POWERING THE NT

TERRITORY GENERATION

PUBLIC VERSION

STATEMENT OF CORPORATE INTENT 2026-27

About the Statement of Corporate Intent

Power Generation Corporation, trading as Territory Generation (TGen), was established on 29 May 2014 under the *Power Generation Corporation Act 2014.* The 2026-27 Statement of Corporate Intent (SCI) represents the formal agreement between TGen and its shareholding Minister. It sets out TGen's expected financial performance for the financial year, informed by its Strategic Plan, budgeting process and risk assessments.

In accordance with section 40 of the *Government Owned Corporations Act 2001* (the *Act*), the SCI includes:

- TGen's objectives
- the nature and scope of activities to be undertaken
- material risks faced by TGen
- strategies to minimise material risks
- strategies to improve financial performance
- capital investment plans and projects approved by the shareholding Minister
- financial targets and other performance measures
- accounting policies to be applied in the accounts
- any other matters agreed between the shareholding Minister and the Board.

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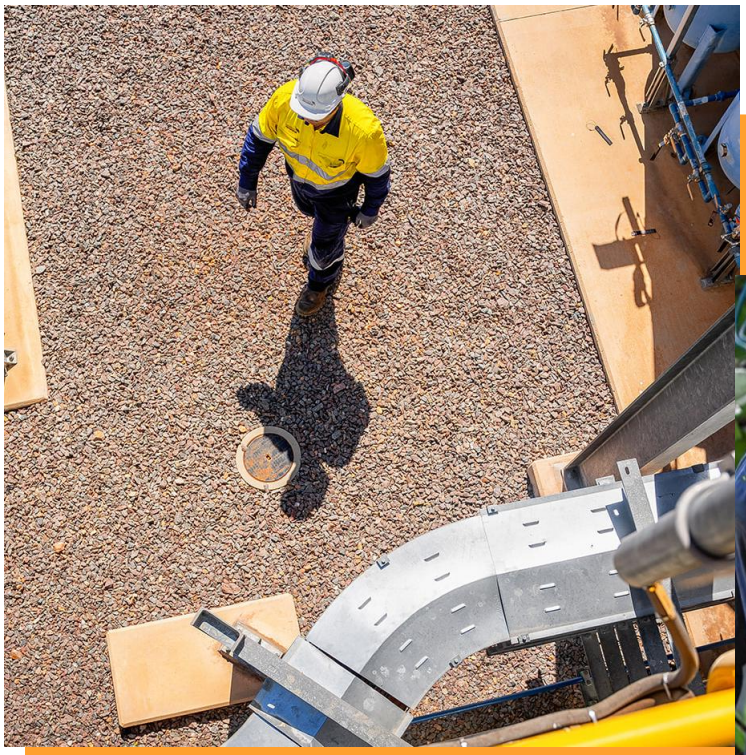
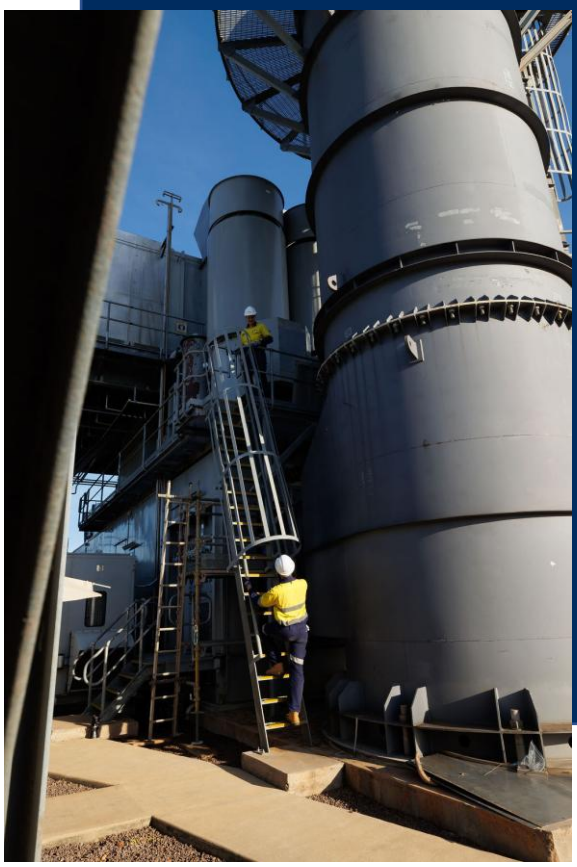


