Statement of Corporate Intent 2014/15

August 2014

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Introduction

This Statement of Corporate Intent (SCI) has been prepared in compliance with sections 102 and 105 of the *Government Owned Corporations Act 1993* (the GOC Act) and applies to Ergon Energy Corporation Limited and its subsidiaries (Ergon Energy) for the 2014/15 year.

In accordance with section 17 of the GOC Act, the key objectives of Ergon Energy are to be commercially successful in the conduct of its activities and efficient in the delivery of its community service obligations. To fulfil these objectives, Ergon Energy needs to deliver an affordable, secure, reliable, efficient and safe electricity supply that meets industry standards and delivers value to its shareholders.

Over 2013/14 Ergon Energy continued to reduce its capital and operating expenditures and to improve operational performance and efficiency across the whole of the business while meeting regulatory, safety and customer service requirements. In addition, Ergon Energy made substantive progress on its preparations for the next regulatory control period (2015-2020). This work will help ensure that Ergon Energy is well positioned for the next regulatory control period and also is able to present a high quality regulatory proposal to the Australian Energy Regulator (AER) in October 2014. This regulatory proposal will detail the expenditure and revenue Ergon Energy considers is required to prudently and efficiently deliver standard control and alternative control services over the 2015-2020 regulatory control period.

Over 2013/14, Ergon Energy reviewed its strategic direction to better position the company for a successful future. Customers are concerned about the price of electricity as a result of price increases over recent years and technology is changing rapidly so that not only do our customers have more options for meeting their electricity needs, but Ergon Energy also has more choices as to how it can operate the network in the years to come. As well, distributed electricity generation and load management technology are eroding the value of the traditional business model and the tariff structures of both the distribution network and retail businesses. Ergon Energy will seek to become an open access platform[1] that enables integration of distributed energy resources and energy management applications. However to be successful and maintain shareholder value the tariff structures need to change and be transparent and reflective of fixed costs (network) vs variable (energy) as well jurisdictional and government schemes. Ergon Energy recognises that to remain vital and viable into the future it needs to find new ways to operate, to enable new markets and services to develop and to provide new sources of value for customers. The revised strategic direction is outlined on pages 4 and 5 of this SCI.

In 2014/15 Ergon Energy will undertake a number of initiatives, including network tariff reform, changes to information technology and associated process changes, demand management, field force automation and a new executive structure that need to be successfully implemented to support the implementation of the revised strategy. Ergon Energy has mechanisms in place to mitigate the risks associated with these initiatives to better ensure their success. While the specific mitigation measures may differ from initiative to initiative, each of them are being actively managed within the business, with specialist project management support as necessary, and Ergon Energy has governance processes in place to allow for the progress of these initiatives to be tracked and monitored to ensure they

[1] This means providing access to network services and information by various third party market participants including distributed generation sources and retailers based on common standards and criteria.

remain on time and budget. These initiatives are also subject to executive oversight. These various mitigation measures are designed to help ensure the success of the initiatives over 2014/15 and beyond. Over 2014/15, Ergon Energy will also remain focussed on working closely with Government as it reforms the energy sector and seeks to develop a more sustainable electricity supply system for Queensland.

Organisational Overview

Ergon Energy is a regional electricity distribution entity and an electricity retailer within its franchise area of regional Queensland, as defined in the Queensland *Electricity Act 1994* (the Electricity Act). For the purposes of this SCI, Ergon Energy and its subsidiaries are referred to as Ergon Energy.

Ergon Energy builds, operates and maintains its electricity distribution network to ensure its customers have an adequate, economic, reliable and safe supply of electricity. As the holder of a distribution authority, Ergon Energy provides network access to all customers within its region so they can connect their electrical installations.

Ergon Energy owns and operates a 55 megawatt (MW) gas-fired power station in Barcaldine, which supplies power to the state-wide electricity grid. It also has 33 stand-alone power stations that provide supply to customers in isolated communities that are not connected to the grid.

The main operating companies within the Ergon Energy Group and their activities are:

- Ergon Energy Corporation Limited (EECL). EECL operates, maintains, develops and protects the electricity supply network to ensure the adequate, economic and safe supply of electricity to its customers.
- Ergon Energy Queensland Pty Ltd (EEQ), a 100% subsidiary of EECL, is an electricity retailer to around 700,000 customers in regional Queensland.
- Ergon Energy Telecommunications Pty Ltd (EET). EECL is a 100% shareholder in EET, a licensed telecommunications carrier providing high-speed data services to external customers on a commercial basis from spare Ergon Energy telecommunications capacity.
- EECL is a 50% shareholder in SPARQ Pty Ltd (SPARQ). SPARQ is a company jointly owned with Energex and provides Information and Communications Technology (ICT) and telecommunication support.

On 1 March 2014, Ergon Energy sold its ROAMES[2] subsidiary, ROAMES Asset Services Pty Ltd, so this company is no longer part of the Ergon Energy Group.

Our Vision
To be a high-performance, customer-driven, energy business.

Our Purpose
To provide safe, reliable, efficient and sustainable energy solutions to support our customers and the Queensland economy.

Our Values
Success is built on our values of Safety, Professionalism, Integrity, Respect, Innovation and Teamwork.

[2] ROAMES stands for Remote Observation Automated Modelling Economic Simulation

Strategy

Ergon Energy considers that as more customers take up the option of connecting renewable generation and storage, its value proposition to customers needs to change from an essential service to a provider of essential infrastructure that connects buyers and sellers of energy services. Currently, Ergon Energy's distribution network provides an essential service with levels of reliabilty and security of supply that customers and other energy suppliers cannot effectively replicate. As an essential service, customers value reliable energy at an affordable price: affordability being measured on the amount of energy being delivered for the amount paid. However, as customers are increasingly able to economically install local generation and storage to meet their energy needs, their use of and connection to the network will become more optional and energy through the network could fall.

For customers to see value in remaining connected to the network Ergon Energy's customer value proposition needs to change and evolve towards the management of distributed electricity production and electricity use through the network, including providing options for distributed generators to trade any excess energy produced.

To remain a sustainable business that is valued by our customers and supports the Queensland economy into the future, Ergon Energy needs to successfully balance these outcomes:

- deliver sustainable financial returns to its shareholders supported by tariff reform
- support the creation of competitive and innovative energy markets in regional Queensland
- address customer concerns about affordability
- provide a safe, reliable and secure supply of electricity through its network
- encourage energy use at the right place, at the right time and at the right price
- adapt the distribution network to support two way flows of information and energy
- provide customer experiences that meet customer expectations

To achieve these outcomes, Ergon Energy's strategy has two themes: effective market and efficient service. The effective market theme will give customers more choice and control and ensure the most cost-effective energy supply options are adopted. The efficient service theme will ensure the efficient and prudent delivery of a safe and reliable distribution network services within an appropriate risk profile.

Effective Market

Ergon Energy will promote changes in the electricity industry, such as smarter pricing and regulation, a smarter electricity grid and more competition that over time will make it easier and more cost-effective for buyers and sellers to use the Ergon Energy distribution network to do business together. This includes customers, small generators, solar and battery installers, application developers, energy efficiency providers and product manufacturers. Ergon Energy will also work to ensure customers value being connected to the grid and choose to stay, even if they have the option to disconnect.

An effective market will help customers get more value from the distribution network, support the energy market and economy in regional Queensland, and help create a sustainable financial future for Ergon Energy as a provider of vital infrastructure that links buyers and sellers in the energy market. By offering customers more choices, an effective market will also help to address customer concerns about the affordability of electricity and reduce pressure on prices. The following 2014/15 performance measures and initiatives support the achievement of this part of the strategy:

Performance Measures	***Initiatives***
Value to Customer - Better than Peer Average	*Electricity Market Reform*
Demand Reduction (MVA)	*Network Tariff Strategy*
	National Customer Energy Framework
	Demand Management
	Solar PV Connections

Efficient Service

Within this strategic theme Ergon Energy will focus on the efficient and prudent delivery of network and customer services. Ergon Energy will seek to ensure that the network achieves minimum service standards of reliability and security of supply within an acceptable risk profile and at least cost.

To achieve this, Ergon Energy will focus on continuous improvement in the effectiveness and efficiency of its core operations. This includes improvements in work processes, internal governance structures and investment decision making, supported by the use of better information and decision making tools, improved work practices, right structures and workforce flexibility. Ergon Energy will also continue to make considerable investments in improving information technology to further increase efficiency. These internal improvements are critical as they are needed to deliver balanced risk, performance and cost outcomes and to meet regulatory benchmarks.

The second key focus in this theme is continuous improvements to core customer service at least cost. These customer service activities include connections, disconnections, meter reading, notifications of planned outages and communications with customers about network restoration times. Similarly to improving its network services, improvements to customer service will include work processes, internal governance structures and investment decision making, supported by the better use of information and decision making tools, improved work practices, the right structures and workforce flexibility. These improvements will enable Ergon Energy to have productive and supportive relationships with electricity retailers and end users throughout regional Queensland.

The following 2014/15 performance measures and initiatives support the achievement of this part of the strategy:

Performance Measures	***Initiatives***
SAIDI and SAIFI	*Network Reliability*
Lost Time Injury Frequency Rate (LTIFR)	*Improving Operational Effectiveness*
All Injury Frequency Rate (AIFR)	*Health and Safety*
Employee Engagement Survey Results	

Both the effective market and efficient service themes of the strategy will contribute towards the achievement of Ergon Energy's performance targets in 2014/15.

2014/15 Performance Measures

Ergon Energy's performance measures for 2014/15 are set out below. Ergon Energy will report to shareholding Ministers on a quarterly basis in regard to its performance against these measures and targets.

Table 1: Performance Measures and Targets

Non- Financial Performance Targets	2013/14 Budget	2013/14 Est Actual	2014/15 Forecast
Value to Customer[1]	Better than Peer Average (>100)	102	Better than Peer Average (>100)
Demand Reduction (MVA)[2]	14[1]	14	13
Urban SAIDI[3,5]	≤ 146	124.16	≤149
Short Rural SAIDI	≤ 406	319.96	≤424
Long Rural SAIDI	≤ 916	840.22	≤964
Urban SAIFI[4,5]	≤ 1.92	1.55	≤1.98
Short Rural SAIFI	≤ 3.80	3.08	≤3.95
Long Rural SAIFI	≤ 7.10	6.41	≤7.40
Lost Time Injury Frequency Rate (LTIFR) – Employees[6]	2.20	1.75	2.20
Lost Time Injury Frequency Rate (LTIFR) – Contractors[6]	2.80	3.30	2.50
All Injury Frequency Rate (AIFR) – Employees[7]	11.39	8.85	8.50
Asset Related Public Shocks	n/a	238	226
Employee Engagement [8]	n/a	n/a	yourView Action Plan Complete

Notes:

1. The Value to Customer measure provides residential customer feedback on the value provided by Ergon Energy.
2. MVA: Megavolt Ampere. The 2013/14 Demand Management Target was revised down during the year from 24MVA to 14MVA due to a number of factors including the success of demand management initiatives in previous plans, as well as changes to network security criteria and the risk based planning methodology.
3. SAIDI: System Average Interruption Duration Index. Average of the total duration (expressed in minutes) of interruptions of supply that customers experienced over a 12 month period. Categories, urban, short rural and long rural are based on feeder type.
4. SAIFI: System Average Interruption Frequency Index. Average of the number of interruptions of supply that customers experienced over a 12 month period. Categories, urban, short rural and long rural are based on feeder type.
5. The 2014/15 SAIDI and SAIFI targets are those in the Ergon Energy Distribution Authority issued on 30 June 2014, and are equivalent to the 2010/11 levels.
6. LTIFR: Lost Time Injury Frequency Rate, the frequency rate of the number of Lost Time Injuries per million hours worked.
7. AIFR: All Injury Frequency Rate, the frequency rate of the number of injuries per million hours worked 'All Injuries' is made up of Lost Time Injuries and Medical Treatment Injuries.
8. Employee Engagement - the target set for Employee Engagement is based on the new Ergon Energy employee engagement "yourView" survey. The survey was run for the first time in March 2014 with an engagement score of 45% as the baseline for 2013/2014. The next survey is expected to be conducted in 2015 and thereafter every two years. As the survey will not be conducted during the 2014/15 year progress against the target will be measured by the completion of the Ergon Energy yourView action plan for 2014/15.

Quarter 2014/15 Sep	Dec	Mar	Jun		2013/14 Budget	2013/14 Est Actual	2014/15 Budget
114.7	158.9	159.8	157.3	Net Profit After Tax (NPAT) – Consolidated ($M)	467.5	425.6	590.7
-	-	-	-	Return on Assets[1] – Consolidated	8.9%	8.4%	9.7%
-	-	-	-	Return on Assets – Regulated	9.8%	9.3%	10.7%
-	-	-	-	Return on Assets – Non-Regulated	16.2%	16.2%	16.0%
-	-	-	-	Return on Assets – Group excluding EEQ	8.4%	8.8%	9.1%
50.3%	53.5%	51.2%	48.1%	Debt to Fixed Assets[2] (%) – Consolidated	48.0%	49.2%	48.1%
57.6%	58.4%	56.6%	57.1%	Gearing Ratio[3] (times) - Consolidated	56.7%	57.5%	57.1%
-	-	-	-	Fixed Asset Turnover[4] – Consolidated	0.2	0.2	0.2
4.0	5.0	4.9	5.0	Interest Cover[5] (EBITDA Times) - Consolidated	3.7	3.8	4.7
-	-	-	-	SCS[6] Capex - Percentage of Distribution Determination	59.5%	57.0%	71.9%
-	-	-	-	SCS[6] Opex – Percentage of Distribution Determination	78.6%	78.0%	96.8%

Notes:

- Financial ratios as calculated above for 2013/14 budget onwards reflect the change in the classification of the CSO payment from revenue to negative cost of sales

1. Return on Assets (%) = [EBIT/Average of opening & closing assets]. (Assets = "Total Assets")
2. Debt to Fixed Assets (%) = Debt/[PP&E + WIP]
3. Gearing Ratio (times) = [Debt/(Debt + equity (including reserves))
4. Fixed Asset Turnover = [(Sales + grid services revenue)/Average PP&E]
5. Interest Cover (EBITDA Times) = [EBITDA/(Finance Charges + Capitalised Interest)]
6. SCS: Standard Control Services. The comparisons of opex and capex to the regulatory determination are calculated on a cumulative basis to 2014/15. Opex excludes the solar bonus scheme.

