

Contents

Chairman's Review

CEO's Review

About Ergon Energy

Business Performance

Contacts



Chairman's Review

In May this year I was invited to take on the position of Chairman of the soon-to-be-amalgamated regional distribution company Ergon Energy, and in the interim to Chair the Implementation Steering Committee charged with effecting the merger.

This was no small task. The six distribution companies all had their own distinctive cultures and processes, and a strong sense of regional independence. The task was further complicated by the fact that at the national level, the energy industry was undergoing significant change and restructure, which was putting at risk the long term viability of the previous six regional distribution companies.

Our aim for the Ergon Energy group was to ensure that the merging of six companies into one was done with our vision in mind; to become a successful major Australian utility while maintaining and strengthening our regional position.

To achieve this, our initial objectives were to bring about the merger in such a way as to create minimal disruption to our customers and employees, maintain the focus on core responsibilities, and to capture the benefits of the merger.

In respect of the first two objectives we can claim unqualified success. Anybody who thinks that such a massive amalgamation can be achieved without a great deal of hard work has obviously never been involved in such an exercise. But day one came and went smoothly, and much of this can be attributed to the planning and expertise of Ergon Energy staff.

'I believe we can now look to the future with enthusiasm.'



OUR PEOPLE - OUR ASSET

Since taking on the position of Chairman, I have been overwhelmed by the quality of the people working at all levels of the organisation. Impressive also is the appetite for change within the company. Staff throughout the company have been enthusiastic about confronting the challenges facing our young company and the many new opportunities that are now available to us.

Having said all that, we also recognise that people want to participate in the change, not have it imposed upon them. That is why at all times, the development and implementation of our strategies have been developed from within, through project teams and working groups.

ONE BUSINESS APPROACH

With the previous separate regional distribution companies, there had been customer confusion and a lack of clarity as to what services were provided by the different parts of the industry in regional Queensland.

In addition to this confusion, the nature of the energy industry and customers' expectations for service were changing rapidly. In order to be competitive and respond to customer service expectations, we needed to consolidate our efforts into a united "one business" approach.

Our "one business" vision now offers us the ability to leverage off our workforce quality, our regional strength, our local knowledge and our large customer base, in order to grow our business in an increasingly competitive market.

The future success of our company will rely on the continued commitment of the many people that have made, and continue to make, Ergon Energy what it is.

CHALLENGE FOR THE FUTURE

Our final objective - to capture the full benefits of the change - continues. To be successful, we will need to capitalise on our strengths, practise flexibility and innovation in the way we do things, take risks when the situation warrants it, and above all, operate as a team.

I was always of the view that whilst the amalgamation represented a difficult challenge, it also represented a one-off opportunity to change our organisation in a desirable way – an opportunity that would not last forever.

This has been the main focus of our teams since day one – particularly our Enterprise Team. Its objective was to scope the change required to achieve the company's vision, to determine the strategies required to fulfil that vision, and to develop an organisational structure that would enable the company to implement the strategies.

While the transformation of the company progresses, we will remain committed to our core business.

Only by achieving these objectives will we be able to deliver on our commitments to our shareholders, to our workforce, to regional communities, and particularly to our customers.

I could not be more happy with the way things have gone in laying the foundations of this new company. No doubt there will be challenges along the way. But I have confidence in the expertise and commitment of our people in achieving our common goal.

A handwritten signature in black ink that reads "Keith De Lacy".

The Hon. Keith De Lacy
Chairman



CEO's Review

My vision is that Ergon Energy, as a Queensland owned and operated entity, emerges as a major national utility with a strong regional presence in its traditional franchise territory.

It is with a great sense of pride that I recently accepted the position of CEO for the new Ergon Energy group.

I have enjoyed being a part of those challenges we faced over the past 6-12 months, and I now look forward to a dynamic and strong future for the company.

As CEO, I propose to focus on improving the reliability of supply and service to our customers, whilst expanding into a broad range of energy-related products and services that will add value to our customers.

In the rapidly changing electricity market in Australia, now more than ever we need to harness the innovation and forward thinking that have previously contributed to making Ergon Energy the success it is today.