1 Introduction



In the Northern Territory (NT), the Government energy policy prioritises affordability, security and reliability while progressing sustainably. TGen plays a key role in delivering energy solutions aligned with these priorities. We are committed to a least-cost energy transition, balancing renewable integration with gas to maintain grid stability.

Currently, utility-scale and behind-the-meter (BTM) solar generation, combined with energy storage solutions, remain the main pathway for increasing renewables in the NT. These technologies are complemented by gas generation to maintain stability and ensure reliable supply during the transition. TGen's challenge, shared by all industry participants, is to manage this transition effectively while maintaining reliability and controlling costs.

Private investment in renewable energy generation has grown in recent years, driven by policy settings, higher electricity prices and falling renewable technology costs. This uptake introduces greater system stability challenges. To address these, TGen has incorporated more solar, battery energy storage systems (BESS) and a synchronous condenser into its dispatch modelling for future years, enabling more efficient generation and improved grid stability.

TGen's renewable power purchase agreements (PPAs), Fleet Transition Plan and Sustaining Capital Program aim to support the NT Government's energy objectives while improving fleet flexibility, efficiency and reliability.

As the supplier of essential system services (ESS) and holder of load-following contracts, TGen remains the generator of last resort. To ensure security during the transition, we must secure sufficient, dependable capacity and energy and service capabilities while managing costs. This provides certainty to the NT Government and Territorians that adequate installed capacity will be maintained.

In the Darwin-Katherine and Alice Springs regions, TGen has commenced the delivery of additional large-scale battery energy storage system (BESS) projects. These initiatives are critical to providing ESS and supporting further renewable growth.

Overall, TGen expects total energy demand within each power system to align with the NT Utilities Commission Electricity Outlook Report (EOR), indicating modest or sustaining growth.

2 Vision and purpose

TGen's vision, purpose and values statements guide our strategic objectives.

Our vision

To be the Northern Territory's trusted energy services business. These words have been carefully chosen, and for us they mean:

- safety is at the core of everything we do
- we are known for being reliable, available and sustainable
- we support the NT Government's energy and economic policies
- we are recognised for technical excellence
- we create value and are a resilient business
- we are an employer of choice.

Our purpose

We safely, reliably, and sustainably provide:

- energy
- essential system services
- generator of last resort services.

Our values

We have developed a set of values that underpin the wat we work with each other and the way we conduct our business.

F	I	R	S	T
Focus: We focus our efforts on delivering a safe, reliable, cost-efficient operation we are all proud to be a part of.	**Integrity:** We are open and honest with our words and actions: "to do and say the right thing".	**Respect:** We show respect to our teammates, the environment and the communities in which we work.	**Safety:** We conduct our business and our roles with a strong focus on avoiding injury to our people or damage to assets and the environment. Safety is not negotiable.	**Teamwork:** We are one team with aligned goals working together to achieve Territory Generation's vision.

3 Our objectives

TGen's vision is defined by 5 key result areas: safety, people and capability, plant operations, finance, and value creation. The measures of performance in achieving these objectives are set out in Section 8.

Safety

We have an embedded safety culture, where safety is at the core of everything we do.

People and capability

We have a culture that retains, attracts, and develops highly skilled people aligned with our values.

Plant operations

We operate our plant safely, reliably, and sustainably every day.

Finance

We achieve our agreed controllable SCI outcomes.

Value creation

We pursue sustainable business by improving the value of energy services.

4 Our business

TGen is the largest wholesale electricity producer in the Northern Territory, owning 56 generating units, approximately 597 megawatts (MW) of installed generation capacity and an additional 5.1MW contracted from independent power producers. We produce electricity using gas, diesel, solar, biofuel and BESS technologies to power the Territory's major population centres.

