

Committee: G.O.C.S.C.
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Tabled By: Faulkner
Signed: [Signature]



GOC Scrutiny Committee Hearing

23 June 2016

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Introductions

Noel Faulkner

Chairman

Stuart Pearce

Chief Executive Officer

Michael Hoare

Chief Financial Officer

Danny Moore

Executive Manager Sales and Strategy

Will Oliver

General Counsel & Company Secretary

Donna Hatton

Ministerial Liaison & Customer Advocacy

PERFORMANCE

Achieved all 2014/15 SCI Targets

KPI	Unit	Target	Actual
Gross Margin	% Revenue	5.9	6.0
Cost to Serve	\$/Customer	178	164
EBIT	\$ Million	14.4	15.0
Return on Equity	%	34.9	36.0
Grade of Service	%	63	70
Abandonment Rate	%	5	2

Source: Jacana Energy Annual Report 2014 - 15

Performance Against 2015/16 SCI

KPI	Unit	Target	YTD May
Gross Margin	% Revenue	4.3	5.3
Cost to Serve	\$/Customer	173	184
EBIT	\$ Million	5.5	9.8
Return on Equity	%	6.5	10.6
Grade of Service	%	70	57.7
Abandonment Rate	%	5	5.6

Comparative data – 2014/15

	Unit	AGL	Origin Energy	Aurora Energy	Jacana Energy
Accounts	000's	2,260	2,823	276	80
Gross margin	% revenue	12.3	17.9	14.0	6.0
Cost to serve	\$/customer	112*	159	141	164
Grade of Service	% 30 secs	87	59	72	70

Source: Origin Energy Annual Report 2015; AGL Energy Limited Annual Report 2015; Aurora Energy 2015 Annual Report; Jacana Energy Annual Report 2014-15; AER Annual Report on the Performance of the Retail Energy Market 2014-15

** Excludes Corporate Overheads*

Key Initiatives

- Implemented NTG 5% price decrease on 1 January 2016
- New accommodation in Darwin
- Opened office in Alice Springs
- Contact Centre and Credit management moved in-house
- Contract to deliver modern, efficient customer service platform
- Selected fit-for-purpose accounting and finance system
- Introduced Time of Use Tariff
- Establishing a Customer & Community Reference Council

