

# Statement of Corporate Intent

## 2023-24

### Tasmanian Networks Pty Ltd

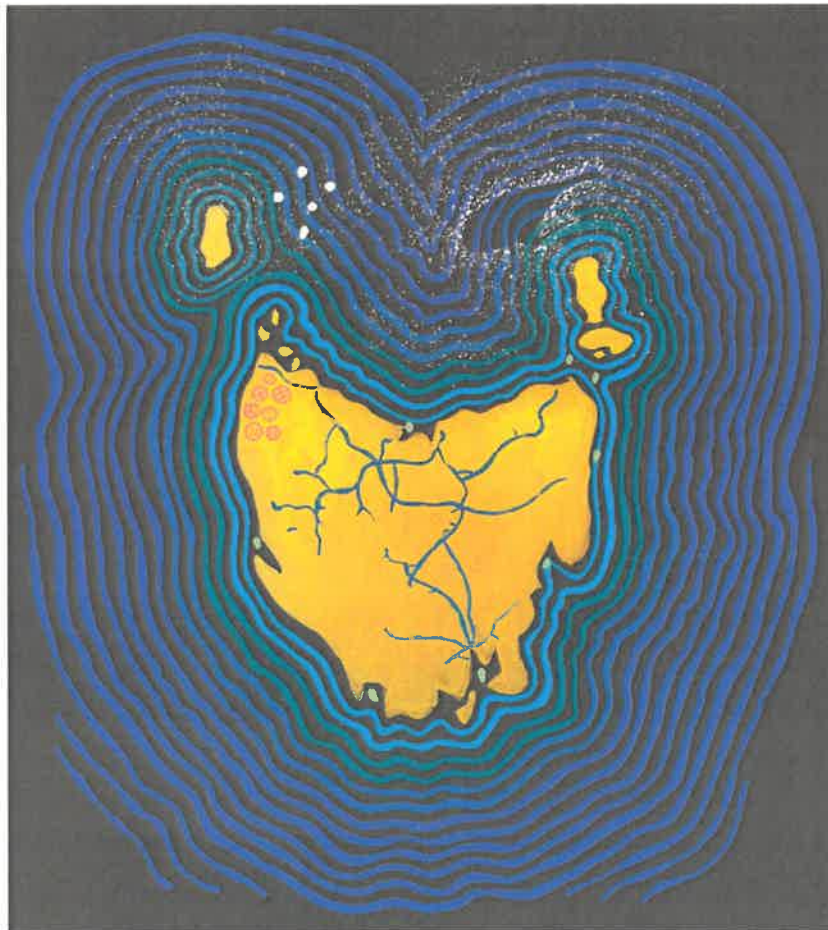
The TasNetworks Statement of Corporate Intent is our annual performance agreement with our Shareholders. It details the performance measures used to track our progress against our plans for the 2023-24 reporting period.

submitted July 31 2023



Powering a  
Bright Future

## ***Acknowledgement of Country***



lutruwita by Aboriginal artist Luana Towney

*TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past, present and emerging.*

