

MEMBERS' STATEMENT OF EXPECTATIONS

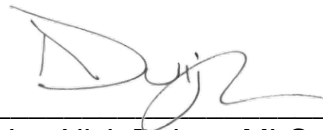
October 2024

TASMANIAN NETWORKS PTY LTD

This Members' Statement of Expectations is jointly approved by:



Hon Guy Barnett MP
Treasurer



Hon Nick Duigan MLC
**Minister for Energy and
Renewables**

Date: 30 October 2024

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1. INTRODUCTION

- This Statement of Expectations has been prepared by the Treasurer and the Minister for Energy and Renewables (the Members), following consultation with Tasmanian Networks Pty Ltd (Tasmanian Networks), in accordance with section 11A of the *Electricity Companies Act 1997*.
- The Statement sets out the Government's broad policy expectations and requirements for Tasmanian Networks and its subsidiaries.
- All expectations and requirement referenced for Tasmanian Networks in this Statement extend to Tasmanian Networks' subsidiaries, unless specifically referenced as being for the parent only.
- The Members expect Tasmanian Networks and its subsidiaries to comply with the Statement.
- The *Corporations Act 2001* (Cth) and the Constitution of Tasmanian Networks govern the operation of the Company.
- The Statement should be read in conjunction with the following Acts and their respective Regulations:
 - *Electricity Companies Act 1997*;
 - *Electricity Supply Industry Act 1995*;
 - *Energy Co-ordination and Planning Act 1995*;
 - *Government Business Enterprises Act 1995*; and
 - any other applicable legislation.
- This Statement takes effect from the date it is signed and remains in effect until it is amended or revoked.
- This Statement is to be tabled in Parliament by the Portfolio Minister and published on the website of Tasmanian Networks.
- In addition, Tasmanian Networks' operations must comply with the National Electricity Law, the National Electricity Rules and the National Energy Retail Law and National Energy Retail Rules as applied by the *Electricity – National Scheme (Tasmania) Act 1999* and the *National Energy Retail Law (Tasmania) Act 2012*.

2. PURPOSE AND STRATEGIC EXPECTATIONS

2.1 Purpose

- The principal purpose of Tasmanian Networks is to:
 - undertake the transmission and distribution of electricity in Tasmania;

- support the lowest possible power prices for Tasmanians; and
- support efficient, safe and reliable network services and help grow the Tasmanian economy and attract investment.

2.2 Objectives

- The principal objectives of Tasmanian Networks are defined in section 6 of the *Electricity Companies Act 1997*.

2.3 Strategic Expectations

Business Specific Expectations

- In order to achieve its purpose and objectives, the Members expect Tasmanian Networks to:
 - support the lowest possible prices for regulated services to Tasmanian customers;
 - support the delivery of the legislated Tasmanian Renewable Energy Target and the greenhouse gas emissions reduction target for Tasmania of net zero emissions, or lower from 2030, through the pursuit of its principal purpose;
 - ensure an appropriately safe, reliable and secure electricity supply is provided for customers;
 - minimise operational and capital expenditure outlays through improved operational efficiency and asset management strategies;
 - pursue a return on capital commensurate with the return on capital set by the Australian Energy Regulator for the period of a revenue determination, noting that annual targets in the Statement of Corporate Intent must be approved by the Members;
 - seek to operate within its overall capital and operating expenditure allowances for a regulatory period as determined by the Australian Energy Regulator for its regulated functions; and
 - leverage its facilities and services to support the attraction of new and expanded load in line with the State’s economic priorities and in accordance with the National Electricity Law.

Specific Expectations for Subsidiaries

- In regard to FortyTwo24 Pty Ltd and TasNet Connections Pty Ltd, the Members expect:
 - the business will only undertake activities with clear alignment to the core business of Tasmanian Networks;
 - subsidiary activities will not impact on Tasmanian Networks’ focus on core business;

- that there will be regular and transparent reporting of subsidiary financial performance as part of broader reporting on Tasmanian Networks' operations;
- to be kept informed of any material developments, particularly in regard to any proposals to expand the scope or scale of subsidiary activities;
- the business will undertake unregulated activities on a commercial basis, with no cross subsidisation by electricity customers and include appropriate debt funding and other costs to meet competitive neutrality principles; and
- a separate Corporate Plan be submitted annually.

Specific Expectations for Joint Ventures

- In regard to any joint ventures of Tasmanian Networks or Tasmanian Networks' subsidiaries, the Members expect that:
 - joint ventures will have a clear alignment to the core business of Tasmanian Networks; and
 - the business will comply with the relevant Guideline in regard to subsidiaries and joint ventures.