I believe our key competitive advantages will strengthen our position as one of this country's leading utilities. I think these advantages are best expressed through our recently re-defined core values.

These values reflect our relationships with customers, the community, staff, stakeholders, partners and other key interfaces and influencers, and are at the core of our vision for the future.

'There are four main factors identified as being critical to our future success:

- cost competitiveness
- customer service excellence
- growth
- risk management.'



WHAT HAVE WE ACHIEVED?

Over the past year we have experienced dramatic changes and faced new opportunities and challenges.

The management and staff of the Ergon Energy group have embraced these challenges, resulting in many significant highlights from the past year for which we should all feel proud.

Major business opportunities were recognised and became a reality this year, which will be fundamental drivers behind the future direction of the group.

A major priority for the group has been the provision of high safety standards, ensuring that our customers benefit from the extensive network of knowledge and skill encompassing all levels of the business.

INCREASED REGULATED ASSETS IN REGIONAL AREAS

A focus for the group has been to support our core business area of regional Queensland, through improving our service to these areas, and increasing our asset base.

The company's commitment to providing a quality and reliable electricity supply to its customers will also involve considerable budgetary allowance for network maintenance and vegetation management.

Budgeted expenditures for the period are a reflection of the sustained economic and population growth across Ergon Energy's franchise area.

MAJOR DEVELOPMENTS IN REGULATED ASSETS

- The \$8 million project to connect Hayman Island to the Whitsunday mainland coast
- The \$2 million replacement of the Birdsville and Bedourie Power Stations
- The upgrade of power supply to Alpha in Western Queensland

INCREASED UNREGULATED ASSETS

Our advances in unregulated assets were significant over the past year, and aimed to improve returns to shareholders and strengthen the company's asset base.

THREE MAJOR DEVELOPMENTS

- The Ergon Energy brand was launched
- The agreement to purchase major gas supplies
- The launch of the company's *Ergon Clean Energy* and green portfolio

The successful launch of the brand into regional areas highlighted that customers were eager to identify with one company, rather than six. It will now enable the company to market products and services more effectively to customers, through the "energy experts" vision.

Ergon Energy concluded a preliminary agreement to purchase PNG gas for supply to the proposed Townsville power station and other power generation and industrial customers.

This agreement to become a new player in the Queensland gas market will add to our unregulated asset base, and ensure our competitiveness in the national electricity market.

Ergon Energy also pioneered the trade of "green" energy in Australia, and is now one of the largest purchasers of green power in the country. The launch in May this year of our *Ergon Clean Energy* product highlights our commitment to renewable energy and our "green" portfolio.

A VISION FOR THE FUTURE

There are four main factors identified as being critical to our future success: cost competitiveness, customer service excellence, growth and risk management.

Our future as a united company will not only benefit all customers, but will position the company as a major player in the national electricity market.

Kim Griffith
CEO



About Ergon Energy

OUR VISION

Ergon Energy's vision is to be a successful Australian energy-based wholesaling and retailing enterprise that creates value through our ability to consistently deliver intelligent customer solutions.

WHO ARE WE?

Our positioning line - *People Powering People* - is more than just a slogan; it is the way we do business.

More than just providing electricity, we seek to provide complete energy solutions in a changing world, where customer needs are also changing.

Ergon Energy became one of Australia's largest energy companies with the merger of the six regional Queensland distribution corporations, and their subsequent re-branding to Ergon Energy from July 1999.

As one of the first companies to serve customers nationally when Australia's energy market began deregulating in the mid '90s, our level of expertise and innovation positioned Ergon Energy competitively in the marketplace.

We currently service more than half a million customers in homes and businesses across some 1 million square kilometres of the State of Queensland.

We manage the operation of 135,000 kilometres of electricity network in Queensland, and we have made significant gains in the contestable markets of Victoria, New South Wales and the Australian Capital Territory.

OUR ASSETS

- Our people
- Our customers
- Our experience
- Our knowledge
- Our strength
- Our innovation



WHAT DO WE DO?