# 1. Strategic Direction

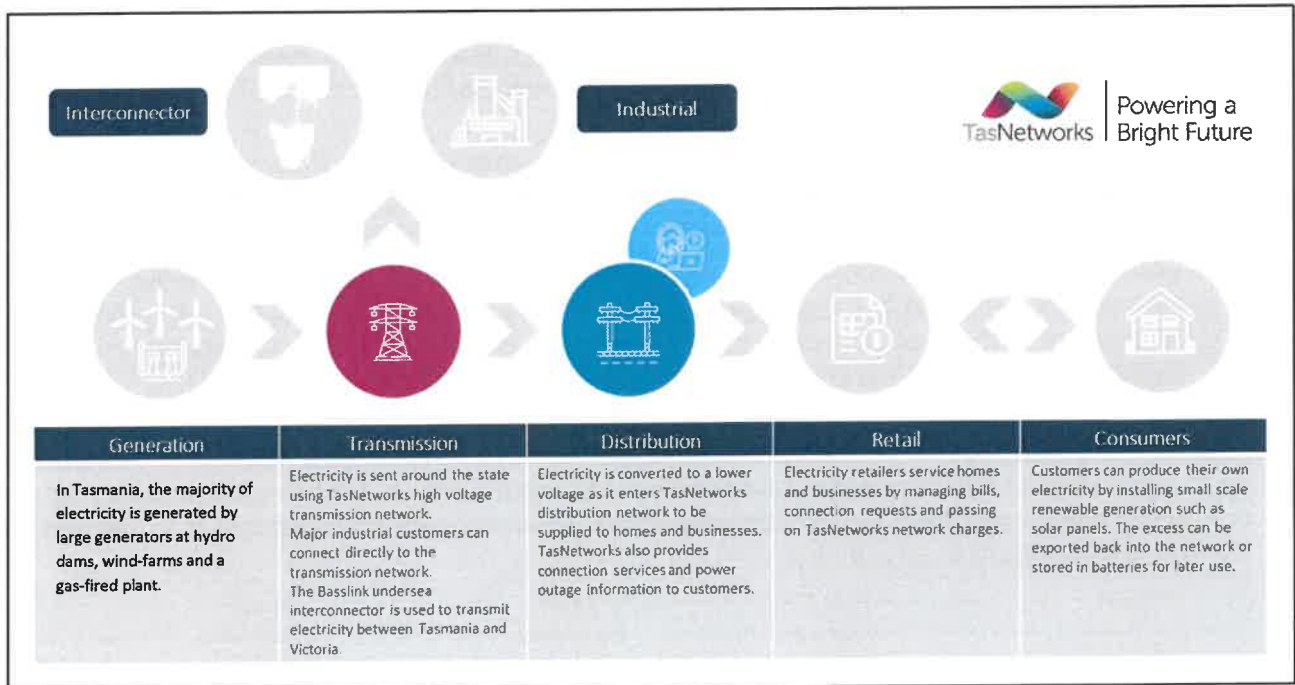
## 1.1. Company Overview

TasNetworks owns, operates and maintains the electricity transmission and distribution network in Tasmania. We deliver a safe, cost-effective and reliable electricity supply to more than 295,000 residential, commercial and industrial customers. We facilitate the transfer of electricity between Tasmania and Victoria via Basslink, the sub-sea electricity interconnector. We also provide telecommunications and technology services. We are owned by the State of Tasmania and operate as a commercial business with assets of over \$3.5 billion.

Our responsibilities include:

- Keeping our people and our customers safe
- Tasmanian jurisdictional planner in the National Electricity Market (NEM)
- Maintaining and replacing network infrastructure to ensure a reliable service for our customers
- Connecting new customers to the network (including small and large-scale generators)
- Investing in the network to support capacity growth
- Operating the network on a day-to-day basis, including all power outage restoration
- Maintaining the public lighting system
- Recording and providing regulated meter data to retailers
- Providing telecommunications, data centre, and information technology services to customers, including those in the Tasmanian electricity supply industry.

Figure 1 – TasNetworks Transmission and Distribution services in Tasmania's electricity supply industry



We have two administrative offices: one in the Hobart suburb of Lenah Valley and the second in the Launceston suburb of Rocherlea. Our field-based team members are located at major resource centres at Cambridge, Rocherlea, Devonport and Burnie; substations in Trevallyn and Glenorchy; and at smaller regional depots known as response centres. Our Training Centre is located in Mornington, near Hobart.

The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), Fortytwo24 (42-24) Pty Ltd, Marinus Link Pty Ltd (MLPL) and TasNet Connections Pty Ltd (TNC). The core focus areas of each subsidiary is outlined below.

42-24 was established to leverage TasNetworks' digital, data centre and telecommunications assets and capabilities required to operate the Tasmanian power system. By on selling additional services to Tasmanian businesses and government, 42-24 helps TasNetworks reduce costs for Tasmanian electricity customers.

MLPL was established with a broad remit to allow for the Project Marinus feasibility and business case assessment; to take any steps necessary to establish the interconnector; to build, own or operate the interconnector; and to undertake any other associated activity. The proposed interconnector, known as Marinus Link, comprises of two 750 megawatt capacity undersea and underground high voltage direct current electricity and telecommunications connection that will link Tasmania's renewable energy generation and storage resources to Victoria and the rest of National Electricity Market.

