



CORPORATE PLAN

For Financial Years 2024 to 2028

Safety is always our number one priority

snowyhydro

Snowy Hydro Limited

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INTRODUCTION

Disclaimer

This Corporate Plan (**Plan**) contains various long-range plans, projections, high-level estimates and other forward-looking information (**Estimates**). Those Estimates are based on the considered professional assessment of present economic and operating conditions, Australian Government policy at the time of writing this Corporate Plan, and assumptions regarding future events and actions which, at the date of writing this Corporate Plan, are expected to take place.

The Estimates involve known and unknown risks, uncertainties and other factors beyond control that may cause Snowy Hydro Limited's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the Estimates.

While the Estimates are based on the best considered professional assessment, the management team and officers (as defined in the *Corporations Act 2001* (Cth)) of Snowy Hydro Limited do not give any guarantee or assurance to any third party that the results, performance or achievements expressed or implied by the Estimates will occur. The Estimates must not be relied on or considered to represent what will happen by a third party.

Legal Notice

This Plan has been prepared by Snowy Hydro Limited (**Snowy Hydro or the Company**) for Snowy Hydro's Shareholder Ministers, Senator The Hon. Katy Gallagher, Minister for Finance, and The Hon. Chris Bowen MP, Minister for Climate Change and Energy. The Plan covers Snowy Hydro and its wholly-owned operating subsidiaries comprising the Red Energy, Lumo Energy and Direct Connect Australia businesses and has been prepared for the 2023–24 financial year and covers a plan period from FY2024-FY2028 (**Plan Period**).

The Plan is required by, and prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act**), the *Public Governance, Performance and Accountability Rule 2014* (Cth) (**PGPA Rule**) and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* (January 2018) (**GBE Guidelines**).

At the time of writing this Plan, there were no Government priorities under the Statement of Key Priorities¹, Government policy orders² or written instructions or directions under Snowy Hydro's constitution that apply to the Company.

¹ Section 34 of the PGPA Act requires the Company's Plan to align with any Government 'Statement of Key Priorities' that relate to the Company's business.

² Sections 22 and 93 of the PGPA Act allow the Finance Minister to make a Government Policy Order specifying a policy of the Australian Government to apply to one or more Government Business Enterprises.



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OUR PURPOSE

Snowy Hydro is an Australian-owned, dynamic, integrated energy business. Our role is to underpin energy security, lead the transition to renewables and increase competition in energy markets, leading to lower prices for consumers.

In short, we are here to keep the lights on and to help the National Electricity Market (NEM) transition to a decarbonised state, now and into the future.

The Company has been a Commonwealth company under the PGPA Act since 29 June 2018, and a Government Business Enterprise (GBE) since 2 July 2018.

Snowy Hydro's purpose is to meet the objectives set out in Shareholder Ministers' Statement of Expectations (SoE) to the Company³ while delivering Shareholder returns. The SoE states that the Commonwealth acquired 100% of the shares in the Company to support the transition of Australia's energy system, and in particular, to support the expansion of pumped-hydro in the Snowy Mountains Hydro-electric Scheme through Snowy 2.0. Accordingly, the Company's strengths and future aspirations are captured in its **Purpose**, as set out in the SoE, to 'deliver Australia's renewable energy future'.

This reflects the leading role that the Company is playing in underpinning the reliability and stability of Australia's east coast electricity system as it undergoes a clean energy transformation, from predominantly coal fired generation to predominantly renewable forms of generation. The SoE also requires the Company to operate at arm's length from the

Government, and confirms that the Board has ultimate responsibility for the performance of the Company and is accountable to the Commonwealth as its sole Shareholder. In accordance with the SoE, the Company is a commercial entity and is expected to operate on a commercial basis, with flexibility and discretion in its operational and commercial decisions within the bounds of the legislative and governance framework.

Our Purpose can be achieved through the Company's existing and future generating and energy storage capabilities of the Snowy Scheme, and as a leading participant in the NEM as an end-to-end integrated energy provider. Snowy Hydro promotes competition through the provision of price risk management products to wholesale customers and retail products to mass market and commercial customers.

Snowy Hydro provides critical water supply services to the Murray-Darling Basin - through the Snowy Scheme - as well as supporting the local communities where we live and work. The Company invests in our chosen areas of education, including various indigenous youth education foundations, youth health and regional capacity-building.

3 28 October 2021

Our Purpose



1
We are a key provider of NEM risk management functions



2
We strive for sustainable business performance



3
We keep people safe and engaged



4
Through our strategic projects and operational excellence we underpin the NEM's transition to our renewable energy future



5
We aim for #1 in customer service

... which are incorporated in Snowy Hydro's short-term and long-term measures

Financial		Safety	Strategic Projects / Operations		Customer
Group EBITDA	Solid Investment-grade Credit Rating Evolving ESG targets	Total Reportable Injury Frequency Rate (TRIFR) Employees Participation in Safety Conversations	Delivery of Snowy 2.0 and Hunter Power Project	Reliability & Outage Compliance	Net Promoter Score

OUR VALUES

Our Values are the heart of who we are at Snowy Hydro. They guide us in everything we do, from how we interact with each other, our customers, external stakeholders, and communities to the way we deliver our Purpose.