2014/15 Initiatives

Electricity Market Reform

Over 2012/13 and 2013/14 the Queensland Government undertook a number of reviews which examined the structure of the Queensland electricity industry with the aim of addressing rising electricity prices while developing a stronger electricity industry into the future.

Over 2014/15 Ergon Energy will continue to work with the Government to implement the outcomes of these reviews and to ensure a viable, sustainable and competitive industry into the future.

The Queensland Government, in its State Budget on 3 June 2014, released a draft plan proposing a program of asset transactions, which included Ergon Energy.

The Government has stated that it remains fully committed to seeking a mandate from the Queensland people before divesting itself of any Government business. However, the Government will commence some preliminary due diligence and preparation activities to ensure that the transaction is able to be completed in a timely manner, should the Government decide to proceed.

Ergon Energy will continue to assist Government throughout this process and will ensure that the business is operating as efficiently and effectively as possible.

In 2013/14 Ergon Energy began the process of positioning both the Ergon Energy network business and EEQ for retail contestability in regional Queensland. Over 2014/15, work will continue to progressively separate EEQ from the Ergon Energy network business across operational and governance perspectives, and to ensure that EEQ senior management and the EEQ Board focus on EEQ's core business as an electricity retailer while leveraging the strategic value from a network relationship. EEQ will also continue to enhance its retail capabilities and commercial focus so that it can effectively manage its increased exposure to retail electricity market risk and support the drive towards increased retail competition in regional Queensland.

In 2014/15, Ergon Energy will effectively manage its isolated systems business, in line with the Queensland Government's responses to the IDC's recommendation and in particular Ergon Energy's isolated systems CSO will be treated as a separate budget item to improve transparency.

Network Tariff Strategy

Ergon Energy is restructuring the way it charges for the use of its distribution network to help ensure it maintains a viable network for customers into the future.

Over recent years there has been a significant shift in the way Ergon Energy's customers use the network. This has meant that the network, which was expanded to ensure security of supply during peak usage periods, is increasingly being under-used. At the same time customers are seeking greater choice, with technological change continuing, in how and when they use the network.

To respond Ergon Energy has begun moving network tariffs away from 'volume charges' to a more appropriate balance between fixed and demand based charges. In 2014/15 Ergon Energy will:

- Change the measure for the demand tariffs used by our very large users (kW to kVA)
- Commence the process of 'rebalancing' tariffs towards more fixed and less usage dependent charges for our large and small users
- Introduce new and optional broad-based tariff structures to pass on network costs via electricity retailers to small to medium businesses and residential electricity customers.

This process of restructuring is expected to continue for each customer class over a number of years so that Ergon Energy can undertake the changes in a manageable way.

Ultimately, Time-of-Use pricing is likely to be at the centre of network tariffs with higher charges during periods of high consumption and cheaper prices during quiet times. Times of peak electricity use have traditionally been a key reason for new network investment and rising prices, yet this has not been reflected in the price paid by customers. The different tariff options are expected to provide greater equity and choice and assist Ergon Energy to better manage its network load and lower network costs by encouraging customers to shift or increase energy use during off peak periods.

National Energy Customer Framework (NECF)

The Ministerial Council on Energy (MCE) developed the National Energy Customer Framework (NECF) package of reforms to establish a National Regulatory Framework governing the sale and supply of energy to retail customers.

Although the MCE agreed that all participating jurisdictions would target commencement of NECF on 1 July 2012, NECF has yet to be introduced in Queensland. A number of system and process changes are needed within Ergon Energy if NECF is to be introduced and Ergon Energy looks forward to the announcement of a commencement date for Queensland which provides sufficient notice for these changes to be made. In the interim, Ergon Energy will continue implementation of the lower cost initiatives proposed to be introduced under NECF in view of the alignment of these initiatives with the business' existing Electricity Industry Code obligations. If NECF is introduced, Ergon Energy will need to make a number of system and process changes to ensure compliance with the NECF requirements. Some of these changes cannot be undertaken until the Queensland legislation is drafted as it will contain transitional provisions along with specific Ergon Energy requirements. Therefore it is important that we receive early notification of the legislative requirements to ensure Ergon Energy can correctly implement the NECF requirements in Queensland.

AER Regulatory Proposal

Ergon Energy is preparing its regulatory proposal for the 2015-2020 regulatory control period in accordance with the requirements of the National Electricity Rules. In developing the proposal Ergon Energy is focussed on delivering a safe, secure and reliable network and improving customer value. The Australian Energy Regulator (AER) will assess the proposal and determine the revenue Ergon Energy will receive to recover the costs of providing regulated network services, as well as the prices that can be charged to customers for these services.

The AER Determination process is expected to conclude in October 2015. Following the submission of Ergon Energy's regulatory proposal in October 2014, the AER will review the proposal and due to the transitional arrangements in the Rules, will make its preliminary determination in April 2015. Prices in 2015/16 will be based on this preliminary determination. Ergon Energy expects to make a submission on this preliminary determination. Following this, the AER is expected to make a new distribution determination in October 2015 which will include any adjustments to reflect changes from the April 2015 determination.

Demand Management

Ergon Energy's Demand Management Programme is on track to exceed the full regulatory control period target of 122MVA of demand reduction by June 2015. As at end of June 2014, the Demand Management Programme is expected to have delivered, 100.0% (122MVA) of the regulatory period target. The 2013/14 Demand Management Target was revised down during the year from 24MVA to 14MVA. The reduction in the target was due to a number of factors including the success of demand management initiatives in previous plans, as well as changes to network security criteria and the risk based planning methodology.

Some of the initiatives to date include:

- 7MVA reduction through the completion of the North Queensland Load Harmonisation Phase 1 programme;
- 1.3MVA of demand response enabled in Mt Isa through a combination of customer embedded generation and network embedded generation; and
- 5.1MVA of peak demand reductions from the Townsville Network Demand Management Pilot.

In addition to the delivered MVA Ergon Energy has developed some key strategic tools to enable a market based delivery model for demand management and to help reduce the costs of future demand management activities. Some of these key strategic tools include:

- *Demand Response Incentive Map (DRIM)* - The DRIM enables Ergon Energy to publicise a map of constrained areas and publish a value of demand for the constrained area enabling visibility by the market into value and location of demand offsets.
- *Trade Ally Network (TAN)* - The TAN is a market based mechanism for customer interaction and supply of demand management incentives. The TAN is a group of preapproved suppliers of demand services that can action demand management interventions.
- *Dynamic Planning* - Dynamic planning is a new planning methodology that takes into account the risk associated with a constraint, new plant rating tools and the likely embodied customer demand reduction capabilities to determine the need for network augmentation.

For 2014/15, Ergon Energy is estimating the demand management plan budget will be approximately $11 million with an annual demand reduction target of 13 MVA. New programs to be implemented in 2014/15 include Riordanvale Supply Reinforcement, Charleville Project and the SWER Program which are all focussed on alleviating network constraints.

Solar PV Connections

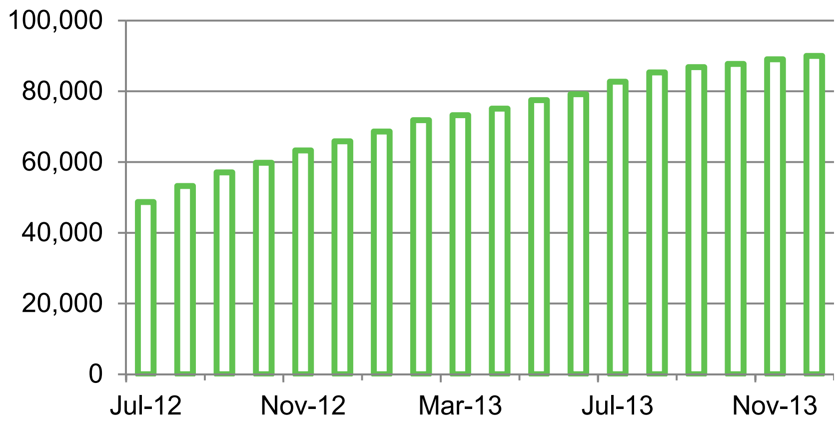
By the end of March 2014, over 92,000 rooftop, grid-connected photovoltaic (PV) systems had been installed in regional Queensland under the Solar Bonus Scheme (SBS), with almost 24,000 being added in 2013. The total array (generation) capacity exceeded 312MW. Around 20% of detached houses in regional Queensland had a PV system by the end of March 2014; more than 16% of all residential customers.

Since the 44c kWh Feed-in Tariff became unavailable to new applicants in July 2012, Ergon Energy has received an average of nearly 1,400 PV connection applications per month, with a distinct upward trend. Further electricity price rises, uncertainty surrounding Federal Government PV rebates, relaxation of energy export limitation rules by Queensland distributors, and even-keener pricing by PV companies are expected to maintain upward pressure on application rates in 2014/15. Ergon Energy expects PV system connections to average around 270 per week in 2014/15, compared to the 2013/14 average of around 350 per week and 2012/13 average of around 620.

The network's ability to cope with a two-way flow of electricity has limits. As the number of PV connections to the network rises, capital expenditures higher than normal load growth would demand are required to mitigate performance impacts. In addition, PV systems generate electricity outside of typical peak consumption periods. As PV penetration increases, these effects may worsen and require the investment in smart grid technologies to better manage both customer demand and network performance. Work will continue over 2014/15 on trialling and implementing various technical solutions to voltage and other network impacts of PV systems. Key initiatives in 2014/15 will be the allowance of non-export PV systems up to 30kVA, which have less impact on network voltage, and mandating reactive power controlled inverters at certain sizes to moderate voltage impacts. Ergon Energy is a revenue capped business which enables a return on long-life fixed assets. As most revenue is currently recovered from consumption based prices the feed in tariff costs and the reduction of energy through the network incurred due to the connection of PV systems ultimately increase the unit price of energy for all customers. The costs of the Feed–in Tariffs (FiTs) are also passed on and create additional upward pressure on the unit price of energy for all customers.

The forecast cost of the FiT for 2013/14 is $130 million, including $2.5million for the 8 cents/kWh FiT. In the context of the 8c/kWh FiT being retailer-funded from 1 July 2014, and the 3-4% of 44c-eligible systems losing that eligibility each year after a change of account holder at the premises, the forecast, distributor-funded FiT cost for 2014/15 is $122 million.

Graph 1: Solar PV Connections, July 2012 to December 2013



Network Reliability

Ergon Energy's reliability performance has improved significantly; over the period from 2005/06 to 2013/14 the duration of unplanned outages has reduced by 37.8% and the frequency by 35.1%. The overall frequency and duration of outages in this period has also improved by 39.5% and 33.7% respectively. This improvement in network reliability reflects the significant investment and priority Ergon Energy has had over this period to achieving the regulated minimum network service standards.

For the 2013/14 year, Ergon Energy's reliability performance has been better than the Electricity Industry Code's Minimum Service Standards (MSS) for all six measures. The overall network SAIDI performance for 2013/14 is expected to be favourable to the equivalent period for 2012/13 by 5.6% while the overall network SAIFI performance is expected to be favourable to the equivalent period for 2012/13 by 4.9%.

In August 2013, the Queensland Competition Authority (QCA) began a review under the Electricity Industry Code of the MSS arrangements to apply to Energex and Ergon Energy from the beginning of the next regulatory control period (1 July 2015 to 30 June 2020). On 4 March 2014, the QCA released their Draft Decision, setting out their view that the limits for both distributors should be set at their 2014/15 levels and fixed for the duration of the period 1 July 2015 to 30 June 2020. On 30 June 2014 an amended Distribution Authority was issued to Ergon Energy which set constant reliability limits for the 2014/15 to 2019/20 period. These limits are equivalent to the limits from the 2010/11 year and are shown in Table 1.

Ergon Energy is also expecting to perform well over 2013/14 in regard to the AER Service Target Performance Incentive Scheme (STPIS). Based on year to date performance Ergon is forecasting a positive revenue adjustment at the 2% cap that is currently applicable under the STPIS. Ergon Energy has a number of key reliability improvement programs currently being outworked to ensure that the optimal outcome continues to be achieved within the framework of the STPIS over the remainder of this regulatory control period and the next.

Ergon Energy considers that overall network reliability is now delivering the level of service our customers expect and that care needs to be taken to ensure expenditure in this area continues to deliver customer value

Improving Operational Effectiveness

Efficiency and Effectiveness

Ergon Energy began a company-wide efficiency and effectiveness programme in September 2011. This programme is expected to deliver additional benefits exceeding $23.3 million for the 2013/14 year. Over 2014/15, Ergon Energy will remain focussed on improving its efficiency and effectiveness; the savings made to date have been incorporated into business unit budgets for 2014/15 and these savings are expected to be maintained over time.

Improving overall efficiency and effectiveness is central to Ergon Energy's strategy and as part of this further business optimisation may be necessary as Ergon Energy continues to critically assess all aspects of its business over time.

Ergon's current maintenance service agreement with Powerlink is due to expire on 30 June 2015. Ergon will work with Powerlink to renegotiate the maintenance service agreement(s) on commercial terms.

Distribution Management System

The Distribution Management System (DMS) is core Operational Technology that builds upon current supervisory control and data acquisition (SCADA) technologies. Over 2014/15 Ergon Energy will continue to implement its DMS project to automate many of the manual processes in operating a distribution network and supporting new smart technologies in the network.

Field Force Automation

Ergon Energy currently manages and allocates work to field staff primarily through labour intensive paper based processes and multiple legacy systems, processes and tools. Customer Service and Fault Response work is dispatched through a largely decentralised model from more than 24 locations with limited process standardisation utilising many technology and communication solutions.

The Field Force Automation project (FFA) aims to automate field operations by providing computers and smart devices that will give field staff the information required to do the work (including location, job type, specifications), and to enable field staff to update the status of dispatched work as it progresses. FFA is expected to improve operational performance and service levels by standardising dispatch and automating field operations. FFA will also support compliance with the National Energy Customer Framework when it is implemented in Queensland and allow Ergon Energy to meet the requirements and demands of Full Retail Competition when it is implemented in regional Queensland.

By 30 June 2015, Ergon Energy expects phase 1 of FFA will be complete including dispatch standardisation and rollout of the computer devices for Customer Service Work and Fault Response (major and minor) Work.

