

COPY

MEMBERS' STATEMENT OF EXPECTATIONS

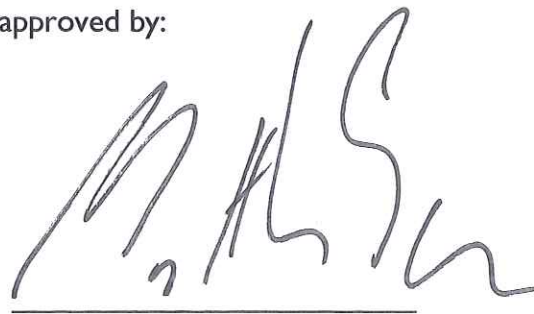
September 2015

AURORA ENERGY PTY LTD

This Members' Statement of Expectations is jointly approved by:



Treasurer



Minister for Energy

Date:

7 OCT 2015

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1. INTRODUCTION

- This Statement of Expectations has been prepared by the Treasurer and the Minister for Energy (the Members), following consultation with Aurora Energy Pty Ltd.
- The Statement sets out the Tasmanian Government's broad policy expectations and requirements for Aurora Energy, as the owner of the business.
- The *Corporations Act 2001* and the Constitution of Aurora Energy govern the operation of the Company.
- This Statement should be read in conjunction with the following Acts:
 - *Electricity Companies Act 1997*;
 - *Electricity Supply Industry Act 1995*;
 - *Government Business Enterprises Act 1995*; and
 - any other legislation as may be advised by the Members from time to time.
- Aurora Energy must also comply with all other applicable legislative, policy and/or other requirements including, but not limited to, Tasmanian and Australian energy laws and regulations and work health and safety, environmental and industrial relations obligations.
- 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 Minister for Energy and published on the website of Aurora Energy.

2. COMPLIANCE WITH GOVERNMENT POLICIES

- In pursuing the Strategic and Commercial Expectations detailed in section 3.3, and undertaking its functions and exercising its powers, Aurora Energy shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer's Instructions and guidelines that are applicable to Aurora Energy;
 - any Government policies specifically applying to Aurora Energy as advised by the Members; and
 - the Government's strategic objectives relating to energy as advised by the members from time to time.

3. PURPOSE, STRATEGIC AND COMMERCIAL EXPECTATIONS

3.1 Primary Purposes

- The primary purpose of the Company is the retailing of electricity on mainland Tasmania.

3.2 Principal Commercial Objectives

- The principal commercial objectives of the Company are to:
 - operate its activities in accordance with sound commercial practice; and
 - maximise its sustainable return to its shareholders.

3.3 Strategic and Commercial Expectations

- The Members expect Aurora Energy to:
 - operate as an efficient entity providing services in a cost effective manner and target an underlying cost-to-serve below the regulatory allowance for a regulated retailer in the Tasmanian market;
 - prudently manage the risks of operating in a competitive retail market in the State; and
 - maintain flexibility for the potential future divestment of the business.

4. NATURE AND SCOPE OF OPERATIONS

4.1 Core Business

- The core business of Aurora Energy is providing electricity retail services to Tasmanian customers.

4.2 Related Business

- Aurora Energy may undertake other activities related to, or associated with, its core business on a case-by-case basis, subject to the prior written approval of the Members.
- Aurora Energy may continue to undertake activities that are related to the provision of gas retail services to Tasmanian customers.

4.3 Business Presence Outside the State

- Aurora Energy must not establish a business presence outside Tasmania.

4.4 Subsidies and Concessions

- Aurora Energy' non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Members agree would be non-commercial and direct Aurora Energy to perform.
- Where Aurora Energy is required to perform non-commercial activities and/or deliver concessions, those are to be:
 - performed in an efficient and effective manner;
 - costed and funded in accordance with arrangements as agreed with the Treasurer. If no arrangement is in place, the non-commercial activity and/or concession is to be funded by Aurora Energy; and
 - reported in the Aurora Energy Annual Report.
- The concession arrangements to be delivered by Aurora Energy are listed in Schedule I of this Statement.

5. PERFORMANCE, OPERATING AND REPORTING EXPECTATIONS

5.1 Performance Expectations

- The Members expect Aurora Energy to:
 - meet its key performance targets, as set out in the annual Statement of Corporate Intent. Targets, including for dividends, are to be agreed during the corporate planning process; and
 - implement the business strategies contained in the Corporate Plan in order to meet the agreed long term performance targets for the organisation, consistent with the Government's expectations.

5.2 Reporting

- The Members expect Aurora Energy to comply with any relevant reporting requirements specified in any guidelines issued by the Government.

5.3 Significant Developments

- The Members are to be kept informed of any matters of significance. Specifically, the Members expect to be notified of any adverse developments which may:
 - prevent the achievement of financial performance targets;
 - significantly affect the financial viability or operating ability of Aurora Energy; or
 - significantly impact on Government policy, stakeholder relations or environmental issues or have a wider public interest.

5.4 Borrowings and Investment Activities

- The Members expect Aurora Energy's borrowings to be consistent with the Debt Maturity Structure Guidelines and any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- When investing any surplus funds, Aurora Energy should provide the Tasmanian Public Finance Corporation with the opportunity to offer its services.
- Capital structure and debt levels should be maintained at a level that is consistent with the overall strategic portfolio objectives of the Government as advised by the Members from time to time.

5.5 Capital Asset Management

- Consistent with the Capital Investment Guidelines, the Members and Treasury, as principal financial adviser, are to be notified of any proposed major new capital investments, including major IT systems.

5.6 Employee and Industrial Relations

- The Members expect Aurora Energy to:
 - adhere to any Government policy guidelines in regard to senior executive remuneration including performance pay or other forms of rewards; and
 - be cognisant of any Government policy in regard to employee remuneration, consistent with contemporary public sector wages policy.

5.7 Director Appointment Process

- The Members expect Aurora Energy to work cooperatively with relevant Director Selection Advisory Panels to ensure that the Director appointment process results in a balance of renewal and continuity of Board membership.

5.8 Risk Management

- The Members expect that Aurora Energy will adopt risk management strategies that are consistent with the Strategic and Commercial Expectations detailed in Section 3.3.

SCHEDULE I
CONCESSIONS

The following concessions are to be delivered by Aurora Energy:

- Electricity concessions as prescribed by Sections 43(d) and 43(e) of the *Electricity Supply Industry Act 1995*.