Safety



Safety is always our number one priority

Teamwork



We help each other succeed through support and trust

Ownership



We take pride in our work and own our choices

Agility



We are adaptable and embrace change

Decency

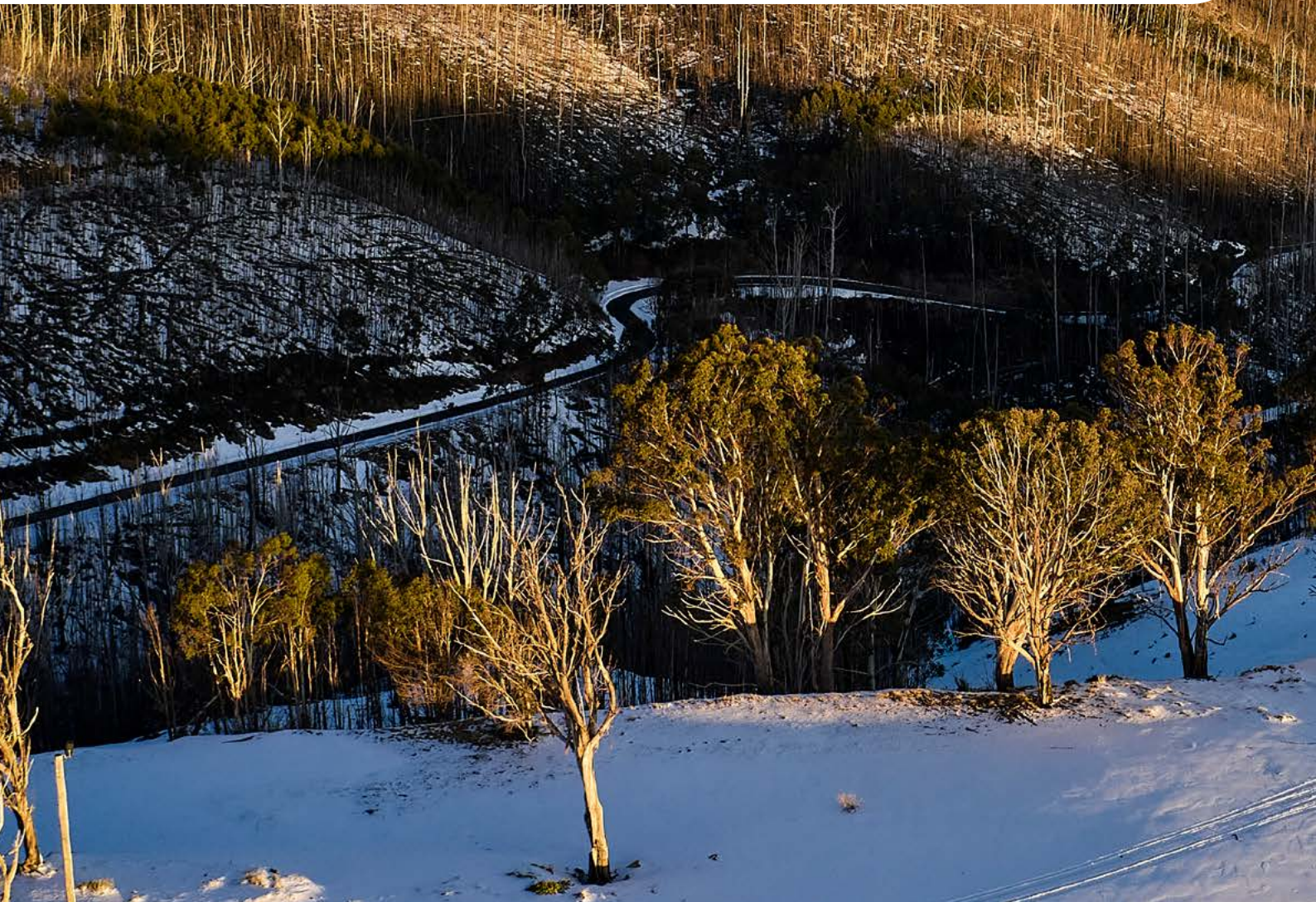


We treat others the way we'd like to be treated

Courage



We speak up and act for what's important



OUR BUSINESS

Generation

17 power stations

10 HYDRO • 3 DIESEL • 4 GAS

Existing pumped-hydro at Talbingo

Pumping station at Jindabyne

5,500MW

maximum
capacity

ACROSS
3 STATES
NSW, SA
& VIC

4,500GWh

hydro
generation
per annum

5,000+GWh

from
contracted
wind and solar



ONE OF THE
NEM'S*
LARGEST
RENEWABLE
GENERATORS

THIRD
LARGEST
GENERATOR
BY CAPACITY

SNOWY 2.0
PROJECT

Australia's largest
renewable energy
project under
construction

2,200MW

HUNTER POWER
PROJECT

a new gas-fired
power station in
Kurr Kurri under
construction

660MW

FOURTH LARGEST RETAILER IN THE NEM*

*NEM: National Electricity Market

Retail

RED ENERGY, LUMO AND
DIRECT CONNECT

ELECTRICITY AND GAS

ACT, QLD, NSW, SA & VIC

1.2 million accounts

residential customers

commercial & industrial accounts

snowyhydro



CHAIR AND MANAGING DIRECTOR'S MESSAGE

It is a period of significant change in Australia's energy markets. The National Electricity Market (NEM) is being substantially reshaped to support the transition to a cleaner, low-carbon national economy. This transition is both critically important and highly complex.

Snowy Hydro is playing a key role in supporting this process, building on our iconic history of enabling significant economic growth and social change in Australia. Reliability and security of supply will remain the central consideration in how we operate and maintain Snowy Hydro's nationally critical infrastructure. The risk of an energy shortage remains, but the experience of the May/June 2022 market events has emphasised the importance of reliable firming generation to NEM participants in reducing the risk of recurrence.

The emergency water reserves that Snowy Hydro quarantined for FY2023 and beyond, as insurance backup for 'keeping the lights on', have been augmented to a level we consider to be close to optimal, given the physical limitations of our storages. These reserves are available to continue to underpin the energy risks that Snowy Hydro assumes through its energy and capacity contracting activities. This puts Snowy Hydro in a strong position, resource-wise, heading into a 'el Niño' period of potentially three or more years of predicted low water inflows.

In addition to the water resource, the energy received through Snowy Hydro's wind and solar offtakes continues to grow, towards a current target of 5,200GWh per annum (which exceeds Snowy Hydro's expected long-term hydro-electric resource). Snowy Hydro is a leader in enabling renewables and thereby driving lower costs for consumers.

We are doing this through a range of developments, in particular Snowy 2.0 and the Hunter Power Project (**HPP**).

Safety remains Snowy Hydro's overriding priority; we aim for the highest standards of safety and strive to constantly improve. Our skilled and committed workforce is supported by a robust safety and wellness strategy which focuses on advancing health and safety outcomes.

We acknowledge the tragic loss of a Future Generation Joint Venture (**FGJV**) contractor working on Snowy 2.0, who sadly died in a road accident on the Snowy Mountains Highway in April 2023. The news of this incident hit us hard and we have expressed our deepest condolences to the family, friends and workmates of the man who passed away.

As previously announced, due to ongoing challenges facing Snowy 2.0 and HPP, Snowy Hydro Management has been undertaking a review and reset of each project. The outcomes of these reviews and resets are now complete and have been announced.

In respect of Snowy 2.0, the estimated total cost for Snowy 2.0 project delivery is revised to \$12 billion with a target date for commercial operation of all units continuing as December 2028 and delivery of first power in the second half of 2027. The terms of the amendment to the existing EPC contract with FGJV are being finalised to an incentivised target contract model, which we expect will result in closer collaboration, stronger oversight and alignment of interests between Snowy Hydro and FGJV. The revised contract will also settle all current claims and lock in an increase to the capacity of the power station by 10%. This means Snowy 2.0 will now deliver dispatchable generation capacity of 2,200MW, as well as providing energy storage of 350,000MWh (or 160 hours of generation at maximum output).

Importantly, the value of Snowy 2.0 to the NEM has increased materially since the Final Investment Decision in December 2018.

In respect of HPP, the expected total cost is now \$950 million and remains on track to be delivered by December 2024.

Despite an increase in costs for both projects, these projects remain economic and will have ongoing social benefits to the communities in which the projects are located. For Snowy 2.0, the Company currently projects a NPV of ~\$3 billion (based on a \$12 billion revised target total cost and December 2028 delivery).

The Company is committed to delivering these critical projects in a sustainable, transparent, safe and efficient manner.

Snowy 2.0 continues to make solid progress across four major work fronts with excavation complete on two major tunnels and underway on the tailrace tunnel and underground powerhouse cavern. Meanwhile, excavation of the headrace tunnel by TBM Florence is now ready to be continued, subject to receipt of necessary regulatory approvals.

The HPP project continues to reach significant construction milestones with the generator foundations complete and installation of the first gas turbine (GT01) ongoing. In addition, all major procurement items have been delivered to Australia.

The Company's financial performance in the financial year 2023 has been strong against the backdrop of a challenging year following our extraordinary contribution the Company made to system security throughout the May/June 2022 energy crisis. In the interests of keeping the lights on in New South Wales, South Australia and Victoria, many of our generating assets were pushed beyond their sustainable output for extended periods throughout the energy crisis. This has led to additional maintenance being required to reestablish full, reliable capacity.

Despite using half of Snowy Hydro's annual water reserves during six weeks of the energy crisis in May/June 2022, the Company's EBITDA was \$455⁴ million for financial year 2023 and the Company returned a dividend to our Shareholder of approximately \$84 million, with a further dividend

expected to be paid in October 2023. This brings total dividends to our Shareholder over five years to approximately \$827 million.

Snowy Hydro will continue to use its assets and energy contracts to promote competition and an efficient market by providing price risk management products to wholesale customers, and by providing attractive products and exceptional service to our retail and commercial customers.

Snowy Hydro is committed to the highest levels of governance. Our Values of safety, teamwork, ownership, agility, decency and courage, in tandem with our Code of Conduct, provide the foundation for our day-to-day activities. We are committed to transparency, accountability and balancing the interests of our stakeholders, the communities and environment in which we operate, our customers and our employees. To further support this, Snowy Hydro is developing an ESG Strategy with three key opportunities prioritised:

- reducing the Company's emissions while enabling decarbonisation of the NEM;
- fully understanding the organisation's climate change risks and being equipped to manage and report on them; and
- deepening our partnerships with Traditional Owners of the land on which we operate.

We look forward to working with the Government and broader industry to underpin the NEM's transition and to meet the objectives set out in the Company's SoE.



Dennis Barnes
Managing Director
and CEO



David Knox
Chair



SNOWY HYDRO KEEPS PEOPLE SAFE

Snowy Hydro is an aspirational company; where we can do better we will do so. We aim to be a good neighbour and an exemplar in Australian business and industry. As a decent and values driven company, we maintain the highest respect for our customers, employees, responsibilities and expectations.

Safety is Snowy Hydro's highest priority

We are committed to getting the job done, but above all, we want everyone to go home safely at the end of the day.

Our safety and wellness strategy has four core components:

1. Our people begin and end each workday safely and well;
2. Leaders lead from the front being visible, lead safety conversations, ask the right questions and foster a 'no fault' learning environment;
3. Our people recognise hazards, are empowered to 'stop the job', anticipate changed conditions, implement controls and actively contribute to 'mate looking after mate'; and
4. Simple and more streamlined systems to proactively identify hazards, deliver controls that work, and provide the required checks and balances to ensure we use the controls and continue to improve.

Snowy Hydro's number one priority is the physical and mental health of our people. We believe we are all responsible for making our workplace safe and healthy, that harm to health and wellbeing is preventable, and our people can flourish both at work and in the households and communities in which we live and operate.