FACOM Replacement

Currently, Ergon Energy's retail and distribution functions are supported by an inherited customer information and management system (FACOM) which also supports service order management, meter management and, together with the Customer Management System, call centre management. To prepare for retail market competition in regional Queensland from the current target date of July 2015, separation of Retail and Distribution systems and processes is required to progress in 2014/15. This includes retiring the aged FACOM customer information and management system which is currently used by both retail and distribution. As FACOM is a tightly integrated system, both retail and distribution must migrate off FACOM concurrently. The distribution business will move to the customer information and management system currently used by Energex, and the retail business will move to a customer information and management system that is already in use by other Australian electricity retailers.

The replacement of FACOM required shareholding Ministers approval, which has now been granted and the project has commenced. It is currently expected that both retail and distribution will start to move onto their new systems in the first quarter of the 2015/16 financial year. Ergon Energy will keep shareholding Ministers closely informed as the project continues and will also provide regular reporting on the project in its quarterly SCI report.

ROAMES

Ergon Energy currently has a project (ROAMES Sustainable Integration Design) underway and is working with the new owners of ROAMES, to develop a future state and options analysis for the Sustainable Integration of ROAMES into business operations. This design project is expected to result in an implementation project which will integrate the ROAMES products and data into Ergon Energy processes and systems in order to improve decision-making and operational effectiveness.

Over 2014/15 a number of initial products are expected to be integrated that will support Ergon Energy through greater visibility of accurate network data including vegetation intrusions into network corridors, conductor clearance and attachment heights, pole locations and disaster response.

These products, together with further ongoing ROAMES development over coming years, are expected to enhance Ergon Energy's ability to:

- Better target vegetation management activities and reduce network risk through improved management of vegetation intrusions into network corridors through vegetation growth forecasting and change reporting;
- Improve the quality of network data (such as pole locations) by updating corporate systems with accurate geospatial location information, clearly identifying correct pole locations, and the ability to more effectively address (remove) inaccurate, duplicate or "bad" data;
- Enhance asset inspection processes through provision of accurate asset locations, reducing wasted time searching for assets;
- Improve the effectiveness of desktop audits, investigations and design work through access to comprehensive asset information such as conductor clearance and attachment heights and line length data provided both visually (as a Google Earth layer) and in raw data format for analysis;
- Provide greater visibility of network defects such as low conductors, broken cross-arms and leaning poles which will assist with quicker reporting and response, resulting in lower network risk and improved public safety;
- Respond to disasters faster and more effectively by having comprehensive details of all damaged and missing network infrastructure shortly after a disaster has occurred.

Health and Safety

Ergon Energy remains committed to ensuring the health and safety of its people and communities. Ergon Energy's All Injury Frequency Rate (AIFR) has improved from 13.72 in June 2011 to 8.37 for the year ended December 2013. Over 2014/15, Ergon Energy will continue to strengthen its positive safety culture. Key programmes will include:

- Executive and senior leadership team Health Safety and Environment leadership initiatives;
- Ensuring safety objectives are integrated into the whole of business people and human resource strategy to ensure a linkage to leadership, culture and safety performance.
- Focusing initiatives on the high risk areas of high voltage network switching, motor vehicle driving and electrical work;
- Further integration of the Comprehensive Safety Indicator (CSI) into Ergon Energy's leaders' performance agreements;
- Modifying the Health Safety and Environment Risk Governance Framework to incorporate graphical tools to identify and assess risk tolerability in relation to asset safety and asset related public shock incidents;

- Targeted implementation of the cognitive safety initiatives – with the first initiative being a Switching Incident Risk Mitigation Programme;
- The promotion of the Health and Wellbeing portal and leveraging the Queensland Government Workplace for Wellness Initiative to provide further proactive health management programmes to assist employees to manage their own health; and
- Further utilisation of the manual handling risk assessment tool to review hazardous manual tasks such as applying and removing portable earthing devices and loading and unloading trucks as a key initiative to address manual handling issues.

Financial Information

Over 2013/14 Ergon Energy has continued to reduce costs and improve overall business efficiency while meeting regulatory, safety and customer service requirements. However, adverse changes in the financial position of Ergon Energy's retailer, Ergon Energy Queensland (EEQ) are expected to impact the final 2013/14 result and at Group level net profit after tax (NPAT) for 2013/14 is expected to be around $425 million compared to a budget of $467.5 million.

EEQ's financial position has been negatively affected by two key factors over 2013/14. Firstly there was a one-off change in accounting policy to account for network expenses on an accrued basis; this change had no cash impact and will not impact on EEQ financial position in subsequent years. Secondly, there was an increase in EEQ's exposure to wholesale electricity market movements due to changes in the Community Services Obligation (CSO) Deed from 1 January 2014. The changes to the CSO Deed and energy market reform more generally have meant that EEQ has become more like a representative electricity retailer. To mitigate the risks associated with this, over 2013/14 EEQ has built up its internal resources and tools to manage these risks. In addition EEQ will implement hedge accounting from 1 July 2014 under the new standard AASB 9 Financial Instruments and this is anticipated to remove much of EEQ's exposure to volatility from electricity market movements.

2014/15 is the final year of the current regulatory control period. Ergon Energy will continue to focus on improving its efficiency and effectiveness, ensuring its capital and operating expenditures are prudent so that the business is well positioned as it enters the next regulatory control period.

Capital Expenditure

Overall, for 2013/14 Ergon Energy[3] expects group capital expenditure to be $793.9 million compared to a budget of $990.8 million. Expenditure is lower than budget largely due to standard control services where capital expenditure for 2013/14 is expected to be $741.1 million compared to a budget of $880.6 million. This is a result of Ergon Energy reducing capital investments in-line with reductions experienced in energy demand as well as the relaxation of network planning obligations, especially n-1 security of supply criteria and MSS reliability targets.

Capital expenditure on standard control services for 2014/15 is budgeted at $869.3 million, nearly $396 million below the AER distribution determination figure for 2014/15 of $1,265 million. For the whole of the five year regulatory control period, capital expenditure is expected to be around 72% of the AER Distribution Determination. This reflects reductions to the capital investment program as a result of significant changes in Ergon Energy 's external environment including adverse global economic conditions following the Global Financial Crisis and the European Debt Crisis; significant reductions in forecast energy demand and network risk exposures; successful implementation of demand management projects to defer capital investment; and the outcomes of Electricity Network Capital Program (ENCAP) Review in 2011, which identified and agreed capital investment saving targets for the Queensland Electricity Distribution businesses.

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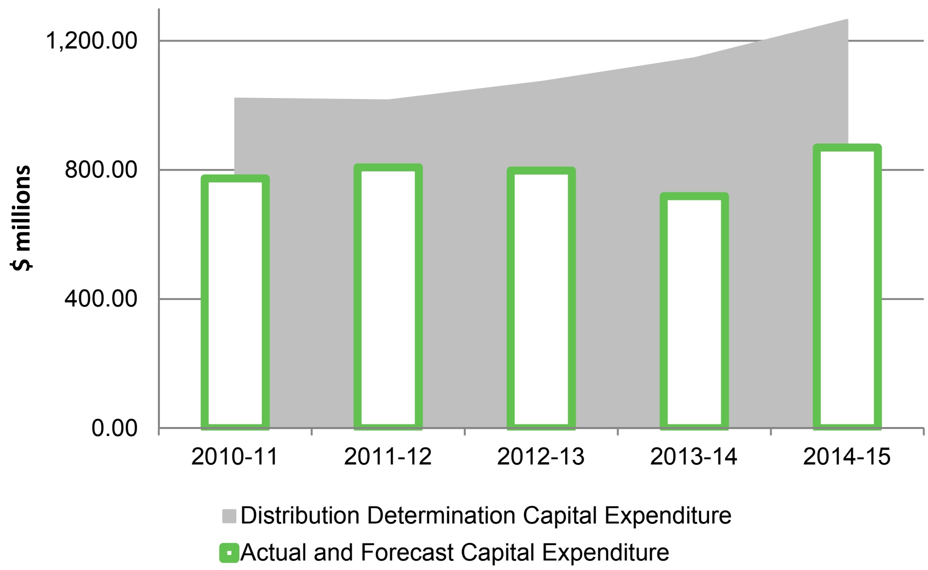
[3] This excludes SPARQ consolidation entries

Table 2: Capital Expenditure on Standard Control Services[4]

	2013/14 Est Actual $million	2014/15 Budget $million
Asset Replacement	233.9	272.6
Customer Initiated Capital Works	171.9	182.2
Corporation Initiated Augmentation	165.7	175.3
Reliability and Quality Improvements	39.9	47.6
Other System Capital Expenditure	41.5	42.9
Non-System Capital Expenditure	88.2	148.7
TOTAL REGULATED CAPITAL EXPENDITURE[5]	**741.1**	**869.3**

The budgeted capital expenditure does not include any allowance for summer storm activity. As occurred in 2013/14 Ergon Energy will attempt to manage any storm impacts within the budget allocations, but a severe weather event could make this challenging and expenditure may need to increase above budget allocations.

Graph 2: Comparison of SCS Capital Expenditure to AER Determination, 2010/11 to 2014/15



[4] Standard Control Services only
[5] Totals may not add due to rounding

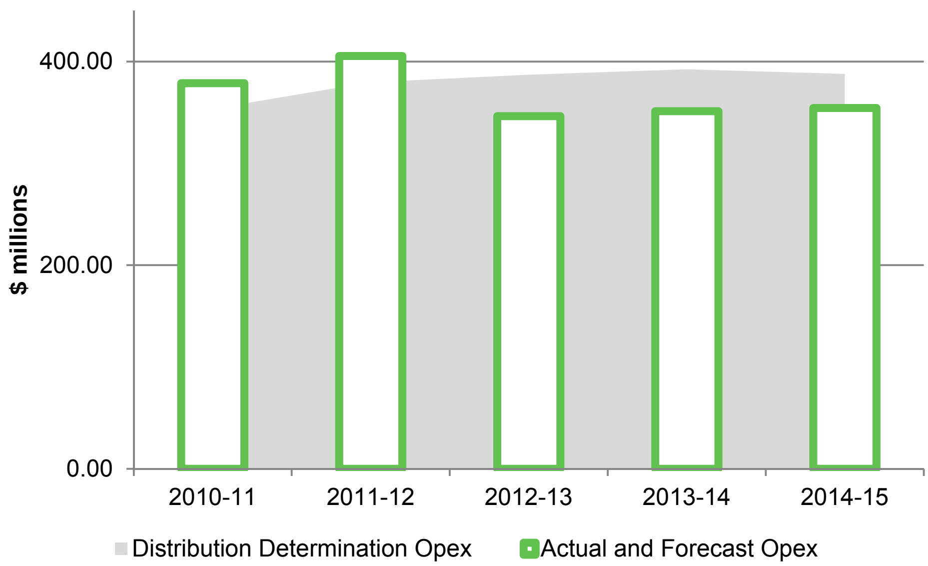
Operating Expenditure

For 2013/14 operating expenditure for EECL is expected to be $583.6 million compared to a budget of $566.6 million. For standard control services only, expenditure for 2013/14 is expected to be $351.3 million compared to a budget of $347.48 million. Operating expenditure on maintenance is slightly higher than budget as a result of a higher volume of work being undertaken and the impact of cyclones Dylan and Ita, as well as an increased level of overhead being allocated to operations expenditure, largely owing to lower capital expenditure.

Table 3: EECL Operating Expenditure

	2013/14 Est Actual $000s	2014/15 Budget $000s
Regulated Operating Expenditure	442,569	431,473
Non-Regulated Operating Expenditure	1,123	1,406
Isolated Generation Operating Expenditure	66,897	65,675
External Works and Services	73,019	75,785
Total EECL Operating Expenditure	**583,608**	**574,338**

Graph 3: Comparison of SCS Operating Expenditure to AER Determination, 2010/11 to 2014/15



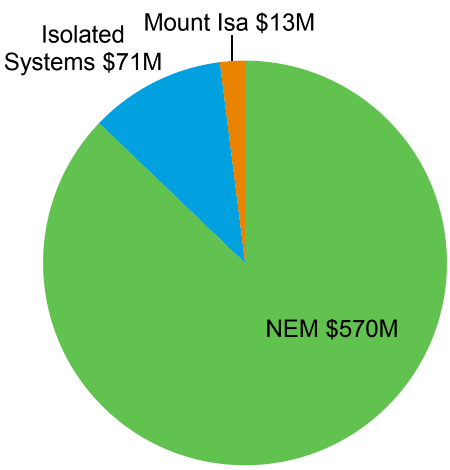
Operating expenditure on standard control services for 2014/15 is budgeted at $354.4 million, nearly $33 million below the AER distribution determination figure for 2013/14 of $387.8 million. For the whole of the five year regulatory control period, operating expenditure on standard control services is expected to be around 97% of the AER Distribution Determination. A significant review of the Operating expenditure budgets was implemented during September/October 2012. Efficiency initiatives implemented are producing significant and sustainable savings in major programs such as vegetation management and asset inspection. Other initiatives such as the maintenance framework implementation for substations and lines are also producing savings across Ergon Energy's preventative maintenance programs.

The budgeted operating expenditure does not include any allowance for summer storm activity. As occurred in 2013/14 Ergon Energy will attempt to manage any storm impacts within the budget allocations, but a severe weather event could make this challenging and expenditure may need to increase above budget allocations.

Community Service Obligations

The Uniform Tariff Policy (UTP) provides for parity of pricing for all non-market electricity consumers, regardless of their geographic location in the State. For customers outside of the south east corner, the cost of supplying electricity typically exceeds the price allowed for in regulated retail tariffs. The Queensland Government pays Ergon Energy a Community Service Obligation (CSO) to compensate for elements, as specified in the CSO Deed, associated with this under-recovery. It is estimated that the CSO payable for 2013/14 will be in vicinity of $555 million and $654 million for 2014/15.

Graph 4: 2014/15 Expected CSO Breakdown[6]



Ergon Energy also receives a concession in regard to pensioner rebates. This is expected to be approximately $43 million in 2014/15 and is funded by the Department of Communities, Child Safety and Disability Services.

[6] These estimates could alter due to changes in the key components that contribute to the CSO.