Ergon Energy Purchases Energy

Ergon Energy buys wholesale energy in the national energy market and delivers it to household and business customers as a range of competitive retail products and services.

Ergon Energy Manages Energy

Through a commitment to providing total energy solutions for every customer, we are constantly looking at ways to innovate and improve our customers' energy needs, while pursuing new opportunities to build a sustainable future for the energy industry.

ERGON ENERGY SERVICES AND OPERATIONS

Our extensive network operations encompass all aspects of energy infrastructure management and support services.

Ergon Energy's subsidiary activities such as gas distribution, and safety and environmental training, are emerging as key business functions, as to are remote generation operations, and construction and infrastructure development.

All operations are aimed at ensuring a safe and reliable electricity supply for our customers, while strengthening Ergon Energy's position in the competitive market.

HIGHLIGHTS AS ONE BUSINESS

- Successful amalgamation of the six regional distribution corporations under the Ergon Energy name in July 1999
- 100% Queensland owned and operated
- Over 550,000 customers
- Over 2,500 employees
- Manages 135,000km of electricity network
- Approaching \$3 billion in assets
- Distributes electricity across approximately 1 million sq km
- Business operations in Queensland, New South Wales, ACT and Victoria

Our core business is not just about poles and wires, it is about total energy solutions to all types of customers, whether a large industrial company or a remote outback community.

Our values reflect the way we operate, our relationships with our customers and their communities, and our commitment to fostering an environment of success and enthusiasm for our people.

OUR PEOPLE

Our greatest asset is our people; and their commitment, skills and knowledge are fundamental toward gaining competitive advantage and market leadership.

Our people provide the framework around which the company's strength is based, and the achievements gained during the vast organisational challenges faced over the past 6-12 months can be attributed to the dedication of Ergon Energy's employees.

From technicians operating in remote areas of the State, to the executive management team, Ergon Energy employees are the driving force behind the company's dynamic growth and innovation.

It is through our people that Ergon Energy has the knowledge, skills and energy to be one of Australia's strongest utilities.



COMMUNITY

Ergon Energy is committed to supporting the communities in which it operates throughout Queensland. This commitment has been enhanced through the merging of the six regional corporations, allowing us to maintain close contact with those communities.

Our community relations approach is centred on youth, family, education, safety, the environment, and the support of regional development initiatives.

Our core brand values highlight safety, community, environment and knowledge; attributes that we try to reflect through our partnerships and support programs.

In particular, safety and reliability will be given high priority over the coming year.

Through our various partnerships, we aim to develop strong links with regional communities, while positioning Ergon Energy as a major Australian utility.

OUR COMMUNITY RELATIONS

Ergon Energy Safety Shuttle – A touring educational facility that has delivered the electrical safety message to more than 30,000 school children throughout Queensland during 1999.

Ergon Energy Tidy Towns – A long-standing community-based program that involves some 300 towns and communities throughout the State, promoting civic pride, environmental awareness, and cultural preservation. Bundaberg was awarded Queensland's "Tidiest Town" for 1999.

Surf Life Saving Queensland – A three year partnership was established with this great Australian icon to provide new uniforms for the IRB (inshore rescue boat) crews in all Queensland clubs. Other initiatives will also be undertaken with SLSQ, including educational campaigns in regional areas.



The Australian Stockman's Hall of Fame Ergon Energy Outback Muster and Drivers' Reunion – Held at Longreach in May this year, the annual event attracts thousands of visitors to the famous Stockman's Hall of Fame to celebrate our unique Australian bush culture and heritage.

North Keppel Island Environmental Education Centre – As part of our commitment to the environment, our support of this Centre will see the development of an interactive display for school students. The display educates students about energy efficiency and the environment.

Children's Tree Planting Project – Commencing in Rockhampton in 1987, the Children's Tree Planting Project incorporates various organisations throughout the State, encouraging the establishment of tree planting sites. Ergon Energy is proud to be a major sponsor of this project, which has seen more than 120,000 trees planted since its inception.

