Nauru Utilities Corporation

Statement of Corporate Intent

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Nauru Utilities Corporation, in accordance with Section 27 of the Public Enterprise Act 2019 (the Act). It sets out the Board's overall intentions and objectives for Nauru Utilities Corporation for the year commencing 1 July 2021 and the following two financial years.

Contents

Introduction

Section 27 of the *Public Enterprise Act 2019* requires the Nauru Utilities Corporation (NUC) to provide Government with a Statement of Corporate Intent (SCI).

Nauru Utilities Corporation's Statement of Corporate Intent is for year 2021, prepared consistent with section 27 of the *Public Enterprise Act 2019*. It covers business operations for the budget year and two subsequent years.

The purpose of the document is to provide an overview of NUC's business goals, strategies and objectives, and how our success will be measured. It covers the what, why and how for the NUC for the next three years.

Our Role and Responsibilities

The Nauru Utilities Corporation was established under the *Nauru Utilities Act 2011* (the Act) and commenced operations on 1 August 2011. NUC succeeded the Nauru Utilities Authority.

The Act sets out the functions of the Corporation with respect to electricity and water services.

In relation to electricity our functions are:

(a) to generate, acquire, exchange, transport, distribute, market and otherwise supply electricity;
(b) to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any function mentioned in paragraph (a); and
(c) to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).

In relation to water our functions are:

(a) to acquire, store, treat, distribute, market and otherwise supply water for any purpose;
(b) to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in paragraph (a); and
(c) to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).

Shareholder Expectations

The primary objective of NUC, as outlined in section 22 of the *Public Enterprise Act 2019*, is to be a successful business.

The Act establishes two measures for the NUC to demonstrate its achievement of the objective:

- it is at least as profitable and efficient as comparable businesses in the private sector; and
- it generates, for each financial year, a net operating profit after tax that is not less than its weighted average cost of capital prescribed as a percentage.

NUC's Principle Objectives

Our principal objective, as set out in Section 22 of the Public Enterprise Act 2019, is to operate as a successful business.

Section 22 Objective	Our Operations
As profitable and efficient as comparable businesses that are not owned by Government	Within regulatory and commercial parameters: In relation to electricity: • generate, acquire, exchange, transport, distribute, market and otherwise supply electricity; • to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any function mentioned in paragraph (a); and • to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned above. In relation to water our functions are: • to acquire, store, treat, distribute, market and otherwise supply water for any purpose; • to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in paragraph (a); and • to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned above.
Customer Focus	NUC shall implement strategies to shift from an "operational" focus to a customer centric organisation. NUC is committed to improving our service delivery to benefit our customers and stakeholders. Underpinning our approach are our fundamental commitments which lay the foundation for our strategic priorities and initiatives. They are: • Delivering Safe, Reliable, Affordable and Sustainable Electricity and Water Services • Communicating and Engaging with Customers and Stakeholders • Delivering Customer Outcomes • A High Performing Organization

Human Resource	NUC shall continue to develop and up-skill leaders and staff to ensure enhanced operational safety, improved operational performance and customer service outcomes. Through an efficient, robust and well-resourced organisation, our Finance, Human Resource, Procurement and Technical Operations Teams are committed in working together to deliver safe, reliable, affordable and sustainable electricity and water services to our customers.
Environment	NUC shall ensure sustainable use and management of the environment and natural resources for the benefit of present and future generations. NUC's commitment to implementation of large-scale solar and the investigation and implementation of other renewable energy sources coupled with an efficient supply and use of energy will reduce our carbon footprint and subsequent impact on our environment.
Safety	An integral part of delivering electricity and water services to our customers is ensuring that it is carried out in a safe and sustainable way. The health, safety and well-being of our staff and customers are paramount. NUC shall provide all systems, equipment and Personal Protective Equipment (PPE) necessary for employees to carry out their work safely. NUC staff continuously identify hazards, report incidents and learn from mistakes, making changes to operations to ensure safety of personnel and the public. It will become a way of life.
Operational Performance	Ensuring a safe reliable, affordable and sustainable provision of electricity and water services in Nauru is central objective of Government. An efficient electricity and water utility play a primary role in ensuring this objective is met. NUC utilises a range of performance measures and indicator to assess its operational performance. These include, among other things: core indicators such as operating cost per connection; performance scores based on production or cost estimates; benchmarking; and customer survey benchmarking by identifying customer perceptions.

Business Overview

NUC's Strategy and Business Environment

Throughout Nauru, the Nauru Utilities Corporation:

- owns and operates reverse osmosis plant to produce clean drinking water for the people of Nauru.
- owns and maintains water storage facilities to store treated water to ensure reliability and security of water supply for the people of Nauru
- owns and operates water tankers for delivering clean water for the people of Nauru.
- operates a retail water and electricity business
- owns and operates the distribution electricity network.
- ensures the electricity network is balanced and stable, safe and reliable through its System Control operations
- owns and operates diesel generation plant at the Aiwo Power Station.
- owns and operates 1.6-megawatt ground mounted solar plant.
- is one of the key responders after a natural disaster, helping the community to restore essential services.
- provides power and water to in excess of 3,500 electricity and water customers and is structured along six lines of business supported by centralised business services

Our Lines of Business

Generation

The generation team operates and maintains diesel generation capacity to meet the maximum demand with an N-2 security. This is achieved with the installation of medium speed generators and the high-speed diesel generator providing sufficient capacity to supply the maximum demand of the system with the loss of the two largest generators.

The Power Station site at Aiwo has 7 medium speed engines and 4 high speed machines. There are also 7 standby engines at essential services such as Nauru airport, RON Hospital, government and prison facilities.

The current available capacity for high speed diesel generators is 4 MW. The current available capacity of medium speed diesel generators is 15 MW.

NUC also operates and maintains ground mounted solar installations throughout Nauru.

Distribution Network

Distribution Networks is responsible for planning, building, operating and maintaining reliable electricity networks to transmit electricity between electricity generators and electricity consumers in Nauru. Electricity is distributed to an estimated 3,500 people across the island of Nauru.

System Control

System Control role is to monitor and control the operation of the power systems in Nauru and for overseeing their safe, secure and reliable operation.

Water Production and Storage

The water production team operates and maintains water services, specifically to acquire, store, treat and distribute water and to undertake and maintain and operate the works, systems and facilities for the production and delivery of water throughout Nauru.

Water Delivery

The water delivery teams deliver water 7 days a week 16 hours a day for the people of Nauru using trucks or tankers. The team operates and maintains tank trucks, transporting water to areas and customers in need of water. Ensuring regular supply of fuel, storage facilities, experienced drivers and operators and skilled maintenance staff ensures a reliable and secure supply for the people of Nauru.

Centralised Business Services

Centralised support is provided across the corporation in such areas as customer services, human resource, information technology, finance, communications, governance, strategy, and compliance services.

Our Business Strategy

Culture, leadership and capability

Having the right culture, leadership and capability is critical to becoming a high performing, commercially focused and customer centric organisation.

