

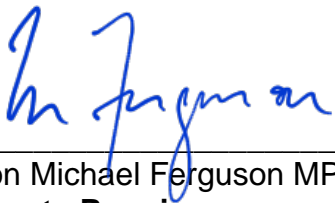
**GOVERNMENT BUSINESS ENTERPRISES ACT 1995**

**MINISTERIAL CHARTER**

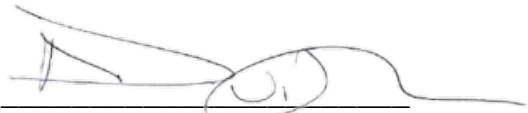
**July 2024**

**HYDRO TASMANIA**

This Ministerial Charter is jointly approved by:



Hon Michael Ferguson MP  
**Deputy Premier**  
**Treasurer**



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

Date: 18 July 2024

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## **1. INTRODUCTION**

- This Ministerial Charter has been prepared by the Treasurer and the Minister for Energy and Renewables (Shareholding Ministers), following consultation with the Hydro-Electric Corporation (Hydro Tasmania), in accordance with sections 36 and 37 of the *Government Business Enterprises Act 1995 (GBE Act)*.
- The Charter sets out the Government's broad policy expectations and requirements for Hydro Tasmania and any subsidiaries.
- The Charter should be read in conjunction with the following Acts and their respective Regulations:
  - *Hydro-Electric Corporation Act 1995*;
  - *Electricity Supply Industry Act 1995*;
  - *Energy Co-ordination and Planning Act 1995*;
  - *Government Business Enterprises Act 1995*; and
  - any other applicable legislation.
- This Charter takes effect from the date it is signed and remains in effect until it is amended or revoked.
- The Charter will be tabled in Parliament by the Minister for Energy and Renewables and published on the website of Hydro Tasmania.

## **2. PURPOSE AND STRATEGIC EXPECTATIONS**

### **2.1 Purpose**

- The principal purpose of Hydro Tasmania in performing its functions is to support the lowest possible power prices for Tasmanians and to enable economic growth and job creation in Tasmania.

### **2.2 Objectives**

- The principal objectives of Hydro Tasmania are defined in Section 7 of the GBE Act.

### **2.3 Strategic and Commercial Expectations**

#### *Business Specific Expectations*

- In order to achieve its purpose and objectives, the Shareholding Ministers expect Hydro Tasmania to:
  - prioritise energy availability and supply for existing and potential Tasmanian customers having regard to Tasmania's Renewable Energy Target and Net Zero greenhouse gas emissions target;
  - support the achievement of Tasmania's Renewable Energy Target

- promote efficient investment in, and efficient operation and use of, energy services for the long term interests of Tasmanian consumers of electricity with respect to:
  - price, quality, safety, reliability and security of supply of energy;
  - the reliability, safety and security of the Tasmanian electricity system; and
  - the achievement of Tasmania's Net Zero greenhouse gas emissions target.
- build and deliver energy projects that focus on low-carbon emissions and align with Hydro Tasmania's competitive advantages that add to Tasmania's economic prospects and support Tasmanian jobs, including through entering into firming contracts, partnerships or offtakes with developers and other energy generators;
- leverage its facilities and services to support the attraction of new and expanded load in line with the State's economic priorities;
- seek commercial opportunities through the national energy transition in a way that does not constrain Hydro's ability to deliver positive benefits to Tasmanian power users and business;
- minimise operational expenditure outlays through improved operational efficiency and asset management strategies;
- ensure asset maintenance and renewal planning and works efficiently sustains Tasmania's generation capacity at lowest sustainable cost;
- prudently manage water resources consistent with Section 2.5;
- pursue an appropriate return on equity given the commercial risks to which it is exposed, noting that annual targets in the Statement of Corporate Intent must be approved by Shareholding Ministers;
- have regard to the implications of Hydro Tasmania's financial performance for General Government Sector returns and the implications of infrastructure investment on the financial position of the Total State Sector; and
- in performing its functions, Hydro Tasmania must not do anything contrary to the State's interests, including its sovereign reputation.

*Specific Expectations for Subsidiaries and Business Segments*

- In regard to energy retailing outside Tasmania through Momentum Energy, the Shareholding Ministers expect that:
  - Momentum Energy operate efficiently as a profitable interstate retail business, within its strategic parameters and consistent with any targets approved in writing by the Shareholding Ministers;

- quarterly performance reports be provided for Momentum Energy in an agreed format; and
- a separate Corporate Plan be submitted annually for Momentum Energy.
- In regard to consulting services through Entura, the Shareholding Ministers expect that Entura will operate consistent with any targets approved in writing by the Shareholding Ministers.
- In respect of the Tamar Valley Power Station, and having regard to the whole of State implications, the Shareholding Ministers expect that Hydro Tasmania will:
  - optimise the operation of the Tamar Valley Power Station within its generation portfolio recognising the trade-offs between costs, energy security and Tasmania’s Net Zero target; and
  - ensure the prudent management of all associated gas supply and transportation contracts.

