22/09/21)	228	23	23	-	-	274	-	14	288
Ms N Morton Acting Managing Director Momentum (from 04/08/21 to 31/10/21)	74	-	7	-	-	81	67	(9)	139
Mr T Peters Acting EGM Finance and Strategy (from 20/09/21)	234	24	23	-	-	281	-	(1)	280
Mr M Pucar Acting Managing Director Momentum (from 01/11/21 to 09/01/22)	58	7	6	-	-	71	-	7	78
Ms C Wykamp EGM Commercial	340	21	24	-	-	385	-	10	395
Total	2,760	228	259	8	1	3,256	568	(163)	3,661

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] Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

[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% of base salary as per the Director and Executive Remuneration Guidelines. The CEO incentive payment is in line with the remuneration package approved by the Government in July 2022.

[3] Superannuation means the contribution to the superannuation fund of the individual being the amount of superannuation contributions paid or accrued.

[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] Reported Remuneration includes the individual's salary, short term incentive payments, other monetary benefits, vehicle benefits, other non-monetary benefits and superannuation. For the purposes of assessing compliance with the Guidelines, Other long-term employee benefits and termination benefits are not included in the Reported Remuneration amount.

[7] Termination benefits include all forms of benefit paid or accrued as a consequence of termination, including leave entitlements. Termination benefits are paid according to employee contracts and statutory guidelines.

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

[9] 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.

* Mr Brooksbank was appointed Acting Chief Executive Officer 06/09/21 and subsequently appointed Chief Executive Officer 13/07/22.

** Mr Peters was appointed Acting EGM Finance and Strategy 20/09/21 and subsequently appointed EGM Finance 19/12/22.

*** Mr Kovac was appointed Acting EGM Commercial 09/12/22 and subsequently appointed EGM Commercial 06/03/23. Ms Wykamp resigned as EGM Commercial 08/12/22.

Ms McKenzie was on a period of extended paid leave from 19/09/22 to 30/04/23, working 3 days per week on return until 30/06/23. Ms Brown was Acting EGM, Governance from 19/09/22 to 30/04/23 and 2 days per week from 01/05/23 to 30/06/23.

During the year, no non-executive directors of the Group undertook any overseas trips (2022: nil).

Employees undertook overseas travel on 84 occasions during the year at a cost of $693,776 (2022: $84,196). Of these, 58 trips at a cost of $424,944 (2022: $30,547), were made while undertaking work for Entura 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	911	986	18,845	35,013	589	110	-	-
PARENT								
HT Wind Operations Pty Ltd	-	-	-	-	-	-	173,266	170,508
Bell Bay Power Pty Ltd	71	13	-	-	1,901	1,662	-	-
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,424
Lofty Ranges Power Pty Ltd	-	-	-	-	-	126	1,247	-
Hydro Tasmania Consulting India Pvt Ltd	-	-	-	-	-	-	227	113
HT Wind Developments Pty Ltd	-	-	-	-	-	-	891	790
RE Storage Project Holding Pty Ltd	-	-	-	-	677	687	-	-
Woolnorth Bluff Point Holdings Pty Ltd	-	-	-	-	11,662	-	-	-
Momentum Energy Pty Limited	333,172	340,549	-	-	-	-	-	-
AETV Pty Ltd	413	485	-	3,343	326,459	329,524	-	-
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, occur in cash. Cash settlement does not occur between wholly-owned subsidiaries and the parent.

David Middleton is a non-executive Director of Hydro Tasmania. Mr Middleton is also an employee of AECOM Australia Pty Ltd (appointed September 2022) as Director, Strategy and Growth, Global Water Business Line. Hydro Tasmania used services from AECOM amounting to $493k during the year. These sales were made at arm's length and were on normal commercial terms.

Helen Galloway is a non-executive Director of Hydro Tasmania, a close associate of Helen Galloway is employed by Helicopter Resources. Hydro Tasmania used services from Helicopter Resources amounting to $39k during the year (2022: $52k). The sales of these services 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 conflict in parts of Europe and the effects of inflation. Price increases have continued to be experienced as suppliers incur price rises for raw materials, labour, other inputs and freight costs. The Group has been working with suppliers to alleviate the effects of this disruption.

28. Government grants

The Corporation has recognised $13.0m (2022: $10.8m) of grant and equity funding during the year ended 30 June 2023 as detailed below:

Battery of the Nation Project – Tarraleah Hydropower Scheme Redevelopment

In April 2022, the Commonwealth and State Governments entered into a funding agreement through the Federal Department of Industry, Science, Energy and Resources (now the Department of Climate Change, Energy, the Environment and Water) to provide up to $65m to support the redevelopment of the Tarraleah hydropower scheme. The funding will enable the project to be progressed to Final Investment Decision (FID) and will contribute to a package of upgrade works prior to FID. The funding is expected to be a mixture of both grant ($13m) and equity ($52m) contributions.

At 30 June 2023, $3.2m grant funding and $9.8m equity contribution were recognised for the Tarraleah funding.

During the year ended 30 June 2023, the Department of Treasury and Finance made no payments (2022: $9.8m grant) for the Tarraleah funding.

Department of State Growth – King Island network upgrade

In October 2021, the Department of State Growth entered into a $2m funding agreement to support the upgrade of the electricity infrastructure between the King Island Power Station and the existing Scheelite Mine at Grassy on King Island.

During the year ended 30 June 2022, the Department of State Growth paid $1m for the King Island funding.

The funding agreement was terminated 28 November 2022 due to the Scheelite mine pursuing their own avenues for powering the site. In terminating the agreement $642k of the $1m funding received in 2022 was returned to the Department of State Growth on 29 November 2022.

29. Controlled entities

			Percentage of share held by the Group	
	Footnote	Country of incorporation	2023 %	2022 %
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 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	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
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	-	-	-	-
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, held 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 was the operation of mini hydro facilities. The divestment of the joint venture was effective 30 September 2022.