Our program is focused on developing a positive and constructive culture and having the right capabilities to allow us to achieve the goals we have set ourselves.

Embedding a more constructive and positive culture through developing our staff and building a confident, capable and forward-looking workforce focussed on customer needs, is essential.

The implementation of targeted culture change initiatives began in 2015 with the setting of our values, establishing an organisation culture baseline, engaging with employees on what this means, undertaking leadership development and management coaching and implementing an employee development program.

Capability is essential to building a high-performance culture that includes a diverse and accountable workforce that can drive business effectiveness.

Work has begun to identify areas across the business where increased skills and further training are needed. We are also working towards implementing a holistic performance management and employee development system.

The primary aims of these programs are to achieve the following outcomes:

- leaders who lead by example promoting accountability, motivating their teams to thrive and perform at their best
- a flexible, proactive and constructive culture with people who understand the importance of our customers and stakeholders, are accountable, effectively manage our assets and understand the need for continuous improvement
- improved customer focus in the way we conduct our business
- improved financial and commercial acumen across the organisation, resulting in improved financial outcomes
- greater diversity and optimal people management, to enable NUC to attract and retain capable and talented people who are aligned to our values.

Information Management and ICT

The management of corporate information, both paper and electronic form is an important function that NUC is required to undertake for it to meet both legal and operational requirements.

NUC's current reporting process is tedious owing to multiple susceptible points for error and the use of Excel trackers as opposed to system statistics. Implementation of Navision has left many tracking data offline. Process improvements need to be made to improve efficiency, revenue and activity accounting and time-to-report.

A preliminary assessment of reporting requirements, data sources and readiness to integrate was undertaken in 2019 to develop an Information Enterprise Architecture (IEA) that improves the business and supplies information to relevant stakeholders when needed.

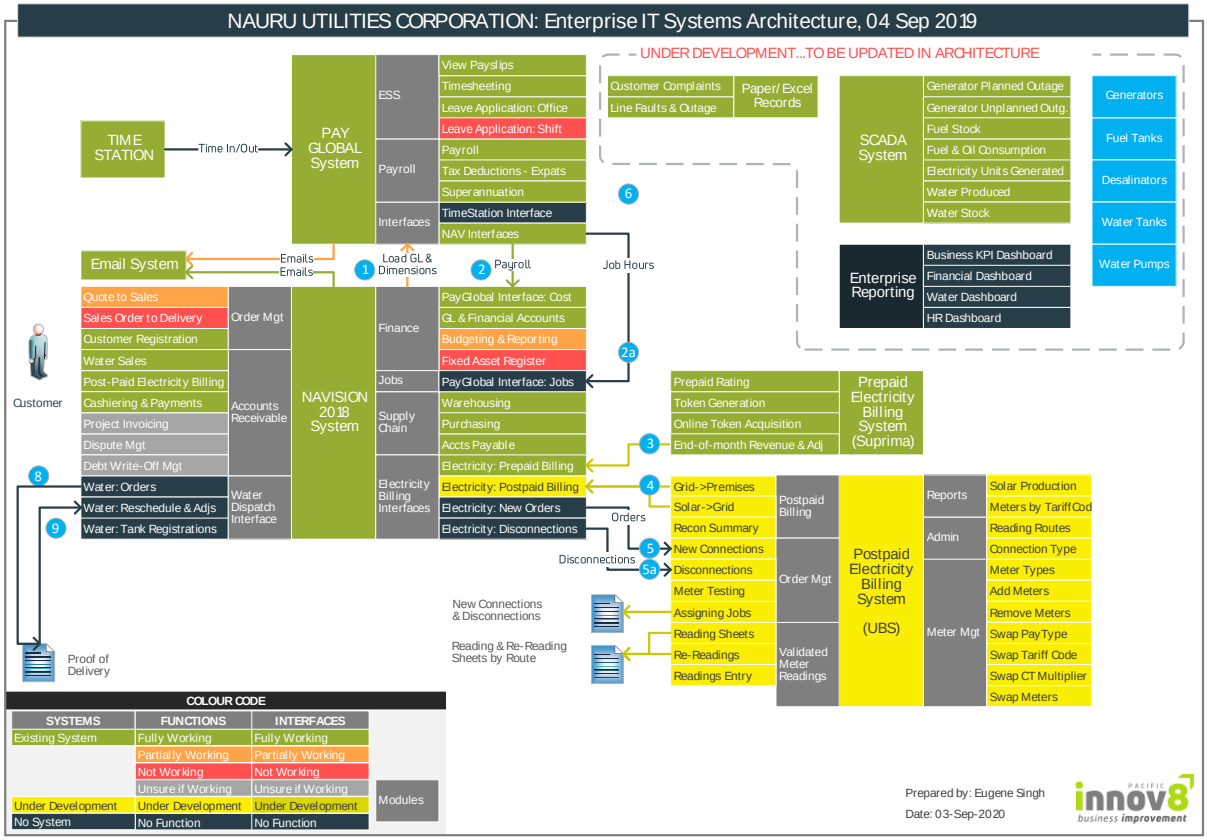
The objective of this strategy is to ensure:

- That NUC establish an efficient and effective Information Management System that:
    - provides a platform for exchange of data and information on financial, human resource management customer billing and system analysis and reporting.
    - ensures essential paper-based records are maintained for legal or operational requirement.
    - ensures financial information is maintained for at least 7 years and contracts for as long as is necessary.
    - electronic based information is secure and can be accessed by relevant employees in NUC to enable the efficient performance of their tasks.

The information platform will ensure:

- information needs and functions required meet the needs of the organisation and supports work performed by NUC employees.
- effective and efficient performance of reporting, monitoring and evaluation of key business parameters.
- provides for security of data and services.

The following figure outlines the status and interface between various systems and processes within NUC.



The Management Reporting system shall be set up to acquire data from all the other systems and provide reports for managing the operations of NUC. The software for managing this function has been determined and a detailed project plan for implementation has been formulated.

The project scope requirements are:

- To establish a secondary back-up safe server room that is secured and protected from major risks. The secondary server will provide on line redundancy for the financial system. Should one server fail the other will automatically continue to carry out the function.

- Review the suitability of the Navision software to provide for all NUC's financial software needs.

- Acquire a second PC for the Suprima pre-paid software to provide on-line back up to the current PC.

- Undertake a review of the network to determine connection needs, switch requirements and routing of cable. This exercise will scope and cost the project for upgrading the network.

- Back-ups for both the Navision and Suprima systems data are held on site however off-site storage is required.

- The acquisition of up-to-date AUTOCAD drawing software, computers and printers to record and maintain proper drawing records.

- The acquisition of software to support condition-based monitoring and maintenance of ICT assets.

- The introduction of on-line banking for power top-up and water orders. This would provide customers with easy access to our services and payment options.

- With the expansion and upgrades required to NUC's SCADA network, there is an opportunity for our staff to be trained in its operation and maintenance including providing some administrative functionality for the SCADA system.

