

LEGISLATIVE ASSEMBLY OF THE NT  
TABLED DOCUMENTS

Committee: *Estimator*  
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Tabled By: *Foster*  
Signed: *[Signature]*

**Government-Owned Corporations  
Scrutiny Committee: 20 June 2018**

**Jacana**   
ENERGY

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# 1. Introductions

|                      |                                |
|----------------------|--------------------------------|
| <b>Noel Faulkner</b> | Chair                          |
| <b>Stuart Pearce</b> | Acting Chief Executive Officer |
| <b>Rod Williams</b>  | Chief Financial Officer        |



## 2. Performance against 2016/17 SCI

| KPI              | Unit        | 2016/17 SCI | 2016/17 Actual |
|------------------|-------------|-------------|----------------|
| Gross Margin     | % Revenue   | 4.0         | 5.3            |
| Cost to Serve    | \$/customer | 165         | 184            |
| EBIT             | \$million   | 0.2         | 9.5            |
| Return on Equity | %           | 4.0         | 10.2           |
| Grade of Service | %           | 70.0        | 69.3           |
| Abandonment Rate | %           | <5.0        | 4.2            |

## 2. Cost to Serve Variance to SCI

| Cause                  | \$/Customer |
|------------------------|-------------|
| Shopfronts (TSA)       | -\$3.30     |
| Delay in ROS (TSA)     | -\$5.50     |
| Delay in ROS (Payroll) | -\$0.99     |
| Delay in Pronto (TSA)  | -\$0.74     |
| Other expenses         | -\$2.25     |
| Customer Numbers       | -\$6.42     |
| Total                  | -\$19.20    |

-ve = unfavourable variance

## 2. Against 2016/17 SCI

1. Gross Margin and EBIT were both favorable to target due to:
  - a. higher than expected retention and win-back in the Commercial & Industrial (C&I) segment (profit making)
  - b. lower than expected consumption in the Mass Market (MM) segment (loss making)
  - c. lower wholesale costs in the MM segment (EDL Contract)
2. Cost to Serve was unfavorable to target due to:
  - a. delays to the implementation of Pronto (Finance System) & ROS (Retail Operating System) due to data issues in legacy systems
  - b. higher than expected costs for Shopfronts
  - c. lower than anticipated customer numbers
3. Grade of Service was marginally unfavorable to target due to the high volume of calls associated with the wet season

## 2. 2016/17 Highlights

1. Implemented a new Financial Management System (Pronto)
2. Implemented a new C&I billing system (ROS)
3. Completed the transfer of Credit Management from PWC
4. Negotiated a new, lower wholesale electricity supply agreement (EDL) to lower Community Service Obligation (CSO) funding requirement
5. Developed options for further generation supply diversification with renewable generation developers in the Northern Territory
6. Continued support for vulnerable Territorians through financial hardship funding and payment plans

## 2. 2017/18 Forecast

| KPI              | Unit        | 2017-18<br>SCI | 2017-18<br>Forecast |
|------------------|-------------|----------------|---------------------|
| Gross Margin     | % Revenue   | 6.0            | 6.1                 |
| Cost to Serve    | \$/Customer | 171            | 186                 |
| EBIT             | \$ Million  | 12.8           | 12.3                |
| Return on Equity | %           | 13.3           | 12.0                |
| Grade of Service | %           | 70.0           | 67.5                |
| Abandonment Rate | %           | <5             | 4.0                 |



## 2. Forecast Cost to Serve Variance to SCI

| Cause                  | \$/Customer |
|------------------------|-------------|
| Shopfronts (TSA)       | \$6.47      |
| Delay in ROS (TSA)     | -\$8.78     |
| Delay in ROS (Payroll) | -\$4.74     |
| Delay in Pronto (TSA)  | -\$0.77     |
| Hardship Vouchers      | -\$2.02     |
| Other expenses         | -\$6.57     |
| Customer Numbers       | \$1.76      |
| Total                  | -\$14.64    |