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
	2023 $'000	2023 $'000	2023 $'000
Statement of Financial Performance			
Revenue	107,821	-	107,821
Expenses	75,122	-	75,122
Profit/(loss) before fair value	32,699	-	32,699
Fair value gains/(losses)	2,493	-	2,493
Profit/(loss) before income tax benefit	35,192	-	35,192
Income tax (expense)/benefit	(10,559)	-	(10,559)
Net (loss)/profit after tax	24,633	-	24,633
Statement of Financial Position			
Current assets	85,756	55	85,811
Non-current assets	415,521	-	415,521
Total assets	501,277	55	501,332
Current liabilities	40,576	-	40,576
Non-current liabilities	214,992	-	214,992
Total liabilities	255,568	-	255,568
Net assets	245,709	55	245,764
Share of accumulated profits/(losses)			
Share of accumulated profits/(losses) at the beginning of the year	41,089	(21)	41,068
Share of profit/(loss) after income tax expense	6,158	-	6,158
Share of accumulated profits/(losses) at the end of the year	47,247	(21)	47,226
Movements in carrying amount of investment			
Carrying amount at the beginning of the year	58,021	17	58,038
Dividends received	(2,757)	-	(2,757)
Share of associates other comprehensive income	5	-	5
Share of profit/(loss) after income tax for the year	6,158	-	6,158
Carrying amount at the end of the year	61,427	17	61,444

31. Incorporated associates and joint ventures (continued)

	CONSOLIDATED		
	Associate	Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Total
	2022 $'000	2022 $'000	2022 $'000
Statement of Financial Performance			
Revenue	103,567	-	103,567
Expenses	69,497	-	69,497
Profit/(loss) before fair value	34,070	-	34,070
Fair value (losses)/gains	(133,134)	-	(133,134)
(Loss)/profit before income tax benefit	(99,064)	-	(99,064)
Income tax benefit/(expense)	29,804	-	29,804
Net (loss)/profit after tax	(69,260)	-	(69,260)
Statement of Financial Position			
Current assets	87,054	55	87,109
Non-current assets	468,045	-	468,045
Total assets	555,099	55	555,154
Current liabilities	88,446	-	88,446
Non-current liabilities	234,569	-	234,569
Total liabilities	323,015	-	323,015
Net assets	232,084	55	232,139
Share of accumulated profits/(losses)			
Share of accumulated profits/(losses) at the beginning of the year	58,404	(21)	58,383
Share of profit/(loss) after income tax expense	(17,315)	-	(17,315)
Share of accumulated profits/(losses) at the end of the year	41,089	(21)	41,068
Movements in carrying amount of investment			
Carrying amount at the beginning of the year	71,056	17	71,073
Dividends received	-	-	-
Share of associates other comprehensive income	4,280	-	4,280
Share of (loss)/profit after income tax for the year	(17,315)	-	(17,315)
Carrying amount at the end of the year	58,021	17	58,038

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.

	2023 $'000	2022 $'000
Consolidated Statement of Comprehensive Income and retained profits		
Revenue	1,639,172	2,162,282
Expenses	1,318,050	1,026,501
Profit/(loss) before income tax equivalent expense	321,122	1,135,781
Income tax equivalent (benefit)/expense	93,621	340,533
Profit/(loss) for the period	227,501	795,248
Other comprehensive income	145,363	(574,319)
Total comprehensive income/(loss) for the period	372,864	220,929
Retained earnings at the beginning of the period	1,364,725	641,804
Dividends paid	(74,000)	(112,300)
Net profit/(loss)	227,501	795,248
Other movements	1,172	39,973
Retained earnings at the end of the period	1,519,398	1,364,725

32. Deed of cross guarantee (continued)

	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	16,185	43,781
Receivables	272,531	795,777
Investments	18,000	132,200
Inventories	6,988	5,436
Other financial assets	257,682	673,388
Current tax asset	-	34,524
Other	72,593	22,705
Total current assets	643,979	1,707,811
Non-current assets		
Investments	184,410	184,410
Property, plant and equipment	3,952,865	3,914,806
Intangible assets	58,335	66,062
Deferred tax asset	60,849	64,192
Other financial assets	116,884	210,686
Goodwill	16,396	16,396
Other	5,218	9,150
Total non-current assets	4,394,957	4,465,702
TOTAL ASSETS	5,038,936	6,173,513
Current liabilities		
Payables	197,129	709,176
Interest-bearing liabilities	4,209	105,888
Provisions	186,191	190,008
Provision for income tax	2,479	-
Other financial liabilities	393,421	1,388,387
Other	211,543	189,242
Total current liabilities	994,972	2,582,701
Non-current liabilities		
Interest-bearing liabilities	719,336	615,180
Deferred tax liability	520,054	412,356
Provisions	304,713	315,249
Other financial liabilities	387,038	443,867
Total non-current liabilities	1,931,141	1,786,652
TOTAL LIABILITIES	2,926,113	4,369,353
NET ASSETS	2,112,823	1,804,160
EQUITY		
Contributed equity	688,006	678,206
Reserves	(94,581)	(238,771)
Retained earnings	1,519,398	1,364,725
TOTAL EQUITY	2,112,823	1,804,160

33. Dividend

	CONSOLIDATED		PARENT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Declared and paid during the year				
Statutory dividend	-	74,000	-	74,000
Proposed for approval (not recognised as a liability as at 30 June)				
Statutory dividend	105,000	-	105,000	-

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 Momentum Energy, AETV and the rest of the Hydro Tasmania Group.

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 2023					
	Hydro* Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	688,811	90,425	822,527	1,601,763	(151,036)	1,450,727
Fair value gains	171,450	12,502	-	183,952	-	183,952
Share of associates and joint ventures	6,158	-	-	6,158	-	6,158
Other revenue	9,921	3	558	10,482	-	10,482
Total revenue	876,340	102,930	823,085	1,802,355	(151,036)	1,651,319
Segment results						
Depreciation and amortisation	113,949	2,946	15,169	132,064	-	132,064
Finance expenses	71,040	-	631	71,671	-	71,671
Fair value losses	16,426	2,875	-	19,301	-	19,301
Net revaluation and impairment	(2,383)	-	-	(2,383)	3,066	683
Other expense	359,236	91,306	795,273	1,245,815	(151,036)	1,094,779
Total expense	558,268	97,127	811,073	1,466,468	(147,970)	1,318,498
Profit/(loss) before income tax equivalent	318,072	5,803	12,012	335,887	(3,066)	332,821
Comprising:						
Result before fair value movements and revaluation	160,229	(3,824)	12,012	168,417	-	168,417
Net fair value gains/(losses)	155,024	9,627	-	164,651	-	164,651
Net fair value gains/(losses) from associates and joint ventures	436	-	-	436	-	436
Revaluation and impairment (expenses)/gains	2,383	-	-	2,383	(3,066)	(683)
Profit/(loss) before income tax equivalent	318,072	5,803	12,012	335,887	(3,066)	332,821
Income tax equivalent expense	90,874	1,741	3,611	96,226	-	96,226
Segment profit/(loss) after tax	227,198	4,062	8,401	239,661	(3,066)	236,595
Total assets	4,633,334	89,205	179,268	4,901,807	(19,417)	4,882,390
Total liabilities	2,222,215	409,526	82,380	2,714,121	-	2,714,121
Other disclosures						
Investment in associates and joint ventures	61,444	-	-	61,444	-	61,444
Capital expenditure	174,982	-	5,800	180,782	-	180,782

Inter-segment revenues are eliminated on consolidation.