Purchasing and Procurement

There is a need to establish a Tenders committee comprising the Corporate Financial Controller, Manager Procurement and the appropriate division and department head. The committee shall oversee all tenders to ensure the process is transparent and fair and produces the best outcome for the NUC.

For significant tenders involving significant contract and financial requirements the CEO may Chair the committee with the support of the Tenders Committee.

There is a need to review the procurement and payment processes to ensure the timely supply of machines, spares parts and other items. Delays in supply chain with regards to materials and equipment has a negative impact on NUC's operations and efficiency.

A review and revaluation of all NUC assets is proposed to be conducted in the next period to ensure NUC assets are appropriately captured and capitalised within the asset register.

Tariff Review - Electricity and Water Services

There is a need to commission a tariff study to enable the long-term sustainability of the NUC and to rebalance electricity tariffs and fees to remove cross subsidies between each division.

The water tariffs will need to be reviewed within the next five years to ensure sustainability of water operations and services into the future.

A review of labour timesheets to enable the capture of information of hours worked, both normal and overtime, for recurrent and capital jobs is also required, and the capture of all capital expenditure including, consultancy, materials, labour, other costs associated with the project that needs to be capitalized.

Policies and Procedures

The following policies shall be reviewed or established to manage the financial and procurement function of the NUC:

- Development of a Financial and Contract Delegation Policy to assign appropriate levels of authority for approval of purchase orders, tenders and contracts.
- Review and establishment of a Financial Policy and Financial Management Manual
- Develop an Energy Theft Policy and Procedures

There is an opportunity for NUC to engage an internal auditor. The function of the internal auditor is to carry out on-going auditing, provide advice to the CEO on business processes and investigates incidents that may occur during the course of business. The head of the internal audit function generally provides a report to the Board of Directors on finance (while administratively the Internal Auditor reports to the CEO).

The use of external auditor(s) will continue and provides assurance to the owners of the corporation from an external perspective. These audits are conducted annually to meet NUC's obligations under the Act.

Summary of Goals and Strategic Priorities

Our Strategic and Operational Plan implements the strategic priorities in the National Sustainability Development Plan. The Plan includes other appropriate strategic objectives, strategies, targets and activities designed to realise the aspirations in NUC's 2031 Future Operating Model. The following summarizes these strategic goals and priorities.

Strategic Goal 1: Responsiveness to key cross-cutting agendas enhanced

- Implement the NUC Anti-corruption Strategy.
- Implement the NUC Gender Mainstreaming Strategy.
- Promote staff Health, Safety and Welfare.
- Promote Staff awareness on Environmental Issues.

Strategic Goal 2: Empowered Stakeholders through Knowledge Generation and Exchange

- Enhance internal and external stakeholders' knowledge, skills and expertise
- Enhance mechanisms to provide timely and tailored information to meet the needs of stakeholder groups.
- Enhance public knowledge, awareness and understanding of NUC's functions.
- Track, assess and share information on energy and water services.
- Enhance targeted communication with key stakeholders.
- Strengthen interactions with key stakeholders.
- Strengthen international cooperation on energy and water matters.

Strategic Goal 3: Enhanced Customer Experience through Engagement and Communication

- Enhanced service delivery to benefit our customers and stakeholders.
- Establish and foster positive relationships with our customers.
- Establish a Customer Charter that outlines our communication to our customers and in turn how our customers can help us provide quality service.
- Establish Customer Service Standards to reflect how customers want the organization to deliver: customer service and respond to enquiries and complaints.
- Establish a Customer Management System that enhances customers experience when dealing with NUC.
- Establish a Customer Consultation and Engagement Program.

Strategic Goal 4: Enhanced Enabling Legal and Institutional Environment for Energy and Water Sector

- Support the review of the Nauru Utilities Corporation Act 2011 to clarify key functions and responsibilities.
- Support the review and development of Nauru Utilities Corporation Regulations to include Power System Rules and Regulations, Safety and Reliability Standards, Renewable Energy and Energy Efficiency.
- Support the review and development of Nauru National Energy Policy
- Develop procedures and guidelines related to electricity supply and customer connections. To include procedures and guidelines for water supply and delivery.
- Implement established Regulations, Standards and Codes enacted under the Act.

Strategic Goal 5: High Achieving Energy and Water Utility in the Pacific Region

- Strengthen the NUC's organizational, management and staffing framework.
- Strengthen business processes and customer services.
- Strengthen NUC's energy and water operations.
- Transform NUC into an e-utility with most services delivered through ICT systems.
- Strengthen financial sustainability mechanisms of the NUC.
- Strengthen Quality Management Systems (QMS).
- Institutionalize modern strategic management and performance management systems.
- Modern Internal auditing and risk management frameworks.

Targets and Key Performance Indicators

Customer Service

We are accountable for delivering effective results and services for our customers in a professional manner, acting with integrity and ensuring transparency by taking ownership of issues and proactively seeking resolutions. Our customer service performance metrics is set out below.

- Cashflow – revenue
- Complaints Escalation Rates:
    - Number of complaints for this period
    - Number of complaints last period
    - % increase/decrease in number of complaints since last month
    - increase/decrease in number of complaints year to date
- Employee retention / turnover rate (explain whether due to resignation, retirement or termination)
- Employee productivity
- Number of active issues, resolved issues and average resolution time.

Performance Indicator	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Continually increase our online transaction capability for your convenience	80%	85%	90%	95%
Answer telephone calls in an average of 10 seconds	80%	85%	90%	95%
Serve you in person within 10 minutes	80%	85%	90%	95%
Respond to emails within 3 working days	80%	85%	90%	95%
Respond to written correspondence within 7 working days	80%	85%	90%	95%
Reduce waiting time at NUC Offices	80%	85%	90%	95%
Give out accurate information	80%	85%	90%	95%
Reduce response time on complaint and referrals (external/internal)	80%	85%	90%	95%

Asset Performance Indicators

The maintenance of key assets is tracked by the following indicators. The maintenance of our assets is a key factor in ensuring reliability and security of electricity and water supply.

Indicator (KPI)	2019	2020	2021	2022	KPI Description
Generator Maintenance Compliance	97	94	95	95	% Compliance to maintenance schedule based on running hours
Generator Availability	94	92	94	94	% time available for operations
SWRO Availability	96	90	95	95	% time available for operations
Water Tanker Availability	78	77	80	80	% time available for operations
Vehicle Fleet Availability	81	83	85	85	% time available for operations

Indicator (KPI)	2019	2020	2021	2022	KPI Description
Specific Fuel Consumption (Diesel)	3.87	3.9	3.9	3.9	kWh per litre diesel fuel
Specific Lubricating Oil Consumption	856	1097	1095	1095	kWh per litre lubricating oil
Electricity Losses	12	18	15	15	% of energy delivered to the grid
Power Station Auxiliary Energy Usage	1.03	1.18	1.05	1.05	% energy generated by diesel engines
NON-Revenue Energy	5	2	2	2	% energy provided not earning revenue
Reverse Osmosis Plant Efficiency	199	194	195	195	Litres per kWh
Water Loss	10	25	12	12	% water produced
Non-Revenue Water	6	3	5	5	% water provided that is not earning revenue. (Excludes losses)

Electricity Network Performance Indicators

The following sets out our key performance indicators for the electricity network measured by how often a customer can expect to experience an outage i.e. System Average Interruption Frequency Index (SAIFI) and the measure of average outage duration per customer, System Average Interruption Duration Index (SAIDI).