Snowy Hydro also prioritises investment in safe plant and equipment, safety culture, leadership training, critical risk and hazard identification and engineering controls (Major Accident and Single Fatality Prevention), leveraging technology-based safety solutions to increase speed and ease of reporting, and extensive wellbeing programs, especially in rural and regional areas.

On Snowy 2.0 and HPP, Snowy Hydro's contractors (FGJV for Snowy 2.0 and UGL for HPP) have primary accountability for safety on the projects. However, Snowy Hydro requires FGJV and UGL to operate consistent with Snowy Hydro's health and safety principles, targets, objectives and strategy for the projects. A comprehensive program of assurance activities, including inspections, critical control verifications and audits, are undertaken by Snowy Hydro to verify that FGJV and UGL are taking the necessary and appropriate steps to manage the health and safety of Snowy 2.0 and HPP workers.

WE PLAY A KEY ROLE IN MANAGING NEM RISK, FOR RETAIL AND WHOLESALE CUSTOMERS, AND STRIVE FOR SUSTAINABLE BUSINESS PERFORMANCE

Snowy Hydro's position as a provider of key NEM risk management products and services is built on a complex portfolio of long-term contracts with buyers and sellers in the wholesale and commercial markets. Our customers value this greatly for their own risk management.

The most logical prospect for selling capacity and renewable energy in return for the optimal total net revenue stream is to target the consumer groups willing to purchase customised products for the capacity and energy contained in firmed, reliable green energy products.

One of our key strategic goals is to reduce the sensitivity of Snowy Hydro's earnings to fluctuations in spot and contract prices for energy and capacity.

Due to the nature of the Company's contracting operations, our counterparties are exposed to long-term Snowy Hydro credit risk. Accordingly, an investment-grade credit rating of BBB+ or better is essential to enter into risk management products, hedge contracting positions for retail and Commercial & Industrial (**C&I**), and long-term contracts for energy and renewable energy certificate purchases. Maintaining a strong rating from Standard & Poor's (S&P) remains a top priority.

FINANCIAL YEAR 2023 PERFORMANCE

FY23 HIGHLIGHTS

The 2023 performance of the Company has been strong against the backdrop of a very challenging year post our extraordinary contribution to system security throughout the May/June 2022 energy crisis.



FINANCIAL

1

Generation Revenue FY23

exceeded planned revenue.

2

Retail Revenue FY23 and customer growth

exceeded plan.

3

Group EBITDA FY23

exceeded plan, despite **detrimental impacts of the May/June 2022 market event.**



CUSTOMERS

MORE
THAN

1.2m

retail electricity and gas accounts

Retail customer growth of over

67,500



brand amongst competitors for Net Promoter Score for the 8th year running.

↑ 12% NSW



2023 Canstar Blue Award for Most Trusted Electricity Provider nationally.

100% customer satisfaction

for the sixth consecutive year amongst C&I customers, measured by Utility Market Intelligence.

Continued strong growth in C&I revenue and load

(now approximately equal in size to the mass-market business).



SAFETY

GENERATION

FY23 on par with FY22

3 significant safety incidents (2 high potential near hits and 1 lost time injury).

Ongoing rollout of a behavioural safety program called **Our Story** has been delivered by our leaders to our people, which will sustain Snowy Hydro's positive safety culture in the future.

RETAIL
BUSINESS

ONE

lost time injury in field sales for FY2023.

Retail delivered a mental health training program to build organisational comfort and capability of leaders to understand how to respond and support our people.

Snowy 2.0
and HPP

Snowy Hydro continues to monitor all aspects of the Snowy 2.0 and Hunter Power projects and continues to make safety our number one priority.



THE FUTURE OF THE NATIONAL ELECTRICITY MARKET (NEM)

The NEM's rapidly changing fleet of generating assets, with new entrants being predominantly renewables, finds itself at odds with a transmission grid built for a different purpose. Given the challenges inherent in building large-scale, long-distance electricity transmission, the role of 'deep' storage of energy will become even more critical. In this context, the evolution of Australia's power generation will rely on Snowy Hydro's inherent strengths and growth opportunities in large-scale energy storage, firming products and peaking generation.

The basic design of the NEM was formulated on the principle to use spot price volatility as a signal of the need for new power stations to be built.

This has enabled NEM participants to calibrate their spot and contract exposures according to their risk thresholds, and to optimise the new build of power stations.

Snowy Hydro has focused on using its firming capacity to provide price protection for users and to enable the development of renewable energy, including wind and solar.

Snowy Hydro's highest-growth business segment has focused on offering competitive renewable energy products to price-sensitive C&I customers, backed by its fast-start dispatchable generating assets and combined with solar and wind power purchase agreements. This customer segment is populated by organisations with sophisticated electricity procurement, normally supported by external advisers.

For Snowy Hydro to thrive in this competitive segment in FY24 and beyond, it must continue to offer innovative, competitively-priced products. More generally, the Company must sell similarly bespoke products to other segments and customers over the coming years.

The NEM's Energy Transition

Australia's power generation infrastructure is the largest greenhouse gas-emitting industry, contributing a third of total domestic emissions. Substantial emissions abatement is achievable through the uptake of renewable forms of power generation, underpinned by Australia's abundant, high-quality wind and solar resources. Any scenario with significant decarbonisation of the Australian economy will require the power generation sector to make a leading contribution.

Driven by rapid global growth, the cost of wind and solar generation has progressively declined, reaching the tipping point of price parity between coal and renewables in the NEM, resulting in rapidly increasing consumer demand for now-affordable renewable energy products. Snowy Hydro's cheapest and least-risk source of commodity energy is via offtakes with solar and wind farms. The intermittent energy thus procured is transformed into saleable (firm) products using Snowy Hydro's combined asset portfolio and associated risk management capability.

In recent years, stronger renewable energy targets were passed into law in Victoria and Queensland, requiring a 50% contribution from renewable sources by 2030; Tasmania announced an aspirational target of 200%⁵ renewable energy by 2040; the NSW Roadmap was legislated setting targets of 12GW of new renewables and 2GW of storage by 2030. With policies supporting the adoption of renewable forms of electricity production, these changes will contribute to a doubling of the market share of renewable generation in the NEM over the next decade.

Daily, monthly and seasonal demand patterns in the NEM over the Plan Period are expected to continue to increase in volatility. Intra-day, the traditional definitions of 'peak' and 'off-peak' have become essentially redundant. The NEM's definition of the 'peak' period will no longer be relevant as it includes the midday reduction in net demand caused by solar generation.

In an anticipated environment of at-best minimal NEM energy demand growth over the Plan Period, each market share increase of renewable energy production will create a cycle of diminished production and greater wear and tear, and hence higher energy production costs for coal-fired generators. The accelerated decline in the reliability of the coal-fired plant and the timing of their retirement creates attractive market conditions for further renewable generation and the firming generation required to back up the intermittent renewable energy.

Increasing renewable penetration requires investment in four key areas:

1. Transmission infrastructure;
2. Ensuring system security is maintained, including additional flexible peaking generation;
3. Additional energy storage, primarily in the form of pumped-hydro (longer-term) and batteries (shorter-term); and
4. Open-cycle gas-fired power plants.

These are required to reliably balance increasing amounts of uncertain and variable renewable energy production with patterns of consumer demand, which do not match renewable production patterns, and to reduce curtailment of renewable energy production and deliver emissions reduction in the NEM at least-cost.

5 Tasmania has an aspiration to produce 100% more energy than it consumes, with the 'surplus' to be entirely produced from renewable sources in Tasmania. The surplus must also be exported, likely in the form of electricity to Victoria or possibly shipped in the form of liquid hydrogen.

Gentailers operating in the NEM

Strategically, the large gentailers are increasing their investments in renewable energy and battery storage assets as they look to maintain their vertical integration of energy supply and retailing. Origin and AGL have announced plans to build batteries at the site of their retiring coal power plants (Eraring and Liddell respectively).

Lower barriers to entry for short-duration batteries, similar to wind and solar, represent low competitive advantage, compared with investment in firm generation assets. To create value, the gentailers are broadening their retail market participation and assessing hydrogen production.

Large international players' participation in the Australian generation and retail market has grown

significantly in recent years, primarily through acquisitions. Emerging competitors and incumbents will require deep storage and firm capacity to support their renewable position and Snowy Hydro is capable of contributing to further developments in all jurisdictions.