* Hydro Tasmania represents Hydro Tasmania parent entity plus the remaining subsidiaries in the Hydro Tasmania Group.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2022					
	Hydro* Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	694,317	89,426	843,063	1,626,806	(138,262)	1,488,544
Fair value gains	656,144	14,631	-	670,775	-	670,775
Other revenue	5,016	1	459	5,476	-	5,476
Total revenue	1,355,477	104,058	843,522	2,303,057	(138,262)	2,164,795
Segment results						
Depreciation and amortisation	103,437	2,980	16,303	122,720	-	122,720
Finance expenses	78,324	-	759	79,083	-	79,083
Fair value losses	131,397	27,539	-	158,936	-	158,936
Net revaluation and impairment	(481,089)	-	-	(481,089)	(1,586)	(482,675)
Share of associates and joint ventures	17,315	-	-	17,315	-	17,315
Other expense	375,416	96,021	816,177	1,287,614	(138,262)	1,149,352
Total expense	224,800	126,540	833,239	1,184,579	(139,848)	1,044,731
Profit/(loss) before income tax equivalent	1,130,677	(22,482)	10,283	1,118,478	1,586	1,120,064
Comprising:						
Result before fair value movements and revaluation	148,139	(9,574)	10,283	148,848	-	148,848
Net fair value gains/(losses)	524,747	(12,908)	-	511,839	-	511,839
Net fair value gains/(losses) from associates and joint ventures	(23,298)	-	-	(23,298)	-	(23,298)
Revaluation and impairment (expenses)/gains	481,089	-	-	481,089	1,586	482,675
Profit/(loss) before income tax equivalent	1,130,677	(22,482)	10,283	1,118,478	1,586	1,120,064
Income tax equivalent expense	339,486	(6,741)	3,092	335,837	-	335,837
Segment profit/(loss) after tax	791,191	(15,741)	7,191	782,641	1,586	784,227
Total assets	5,728,881	93,195	196,979	6,019,055	(19,417)	5,999,638
Total liabilities	3,646,311	417,578	85,247	4,149,135	-	4,149,135
Other disclosures						
Investment in associates and joint ventures	58,038	-	-	58,038	-	58,038
Capital expenditure	114,324	-	4,797	119,121	-	119,121

Inter-segment revenues are eliminated on consolidation.

* Hydro Tasmania represents Hydro Tasmania parent entity plus the remaining subsidiaries in the Hydro Tasmania Group.

34. Segment information (continued)

	YEAR ENDED	
	2023 $'000	2022 $'000
Reconciliation of profit		
Segment profit	239,661	782,641
Energy sales	151,036	138,262
Purchased energy	(151,036)	(138,262)
Intercompany loan impairment	(3,066)	1,586
Consolidated profit	236,595	784,227
Reconciliation of assets		
Segment total assets	4,901,807	6,019,055
Elimination of investment in subsidiary	(19,417)	(19,417)
Corporation total assets	4,882,390	5,999,638
Reconciliation of liabilities		
Segment total liabilities	2,714,121	4,149,135
Elimination of intercompany revaluation and balances	-	-
Corporation total liabilities	2,714,121	4,149,135

35. Business acquisition

The Corporation purchased Tarraleah Village 1 June 2023 for $11.7 million.

Tarraleah Village comprises of multiple buildings, land and a hospitality business, with the majority of the buildings being accommodation offerings and the remainder being hospitality or community purpose establishments.

The primary purpose of the Tarraleah Village purchase is to support the Corporation 'Battery of the Nation' project workforce.

	YEAR ENDED 30 JUNE 2023		
	Book value $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Net assets acquired			
Current assets	50	-	50
	50	-	50
Non-current assets			
Land and buildings	10,500	-	10,500
Plant and equipment	635	-	635
Motor vehicles	15	-	15
Stamp duty	468	-	468
	11,618	-	11,618
Current liabilities	-	-	-
Non-current liabilities	-	-	-
Net assets	11,668	-	11,668

	YEAR ENDED 30 JUNE 2023	
	CONSOLIDATED $'000	PARENT $'000
Net cash flow on acquisition		
Consideration paid in cash	11,668	-
Net cash flow on acquisition	11,668	-

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 2023 and the financial position at 30 June 2023 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 Executive General Manager Finance of the Corporation:

a) the financial records of the Corporation for the year ended 30 June 2023 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 2023 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 2023 give a true and fair view.

Signed in accordance with a resolution of the directors:

R Bolt
Chairman
14 August 2023

H Galloway
Director
14 August 2023

Superannuation declaration

I, Ian Brooksbank, 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.

I Brooksbank
Chief Executive Officer
14 August 2023

Auditor's independence declaration

Tasmanian Audit Office

Level 2, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

14 August 2023

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 2023, 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

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General

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 2023, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flow statement 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 2023 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 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 2023, the Group's generation assets of $3.55 billion recognised at fair value, representing 73% of the total assets. The 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 / or internal environment. • Assessing the reasonableness of cash flow forecasts relative to corporate plans and other relevant internal and external evidence. Performed sensitivity analysis in relation to key assumptions in the model to assess the potential reasonable change. • Undertaking integrity checks of the model calculations, including re-performing 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 cash flow model.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
	• 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 2023, the Group's energy price derivative assets totalled $208.36 million and energy price derivative liabilities totalled $450.71 million. Significant management judgment is 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. Including 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 testing 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. • Re-performing fair value calculations for a sample of derivative financial instruments using industry acceptable valuation practices.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
	• Re-performing 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(ad), 2, 3, 11, 18 and 21*	
As at 30 June 2023, the Group's Basslink financial assets totalled $108.03 million and Basslink financial liabilities totalled $124.46 million. Basslink Pty Ltd went into voluntary administration on 12 November 2021, and the Basslink Services Agreement (BSA) was terminated on 10 February 2022. A new Network Services Agreement (NSA) was signed on 18 October 2022, between Basslink Pty Ltd and Hydro Tasmania. Significant management judgment was required in valuing the Basslink financial assets and liabilities as they are sensitive to inputs within the discounted cash flow	In conjunction with corporate finance and energy derivative valuation specialists: • Reviewing and assessing the impacts of the NSA. • Assessing effectiveness of middle office control and oversight function, and its involvement in fair value measurement process. Including access and version controls. • Assessing and challenging key inputs and assumptions underpinning the valuation of the NSA including inputs such as the interconnector energy flow, volatility of Victoria and Tasmania price spreads,

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
model such as electricity prices, forecast interconnect energy flow over the Basslink cable and inflation and discount factors.	including comparing inputs to external sources, where available. • Reviewing the fair value gains associated with Basslink financial asset and liabilities transactions during the financial year. • Undertaking integrity checks and mathematical accuracy of the model calculations and disclosure spreadsheets. • 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 to ensure compliance with applicable Accounting Standards disclosure requirements.

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.