Dividends, Community Service Obligations and Tax Expense

	2013/14 Est Actual $000s	2014/15 Budget $000s
Dividends Provided for	393,158	472,585
CSOs	554,776	654,260
Tax Expense[7]	182,943	253,170

Financial Contributions – Major Business Divisions

Subsidiary	Nature of Business	EBIT Contribution to Group Financial Outcome	
		2013/14 Est Actual $000s	2014/15 Budget $000s
EECL	Network Supply and Maintenance and Business Development	966,526	1,142,436
Ergon Energy Queensland (EEQ)	Retail Franchise Business	12,356	139,088
Ergon Energy Telecommunications (EET)	EET trading as Nexium Telecommunications is a licensed carrier offering wholesale high-speed data capacity in regional Queensland.	1,829	1,909
Eliminations[8]		(1,309)	(95,999)
ERGON GROUP EBIT		**979,402**	**1,187,434**

Dividend Policy

The dividend process is governed by the GOC Act and the *Corporations Act 2001* (Cth). The board will ensure that Ergon Energy's dividend policy also takes into account the return its shareholders expect on their investments. Ergon Energy's policy is to recommend and pay a dividend amount equivalent to 80% (or the percentage approved by shareholding Ministers, if different) of Ergon Energy's adjusted consolidated profit for 2014/15. The board adopts such a policy on the basis of its shareholders agreeing to provide the necessary funding for projects which have received board and shareholding Ministers' approval or for the maintenance of Ergon Energy's approved capital structure or for ensuring the operational viability of Ergon Energy. Ergon Energy's board undertakes to adhere to the dividend policy.

[7] This is the provision for tax expense which forecasted at 30% of Earnings Before Tax.
[8] Eliminations include inter-company transactions and accounting for SPARQ on consolidation.

Capital Structure

The Board will prudently manage the financing of Ergon Energy's existing business and new business developments. As an integral part of the financing of the Corporation, the capital structure will be managed to ensure that Ergon Energy maintains a credit rating which aligns with or improves upon the AER benchmark credit rating for Queensland Distribution Network Service Providers (DNSP) as published in periodic Rate of Return Guidelines or other rating as directed by shareholding Ministers. Ergon Energy's Board will ensure Ergon Energy complies with this. Ergon Energy will also work with Government on the prospect of private sector investment in future electricity infrastructure. The overarching objective for Ergon Energy's capital structure is to ensure a close alignment of its capital costs with the regulated return on capital allowance set by the Australian Energy Regulator.

Equity contributions will be sought from shareholders if required to maintain alignment between the AER's benchmark credit rating for Queensland DNSPs and Ergon Energy's current stand-alone investment grade credit rating as provided by Fitch Ratings in their rating report of September 2013. As of the current date, forecasting indicates that Ergon Energy will not require an equity injection from its shareholding Ministers within the current five year Corporate Plan period which extends to 2018/19. However, the Board of Ergon Energy will continue to monitor the stand-alone credit rating of the company and will seek shareholder support for an equity injection if future forecasts indicate that it is required to maintain a credit rating which aligns with the AER's Distribution Determination for DNSPs.

Investment Thresholds

Ergon Energy will seek shareholding Ministers' approval for unregulated capital projects above $10 million and regulated capital projects above $75 million.

Financial Statements

Ergon Energy Group

Quarter 2014-15				Statement of Comprehensive Income	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Group	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				ENERGY RELATED REVENUE				
470,261	543,436	563,441	484,472	Energy Sales	1,694,827	1,902,162	1,808,029	2,061,610
0	0	0	0	Unbilled Energy Sales	19,911	2,339	141,193	0
19	8	9	9	Guarantee Deficiencies	156	132	63	45
0	0	0	0	CSO Revenue	596,413	0	0	0
0	0	0	0	Renewable Energy Revenue	18	0	0	0
1,866	2,616	2,419	2,375	Meter Cards Revenue	6,981	7,625	7,625	9,277
98,581	104,469	112,067	106,083	DUOS	320,447	366,562	370,026	421,200
0	0	0	0	Current Year DUOS Alignment	21,482	0	11,686	0
0	0	0	0	Current Year STPIS Alignment	26,050	0	32,000	0
32,890	32,890	32,890	32,890	Current Year Solar FiT Alignment	72,372	0	122,571	131,560
(7,870)	(7,870)	(7,870)	(7,870)	Prior Year STPIS Alignment	13,530	(1,838)	(1,841)	(31,479)
(21,885)	(21,885)	(21,885)	(21,885)	Prior Year DUOS Alignment	(25,730)	(31,964)	(39,029)	(87,539)
586	586	586	586	Prior Year Shared Asset Alignment	0	1,661	0	2,344
(15,913)	(15,913)	(15,913)	(15,913)	Prior Year Caps Cons Alignment	(50,878)	(73,519)	(73,519)	(63,652)
(21,005)	(21,005)	(21,005)	(21,005)	Prior Year Solar FiT Alignment	27,808	0	(27,808)	(84,020)
(30,251)	(30,744)	(30,696)	(30,562)	Solar Bonus	(75,404)	(22,244)	(130,000)	(122,254)
224	224	219	222	TUOS	0	0	(877)	889
2,304	2,551	2,845	2,599	Diesel Fuel Rebate	10,132	9,168	9,739	10,299
0	0	0	0	Mark to Market Net Sales	37,728	0	(81,797)	0
509,808	589,364	617,107	532,000	**TOTAL ENERGY RELATED REVENUE**	2,695,843	2,160,084	2,148,062	2,248,279
				COST OF SALES				
92,134	111,679	152,230	92,451	Energy Purchases	577,523	475,837	488,310	448,493
0	0	0	0	Inter-Company Energy Purchases	0	0	0	0
(131,067)	(125,395)	(143,670)	(170,281)	CSO Expense - NEM	0	(513,770)	(461,798)	(570,413)
(16,615)	(22,068)	(25,318)	(19,847)	CSO Expense - Non Grid	0	(93,500)	(92,978)	(83,847)
0	0	0	0	Energy Brokerage Fees	496	0	(145)	0
0	0	0	0	Hedge Costs Realised	(48,934)	0	14,282	0
0	0	0	0	Hedge Costs Unrealised	0	0	0	0
15,031	11,580	19,264	16,395	Certificate Compliance Expenses	95,020	82,750	77,186	62,269
87,155	88,575	85,551	88,012	Transmission Charges	305,653	329,278	340,041	349,292
942	1,148	1,535	1,312	Market Charges	2,976	3,172	2,576	4,936
291	330	356	304	Ancillary Charges	2,184	3,717	2,279	1,281
0	0	0	0	Metering Charges Non-Recoverable	91	84	91	0
12,362	6,811	6,224	4,996	Embedded Energy	26,078	43,947	41,920	30,394
9,627	9,313	9,459	9,115	Isolated Energy	33,731	35,213	29,598	37,514
0	0	0	0	Loss on Sale Environmental Products	(459)	0	(3)	0
69,861	81,972	105,630	22,457	**TOTAL COST OF SALES**	994,358	366,728	441,358	279,920
439,947	507,392	511,477	509,543	**ELECTRICITY GROSS MARGIN**	1,701,485	1,793,356	1,706,704	1,968,360
				OTHER PRODUCT REVENUE				
22,473	21,137	20,306	21,705	Sales Revenue	97,353	97,314	87,826	85,620
1,349	1,349	1,349	1,349	Non-Energy Purchases	4,326	4,923	4,734	5,394
21,124	19,788	18,957	20,356	**NON ENERGY RELATED GROSS MARGIN**	93,027	92,391	83,092	80,226
				MISCELLANEOUS REVENUE				
2,975	3,605	3,357	3,742	Interest	17,378	8,612	12,597	13,680
0	0	0	0	Interest on MOFA	0	5,714	0	0
0	0	0	0	Government Grants - Solar cities	(4,517)	(7,273)	0	0
0	0	0	0	Government Grants - Demand Management	6,556	7,273	1,520	0
324	324	324	324	Rent	1,461	650	1,342	1,297
0	0	0	0	Gain on Sale of Assets	2,401	0	2,706	0
10,500	10,500	10,500	10,500	Capital Contributions - Cash	47,431	55,600	40,000	42,000
3,944	3,944	3,944	3,944	Capital Contributions - Non-Cash	20,094	15,100	20,000	15,775
20,931	20,931	20,931	20,931	Capital Contributions - AARR Alignment	56,261	60,000	70,700	83,725
5,536	5,536	5,536	5,536	Alternative Control	26,868	13,281	28,313	22,142
0	0	0	0	Inter-Company Alternative Control	0	0	0	0
246	246	246	246	Large Customer Connection	4,680	806	5,184	985
1,342	1,342	1,342	1,342	Altern Control Services Contrib Assets	0	0	0	5,368
0	0	0	0	Non Standard Streetlighting Revenue	0	0	0	0
300	300	300	300	Street Lighting	324	0	0	1,200
0	0	0	0	Corporate Service Fees	0	3,117	0	0
0	0	0	0	Discounts Received	24	0	871	0
0	0	0	0	Insurance Claims	47	0	80	0
5,490	5,490	5,490	5,490	Discount of NC Assets	24,432	0	33,942	21,960
94	233	341	89	Other Revenue	5,704	2,483	3,545	757
51,682	52,451	52,311	52,444	**TOTAL MISCELLANEOUS REVENUE**	209,144	165,363	220,801	208,888
512,753	579,631	582,746	582,344	**GROSS MARGIN & OTHER REVENUE**	2,003,656	2,051,110	2,010,596	2,257,474
142,078	147,483	142,473	144,965	Opex	604,175	583,396	566,718	577,000
				Opex - Additional Items				
142,078	147,483	142,473	144,965	**TOTAL OPERATING EXPENSES**	604,175	583,396	566,718	577,000
				OTHER OPERATING EXPENDITURE				
111,536	114,974	117,263	120,262	Depreciation	389,635	408,081	429,097	464,034
7,183	7,229	7,274	7,320	Amortisation	29,836	8,953	35,380	29,006
118,718	122,202	124,537	127,582	**TOTAL OTHER OPERATING EXPENDITURE**	419,471	417,034	464,476	493,039
251,957	309,946	315,735	309,797	**EARNINGS BEFORE INTEREST & TAXES (EBIT)**	980,010	1,050,681	979,402	1,187,434
88,147	83,021	87,473	84,892	Finance Charges	368,998	382,818	370,874	343,533
0	0	0	0	Inter-Company Finance Charges	0	0	0	0
0	0	0	0	Inter-Company Finance Charges - (Roames)	0	0	0	0
163,810	226,925	228,262	224,905	**EARNINGS BEFORE TAXES (EBT)**	611,012	667,862	608,528	843,902
49,067	68,048	68,498	67,558	Income Tax	177,399	200,358	182,943	253,170
114,744	158,877	159,763	157,347	**NET PROFIT AFTER TAXES (NPAT)**	433,613	467,504	425,585	590,731
750,985	865,729	1,024,606	1,184,370	**OPENING RETAINED EARNINGS**	514,302	701,183	676,197	750,985
(0)	(0)	0	0	Adjustment for Super Surplus	78,353	42,361	42,361	(0)
865,729	1,024,606	1,184,370	1,341,717	**TOTAL AVAILABLE FOR APPROPRIATION**	1,026,268	1,211,048	1,144,144	1,341,716
0	0	0	0	Inter-Company Dividends Provided For	0	0	0	0
0	0	0	472,585	Dividends Provided For	325,764	374,002	393,158	472,585
0	0	0	0	Share/Associates Profit/Loss	0	0	0	0
0	0	0	472,585	**TOTAL DIVIDENDS**	325,764	374,002	393,158	472,585
865,729	1,024,606	1,184,370	869,132	**CLOSING RETAINED EARNINGS**	700,504	837,046	750,985	869,132

Quarter 2014-15				Statement of Financial Position	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Group	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
389,631	464,063	398,566	244,578	Cash & Cash Equivalents	200,380	147,251	197,371	244,578
803,401	869,899	871,183	934,616	Current Receivables	618,834	804,427	854,970	934,616
110,169	113,220	108,676	103,786	Inventories	111,047	143,450	111,992	103,786
38,136	38,136	38,136	38,136	Financial Assets Current	92,768	92,768	38,136	38,136
41,402	43,469	42,343	43,120	Other Current Assets	40,026	40,485	40,170	43,120
1,382,739	1,528,787	1,458,905	1,364,235	**CURRENT ASSETS**	1,063,055	1,228,381	1,242,639	1,364,235
178,115	99,562	32,079	128,008	Long Term Receivables	268,311	98,176	195,018	128,008
2,400	2,400	2,400	2,400	Non-Current Inventories	2,400	2,400	2,400	2,400
				Financial Assets Non-Current				
10,514,876	10,633,670	10,749,394	10,989,487	Property, Plant & Equipment	10,033,205	10,702,663	10,393,770	10,989,487
7,626	7,626	7,626	7,626	Deferred Tax Equivalent Assets	7,626	3	7,626	7,626
95,485	103,548	111,565	119,537	Intangible Non-Current	71,132	16,233	87,376	119,537
28,550	26,800	25,050	23,300	Superannuation Surplus	24,471	23,974	30,300	23,300
0	0	0	0	Other Non Current Assets	0	0	0	0
10,827,052	10,873,606	10,928,115	11,270,359	**NON-CURRENT ASSETS**	10,407,145	10,843,449	10,716,490	11,270,359
12,209,791	12,402,393	12,387,020	12,634,594	**ASSETS**	11,470,200	12,071,830	11,959,129	12,634,594
287,968	307,209	312,470	272,462	Current Payables	344,363	304,114	333,975	272,462
248,001	440,022	253,685	43,026	Interest Bearing Liabilities Current	324,450	275,296	275,974	43,026
80,298	80,532	80,766	80,999	Financial Liabilities Current	70,416	70,416	84,974	80,999
25,959	25,896	26,326	26,230	Current Provisions	29,242	25,626	27,991	26,230
143,310	141,621	141,127	143,538	Employee Benefits Current	136,206	136,044	138,553	143,538
393,158	0	0	472,585	Dividends	325,764	373,070	393,158	472,585
62,532	79,854	83,465	309,699	Other Current Liabilities	61,199	60,392	56,843	309,699
1,241,226	1,075,133	897,839	1,348,539	**CURRENT LIABILITIES**	1,291,640	1,244,958	1,311,468	1,348,539
14,023	14,135	14,215	14,311	Employee Benefits Non-Current	14,259	14,022	13,898	14,311
1,787	1,787	1,787	1,787	Payables Non-Current	1,646	1,646	1,787	1,787
0	0	0	0	Tax Related Intercompany Payable	0	0	0	0
5,071,373	5,271,373	5,273,409	5,273,409	Interest Bearing Liabilities Non-Current	4,679,019	4,883,922	4,864,945	5,273,409
				Financial Liabilities Non-Current				
1,972,241	1,972,241	1,972,241	2,005,867	Deferred Tax Equivalent Liabilities	1,757,591	1,990,330	1,972,241	2,005,867
4,186	4,154	4,304	4,176	Non-Current Provisions	5,331	5,077	4,157	4,176
6,928	6,764	6,591	6,362	Other Non Current Liabilities	6,156	5,220	7,092	6,362
7,070,538	7,270,455	7,272,547	7,305,911	**NON-CURRENT LIABILITIES**	6,464,002	6,900,217	6,864,120	7,305,912
8,311,764	8,345,588	8,170,386	8,654,450	**LIABILITIES**	7,755,642	8,145,175	8,175,588	8,654,450
2,294,582	2,294,582	2,294,582	2,294,582	Share Capital	2,294,582	2,294,582	2,294,582	2,294,582
(1,352,190)	(1,352,190)	(1,352,190)	(1,352,190)	Unissued Capital	(1,352,190)	(1,352,190)	(1,352,190)	(1,352,190)
942,393	942,393	942,393	942,393	**Contributed Equity**	942,392	942,392	942,392	942,393
2,156,217	2,156,217	2,156,217	2,234,676	Asset Revaluation	2,082,232	2,157,788	2,156,217	2,234,676
(66,056)	(66,056)	(66,056)	(66,056)	Government Contribution Reserve	(10,572)	(10,572)	(66,056)	(66,056)
2,090,161	2,090,161	2,090,161	2,168,620	**Reserves**	2,071,660	2,147,216	2,090,161	2,168,620
774,123	774,123	774,123	774,123	Retained Profits	658,154	765,874	741,696	774,123
114,489	273,267	433,096	118,146	Current Year Profit	107,850	93,501	32,427	118,146
(23,138)	(23,138)	(23,138)	(23,138)	Ret Earn DB Super Surplus/Deficit	(65,499)	(22,331)	(23,138)	(23,138)
865,474	1,024,252	1,184,081	869,132	**Retained Earnings**	700,505	837,044	750,985	869,132
3,898,028	4,056,805	4,216,635	3,980,144	**EQUITY**	3,714,557	3,926,652	3,783,538	3,980,144

