

load growth, with further works planned. Additionally, in the Far North, we have plans to augment supply to Mission Beach with preliminary works in 2006/07 supporting construction of a new \$3.6 million substation near El Arish in 2007/08. Replacement power stations will be built at Bamaga and Badu Island at a cost of \$22 million. Together with a \$4 million augmentation of Aurukun Power Station, these projects will help ensure reliable electricity supply and support projected population growth in these communities.

In Townsville, further work will be undertaken to upgrade the 66kV underground cable network (\$2.5 million), as well as to reinforce supply with the commencement of new substations at Belgian Gardens and Oonoonba for a total cost of \$23.5 million. The Bowen area will benefit from reinforcement of supply with a new \$5 million 66kV powerline from Home Hill Substation due to be completed in mid 2007. Other projects include substation augmentation works at Black River (\$10 million), Charters Towers (\$3 million) and Cloncurry (\$2 million).

One of our major customer-initiated works will be a \$28 million project to connect SunWater's facilities as part of the Burdekin to Moranbah pipeline project, due for completion in 2008.

Going forward, these projects will ensure we are able to meet the region's growing electricity demand, as well as deliver improvement in our network performance and enhance our operational platform.

Customer Service 13 10 46

7.00am – 6.30pm Monday to Friday

Faults Only 13 22 96

24 hours a day, 7 days a week

Life-Threatening Emergencies Only 000 or 13 16 70

24 hours a day, 7 days a week

If you would like to discuss any of the initiatives outlined in this or the Annual Report, or any concerns you may have regarding power supplies in our Northern Region, please don't hesitate to contact us on 13 10 46.



*Paul Ryan, Manager Regional Services Northern
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Geoff Bowes, Manager Regional Services Northern Operations*

ABOUT THE NORTHERN REGION SUPPLY AREA

The Northern Region includes Far North Queensland and North Queensland.

FAR NORTH QUEENSLAND

Far North Queensland is a tropical environment with high annual rainfall and exposure to summer electrical storms and cyclones. A substantial part of the Far North Wet Tropics is World Heritage-listed, imposing special legislative requirements on the operation and maintenance of any electrical infrastructure. This area consists of four main Ergon Energy operational areas:

The Far North Coastal Strip - covers the city of Cairns and environs, as well as the townships and surrounding rural areas of Gordonvale and Babinda. The area is serviced by six 132/22kV bulk substations, which are supplied from Powerlink Queensland's 132kV network. In addition, the Cairns City 132/22kV Zone Substation is supplied via 2.9km of Ergon Energy-owned 132kV dual-circuit line connected to Powerlink Queensland's Woree 275/132kV connection point.

Hinchinbrook Area - covers the townships and surrounding rural areas of Ingham, Cardwell, Tully and Innisfail. The area is serviced by two bulk supply substations, one at Tully, servicing the area south of Tully and north to Innisfail, and the other at Pin Gin Hill, servicing north to Babinda and south to Silkwood.

Far North Tablelands Area - centered around the major rural towns of Atherton and Mareeba and including the smaller rural communities of Malanda, Millaa Millaa, Ravenshoe, Mt Molloy, Dimbulah and Chillagoe. In addition, the coastal communities of Mossman, Port Douglas and Cooktown are supplied from the Tablelands network. The area is serviced from the one 132/66kV connection point, Turkinje Substation, located near Mareeba. The Tablelands system consists of a 66kV subtransmission network, a dual-circuit 132kV transmission line from Turkinje to the Craiglie 132/22kV Zone Substation near Port Douglas, and a single-circuit 132kV line to the Lakeland 132/66/22kV Substation, which supplies the Cooktown area.

Far North Western Area - takes in the Georgetown, Normanton, Croydon and Karumba communities in the Gulf of Carpentaria. The area is serviced from the Ross connection point in Townsville via a 132kV single-circuit line owned by Ergon Energy.

Far North Remote Communities - Ergon Energy owns, operates and maintains stand-alone power stations and associated networks to supply 12 communities on Cape York Peninsula, three in the Gulf of Carpentaria and 16 on islands in the Torres Strait.

NORTH QUEENSLAND

North Queensland is a tropical environment with exposure to summer electrical storms and cyclones. It extends from Bowen in the south to Ingham in the north and west to the Northern Territory border, and consists of four main Ergon Energy operational areas:

Townsville Area - covers the city of Townsville and environs, as well as the townships and surrounding rural areas north to Ingham. The area is serviced by four 132/66kV connection points (one in Ingham and three in Townsville), and one 132/11kV connection point. All connection points are supplied from Powerlink Queensland's 132kV network. Ergon Energy takes supply at the 66kV side of Powerlink Queensland's 132/66kV transformers for four of these connection points, and at the 132kV terminals of the 132/11kV transformers at the Alan Sherriff 132/11kV connection point.