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

14 August 2023
Hobart

Above: ***The team at work on Flinders Island***

Summary information

Community service obligations summary

Formalised directions issued by the Minister for Energy and Renewables 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

Hydro Tasmania has been directed since 1998 to provide subsidised electricity and electricity concessions to the Bass Strait Islands customers in accordance with the terms of a CSO Deed. Retail services are provided by Momentum Energy.

Since July 2019, Hydro Tasmania has been required to perform the CSO in accordance with the Net Avoidable Cost methodology. In FY2022–23, the cost to Hydro Tasmania of performing the CSO was $12.67 million.

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. The CSO was unfunded. In FY2022–23 there was no cost to Hydro Tasmania of performing this CSO direction.

Sponsorship of Cricket Tasmania and the Hobart Hurricanes

Hydro Tasmania was directed to enter into a sponsorship agreement with Cricket Tasmania and act as sponsor of the Hobart Hurricanes for a period of three years, on an unfunded basis. In financial year 2022–23, the final year of this agreement, the cost to Hydro Tasmania was $300,000.

Financial summary

Financial results

Table 3: Financial results 2019–23

Year ending 30 June:	2019 $M	2020 $M	2021 $M	2022 $M	2023 $M
Result before fair value, impairment and tax	195.0	171.8	217.0	148.8	168.4
Profit/(loss) before tax[a]	216.2	(778.1)	357.9	1,120.1	332.8
Comprehensive income/(loss)	(169.2)	(99.0)	337.2	212.8	382.0
Cash flow from operating activities	257.4	227.8	236.3	189.1	276.1
Net debt	549	627	647	522	674
Weighted average cost of debt	5.08%	4.92%	3.52%	3.67%	3.88%
Capital expenditure	145.1	141.5	156.0	119.1	180.8
Total assets	5,702	4,763	4,930	6,000	4,882

[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:	2019 $M	2020 $M	2021 $M	2022 $M	2023 $M
Government guarantee fee	7.9	6.7	6.3	5.8	5.4
Income tax equivalent	69.1	70.6	56.9	74.3	7.1
Ordinary dividend[a]	80.0	120.0	115.0	112.3	74.0
Rates equivalent	4.4	4.6	4.6	5.0	5.3
Total returns	161.4	201.9	182.8	197.4	91.8

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

Five-year summary

Table 4: Financial statistics 2019–23, year ending 30 June

	Financial year ending 30 June				
	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Five-year profile – Statement of Comprehensive Income					
Income					
Sales of goods and services	1,824,372	1,784,507	1,660,414	1,488,544	1,450,727
Other income	26,181	5,636	36,301	5,476	10,482
TOTAL INCOME	**1,850,553**	**1,790,143**	**1,696,715**	**1,494,020**	**1,461,209**
Less expenses					
Labour	160,453	159,659	170,032	147,410	163,794
Direct operating expenses	1,214,769	1,184,848	1,060,549	901,157	830,794
Depreciation and amortisation of non-current assets	118,065	125,966	114,847	122,720	132,064
Impairment of non-current assets	11,050	878,931	-	(482,675)	683
Finance costs	50,129	44,185	39,873	79,083	71,671
Net fair value movements	(48,196)	96,840	(130,022)	(511,839)	(164,651)
Other operating expenses	128,092	77,776	83,564	118,100	94,033
TOTAL EXPENSES	**1,634,362**	**2,568,205**	**1,338,843**	**373,956**	**1,128,388**
NET PROFIT/(LOSS) BEFORE TAX	**216,191**	**(778,062)**	**357,872**	**1,120,064**	**332,821**
Five-year profile - Balance Sheet					
Assets					
Cash and cash equivalents	66,448	15,143	92,720	178,125	36,209
Investments	42,540	57,440	71,073	58,038	61,444
Receivables	390,621	341,739	351,803	798,113	275,015
Property, plant and equipment	4,484,642	3,479,968	3,518,784	3,992,895	4,033,677
Financial and other assets	718,212	868,701	895,141	972,467	476,045
TOTAL ASSETS	**5,702,463**	**4,762,991**	**4,929,521**	**5,999,638**	**4,882,390**
Liabilities					
Payables	345,534	307,052	278,773	712,948	201,100
Provisions	819,452	738,210	720,578	528,325	508,865
Interest bearing liabilities	618,620	671,373	765,827	721,068	723,547
Tax liabilities	315,058	200,863	290,403	341,575	457,574
Financial liabilities	1,857,250	1,317,644	1,123,914	1,845,219	823,035
TOTAL LIABILITIES	**3,955,914**	**3,235,142**	**3,179,495**	**4,149,135**	**2,714,121**
NET ASSETS	**1,746,549**	**1,527,849**	**1,750,026**	**1,850,503**	**2,168,269**
EQUITY	**1,746,549**	**1,527,849**	**1,750,026**	**1,850,503**	**2,168,269**
Five-year profile - Capital Works					
Expenditure					
Generation assets	101,121	95,559	94,313	80,488	94,926
Bass Strait islands	2,052	2,387	2,934	2,834	6,567
Land and buildings	9,608	5,134	7,812	4,883	14,789
Fleet	2,003	2,937	863	3,003	1,586
Information systems	26,831	26,618	35,720	23,994	28,135
Renewable developments*	2,111	7,726	10,772	(155)	31,317
Other assets	1,341	1,138	3,564	4,074	3,462
TOTAL CAPITAL EXPENDITURE	**145,067**	**141,499**	**155,978**	**119,121**	**180,782**

* Grant revenue received has been recognised against the carrying amount of the asset

Generation summary

Table 5: **Generation summary 2017–23**

		As at 30 June						
	Units*	2017	2018	2019	2020	2021	2022	2023
Mainland Tasmania								
Power stations								
Hydro	Number	30	30	30	30	30	30	30
Thermal (gas)	Number	1	1	1	1	1	1	1
Total	**Number**	**31**	**31**	**31**	**31**	**31**	**31**	**31**
Installed capacity[a]								
Hydro	MW	2,281	2,283[b]	2,283	2,287[c]	2,290[d]	2,290	2,290
Thermal (gas)	MW	372	372	372	372	372	372	372
Total	**MW**	**2,653**	**2,655**	**2,655**	**2,659**	**2,662**	**2,662**	**2,662**
Energy generated[e]								
Hydro	GWh	8,305	9,178	9,681	9,697	8,177	9,560	8,232
Thermal (gas)	GWh	767	820	465	87	76	31	71
Total	**GWh**	**9,072**	**9,998**	**10,146**	**9,784**	**8,253**	**9,591**	**8,303**
Generation peak	MW	2,038	2,160	2,175	2,131	2,152	2,158	2172
Generation load factor[f]	%	51	53	53	52	44	51	44
Bass Strait islands								
King Island								
Diesel	MWh	7,482	6,010	5,939	5,834	6,343	6,746	9,548
Wind/solar[g]	MWh	4,497	5,679	6,520	7,329	7,642	7,666	4,847
Flinders Island								
Diesel	MWh	4,038	2,721	2,609	2,064	2,383	2,295	2,581
Wind/solar[h]	MWh	65	1,887	1,970	2,769	2,733	2,902	2,785
Total Bass Strait islands	**MWh**	**16,082**	**16,297**	**17,038**	**17,996**	**19,101**	**19,609**	**19,761**

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

a Power station registered nameplate capacity.

b From 2 May 2018, installed capacity increased by 2 MW due to Cluny Power Station upgrade.

c From September 2019, installed capacity increased by 3.6 MW due to Liapootah Unit 3 upgrade.

d From 19 February 2021, installed capacity increased by 3 MW due to Catagunya Unit 1 upgrade.