*General Expectations*

- The Shareholding Ministers expect all Government Business Enterprises, including Hydro Tasmania, to:
  - consider the important contribution it 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 efficiently as possible to ensure ongoing financial sustainability;
  - prudently manage business risk through an effective and efficient risk management framework that reduces risks for Hydro Tasmania 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 Shareholding Ministers in an accurate and timely manner; and
- proactively seek to protect its customers, employees and other stakeholders' personal information.

## **2.4 Tarraleah Redevelopment and Cethana Pumped Hydro Energy Storage (PHES) Projects**

- In the context of Hydro Tasmania's purpose, Shareholding Ministers expect Hydro Tasmania to work cooperatively with the Government in progressing the Tarraleah Redevelopment and Cethana PHES projects, noting that:
  - the feasibility of the projects may be dependent on additional interconnection with the mainland; and
  - these projects will be subject to approval by the Government and the Tasmanian Parliament.
- The Shareholding Ministers expect Hydro Tasmania to provide any information and briefings as requested by the Government and to develop business cases for the specific projects and present them to the Government for consideration and approval. The business cases must demonstrate that the projects:
  - support Hydro Tasmania's Purpose as set out in Section 2.1;
  - are affordable within the context of Hydro Tasmania's financial position;
  - provide an appropriate commercial rate of return, taking into account project risks; and
  - will enhance the State's energy security and the availability of nationally competitive energy in Tasmania to support economic development.

## **2.5 Responsibility for supporting Tasmanian Energy Security**

- In addition to and complementary with the Australian Energy Market Operator's obligation under the National Electricity Rules to manage power system security for the NEM and Hydro Tasmania's purpose, the Shareholding Ministers require Hydro Tasmania to support the Director of Energy Planning and Energy Security Co-ordinator's function and obligations in relation to energy security for Tasmania by:
  - managing its storages prudently consistent with the long run energy capability of its system, including by:
    - complying with the statutory obligations specified in Hydro Tasmania's Water Licence;
    - under median inflows operating in a manner intended to maintain storages at or above the Prudent Storage Level for that month as

set by order by the Minister for Energy and Renewables from time to time; and

- using the range between the Prudent Storage Level and the High Reliability Level as set by order by the Minister for Energy and Renewables from time to time to manage low inflows or significant plant failure whilst implementing strategies to return to above the Prudent Storage Level, when operating within that range.
- complying with any request from the Monitor and Assessor of Energy Security to provide a Prudent Storage Level recovery plan;
- complying with any request from the Monitor and Assessor of Energy Security to provide a High Reliability Level recovery plan;
- complying with any request from the Energy Security Coordinator in regard to the finalisation of a High Reliability Level recovery plan;
- implementing a High Reliability Level recovery plan approved by the Energy Security Co-ordinator, and providing reports on the progress of the implementation of the recovery plan as and when the Energy Security Co-ordinator requires; and
- provide system restart ancillary services where agreed with AEMO.

## **2.6 Compliance with Government Policies**

- In pursuing the Strategic and Commercial Expectations detailed in section 2.3, and undertaking its functions and exercising its powers as required by applicable legislative requirements, Hydro Tasmania shall act in accordance with:
  - the governance framework for Government businesses;
  - Treasurer’s Instructions that are applicable to Hydro Tasmania;
  - the Guidelines that are applicable to Hydro Tasmania;
  - any Government policies in addition to those detailed in this Charter specifically applying to Hydro Tasmania as advised in writing by the Shareholding Ministers;
  - the Government’s strategic objectives relating to energy as reflected in the Tasmanian Renewable Energy Action Plan or its successor as advised in writing by the Shareholding Ministers from time to time;
  - any Government-approved policies relating to Hydro Tasmania’s approach to wholesale contracting in Tasmania that apply from time to time;

### **3. NATURE AND SCOPE OF OPERATIONS**

#### **3.1 Core Business**

- The core business of Hydro Tasmania is to:
  - Generate wholesale electricity and environmental energy products ;
  - construct, operate and maintain electricity generation and associated assets in Tasmania;
  - undertake activities related to the generation of electricity, including sale and trade of electricity;
  - participate in the National Electricity Market;
  - undertake other activities closely associated with the generation of electricity – such as water and environmental management;
  - help ensure that there is sufficient generation in Tasmania to meet current and future Tasmanian electricity demand consistent with section 2.3; and
  - own, manage and operate the electricity supply system on King and Flinders Islands.