Burdekin/Bowen Area - covers the coastal strip of the North Queensland region south of Townsville and is centered around the major rural towns of Ayr and Home Hill in the Burdekin, and the coastal community of Bowen. It also includes the town of Collinsville and its surrounding rural areas. The Burdekin is serviced from one connection point, Clare 132/66kV Substation, located near the Clare township. The Bowen system is supplied by two 66kV feeders emanating from the Proserpine 132/66kV connection point, which is located in Ergon Energy's Central Region. Collinsville is supplied at 33kV from an Ergon Energy 33kV switching station connected to the Collinsville connection point.

North Queensland Mid Western Area - extends from Charters Towers west to Julia Creek and takes in the towns of Hughenden, Winton and Richmond. All these towns are connected at 66kV. Ergon Energy's Millchester 132/66kV Substation is located on the outskirts of Charters Towers and is supplied by an Ergon Energy-owned single-circuit 132kV transmission line from Powerlink Queensland's Ross Substation in Townsville. Limited capacity also is available to Charters Towers Substation via 66kV lines from Stuart Substation (Townsville) and Clare Substation. The area west of Charters Towers is supplied by two 66kV feeders to Hughenden Substation, one from Charters Towers Substation and one from Millchester Substation. Each of these 250km-long feeders goes through a 66kV voltage regulator at Cape River Substation, which is about 100km from Charters Towers.

North Queensland Western Area - comprises the Mt Isa and Cloncurry regions and the non-regulated network supplying the Carpentaria Minerals Province mining loads. This network is isolated from the coastal network, which interconnects the eastern Australian states. Ergon Energy takes supply at 132kV from the Mica Creek Power Station in Mt Isa to supply the Mt Isa load via the Duchess Road Substation. It takes from the same source and steps it up to 220kV to transmit supply to the Carpentaria Minerals Province mining loads, as well as to the Chumvale 220/66kV Substation, which provides 66kV supply to Cloncurry's two 66/11kV substations.

Further information about our network initiatives, as well as network constraints, is available in our Network Management Plan www.ergon.com.au/annualreport



DELIVERING TO QUEENSLAND'S NORTH 2005/06



everything in our power





'In the current growth climate, we need a strong working relationship ... the timely connection of new works is critical.'

Robert Wallace - Project Manager Redlynch Valley Estate

northern region report

Keeping the community informed

This report summarises our performance for 2005/06 from our Annual Report, with additional information regarding specific progress across Queensland's north. We also outline our major capital projects for 2006/07.

Our aim is to provide transparency in reporting our challenges and strategic response through these public reports, which, along with our other stakeholder engagement activities, create an opportunity for a greater understanding of Ergon Energy's activities.

Ergon Energy achievements 2005/06

Our Annual Report showcases our response to the devastation of Cyclone Larry, which highlighted the effectiveness of Ergon Energy as an organisation, along with progress made in our summer preparedness, disaster management planning and the success of cyclone area reliability enhancements.

In 2005/06, we delivered a record capital investment program of more than \$700 million across regional Queensland, significantly increasing the capacity of our electricity network and undertaking double the level of customer requested work from three years ago.

We also report on the delivery of our service promises and the substantial boost to our

capabilities in this area. Tribute is given to the successes of the retail business and we explain our response to the changes taking place regarding retail contestability and the restructuring of the electricity industry.

We are very proud to announce an outstanding safety performance, with Ergon Energy No.1 among the 16 energy companies in Australia that use the Lost Time Injury Frequency Rate (LTIFR) performance measure. With around 4,000 employees across Queensland as well as a strong contractor base, we believe the safety of our people and the community must always come first.

Our safety success also enhances our reputation as an 'employer of choice' and aligns with our commitment to the development of Queensland's regional skills base.

With the launch of our first stand-alone Sustainability Report, we also affirm our commitment to the principles of sustainability. The report explores how we are making an economic contribution to regional Queensland, as well as meeting our environmental responsibilities and supporting the communities where we live and serve.

Delivering across our Northern Region

Ergon Energy has three geographical operating regions. This report focuses on the infrastructure in our Northern Region, which services Far North Queensland

and North Queensland. This vast region - ranging from the environmentally sensitive wet tropics areas near the coast to the arid inland areas of western Queensland, and north to the remote communities of Cape York Peninsula and the Torres Strait - is serviced by an Ergon Energy workforce of more than 2,400, including field workers, administrative and managerial staff, apprentices and contractors.

In the Northern Region, our capital investment program included establishing new substations, major network improvements and securing powerlines in cyclone-prone areas, to expand and upgrade our network.