OUR COMMUNITY RELATIONS CENTRE ON:

- EDUCATION
- SAFETY
- FAMILY
- ENVIRONMENT

Y2K OVERVIEW

Since early 1998 and throughout 1999, our emphasis has been on securing the electricity supply to our customers. To this end, we have devoted staff and resources across the State and in our interstate offices to investigate, test and remediate systems where necessary, so as to be ready for Year 2000 dates.

While neither Ergon Energy, nor any other electricity supplier, can give an absolute guarantee of supply, we have been working to ensure a smooth transition to the Year 2000 and beyond.

In addition to our Year 2000 Compliance Projects, we have also re-evaluated and updated our contingency plans in light of the Year 2000. These contingency plans already exist for unexpected events that may damage equipment and cause outages, such as storms, bushfires, cyclones and other accidents.

This statement is a Year 2000 disclosure statement for the purposes of the Year 2000 Information Disclosure Act 1999. A person or corporation may be protected by that Act from liability for this statement in certain circumstances. This statement is made on behalf of Ergon Energy Corporation Limited A.C.N. 087 646 062, Ergon Energy Pty Ltd A.C.N. 078 875 902 and Ergon Energy (Victoria) Pty Ltd A.C.N. 072 672 694, together referred to as 'Ergon Energy'.



Business Performance



STRATEGIC DEVELOPMENT

The Strategic Development Business Unit is responsible for the function of Business Development in Ergon Energy.

The primary focus of this activity is to broaden and grow the company's revenue, particularly in areas outside, but related to, the normal electricity retailing business.

The Business Development group has three main streams of activity, relating to gas, renewable energy, and the development of innovative and cost-effective energy solutions to meet individual customers' requirements. All three streams have seen significant activity throughout 1998/99.

GAS

A major achievement during the year has been our development as a new player in the Queensland gas market, particularly our involvement in the proposed Papua New Guinea – Queensland gas pipeline. Ergon Energy concluded a preliminary agreement in relation to the purchase of up to 50 petajoules of PNG gas for supply to the proposed Townsville power station and other power generation and industrial customers.

Specific attention in the coming year will include further development of Ergon Energy's involvement in the gas supply business. In this, it will work closely with both customers and suppliers to provide the aggregation services required by both.

GREEN VISION

Ergon Energy aims to be a leading energy retailer and corporate citizen delivering energy solutions that will lessen the impact of greenhouse gas emissions and fulfil the energy needs of its customers.



RENEWABLE ENERGY

Ergon Energy's environmental policy seeks to identify and pursue environmental activities that give special consideration to reducing greenhouse emissions, the promotion of clean energy alternatives, oil containment and land use management.

The generation and use of conventional electricity, which uses non-renewable energy sources such as coal and petroleum, contributes to Australia's greenhouse gas emissions.

Changes in the way we produce and consume energy are fundamental if we are to improve the environment and ensure a sustainable future.

Ergon Energy is committed to realising its "green" vision for the future and communicating this to customers, staff, and stakeholders.

In the renewable energy area, Ergon Energy has concluded a significant long-term contract with Queensland-based Energy Developments Limited for the purchase of electricity generated from land-fill gas.

Ergon Energy announced that it would be participating in a wind power development, through the purchase of energy from Stanwell Corporation's Windy Hill project near Ravenshoe.

Further attention will be given to the potential of energy generation from land-fills and other refuse sources, as well as our major source of renewable energy and a significant regional customer - the sugar industry.

Following completion of the necessary documentation and associated processes, it is anticipated that Ergon Energy will join the Greenhouse Challenge initiative. This will ensure there is an appropriate focus on the greenhouse implications of our own operations as well as on the requirements of our customers.

THE ENVIRONMENTAL STATEMENT, THAT'S NOT JUST A STATEMENT

All employees at Ergon Energy are to be committed to minimising impacts on the environment.

As CEO I have the responsibility for overall Environmental Management, but I must rely on all staff to conduct themselves in a manner which will not put themselves, others or their environment at risk. I also recognise that successful and efficient operations in all of our activities are dependent on the performance of every member of staff. The objectives outlined below have been established to provide direction for staff and demonstrate the commitment Ergon Energy has to managing its environmental impacts.