-ve = unfavourable variance

## 2. Cost to Serve

| Contribution to Cost to Serve | \$/Customer |
|-------------------------------|-------------|
| Maintaining Shopfronts        | \$13.00     |
| Credit Card Fees              | \$3.00      |
| Paper Bills                   | \$6.00      |
| Hardship Vouchers             | \$2.00      |
| Total                         | \$24.00     |

## 2. 2017/18 Forecast

1. On target to achieve favorable Gross Margin (%) due to:
  - a. Higher C&I customer retention (profit making)
  - b. Lower MM consumption than budgeted (loss making)
2. Cost to Serve is expected to be unfavorable to target due to increased operating costs due to the delay implementing ROS for the MM
3. Grade of Service is expected to be unfavorable to target due to Cyclone Marcus causing delayed billing, high estimated bills and high call volumes
4. Abandonment rate is expected to be favorable to target

## 2. Highlights 2017/18

1. Introduced a quarterly customer survey program:
  - a. 77% of residential customers are satisfied with the service provided by Jacana Energy
  - b. 86% of Business Customers are satisfied with the service provided by Jacana Energy
2. Implemented the new Retail Operating System (ROS) for our small business and residential customers
3. Implemented a 'Business to Business' interface between Jacana Energy and PWC to improve customer experience
4. Recontracted C&I customers
5. Conducted culture and leadership workshops
6. Approval of the 2017 – 2021 Jacana Energy Enterprise Agreement

## 2. Highlights 2017/18

| Metrics                                     | 30 June 2017 | 31 March 2018 |
|---|--------------|---------------|
| FTEs  | 55.2         | 63.2          |
| Headcount                                   | 62           | 69            |
| % * Female                                  | 69           | 71            |
| % Frontline                                 | 66           | 70            |
| % Aboriginal                                | 5            | 7             |
| % Non-English Speaking Background           | 16           | 20            |
| % Leadership Positions ** filled by Females | 40           | 46            |