Year	2019	2020	2021	2022
SAIDI (Planned and Unplanned)	2235	2410	2000	2000
SAIFI (Planned and Unplanned)	34	30	20	20

The following sets out target measures for the various key performance indicators.

Target	Key Performance Indicators
<2000	System Average Interruption Duration Index
<20	System Average Interruption Frequency Index
>5%	Operating surplus electricity
>5%	Operating surplus water
>2.5%	Operating surplus Corporate
>10%	Revenue increase
<100 days	Debtor days
<30%	Non-revenue energy
>85%	Generator availability
>90%	Generator maintenance compliance
>3.6	Specific fuel consumption
<500	Specific lubricating oil consumption
<25%	Electricity losses
<2%	Power station auxiliary energy usage
<10%	Water losses
>85%	Fleet availability
>80%	Water tanker availability
>85%	Reverse osmosis plant availability
<100	Labour work hours productivity
<130	Labour paid hours productivity
>95%	On time attendance

Energy Demand and Sales Forecasts

The following likely base demand projection assumes that:

- Domestic demand will reduce over the 5-year period to 2025 from 4% in 2021 to less than 1% towards the end of 2025.
- Commercial customer demand remains flat over the 5-year period to 2025.
- Industrial customer demand remains flat over the 5-year period to 2025.
- Government demand is 2% per year over the 5-year period to 2025.

Energy Forecast: Most Likely																							
Year	Sales												Non Revenue	Losses		Total			Total				
	Domestic		RPC 2	RPC 3	Commercial		RPC1	Government		Industrial		Total Sales	Energy			Demand on	Auxillaries		Generation	MD	Load Factor	Loss	Year
	kWh	G%	kWh	kWh	kWh	G%	kWh	kWh	G%	kWh	G%	kWh	kWh	kWh	% Sales	kWH	kWh	%	kWh	MW	%	% Gen	
2015	11,263,669				4,492,876			1,924,393		1,109,693		**18,790,631**		12,323,924		**31,114,555**	312,390	1.00%	31,426,945	4.85	74%	39%	2015
2016	11,997,428	6.5%			5,227,653	16%		2,000,473	4%	800,338	-28%	**20,025,892**	544,907	11,018,058	66%	**31,588,857**	283,300	0.90%	31,872,157	4.8	76%	35%	2016
2017	12,730,721	6.1%			8,993,010	72%		2,525,363	26%	673,700	-16%	**24,922,794**	793,446	8,909,590	55%	**34,625,830**	188,700	0.54%	34,814,530	5.03	79%	26%	2017
2018	13,621,118	7.0%			9,050,199	1%		3,717,647	47%	962,557	43%	**27,351,521**	738,305	7,723,250	36%	**35,813,076**	362,520	1.01%	36,175,596	5.30	78%	21%	2018
2019	15,001,625	10.1%	-	-	8,936,337	-1%		4,152,479	12%	1,931,291	101%	**30,021,732**	1,779,977	4,327,292	26%	**36,129,001**	366,000	1.01%	36,495,001	5.30	79%	12%	2019
2020	16,333,171	8.9%	-	-	8,079,043	-10%		4,497,641	8%	1,436,166	-26%	**30,346,021**	1,832,990	6,775,290	14%	**38,954,301**	366,000	0.94%	39,320,301	5.55	81%	17%	2020
2021	16,986,498	4.00%	-	-	8,079,043	0%	2,392,991	4,587,594	2.0%	1,450,528	1%	**33,496,653**	1,832,990	5,024,498	15%	**40,354,141**	353,040	1.00%	40,707,181	5.96	78%	12%	2021
2022	17,326,228	2.00%	-	-	8,079,043	0%	3,988,319	4,679,346	2.0%	1,450,528	0%	**35,523,463**	1,832,990	3,552,346	10%	**40,908,799**	353,040	1.00%	41,261,839	6.04	78%	9%	2022
2023	17,499,490	1.00%	-	-	8,079,043	0%	3,988,319	4,772,933	2.0%	1,450,528	0%	**35,790,312**	1,832,990	2,863,225	8%	**40,486,527**	353,040	1.00%	40,839,567	5.98	78%	7%	2023
2024	17,516,990	0.10%	-	-	8,079,043	0%	3,988,319	4,868,391	2.0%	1,450,528	0%	**35,903,270**	1,832,990	2,513,229	7%	**40,249,489**	353,040	1.00%	40,602,529	5.94	78%	6%	2024
2025	17,534,507	0.10%	-	-	8,079,043	0%	3,988,319	4,965,759	2.0%	1,450,528	0%	**36,018,155**	1,832,990	2,521,271	7%	**40,372,416**	353,040	1.00%	40,725,456	5.96	78%	0%	2025

Water Demand and Sales Forecast

In determining customer demand for potable water, the following assumptions have been taken into account:

- the forecast considers previous years trends in production and delivery
- population growth is considered to remain flat. For the purpose of demand forecasts, it is assumed to be around 2%.
- water usage per household (comprising family of 4 persons) is assumed to be 44 litres per day. This equates to 18kL per year.
- rainfall per year is assumed to be low to allow for long periods of drought that has been forecast by the Bureau of Meteorology for Nauru.
- the planning criteria adopted assumes capacity for production, storage and delivery to be sufficient for extended drought periods.
- Demand for water by commercial customers is assumed to increase by 1% annually.
- Demand for water by Government is fixed at 20,000kL per year.
- Demand for water by industrial customers is estimated to be 3,000kL per year.
- The Regional Processing Centre demand is assumed to be 50,000kL per year.

Likely Forecast 2020 - 2025														
													Fresh Water	Sea water
Year	Domestic	Commercial	Industrial	Government	Meneng Fresh Water	Total Sales	Losses	NUC	Fire	NUC Demand	RPC's	Total Demand		
2015	26,029	13,086		2,995		42,110				42,110	148,158	190,268		
2016	28,781	5,107		12,194		46,082	43,179			89,261	131,884	221,145		
2017	75,383	18,782		16,919		111,085	26,231	3,217		140,533	166,336	306,868		
2018	61,447	24,375	3,348	27,060		116,230	39,621	3,436	2,838	162,124	142,199	304,323		
2019	40,089	20,774	2,033	21,979		84,874	29,155	2,300	826	117,156	101,803	218,958	108,553	
2020	58,692	15,274	2,731	19,113	19,360	115,170	62,290	3,945	867	182,272	73,030	255,302	107,704	
2021	66,861	15,427	3,000	20,000	19,360	124,647	40,000	3,500	850	168,997	50,000	218,997	108,000	
2022	72,344	15,581	3,000	20,000	19,360	130,285	40,000	3,500	850	174,635	50,000	224,635	108,000	
2023	77,952	15,737	3,000	20,000	19,360	136,049	40,000	3,500	850	180,399	50,000	230,399	108,000	
2024	83,686	15,894	3,000	20,000	19,360	141,940	40,000	3,500	850	186,290	50,000	236,290	108,000	
2025	89,550	16,053	3,000	20,000	19,360	147,963	40,000	3,500	850	192,313	50,000	242,313	108,000	

Delivery forecasts are set out in the below table for the most likely scenario. The number of trips is segregated into domestic, commercial and commercial plus owner uplifts as well as owner-uplifts only, including government.