These objectives are:

- Identify significant environmental aspects and give special consideration to Greenhouse emissions, promotion of clean energy alternatives, oil containment and land use management issues;
- Foster continuous improvement in both our work practices and network performance;
- Provide communication avenues for the discussion of environmental management at work through joint staff management committees;
- Conduct training regularly in environmentally responsible working methods;
- Promote this policy to employees and the public;
- Foster a pollution prevention ethic and operate a system of hazard reporting and control that will involve employees at all levels in the recognition of potential workplace hazards;
- Maintain plant and equipment in safe working condition for staff, communities and the environment;
- Review work practices and equipment to enable work to be completed efficiently, while limiting the risk of harm to the environment; and
- Observe all laws and regulations relating to the environment.

Our Directors and management accept the responsibility to provide the necessary resources to implement this policy and seek full co-operation from all employees to make the environment a prime consideration in all activities. Each and every employee is ultimately responsible for his or her own conduct and therefore his or her own impacts on the environment.

Kim Griffith
CEO



TOTAL ENERGY SOLUTIONS

Ergon Energy's Total Energy Solutions staff have been active throughout the year in formulating proposals to meet the energy requirements of a number of large industrial customers.

This involves working closely with the customers' technical and production staff to understand and meet their energy requirements in the most cost-effective way.

In addition, a range of generic energy quality products and capabilities have been developed which may be applied to meet the identified requirements of a group of smaller customers. These product developments are being produced under the banner of Ergon Energy's Tailored Energy Solutions.

To date, these have been rolled out primarily in the Victorian market.

THE YEAR AHEAD

The coming year will see further development in each of Ergon Energy's areas of Business Development. With the restructuring of the distribution function of the company, there will be additional scope for Business Development to deliver Total Energy Solutions to customers.

In relation to the customer-specific approach to the provision of energy services, Ergon Energy's capability development and skill acquisition during the past year will allow it to step up its services to customers throughout a number of the contestable markets of the eastern Australian states.

REGULATORY MANAGEMENT

In addition to Business Development, the Strategic Development Business Unit is responsible for the monitoring and analysis of developments in the regulatory framework of the electricity industry, and contributing to those developments.

During 1998/99, the major focus of this work was on the commencement of the National Electricity Market which occurred in December 1998. Subsequently, contributions have been made to a wide range of enquiries and consultations as the market rules are bedded down and refined. This work will continue throughout 1999/2000.

NETWORK OPERATIONS AND SERVICES

Ergon Energy made a momentous leap towards establishing itself as a national utility on 29 June 1999 with the merger of the six regional Queensland distribution corporations, and their subsequent re-branding to Ergon Energy from July 1999.

Ergon Energy now has an extensive network function servicing regional Queensland. With the amalgamation of the individual regional distribution corporations came an opportunity not only to grow economic strength and employment opportunities in regional Queensland, but also to review operational management of the electricity network.

The objective was to improve the reliability and quality of electricity supply. The evaluation of current practices is preliminary to the introduction of network management systems aimed at reducing operating costs and improving efficiencies.

The challenge for the coming year will be to implement effective workplace practices that deliver improved performance in vegetation management, maintenance programs and system improvement.

One challenge for the coming year will be to implement effective workplace practices that deliver improved performance in vegetation management, maintenance programs and system improvement.

THE YEAR IN BRIEF

Throughout the course of the year, the group completed a significant number of projects across regional Queensland, including the \$50 million Carpentaria Minerals project, connection of Hayman Island to mainland supply, construction of a major network for the operation of South Walker and Copabella mines in Central Queensland, and replacement of the Birdsville and Bedourie power stations.

The Carpentaria Minerals project was completed after three years of extensive and complex design and construction, with more than 400 kilometres of 220 kV powerline connecting electricity supply from the Mica Creek Power Station to the Pasminco Century Zinc mine. Along the way, electricity supply was also connected to Ernest Henry Mine near Cloncurry, Hilton and Gunpowder. The project, the catalyst for expansion of the mining industry in North-West Queensland, provides a platform for further expansion of rural Queensland and provides an opportunity for remote communities in the Burke Shire to be connected to the electricity grid in the future.