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

Generation summary 2017–23 (continued)

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

g King Island wind and solar generation is calculated as the net output for the year from Hydro Tasmania's wind generators and solar installations.

h 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 2017–23 (based on publically available data)

	Financial year ending 30 June						
	2017	2018	2019	2020	2021	2022	2023
Export[a] (GWh)	977	1,074	1,496	1,376	1,007	1,417	728
Import[b] (GWh)	1,342	865	991	867	1,612	1,145	1,628
Net[c] (GWh)	(365)	209	505	509	(605)	272	(900)

a Measured at Loy Yang Victoria

b Measured at George Town Tasmania

c Positive numbers indicate net export, negative numbers indicate net import

Table 7: Energy in storage at 1 July 2023

	Storage at 1 July						
TEIS	2017	2018	2019	2020	2021	2022	2023
GWh	5,031	5,658	5,007	5,774	5,228	4,887	5,832
%	34.8	39.2	34.7	40.0	36.2	33.9	40.4

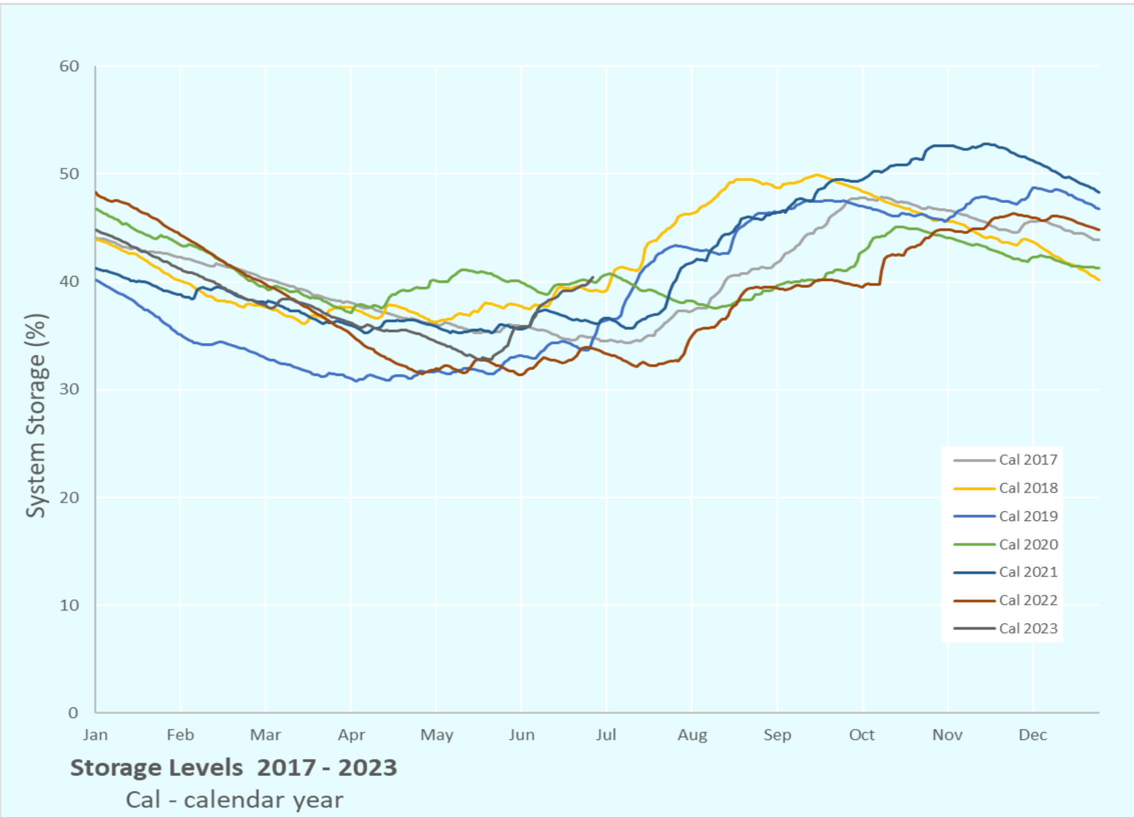
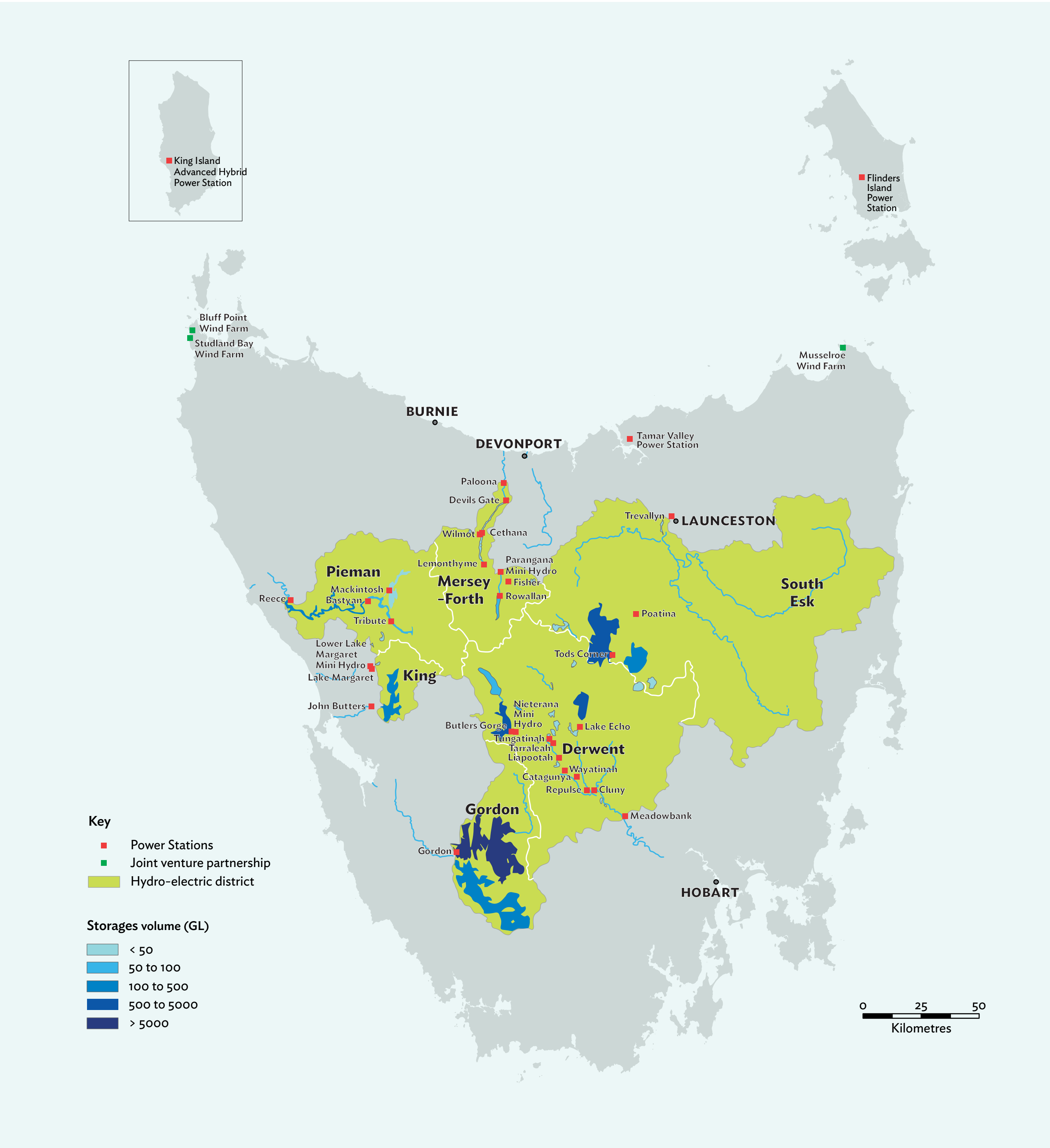