\* percentages based on headcount, rounded to whole number

\*\* Jacana Level 4 and above



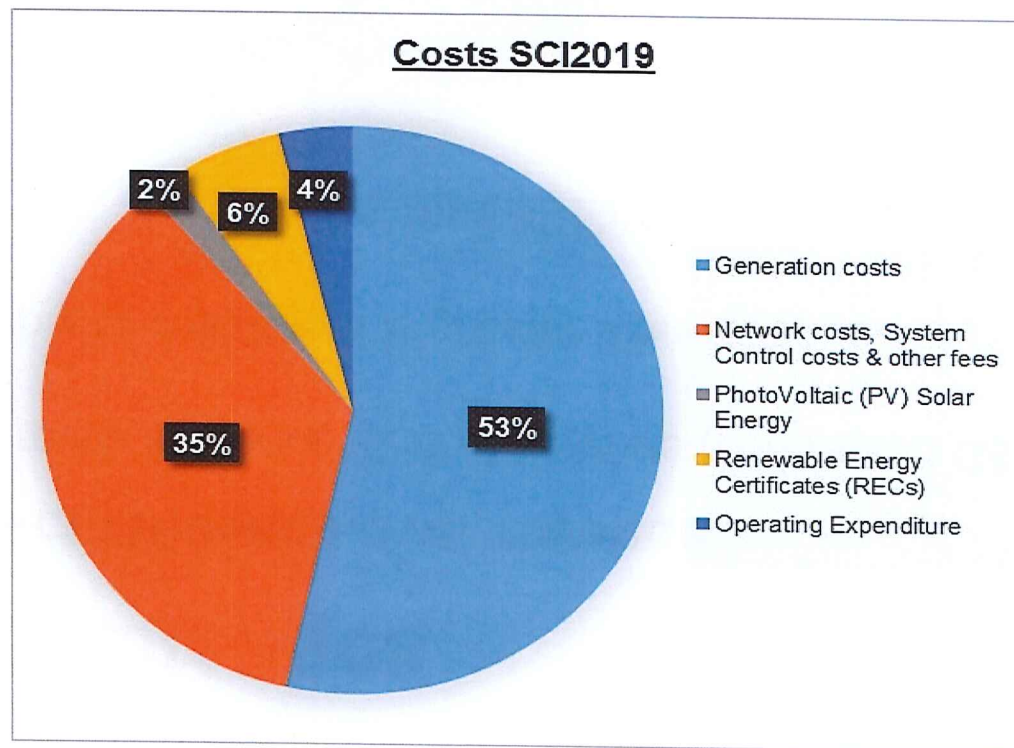
## 2. Opportunities

1. Digital Transformation:
  - a. Online Self Service and ability of customers to:
    - i. set-up their own direct debit
    - ii. develop their own payment plans
    - iii. view their own transactions
  - b. Improvements in the way customers can interact and engage with us:
    - i. Web
    - ii. SMS
    - iii. Kiosks
2. Further development of utility scale solar opportunities
3. Participation in NTEM process

### 3. Key challenges

#### Limited direct control over major costs

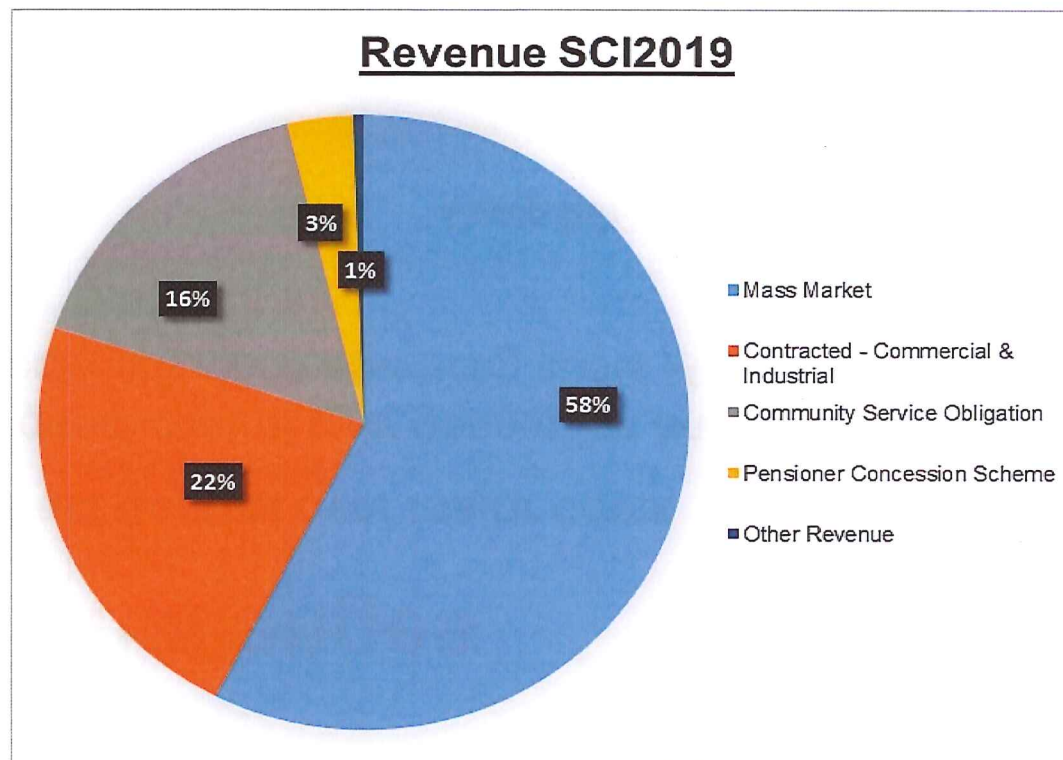
- Limited direct control over generation and network costs (88%)
- Can directly influence operating costs (4%)



### 3. Key challenges

#### Limited direct influence over revenue

- Can only directly influence 22% of revenue (contracted C&I customers)
- Cost of supply to customers is greater than revenue