In the retail market, the gentailers are looking to diversify products by developing partnerships with broadband service providers to provide tri-products (electricity, gas, broadband) as well as deepening their offering through distributed energy resources (rooftop PV, batteries and virtual power plants).

Green hydrogen can potentially, now or in the near future, offer a technology solution that provides an attractive emissions-free alternative for high energy density applications like long distance haulage or mobility, fertiliser production, air travel and export.



BUSINESS ENVIRONMENT

Renewable energy targets are reshaping power generation demand. Coupled with an overall transition in Australia's economy towards lower emissions and disruption for coal-fired generation, this plays to Snowy Hydro's strengths in energy storage and flexible generation. The NEM's transition presents Snowy Hydro with substantial and long-term growth opportunities in wholesale and retail markets.

The impacts of climate and weather provide risks to infrastructure, supply and demand volatility, but the Company's ongoing efforts in diversification and leading-edge technologies place Snowy Hydro in a robust position to increase value and provide strong competition in energy markets.

Focusing on customer requirements and preferences in this environment and delivering value-based decisions will create the platform for success.

Energy and climate policy and regulation

The electricity generation sector is making an important contribution to decarbonisation in Australia. Ongoing decarbonisation of the NEM will be critical if Australia is to meet its emissions reductions targets.

Wind and solar is displacing coal as the principal source of bulk energy in the NEM. This has lowered the cost of energy and the emissions intensity of electricity generation, but has created an urgent need to augment the transmission system and increase sources of flexible capacity and storage. It is critical that appropriate regulatory reforms are implemented to ensure that the new transmission, firming and storage are built in time for the retirement of ageing coal assets.

By taking action now to address these challenges and to form strong fact-based policy arguments for reform, it will be possible to resolve the 'energy trilemma' - providing affordable, reliable and low emissions electricity. The Company has a proactive and strategic approach to addressing regulatory and policy risks, based on building targeted and timely relationships with key Government, regulatory and industry stakeholders.

Wholesale Energy Markets

Investment in wholesale generation facilities, new and old, is facing unprecedented challenges.

In its Step Change scenario, AEMO's 2022 ISP forecasts more than 125GW of new variable renewable energy is needed by 2050 to replace coal-fired generation.

Large-scale renewable projects are facing cost and revenue uncertainty, along with a changing risk profile related to grid connection technical requirements, marginal transmission loss factors and multiple impacts on supply chains. While project completion rates have been modest last year, there has been a significant rise in the commitment to new renewables, which is essential for achieving the aforementioned targets.

Snowy Hydro's commitment is to apply its portfolio of on-demand reliable generating assets to firm up incoming renewables and store excess energy. This is demonstrated by Snowy Hydro's continuous

renewable energy procurement program that has been key to the installation of over 1,650MW of new renewables in the VIC/NSW markets. In total, they will provide an average of 5,200GWh of renewable electricity per annum, which is enough to power approximately 900,000 households.

Further investment in the existing generation portfolio, Snowy 2.0 and the HPP, strengthens our portfolio's capability to meet the growing demand for firming and energy storage services and products. Investing in core assets is a key tenet in Snowy Hydro's history and reputation.

Transmission investment to meet the fit-for-current-purpose requirements, and invest for the future.

In recent years, the pace of development of the NEM's transmission infrastructure has increased, with major new transmission links reaching significant milestones. This paves the way for greater interconnection between the mainland NEM states and a surge in renewable project developments over the Plan Period. A new major interconnection between SA and NSW (Project EnergyConnect) received financial close and began construction, with completion planned for late 2024.

A major new inter-regional transmission link (HumeLink) connecting Sydney to Project EnergyConnect and the Snowy region, completed the regulatory investment test process. AEMO awarded a construction contract for an upgrade to Western Victoria's transmission network, required to accommodate up to 6,000MW of proposed new wind and solar farms in western Victoria in the next decade, and the Victorian Government announced plans to accelerate an upgrade to the Victoria to NSW transmission network.

Timely delivery of new transmission, especially HumeLink and VNI West, is vital in getting Snowy 2.0's full capability to market. A proposed new submarine cable transmission link between Tasmania and Victoria (Marinus Link) is progressing through the transmission investment test process.

Continuing to build social licence with all impacted communities through earlier engagement initiatives remains critical to construction execution as the grid transitions to cleaner energy.

Fuel price impacts and outlook

Australia's east coast domestic gas market is tight. Traditional sources of gas supply are in decline, new developments face increased requirements, and demand has been driven by an increased reliance on gas-fired generation to support baseload electricity needs as other fuel sources become less dependable. In recent years, incumbent gentailers have suffered from decreasing reliability from their legacy coal-fired generation assets and from coal supply constraints. This has significantly impacted the market over the last couple of years and in part led to the east coast market event in the winter of 2022.

The winter 2022 market event prompted the Federal Government to intervene in gas and coal prices, with a \$12/GJ gas cap currently instated for at least the next two years under the Mandatory Gas Code of Conduct.

NEM spot and contract prices remain sensitive to supply and demand variations. Although moderated by a forecast 2023 mild winter, the price sensitivity is expected to continue, exacerbated by coal unit outages and planned decommissioning, and the increase of wind and solar which acts as a random variable in either suppressing prices or causing price spikes, particularly if unexpected under-supply from renewables coincides with low coal availability or transmission line outages.

Like other major wholesale gas-market participants, Snowy Hydro will seek to purchase long-term wholesale gas with major creditworthy counterparties, each offering contract terms bespoke to their portfolios.

Retail Energy Markets

Last financial year saw the collapse of six smaller retailers. The pressures of regulatory price caps and higher wholesale electricity prices meant a number of retailers could not pass on nor sustain electricity market costs and went into receivership.

Market risks remain for smaller retailers and we expect more retailer consolidation in the short to medium term. The large incumbent retailers with recognised brands attracted customers exiting smaller retailers. Tier 1s (AGL, Origin and Energy Australia) also inherited customers under the Retailer of Last Resort (RoLR) provisions. Red Energy and Lumo Energy also benefited, growing their customer base across all states and territories.

The interest from consumers in sustainable energy options continues to develop, as most retailers compete on low carbon products. Red and Lumo offer a carbon offset natural gas product under Climate Active.

Against the backdrop of regulatory rules, the Australian Energy Market Commission (**AEMC**) and Energy Security Board (**ESB**) continue to push for market reforms facilitating a distributed energy grid. Retailers are most exposed to the tensions between regulation and market reforms and our Regulatory teams are actively guiding market designs to protect our customer base.

A growing number of customers are seeking energy independence through behind the meter solar and battery systems. Retail is exploring products and services that can mutually benefit prosumers and retailers such as Demand Response and Virtual Power Plants. The timing of these initiatives is informed by the size of the opportunity and the progress of ESB's post 2025 market design.

Retail is in a strong position to capitalise on current and developing market conditions. Our trusted brands attracted a large number of customers during the 2022 market event. The recent Climate Active carbon neutral certification of Retail's business operations and natural gas product is setting our brands at the forefront of sustainable and environmental energy retailing.



Climate and Weather

In a changing climate, Snowy Hydro is well-positioned to continue to operate flexibly and reliably and provide much-needed system stability for the NEM. We have a strong history of operating under highly variable and extreme climate conditions.

The key climate change risks to our assets and operations are associated with Snowy Scheme inflows, NEM demand and volatility, and bushfire impacts on transmission.

Climate projections in the Snowy Mountains point to annual Scheme inflows trending below the long-term historical average and becoming increasingly variable. Operation of the Scheme under the Snowy Water Licence will mean the Scheme is at low storage levels more frequently and will become more reliant on inflows rather than storage to meet release targets. The accumulation of above-target water will also reduce, limiting Snowy Hydro's ability to release more than the required annual release targets in times of high energy demand.

The long-term climate trend marked by hotter summers and more frequent drought is one of many reasons why pumped-hydro, including the existing Tumut 3 Power Station and Snowy 2.0, are such critical large-scale storage assets.

Within the long-term drying trend, climate projections suggest an increase in the frequency and magnitude of extreme precipitation events and extreme flood risk. This presents increased physical risks, primarily to Snowy Scheme infrastructure and operations, notably the Scheme's dam structures. Flood risks to dams are addressed through the Company's Dam Safety Management Program which ensures Snowy Hydro's dams are capable of safely managing future extreme inflow scenarios in accordance with dam safety regulatory requirements.

Snowy Hydro has demonstrated robust, proactive dam safety management and Scheme operations during significant rain events in recent years. We work closely with the NSW Department of Planning and Environment when controlled releases are necessary to manage spill risks and protect downstream communities during sustained periods of wet weather.