TNC, previously Large Scale Renewables Pty Ltd, was established to support the growth of TasNetworks' competitive transmission connection services business, facilitating large scale generation and other large industry connections to the network in Tasmania. Services to be provided include professional services to support project development (such as preliminary design) as well as build, own and operate asset services.

## 1.2. Operating Environment

The experience and expectations of TasNetworks' stakeholders, and its financial performance, are closely linked to the Tasmanian, Australian and global macro-economic environment

- Whilst the global economy is likely to continue facing major challenges well into 2023, there is renewed optimism thanks to the reopening of China's economy and lower global energy costs compared to the peaks of 2021 and 2022, with a reported positive economic sentiment at the latest World Economic Forum (2023) in Davos.
- In Australia, the increasing cost of living pressures is expected to peak in 2023, as the full effect of the Reserve Bank of Australia (RBA)'s interest rate rises hit mortgage holders, and the affordability of essentials such as electricity, is top of mind for Australians.
- Tasmania is currently experiencing strong economic growth in its post-pandemic recovery efforts, but optimum economic growth is challenged by high inflation and slowed inbound migration. This growth, combined with the level of investment required for the transition to renewable energy, will require increased levels of debt and interest rate expenses for TasNetworks.
- Although higher interest rates provide higher regulated rates of return, which increases returns to shareholders, it may lead to higher electricity network charges for our customers.
- Supply chain of critical materials also remain a key watch point, as increasing demand through the global energy transition paired with geopolitical tensions, poses continued risk that may require proactive mitigation and planning.

In addition to the macro-economic factors, the energy environment in which TasNetworks and its subsidiaries are operating is informed by three key market forces of decentralisation, digitalisation and decarbonisation

Decarbonisation is increasing demand for lower carbon energy and is decoupling investments in capacity from investments in energy

- In Australia, broad decarbonisation efforts are increasing, driven by new policy mechanisms such as Australia's Long Term Emissions Reduction Plan and reforms by the Commonwealth Government such

as the Climate Change Bill 2022, which outlines a 43% emissions reduction target by 2030, and net zero emissions by 2050.

- The National Electricity Market (NEM) is experiencing a rapidly increasing pace of decarbonisation (e.g. Queensland coal closure targets, Loy Yang A coal fired power station closure targets and the Eraring coal fired power station closure), which may likely result in lower long-duration capacity in mainland Australia, driving a greater need for a portfolio of solutions which will include Tasmania's planned pumped hydro (reflected in the Step Change scenario in AEMO's 2022 ISP) and existing hydro firm capacity.
- In Tasmania, renewables targets legislated through the Tasmanian Renewable Energy Target (TRET), are leading to greater demand for transmission connections in Tasmania, further spurred by the Tasmanian Renewable Energy Action Plan 2020 and the Tasmanian Renewable Hydrogen Action Plan.
- The demand for lower carbon energy is driving critical infrastructure projects such as Marinus Link, the potential development of a Green Hydrogen Hub in the Bell Bay Advanced Manufacturing Zone, and the development of proposed Renewable Energy Zones (REZs) across Tasmania.
- The proposed introduction of a tradable carbon credits scheme by the Commonwealth Government may drive further demand for connection to lower carbon energy assets.

Decentralisation is changing the way that customers interact with the electricity system – which shifts the composition of the distribution network over the longer term

- Global energy priorities are driven by the need to increase the penetration of renewable energy, diversify energy sources to lessen the dependence on single sources of energy, and to increase energy storage<sup>1</sup>.
- In Australia, customers continue to invest in residential solar panels, batteries and electric vehicles – also called distributed energy resources (DER) or consumer energy resources<sup>2</sup> (CER) , not only driven by global decarbonisation efforts, but also in response to greater control over energy reliability, supply and energy prices.
- Under the central Step Change case modelled by AEMO in its 2022 ISP, Tasmania could see an increase of up to ~400 MW capacity of rooftop solar systems, and an increase of up to ~14,000 electric vehicles (EVs) by 2026<sup>3</sup>.
- The Energy Security Board (ESB) continues its work in developing pathways for effective integration of CER, including technical and regulatory foundations to unlock maximum value for customers who own CER.
- The appetite for deployment of Stand Alone Power Systems (SAPS) in the NEM is increasing. Following the AEMC's 2022 rule change to allow SAPS in the NEM, the roll-out of SAPS as an alternative to traditional network connections may increase, particularly in areas where it increases the reliability and resilience of energy supply such as remote areas, or areas prone to bushfires.

