

MEMBERS' STATEMENT OF EXPECTATIONS


September 2024

AURORA ENERGY PTY LTD

This Members' Statement of Expectations is jointly approved by:



Hon Michael Ferguson MP
Deputy Premier
Treasurer



Hon Nick Duigan MLC
Minister for Energy & Renewables

Date: 8 October 2024

Contents

1. INTRODUCTION.....	2
2. PURPOSE AND STRATEGIC EXPECTATIONS	2
2.1 Purpose	2
2.2 Objectives.....	2
2.3 Strategic Expectations.....	2
2.4 Compliance with Government Policies.....	4
3. NATURE AND SCOPE OF OPERATIONS	4
3.1 Core Business	4
3.2 Non-commercial Activities	4
3.3 Other Activities	4
3.4 Business Presence Outside the State.....	4
4. PERFORMANCE, OPERATING AND REPORTING EXPECTATIONS.....	5
4.1 Financial Performance Expectations.....	5
4.2 Service Delivery Expectations.....	5
4.3 Public Reporting and Transparency.....	5
4.4 Pricing.....	6
4.5 Borrowings and Investment Activities	6
5. OTHER EXPECTATIONS.....	6
5.1 Employee and Industrial Relations.....	6
5.2 Integrity and Ethics.....	7
5.3 Significant Developments.....	7
SCHEDULE 1	8

1. INTRODUCTION

- This Statement of Expectations has been prepared by the Treasurer and the Minister for Energy and Renewables (the Members), following consultation with Aurora Energy Pty Ltd (Aurora Energy), in accordance with section 11A of the *Electricity Companies Act 1997*.
- The Statement sets out the Tasmanian Government's broad policy expectations and requirements for Aurora Energy.
- 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 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 Aurora Energy.

2. PURPOSE AND STRATEGIC EXPECTATIONS

2.1 Purpose

- The principal purpose of Aurora Energy is:
 - the retailing of electricity on mainland Tasmania; and
 - to support the lowest possible power prices for Tasmanians.

2.2 Objectives

- The principal objectives of the Company 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 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 offer retailer in the Tasmanian market;
- prudently manage the risks of operating in a competitive retail market in the State;
- implement the government's electricity customer assistance policies in a timely and efficient manner; and
- maintain flexibility for the potential future divestment of the business.

General Expectations

- The Members expect all Government businesses, including Aurora Energy to:
 - consider the important contribution Aurora Energy 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 Aurora Energy 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 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, Aurora Energy shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer's Instructions that are applicable to Aurora Energy;
 - the Guidelines for Tasmanian Government Businesses; and
 - any Government policies in addition to those detailed in this Statement specifically applying to Aurora Energy as advised in writing by the Members.

3. NATURE AND SCOPE OF OPERATIONS

3.1 Core Business

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

3.2 Non-commercial Activities

- Aurora Energy's 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 Aurora Energy, agreed as at the date of this Statement, are listed in Schedule 1.

3.3 Other Activities

- Aurora Energy has received approval from the Members to undertake activities that are related to the provision of gas retail services to Tasmanian customers.
- The Members may request Aurora Energy to prepare and submit for approval an exit strategy for an agreed other activity it is undertaking. Once approved by the Members, Aurora Energy must implement the exit strategy within the timeframe approved in the strategy.
- The Members may allow Aurora Energy 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

- Aurora Energy is not expected to operate outside Tasmania.

- Aurora Energy must seek the written approval of the Members before establishing any new business presence outside Tasmania. Any request must be accompanied by a compelling business case.

4. PERFORMANCE, OPERATING AND REPORTING EXPECTATIONS

4.1 Financial Performance Expectations

- The Members expect Aurora Energy 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 Aurora Energy 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 Aurora Energy to take account of contemporary practice and other management developments in the industry in which it operates and the commercial sector generally.
- Aurora Energy is to build and maintain a customer-centric culture;
- Aurora Energy is to have in place and follow a customer service charter which is to be publicly available.
- Aurora Energy is to have in place and follow a customer hardship policy that supports customers experiencing payment difficulties and assists those customers to better manage their energy bills on an ongoing basis.
- Support the Tasmanian Government's commitment to roll out advanced meters to Tasmanians by the end of 2026, providing customers with the information they need to control and reduce their energy use.

4.3 Public Reporting and Transparency

- The Shareholding Ministers expect Aurora Energy 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

- The Members expect Aurora Energy to set prices, fees and charges which:
 - have regard to the Government's commitment to provide the lowest possible power prices for Tasmanians;
 - support the entity's ongoing financial 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 Aurora Energy's borrowings to be consistent with any direction given under the *Tasmanian Public Finance Corporation Act 1985* and remain within the maximum borrowing limit determined for Aurora Energy under this Act.
- 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 long-term sustainability of Aurora Energy.

5. OTHER EXPECTATIONS

5.1 Employee and Industrial Relations

- The Members expect Aurora Energy 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;
 - 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 Aurora Energy, including the finalisation of any workplace or enterprise agreements.

5.2 Integrity and Ethics

- The Members expect the Board, management and employees of Aurora Energy to exhibit the highest level of integrity and professionalism in undertaking their duties.
- The Members also expect the Board and senior management within Aurora Energy 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 Aurora Energy; 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;
 - 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 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*.