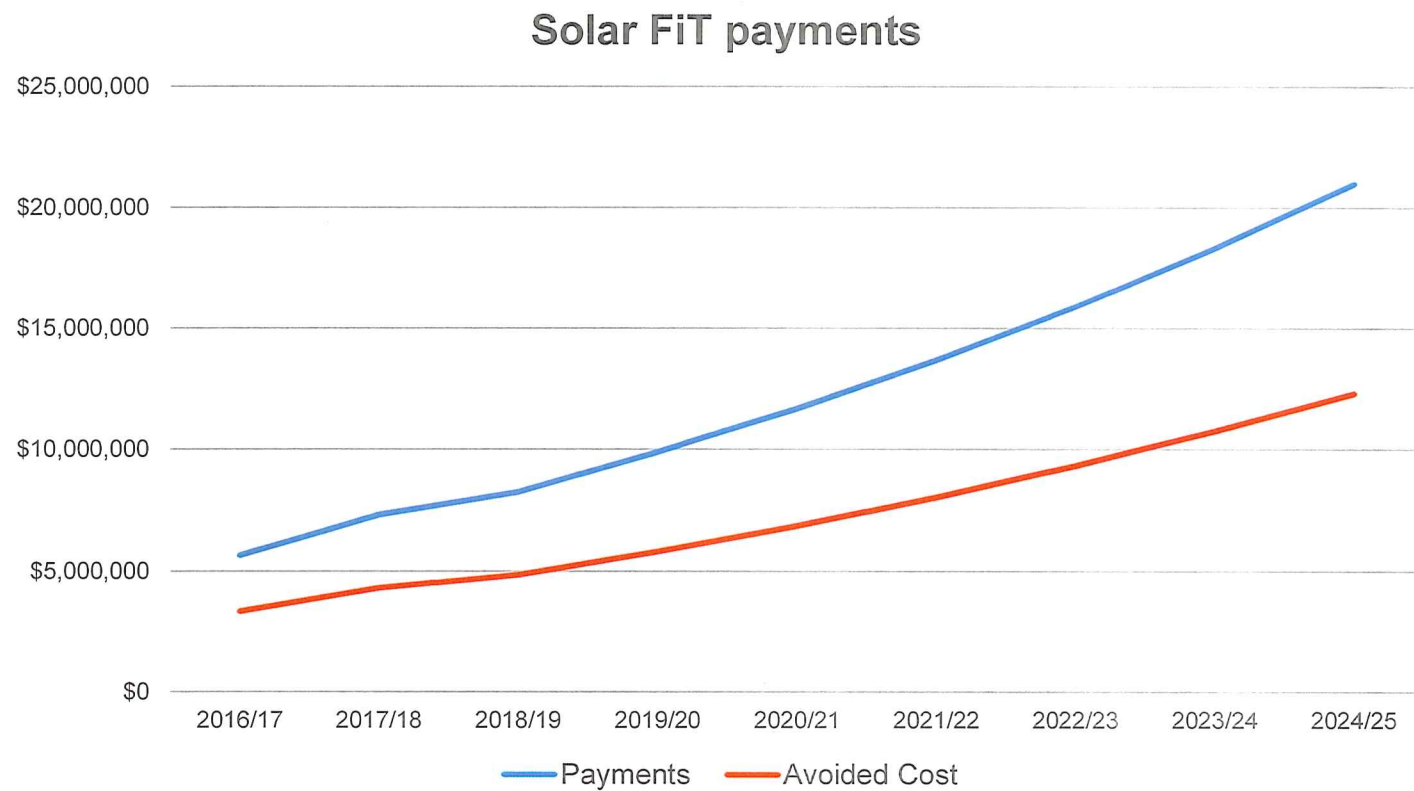


### 3. Key challenges

#### Feed in Tariff (FiT) for new connections

| Jurisdiction | c/kWh       |                         |
|--------------|-------------|-------------------------|
| ACT          | 6 – 12      | depending upon retailer |
| NSW          | 11.9 – 15.0 | depending upon retailer |
| NT           | 25.7 – 29.9 | Jacana Energy           |
| QLD          | 6 – 14      | depending upon retailer |
| SA           | 11 – 16.3   | depending upon retailer |
| TAS          | 8.9         | Aurora                  |
| WA           | 7.1         | Synergy                 |
| VIC          | 11.3        | ESCV minimum            |