Number of Trips						
Year	Domestic	Combine Comm & Owner	Commercial	Owner Uplift	Government	Total Trips
2020	10,253	1,220	117	1,103	2,313	13,786
2021	11,680	2,879	276	2,603	2,420	16,980
2022	12,638	2,903	278	2,625	2,420	17,962
2023	13,618	2,928	281	2,647	2,420	18,966
2024	14,619	2,952	283	2,669	2,420	19,992
2025	15,644	2,977	286	2,692	2,420	21,041

The number of tankers needed to supply the required quantity of water will depend on a variety of factors. These include, but not limited to, the regular supply of fuel, storage facilities to ensure reliability of supply, experienced drivers and operators, maintenance and availability of vehicle parts, availability of skilled maintenance staff and road conditions for access.

Trucking capacity utilization is based on normal hours of work, rate of filling, traveling and discharging time. The current percentage time available for operations for NUC water tankers is around 89% i.e. the reliability of water delivered is measured by the number of orders delivered within 2 days of payment.

Renewable Energy Projects

New 6 MW Solar Farm

The project includes the construction of a 6MW grid-connected solar power plant and a 2.5MWh, 5MW battery energy storage system to supply continuous power when solar energy is interrupted by cloud cover and to maintain network stability.

The system will be fully automated and integrated with the existing diesel generation system to optimise solar energy use, enable optimal battery energy storage system charging and discharging, and allow optimal shut-off of the diesel engines, which will reduce Nauru's reliance on diesel for power generation and decrease production costs.

The design and development work have commenced on the installation of a 6MW solar power project funded by ADB and Government of Nauru. The project is scheduled for completion by the end of 2022.

The new 6 MW Solar Farm will provide surplus energy capacity, further reducing fuel costs incurred by NUC to run diesel generators.

However, the generation investment strategy shall be to ensure sufficient diesel capacity to meet the N-2 security requirement and install solar and other renewable generation to reduce diesel fuel usage. The avoidance of investing in diesel generation capacity will require the investment in battery storage system to provide for up to 5 days of supply with minimum recharge for system stability.

The project is expected to strengthen the institutional capacity of the Nauru Utilities Corporation by training staff in the operation and management of the solar plant and the battery energy storage system.

It will also support gender-mainstreaming efforts and provide project implementation assistance.

The 6MW Solar Power Project will help boost the capacity of electricity generation from renewable sources from 3.0% to 47%.

Kinetic Power Plant

On 10 September 2020, Cabinet approved the signing of a Power Purchase Agreement between the NUC and Green Pacific Energy (GPE) of Fiji to facilitate the development of a 3MW kinetic power plant in Nauru.

The installation and operation of the new generation will enable Nauru to generate the majority if not all of its power from renewable sources. This will significantly decrease NUC's reliance on diesel fuel generation and subsequently reduce fuel costs.

The new kinetic power plant will be producing base load capacity with potential availability of 97%. NUC will need to ensure that the grid is able to accept up to 3

MW of power and establish grid operating procedures to enable the power plant to connect safely to our network.

It is envisaged that a minimum of 23,000 MWH per year of operations. This equates to 87% of the maximum production of the power plant.

The introduction of 100% renewable energy generation with both solar and kinetic power production is estimated to save approximately $2M per year based on fuel price projections.

Other Capital Projects

Power Generation				
1	Expand SCADA Capabilities to include Distribution Network (Phased Implementation Approach)	$500k	Q4 2024	NUC
2	Relocate containerized high-speed generators to 6 MW Solar Farm site	$1.25M	Q4 2024	Donor
3	Establish Grid Connection for IPP – Kinetic Power Plant	$50k	Q4 2024	NUC
4	Install HV cable, switchgear and 1 MVA transformer station for Nauru Ports redevelopment.	$250k	Q4 2022	NUC
Renewable Energy Generation				
1	Grant 0664 Solar Farm Project 6 MW	US$22M	Q4 2023	ADB
2	Kinetic Power Producer – IPP 3 MW	TBD	Q1 2021	IPP
3	Solar Farm Project Battery Storage Capacity 5 MW for voltage and load control	$1.5M	Q4 2024	Donor
4	Solar Farm Rain Water Harvesting Project	$1.5M	Q4 2024	Donor
Distribution Network (HV & LV)				
1	Low Voltage Rehabilitation Project	$1.5M	Q2 2021	Donor
2	High Voltage Network Rehabilitation – Ports Area	$250k	Q3 2021	Donor
3	33kV Interconnector Upgrade (T/F's Protection, Switchgear and Control System)	$250k	Q3 2021	Donor
Water Production & Delivery				
1	Construct new Water Office & Workshop	$50k	Q2 2021	NUC
2	Install new RO plant at Meneng Hotel with 480kl/day capacity	$250k	Q1 2021	NUC
3	300kl treatment tank to be installed at Meneng Hotel with piping direct to Hotel	$350k	Q1 2021	NUC
4	Assess condition of 3Ml Tank at Meneng Hotel – Inspect and maintain to optimal level.	$300k	Q3 2021	NUC
5	Establish Re-mineralisation plant at both Meneng and Aiwo sites	$250	Q4 2022	NUC
6	Relining of C-Tank at Power Station site	$150k	Q1 2021	Canstruct/ABF
7	Install 2 x 300kl (disinfectant) tanks at B13 and Meneng Hotel sites	$750	Q4 2022	NUC
8	Design, Construct and Maintain piped water system to RON Hospital Facility.	$2.5M	Q4 2024	Donor
9	Design, Construct and Maintain Storage Tank Facilities from Water Harvesting Project (Re: 6 MW Solar Farm Site)	$1.5M	Q3 2023	Donor
10	Assessment and Refurbishment of C7 – C12 Storage Facilities to enhance security of supply	$1.5M	Q3 2022	Donor

COVID-19 Situational Analysis

In developing our Statement of Corporate Intent, regard has been given to the current pandemic and its impact on our organisation.

The Asian Development Bank has forecast that developing Asia will contract by 0.7% this year, its first contraction in six decades, however growth will rebound to 6.8% in 2021.

According to ADB, the downturn is broad-based—three-fourths of the region's economies are expected to contract this year with the exception of the People's Republic of China (PRC).