In the northern region, the Darwin-Katherine interconnected system includes the Channel Island, Weddell, and Katherine power stations and the LMS power station at the Shoal Bay waste management facility.

In the southern region, TGen owns and operates the Ron Goodin and Owen Springs power stations, as well as contracting the Uterne solar farm under a PPA in Alice Springs. TGen also owns and operates the Tennant Creek, Yulara, and Kings Canyon power stations.

Our products and services

Primary products

- **Energy:** Electricity supplied in megawatt hours (MWh) 'sent out' from power stations required to meet retailers' customer loads on a load-following basis
- **Capacity:** Maintaining sufficient generation capacity (MW) to ensure TGen's customer demand can be reliably supplied.

Essential system services

TGen provides ESS as part of a bundled wholesale electricity price and ancillary services charges to other generators. These services are defined in the NT Government's Review of Essential System Services Draft Position Paper (January 2021):

ESS	Purpose
Rate of Change of Frequency (RoCoF) Control	• Control maximum RoCoF on power systems. • Ensure system security for credible contingency events and 'protected events'.
Contingency frequency control (raise)	• Stabilise frequency within 'emergency' defined operating band after a credible contingency resulting in the net disconnection of generation. • Ensure system security without Under Frequency Load Shedding for all credible contingency events.
Contingency frequency control (lower)	• Stabilise frequency within 'emergency' defined operating band after a credible contingency resulting in the net disconnection of load. • Ensure system security without over frequency generator tripping for all credible contingency events.
Regulating frequency control	• Regulate power system frequency within normal defined frequency operating band.
Voltage management/network support	• Management of network voltage control issues where required. • Management of network capacity shortfall issues where required.
System restart	• Enable the restart of the regulated power systems from a 'black system' event.
System strength	• Sufficient system strength capability to ensure voltage stability and sufficient fault current.
Additional services	• Services necessary to address a system security issue that cannot be managed through the planning timescales, as approved by the Utilities Commission.

Further development of the market reform process may impact the categorisation and pricing for these services. The above will be refined as the market rules are defined.

Generator of last resort services

In addition to the ESS defined above, TGen provides:

- **Capacity (to supply peak demand):** Maintaining sufficient generation capacity (MW) to meet system peak demand when it occurs, including coverage for third-party generators.
- **Liquid fuel capability:** Maintaining liquid fuel capability and inventory to support power system reliability during emergency gas fuel shortages.

Other services

TGen also provides a range of other services:

- Solar firming
- Grid support during generation commissioning
- Project management
- Operations and maintenance services

5 Financial performance improvement strategies

TGen is improving operational efficiency through asset management enhancements. Our capital program focuses on transitioning our fleet to support the NT Government's energy priorities.

We continually assess the impact of growing intermittent solar photovoltaic (PV) generation and system support requirements on our assets and operations. Increased cycling (starts/stops) and the rapid machine ramp-up are becoming standard due to the rise of distributed renewable energy resources across the NT.

Operational costs are closely monitored to identify savings across the business. TGen is pursuing opportunities in the NT, including potential direct connected customers and grid connected proponents. These opportunities will be incorporated into financial planning as they mature.

6 Capital program

Our capital program is divided into new capital, which focuses on transitioning our fleet, and sustaining capital, which aims to extract the remaining value from existing assets while minimising costs.

New capital investments support the NT Government's priorities of affordability, security and reliability. Key initiatives include:

- Constructing BESS's and a synchronous condenser to increase renewable penetration, reduce reliance on gas reserves to control costs and enhance grid stability.
- Exploring flexible, efficient thermal generation capable of using renewably sourced fuels such as hydrogen, alongside solar and storage systems, to maintain reliability and affordability.

Sustaining capital investments focus on extending asset life through condition-based assessments and capacity modelling. This approach supports the transition to renewables at least cost and avoids unnecessary early replacement of gas-only infrastructure.