The location-diversification benefits of Snowy Hydro's generation assets across NSW, Victoria and South Australia reduce our exposure to extreme weather events. For instance, in the Black Summer of 2019-2020, with low Scheme storage and high market volatility accompanied by heatwaves, lightning and bushfires, we were able to operate safely and utilise our fast-start generation and pumped-hydro storage capacity to help keep the lights on in the NEM. The risk of bushfires impacting or damaging the operation of the Company's physical assets is well understood and is the basis of the mitigation strategies pursued by Snowy Hydro.

We will continue to consider the risk of extreme weather, seasonal climate variability and longer-term climate change in our operations and within our portfolio and asset management.

Water operations

The Snowy Water Licence (the Licence) prescribes the operation of the Snowy Scheme. The Licence, administered by the NSW Government, regulates the use of water in the Snowy Scheme and imposes obligations on Snowy Hydro. It also sets out water accounting and reporting procedures for Snowy Hydro.

Snowy Hydro does not own any water within the Snowy Scheme. The Licence allows Snowy Hydro to collect, divert, store and release water in the Snowy Catchment Area.

It obliges Snowy Hydro to carry out certain minimum water releases each year to the Murray and Murrumbidgee rivers, and environmental releases to the Snowy and Montane rivers. The Licence also requires maximum release limits to balance the interests of water users with energy production.



OUR GENERATION BUSINESS

At the most fundamental level, Snowy Hydro's energy and capacity positions provide the foundations for a portfolio of low-cost capacity, energy and storage assets that is robust to potential changes in industry structure and brilliantly placed to meet the changing demands of electricity customers of every size.

Through the development of our suite of firming products, Snowy Hydro will continue to grow the sale of cost-effective, firmed renewable energy to retail, commencing with C&I customers. Capacity contracts will remain a major contributor to Company value.

Snowy Hydro is ideally placed to offer renewable energy products that C&I customers are increasingly demanding, by supplementing Scheme energy production with energy purchased through contracted offtakes from wind and solar farms.

Capacity product option premiums have been Snowy Hydro's most stable revenue source, delivering much of the organisation's economic value while managing a significant amount of risk for customers. However, as the NEM transitions, Snowy Hydro is evolving to deliver products requested by its diversified customer base. Snowy Hydro's portfolio of physical assets and existing derivatives book positions it to be a market leader, combining capacity, energy and storage product components to create firming products and services for intermittent renewable generation sources. Snowy Hydro can provide highly reliable dispatchable capacity and flexibility amongst its portfolio, matching the intermittent requirements inherent in firming products.

Firming products are a combination of energy - supplied through wind and solar offtakes - and capacity - supplied through Snowy Hydro's hydro and thermal generating fleet.

Capacity contracts (caps) are a major contributor to Company value. These contracts are backed by Snowy Hydro's energy generation in NSW, Victoria and South Australia, utilising generating capacity not allocated to the Company's retail customers.

Some of the capacity will be placed into new product lines formed by Snowy Hydro and other market players, such as the recently developed 'Super Peak' capacity contract covering only the winter mornings and evenings and summer late afternoons to fill demands left uncovered when solar generation is absent or low.

Commercial and industrial customers

With the contracting of 1,650MW of renewable generation since 2019, Snowy Hydro has successfully marketed and sold new 'firmed' renewable energy products (Snowy TrueGreen™) to customers, which provide an attractive alternative to long-term market price risk, while lifting environmental performance to meet the growing expectations of our Shareholder and other stakeholders. These firmed renewable products deliver longer-than-usual contract tenure and strong wholesale (energy, capacity and storage) value.

The Snowy Hydro C&I team's outstanding customer experience and ability to develop long-term, value-adding relationships with C&I customers has led the market for six consecutive years in customer satisfaction, achieving unprecedented scores of 100% satisfied for the six consecutive year, measured by Utility Market Intelligence. This has enabled the Company to retain C&I customers at higher margins, reflecting the value customers place on superior service.

Energy sourcing

The directly contracted electricity customer load (residential, small and medium-sized enterprises and C&I) in NSW and Victoria will total around 7.6TWh per annum at the start of the Plan Period, significantly exceeding the approximately 4.3TWh of long-term annual average energy production from the Snowy Scheme. Directly contracted load is forecast to increase over the Plan Period as the retail growth strategy is executed. To meet these needs, Snowy Hydro is supplementing Scheme energy production with energy purchased through contracted offtakes from wind and solar farms in NSW and Victoria.

Additional renewable energy purchases may be necessary to support the ongoing growth in contracted retail customer load over the Plan Period. The quantum and timing of these additional purchases depends on a range of factors, including the achieved and forecast level of retail load growth and the availability of suitably priced renewable energy offtake contracts.

Development initiatives

Snowy 2.0

Snowy Hydro has completed its previously announced Snowy 2.0 project review and reset. The estimated total cost for Snowy 2.0 project delivery has been revised to \$12 billion. The target date for commercial operation of all units is in December 2028, with first power to be delivered in the second half of 2027.

The fixed-price EPC Contract was executed by Snowy Hydro and FGJV following FID in a relatively benign and supportive environment. The EPC Contract is no longer fit for purpose. The terms of an amendment to the EPC contract with FGJV are being finalised to an incentivised target contract model, which will result in closer collaboration, stronger oversight and alignment of interests between Snowy Hydro and FGJV. The revised contract will settle all outstanding claims.

An additional outcome of the project reset is an increase to the capacity of the power station by 10%. Snowy 2.0 will now deliver dispatchable generation capacity of 2,200MW, as well as providing energy storage of 350,000MWh (or 160 hours of generation at maximum output).

The cost revision reflects the compound effect of extraordinary factors. The external factors have impacted major projects around Australia and globally, in particular:

- The major disruption caused by the COVID-19 pandemic;
- Delayed ability to mobilise, given critical shortages of skilled labour, exacerbated by quarantine and movement restrictions;
- Extended and ongoing disruption to global shipping and supply chains caused by the pandemic, conflict and natural disasters, delaying access to key materials;
- Significant inflation in costs of key construction materials and inputs; and
- Significant inflation in labour costs.

In addition the project has been impacted by:

- design immaturity at FID, with a number of design elements requiring more time to complete due to their technically complex nature. The final design now being more expensive to construct; and
- the impact of variable site and geological conditions, with the most impactful being the soft ground encountered that is delaying tunnel boring machine (TBM) Florence's progress at Tantangara.

Despite the challenges outlined above, the project continues to be economic. Strong and growing market demand for dispatchable electricity is expected to underpin demand for the services provided by the project well into the future.

Construction of Snowy 2.0 is now approximately 40% complete and solid progress continues to be made, including:

- Excavation of the main access and emergency cable and ventilation tunnels is now complete - approximately 6km of tunnelling;
- Excavation on the 6km tailrace tunnel has commenced and tunnelling on the 1.45km inclined pressure shaft will commence shortly;
- Work on the underground power station is now underway with access available from both ends and excavation and support of cavern crowns underway;
- Excavation at the Talbingo intake (where water will enter during pumping and exit during generation) is halfway complete, with 310,000m³ of earth excavated, while the first stage of earthworks at the Tantangara intake is complete, involving the movement of 205,000m³ of earth; and
- Manufacturing of the six pump turbines has commenced, the first major mechanical component has been shipped and has been transported to site.

Excavation of the headrace tunnel by TBM Florence is now ready to be continued, subject to receipt of necessary regulatory approvals.

The project currently has a team of approximately 2,700 Australians dedicated to its safe and efficient delivery. An additional 1,500 jobs are forecast over the project's lifespan.

Hunter Power Project

Snowy Hydro has completed its previously announced HPP project review and reset. The project has experienced similar challenges to Snowy 2.0 and following a comprehensive review the expected cost is now \$950 million. Despite the increased cost, the HPP remains economic.

Construction continues to progress on schedule, with approximately 460 people working on the project. HPP remains on track to be delivered by December 2024.

Transmission

Since AEMO's inaugural integrated system plan in 2018, the ISP aims to provide a 'whole of system plan' for supplying affordable and reliable electricity to homes and businesses in the NEM while supporting Australia's net zero ambitions. ISP 2022 incorporates significant updated inputs, assumptions and scenarios based on current and forecast economic and market developments.