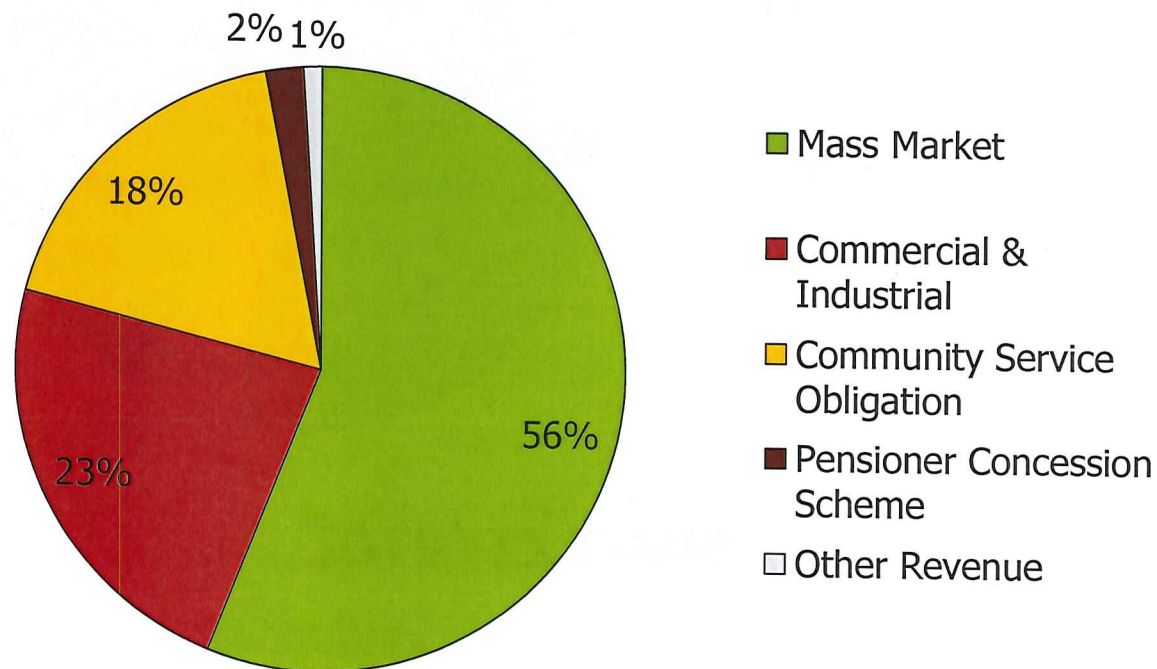
KEY CHALLENGES

Challenges

- Cost of Goods Sold is greater than mass market electricity revenue
- The difference is not completely covered by the CSO
- Some control over 23% of revenue and 3% of costs
- Mass Market retail prices compare favourably to other jurisdictions
- Average electricity consumption is high compared to other jurisdictions
- Significant increase in the market price of Renewable Energy Certificates