Figure 3: Hydro Tasmania's Tasmanian operations



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 was a member of the corporation's Audit Committee, Risk Management Committee and People & Safety Committee. **Appointed:** 27 August 2012 **Most recent term:** 13 October 2020 until 30 June 2023 Mr Every-Burns' term ended on 30 June 2023.
Mr Richard Bolt Chairman	Mr Bolt was appointed to the Board as Chair in July 2023. **Appointed:** 1 July 2023 **Current term:** 1 July 2023 to 30 June 2026
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:** 23 August 2021 to 22 August 2024
Ms Selina Lightfoot Independent Director	Ms Lightfoot was appointed to the Board in July 2018. She was appointed Chair of the People & Safety Committee in September 2022 and a member of the Audit Committee in April 2019. **Appointed:** 31 July 2018 **Current term:** 23 August 2021 to 22 August 2024
Ms Helen Galloway Independent Director	Ms Galloway was appointed to the Board in August 2021. She was appointed Chair of the Audit Committee and is a member of the Risk Management Committee. **Appointed:** 24 August 2021 **Current term:** 24 August 2021 to 23 August 2024
Mr David Middleton Independent Director	Mr Middleton was first appointed to the Board in September 2022. He is a member of the People & Safety Committee. **Appointed:** 26 September 2022 **Current term:** 26 September 2022 to 25 September 2025
Mr Kenneth Hodgson Independent Director	Mr Hodgson was first appointed to the Board in June 2016. He was Chair of the People and Safety Committee. **Appointed:** 13 June 2016 **Most recent term:** 13 June 2019 to 12 June 2022 In accordance with relevant provisions of the *Acts Interpretation Act 1931*, Mr Hodgson continued to serve as an independent director until 25 September 2022 when Mr Middleton joined the Board.

Governance summary (continued)

Table 8: Board Committee membership 2022-23

Audit Committee	Risk Management Committee	People & Safety Committee
Helen Galloway*	Carlo Botto*	Selina Lightfoot*[1]
Grant Every-Burns	Grant Every-Burns	Grant Every-Burns
Selina Lightfoot	Helen Galloway	David Middleton[2]
		Ken Hodgson*[3]

*Committee Chair

[1] Ms Lightfoot has been Chair of People & Safety since 26 September 2022

[2] Mr Middleton's term began on 26 September 2022

[3] Mr Hodgson ceased as a director on 25 September 2022

Table 9: Directors' attendance at Board and committee meetings during 2022–23

	Board (regular and special meetings)		Audit Committee		Risk Management Committee		People & Safety Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	13	13	5	5	4	4	4	4
Helen Galloway	13	13	5	5	4	4	4	3**
Carlo Botto	13	13	5	1**	4	4	4	2**
Selina Lightfoot	13	13	5	5	4	4**	4	4
David Middleton[1]	8	7*	4	0**	3	0	3	2*
Ken Hodgson[2]	5	5	1	1*	1	0**	1	1

A Number of meetings held during the time the director held office or was a member of the Committee during the year

B Number of meetings attended

* Leave of absence granted

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

[1] Mr Middleton's term began on 26 September 2022

[2] Mr Hodgson ceased as a director on 25 September 2022

In addition to scheduled meetings, directors conducted visits of company operations at various sites and met with operational management during the year.

Board and executive performance evaluation

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 performance evaluation by their fellow directors and the Hydro Tasmania leadership team on an annual basis as part of the Board and committee evaluation process. More rigorous evaluation is undertaken where a director seeks reappointment.

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

The performance of board committees is assessed in accordance with their terms of reference, usually annually. The leadership team and relevant management personnel are also asked to provide feedback on the effectiveness of the Board as a whole, the committees and their members.

The Board elected not to undertake an external evaluation during the 2022–23 year. The performance of the CEO and other senior executives is reviewed annually using robust, measurable, and qualitative key performance indicators.

Director induction, education and training

Each new board member receives a board induction pack and meets with the Hydro Tasmania leadership team and the Corporation Secretary for introductory briefings. Access to the main governance, board administration and reference materials is available through a secure web-based application used by Hydro Tasmania directors. The information made available to directors includes content suggested by the *Guidelines for Tasmanian Government Businesses on Director Induction, Education and Training.*

Ongoing training and education for directors is provided through a combination of in-house presentations and site visits as well as through external providers as required. Training is structured to enable directors to be informed of and understand all key developments relating to Hydro Tasmania's business and the industry and environment in which we operate.

Public Interest Disclosures

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

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

b) There were two (2) disclosures made to Hydro Tasmania during the year. Hydro Tasmania determined that these were protected disclosures but were not public interest disclosures

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

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

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

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

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

h) There were no disclosed matters that were substantiated on investigation

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

Payment of accounts summary

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

Measure	
Creditor days: 1,693 creditors with the following payment terms:	
7 days	57
14 days	248
21 days	17
30 days	1371
Total number of accounts due for payment	27076
Number of accounts paid on time	26161
Amount due for payment	$230,462,881.72
Amount paid on time	$221,784,683.52
Number of payments for interest on overdue accounts	12
Interest paid on overdue accounts	$475.07

In an effort to continue helping our Tasmanian based suppliers, suppliers with 30 day terms were being paid within 14 days.