A supply agreement secured during the year with Bankers Trust, owners of Hayman Island in the Whitsundays, will see Ergon Energy connect mainland electricity supply to the 5-star international tourist resort in November this year.

The \$8 million project, one of the largest of its kind ever undertaken in Australia, involves the laying of a continuous length of undersea cable for 30 kilometres from Shute Harbour to the island.



WORKPLACE SAFETY

Management of Workplace Health and Safety issues continued to be a priority for the group during the year.

The focus was on risk management in the Ergon Energy workplace. This involved identification of hazards in the workplace and reduction of risks through structured risk assessment processes.

Our high safety standards were recognised this year, with the Mackay and Capricornia regions achieving 5-star recognition from the National Safety Council of Australia for their workplace Health and Safety management systems.

The objective for the coming twelve months will be to develop a consistent approach to workplace health and safety across all Ergon Energy operations. This will involve the implementation of common systems and processes.



ENVIRONMENT

Ongoing commitment to proper management of network environmental issues was reflected in the attainment of third party certification to international environmental standards ISO 14001 by Ergon Energy operations in the Mackay and Wide Bay regions.

The key objective for the future is environmental certification across all Ergon Energy operations.

Our network operations invested in "best practice" vegetation management programs that involved aesthetically enhancing tree trimming procedures, tree planting, and control of noxious weeds.

Environmental licensing is currently in place for network operations in Cairns and remote power stations in North Queensland. The company is presently clarifying further licensing requirements subsequent to the merger of the network businesses across regional Queensland.

Environmental services, specifically in the areas of flora and fauna impact assessments and oil spill management, have been provided externally to the mining and gas industries and local government authorities.

BUSINESS DEVELOPMENT

Significant effort has been directed by network operations towards "growing" outside the traditional electricity distribution business into a total energy infrastructure provider.

The network expertise in workplace safety and environmental management has led to the provision of external training and consulting services to major companies throughout Central and Western Queensland.

The introduction of generic mine inductions, confined space training, and electrical safety and emergency rescue programs under the ISES brand have been well received in the mining, sugar and service industries.

Other business opportunities that are extensions of core capabilities include remote area power supplies (RAPS) and the provision of specialist cable solutions to the mining industry in North Queensland.

Renewable energy products have been developed in the form of photovoltaic roof top systems.

The company's Power Services group completed projects for Hamersley Iron in Western Australia and Pasma Zinc Mine in North West Queensland in the twelve month period.

THE FUTURE

Amalgamation of the network operations has provided Ergon Energy with the opportunity to develop substantial synergy across construction, maintenance, support service, purchasing, environmental, and safety functions across regional Queensland.

To successfully manage the operation of 135,000 kilometres of electricity network across the company's franchise territory, Ergon Energy must now be looking to develop internal systems that will ensure our competitiveness in the national marketplace.

Through designing, constructing and maintaining electricity and gas networks in alliance with key strategic partners, Ergon Energy will evolve as a true national energy company.

Our vision for tomorrow is to emerge as a total infrastructure provider in the national market.



Our commitment is to grow the economies of regional Queensland through increased employment opportunities, partnering major developments and investing in tomorrow's technologies.

RETAIL MARKET

The Ergon Energy brand was formally introduced into the regional Queensland market in late 1998. Since then, significant activities have been undertaken to establish Ergon Energy and its core values.

A major milestone for our brand was the merger of the six regional Queensland distribution corporations, and their subsequent re-branding to Ergon Energy from July 1999. This change will ensure the group has a consistent brand image that will reduce customer confusion, enhance services available to our customers and promote a united company culture for our staff.

A strong focus on customer education and communication was established, including the introduction of a quarterly newsletter, "Current", which is inserted with customer bills and provides education, energy efficiency ideas, and other relevant information.

Significant focus was placed on enhancing our web site and e-commerce strategies, another initiative to keep our customers and other stakeholders informed. We are also committed to providing a variety of on-line services, including connection, disconnection, and quoting facilities.