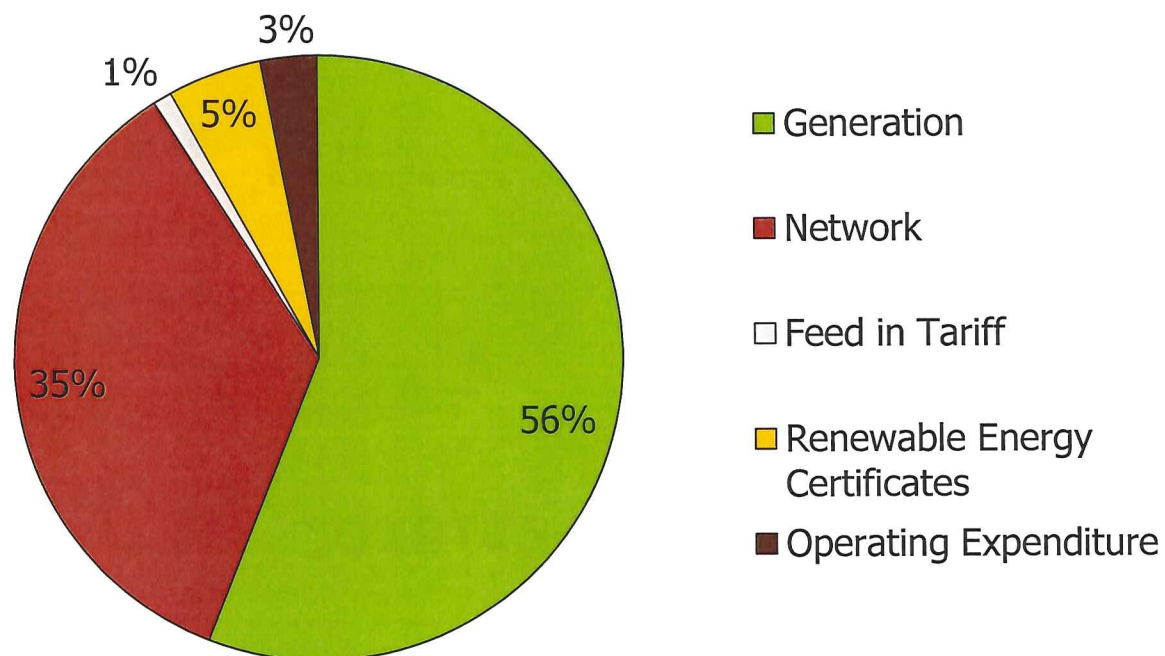
Some influence over 23% of revenue

2016/17 Revenue



Some influence over 3% of total costs

2016/17 Costs

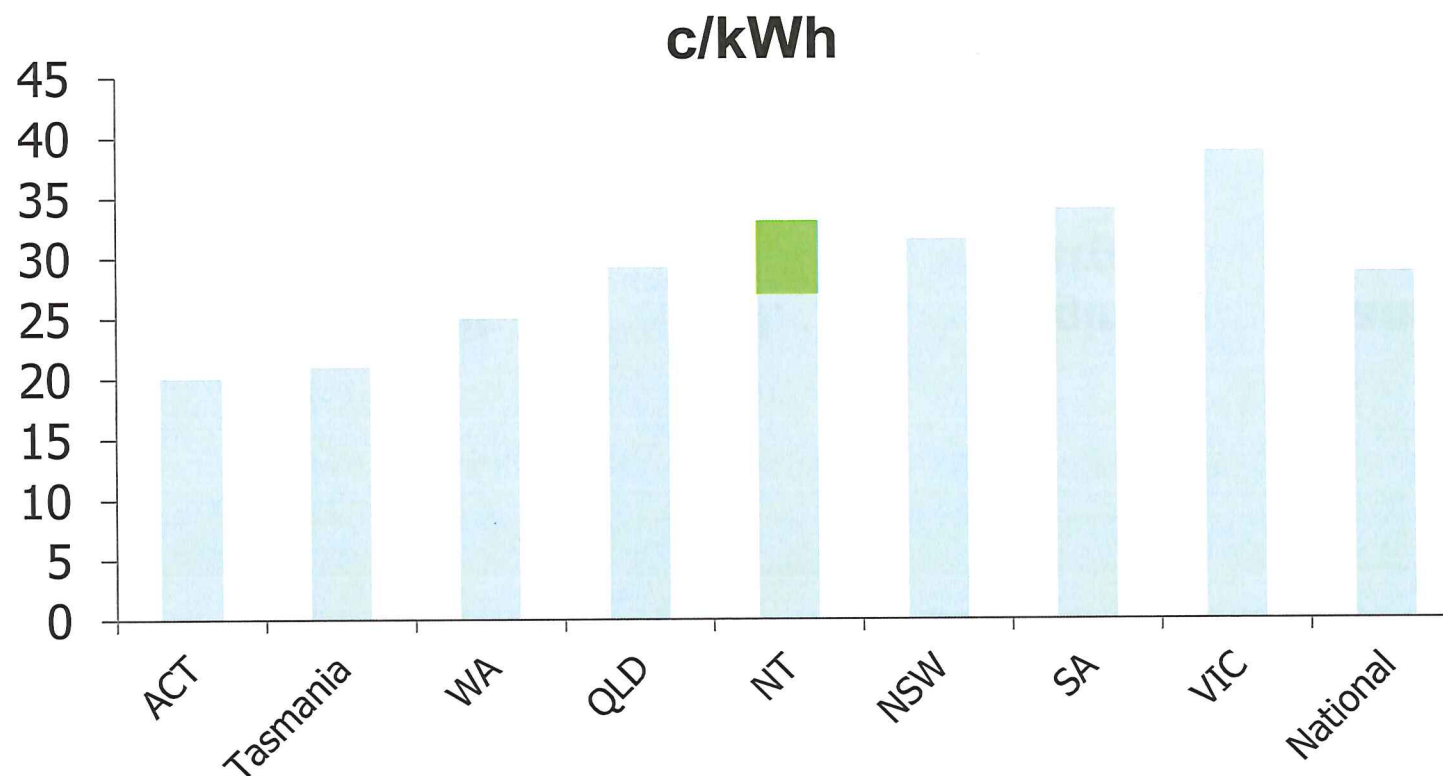


Comparative data – 2014/15

	Unit	AGL	Origin Energy	Jacana Energy
Network	A\$/MWh	147.4	103.2	83.6
Wholesale	A\$/MWh	34.8	52.5	189.0