Recent milestones

- Completion of the first large-scale energy storage system in the Darwin–Katherine region, commissioned in 2025. This project has improved system stability, reduced gas-fired spinning reserve and emissions, and delivered positive returns through reduced gas consumption.
- Procurement of a second large-scale energy storage system for the Darwin–Katherine region and a first BESS in the Alice Springs region has commenced, reinforcing our commitment to affordability and reliability.

This balanced investment approach enables informed future planning, ensuring adequate capacity and stability without over-investing in gas-only solutions.

Approved major capital expenditure

The following major capital expenditure has been approved by the shareholding Minister:

Item ($M)	2025-26*	2026-27	2027-28	2028-29	2029-30
Total approved	**29.0**	**39.3**	**22.6**	**5.2**	**0.0**

**2025-26 is based on the current reforecast*

Other capital expenditure

The following table summarises all other capital expenditure by value. Each project will undergo a business case analysis and, if it exceeds the approval threshold, will be submitted to the shareholding Minister for consideration:

	2025-26*	2026-27	2027-28	2028-29	2029-30
Major projects > $1M	41.7	63.3	58.9	44.3	46.8
Medium projects > = $0.25M < = $1M	7.5	6.6	0.5	1.0	5.3
Minor projects < $0.25M	5.2	0.9	0.0	0.0	1.4
Total other capital expenditure ($M)	**54.4**	**70.7**	**59.4**	**45.3**	**53.5**

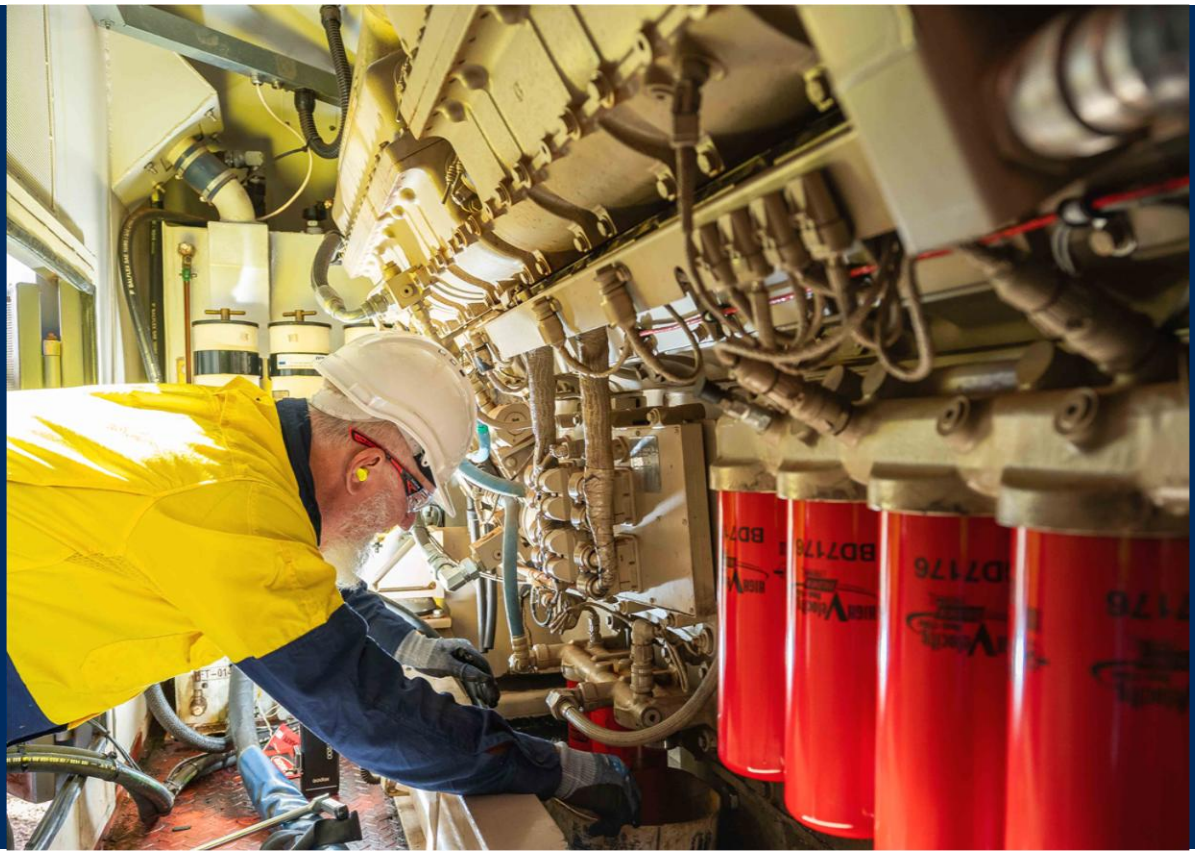
**2025-26 is based on the current reforecast*