Quarter 2014-15				Cash Flow	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Group	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
713,904	734,105	797,270	464,283	Receipts from Customers	2,477,849	2,794,941	2,701,796	2,709,562
(516,705)	(480,363)	(524,891)	(269,203)	Payments to Suppliers & Employees	(2,083,617)	(1,981,219)	(1,921,833)	(1,791,163)
2,975	3,605	3,357	3,742	Interest Received	23,126	14,326	12,597	13,680
(95,418)	(88,283)	(83,186)	(87,769)	Interest and Other Costs of Financing	(365,152)	(382,818)	(370,874)	(354,657)
10,500	10,500	10,500	10,500	Capital Contributions	47,431	55,600	40,000	42,000
147,681	147,463	168,988	190,128	Community Service Obligations	573,450	607,270	554,776	654,260
0	0	0	0	Dividends Received	0	0	0	0
262,937	327,026	372,037	311,681	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	675,837	1,108,099	1,016,462	1,273,682
				CASH FLOWS FROM INVESTING ACTIVITIES				
0	0	0	0	Gain on Sale of Assets	7,713	0	0	0
(233,840)	(236,165)	(237,942)	(239,720)	Land and Property Plant & Equipment	(833,946)	(990,831)	(797,342)	(947,666)
(15,292)	(15,292)	(15,292)	(15,292)	Intangibles - Software	(17,705)	0	(34,837)	(61,167)
(249,132)	(251,456)	(253,234)	(255,012)	**NET CASH USED IN INVESTING ACTIVITIES**	(843,938)	(990,831)	(832,178)	(1,008,833)
				CASH FLOWS FROM FINANCING ACTIVITIES				
200,000	200,000	0	0	Proceeds from Borrowings	548,954	444,000	444,000	400,000
(183,573)	0	(57,964)	0	Repay Borrowings	(365,000)	(288,763)	(307,740)	(241,536)
841	463	350	817	Repayable Deposits	1,570	1,062	2,210	2,472
0	(393,158)	0	0	Dividends Paid	(255,853)	(326,696)	(325,764)	(393,158)
0	0	0	0	Issue of Shares	0	0	0	0
17,268	(192,695)	(57,613)	817	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(70,330)	(170,397)	(187,294)	(232,222)
31,074	(117,125)	61,190	57,486	**NET INCREASE/(DECREASE) IN CASH HELD**	(238,430)	(53,129)	(3,010)	32,626
197,371	228,445	111,320	172,510	**CASH HELD BEGINNING OF PERIOD**	438,810	200,380	200,380	197,371
228,445	111,320	172,510	229,996	**CASH HELD AT END OF PERIOD**	200,380	147,251	197,371	229,997

Ergon Energy Corporation Limited

Quarter 2014-15				Statement of Comprehensive Income	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Corporation Limited	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				ENERGY RELATED REVENUE				
98,581	104,469	112,067	106,083	DUOS	320,447	366,562	370,026	421,200
415,894	441,788	475,588	449,077	Inter-Company DUOS	1,342,110	1,567,670	1,575,198	1,782,346
0	0	0	0	Current Year DUOS Alignment	21,482	0	11,686	0
0	0	0	0	Current Year STPIS Alignment	26,050	0	32,000	0
32,890	32,890	32,890	32,890	Current Year Solar FiT Alignment	72,372	0	122,571	131,560
(7,870)	(7,870)	(7,870)	(7,870)	Prior Year STPIS Alignment	13,530	(1,838)	(1,841)	(31,479)
(21,885)	(21,885)	(21,885)	(21,885)	Prior Year DUOS Alignment	(25,730)	(31,964)	(39,029)	(87,539)
586	586	586	586	Prior Year Shared Asset Alignment	0	1,661	0	2,344
(15,913)	(15,913)	(15,913)	(15,913)	Prior Year Caps Cons Alignment	(50,878)	(73,519)	(73,519)	(63,652)
(21,005)	(21,005)	(21,005)	(21,005)	Prior Year Solar FiT Alignment	27,808	0	(27,808)	(84,020)
0	0	0	0	Solar Bonus	(92)	74,472	0	0
(29,578)	(29,578)	(29,578)	(29,578)	Inter-Company Solar Bonus	(75,775)	(96,716)	(130,000)	(118,311)
0	0	0	0	GUOS	0	0	0	0
22,428	24,256	26,767	24,510	Inter-Company GUOS	111,781	97,682	93,494	97,961
224	224	219	222	TUOS	0	0	(877)	889
2,304	2,551	2,845	2,599	Diesel Fuel Rebate	10,132	9,168	9,739	10,299
476,657	510,513	554,712	519,716	**TOTAL ENERGY RELATED REVENUE**	1,793,257	1,913,178	1,941,641	2,061,598
				COST OF SALES				
87,155	88,575	85,551	88,012	Transmission Charges	305,653	329,278	340,346	349,292
610	461	411	411	InterDistrict Avoided Transmission Charges	0	0	0	1,894
0	0	0	0	Inter-Company Meter Charges Non-Recoverable	417	0	0	0
0	0	0	0	Embedded Energy	140	0	0	0
125	125	125	125	Inter-Company Compensation Retail	706	870	667	500
87,891	89,161	86,087	88,548	**TOTAL COST OF SALES**	306,916	330,148	341,013	351,687
388,766	421,353	468,625	431,168	**ELECTRICITY GROSS MARGIN**	1,486,341	1,583,030	1,600,628	1,709,912
				OTHER PRODUCT REVENUE				
20,777	19,441	18,610	20,009	Sales Revenue	91,189	88,660	82,405	78,836
0	0	0	0	InterestDistrict Sales	751	0	270	0
0	0	0	0	Non-Energy Purchases	64	0	0	0
20,777	19,441	18,610	20,009	**NON ENERGY RELATED GROSS MARGIN**	91,876	88,660	82,675	78,836
				MISCELLANEOUS REVENUE				
850	1,249	676	949	Interest	8,410	2,798	3,039	3,724
1,486	1,641	1,806	2,029	Interest on MOFA	5,902	5,714	5,455	6,962
0	0	0	95,913	Inter-Company Dividends	61,419	80,426	1,281	95,913
0	0	0	0	Government Grants - Solar Cities	(4,517)	(7,273)	0	0
0	0	0	0	Government Grants - Demand Management	6,556	7,273	1,520	0
324	324	324	324	Rent	1,306	650	1,342	1,297
0	0	0	0	Gain on Sale of Assets	2,401	0	2,706	0
10,500	10,500	10,500	10,500	Capital Contributions - Cash	47,431	55,600	40,000	42,000
3,944	3,944	3,944	3,944	Capital Contributions - Non-Cash	20,094	15,100	20,000	15,775
20,931	20,931	20,931	20,931	Capital Contributions - AARR Alignment	56,261	60,000	70,700	83,725
5,158	5,158	5,158	5,158	Alternative Control	25,710	12,262	26,784	20,631
378	378	378	378	Inter-Company Alternative Control	1,249	1,018	1,540	1,511
246	246	246	246	Large Customer Connection	4,680	806	5,184	985
1,342	1,342	1,342	1,342	Altern Control Services Contrib Assets	0	0	0	5,368
300	300	300	300	Street Lighting	324	0	0	1,200
8,500	8,500	8,500	8,500	Interdistrict Street Lighting	30,003	32,100	34,000	34,000
0	0	0	0	Gain on Foreign Exchange	0	0	0	0
792	792	792	792	Corporate Service Fees	3,585	3,117	3,117	3,169
0	0	0	0	Discounts Received	0	0	871	0
0	0	0	0	Insurance Claims	0	0	80	0
12,492	11,996	12,077	12,041	Inter-Company SLA Revenue EEQ	47,029	47,894	44,993	48,606
602	602	602	602	Inter-Company SLA Revenue EETL	2,149	2,924	1,780	2,410
5,490	5,490	5,490	5,490	Discount of NC Assets	24,432	0	33,942	21,960
0	0	0	0	Other Revenue	4,366	0	2,462	0
73,336	73,394	73,066	169,439	**TOTAL MISCELLANEOUS REVENUE**	348,791	320,410	300,795	389,235
482,879	514,187	560,301	620,616	**GROSS MARGIN & OTHER REVENUE**	1,927,008	1,992,101	1,984,098	2,177,983
141,313	146,827	141,853	144,345	Opex	624,680	566,614	583,608	574,338
				Opex - Additional Items				
141,313	146,827	141,853	144,345	**TOTAL OPERATING EXPENSES**	624,680	566,614	583,608	574,338
				OTHER OPERATING EXPENDITURE				
109,883	113,039	114,821	117,109	Depreciation	380,640	406,740	420,905	454,852
1,520	1,566	1,612	1,658	Amortisation	8,236	5,882	13,058	6,357
111,404	114,605	116,433	118,767	**TOTAL OTHER OPERATING EXPENDITURE**	388,876	412,622	433,963	461,209
230,162	252,755	302,015	357,504	**EARNINGS BEFORE INTEREST & TAXES (EBIT)**	913,452	1,012,864	966,526	1,142,436
87,409	82,143	86,438	83,565	Finance Charges - Additional Items	365,743	379,257	366,920	339,554
24	27	20	15	Inter-Company Finance Charges	226	215	214	86
142,730	170,585	215,558	273,924	**EARNINGS BEFORE TAXES (EBT)**	547,482	633,392	599,392	802,796
42,819	51,175	64,667	53,403	Income Tax	140,525	165,890	179,818	212,065
99,911	119,409	150,890	220,520	**NET PROFIT AFTER TAXES (NPAT)**	406,957	467,503	419,575	590,731
629,457	729,368	848,777	999,667	**OPENING RETAINED EARNINGS**	400,456	560,679	560,679	629,457
0	0	0	0	**Adjustment for Super Surplus**	79,031	42,361	42,361	0
729,368	848,777	999,667	1,220,188	**TOTAL AVAILABLE FOR APPROPRIATION**	886,443	1,070,543	1,022,615	1,220,188
0	0	0	472,585	Dividends Provided For	325,764	374,002	393,158	472,585
0	0	0	472,585	**TOTAL DIVIDENDS**	325,764	374,002	393,158	472,585
729,368	848,777	999,667	747,603	**CLOSING RETAINED EARNINGS**	560,679	696,541	629,457	747,603