General Expectations

- The Members expect all Government businesses, including Tasmanian Networks, to:
 - consider the important contribution Tasmanian Networks makes to the Tasmanian economy and broader community and the impact its operations have on the Tasmanian economy and the broader community;
 - proactively engage with stakeholders;
 - be a successful business, by operating in accordance with sound commercial practice and as efficiently as possible to ensure ongoing financial sustainability;
 - prudently manage business risk through an effective and efficient risk management framework that reduces risks for Tasmanian Networks and the State;
 - maintain a strong understanding of the governance framework for Tasmanian Government businesses;
 - understand the impact of climate change on the business, including identifying any risks and implementing risk mitigation strategies;
 - manage and maintain its assets in accordance with prudent commercial practice to ensure the safety and continued operation of those assets;

- subject any material capital investment proposal to rigorous and considered analysis prior to any decision to commit resources, including cost benefit analysis where appropriate;
- consider diversity and inclusion principles in its employment and communication strategies;
- maintain a culture of continuous improvement in business operations, systems, processes and services;
- comply with any requests for information from Members in an accurate and timely manner; and
- proactively seek to protect the personal information of its customers, employees and other stakeholders.

2.4 Major Renewable and Transmission Network Energy Projects

- In the context of Tasmanian Networks’ purpose, Members expect Tasmanian Networks to support the Government’s objectives:
 - to progress Stage 1 of the North West Transmission Developments (NWTDD), working cooperatively with stakeholders in a coordinated manner, noting that an unconditional decision to commence construction of the project:
 - should be consistent with the outcome of the Project Marinus Whole-of-State Business Case;
 - is subject to a positive final investment decision of Marinus Link Stage 1 by the Tasmanian Government; and
 - requires the achievement of the relevant regulatory approvals for Stage 1 of the NWTDD and Marinus Link for the project by the Australian Energy Regulator.
 - to develop a fair and contemporary compensation framework for farmers through consultation for the North West Transmission Developments;
 - to progress other major renewable energy projects in accordance with the National Electricity Law and by effectively engaging with proponents and undertaking related work to assist in the timely commissioning of such projects.

2.5 Compliance with Government Policies

- In pursuing the strategic expectations detailed in section 2.3, and undertaking its functions and exercising its powers as required by applicable legislative requirements, Tasmanian Networks shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer’s Instructions that are applicable to Tasmanian Networks;

- the Guidelines for Tasmanian Government Businesses; and
- any Government policies in addition to those detailed in this Statement specifically applying to Tasmanian Networks as advised in writing by the Members.

3. NATURE AND SCOPE OF OPERATIONS

3.1 Core Business

- The core business of Tasmanian Networks is to:
 - provide electricity transmission and distribution services in Tasmania;
 - sustainably manage Tasmanian Networks' owned electricity transmission and distribution assets and associated telecommunication assets in Tasmania to ensure the safe, reliable and secure electricity supply to Tasmanian customers;
 - to own, plan, operate and maintain the electricity transmission system in Tasmania and perform the role of Transmission Network Services Provider for Tasmania in the National Electricity Market;
 - to own, plan, operate and maintain the electricity distribution system in Tasmania and perform the role of Distribution Network Services Provider for Tasmania in the National Electricity Market; and
 - to adhere to legal requirements and contractual arrangements with the Australian Energy Market Operator, as required, to manage power system security in the Tasmanian region of the National Electricity Market.

3.2 Non-commercial Activities

- Tasmanian Networks' non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Members advise in writing is a non-commercial activity.
- The non-commercial activities of Tasmanian Networks, agreed as at the date of this Statement, are listed in Schedule 1.

3.3 Other Activities

- Tasmanian Networks has received approval from the Members to undertake the following other activities:
 - the utilisation of small scale generation for the purposes of emergency management, system security and remote supply, including stand-alone power systems as approved by the Australian Energy Regulator;

- providing wholesale telecommunications infrastructure services in Tasmania to facilitate infrastructure-based wholesale competition in Tasmania, as the Government’s strategic alliance partner;
 - retail telecommunications services in Tasmania in accordance with the specific expectations for FortyTwo24 Pty Ltd in section 2.3; and
 - providing services to support the National Broadband Network in Tasmania.
- The Members may request Tasmanian Networks to prepare and submit for approval an exit strategy for an agreed other activity it is undertaking. Once approved by the Members, Tasmanian Networks must implement the exit strategy within the timeframe approved in the strategy.
 - The Members may allow Tasmanian Networks to conduct additional other activities that are consistent with its core business and legislation on a case-by-case basis. Written approval of the Members must be obtained before undertaking any such activities.

3.4 Business Presence Outside the State

- Tasmanian Networks is not expected to operate outside Tasmania.
- Tasmanian Networks must seek the written approval of the Members before establishing any new business presence outside Tasmania. Any request to the Members must be accompanied with a compelling business case.