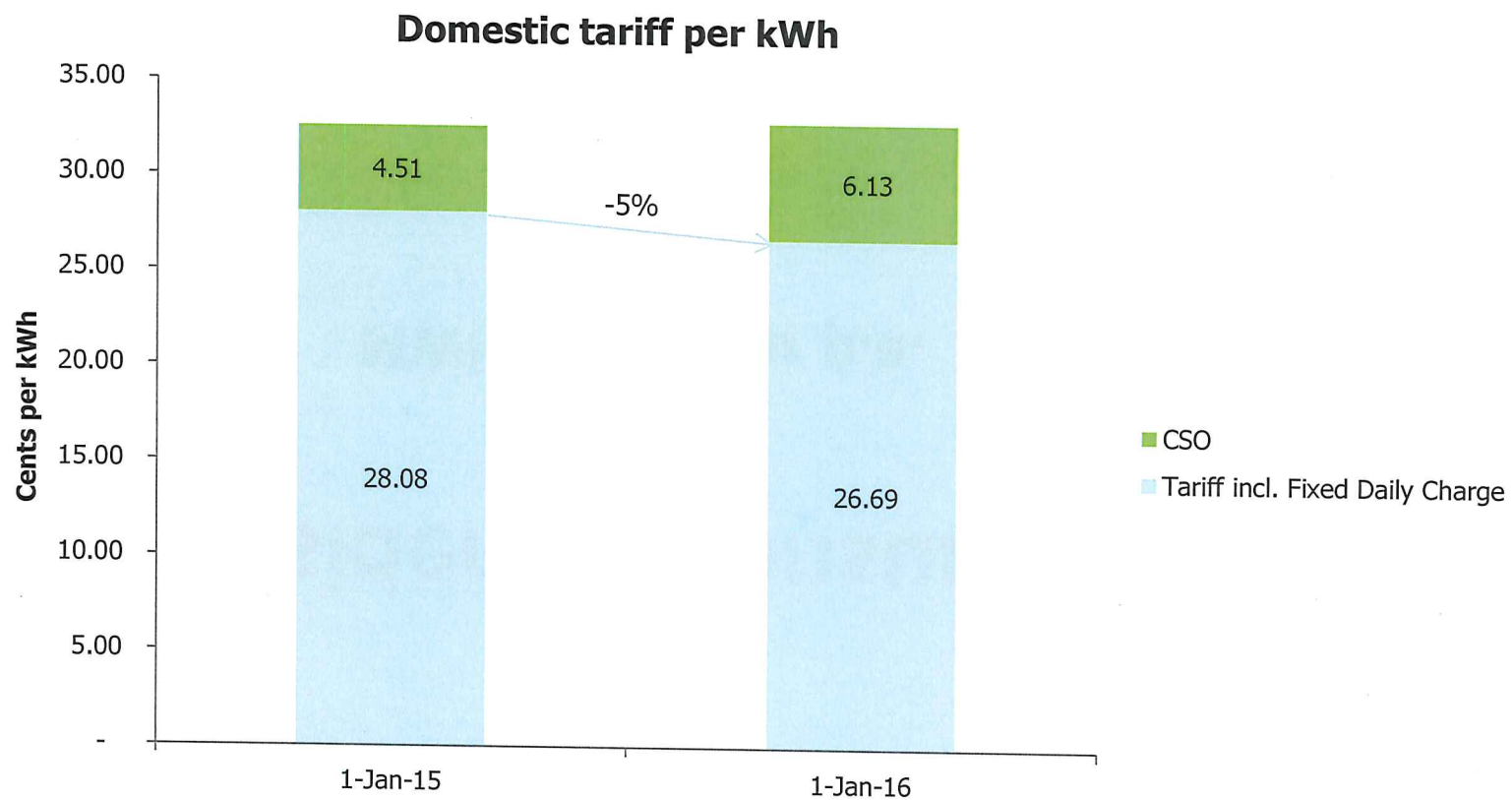
Source: Origin Energy Annual Report 2015; AGL Energy Limited Annual Report 2015; Jacana Energy Annual Report 2014-15