Quarter 2014-15				Statement of Financial Position	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Corporation Limited	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
129,116	171,064	84,264	125,357	Cash & Cash Equivalents	89,303	56,556	91,740	125,357
706,958	747,578	676,496	877,894	Current Receivables	476,385	673,565	730,712	877,894
109,999	113,082	108,570	103,711	Inventories	110,250	143,450	111,790	103,711
55	55	55	55	Other Current Assets	68	70	55	55
946,128	1,031,779	869,385	1,107,017	**CURRENT ASSETS**	676,006	873,641	934,297	1,107,017
221,719	153,153	97,361	204,975	Long Term Receivables	311,310	98,176	229,654	204,975
2,498	2,498	2,498	2,498	Non-Current Investments	2,498	2,498	2,498	2,498
2,400	2,400	2,400	2,400	Non-Current Inventories	2,400	2,400	2,400	2,400
10,497,116	10,613,132	10,727,366	10,951,397	Property, Plant & Equipment	10,010,932	10,672,960	10,377,944	10,951,397
22,978	24,039	25,053	26,022	Intangible Non-Current	21,328	15,446	21,872	26,022
28,250	26,500	24,750	23,000	Superannuation Surplus	23,974	23,974	30,000	23,000
0	0	0	0	Other Non Current Assets	0	0	0	0
10,774,962	10,821,721	10,879,429	11,210,292	**NON-CURRENT ASSETS**	10,372,442	10,815,454	10,664,368	11,210,292
11,721,090	11,853,501	11,748,813	12,317,309	**ASSETS**	11,048,448	11,689,095	11,598,665	12,317,309
198,652	206,975	212,508	199,112	Current Payables	237,166	229,996	208,951	199,112
73,736	273,384	10,220	4,261	Interest Bearing Liabilities Current	300,550	250,334	250,000	4,261
25,205	25,137	25,564	25,460	Current Provisions	28,476	25,376	27,331	25,460
137,615	135,926	135,432	137,843	Employee Benefits Current	130,741	136,044	132,858	137,843
393,158	0	0	472,585	Dividends	325,764	373,070	393,158	472,585
22,314	22,314	22,314	275,485	Other Current Liabilities	28,537	28,243	22,314	275,485
850,680	663,737	406,038	1,114,746	**CURRENT LIABILITIES**	1,051,234	1,043,063	1,034,612	1,114,746
13,385	13,497	13,576	13,672	Employee Benefits Non-Current	13,608	14,022	13,259	13,672
1,787	1,787	1,787	1,787	Payables Non-Current	1,646	1,646	1,787	1,787
0	0	0	0	Tax Related Intercompany Payable	0	0	0	0
5,071,373	5,271,373	5,273,409	5,273,409	Interest Bearing Liabilities Non-Current	4,679,019	4,883,922	4,864,945	5,273,409
1,925,250	1,925,250	1,925,250	1,958,875	Deferred Tax Equivalent Liabilities	1,710,599	1,943,339	1,925,250	1,958,875
1,380	1,349	1,498	1,370	Non-Current Provisions	2,248	2,272	1,351	1,370
6,590	6,454	6,309	6,109	Other Non Current Liabilities	5,897	5,220	6,725	6,109
7,019,763	7,219,709	7,221,829	7,255,222	**NON-CURRENT LIABILITIES**	6,413,017	6,850,421	6,813,317	7,255,222
7,870,444	7,883,445	7,627,867	8,369,968	**LIABILITIES**	7,464,251	7,893,484	7,847,929	8,369,968
2,294,582	2,294,582	2,294,582	2,294,582	Share Capital	2,294,582	2,294,582	2,294,582	2,294,582
(1,352,190)	(1,352,190)	(1,352,190)	(1,352,190)	Unissued Capital	(1,352,190)	(1,352,190)	(1,352,190)	(1,352,190)
942,392	942,392	942,392	942,392	**Contributed Equity**	942,392	942,392	942,392	942,392
2,156,217	2,156,217	2,156,217	2,234,676	Asset Revaluation	2,082,232	2,157,788	2,156,217	2,234,676
22,670	22,670	22,670	22,670	Government Contribution Reserve	(1,110)	(1,110)	22,670	22,670
2,178,887	2,178,887	2,178,887	2,257,346	**Reserves**	2,081,122	2,156,678	2,178,887	2,257,346
651,885	651,885	651,885	651,885	Retained Profits	544,276	625,469	625,469	651,885
99,911	219,320	370,211	118,146	Current Year Profit	81,193	93,501	26,416	118,146
(22,429)	(22,429)	(22,429)	(22,429)	Ret Earn DB Super Surplus/Deficit	(64,790)	(22,429)	(22,429)	(22,429)
729,368	848,777	999,667	747,603	**Retained Earnings**	560,679	696,541	629,457	747,603
3,850,646	3,970,056	4,120,946	3,947,341	**EQUITY**	3,584,193	3,795,611	3,750,736	3,947,341

Quarter 2014-15				Cash Flow	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Corporation Limited	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
614,634	642,101	781,625	448,620	Receipts from Customers	2,025,672	2,456,569	2,226,623	2,486,979
(293,872)	(302,200)	(309,552)	(100,032)	Payments to Suppliers & Employees	(1,109,532)	(1,140,206)	(1,008,691)	(1,005,655)
2,336	2,890	2,482	2,978	Interest Received	14,312	8,512	8,494	10,686
(94,704)	(87,432)	(82,170)	(86,457)	Interest and Other Costs of Financing	(361,758)	(379,472)	(367,134)	(350,764)
10,500	10,500	10,500	10,500	Capital Contributions	47,431	55,600	40,000	42,000
0	1,281	0	0	Dividends Received	59,833	61,055	61,419	1,281
238,894	267,139	406,010	278,733	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	703,323	1,099,544	985,326	1,190,776
				CASH FLOWS FROM INVESTING ACTIVITIES				
0	0	0	0	Gain on Sale of Assets	7,713	0	0	0
(229,055)	(229,055)	(229,055)	(229,055)	Land and Property Plant & Equipment	(833,944)	(960,831)	(787,385)	(916,220)
(2,627)	(2,627)	(2,627)	(2,627)	Intangibles - Software	(17,244)	0	(6,000)	(10,506)
0	0	0	0	Other Investments	0	0	0	0
(231,682)	(231,682)	(231,682)	(231,682)	**NET CASH USED IN INVESTING ACTIVITIES**	(843,475)	(960,831)	(793,385)	(926,726)
				CASH FLOWS FROM FINANCING ACTIVITIES				
200,000	200,000	0	0	Proceeds from Borrowings	548,954	444,000	444,000	400,000
(183,573)	0	(57,964)	0	Repay Borrowings	(365,000)	(288,763)	(307,740)	(241,536)
0	0	0	0	Repayable Deposits	0	0	0	0
0	(393,158)	0	0	Dividends Paid	(255,853)	(326,696)	(325,764)	(393,158)
0	0	0	0	Issue of Shares	0	0	0	0
16,427	(193,158)	(57,964)	0	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(71,899)	(171,459)	(189,504)	(234,695)
23,640	(157,701)	116,365	47,052	**NET INCREASE/(DECREASE) IN CASH HELD**	(212,051)	(32,747)	2,438	29,356
91,740	115,380	(42,321)	74,044	**CASH HELD BEGINNING OF PERIOD**	301,354	89,303	89,303	91,740
115,380	(42,321)	74,044	121,096	**CASH HELD AT END OF PERIOD**	89,303	56,556	91,740	121,096

Ergon Energy Queensland

Quarter 2014-15				Statement of Comprehensive Income	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				ENERGY RELATED REVENUE				
470,261	543,436	563,441	484,472	Energy Sales	1,694,827	1,902,162	1,808,029	2,061,610
0	0	0	0	Unbilled Energy Sales	19,911	2,339	141,193	0
19	8	9	9	Guarantee Deficiencies	156	132	63	45
0	0	0	0	CSO Revenue	596,413	0	0	0
1,866	2,616	2,419	2,375	Meter Cards Revenue	6,981	7,625	7,625	9,277
(30,251)	(30,744)	(30,696)	(30,562)	Solar Bonus	(75,312)	(96,716)	(130,000)	(122,254)
610	461	411	411	InterDistrict TUOS	0	0	305	1,894
0	0	0	0	Inter-Company TUOS Contribution Acknow Rebate	417	270	0	0
0	0	0	0	Mark to Market Net Sales	37,728	0	(81,797)	0
442,506	515,777	535,584	456,705	**TOTAL ENERGY RELATED REVENUE**	2,281,121	1,815,812	1,745,418	1,950,572
				COST OF SALES				
92,134	111,679	152,230	92,451	Energy Purchases	577,523	475,837	488,310	448,493
22,428	24,256	26,767	24,510	Inter-Company Energy Purchases	111,781	97,682	93,494	97,961
(131,067)	(125,395)	(143,670)	(170,281)	CSO Expense - NEM	0	(513,770)	(461,798)	(570,413)
(16,615)	(22,068)	(25,318)	(19,847)	CSO Expense - Non Grid	0	(93,500)	(92,978)	(83,847)
0	0	0	0	Energy Brokerage Fees	496	0	(145)	0
0	0	0	0	Hedge Costs Realised	(48,934)	0	14,282	0
15,031	11,580	19,264	16,395	Certificate Compliance Expenses	95,020	82,750	77,186	62,269
394,816	420,710	454,510	427,999	Inter-Company Contestable Charges Recoverable	1,296,573	1,503,054	1,479,468	1,698,035
942	1,148	1,535	1,312	Market Charges	2,976	3,172	2,576	4,936
291	330	356	304	Ancillary Charges	2,184	3,717	2,279	1,281
0	0	0	0	Metering Charges Non-Recoverable	91	84	91	0
12,362	6,811	6,224	4,996	Embedded Energy	25,938	43,947	41,920	30,394
9,627	9,313	9,459	9,115	Isolated Energy	33,731	35,213	29,598	37,514
0	0	0	0	Loss on Sale Environmental Products	(459)	0	(3)	0
399,949	438,363	501,357	386,955	**TOTAL COST OF SALES**	2,096,920	1,638,187	1,674,279	1,726,624
42,556	77,414	34,227	69,750	**ELECTRICITY GROSS MARGIN**	184,201	177,625	71,139	223,948
				OTHER PRODUCT REVENUE				
75	76	76	76	Sales Revenue	(0)	0	0	303
378	378	378	378	Inter-Company Non-Energy Purchases	1,249	1,018	1,540	1,511
0	0	0	0	Non-Energy Purchases	0	0	0	0
(303)	(302)	(302)	(302)	**NON ENERGY RELATED GROSS MARGIN**	(1,249)	(1,018)	(1,540)	(1,208)
				MISCELLANEOUS REVENUE				
2,069	2,301	2,626	2,739	Interest	8,790	5,814	9,337	9,735
378	378	378	378	Alternative Control	1,159	1,018	1,529	1,511
125	125	125	125	Inter-Company SLA Revenue	0	600	0	500
88	227	335	82	Other Revenue	1,338	2,483	1,058	732
0	0	0	0	Inter-Company Other Revenue	706	0	667	0
2,660	3,031	3,464	3,324	**TOTAL MISCELLANEOUS REVENUE**	12,016	9,915	12,592	12,478
44,914	80,143	37,389	72,772	**GROSS MARGIN & OTHER REVENUE**	194,968	186,522	82,191	235,218
23,501	22,897	22,941	22,905	Opex	67,929	68,647	67,860	92,244
				Opex - Additional Items				
23,501	22,897	22,941	22,905	**TOTAL OPERATING EXPENSES**	67,929	68,647	67,860	92,244
				OTHER OPERATING EXPENDITURE				
163	445	953	1,663	Depreciation	31	1,341	21	3,225
165	165	165	165	Amortisation	2,503	3,069	1,954	661
328	611	1,118	1,829	**TOTAL OTHER OPERATING EXPENDITURE**	2,534	4,410	1,975	3,886
21,084	56,636	13,330	48,038	**EARNINGS BEFORE INTEREST & TAXES (EBIT)**	124,505	113,465	12,356	139,088
738	878	1,036	1,327	Finance Charges - Additional Items	3,354	3,561	3,769	3,979
0	0	0	0	Inter-Company Finance Charges	0	0	0	0
20,346	55,758	12,294	46,711	**EARNINGS BEFORE TAXES (EBT)**	121,151	109,904	8,587	135,109
6,104	16,727	3,688	14,013	Income Tax	35,982	32,971	2,576	40,533
14,242	39,030	8,606	32,698	**NET PROFIT AFTER TAXES (NPAT)**	85,170	76,933	6,011	94,576
20,884	35,126	74,156	82,762	**OPENING RETAINED EARNINGS**	12,771	39,181	14,873	20,884
0	0	0	0	**Adjustment for Super Surplus**	0	0	0	0
35,126	74,156	82,762	115,460	**TOTAL AVAILABLE FOR APPROPRIATION**	97,941	116,113	20,884	115,460
0	0	0	94,576	Inter-Company Dividends Provided For	58,760	76,933	0	94,576
0	0	0	94,576	**TOTAL DIVIDENDS**	58,760	76,933	0	94,576
35,126	74,156	82,762	20,884	**CLOSING RETAINED EARNINGS**	39,181	39,181	20,884	20,884

Quarter 2014-15				Statement of Financial Position	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
256,449	288,933	310,236	115,154	Cash & Cash Equivalents	105,814	90,696	101,564	115,154
476,178	508,406	572,237	560,065	Current Receivables	409,928	403,751	490,122	560,065
38,136	38,136	38,136	38,136	Financial Assets Current	92,768	92,768	38,136	38,136
0	0	0	0	Intangibles Current	0	0	0	0
41,347	43,413	42,288	43,065	Other Current Assets	39,958	40,415	40,114	43,065
812,109	878,889	962,897	756,419	**CURRENT ASSETS**	648,468	627,630	669,936	756,419
				Financial Assets Non-Current				
3,990	7,510	12,300	18,158	Property, Plant & Equipment	1,044	29,703	2,512	18,158
0	0	0	0	Deferred Tax Equivalent Assets	0	0	0	0
1,736	1,571	1,405	1,240	Intangible Non-Current	3,855	786	1,901	1,240
5,726	9,081	13,706	19,398	**NON-CURRENT ASSETS**	4,899	30,489	4,414	19,398
817,835	887,970	976,603	775,817	**ASSETS**	653,367	658,119	674,350	775,817
422,913	444,229	443,722	441,202	Current Payables	284,020	269,709	442,923	441,202
174,266	166,637	243,465	38,765	Interest Bearing Liabilities Current	23,900	24,963	25,974	38,765
80,298	80,532	80,766	80,999	Financial Liabilities Current	70,416	70,416	84,974	80,999
268	273	276	284	Current Provisions	397	250	174	284
0	0	0	0	Employee Benefits Current	0	0	0	0
(0)	(0)	(0)	94,576	Dividends	58,760	77,296	(0)	94,576
40,074	57,251	60,720	34,214	Other Current Liabilities	32,537	32,149	34,528	34,214
717,818	748,921	828,948	690,041	**CURRENT LIABILITIES**	470,030	474,782	588,574	690,041
				Financial Liabilities Non-Current				
46,992	46,992	46,992	46,992	Deferred Tax Equivalent Liabilities	46,992	46,992	46,992	46,992
2,806	2,806	2,806	2,806	Non-Current Provisions	2,806	2,806	2,806	2,806
0	0	0	0	Superannuation Deficit	0	0	0	0
0	0	0	0	Other Non-Current Liabilities	0	0	0	0
49,797	49,797	49,797	49,797	**NON-CURRENT LIABILITIES**	49,797	49,797	49,797	49,797
767,615	798,719	878,746	739,839	**LIABILITIES**	519,828	524,580	638,372	739,839
0	0	0	0	Share Capital	0	0	0	0
0	0	0	0	Unissued Capital	0	0	0	0
0	0	0	0	**Contributed Equity**	0	0	0	0
0	0	0	0	Asset Revaluation	0	0	0	0
0	0	0	0	General Reserves	0	0	0	0
0	0	0	0	Hedging Reserves	0	0	0	0
15,094	15,094	15,094	15,094	Government Contribution Reserve	94,358	94,358	15,094	15,094
15,094	15,094	15,094	15,094	**Reserves**	94,358	94,358	15,094	15,094
20,884	20,884	20,884	20,884	Retained Profits	12,771	39,181	14,873	20,884
14,242	53,273	61,879	(0)	Current Year Profit	26,409	0	6,011	(0)
0	0	0	0	Ret Earn DB Super Surplus/Deficit	0	0	0	0
35,126	74,156	82,762	20,884	**Retained Earnings**	39,181	39,181	20,884	20,884
50,220	89,251	97,857	35,978	**EQUITY**	133,539	133,539	35,978	35,978

