GOC Scrutiny Committee Hearing

23 June 2016
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# Introductions

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noel Faulkner</td>
<td>Chairman</td>
</tr>
<tr>
<td>Stuart Pearce</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Michael Hoare</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Danny Moore</td>
<td>Executive Manager Sales and Strategy</td>
</tr>
<tr>
<td>Will Oliver</td>
<td>General Counsel &amp; Company Secretary</td>
</tr>
<tr>
<td>Donna Hatton</td>
<td>Ministerial Liaison &amp; Customer Advocacy</td>
</tr>
</tbody>
</table>
PERFORMANCE
Achieved all 2014/15 SCI Targets

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

Source: Jacana Energy Annual Report 2014 - 15
## Performance Against 2015/16 SCI

<table>
<thead>
<tr>
<th>KPI</th>
<th>Unit</th>
<th>Target</th>
<th>YTD May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>% Revenue</td>
<td>4.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Cost to Serve</td>
<td>$/Customer</td>
<td>173</td>
<td>184</td>
</tr>
<tr>
<td>EBIT</td>
<td>$ Million</td>
<td>5.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>%</td>
<td>6.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Grade of Service</td>
<td>%</td>
<td>70</td>
<td>57.7</td>
</tr>
<tr>
<td>Abandonment Rate</td>
<td>%</td>
<td>5</td>
<td>5.6</td>
</tr>
</tbody>
</table>
## Comparative data – 2014/15

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

*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

- Mass Market: 56%
- Commercial & Industrial: 23%
- Community Service Obligation: 18%
- Pensioner Concession Scheme: 2%
- Other Revenue: 1%
Some influence over 3% of total costs

2016/17 Costs

- Generation: 56%
- Network: 35%
- Feed in Tariff: 5%
- Renewable Energy Certificates: 3%
- Operating Expenditure: 1%
## Comparative data – 2014/15

<table>
<thead>
<tr>
<th>Unit</th>
<th>AGL</th>
<th>Origin Energy</th>
<th>Jacana Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>A$/MWh</td>
<td>147.4</td>
<td>103.2</td>
</tr>
<tr>
<td>Wholesale</td>
<td>A$/MWh</td>
<td>34.8</td>
<td>52.5</td>
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Retail prices

Source: AEMC's Electricity Price Trends Report 2015
Domestic tariff

Domestic tariff per kWh

- CSO
- Tariff incl. Fixed Daily Charge

1-Jan-15: 28.08 (4.51 - 5%)
1-Jan-16: 26.69 (6.13)

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Average residential consumption

MWh/customer p.a.

Source: ESAA 2013-14
**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