Procurement summary

Table 11: Consultancies valued at more than $50,000 (ex GST), 2022–23

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
PSM Consult Pty Ltd	Sydney, NSW	Geotechnical Consultant	01 July 2022 to 30 June 2023	$1,620,801.32
Price Waterhouse Coopers - VIC	Melbourne, VIC	Financial Consultant	01 July 2022 to 30 June 2023	$1,488,362.13
Clayton Utz - Sydney	Sydney, NSW	Legal Advisors	01 July 2022 to 30 June 2023	$1,279,499.00
KPMG Australia - Victoria	Melbourne, VIC	Audit Consultant	01 July 2022 to 30 June 2023	$1,268,892.93
EDF-CIH (Hydro)	Savoie, FRANCE	Engineering Consultant	01 July 2022 to 30 June 2023	$1,147,120.24
MinterEllison	Sydney, NSW	Legal Advisors	01 July 2022 to 30 June 2023	$765,805.87
White & Case	Melbourne, VIC	Legal Advisors	01 July 2022 to 30 June 2023	$746,456.32
Pitt & Sherry Operations Pty Ltd	Launceston and Hobart, TAS	Compliance and Risk Consultant	01 July 2022 to 30 June 2023	$622,936.85
Page Seager Lawyers	Hobart, TAS	Legal Advisors	01 July 2022 to 30 June 2023	$593,347.01
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$504,756.00
AECOM Australia Pty Ltd	Melbourne, VIC	Engineering Consultant	01 July 2022 to 30 June 2023	$429,054.40
Aurecon Australasia Pty Ltd	Melbourne, VIC	Engineering Consultant	01 July 2022 to 30 June 2023	$407,110.45

Procurement summary (continued)

Table 11: Consultancies valued at more than $50,000 (ex GST), 2022–23

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
Turner & Townsend Pty Ltd	Brisbane, QLD	Project Management	01 July 2022 to 30 June 2023	$346,409.83
Veris Australia Pty Ltd	Devonport, TAS	Survey Consultant	01 July 2022 to 30 June 2023	$345,333.98
WATTs Advisory	Howrah, TAS	Electrical Consultant	01 July 2022 to 30 June 2023	$314,370.00
Cova Thinking Pty Ltd	Hobart, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$313,395.56
ReGenerateNZ Ltd	Christchurch, NZ	Engineering Consultant	01 July 2022 to 30 June 2023	$293,129.60
GHD Pty Ltd - TAS	Hobart, TAS	Engineering Consultant	01 July 2022 to 30 June 2023	$289,143.64
Baringa Partners LLP	Sydney, NSW	Strategic Advisory Services	01 July 2022 to 30 June 2023	$273,448.19
WSP UK Limited	London, UK	Engineering Consultant	01 July 2022 to 30 June 2023	$272,950.89
Homita Consulting	Melbourne, VIC	Product Strategy Consultant	01 July 2022 to 30 June 2023	$222,800.04
Biosis Pty Ltd	Port Melbourne, VIC	Environmental Consultant	01 July 2022 to 30 June 2023	$218,592.55
KordaMentha Pty Ltd	Melbourne, VIC	Financial Consultant	01 July 2022 to 30 June 2023	$206,475.48
Contino Pty Ltd	Melbourne,VIC	IT Consultant	01 July 2022 to 30 June 2023	$189,000.00
Howarth Fisher and Associates	Sandy Bay, TAS	Engineering Consultant	01 July 2022 to 30 June 2023	$173,779.73
IIMBE Pty Ltd	Melbourne,VIC	IT Consultant	01 July 2022 to 30 June 2023	$172,844.86
Landscape and Social Research Pty Ltd	Taroona, TAS	Landscape Architecture	01 July 2022 to 30 June 2023	$151,977.10
Greencorp	Jakarta, INDONESIA	Environmental Consultant	01 July 2022 to 30 June 2023	$136,243.41
WMA Water Pty Ltd	Hobart, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$134,565.00
Advisian Pty Ltd	Melbourne, VIC	Structural Engineer	01 July 2022 to 30 June 2023	$131,705.82
Baynes Geologic Pty Ltd	Malmsbury, VIC	Geotechnical Consultant	01 July 2022 to 30 June 2023	$119,367.60
George Consulting Service	Hobart, TAS	Engineering Consultant	01 July 2022 to 30 June 2023	$116,507.50
Hydropower Engineering Ltd	Hamilton, NZ	Engineering Consultant	01 July 2022 to 30 June 2023	$113,549.36
Joseph Knight	Hobart, TAS	Geotechnical Consultant	01 July 2022 to 30 June 2023	$110,950.02
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering Consultant	01 July 2022 to 30 June 2023	$106,742.15
Deloitte Private PL Melbourne	Melbourne, VIC	Financial Consultant	01 July 2022 to 30 June 2023	$106,370.50
McMillen Jacobs Associates	Melbourne, VIC	Engineering Consultant	01 July 2022 to 30 June 2023	$102,242.29
Gilbert + Tobin	Melbourne, VIC	Legal Advisors	01 July 2022 to 30 June 2023	$ 100,533.08
Invictus Partners	St Kilda, VIC	IT Consultant	01 July 2022 to 30 June 2023	$94,000.00
Evolve Tourism	Hobart, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$93,965.04
Osborn Consulting Engineers Pty Ltd	Warwick, QLD	Engineering Consultant	01 July 2022 to 30 June 2023	$82,472.79
Cohorte Legal	Battery Point, TAS	Legal Advisors	01 July 2022 to 30 June 2023	$79,800.00

Procurement summary (continued)