Retail prices



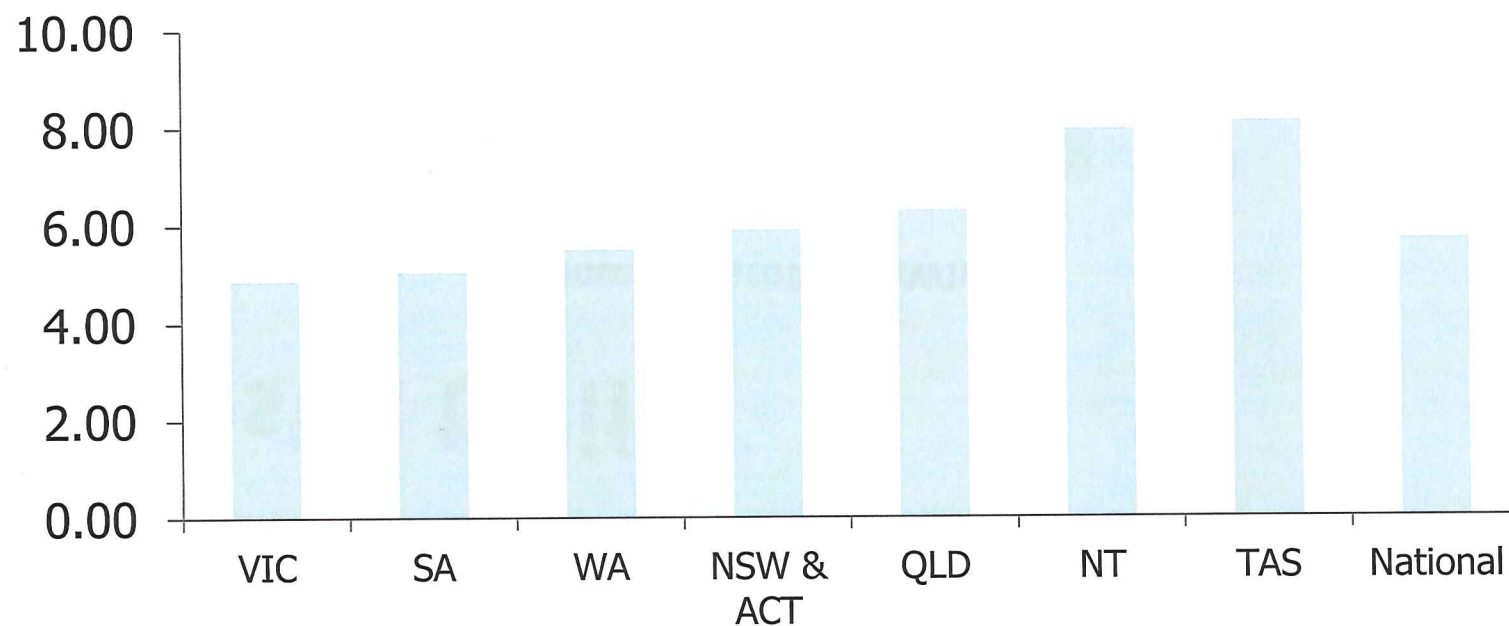
Source: AEMC's Electricity Price Trends Report 2015

Domestic tariff



Average residential consumption

MWh/customer p.a.



Source: ESAA 2013-14

OBJECTIVES & STRATEGIES

Strategic Objectives

Deliver superior customer experience

Become a valued and trusted brand

Develop an engaged, motivated team with opportunities for growth

Maximise value

Sub-objectives

Deliver a consistent and positive customer experience

Ensure our vulnerable customers are looked after

Attract and retain the right people

Flexibility in how we deal across the supply chain

Understand our customers needs

Embed a customer centric culture in our business

Ensure professional development is aligned with strategy

Minimise costs to serve

Get the fundamentals right

Right culture: customer centric, innovative, flexible

Define the non-financial value drivers

Develop and provide alternative solutions

Align structure with strategy

Develop strong commercial acumen

Provide transparency in key processes e.g. billing

Grow the profitable revenue base

Result

Operate at least as efficient as any comparable business
Maximise the sustainable return to the Territory on its investment in the Corporation