Total capital expenditure

The total forecast for capital expenditure is:

	2025-26*	2026-27	2027-28	2028-29	2029-30
Total capital expenditure ($M)	**83.4**	**110.0**	**82.0**	**50.5**	**53.5**

**2025-26 is based on the current reforecast*



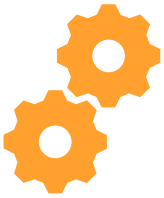
7 Financial targets and other performance measures

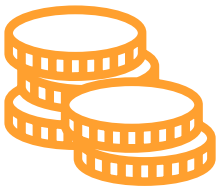
TGen has developed key performance indicators (KPIs) to guide our strategic direction for the coming financial year. Our focus is to operate our plant safely, reliably and responsibly every day, driving continual improvement across all areas aligned with SCI objectives.

We will continue to utilise our strategic development process to outline each business unit's action plans and functions. Through ongoing reviews of lead and lag indicators, we will measure progress towards our strategic goals. These evaluations will inform the effectiveness of current action plans and identify any adjustments required to maintain momentum or realign business unit efforts.

Safety	KPI measure	Target
Objective: We have an embedded safety culture, where safety is at the core of everything we do		
	Lost time injury (LTI)	Allocated target met
	Hazard reporting	Allocated target met
	Safety conversations	Allocated target met
	Compliance training	Allocated target met

People and Capability	KPI measure	Target
Objective: We have a culture that retains, attracts, and develops highly skilled people aligned with our values		
	Employee achievement plans (MyAP)	Allocated target met
	Staff turnover	Allocated target met
	Grow workforce diversity	Allocated target met
	Essential training	Allocated target met

Plant operations	KPI measure	Target
Objective: We operate our plant safely, reliably, and responsibly every day		
	Average fleet availability	Allocated target met
	Plant and system reliability	Allocated target met
	No reportable environmental harm incidents	Allocated target met
	Greenhouse gas emissions	Allocated target met

Finance	KPI measure	Target
Objective: We achieve our agreed controllable SCI outcomes		
	Budgeted and fiscal strategy outcomes	*Achievement of budgeted and fiscal strategy outcomes:* EBITDA/EBIT/ROE Return on assets Debt to equity ratio Revenue growth ≥ expenditure growth Controllable costs
	Operating expenditure (less energy) as a percentage of total revenue	Allocated target met
	Capital program delivery	Allocated target met

Value Creation	KPI measure	Target
Objective: Pursuing sustainable business by improving the value of energy services		
	Support NT Government energy and economic policies	Allocated target met
	Energy services costs are transparent to customers	Allocated target met

8 Accounting policies

The Board of Directors is accountable to the shareholding Minister for TGen's the financial performance.

The material accounting policies adopted in preparing the financial statements are outline on pages 41-52 of the 2024-25 Annual Report. These policies have been applied consistently across all years presented unless otherwise stated.