ADB has indicated that depressed demand and low oil prices have offset supply disruptions, keeping regional inflation at 2.9% in 2020, and trimming it to 2.3% in 2021.

The threat of a prolonged COVID-19 pandemic is the main risk to our outlook. A return to more stringent containment measures could slow or even derail recovery and possibly trigger financial turmoil.

There remains uncertainty around the cost impact of the pandemic and it is not clear whether those costs could be mitigated by NUC. In addition, NUC is concerned about the adverse effect that the pandemic may have on future prices faced by customers.

COVID-19 has delayed implementation of some planned RE and other systems in Nauru. It has severely damaged some Pacific Island Countries' economies, particularly those highly dependent on tourism, and caused considerable financial stress to some power utilities (as customers cannot easily pay their bills) and to Pacific national airlines.

The longer-term impacts could include a lower 'normal' level of tourism generally, government and aid resources diverted from energy to other sectors, and potentially global recurrences of other pandemics, with serious effects on our economy and the ability to finance investments, including the energy sector.

The COVID-19 pandemic potentially affects all of our operations in NUC and all of our customers. It has become clear that the impacts of COVID-19 are substantial, and further consideration will need to be made during the 2021-2025 period.
A balanced treatment of all the impacts of the pandemic will require NUC to undertake adequate consultation with affected stakeholders.

Outlook (Source ADB Website)

	2019	2020			2021		
		April	June	Sept	April	June	Sept
Pacific	3.5	-0.3	-4.3	-6.1	2.7	1.6	1.3
Nauru	1.0	0.4	-1.7	-1.7	1.1	0.8	0.5

GDP Growth Rate (% per year).

Inflation rate for 2020 is set at 2.9% while 2021 is forecast to be 2.3%

Financial statements

Our financial management strategy ensures that all the financial aspects of the NUC operations are managed in a transparent manner that captures all transactions and records them under the appropriate budget classification, complies with legal requirements, and produces reports appropriate for managing the utility and reporting to the relevant authorities and regulators.

To enhance our reporting capabilities further system enhancement is required specifically the need for an automated budget reporting tool. 'JET' is a reporting tool that will provide timely reporting of budget forecasts and actuals from the profit and loss statements and will assist managers in managing their budgets more effectively.

A further review of the budgeting process is required to make sections heads accountable for their budget.

Currently our processes and systems are being reviewed to explore the option of automatic transfer of data between systems.

Financial Projections

The financial projections use existing or estimated financial data to forecast our business's future income and expenses.

The assumptions and different scenarios considered enable us to see how changes to one aspect of our finances (such as reduced or increased demand and /or lower or higher operating expenses) might affect NUC's sustainability and ability to deliver electricity and water services.

The financial projections over the next 5-year period are set out below.

The following assumptions were considered in developing the financial projections:

For base demand scenario:

- Domestic demand will reduce over the 5-year period to 2025 from 4% in 2021 to less than 1% towards the end of 2025.
- Commercial customer demand remains flat over the 5-year period to 2025.
- Industrial customer demand remains flat over the 5-year period to 2025.
- Government demand is 2% per year over the 5-year period to 2025

For lower demand scenario:

- Domestic demand is lower than 1% over the 5-year period to 2025.
- Commercial customer demand remains flat.
- Industrial customers demand remains flat.
- Government demand is lower than 1% over the 5-year period to 2025

For upper demand scenario:

- Domestic demand will reduce over the 5-year period to 2025 from 5% in 2021 to less than 1% towards the end of 2025.
- Commercial customer demand will be 1% per year over the 5-year period to 2025.
- Industrial customer demand will be 1% per year over the 5-year period to 2025.
- Government demand will be less than 1% per year over the 5-year period to 2025.

Further assumptions considered are that:

- Revenue and costs with 50% of the energy generated is from solar PV installations.
- The forecasts assume that tariffs, fees and charges for electricity and water remain at the current rate throughout the period.
- Diesel fuel cost is taken to be $1.20 per litre.
- Corporate Services including CEO, Finance and HR costs are shared equally between Electricity and Water.
- The water section usage of electricity is priced at the commercial tariff and recorded as a cost to water and income for electricity**.** Similarly, the same is done for the electricity usage of water.
- System losses both technical and non-technical are maintained at acceptable levels.

Electricity Sales and Revenue Forecast

Sales						
Financial Year	**Domestic**	**Commercial**	**RPC1**	**Government**	**Industrial**	**Total Sales**
	kWh	**kWh**	**kWh**	**kWh**	**kWh**	**kWh**
2019	15,001,625	8,936,337	-	4,152,479	1,931,291	30,021,732
2020	16,333,171	8,079,043	-	4,497,641	1,436,166	30,346,021
2021	16,986,498	8,079,043	2,392,991	4,587,594	1,450,528	33,496,653
2022	17,326,228	8,079,043	3,988,319	4,679,346	1,450,528	35,523,463
2023	17,499,490	8,079,043	3,988,319	4,772,933	1,450,528	35,790,312
2024	17,516,990	8,079,043	3,988,319	4,868,391	1,450,528	35,903,270
2025	17,534,507	8,079,043	3,988,319	4,965,759	1,450,528	36,018,155
Forecast Revenue						
Financial Year	**Domestic**	**Commercial**	**RPC1**	**Government**	**Industrial**	**Total Sales**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**
2019	7,050,763.75	6,255,435.90	-	2,906,735.30	1,351,903.7	17,564,838.65
2020	7,676,590.37	5,655,330.10	-	3,148,348.70	1,005,316.2	17,485,585.37
2021	7,983,653.98	5,655,330.10	1,675,093.81	3,211,315.67	1,015,369.4	19,540,762.93
2022	8,143,327.06	5,655,330.10	2,791,823.01	3,275,541.99	1,015,369.4	20,881,391.53
2023	8,224,760.34	5,655,330.10	2,791,823.01	3,341,052.83	1,015,369.4	21,028,335.64
2024	8,232,985.10	5,655,330.10	2,791,823.01	3,407,873.88	1,015,369.4	21,103,381.45
2025	8,241,218.08	5,655,330.10	2,791,823.01	3,476,031.36	1,015,369.4	21,179,771.92

Water Revenue Forecast

	Volumn Sales							Water Tanker Trip Sales					Total Income
Year	Domestic	Commercial	Industrial	Government	MH Fresh Water	MH Sea Water	Total Sales	Domestic	Commercial / Industrial	Government	Onwer Delivery	Total Del. Sales	
2021	561,629	182,037	35,400	194,000	228,448	324,000	1,525,513	100,285	72,753	526,352	305,205	1,004,595	2,530,109
2022	607,690	183,857	35,400	194,000	228,448	324,000	1,573,395	108,510	73,362	526,352	307,760	1,015,984	2,589,380
2023	654,793	185,696	35,400	194,000	228,448	324,000	1,622,337	116,921	73,978	526,352	310,341	1,027,591	2,649,928
2024	702,962	187,553	35,400	194,000	228,448	324,000	1,672,362	125,522	74,599	526,352	312,947	1,039,420	2,711,782
2025	752,220	189,428	35,400	194,000	228,448	324,000	1,723,496	134,317	75,226	526,352	315,580	1,051,475	2,774,971