4. PERFORMANCE, OPERATING AND REPORTING EXPECTATIONS

4.1 Financial Performance Expectations

- The Members expect Tasmanian Networks to:
 - meet its key performance targets, including target dividends, as set out in the annual Statement of Corporate Intent. Target dividends are to be consistent with the Government’s dividend policy for Tasmanian Networks and as agreed during the corporate planning process;
 - implement the business strategies contained in the Corporate Plan, in order to meet the agreed long term performance targets for the business, consistent with the Government’s expectations;
 - be proactive in identifying and implementing operational efficiencies and productivity measures to enhance financial performance; and
 - keep the Members, along with the Department of Treasury and Finance (Treasury), as principal financial advisor to the Treasurer, informed of any significant issues that may impact on the business ability to meet its financial performance targets.

4.2 Service Delivery Expectations

- In delivering its services, the Members expect Tasmanian Networks to take account of contemporary practice and other management developments in the industry in which it operates and the commercial sector generally;
- Tasmanian Networks is to build and maintain a customer-centric culture; and
- Tasmanian Networks is to have in place and follow a customer service charter which is to be publicly available.

4.3 Public Reporting and Transparency

- The Members expect Tasmanian Networks to proactively keep the Tasmanian community and stakeholders informed of its activities, major projects and performance (including financial and service delivery against the Key Performance Indicators articulated in the annual Statement of Corporate Intent approved by the Shareholding Ministers).

4.4 Pricing

- Having regard to the Government's objective of providing the lowest possible power prices for Tasmanians, the Members expect Tasmanian Networks to set prices, fees and charges which:
 - support the entity's ongoing financial and asset sustainability;
 - comply with all legislative and regulatory instruments; and
 - take into consideration any relevant Government policies.

4.5 Borrowings and Investment Activities

- The Members expect Tasmanian Networks' borrowings to be consistent with any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- The Members expect Tasmanian Networks' borrowings from the Tasmanian Public Finance Corporation to remain within the maximum borrowing limit determined for Tasmanian Networks under this Act.
- Any Tasmanian Networks' borrowings to be undertaken from an entity other than the Tasmanian Public Finance Corporation, in accordance with a notice issued by the Treasurer, should comply with any conditions imposed on such borrowings.
- When investing any surplus funds, Tasmanian Networks should provide the Tasmanian Public Finance Corporation with the opportunity to offer its services.
- Capital structure and debt levels, including borrowings from the Tasmanian Public Finance Corporation and any other borrowings, should be

maintained at a level that is consistent with the long-term sustainability of Tasmanian Networks.

5. OTHER EXPECTATIONS

5.1 Employee and Industrial Relations

- The Members expect Tasmanian Networks to:
 - adhere to any Government policy and relevant Guidelines in regard to senior executive remuneration including performance pay or other forms of rewards;
 - be cognisant of any Government policy or other advice in regard to employee remuneration, consistent with contemporary public sector wages policy;
 - support appropriate skills and training and diverse workforce participation; and
 - provide a work environment that supports high levels of safety and wellbeing throughout the organisation, taking all practical steps to provide its employees and its contractors with safe working conditions.
- The Members are to be notified prior to any significant changes to the employee relations policy of Tasmanian Networks, including the finalisation of any workplace or enterprise agreements.

5.2 Integrity and Ethics

- The Members expect the Board, management and employees of Tasmanian Networks to exhibit the highest level of integrity and professionalism in undertaking their duties.
- The Members also expect the Board and senior management within Tasmanian Networks to instil and continually reinforce a culture across the organisation of acting lawfully, ethically, and responsibly.

5.3 Significant Developments

- The Members are to be kept informed immediately in writing of any matters of significance. Specifically, the Members expect to be notified of any adverse developments that may:
 - prevent the achievement of financial performance objectives;
 - significantly affect prices or outcomes to customers;
 - significantly affect the financial viability or operating ability of Tasmanian Networks; or
 - significantly impact on Government policy, stakeholder relations, customer relations or environmental issues or that have a wider public interest.

- The Members also expect to be kept informed immediately in writing of:
 - any potential material transactions not in the ordinary course of business before they take place;
 - an intent to make a future application to the Australian Energy Regulator that may materially impact on the prices of electricity to customers. The Members should be provided with sufficient time to consider the implications on Tasmanian customers;
 - any other significant developments that relate to an issue, financial or otherwise, on which the government may be required to comment; and
 - any other significant developments that represent a departure from the expectations outlined in this Members' Statement of Expectations.

SCHEDULE 1

NON-COMMERCIAL ACTIVITIES

The following non-commercial activities, as defined under clause 3.2, shall be performed by Tasmanian Networks:

- meeting the costs associated with the non-commercial activities required by the Member Direction given in October 2017 to invest in electricity infrastructure in the Waterhouse region in order to supply approximately 1 MW of additional capacity to the region.