---

<sup>1</sup> Ernest and Young's Renewable Energy Country Attractiveness Index 2022 (EY, 2023)

<sup>2</sup> Acronym changed from distributed energy resources (DER) to consumer energy resources (CER) under Energy Security Board (ESB) DER work stream

<sup>3</sup> AEMO ISP 2022 (AEMO, 2023)

Digitalisation is bringing about more efficient and intelligent ways to manage the electricity system, but also sharpens the focus on cybersecurity and data security

- Globally, the number of connected devices in interconnected electricity systems continue to grow, and is expected to reach more than one billion households with 11 billion smart appliances by 2040<sup>4</sup>.
- There is a growing number of technologies that are becoming available for networks to use, such as leveraging the Internet of Things (IoT), robotics and automation, virtual reality (VR) and digital 3D modelling.
- The increasing digitalisation of energy assets allows the formation of a “smart grid”, which will allow network operators (including TasNetworks) to better deliver and manage electricity across a changing energy system through generation and load management at a localised level.
- The number of “smart meters” on the Tasmanian network keeps growing, with a total of ~150,000 smart meters as at 31 December 2022<sup>5</sup>, of which ~90.5% are residential smart meters.
- The digitalisation of our assets offers significant opportunities in terms of network management and energy efficiency, but increases the vulnerability of the system, as well as the range of energy targets for cyberattacks. The threat of cyberattacks on electricity systems globally is growing and substantial, elevating its risk profile to the Top 10 global risks of concern.
- The introduction of the Commonwealth’s Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 introduced a new framework for enhanced security obligations required for operation of systems of national significance, which TasNetworks is undertaking activity to meet compliance.

The regulatory framework within which TasNetworks operates is undergoing changes as the market adapts to the energy transition in Australia and TasNetworks is prepared to respond to these changes

- The Australian Energy Market Operator (AEMO) published its Integrated System Plan 2022 in June 2022. It identifies the need for nearly 10,000 km of new transmission to support full decarbonisation of the electricity system. Most transmission regulatory reforms are focused on ensuring these new developments are progressed in a timely, efficient and safe manner, including the Australian Energy Market Commission’s (AEMC’s) Transmission Planning and Investment Review.
- In the distribution sector, recent regulatory reforms<sup>6</sup> have focussed on the integration of CER into the distribution network to manage periods of low operational demand and provide consumers with more autonomy over their use, with a focus on issues such as interoperability, a smart EV charging framework, allowing CER to provide more security and reliability services, consumer insights, flexible export limits and technical standards governance. The reviews could result in fundamental reforms to how networks will need to interact with consumers, with additional requirements to collect and analyse data, ensure system security and reliability is maintained and that pricing is consistent, fair and affordable.
- To enhance regulatory decisions, state and federal energy ministers introduced an emissions reduction objective into the National Electricity Objective (NEO) in August 2022. This is expected to influence the degree to which emissions must be considered by TasNetworks in planning and operating its network and broader business.

---

<sup>4</sup> IEA (2017)

<sup>5</sup> TasNetworks internal database (2023)

<sup>6</sup> ESB Post-2025 Market Design

- The AER has recommenced its review into Transmission ring-fencing, with a priority being to ensure a closer alignment between the transmission and distribution ring-fencing guidelines, with a draft available and the final guideline expected in March 2023.
- The AEMC's review of the regulatory framework for metering services was published in November 2022. The key recommendation from the Review is the universal uptake of smart meters by 2030 in NEM jurisdictions, as well as the requirement for distribution network service providers (DNSPs) to develop a legacy retirement plan, to be approved by the AER.
- The AER published the 2022 Rate of Return Instrument in February 2023, which was an increase compared to the 2018 Instrument.