#### **3.2 Non-commercial Activities**

- Hydro Tasmania's non-commercial activities are:
  - any activity that has been declared a community service obligation by the Treasurer; and
  - any activity that the Shareholding Ministers agree would be non-commercial and direct Hydro Tasmania to perform.
- Non-commercial activities are listed in Schedule 1 of this Charter.

#### **3.3 Other Activities**

- Hydro Tasmania has received approval from Shareholding Ministers to undertake the following functions:
  - the provision of retail services outside mainland Tasmania through Momentum Energy;
  - the provision of consultancy services in respect of electricity, environmental science and engineering services or any other area of expertise as consistent with its functions; and
  - scientific and commercial research relating to present operations or possible future operations for electricity supply or water management.
- The Shareholding Ministers may request Hydro Tasmania to prepare and submit for approval an exit strategy for an activity it is undertaking. Once approved by the Shareholding Ministers, Hydro Tasmania must implement the exit strategy within the timeframe approved by the strategy.



- The Shareholding Ministers may allow Hydro Tasmania to conduct additional other activities that are consistent with its core business and legislation on a case-by-case basis. Written approval of the Shareholding Ministers must be obtained before undertaking any such activities.

### **3.4 Business Presence Outside the State**

- Hydro Tasmania must seek the written approval of the Portfolio Minister and the Treasurer before establishing any new business presence outside Tasmania. Any request must be accompanied with a compelling business case.

## **4. PERFORMANCE, OPERATING AND REPORTING**

### **4.1 Financial Performance Expectations**

- The Shareholding Ministers expect Hydro Tasmania 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 Hydro Tasmania and as agreed during the corporate planning process;
  - implement the business strategies contained in the Corporate Plan, which has been approved by the Shareholding Ministers, 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 Shareholding Ministers, 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 Expectation**

- In delivering its services, the Shareholding Ministers expect Hydro Tasmania to take account of contemporary practice and other management developments in the industry in which it operates and the commercial sector generally.
- Hydro Tasmania is to have in place and follow a customer service charter which is to be publicly available.

### **4.3 Public Reporting and Transparency**

- The Shareholding Ministers expect Hydro Tasmania 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**

- Hydro Tasmania's approach to pricing should have regard to the Government's commitment to provide the lowest possible power prices for Tasmanians and to enable economic growth and job creation in Tasmania.

#### **4.5 Borrowings and Investment Activities**

- The Shareholding Ministers expect Hydro Tasmania's borrowings to be consistent with any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- The Shareholding Ministers expect Hydro Tasmania's borrowings from the Tasmanian Public Finance Corporation to remain within the maximum borrowing limit determined for Hydro Tasmania under this Act.
- Any Hydro Tasmania's 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, Hydro Tasmania 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 Hydro Tasmania.

### **5. OTHER EXPECTATIONS**

#### **5.1 Employee and Industrial Relations**

- The Shareholding Ministers expect Hydro Tasmania 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 diverse workforce participation and appropriate skills and training; 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 Shareholding Ministers are to be notified prior to any significant changes to the employee relations policy of Hydro Tasmania, including the finalisation of any workplace or enterprise agreements.

## **5.2 Integrity and Ethics**

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

## **5.3 Significant Developments**

- The Shareholding Ministers are to be kept informed immediately in writing of any matters of significance. Specifically, the Shareholding Ministers expect to be notified of any adverse developments that may:
  - significantly affect the financial viability or operating ability of Hydro Tasmania;
  - pose a significant risk to Tasmania’s energy security;
  - significantly impact on Government policy, stakeholder relations or environmental issues or that have a wider public interest.
- The Shareholding Ministers 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 Ministerial Charter.

## SCHEDULE 1

### NON-COMMERCIAL ACTIVITIES

- The following non-commercial activities, as defined under Clause 3.2, shall be performed by Hydro Tasmania:
  - the provision of electricity concessions consistent with the *Electricity Supply Industry Concession Order 2016*, credited to electricity consumers on King Island and Flinders Island who apply for the concession on their principal residence and who would be eligible to receive the concession if their principal place of residence were located on mainland Tasmania;
  - the provision of subsidised electricity to customers on King Island and Flinders Island consistent with the current tariff schedule approved by the Regulator pursuant to section 43 of the *Electricity Supply Industry Act 1995* from time to time; and
  - any residual exposure arising from the Large Scale Renewable Generation Certificates component of the Power Purchase Agreement entered into with Westcoast Wind in regard to the Granville Harbour windfarm.