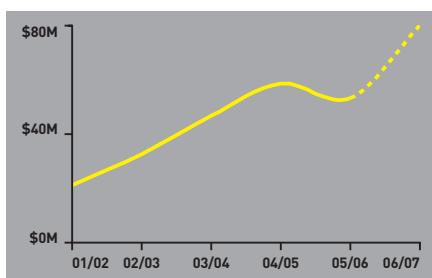
On Cape York Peninsula, we invested \$12.5 million in two new power stations to service the remote communities of Lockhart River and Pormpuraaw, where final commissioning is scheduled for late 2006. We also commenced work on a new \$15 million power station for Bamaga, which will be completed by June 2008.

The works program in and around Townsville included the commencement of a \$10 million project at the Port to develop a new zone substation, replacing 66kV underground cable in the Townsville CBD at a cost of \$3.8 million and the completion of a \$3 million upgrade of Ross Plains Substation. Other projects across North Queensland included the completion of a \$1.6 million upgrade of the Home Hill

Substation, refurbishing the Woodstock Substation (\$1.1 million), improvements to Duchess Road Substation in Mt Isa (\$1.3 million), the installation of voltage equipment at Hughenden and Richmond (\$1.8 million), along with the installation of a third transformer at our Charters Towers Substation at a cost of \$1.6 million. Additional generating sets were installed at Doomadgee for \$2.2 million and a new \$5 million power station was built at Camooweal.

As well as these major projects, due to Queensland's current development boom we are experiencing significant demand for new customer connections across our Northern Region, especially in Cairns and Townsville. We have responded by focusing significant resources to meet this steep increase in customer-initiated works. The process from application through to final connection has also been reviewed with changes made to better co-ordinate and improve our performance. We also deployed 'contestability' for subdivision works, allowing developers to use contractors for the design and construction phases. Further improvements are under way in this regard.

A surge in development across our Northern Region over recent years has seen customer-initiated works rise to record levels.



To help improve reliability, we delivered a record maintenance program throughout 2005/06, including extensive asset inspection to identify and repair defects on our power poles and associated equipment. Improvements to the effectiveness of our vegetation management program were also particularly important to this region, as vegetation growth rates in the tropical climate have historically seen a high incidence of vegetation-related interruptions. Reliability and quality improvements were also targeted across

the SWER (Single Wire Earth Return) network, servicing customers in western Queensland.

Heading into the 2005/06 summer period, we enhanced our preparedness with projects to improve network resilience and increase capacity to cope with summer peak demand. We also made significant improvements to the Townsville operations of our National Contact Centre to support our ability to respond quickly and effectively to supply interruption and to keep our communities and customers informed.

We continued our Cyclone Area Reliability Enhancement (CARE) program to progressively address the need to secure key distribution assets in cyclone-prone areas across the whole of northern Queensland. To date, \$28 million has been invested in coastal communities from Mackay to Cooktown, with projects for the Townsville Airport (\$1.2 million), Bowen (\$1.2 million) and Mossman (\$1.7 million) under way during the year. The latter included a Community Powerline Project with costs shared with the local council to improve the streetscape. Another cost-sharing project of this type was undertaken in Mt Isa.

The success of the CARE program was apparent following Cyclone Larry's rigorous test, with supply able to be restored promptly to key community infrastructure. This year we also responded to the impact of Cyclone Monica, which cut power supplies to Lockhart River on Cape York Peninsula and caused extensive flooding.

Innovatively, we used helicopters to drop fuel to the communities of Coen and Kowanyama to enable their power stations to maintain power supplies.

Work continued, as part of a two-year state-wide \$58 million program known as LINK, to improve our network monitoring and response capability. This work includes the construction of a new control centre in Townsville and the refurbishment and expansion of the Rockhampton centre to operate a new state-of-the-art network control system. Another part of the LINK program targeted improvements to communication facilities in Mackay, Cairns, Maryborough and Toowoomba.

Investing in future outcomes

In 2006/07, Ergon Energy's state-wide capital expenditure program will remain at record levels. This year's planned \$700 million program includes an investment of \$198 million in the Northern Region for system improvements and expansion, along with other state-wide programs that will directly benefit the region.

The works program in and around Cairns includes the commencement of a \$42 million project to establish a new Cairns North Zone Substation to supply the northern side of Cairns city out to the airport, for completion in 2008. In the Northern Beaches area, we plan to spend \$2.5 million to augment our Kewarra Beach Switching Station to cater for



Our investment of \$5.5 million in the new Lockhart River Power Station is part of an ongoing commitment to Queensland's remote communities.

The then Minister for Energy, John Mickel (centre), inspecting the facilities with Lockhart River council chairman Johnson Chippendale and Ergon Energy Generation Development Engineer Chris Smith at the official opening in January 2006.