Electricity customers, communities and stakeholders are becoming more socially conscious, driving expectations around environmental, social and governance decisions and sustainability

- The activities of major operators in the electricity industry are under increasing scrutiny, prompting electricity businesses to carefully balance security and reliability against pressing environmental, social and governance (ESG) issues.
- The most critical enabler of Australia's energy transition – new large-scale transmission projects – is also one of the largest challenges and barriers to Australia's energy transition. Support for major and often contentious transmission developments will require social licence from often regional, and more vulnerable communities, meaning that intense effort needs to be paid to early, genuine engagement, community benefit and compensation issues.
- Customers are increasingly concerned with choice, affordability and access to renewable energy, increasing their interest in acquiring CER such as rooftop solar, electric vehicles and investment in other clean technologies.
- The large scale industry changes will ultimately transform how our customers engage with our products and services, specifically with regards to power choices, tariffs, access to and equity in acquiring CER. Strong social license will be required to enable network operators to use CER to both mitigate risks and realise opportunities within a changing energy system.
- Affordability of electricity as an essential service remains at the top of mind for our customers, even amidst the challenges of the accelerating energy transition in Australia.

## 1.3. Strategic direction of the business

Our strategy is focused on the five key focus areas in our long term strategy document titled 'Towards 2030' that was provided to our Shareholding Ministers in 2021 and 2022.



### Our purpose: Powering a bright future.

We are enabling the move to a more sustainable electricity system and ensuring the delivery of safe, reliable, and affordable electricity for all consumers. Our purpose encompasses the following elements:

- Being a catalyst for Tasmania's growth in support of Tasmanian Government's economic and energy policy and priorities
- Providing contemporary network services that are valued by all Tasmanians
- Enabling renewable energy solutions
- Delivering exceptional customer experiences
- Caring for our communities
- Consistently providing Tasmania with sustainable financial returns.



## 2. Performance Agreement

Our performance measures, targets and forecasts form the basis of the TasNetworks Statement of Corporate Intent 2023-24. They show our present assessment of progress against the achievement of our strategic goals. These forecasts, particularly later years, are based on TasNetworks' present knowledge of the operating environment for those years. If policies (e.g. Renewable Energy Zones, renewable energy targets) and market dynamics were to shift, the forecast would need to adjust accordingly.

Key Focus Area: Safety	Target 2023-24	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27
Safety and Wellbeing Plan	Lift Safety and Wellbeing maturity to 'Advanced' level	Maintain	Maintain	Maintain
Total Recordable Injury Frequency Rate (TRIFR)	≤ 2	Maintain	Maintain	Maintain
Significant incidents <sup>7</sup>	≤ 4	Maintain	Maintain	Maintain
Reportable incidents <sup>8</sup>	≤ 42	≤ 37	≤ 32	Maintain

Key Focus Area: Resilience	Target 2023-24	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27
Employee engagement	≥ 67 %	Maintain	Maintain	Maintain
Transmission: Loss of supply events > 0.1 system minutes	≤ 4	Maintain	Maintain	Maintain
Distribution: Unplanned minutes off supply per customer	≤ 160 minutes	Maintain	Maintain	Maintain

<sup>7</sup> Significant incidents are incidents with an actual or credible potential for major or severe health, safety, or environment consequences.

<sup>8</sup> Incidents that require notification to a government authority, including Worksafe Tasmania for health and safety incidents, the Environmental Protection Agency (EPA) or Department of Natural Resources and Environment Tasmania (NRE) for environmental incidents, and the Australian Energy Regulator (AER) for unplanned disconnection of life-support customers.