Other matters

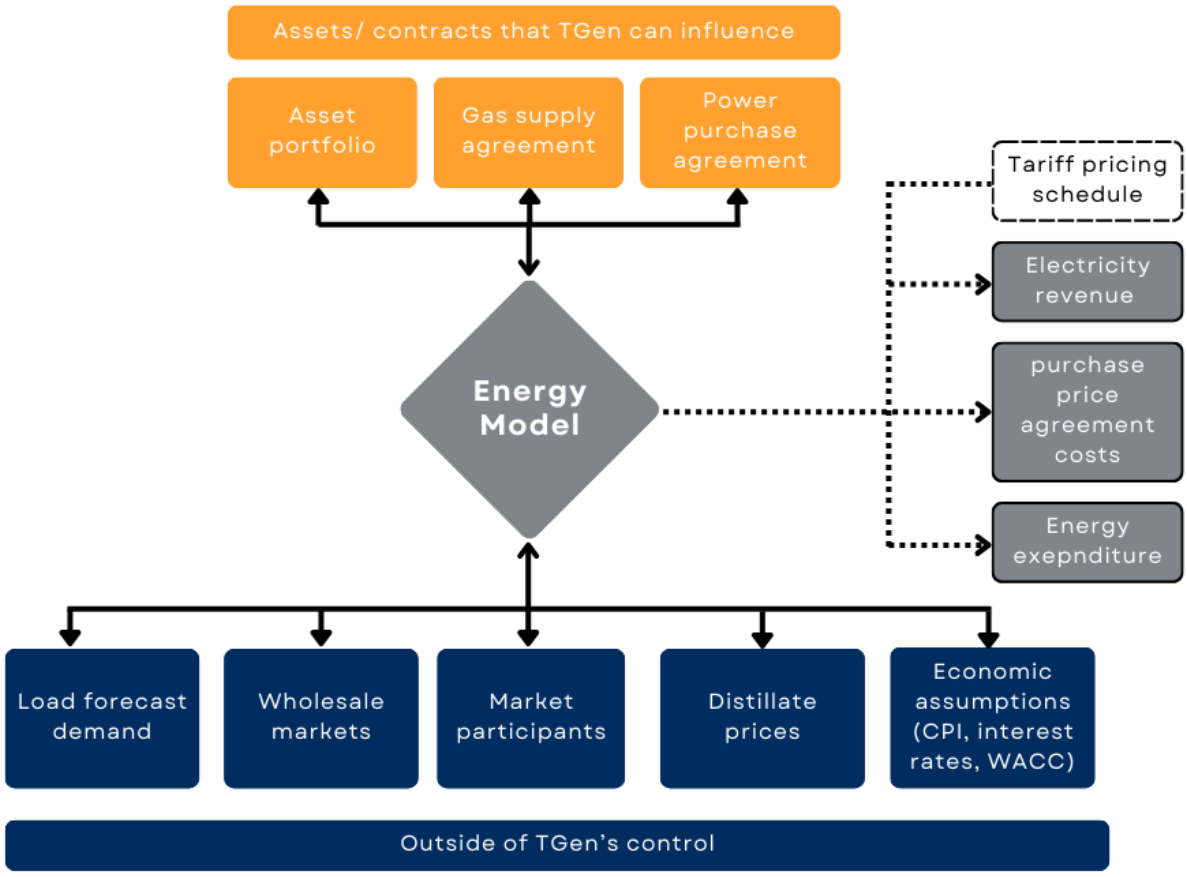
No other matters agreed between the Board and the shareholding Minister apply at this time.

9 Our finances

Methodology

As in previous years, technical and economic models have been integrated to forecast TGen's financial outcomes over the SCI period.

The diagram below summarises the key energy revenue and cost components of the forecast, along with related inputs and outputs. Plexos, an industry-leading energy market simulation software, is used for renewable energy investment analysis, economic dispatch simulations and SCI budgeting.



TGen's forecast development methodology is outlined below:

1. **Annual energy demand** is forecast by region and includes the impact of uncontrolled rooftop solar.

2. **Required system services levels** are estimated along with known operational constraints likely to be imposed by the system controller. These are incorporated as operating parameters in the Plexos model to estimate system security requirements.

3. **Generation output** for every unit at each station is calculated to meet demand. This includes TGen's units, electricity purchased under PPAs and other market participants. Key inputs of this dispatch model include:

- technical characteristics of all generators on the power system, including estimated solar output
- power system constraints
- fuel efficiency and variable operating costs
- generator availability
- demand forecast.