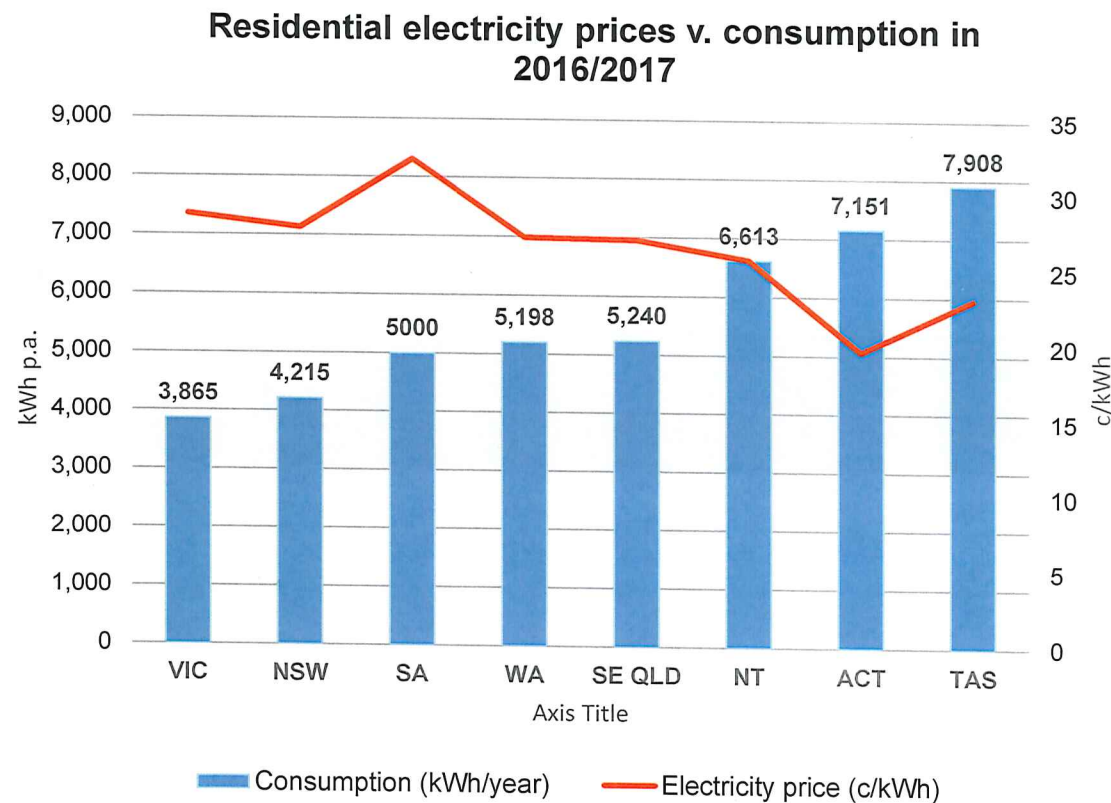
### 3. Key challenges





### 3. Key challenges

Retail prices compare favourably to other jurisdictions but average electricity consumption is higher



NT had the 3<sup>rd</sup> highest annual consumption level for the representative\* residential consumer.

NT had the 3<sup>rd</sup> cheapest electricity price (25.74 c/kWh) for the representative residential customer.

Source: AEMC's Electricity Price Trends Report 2017  
\*2 person household; no mains gas; no pool; air conditioning and on the government set price

### 3. Comparative data

|                  | Unit    | AGL      | Origin Energy | Jacana Energy |
|------------------|---------|----------|---------------|---------------|
| <b>Network</b>   | A\$/MWh | 55 - 128 | 96.5          | 102.1         |
| <b>Wholesale</b> | A\$/MWh | 40.5     | 71.4          | 172.7         |

Source: Origin Energy Annual Report 2017; AGL Energy Limited Annual Report 2017; Jacana Energy

# 4. Objectives and strategies