Quarter 2014-15				Cash Flow	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2012-13	2013-14	2013-14	2014-15
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
489,650	516,190	485,895	459,611	Receipts from Customers	1,773,138	1,832,549	1,981,519	1,951,346
(630,429)	(620,998)	(703,679)	(631,436)	Payments to Suppliers & Employees	(2,302,350)	(2,333,510)	(2,465,571)	(2,586,542)
2,069	2,301	2,626	2,739	Interest Received	8,814	5,814	9,337	9,735
(738)	(878)	(1,036)	(1,327)	Interest and Other Costs of Financing	(3,620)	(3,561)	(3,769)	(3,979)
0	0	0	0	Capital Contributions	0	0	0	0
147,681	147,463	168,988	190,128	Community Service Obligations	573,450	607,270	554,776	654,260
0	0	(2,576)	(2,576)	Tax Paid	(25,861)	(36,345)	(23,475)	(5,152)
8,234	44,078	(49,782)	17,139	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	23,570	72,216	52,818	19,669
				CASH FLOWS FROM INVESTING ACTIVITIES				
(1,641)	(3,965)	(5,743)	(7,521)	Land and Property Plant & Equipment	(2)	(30,000)	(518)	(18,870)
0	0	0	0	Intangibles - Software	(461)	0	0	0
(1,641)	(3,965)	(5,743)	(7,521)	**NET CASH USED IN INVESTING ACTIVITIES**	(463)	(30,000)	(518)	(18,870)
				CASH FLOWS FROM FINANCING ACTIVITIES				
841	463	350	817	Repayable Deposits	1,570	1,062	2,210	2,472
0	0	0	0	Dividends Paid	(56,319)	(58,397)	(58,760)	0
841	463	350	817	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(54,750)	(57,334)	(56,550)	2,472
7,434	40,576	(55,174)	10,435	**NET INCREASE/(DECREASE) IN CASH HELD**	(31,642)	(15,119)	(4,250)	3,271
101,564	108,998	149,574	94,400	**CASH HELD BEGINNING OF PERIOD**	137,456	105,814	105,814	101,564
108,998	149,574	94,400	104,835	**CASH HELD AT END OF PERIOD**	105,814	90,696	101,564	104,835

Government Policy and Directions

Government Policy

Ergon Energy will comply with all relevant government policies and guidelines. In particular, Ergon Energy and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

2011 Electricity Network Capital Programme Review (ENCAP)

On 11 February 2012, Ergon Energy received a direction from shareholding Ministers under section 115 (1) of the GOC Act in regard to the implementation of the findings and recommendations of the ENCAP review. This direction required Ergon Energy to identify and quantify the annual revenue associated with the expected reduction in capital expenditures resulting from the implementation of the recommendations of the ENCAP review. Further, the direction required that Ergon Energy not seek to recover this revenue either over the remainder of the current Distribution Determination period or in any future period. Over the period to 2014/15 the expected reduction in revenue arising from this direction is expected to be approximately $99 million. The capital expenditure and financial statements included in this SCI are consistent with this direction.

EEQ

In May 2013, a direction under the *Electricity Act 1994* was given to implement new wholesale electricity supply arrangements for Ergon Energy's retail electricity load. The new market-based wholesale energy procurement arrangements will be implemented for a term of up to four years from 2013/14.

Carbon Offsets

In February 2013, a direction was received removing the requirement to purchase carbon offsets as per the Queensland Government Air Travel Policy, QFleet Climatesmart Action Policy and the Sport and Recreation Policy. This enables estimated annual savings of approximately $33,600.

Key Assumptions

	2013/14 Est Actual	2014/15 Budget
Consumer Price Index[1]	2.50%	2.50%
Wages Growth	3.50%	3.00%
Long Term Interest Rates	7.37%	6.50%
Dividend Payout Ratio[2]	80%	80%
Maximum Demand (MW) [3]	2,441	2,659
Number of Customers[4]	729,871	742,875

Notes:

1. CPI actual is from the Australian Bureau of Statistics. CPI forecasts are from the Reserve Bank of Australia.
2. The dividend is calculated at an amount equivalent to 80% of Ergon Energy's adjusted consolidated profit.
3. The maximum demand forecast figures are from Ergon Energy's system maximum demand model and are temperature corrected (50% Probability of Exceedance: 50 POE). Actual Maximum Demand is the actual maximum demand on the network for the relevant year.
4. The customer numbers are those used to develop Ergon Energy's 2014/15 pricing proposal.

Performance Agreement

This Statement of Corporate Intent (SCI), for the financial year 2014/15 is presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (the GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the Board of Ergon Energy and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgment and agreement on major activities, the objectives, undertakings, policies, investments and borrowings of Ergon Energy for the 2014/15 year.

This SCI is consistent with Ergon Energy's Corporate Plan 2014/15 to 2018/19, submitted to, and agreed to by, the shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document Ergon Energy's Board undertakes to achieve the targets proposed in this SCI for 2014/15.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to Ergon Energy's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This SCI is signed by the Chairman on behalf of all the Directors in accordance with a unanimous decision of the Board of Ergon Energy.

....

Malcolm Hall-Brown

Chairman

Date: 29th August 2014

Tim Nicholls

....

Tim Nicholls MP

Treasurer and Minister for Trade

Date: 29/9/14

....

Mark McArdle MP

Minister for Energy and Water Supply

Date: 3/11/14

Attachment 1 Employment and Industrial Relations Plans

Ergon Energy Employment and Industrial Relations Plan

Shareholder Information

Employment and Industrial Relations Philosophy and Direction

Ergon Energy has determined two strategic themes that in conjunction provide the best price-service value outcome for customers and Queensland.

In response to market drivers such as rising electricity prices, falling prices of substitutes, declining network productivity and increased regulation, Ergon Energy needs to position itself strategically to lead market reform.

Ergon Energy's strategic direction to meet the challenges described above in the period to 2020 requires us to deliver on two key themes:

- Efficient service
- Effective market

Each theme is important and Ergon must deliver on both to be a sustainable business into the future. Together, efficient service and an effective market will allow Ergon Energy to increase the value provided to customers and shareholders.

Ergon Energy will measure success by how customers experience our service; ensuring health, safety and environmental performance for our staff and the community; our returns to Shareholders; the reduction in Community Service Obligation (CSO); and being a great place to work.

The Shareholder focus is clearly on High Performance. Being a high performing organisation is vital to delivering on our purpose to 'provide safe, reliable, efficient and sustainable energy solutions to support our customers and the Queensland economy.

Ergon Energy's strategic vision to become a '*high performing customer driven organisation*' requires the empowerment of nearly 4,500 employees to partner with each other and the customer, courageously making decisions and operating commercially.

Success in the changing electricity industry depends upon having a workforce that understands the needs of the customers and excels in service delivery at all levels. Our high performance strategy includes the need to develop the right skills, a more cost conscious and innovative culture and the right leadership support and team work to enable success in the future.

Accordingly the Ergon Energy People Strategy for 2013-2018 is aligned to deliver a 'high performing customer driven organisation'. Ergon Energy and its employees have a responsibility and commitment to act in the best long term interests of our shareholders and customers of Queensland to reshape Ergon Energy into a company which represents value, service and quality. To remain relevant and valued, this commitment requires Ergon Energy and its employees to be smarter, more flexible, more efficient, more cost effective and more prudent than ever before.

The People Strategy is delivered through strategic focus areas including increasing leadership effectiveness (ensuring leaders are confident and held to account to communicate to their teams the vision for the future); unfreezing and building momentum (getting the culture right to reduce wasted effort and improve efficiency); Industrial reform (creating effective and productive working relationships and employment frameworks); building trust between leaders and employees (leadership accountability); shifting central control to local empowerment (greater local level focus to decision making); technologically enabling the workforce (building a contemporary workforce and a technologically enabled organisation). Health, Safety and Environment remain cornerstones of our success and a priority foci at all levels of the organisation. Ergon Energy's employee relations goal is to foster effective and productive working relationships with our internal and external stakeholders, thereby developing a workplace reputation that underpins our commitments to our customers and the general public and which also meets our community service obligations.

Establishing these relationships provides a foundation for improving organisational culture; promoting better employer and employee relationships through direct employee engagement and communication; improving industrial relations planning and management capability; supporting workplace productivity and efficiency by optimising industrial outcomes and minimising disputation; and reforming workplace agreements to foster a step change in workforce flexibility, culture, commerciality and to modernise the overall industrial relations framework.

Health, Safety and the Environment remain cornerstones of our success and a priority focus at all levels of the organisation. Our strategies and policies comply with all relevant health and safety legislation, codes of practice, Australian Standards and industry guidelines.

Significant and Emerging Issues

Rising electricity prices are a key concern for our customers, Shareholder and regulators. Customers' perceptions of Ergon Energy providing 'value for money' are declining, mainly due to prices. Affordability is seen as our biggest strategic challenge, while ensuring the Community Service Obligation is minimised and commercial dividends are maintained.

It is recognised that the expectations of Shareholders have changed and that there is a heightened focus on the efficiency and effectiveness of the operations of the organisation without compromising service, or employee and community safety. Industry reform is now shaping Queensland's electricity system and the future of Ergon Energy as a company.

Ergon Energy is awaiting further engagement from the Commission of Audit Implementation Taskforce before progressing actions on a number of the recommendations from the Independent Review Panel on Network Costs (IRP) and Interdepartmental Committee on Electricity Sector Reform (IDC) that were accepted in principle by the Queensland Government.

Whilst industry reform is underway, Ergon Energy continues to implement internal changes and key initiatives to reduce costs, restructure and 'right size' the organisation to deliver greater efficiencies to meet the needs of a changing operating environment and providing value for customers.

With the current Ergon Energy Union Collective Agreement nominally expiring on 1 October 2014, Ergon Energy will be commencing negotiations later this year for a replacement enterprise agreement. As a Government Owned Corporation the enterprise bargaining process for Ergon Energy will reinforce the development of employment conditions to support strategic priorities consistent with Shareholder expectations.

The process for negotiating a replacement enterprise agreement will be challenging for a number of reasons including removing existing provisions which restrict or hinder managerial prerogative and direction for the business, aligned with achieving outcomes consistent with the Government Owned Corporations Wages Policy 2012, including but not limited to removing 'no forced' retrenchment provisions, restrictions on the use of contractors and single person tasks.

Even in reinforcing the business objectives for flexibility and efficiency reaching in-principle agreement on a replacement enterprise agreement with bargaining representatives prior to the nominal expiry date will not be easily achieved, with the reform initiatives being pursued fundamentally at the core of union claims. As such the likelihood of difficult and protracted negotiations and protected industrial action is significantly high given the opposing positions.

Additional complexities arise from the current Queensland political environment, in particular the implementation of recommendations from the Independent Review Panel (IRP) and Interdepartmental Committee on Electricity Sector Reform (IDC) and industry union's positioning on issues in relation to outsourcing, job security and depot closures.

Ergon Energy will progress preparations for bargaining for a replacement agreement, in accordance with the Government Owned Corporations Wages Policy, including matters of strategy and mitigation critical to the bargaining framework to enable Government approvals to be finalised.

Senior Executive Remuneration

Table 4: Ergon Energy Corporation Limited (EECL): Senior Executive Remuneration[1]

Name of Incumbent	Position Title	Base Salary	Employer Superannuation Contributions	Motor Vehicle	Car Park	Other Personal Benefits	Total Fixed Remuneration	Other Non-Personal Benefits	Performance Payment Made
Ian McLeod [2]	Chief Executive	$699,001	$17,775	$0	$0	$0	$716,776	$0	$49,356
Philip Keogan[3]	Executive General Manager Energy Sustainability & Market Development	$297,040	$17,775	$0	$0	$0	$314,815	$0	$37,801
Peter Billing[4]	Executive General Manager Operations	$366,062	$17,775	$0	$0	$0	$383,837	$0	$47,380
Justin Fitzgerald[5]	Executive General Manager Customer & Stakeholder Engagement	$266,409	$26,638	$0	$0	$0	$293,047	$0	$36,594
Mal Leech[6]	Executive General Manager Employee & Shared Services	$311,164	$28,794	$0	$0	$0	$339,958	$0	$43,058
John Hooper[7]	Chief Financial Officer	$354,446	$17,775	$0	$0	$0	$372,221	$0	$41,492
Graeme Finlayson[8]	General Counsel/ Company Secretary	$306,102	$17,775	$0	$0	$0	$323,877	$0	$41,288
Roslyn Baker	Executive General Manager Retail	$315,254	$17,775	$0	$0	$0	$333,029	$0	$37,923
Brian Iwaszczyn[8]	Executive General Manager Major Projects	$340,975	$17,775	$0	$0	$0	$358,750	$0	$37,767
Tony Pfeiffer[8,9]	Acting Executive General Manager Asset Management	$310,879	$17,775	$0	$0	$0	$328,654	$0	$33,002
Gordon Taylor [10]	Executive - Strategy Revenue and Transformation, Office of the Chief Executive	$582,225	$17,775	$0	$0	$0	$600,000	$0	N/A
David Edmunds [11]	Executive General Manager Network Optimisation	$358,225	$17,775	$0	$0	$0	$376,000	$0	N/A

Notes:

1. Ergon Energy is in the process of implementing a new Executive structure resulting in a reduction of nine business units to six. Data reflected captures Executive remuneration as at 1 July 2013 as well as recent appointments in the new Executive structure.
2. The Chief Executive's performance payment was pro-rated to February 2013 as per current contractual arrangements. This is the actual performance payment made for the financial year 2012/2013.
3. No longer employed by Ergon Energy as at April 2014. Those executives shown in bold are the current Ergon Energy executive management team.