4. **Fuel volumes** (gas and diesel) are determined based on electricity production and assumed thermal efficiency. Fuel costs include commodity and transportation charges.

5. **Electricity sales** (production and purchases) are priced according to current and estimated schedules, inclusive of pricing risk management.

6. **Personnel costs** are calculated with reference to the organisational structure, including allowances and on-costs.

7. **Repairs and maintenance (R&M) and capital expenditure projects** are identified, prioritised, and reviewed in line with strategic direction and projected operational outcomes incorporating the expected internal labour cost reallocations under accounting standards.

8. **Remaining operating expenditure** is based on a bottom-up review of requirements considering historical spending and future strategic direction.

9. **Regulatory compliance** is ensured through application of Australian taxation regulations and Australian Accounting Standards.

Key assumptions

The financial forecast has been based on the following key assumptions:

Underlying demand

For each regulated region, TGen generally aligns with the annual underlying demand forecast in the latest available EOR, published annually by the Utilities Commission. For this SCI, the reference is the 2023 EOR. Underlying demand combines system consumption and behind-the-meter (BTM) solar production. Where appropriate, TGen has adjusted these forecasts to reflect new market information.

- **Darwin-Katherine**: Annual demand growth is driven by population growth forecasts.
- **Alice Springs**: Demand is expected to increase substantially from midway through the 2026-27 financial year when a new customer connects to the power system, although underlying demand growth remains negligible.
- **Tennant Creek:** Demand is expected to remain relatively flat over the forecast period.

The assumed annual underlying demand volumes are summarised in the table below.

Underlying demand (GWh)	2026-27	2027-28	2028-29	2029-30
Darwin-Katherine	1,744	1,752	1,761	1,770
Alice Springs	236	261	262	263
Tennant Creek	31	31	31	31

Behind-the-meter solar

For each regulated region, TGen uses EOR forecasts for residential and commercial BTM solar capacity. These forecasts use combined solar generation patterns to estimate how rooftop and on-site solar will reduce overall electricity demand.

The assumed BTM solar capacity by region is summarised in the table below.

BTM solar (MW)	2026-27	2027-28	2028-29	2029-30
Darwin-Katherine	201	212	223	234
Alice Springs	20	21	21	22
Tennant Creek	1.7	1.7	1.7	1.7

Other participants

New grid-connected entrants to the NT power generation market have been anticipated for some time and are expected to continue reducing TGen's market share. Assumptions on commencement dates for these large-scale solar farms are based on the best available information at the time of publishing.

Name	Capacity (MW)	Technology	Developer
Pine Creek Power Station	26.4	Combined cycle gas turbines	EDL
Hudson Creek Power Station	14.4	Gas reciprocating engines	Merricks Capital
Katherine Solar Power Station	25	Single axis tracking solar	Eni
Manton Solar	10	Single axis tracking solar	Eni
Batchelor Solar 1	10	Single axis tracking solar	Eni
Batchelor Solar 2	10	Single axis tracking solar	Merricks Capital
RAAF Darwin	2.9	Fixed	Assure
Robertson Barracks	8.9	Fixed	Assure
Shoal Bay Bioenergy Facility	1.1	Landfill gas	LMS Energy (TGen PPA)
Uterne solar farm (PPA)	3.90	Single axis tracking solar	ARK Energy (TGen PPA)
Yulara solar	1.8	Mixed technology solar	ARK Energy
Kings Canyon solar	0.01	Solar	

Capacity

TGen's existing plant is assumed to be maintained and operated to optimise outputs and costs in line with the approved Asset Management Plan through the SCI period, consistent with the Capital Program. Key regional strategies are outlined below.

Darwin-Katherine: Sufficient capacity to supply full system demand and services will be maintained throughout the SCI period. The Capital Plan incorporates a new gas turbine and multiple BESS to support additional solar generation and considers life extension or replacement of existing thermal assets based on system requirements.