Since the last version of the ISP (2022), the Regulatory Investment Test for Transmission (RIT-T) was completed by Transgrid for HumeLink, which is progressing to the early works stage. It is projected by Transgrid to be implemented by July 2026. The timing of HumeLink is of utmost importance to the Snowy 2.0 business case and remains the single-most-important transmission development for the renewable sector in the NEM and for Snowy 2.0. HumeLink must be in place as soon as possible to match the commissioning for Snowy 2.0.

While HumeLink is the most urgent for Snowy Hydro, Sydney Ring South must also be completed in order for Snowy Hydro to realise the full benefits of the link, that is, access to the Sydney load centre. The timing of Sydney Ring South is proposed for 2027-28.

VNI West is essential for Snowy 2.0 to access Victoria but is earlier in development than HumeLink. AEMO and Transgrid released the VNI West Project Assessment Conclusions Report (PACR) which marks the end of the formal RIT-T consultation process under the National Electricity Rules (NER). VNI West must accelerate to facilitate system security and support the cost-effective growth of large-scale renewable generation in Victoria and NSW, and be ready for the commissioning of Snowy 2.0. ISP 2022 also recommended VNI West should be progressed for completion urgently, noting a latest delivery date of July 2031 or earlier with additional support. The Company will continue to advocate to Ausnet Services, Transgrid, AEMO and stakeholders that VNI West must be accelerated to match the timing of Snowy 2.0 coming online.

In addition to the critical projects, the NSW actionable projects will be assessed under the Electricity Infrastructure Investment Act 2020 (NSW). To address congestion risk along the existing main transmission path between western Victoria and the main Sydney load centre, Snowy Hydro is proposing to AEMO and Transgrid that additional transmission works be undertaken between Bannaby and metropolitan Sydney to ensure sufficient access to NSW load centres for Victorian exports and southern NSW generation. Similar works are examined in Transgrid's *NSW Transmission Annual Planning Report 2020*.

The pace of transmission development in Victoria has increased considerably compared with the previous decade and other NEM states, with major new transmission projects arising from ISP outcomes and the broader renewable energy transition, and further accelerated by the Victorian Government's increased renewable energy target (VRET), targeting 50% renewable energy by 2030.

As a direct result of the rapid uptake of renewables in Victoria, a significant transmission system weakness has been identified in the renewable resource-rich western region of Victoria (the West Murray Zone). This will require significant transmission system reinforcement to fully overcome. Fortunately, the planned transmission system developments required to address the long-term solution for the West Murray Zone, notably Project EnergyConnect and VNI West, are, at the time of writing, well-aligned from a capability

perspective with the inter-regional developments previously proposed to support Snowy 2.0.

The technical characteristics of the transmission infrastructure, its operation and associated market rules are sources of market access risk for Snowy Hydro. The mal-operation or forced loss of transmission capability is a low probability but potentially high financial consequence event (transmission tail risk).

The Company's Colongra, Laverton and Valley Power gas-fired power stations provide critical transmission 'tail risk' diversification for Snowy Scheme generators, given their favourable location within the transmission network relative to the constraints impacting market access for Snowy Scheme generators. The benefits of this transmission risk mitigation are a key factor influencing locational decisions for future peaking generation developments.

The Hunter Power Project and transmission developments across NSW and north-western Victorian transmission networks have the potential for favourable and unfavourable impacts on transmission constraints and risks for NEM participants. While the Hunter Power Project will provide the firm and dispatchable capacity required by the future NSW network, it is unclear how Battery Energy Storage Systems (BESS), renewables and transmission investments will affect the NSW electricity system.

Hydrogen

Snowy Hydro considers that green hydrogen represents an extension of its successful strategy to diversify its generation assets by geography, purpose and fuel type. Hydrogen's emerging potential role is significant, particularly as an additional provider of energy storage. This would ideally occur by way of a network of hydrogen electrolyzers powered by surplus renewables in diverse locations, feeding into a dedicated hydrogen transmission network and powering hydrogen-fired Gas Powered Generation (GPG).

The events in the NEM from May/June 2022 have underscored the need for significantly more energy storage than is currently available. Constructing a comprehensive and large-scale hydrogen delivery

network has potential to address the storage shortfall while contributing to NEM and industry decarbonisation goals. Snowy Hydro also recognises the potential of hydrogen to be supplied within existing natural gas pipeline infrastructure, as demonstrated by recent advancements made by APA in Western Australia, although further progress is still needed in this area.

Snowy Hydro's goal therefore is to support as an offtaker of an evolving hydrogen delivery system that encompasses production (most probably in many locations in the vicinity of renewable energy zones (REZs) and available water sources), transmission, storage and delivery. These pieces will require the assembly and cooperation of numerous infrastructure developers; Snowy Hydro's active participation will be required in order to ensure our requirements are at the centre of this evolution.

Snowy Hydro participated in the Port of Newcastle - Hydrogen Hub Pipeline/Network Feasibility Study (PoN Hub) as a key member. The study recognised the Hunter region as an ideal location for an early green hydrogen electrolyser and pipeline development. The project and infrastructure in that region provides the potential to decarbonise significant industry users, household distribution, and export, as well as support green hydrogen as a fuel for GPG.

Snowy Hydro continues to assess green hydrogen options for use as a fuel source for GPG at various levels of blended hydrogen, including the potential for developing GPG fuelled by 100% hydrogen. Snowy Hydro has planned the Hunter Power Project (HPP) to allow it to operate on hydrogen in line with the commercial availability of the fuel. The timing of HPP green hydrogen access or the development of 100% hydrogen GPG plant will be driven by the development pathway and economics of regional hydrogen production and requisite dedicated pipeline network infrastructure.





OUR RETAIL BUSINESS

Our purpose is to *bring energy to life for our customers* while delivering a return to our Shareholder.

Brand value, innovation, trust and reputation are essential ingredients for customer growth in a market where price and product differentiation is challenging. The core strategic element to achieve this is to focus on delivering exceptional customer experience through a highly engaged workforce that is guided by our values.

The Retail business provides an important, stable channel to market for Snowy Hydro's generation and capacity products, while delivering additional retail margins and helping to stabilise group earnings.

Value is delivered by growing a quality customer base, defined by customers who stay, pay and refer, with an ongoing focus on three established pillars for success:

1. Delivering an exceptional customer experience to generate loyalty, referral business and a willingness to pay for value provided;
2. Maintaining a highly engaged workforce, living our values and delivering the exceptional customer experience the business strives for; and
3. Growing the profitability of the business by growing market share, delivering Shareholder value through the Retail EBITDA contribution, as well as providing earnings stability to Snowy Hydro through its purchase of wholesale electricity.

We will continue to enhance systems to increase customer choice in how they interact with us and invest in technology and automation to reduce cost to serve, driving productivity and efficiency gains from process enhancement and automation, freeing up people to engage with customers.

The Victoria and NSW retail markets remain a core focus, aligned with the Company's integrated generation position. South Australia is also an attractive opportunity for growth, backed by Snowy Hydro's physical assets and renewable contracts and supported by Project EnergyConnect's strengthening of interconnection with NSW by 2026.

The Queensland market must sustain an independently profitable retail operation with no integration benefits accruing to the Snowy Group. The regulatory environment has in the past proved unpredictable and securing cost effective, risk managed wholesale energy supplies a challenge. Nonetheless retail competition has been intense. South-east Queensland is the third-largest retail market in the NEM and offers an opportunity to secure scale benefits from customer growth and remains a live opportunity for Red Energy.

Regulated default prices are expected to keep downward pressure on retail prices and margins over the Plan Period. Since price re-regulation we have seen some smaller retailers exit the market and lower levels of customer churn.

Our investment in customer growth is guided by the dynamics of energy regulations and shifting emphasis of marketing and customer acquisition efforts between states, regions and segments as profitability changes. Our response is to continue to invest in a suite of brands that offer flexibility with price, products and by market segment, while building brand awareness and consideration through a combination of above-the-line and digital advertising and selective sponsorships.

The rapid increase in solar penetration is resulting in lower daytime residential imports and forecasts by 2030, operational residential demand across all jurisdictions will be negative between noon and 2pm.

As a consequence, daytime is becoming the new off-peak period, with lower wholesale, network and feed-in-tariff rates. South Australia's network operator has already introduced a 'solar sponge' tariff to that effect. Residential batteries will become increasingly valuable in shifting PV generation to a time where electricity rates are more expensive, particularly with many network businesses planning to introduce export charges for customers from July 2024. However battery costs currently remain prohibitively expensive for broad mass market appeal.