Key Focus Area: Efficiency		Target 2023-24	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27
Ease of Doing Business		≥ 7.8	Trending upward	Trending upward	Trending upward
Customer Satisfaction		≥ 7.6	≥ 7.7	≥ 7.7	≥ 7.8
Transformation Program Benefits (\$ million)		≥ 17.5	≥ 26.4	≥ 41.9	≥ 48.5
Net Profit After Tax (\$ million)		≥ 19.5	≥ 35.5	≥ 35.2	≥ 31.9
Operating Expenditure for Regulated Services (\$ million)		≤ 149.2	≤ 153.1	≤ 146.2	≤ 147.0
Return on Assets (%)		≥ 2.9	≥ 3.4	≥ 3.7	≥ 3.9
Dividend to Shareholders (\$ million)		≥ 11.7	≥ 9.0	≥ 18.6	≥ 18.4

Key Focus Area: Renewable energy		Target 2023-24	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27
North West Transmission Development (NWTd) connections milestones Q1 July – September Q2 October – December Q3 January – March Q4 April – June	Q1 2023. NWTd TPC approves DAs for public exhibition Q2 2023. RNWTD Tender close Q3 2024. Commonwealth decision on EAR Q4 2024. RNWTD DA&EIS Appeals finalised Q4 2024. Tender process: Conditional contract ready signature Q4 2024. CPA TN submits CPA to AER	Q1 2023. NWTd TPC approves DAs for public exhibition Q2 2023. RNWTD Tender close decision Q3 2024. Commonwealth decision on EAR Q4 2024. RNWTD DA&EIS Appeals finalised Q4 2024. Tender process: Conditional contract ready signature Q4 2024. CPA TN submits CPA to AER	Q2 2024. Project Marinus Final Investment Q2 2024. CPA AER publishes CPA decision Q3 2025 NWTd MCC Phase commences Stage 1	Q2 2025 Community Benefits Sharing Program commence	Q4 2026 Energisation in progress Stage 1 Q4 2026 NWTd MCC Phase commences Stage 2
Acronyms: AER - Australian Energy Regulator AEMO - Australian Energy Market Operator CPA - Contingent Project Application DA - Development Application EAR - Environmental Assessment Report EIS - Environmental Impact Statement MCC - Manufacturing Construction and Commissioning RNWTD - Remaining NWTd TBA - To be announced					
NWTd – Capital expenditure	\$16 million Development and Application (D&A)	\$2.5 million (D&A phase total \$53.5 million) - MCC TBA	MCC TBA	MCC TBA	MCC TBA

Note: Government Guarantee Fee based on 1.90% on all new borrowings July 2023

Key Focus Area: Growth	Target 2023-24	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27
TasNet Connections Pty Ltd <sup>9</sup> – Gross Revenue (\$ million)	≥ 11.5	≥ 10.6	≥ 19.3	≥ 45.4
TasNet Connections Pty Ltd <sup>9</sup> – EBITDA (\$ million)	≥ 7.5	≥ 10.2	≥ 18.8	≥ 41.5
Fortytwo24 Pty Ltd – Revenue (\$ million)	≥ 26.1	≥ 32.2	≥ 38.7	≥ 40.6
Fortytwo24 Pty Ltd – EBITDA (\$ million)	≥ 1.6	≥ 2.5	≥ 4.3	≥ 4.8

---

<sup>9</sup> Performance measures provided are subject to change when TasNet Connections Pty Ltd is operationalised. These measures are forecast on the basis of external market activity and policy being implemented, such as Renewable Energy Zones, including the REZ in the North West, being realised and TasNet Connections having a role in the delivery of those.

DIRECTORS STATEMENT OF CORPORATE INTENT AND  
AGREEMENT OF SHAREHOLDING MINISTERS

The Board of Tasmanian Networks Pty Ltd agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this Statement of Corporate Intent the Board of Tasmanian Networks Pty Ltd commits to the targets proposed for the 2023-24 financial year, to the extent that those targets are within TasNetworks' control.

This Statement of Corporate Intent has been agreed between:



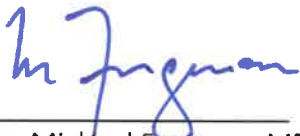
---

Roger Gill  
Chair  
Tasmanian Networks Pty Ltd  
On behalf of the Board

Signed: 31 July 2023

AND

Shareholding Ministers



---

Hon Michael Ferguson MP  
Deputy Premier  
Treasurer

Signed: 19 Dec 2023



---

Hon Nick Duigan MLC  
Minister for Energy and Renewables

Signed: 21 December 2023