Alice Springs:, Owen Springs Power Station will meet Alice Springs demand. Additional capacity, including a BESS in 2028, has been incorporated into the Capital Plan.
Note: Ron Goodin Power Station will remain available under the current operational philosophy until December 2027. A contingency provision of diesel fuel has been allocated for its operation during months of November to March until the AS BESS 2 commences operation.

Tennant Creek: Adequate capacity is installed, with the station capable of meeting demand using both gas and diesel fuels.

Yulara: Adequate capacity is installed, with the station capable of meeting demand using diesel fuels.

Kings Canyon: Current capacity meets and forecast demand. A BESS is proposed to be installed and commissioned in 2026-27. Transitioning to a mix of renewable energy and battery storage is expected to reduce operating costs at the station.

Energy

Energy, including gas, diesel and PPA costs, is TGen's largest expense. Fuel requirements for power stations are based on the forecast output of each unit, with efficiency determined on an assumed heat rate curve.

Gas

TGen has entered into a long-term gas supply agreement with PWC. Gas pricing includes a commodity charge, a transport charge and penalties subject to any variance in nominations.

Diesel usage

Diesel usage is based on the historical proportion of consumption to output for the regulated power systems, as well as servicing the full load in Yulara and Kings Canyon.

Repairs and maintenance

R&M expenses include the cost of materials, internal and external labour and services. The expenses have been estimated for each power station unit over the planning period and comprise of costs for planned maintenance plus an allowance for unplanned maintenance. The estimated spend over the period is summarised in the table below.

Power station ($M)	2025-26*	2026-27	2027-28	2028-29	2029-30
Total	**30.2**	**31.7**	**33.7**	**34.0**	**35.1**

**2025-26 is based on the current reforecast*

Personnel

Staff roles are based on an assumed organisational structure aligned with TGen's strategic direction.

Wage increases are assumed to align with the approved NTPS 2025-2029 Enterprise Agreement (EA), as TGen's current EA expires in July 2026.

Consumer price index (CPI)

Revenue and cost escalation assumptions are based on contractual or employment obligations where applicable. Where no mandated escalations exist, the following CPI rates have been assumed:

	2026-27	2027-28	2028-29	2029-30
Consumer price index (%)	2.4	2.5	2.5	2.5

Operational projects

Operational projects are non-capital initiatives intended to improve safety, reliability, and efficiency, or reduce the cost of doing business.

	2026-27	2027-28	2028-29	2029-30
Total operational projects	**2.7**	**2.8**	**0.0**	**0.0**

Fixed assets and depreciation expense

The cost and book value of fixed assets are based on the fair value recorded in TGen's accounts. Depreciation rates are forecast using equivalent operating hours for prime movers, and the straight line method for all other depreciable assets over their useful lives. An approximate apportionment of depreciation expense by method is:

- Straight line 85%
- Equivalent operating hours 15%

TGen applies a capitalisation threshold of $1,000, with new assets capitalised and depreciated from the time they are available and ready for use.

Capital expenditure

The continued growth of solar PV has increased the need to manage TGen's assets. Greater renewable penetration places additional physical stress on the generators, which must start and start more frequently than originally designed.

The total forecast for capital expenditure is summarised in the table below:

	2025-26*	2026-27	2027-28	2028-29	2029-30
Total capital expenditure	**83.4**	**110.0**	**82.0**	**50.5**	**53.5**

**2025-26 is based on the current reforecast*

Debt and interest

Debt is assumed to remain interest-only throughout the SCI period, with extensions applied upon maturity as required to meet business needs.

Interest rate on new borrowings	2026-27	2027-28	2028-29	2029-30
Northern Territory Treasury Corporation (NTTC) borrowings (%)	7.4	7.4	7.4	7.4
Clean Energy Finance Corporation (CEFC) borrowings (%)	1.5	1.5	1.5	1.5

Tax

Tax expense is assumed at the corporate tax rate and reflects the impact of tax-effect accounting on taxable income over the SCI period.

Dividend

The NT Government has the right to receive a dividend from TGen based on 30 June net profit after tax (NPAT), subject to recommendation from TGen's Board.