Table 11: Consultancies valued at more than $50,000 (ex GST), 2022–23

Name of consultant	Location	Description	Period of engagement	Total paid(AUD)
Energy Global Company	North Sydney, NSW	IT Consultant	01 May 2023 to 30 June 2023	$79,000.00
Greg Hobbs Engineering Pty Ltd	Cooma, NSW	Engineering Consultant	01 July 2022 to 30 June 2023	$73,957.20
SICC Services	Devonport, TAS	Engineering Consultant	01 July 2022 to 30 June 2023	$70,820.40
Ranbury Management Group PTY LTD	Brisbane, QLD	Infrastructure Consultant	01 July 2022 to 30 June 2023	$70,400.00
Spatial Vision Innovations Pty Ltd	Melbourne, VIC	IT Consultant	01 July 2022 to 30 June 2023	$64,791.34
Geotechnica Pty Ltd	Moonee Ponds, VIC	Geotechnical Consultant	01 July 2022 to 30 June 2023	$64,772.44
Peter Gordon Stuart-Smith	Kingston, TAS	Geotechnical Consultant	01 July 2022 to 30 June 2023	$62,350.00
IPD Consulting Pty Ltd	Launceston and Hobart, TAS	Engineering Consultant	01 July 2022 to 30 June 2023	$62,247.00
Gondwana Heritage Solutions	Oatlands, TAS	Heritage Consultant	01 July 2022 to 30 June 2023	$61,290.78
IPM	Hobart, TAS	Safety Consultant	01 July 2022 to 30 June 2023	$57,430.50
DLC Spatial	Midway Point, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$55,926.00
Stephen Casey Ecological Consulting	Hobart, TAS	Environmental Consultant	01 July 2022 to 30 June 2023	$50,530.00
Mercer Consulting Australia Pty Ltd	Victoria, VIC	HR Consultant	01 July 2022 to 30 June 2023	$50,350.00
Total				$16,931,141.11
Total expenditure on 79 other consultants engaged for $50,000 or less				$1,504,005.30
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				$263,990.75
Total payments to consultants				**$18,699,137.16**

Table 12: Proportion of spending on local suppliers

Indicator	Location of supplier	2018–19	2019–20	2020–21	2021–22	2022–23
Proportion of spending on local suppliers for the Hydro Tasmania group (%)[a]	Mainland Australia	32.7	32.1	25.7	28.5	16.96
	Tasmania	57.9	61.6	61.5	62.2	81.37
	Overseas	9.3	6.2	12.8	9.2	1.67
Value of spending on local suppliers for Hydro Tasmania group ($)	Mainland Australia				$53,272,990	$53,433,343
	Tasmania				$116,190,476	$137,421,980
	Overseas				$17,250,475	$25,127,543
Proportion of spending on local suppliers for Momentum Energy (%)	Mainland Australia	98.8	98.6	98.5	95.5	96.05
	Tasmania	0.7	0.4	1.3	4	3.26
	Overseas	0.5	1	0.16	0.46	0.69
Value of spending on local suppliers for Momentum Energy ($)	Mainland Australia				$25,367,208	$13,752,095
	Tasmania				$122,995	$121,813
	Overseas				$1,071,398	$340,697

[a] Includes Entura and AETV Power

Remuneration report

For financial year 2022–23, Hydro Tasmania has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*. The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, including superannuation and incentives. No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

A decision to cease the executive vehicle scheme was made in FY2020–21. Four senior executives held a vehicle for a time in FY2021–22 as the program was closed out, as reported in the Key Management Personnel note.

Executive Remuneration Framework

Remuneration levels for senior executives are intended to attract and retain top talent while also complying with applicable guidelines. 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 People and Safety Committee, comprised of independent directors, some of whom are also members of the Audit and Risk Committee.

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 and
2. Executive Incentive Program (EIP).

The CEO and executive-level employees are eligible for an executive incentive payment subject to meeting both 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 base salary)

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

3 **Individual performance multiplier**
(Performance review rating)

Final incentive payable

Remuneration report (continued)

The below is a summary of the corporate targets achieved by the corporation in FY2022–23, which formed the basis of the board release multiplier:

Table 13: Summary of corporate targets achieved by the corporation

Operational imperatives	Objective	Metric and Target	Result marker	Final result	Weighting
Business performance	Achieve budgeted outcomes	Profit (before fair value adjustments) >$73.5M		$168.4M before tax	20%
Outages	Percentage of generation fleet available	Always allow full export +97%		Final result of 98%	10%
Safety	Towards zero harm	TRIFR <3.5		TRIFR score of 1.86	10%
Compliance	Prudent risk management	100% of Tier 1 compliance obligations with effective controls or remediation plan		100% achieved	10%
Engagement and inclusion	Improved engagement and inclusion	4% uplift in inclusion (72%) and engagement (70%) results compared to FY2021–22		Inclusion uplift of 6% to 76%, engagement uplift of 3% to 73%	10%

Based on the attainment of the corporate targets as outlined above, and strong financial performance despite difficult market conditions in quarter 1, the Board approved a release multiplier of 100 per cent.

This reflects the fact that profit, safety and inclusion targets were well exceeded, the target improvement in engagement was almost achieved, and all other targets were met.

For information on our performance against the targets in the Statement of Corporate Intent, refer to page 21.

Remuneration report (continued)

Each executive's performance was assigned an individual rating based on their contribution towards the achievement of their own individual objectives each linked to the targets on the corporate scorecard objectives.

Table 14: Summary of executive individual goals

Name	Position	Individual Performance Multiplier	Total executive incentive available (plus superannuation)
Mr Ian Brooksbank	Chief Executive Officer	100%	15% of base salary
Ms Lisa Chiba	Managing Director, Momentum Energy	100%	15% of base salary
Ms Tammy Chu	Managing Director, Entura	80%	12% of base salary
Mr Jesse Clark	Executive General Manager, Assets & Infrastructure	80%	12% of base salary
Ms Ruth Groom	Executive General Manager, People, Culture & Engagement	80%	12% of base salary
Ms Kate McKenzie	Company Secretary and Executive General Manager, Governance	27.69%	4.15% of base salary
Mr Timothy Peters	Acting Executive General Manager, Finance & Strategy	100%	15% of base salary
Mr Vedran Kovac	Executive General Manager, Commercial	80%	12% of base salary (pro rata for length of service in role)
Ms Sharlene Brown	Acting Executive General Manager, Governance	80%	12% of base salary (pro rata for length of service in role)
Ms Erin van Maanen	Executive General Manager, Strategy	80%	12% of base salary (pro rata for length of service in role)

Refer to Note 25 of the Financial Statements – key management personnel compensation – which includes the details of payments made to senior executives for financial year 2022–23.

Note 1. Kate McKenzie, Company Secretary and Executive General Manager, Governance, incentive is a pro rata figure taking into account leave taken due to serious illness.

Note 2. Vedran Kovac's incentive is a pro rata figure based on his length of service in the role of Executive General Manager, Commercial.

Note 3. Sharlene Brown, Acting Executive General Manager, Governance, incentive is pro rata based on her time acting in the role.

Note 4. Erin Van Maanen's incentive is a pro rata figure based on her length of service in the role of Executive General Manager, Strategy.

Above: ***Great Lake***

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

4 Elizabeth Street
Hobart, Tasmania 7000
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550
Email: enquiry@entura.com.au

Melbourne

Level 8, 530 Collins Street
Melbourne, Victoria 3000
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550

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.momentumenergy.com.au

Postal Address:
PO Box 353 Flinders Lane
Melbourne, Victoria 8009
Phone: 1800 794 824 (1800 SWITCH)
1300 662 778 (Customer Care)
Contact us:
www.momentumenergy.com.au/contact-us

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

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About this report

Hydro Tasmania's Annual Report covers the financial year from 1 July 2022 to 30 June 2023. 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