These efforts resulted in the Ergon Energy web site being ranked as the best utility web site in Australia by Andersen Consulting this year, and ranked 18th in an international survey of more than 140 utility companies.

A key component of our ongoing environmental commitment incorporated the launch of our environmental product *Ergon Clean Energy* in May 1999. This programme allows customers to contribute towards the purchase of renewable energy by paying a small premium over the standard cost of electricity.

Further ways to enable our customers to preserve the environment are planned for the future, particularly in the area of promoting energy efficiency. An example of this is the energy efficient light bulbs now available to our customers.

The third market tranche opening in Queensland occurred on 1 July 1999, giving all business customers who consume 200MWh or more of electricity per annum the opportunity to deal with the electricity retailer of their choice.

Ergon Energy invested in providing education to customers based in regional Queensland and South East Queensland, advising them of the mechanics of deregulation and the most appropriate way to move forward.

To date, our customers have supported Ergon Energy in regional Queensland, and strong new business gains have been made in the South East Queensland region.



We are committed to providing high levels of customer service through a better understanding of existing and new customer needs, and tailoring our service facilities in response to those needs.

WHOLESALE MARKETS AND MAJOR CUSTOMERS

As the national electricity market deregulates, the energy industry will become highly competitive amongst the individual utilities. One aim of deregulation is to provide the opportunity for better prices and service for all customers.

Ergon Energy's wholesale markets area manages the risks associated with participation in energy markets, in relation to load and price. Ergon Energy strives to provide the best possible price for electricity to its customers.

To do this, risk management information needs to be current and accurate.

Two areas of focus have been in trading for profit and energy direct opportunities, which will help to position Ergon Energy as a national energy trader:

1. Trading for profit involves trading energy contracts in the market.
2. Energy direct involves selling structured financial products to customers, such as curtailable load opportunities.

Gaining a presence in the Victorian market in 1996, Ergon Energy has consolidated its position in the contestable markets in Victoria, New South Wales, the Australian Capital Territory and Queensland, with continued growth in energy sales and customer acquisition across the business spectrum in these deregulated electricity markets.

Customer acquisition and retention strategies have focussed on providing customers with intelligent energy solutions whereby successfully differentiating ourselves in an extremely competitive environment.

Our "single point of contact" account management concept has assisted customers in having expedient access to relevant information, a comprehensive range of products and a large selection of services enabling them to enhance their business returns.

Ergon Energy's customer base is diverse, with electricity supply contracts covering significant mining operations in the Queensland heartland such as BHP Coal Pty Ltd, Pacific

Coal Pty Limited, ARCO Coal Australia Inc. and MIM Holdings Ltd; large industrial plants including Incitec Ltd – Gibson Island and Ticor Chemical Company Pty Ltd; substantial transport operations including Queensland Rail; health customers such as St Vincent's Hospital Medical Complex in Sydney, and a number of Government facilities in Victoria.

Customer take-up of products and services have included load curtailment structured financial arrangements, supply installation and commissioning of power factor correction equipment, as well as production process enhancement equipment resulting from our Tailored Energy Solutions concept.

CUSTOMER CARE

Ergon Energy's customer service commitment has continued to be provided via service level agreements with the former shareholding network corporations. All parties involved in the delivery of customer service have worked to standardise policies and processes that impact on the customer. This work is continuing with the aim of achieving improved levels of customer service, a major focus for the new Ergon Energy.

During the year Ergon Energy increased the number of organisations through which customers could pay their accounts, with the establishment of agreements between Ergon Energy and NORQEB Retravision, and Ergon Energy and the Queensland Country Credit Union.

Ergon Clean Energy enquiries were responded to by Ergon Energy call centres, signalling a significant change in the activities of Customer Service.

A small telesales team focussing on electricity sales to our contestable customers with usage up to 2GWh was also established.

Significant activity in improving the timeliness and accuracy of the bills for our contestable customers was also a focus in the 98/99 year, resulting in a much improved billing service. Service quality improvement work is ongoing, and will remain a priority for the company.

We are after all, People Powering People.