Financial Summary

ELECTRICITY SALES FORECAST

		Forecast (Years)				
ENERGY SALES	**Units**	**2021**	**2022**	**2023**	**2024**	**2025**
Residential @ $0.22/kWh - prepaid	$	1,355,318	720,098	720,818	721,538	722,260
Residential @ $0.47/kWh - prepaid	$	4,306,629	4,692,090	4,696,782	4,701,479	4,706,181
Domestic - Postpaid @ $0.48/kWh	$	1,231,901	1,492,566	1,494,058	1,495,552	1,497,048
Commercial - Prepaid	$	2,078,119	3,023,650	3,023,650	3,023,650	3,023,650
Commercial - Postpaid	$	1,997,174	2,905,075	2,905,075	2,905,075	2,905,075
Government - Prepaid	$	221,888	227,136	228,272	229,414	230,561
Government - Postpaid	$	1,996,992	2,044,228	2,054,450	2,064,722	2,075,045
Industrial- Prepaid	$	116,980	136,436	136,436	136,436	136,436
Industrial- Postpaid	$	479,349	581,647	581,647	581,647	581,647
Total Domestic	$	6,893,848	6,904,754	6,911,658	6,918,570	6,925,489
Total Commercial	$	4,075,293	5,928,725	5,928,725	5,928,725	5,928,725
Total Government	$	2,218,880	2,271,365	2,282,722	2,294,135	2,305,606
Total Industrial	$	596,329	718,083	718,083	718,083	718,083
Total Electricity Income	$	13,784,350	15,822,927	15,841,188	15,859,513	15,877,903

WATER SALES FORECAST						
		Forecast (Years)				
WATER SALES VOLUME	**Units**	**2021**	**2022**	**2023**	**2024**	**2025**
Total Domestic	$	902,715	486,152	523,835	562,369	601,776
Total Commercial	$	172,279	183,857	185,696	187,553	189,428
Total Government	$	414,342	194,000	194,000	194,000	194,000
Total Industrial	$	46,350	35,400	35,400	35,400	35,400
Menen Hotel - Fresh Water	$	144,102	228,448	228,448	228,448	228,448
Menen Hotel - Sea Water	$	43,008	291,600	291,600	291,600	291,600
Total Water Volume Sales	$	1,722,796	1,419,457	1,458,978	1,499,370	1,540,652
WATER SALES DELIVERY						
Domestic Water Deliveries < 5000L	$	96,958	69,446	74,829	80,334	85,963
Domestic Water Deliveries > 5000L	$	24,240	17,362	18,707	20,083	21,491
Commecial Water Deliveries	$	98,839	73,362	73,978	74,599	75,226
Government Water Deliveries	$	447,480	526,352	526,352	526,352	526,352
Water Own Uplift	$	264,657	307,760	310,341	312,947	315,580
Total Water Delivery Income	$	932,174	994,282	1,004,207	1,014,315	1,024,612
Total Water Domestic	$	1,023,913	572,960	617,371	662,787	709,230
Total Water Commercial	$	458,228	777,268	779,721	782,200	784,703
Total Water Government	$	861,822	720,352	720,352	720,352	720,352
Total Water Industrial	$	311,007	343,160	345,741	348,347	350,980
Total Water Income	$	2,654,971	2,413,740	2,463,185	2,513,686	2,565,264
			2,413,740	2,463,185	2,513,686	2,565,264

Operating Expenditure Forecast					
	Forecast (Years)				
	2021	**2022**	**2023**	**2024**	**2025**
Employment Expenses	$ 3,318,958	$ 3,375,380	$ 3,432,761	$ 3,491,118	$ 3,550,467
Financial Expenses	$ 298,536	$ 303,611	$ 308,773	$ 314,022	$ 319,360
Fuel & Oil Expenses	$ 9,787,230	$ 9,953,613	$ 10,122,825	$ 2,573,728	$ 2,617,482
ICT Expenses	$ 272,270	$ 276,898	$ 281,605	$ 286,393	$ 291,261
Repairs & Maintenance Expenses	$ 953,536	$ 969,746	$ 986,232	$ 1,033,088	$ 1,050,650
Board Expense	$ 33,920	$ 34,497	$ 35,083	$ 35,679	$ 36,286
General & Administrative Exp	$ 2,853,143	$ 2,901,646	$ 2,950,974	$ 3,001,141	$ 3,052,160
TOTAL EXPENSES	**$ 17,517,593**	**$ 17,815,392**	**$ 18,118,254**	**$ 10,735,169**	**$ 10,917,667**
Depreciation	**$ 2,350,000**	**$ 2,350,000**	**$ 2,350,000**	**$ 2,350,000**	**$ 2,350,000**

Forecast Profit and Loss Statement Forecast 2021 - 2025

	Forecast (Years)				
	2021	2022	2023	2024	2025
Electricity Income	$ 13,784,350	$ 15,822,927	$ 15,841,188	$ 15,859,513	$ 15,877,903
GON CSO	$ 1,388,213	$ 1,457,624	$ 1,530,505	$ 1,607,030	$ 1,687,382
Water Income	$ 2,654,971	$ 2,413,740	$ 2,463,185	$ 2,513,686	$ 2,565,264
TOTAL REVENUE	$ 17,827,533	$ 19,694,290	$ 19,834,878	$ 19,980,229	$ 20,130,548
Employment Expenses	$ 3,318,958	$ 3,375,380	$ 3,432,761	$ 3,491,118	$ 3,550,467
Financial Expenses	$ 298,536	$ 303,611	$ 308,773	$ 314,022	$ 319,360
Fuel & Oil Expenses	$ 9,787,230	$ 9,953,613	$ 10,122,825	$ 5,147,456	$ 5,234,963
ICT Expenses	$ 272,270	$ 276,898	$ 281,605	$ 286,393	$ 291,261
Repairs & Maintenance Expenses	$ 953,536	$ 969,746	$ 986,232	$ 1,033,088	$ 1,050,650
Board Expense	$ 33,920	$ 34,497	$ 35,083	$ 35,679	$ 36,286
General & Administrative Exp	$ 2,853,143	$ 2,901,646	$ 2,950,974	$ 3,001,141	$ 3,052,160
TOTAL EXPENSES	$ 17,517,593	$ 17,815,392	$ 18,118,254	$ 13,308,897	$ 13,535,149
EBITDA	**$ 309,940**	**$ 1,878,898**	**$ 1,716,625**	**$ 6,671,332**	**$ 6,595,399**
Depreciation	$ 2,350,000	$ 2,350,000	$ 2,350,000	$ 2,350,000	$ 2,350,000
EBIT	-$ 2,040,060	-$ 471,102	-$ 633,375	$ 4,321,332	$ 4,245,399

The following assumptions are considered for the above forecast:

- The Government of Nauru's Community Service Obligations to increase as per forecasted GDP growth of 0.5%.
- Deficit after Depreciation is noted in the first three years of the forecast; however, it picks up in Year 4 onwards due to the assumption that the increase renewable energy solar penetration will reduce fuel expenditure by 25%.
- The Repair and Maintenance for solar infrastructure is factored at 3% from 2024 onwards.
- Although a deficit after depreciation is noted in the first three years, EBITDA is positive from 2021 to 2025. i.e. NUC is able to continue to cover its operating costs only.