OUR CAPABILITY



Snowy Hydro attracts highly agile, intellectually curious and intelligent problem-solvers. We pride ourselves on the agility and diversity of thought demonstrated by our workforce, and their ability to think 'outside the box' in identifying and delivering solutions that achieve the best outcomes for the Company and community.

Snowy Hydro's people are our greatest assets, and we are proud of our successful track record in maintaining and fostering a highly skilled, diverse, professional and technical workforce. This is increasingly important in the face of a rapidly evolving industry and corporate environment, where innovation, dynamic capabilities and non-traditional approaches are critical to organisational success.

A robust corporate governance framework oversees the capability strategy. The People and Culture Committee provides advice to the Board on culture and conduct, diversity and inclusion and human resource strategic priorities and challenges to ensure the Company has the requisite capability and mindset to achieve its long-term goals.

We conduct regular strategic workforce planning reviews to ensure we have the capacity and capability to achieve the long-term success of the Company in a highly complex and rapidly changing environment. Snowy Hydro also routinely augments its internal skill set through strategic supplier and service partnerships, specialist consultants and contractors.

Snowy 2.0 and the Hunter Power Project have reinforced the importance and ongoing need to maintain a strong talent pipeline, as has the ability and agility of the Company's Retail executives to grow their capability over a 10-year period in alignment with the Retail growth strategy.

Snowy Hydro also proactively invests in its future capability through targeted apprenticeships, traineeships, scholarships and graduate programs, with approximately 10% of the generation workforce in these programs in any given year. We engage with local students to encourage an interest in science, technology, engineering and mathematics (STEM)-oriented careers to build a sustainable local talent pipeline.

Snowy Hydro also provides ongoing career development opportunities to our workforce through promotions, transfers, secondments or involvement in projects and cross-functional teams to ensure we develop the right skills and diversity of experience for the future.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)



Through its long term role in the energy market and in our local communities, Snowy Hydro has a proven track record in delivering on ESG principles underpinned by our Values.

In Financial Year 2023, the Company established a Sustainability Program (the Program) to strengthen its ESG Strategy.

Our ESG principles remain integral to Snowy Hydro's continuing high standards of integrity, transparency and professionalism at all levels of operation. Snowy Hydro is currently developing an ESG Strategy, with three key opportunities to be prioritised:

- reducing the Snowy Hydro's emissions while enabling decarbonisation of the NEM;
- fully understanding the organisation's climate change risks and being equipped to manage and report on them; and
- strengthening our respectful and meaningful partnerships with Traditional Owners of the land on which we operate.

Our ESG framework is represented below:



PLAN PERFORMANCE MEASURES

The Company projects solid growth in EBITDA and Net Profit after Tax.

Snowy Hydro's performance is measured against financial and operational indicators incorporating safety, environment, revenue and customer components. While some performance measures, such as safety, apply across the Snowy Hydro Group, others are cascaded across relevant business units and roles to ensure alignment on the Company's objectives. This framework is benchmarked against industry best practice and is reviewed annually by the Board.

The Board and management regularly review the key performance measures to ensure the Company is meeting its objectives and to identify emerging issues. In addition, Board Committees review performance measures and targets in detail within the remit of their respective charters based on performance and current developments.

FINANCIAL MEASURES

Snowy Hydro's Consolidated EBITDA will be driven by the growth platform the Company has established. The mix of C&I and mass-market retail customers will be balanced by the ongoing sale of wholesale products, with a particular focus on combining capacity, renewable energy and storage products.

Revenue

For Snowy Hydro, the level of capacity revenue projected for FY24 is relatively firm; rebalancing will continue throughout the Plan Period to manage changing energy and capacity balances, and market developments, particularly with changing market conditions related to the gas fuel resource and decreasing reliability of coal generation. The risk of an energy shortage, whether in a particular State or across the broader NEM, remains ever-present, but the experience of the May/June 2022 market event has evidently encouraged NEM participants to take steps to minimise the risk of a recurrence of such an event. As a consequence, the emergency energy reserves that Snowy Hydro has quarantined for FY23 and beyond, as insurance backup for 'keeping the lights on', have remained largely unutilised. These reserves are therefore available to continue to underpin the energy risks that Snowy Hydro assumes through its energy- and capacity-contracting activities. This puts Snowy in a strong position, resource-wise, heading into a period of at least one year, and probably three or more years, of predicted low water inflows.

Our FY24 water inflows (82%) are forecast to be drier than FY23 forecast, with expected generation volumes to be lower. Beyond 2024, inflows are expected to gradually increase, averaging out to the 30-year long-term average for the remainder of the Plan Period, with an expectation of higher average generation where prices are expected to be higher.

The Retail business will grow its contribution to the Company by growing customer numbers to outpace declining average consumption. The strategy is focused on providing earnings stability to Snowy Hydro through the long-term purchase of wholesale electricity at prices more stable than the movements in electricity forward markets.

Ongoing regulatory intervention provides a number of challenges, including adjusting our customer acquisition and pricing strategies and delaying growth and value-adding technology changes

Operating costs

Underlying operating costs will continue to be managed closely, particularly with higher inflationary pressures in coming years. We will continue to challenge ourselves to find efficiencies and cost savings across the Company. We anticipate increased spend on plant maintenance reflecting rising demands placed on our ageing plant through the energy crisis in May/June 2022.

We anticipate a rising headcount, to support the plant maintenance activity and the Snowy 2.0 Project and Hunter Power Project, while wage inflation is also expected to rise. Additional costs are expected for dam safety, cyber security, utilities and insurance, while we also expect some rebound in costs such as travel and training, which were artificially low during the pandemic.

In our Retail business, operating costs are also increasing as we continue to grow our customer base whilst maintaining industry leading customer service. Customer growth as well as higher retail prices are expected to lead to higher bad and doubtful debt expenses over the coming years. Wage inflationary pressures are expected to impact our workforce leading to a higher cost to serve and market competition should drive up the costs to acquire and retain our customers. The business will continue to explore any opportunity to implement process and operational efficiencies to keep these cost increases to a minimum.

Capital Expenditure

Snowy Hydro's future capital expenditure will focus on ensuring the safety of our people, asset reliability and integrity and compliance with dam safety requirements.

Forecast capital expenditure between this Plan and the plan for financial year 2023 has increased as Snowy Hydro focuses on rectifying emerging fatigue and age-related failure risks through asset replacement, renewal, or major rehabilitation. The key contributor to forecast increased capital expenditure lies in Snowy Hydro's major overhaul program, which is driven predominantly by the need to bring forward the scheduled major overhauls on Snowy Hydro's gas plants following abnormal running requirements necessitated by the market events in May/June 2022.

Dividends

Snowy Hydro aims to deliver financial returns consistent with its commercial operations, while implementing the optimal and sustainable capital management required to create and protect Shareholder value and maintain a strong investment-grade rating.

For planning purposes, an ordinary dividend payout ratio of 70% of Net Profit After Tax (NPAT) over the medium term is considered a suitable target. Snowy Hydro's capital management strategy may change in response to economic, industry and company-specific factors, including the variability of forecast and actual inflows into the Snowy Scheme.

The Shareholder acknowledges that dividends will be calculated as a proportion of NPAT before the adjustment for the fair value of derivatives, amortisation of customers on acquisition, capitalisation of interest and adjustment for preference share dividends. Each year, an interim dividend will be paid in April and a final dividend in October. The Board acknowledges the Shareholder's preference for predictable dividend payments.

Credit Rating

Maintaining a strong investment-grade credit rating is key to Snowy Hydro's commercial success. It is a key measure of our creditworthiness and the ability to honour contracts covering market risks and underpins the risk management products we provide to energy market participants.



NON-FINANCIAL MEASURES

In addition to key financial measures of performance, Snowy Hydro measures itself with a series of non-financial operational performance measures that seek to align our people with the things we can and must stand for.

