

Statement of Corporate Intent

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

Hydro Tasmania

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

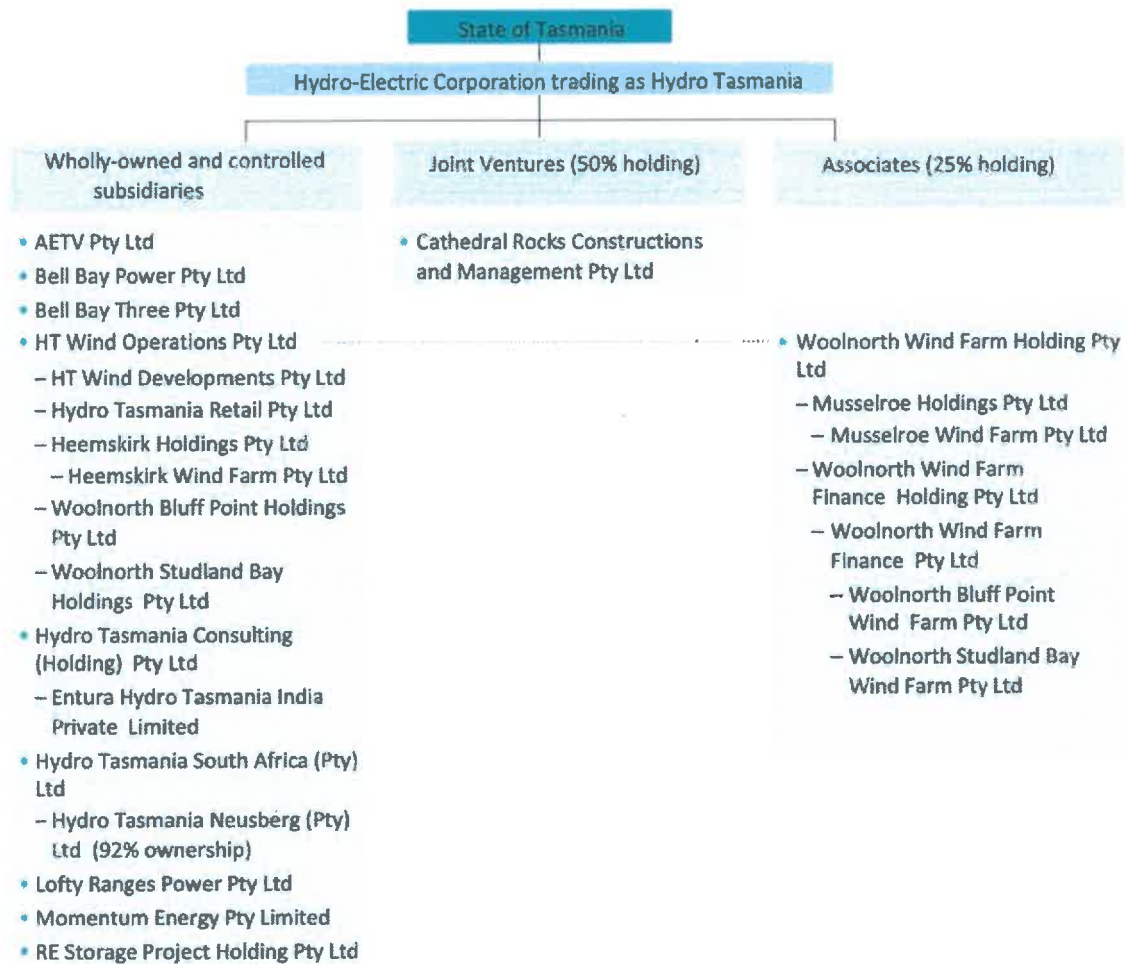
Momentum Energy

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

Entura

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

Ownership structure*



* Subsidiaries and joint venture are reviewed regularly with actions undertaken and reported as required.

Operating environment

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

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transition, from being dominated by large low-cost fossil fuel energy sources to new smaller scale variable renewable energy sources such as wind and solar. These energy sources by themselves are not capable of matching the demand pattern of electricity consumers and require substantial “firming” capacity to make the energy available at the time customers need it. This service is currently provided mostly by coal and gas plants that are progressively being removed from the grid. Tasmania is uniquely placed to help lead Australia through its energy transition. Large storage options like reservoir storage hydro, pumped storage hydro and batteries are becoming valuable for their ability to support variable wind and solar. As a provider of dispatchable renewable capacity Hydro Tasmania can provide some of the substantial firming services required to support this transition.

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.
- Strong ambition and change in national and State policies to address climate change, transition the NEM to renewables and meet energy reliability requirements.
- The cost of gas as a transitional fuel for peaking or firming, and a move away from high-volume, lower-value uses.

Our strategic direction

Hydro Tasmania is focussed on taking advantage of the opportunities of the NEM's transition to renewable energy. With new interconnection becoming more likely, Hydro Tasmania is focussed on sustaining our assets and progressing Battery of the Nation projects.

We are working on progressing to Final Investment Decision for our two flagship projects - the Tarraleah hydropower scheme redevelopment and the pumped hydro development at Lake Cethana.

Hydro Tasmania's strategy is underpinned by continued investment in our assets to maximise their flexibility and value. We continue to be focussed on producing affordable and reliable renewable electricity. We effectively manage risk to ensure our business is profitable and provides sustainable returns to Government.

We are transforming our workforce to deliver our major projects and adapt to the changing energy market.

We will continue to maximise value from our mainland retail brand Momentum Energy, creating value for all Tasmanians by strengthening and diversifying revenue sources, leveraging the Battery of the Nation initiative and providing employment opportunities in the State. Momentum Energy is working to become a trusted green retail partner with its customers.

Entura continues to work with clients across Australia, the Pacific and South/South-East Asia to drive the energy transition and solve water management and infrastructure problems. Entura's highly skilled workforce will be critical to both delivering and maintaining Hydro Tasmania's current asset portfolio and Battery of the Nation projects.

The success of our business is underpinned by our people, the effective management of Hydro Tasmania's water resource and generation assets, and the systems and processes in place to support our business operation.

Key financial and non-financial performance indicators and associated targets for FY2023/24 are set out in the table below. Dividend recommendations are made annually by Hydro Tasmania's Board, based on financial sustainability and other strategic considerations agreed with the Shareholder.

Key performance indicators		FY2023/24
Financial Indicators		
Results before fair value movements and revaluations ¹		\$182m
Net Debt (excluding leases)		\$735m
Return on equity		6.5%
Capital expenditure	For capital expenditure projects greater than \$2m: 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 \$183m in FY2023/24	
Momentum Energy and Entura earnings before interest tax (EBIT)	Momentum Energy and Entura EBIT equal to or greater than budget	
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 ²		\$103m
Other returns to Government		\$67m
Total returns to Government		\$170m

¹ Subject to Hydro Tasmania's operating environment (refer to page 3). Assumes yield of 8,900 GWh, a flat Victorian cap price of \$14/MWh and flat swap price \$106/MWh. Tasmanian energy volumes are assumed to be contracted at 98% of total demand. The Tasmanian energy system is assumed to be a small net importer (239 GWh net imports). These are Hydro Tasmania's central estimates, but they carry a high risk of variation due to external factors such as market conditions and weather.

² Assumes a 90% dividend and is subject to Board approval.

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 FY2023/24 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:



Richard Bolt
Chairman
Hydro Tasmania
On behalf of the Board



Hon Michael Ferguson MP
Deputy Premier and Treasurer



Hon Guy Barnett MP
Minister for Energy and Renewables