Key Risks

NUC is developing a risk management framework to ensure that regular assessments are undertaken to identify and manage significant risks of community and business significance including health and safety, hazards and security, service delivery, financial, legal and compliance, environmental and reputational risks.

The table below presents the most significant strategic and business risks facing NUC and the proposed controls (financial and non-financial) over the SCI period.

Major capital investment in risk control primarily relates to infrastructure and system investment. Operational investment is allocated to improvements in management and administrative controls such as management systems, procedures, monitoring, communication, skills capability and operational program delivery.

Strategic and Key Business Risks	Key investment focus 2021-2025
Health and Safety Risks to Staff, Contractors and the Community. Due to the diverse nature of NUC's operations and multiple potential causes there are threats to the health and safety of the public, contractors and our people which could result in harm or fatality, legal consequences, reputational damage and financial loss.	• Safety culture improvement, including accountability and leadership, with the aim of achieving a proactive safety culture. • Improved Safety Management System tailored to operational needs. • Enhanced awareness of high-risk activities and alignment of controls.
Poor Water Quality Due to potential for poor water supply quality caused by poor source quality or other potential causes, there is a threat to community health and safety which could result in serious illness or fatality, legal consequences, reputational damage and financial loss.	• Improvement of the Water Quality Management System aligned with the Australian Drinking Water Guidelines including investment in procedures, monitoring and treatment.
Natural Hazards Due to potential for failure to adequately prepare and respond to natural unforeseen extreme natural events, there is a threat to infrastructure and people which could result in harm or fatality, legal consequences, reputational damage and financial loss.	• Implement Crisis Management Framework and Response Plans
Security Incidents There is a risk that NUC may not have effective processes in place to respond effectively when required which could result in cyber security attacks, financial loss, compromise of sensitive and commercial information, injury to staff and the general public, impact on service delivery and reputation.	• Remediate ICT project to improve management of cyber security risk. • Site and building investments to maintain physical security.
Interruption to Core Services Due to multiple potential causes (such as asset failure or fuel supply shortage), there is a risk of sustained interruption to core services with significant impacts for the community.	• Asset planning and investments to maintain asset performance and meet demand. • Improvement in systems to support service delivery and outage management and control systems.

Poor Financial Performance Due to potential for failure to identify and manage potential financial risks (such as failure to manage costs to the business or unfavourable decisions by government), there is a risk to the financial sustainability of NUC.	• Operating cost structure and financial process improvement strategies including via the Operating Model. • Capital investment in line with prudent investment strategies.
Major Compliance Breach There is a risk that NUC may fail to identify and/or breach its legal and regulatory compliance obligations which could result in financial sanctions and reputational damage.	• Improved governance and compliance framework to ensure ongoing alignment with the Public Enterprise Act 2019 and Reporting Guidelines.
Environmental Harm Due to multiple potential causes (such as fuel spills, cultural heritage impacts, waste), there are threats which could result in harm to the environment and people, financial legal and reputational impacts.	• Continued compliance with environmental regulation. • Continued implementation of the Environment Management System. • Supporting the Nauru Government to pursue 50% renewable energy target.
Poor Business Performance Due to potential for NUC to fail to optimise its capability and people, and generate a high performing, diverse workforce there is a risk that NUC will not achieve its strategic objectives which could result in decrease in service delivery, reputational damage, decreased staff morale and financial loss.	• Implementation of the Culture and Capability Program to support achievement of strategic objectives of the business.
Failure to meet Customer and Stakeholder Expectations There is a risk that NUC may fail to effectively engage, understand and address the needs of its customers and stakeholders (including the Government, workforce, business and the public) which could result in loss of funding, financial loss, reputational damage and regulatory changes.	• Implementation of the Customer and Stakeholder Engagement Strategies.

Other Matters

Information to be provided to relevant Ministers

To enable Ministers to assess the value of their investment in Nauru Utilities Corporation, any information that would normally be supplied to a controlling private shareholder will be made available.

An Annual Report for each financial year, including audited financial statements, will be submitted in accordance with Section 73 of the Act.

The Annual Report will:

- contain sufficient information to enable an informed assessment to be made of NUC's operations, including a comparison with the SCI, and
- state the dividend payable to the Government for the relevant financial year.

We will also submit to the relevant Ministers:

- Half-yearly reports, in accordance with Section 77 of the Act, with such details as are necessary to permit an informed assessment of the company's performance during that reporting period.

Our Business Plan and a draft SCI, which will be made available prior to the commencement of the financial year to which they relate.

We will also provide other information relating to the affairs of the company requested by the relevant Ministers pursuant to Section 80 of the Act.

Consultation

We will, in relation to any single transaction or series of transactions, consult with the relevant Ministers on items outside normal operations and having a material impact on our financial position not contemplated in the Business Plan – this will include:

- any substantial capital investment in activities within the scope of core business,
- any substantial expansion of activities outside the scope of our core business, and
- the sale or other disposal of the whole, or any substantial part, of the business undertaking.

We will also consult on any specific items included in the Business Plan as agreed the relevant Ministers from time to time.

Activities for which Compensation is sought

We will, in accordance with Section 26 of the Act, seek compensation sufficient to allow NUC's position to be restored if the Government wishes us to undertake activities or assume obligations that in our view will:

- result in a reduction of NUC's profit or net worth, or
- modify our assets in ways that reduce ongoing security and reliability.

The SCI assumes CSO funding for the Life Line Tariff Concession will continue for 2020-21 and subsequent two financial years.

Accounting Policies

Established under *Nauru Utilities Corporation Act 2011*, NUC's principal activity is the provision of non-contestable electricity and water services in Nauru.

NUC, as a public authority, is obligated to carry out its financial and procurement management in accordance with the *Public Finance (Control and Management) Act 2012 and section 69 of the Public Enterprise Act 2019*.

Our financial management strategy ensures that all the financial aspects of the NUC operations are managed in a transparent manner that captures all transactions and records them under the appropriate budget classification, complies with legal requirements, and produces reports appropriate for managing the utility and reporting to the relevant authorities and regulators.

The financial statements comply with International Financial Reporting Standards (IFRS).

NUC is a public entity for the purposes of the *Public Enterprise Act 2019* and therefore, detailed accounting policies applied in the preparation of the financial statements are consistent with the accounting policies disclosed in the 2019 Annual Report.

Other Matters Agreed by the relevant Ministers and the Board

No other matters have been agreed by the relevant Ministers and the Board for inclusion in this statement pursuant to section 28(1)(l) of the Act.