Table 1: Key non-financials forecasts

Purpose and measure	FY23 Result	FY24 targets	FY25 onwards targets
Staff and safety			
Fatalities - Snowy Hydro employees and supervised contractors	0	0	0
Fatalities - Snowy 2.0 Project (contractors) and HPP (contractors)	1	0	0
Total reportable injury frequency rate (number per million hours worked; employees and supervised contractors)	2.07	2.4	2.4
Employee engagement (percentage of staff very/extremely satisfied as determined by survey)	Second quartile of the Global Benchmark Index	Top quartile of the Global Benchmark Index	Top quartile of the Global Benchmark Index
Retail customer experience			
Net Promoter Score (percentage of promoters minus the percentage of detractors)	Industry leading	Industry leading	Industry leading
Customer satisfaction (percentage of customers very or quite satisfied)	Industry leading	>80% Industry leading	>80% Industry leading

Cont. Table 1: Key non-financials forecasts

Purpose and measure	FY23 Result	FY24 targets	FY25 onwards targets
Regulatory compliance			
Ombudsman complaints (number of complaints per 10,000 mass-market customers)	Below industry average	Below industry average	Below industry average
Retail Regulatory financial penalties	2	0	0
Compliance with Snowy Water Licence requirements (percentage of requirements met)	100%	100%	100%
Publicly reportable environmental licence breaches (number of)	1	0	0
Generation reliability			
Hydro generator start reliability (%)	99.84	> 99.5	> 99.5
Hydro generator forced outage factor (%)	0.76	< 1.0	< 1.0
Gas Generator start reliability (%)	99.18	> 99.5	> 99.5
Gas Generator forced outage factor (%)	2.98	< 1.0	< 1.0

Snowy Hydro continues to monitor all aspects of the Snowy 2.0 and Hunter Power projects and continues to make safety our number one priority.

The Group engagement score for FY2023 was 74%, with the Generation score at 72% and Retail at 75%. This falls short of the top quartile of the Global benchmark index of 78%.

Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd paid energy efficiency shortfall penalties in December 2022 in relation to energy efficiency certificate shortfalls pursuant to the Victorian Energy Efficiency Target Act 2007 (Vic).

The publicly reportable environmental licence breach relates to one non-compliance event at the Cabramurra sewage treatment plant in December 2022 where treated effluent was discharged from the plant with elevated levels of total nitrogen not in accordance with limits specified in the environmental protection licence. There was no significant harm to the environment, the EPA was notified of the event and there was no regulatory action.

The gas generator forced outage factor was impacted by a forced outage at Valley Power unit 3B. A foreign object was ingested into the turbine causing significant damage and a replacement was required to be sourced. Unit 3A has been returned to service in the interim. The replacement unit is expected in September 2024. The gas generator start reliability was impacted by several unrelated failures at Valley Power early in the financial year but has been at or above plan for the last three quarters.



A man with a beard and short brown hair, wearing a dark blue shirt, is shown in profile, looking towards the left. He is smiling slightly. In the background, there are several computer monitors displaying various data visualizations, including bar charts and line graphs with green and yellow highlights. The setting appears to be a control room or a data center.

RISK MANAGEMENT FRAMEWORK

Snowy Hydro's Board and management are committed to maintaining a robust and effective risk management framework that proactively identifies, assesses and manages risks across the Company.

Snowy Hydro's risk management framework aligns with the international standard for risk management: AS/NZS ISO 31000:2018 Risk Management – Guidelines and is based on a 'Three Lines Model'.

Our approach to risk management

The Snowy Hydro corporate *Risk Management Policy* sets out the Company's objectives of maintaining and continuously improving a strategic enterprise-wide approach to risk management, integrated into organisational processes and underpinned by a risk-aware culture.

The Board has ultimate accountability for managing risks affecting Snowy Hydro and ensuring effective risk management practices are in place across the business. The Audit and Compliance Committee assists the Board by monitoring the effectiveness of Snowy Hydro's risk identification and management framework. Other Board Committees (comprising the Safety, Operations and Environmental Risk, Portfolio Risk, People and Culture and Project Advisory committees) support the Board in managing key risk areas within their remit, including safety, environmental, operational, retail, project, regulatory compliance, portfolio, energy trading, and people-related risks.

Management is accountable for, and has implemented, internal controls to identify, evaluate and manage Snowy Hydro's significant business risks. These internal controls cover regulatory compliance, financial and operational risks, and take the form of appropriate financial delegations, planning and reporting, compliance with applicable regulatory requirements, procurement standards, strategic and operational planning, and internal audit practices.

The effectiveness of the risk management framework is regularly assessed through self-reviews and independent and objective assurance provided by Snowy Hydro's internal audit. The internal audit operates according to an annual internal audit plan tailored to address key internal and external risks applicable to the business. This plan is reviewed and approved annually by the Audit and Compliance Committee of the Board, and audit results are incorporated into the continuous improvement of the risk management framework and supporting controls. Further assurance is provided via the appointment of an external auditor to audit Snowy Hydro's financial statements.

Key risks

The following table outlines the key strategic enterprise risks for Snowy Hydro. Given the intrinsic link between risk management and strategy, the mitigations for these risks are captured throughout this Plan. In accordance with the requirements of the PGPA Act and the GBE Guidelines, Snowy Hydro also shares a corporate document with its responsible Shareholder Ministers which includes further detail on risk ratings and mitigation strategies. Snowy Hydro reviews and updates these risks each year to consider changes in the external environment and our internal operations. They have been prepared on the assumption that Snowy Hydro's SoE remains unchanged and the target BBB+ credit rating is maintained.

Material Risks

NEM Decarbonisation - Speed of renewable transition, future market structure/composition (including technical disruption) and construction of supporting infrastructure including transmission.

Major Projects - Delivery of major projects including Snowy 2.0 and HPP to cost, schedule and quality expectations, and realisation of benefits.

Asset Integrity - Integrity and efficient operation of generation assets and infrastructure, including dam safety.

Portfolio - Exposure to wholesale market pricing and volatility based on contractual position, including market stress events.

Asset Reliability - Reliability and performance of generation assets and infrastructure.

Safety - A safety incident resulting in serious injury or a fatality to our employees, a contractor, customer or the public.

Transmission Reliability - Reliability of existing transmission infrastructure, including outages, constraints and contention.

Water - Security of water resources including inflows and effective utilisation.

Retail - Unexpected loss of retail customers.

Gas - Availability and price of gas.

Business Disruption - Resilience of operations to potential interruption.

Data & Information Management - Unintentional leak, or breach of critical IT/OT systems, resulting in compromise of data.

Regulatory Change - Regulatory change or other political intervention.

Social Licence - Maintenance of our social licence to operate including Sustainability and our reputation with our Shareholder and stakeholders (customers, communities, partners, employees, regulators and suppliers).

Regulatory Compliance - Identifying, monitoring and managing compliance with legislative, regulatory or other obligations including internal policies arising from the Group's activities.

People - Access to skills, retention of talent, conduct and productivity of our people.

GLOSSARY

Abbreviation or term definition	Definition
ABN	Australian Business Number
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AGL	Australian Gas Light Company
AS	Australian Standard
BESS	Battery Energy Storage Systems
C&I	Commercial and Industrial customer, > 4GWh / annum (> 800 times annual average mass-market customer consumption)
caps	Capacity contracts
CEO	Chief Executive Officer
Company	Snowy Hydro Limited
Corporations Act	Corporations Act 2001 (Cth)
CSG	Coal Seam Gas
DMO	Default Market Offer
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ESB	Energy Security Board
ESC	Essential Services Commission
Estimates	long-range plans, projections, high-level estimates and other forward-looking information
EV	Electric Vehicles
FFO	Free Funds from Operations
FGJV	Future Generation Joint Venture
FID	Final Investment Decision

Abbreviation or term definition	Definition
FY	Financial Year
GBE	Government Business Enterprise
GJ	Gigajoule
GPG	Gas Powered Generation
HPP	Hunter Power Project
HumeLink	Transmission link between Wollongong to Newcastle
ISO	International Standards Organisation
ISP	Integrated system plan (for comprehensive new transmission connection across NSW, SA and Victoria)
LFS	Large Format Store
the Licence	Snowy Water Licence
LNG	Liquefied Natural Gas
Marinus Link	transmission link between Tasmania and Victoria
MW	megawatt
NEM	National Electricity Market
NER	National Electricity Regulations
NSW	New South Wales
NTP	Notice to Proceed
NZS	New Zealand Standard
PGPA	Public Governance, Performance and Accountability
Plan	This document.
Plan Period	5-year reporting period from 2024-2028

Abbreviation or term definition	Definition
Priorities	Statement of Key Priorities
PV	Photovoltaic cells
REZs	Renewable energy zones
RIT-T	Regulatory Investment Test for Transmission
Roadmap	NSW's government's recently released Electricity Infrastructure Roadmap
SA	South Australia
S&P	Standard & Poor's
Semi-scheduled generation	Large scale wind and solar generation
SME	Small and Medium Enterprise
SoE	Statement of Expectations
TBM	Tunnel Boring Machines
VIC	Victoria
VNI West	Southern transmission link to Melbourne
VRET	Victoria's renewable energy targets







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