4. Title will change to Executive General Manager Customer Service in the new Ergon Energy Executive structure.
5. No longer holds Executive position in the new Ergon Energy Executive structure.
6. Title will change to Executive General Manager People and Shared Services in the new Ergon Energy Executive structure.
7. No longer employed by Ergon Energy as at April 2014. Role title will change to Executive General Manager Finance and Corporate Services.
8. No longer hold Executive positions in the new Ergon Energy Executive structure.
9. The position Executive General Manager Asset Management has an acting incumbent. The TFR remuneration reflects the incumbent's nominal salary and a higher duties component of $77,093.
10. Commenced employment with Ergon Energy in March 2014 as a result of the new Executive structure.
11. Commenced employment with Ergon Energy in April 2014 as a result of the new Executive structure.

New Executive Structure

Ergon Energy has commenced the process of implementing a new Executive and senior leadership structure which supports delivery of a new strategic direction to 2020; ensures strong position to deliver on strategy and key programs to support customers; and delivers a more efficient and streamlined Executive and Senior Leadership Team.

Under the new structure, we will be in a position to concurrently focus the business on a range of priority work including: safety, the AER regulatory proposal; business as usual; improved service delivery and efficiency; business transformation; market reform; improved energy utilisation; network tariff reform; retail separation; identifying new loads; and defining and building new capabilities needed for future success.

All functions currently performed in the business will still be required, although certain functions will sit in different business units. There are some changes to business unit names and changes in reporting lines within and between business units.

The new structure will be made up of six business units and has six Executive roles, rather than the current nine business units. Under the new Executive structure the business units and Executives will be:

- Retail – Roslyn Baker
- Network Optimisation – David Edmunds
- Customer Service – Peter Billing
- Finance and Corporate Services – tba
- People and Shared Services – Mal Leech
- Office of Chief Executive: Strategy Revenue and Transformation – Gordon Taylor

The key changes to the existing Executive structure are summarised as follows:

- Operations is renamed Customer Service
- Finance & Strategic Services becomes Finance & Corporate Services
- Employee & Shared Services becomes People & Shared Services
- Customer & Stakeholder Engagement and Corporate Governance cease to exist as standalone business units and functions shift to other areas
- A new business unit is created named Strategy Revenue & Transformation
- Asset Management and parts of Energy Sustainability & Market Development merge to form the new Network Optimisation business unit, and cease to exist as standalone business units
- Major Projects becomes a work group in Network Optimisation
- Retail remains a business unit.

1. Employment Conditions

As a Government Owned Corporation covered by federal industrial relations legislation, Ergon Energy will continue to meet its obligations consistent with the guidelines provided by the Queensland Government and the Federal Government's *Fair Work Act 2009.*

Ergon Energy employees are employed under the following industrial instruments and identified arrangements as applicable:

- The Ergon Energy Union Collective Agreement 2011 (EEUCA 2011). This is the only industrial instrument that is applicable to Ergon Energy Award/enterprise agreement covered employees; and
- Total Employment Cost (TEC) or Total Fixed Remuneration (TFR) contracts for employees outside the application of the EEUCA 2011.

As at 1 January 2014, there were the following numbers of employees covered by these employment arrangements:

Type	Number of Employees
Enterprise Agreement	4,393
TEC and TFR	94

The EEUCA 2011 applies to all employees of Ergon Energy, except those employees paid a salary for the purposes of superannuation which exceeds 115 percent of salary point 16.5 and those on a TEC or TFR employment contract.

Salary increases for TEC/TFR employees are set each year by the Ergon Energy Board and considers factors such as market data, shareholder expectations and individual performance, etc.

2. Enterprise Bargaining and Productivity Initiatives

The EEUCA 2011 has a nominal expiry date of 1 October 2014. Ergon Energy will progress preparations for bargaining for a replacement agreement, including relevant approvals in accordance with the applicable Government Owned Corporations Wages Policy, as required during 2014.

The current EEUCA 2011 provides for a 2.5% per annum base wage increase and a further 1% per annum on-wage productivity funded increase. The 1% productivity payments available via the EEUCA 2011 are based upon employee's contribution to the delivery of the following agreed productivity initiatives over the life of the agreement.

Agreed Productivity Initiative	Target	Achievement
Inclusion of use of contractor's provisions within the Agreement to facilitate contracting out of core work required to meet operational requirements within the Ergon Energy Works Program.	Completed	Internal processes for use of contractors in place. Core work contracted to deliver works program requirements.
Utilisation of contractors for high voltage switching and isolation of Single Wire Earth Return (SWER) transformers in rural and remote locations.	Completed	Contractors undertaking applicable SWER work as required.
Ability of Ergon Energy to implement start and finish on the job arrangements.	Completed	Implementation subject to operational need.
The progression of standardised roster arrangement across the Townsville and Rockhampton Operational Control Centres by the conduct of a review to be completed by August 2012.	Ongoing	Finalised roster for the Operational Control Centres developed and implemented. Matter presently before Fair Work Commission for final determination.
New Technology and Work Practices.	Ongoing	Implementation will occur in accordance with program scope and plan.
The implementation of a program of health and wellbeing initiatives for employees to self-manage their own health	Completed	Program of health and wellbeing initiatives programmed and implemented in accordance with program scope and plan.

Ergon Energy will continue to submit quarterly progress reports to Queensland Treasury on the productivity initiatives.

3. Interstate Acquisitions/Operations

There are no interstate acquisitions or operations to report.

4. Redundancy Provisions

Schedule 3 of the EEUCA 2011 contains the Ergon Energy redundancy provisions, which meet the legislative requirements.

In summary, the redundancy provisions provide:

- An ex-gratia retrenchment payment of three (3) weeks per year of service, together with a proportionate amount for an incomplete year of service. The minimum and maximum retrenchment payment will be four (4) weeks and seventy five (75) weeks respectively.
- An Early Separation Incentive Payment (ESIP) of 13 weeks will be paid where applicable. Approval of ESIP is at the discretion of Ergon Energy. Employees must apply for ESIP within 14 days of notification and their employment must terminate within 14 days of receipt of approval of an ESIP application. Applications for ESIP may be refused or delayed by Ergon Energy if acceptance would be detrimental to its operations.

- Annual Leave: Payment for annual leave includes an employee's accumulated balance as well as the pro-rata balance. Pro-rata annual leave is paid to the date of termination.
- Long Service Leave: A long service leave payment of 1.3 weeks for each completed year of service will be made.
- Any approved and documented Time Off in Lieu (TOIL) balances will be paid out at the base rate applicable at the time of termination.

5. Superannuation

Ergon Energy makes superannuation contributions on behalf of eligible employees to the Energy Super Fund, which meets the legislative requirements.

All Ergon Energy employees who are employed under the EEUCA 2011 must be members of the Energy Super Fund. Choice of super fund is only available to employees outside the application of the Enterprise Agreement on TEC or TFR contracts.

There are employees in both the Defined Benefit and the Defined Contribution parts of the Energy Super Fund. The Energy Super Defined Benefits section is closed to new employees of Ergon Energy (i.e. all new employees join the Defined Contribution part of the Fund).

As at 1 January 2014, Ergon Energy has the following numbers in each of parts the Energy Super Fund:

- Defined Contribution – 3,444 employees; and
- Defined Benefit –1,029 employees
- Choice – 14

6. Types of Employment

The following table reflects the categories of employment for Ergon Energy's total directly employed and total workforce:

Employment Category	1 January 2014 Actual	30 June 2014 Estimate
Permanent Full Time [1]	3,895	3,829
Permanent Part Time	108	107
Other Contract [2]	66	59
Senior Executive Contract [3]	10	10
Apprentices (In House) [4]	191	247
Trainees (In House) [5]	76	75
Casual Employees [6]	141	133
Total Directly Employed Workforce	**4,487**	**4,460**
Apprentices Group	0	0
Trainees Group	0	0

Employment Category	1 January 2014 Actual	30 June 2014 Estimate
Contractor Employees (Trade/Technical) [7]	460	610
Contractor Employees (Prof/Admin/Clerical) [8]	13	10
Labour Hire (Trade/Technical) [9]	6	4
Labour Hire (Prof/Admin/Clerical) [10]	36	26
s457 Temporary Visa (excluded from total) [11]	3	3
Number of Employees engaged on AWAs with Contractors	0	0
Total Workforce	**5,002**	**5,110**

Notes:

- All figures are total directly employee numbers, not FTE. Data correct as at 1 January 2014 Apprentice totals fluctuate throughout the year.

1. Permanent Full Time includes Permanent Full Time employees and Sponsored Apprentices (24 Sponsored Apprentices included in this figure).
2. Other Contract employees include Fixed Term Full Time, Fixed Term Part Time and Vacation Students.
3. Senior Executive Contract employees include the Chief Executive and the Executive Leadership Team.
4. Apprentices (In House) include all other apprentices (classified as Internal New at Ergon). The increase in apprentices is reflective of the commencement of new apprenticeship intake commencing approximately February each year.
5. Trainees (In House) include all trainees under the scope of the Technical Trainee Program.
6. Casual employees include all employees who work at Ergon on a casual basis, mainly as Power Station Attendants.
7. The apparent increase shown from December 2013 to June 2014 is significantly distorted by seasonal factors and is not consistent with the underlying trend of reducing contractor numbers (December is typically a below-trend month and June is typically above-trend). The real underlying trend across the 2013/2014 financial year is a forecast reduction from June 2013 (666) to June 2014 (610).
8. Contractor (Professional/Administrative/Clerical) employees include Professional Services Contractors, Project Resources and Consultants with an office based classification.
9. Labour Hire (Trade/Technical) includes external Labour Hire Full Time and Part Time resources with a field classification.
10. Labour Hire (Professional/Administrative/Clerical) includes external Labour Hire Full Time and Part Time resources with an office classification.
11. S457 Temporary Visa employees are already counted in one of the categories that make up the Total Directly Employed Workforce total and are on temporary visa while their permanent residency visas are being processed

7. Workplace Health & Safety

At Ergon Energy, safety is our number one SPIRIT (Safety, Professionalism, Integrity, Respect, Innovation and Teamwork) value and is at the heart of everything we do. Our vision is to achieve sustained progress towards zero harm and be amongst the top quartile of performers for health and safety amongst our peer group in Australia.

Ergon Energy complies with all relevant health and safety legislation, standards, codes of practice, Australian Standards and industry guidelines.

Ergon Energy was recertified against AS/NZS 4801:2001, AS/NZS 14001:2004 and OHSAS 18001:2007 in October 2012. The external health, safety and environment audit process includes six (6) monthly surveillance audits with a recertification audit every three (3) years due in November 2015.

Certification with the Electrical Safety Office (ESO) is retained each year to conduct business as an electrical entity which requires an annual external audit of our design, construction, operation and maintenance safety management system framework.

8. Consultation

Ergon Energy has undertaken consultation on various aspects of this E&IR plan with the Department of Energy and Water Supply, Queensland Treasury and Trade and the Public Service Commission.

Consultation on this plan has also occurred with unions and employees, and any issues raised have been recorded and where appropriate incorporated into the plan or relevant policy, procedure as applicable to the circumstances.

9. Reporting

Ergon Energy will provide reports on performance against this E&IR plan to Queensland Treasury and Trade. Progress on achievement of the productivity initiatives in the EEUCA 2011 and any replacement agreement will be reported quarterly to shareholding Ministers as required by Queensland Treasury and Trade.

SPARQ Solutions Pty Ltd Employment and Industrial Relations Plan

Shareholder Information

Employment and Industrial Relations Philosophy and Direction

SPARQ Solutions is a client-focussed, cost-effective Information and Communications Technology (ICT) shared service provider to Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy). SPARQ Solutions works as an integral part of both Ergon Energy and Energex to achieve their business goals by developing, implementing and operating ICT solutions to enable business capability and performance. SPARQ Solutions' purpose is to provide value to Energex, Ergon Energy and their customers, through the provision of solutions and services for the Electricity Industry.

Jointly owned by Energex and Ergon Energy, the company was established in July 2004 through the amalgamation of the ICT Services of its shareholders. While not a subsidiary in Corporations Law terms due to the joint ownership structure, SPARQ Solutions was declared a subsidiary of Energex and Ergon Energy for the purposes of the Government Owned Corporations Act 1993 by Regulation in March 2006.

As SPARQ Solutions is a subsidiary of Ergon Energy and Energex, the SPARQ Solutions Employment and Industrial Relations Plan (E&IR Plan) forms part of the E&IR Plans of its shareholders. However, as a separate legal entity with its own operational requirements and business drivers, the SPARQ Solutions E&IR Plan stands in its own right, and to the extent of any inconsistency between its E&IR Plan and the E&IR Plans of its shareholders, the SPARQ Solutions E&IR Plan will prevail.

Significant and Emerging Issues

SPARQ Solutions will continue to partner with Energex and Ergon Energy to increase their value by providing information technology and telecommunications that meets their needs.

There is continued customer concern over increasing electricity prices which have been, in part, driven by expanding electricity network charges. The increase in electricity prices has generated a number of Government reviews of the industry with the implementation of resulting recommendations posing challenges for SPARQ Solutions, Ergon Energy and Energex in 2014/15.

SPARQ Solutions will continue to ensure efficiency of ICT expenditure and will further progress the deployment of a multi-sourcing strategy through the implementation of the New Delivery Model Initiative (NDM) in 2014/15.

Implementation of New Delivery Model

The NDM initiative will see the establishment of a small panel of ICT providers capable of delivering significant ICT projects which will progressively be implemented over a multi-year phased approach. The implementation of the NDM initiative will require the SPARQ workforce to adapt to new ways of operating and refined work practices as the business engages with new delivery partners in the delivery of turn-key ICT projects. The support of the transition to NDM will be a significant focus for 2014/15.

Implementation of SPARQ Solutions Union Collective Agreement 2012

SPARQ Solutions will continue to focus on delivering savings from the enterprise agreement productivity measures throughout 2014/15.

Senior Executive Remuneration

SPARQ Solutions Pty Limited: Senior Executive Remuneration as at 1 July 2013:

Name of Incumbent	Position Title	Base Salary	Employer Superannuation Contributions	Motor Vehicle	Car Park	Other Personal Benefits	Total Fixed Remuneration	Other Non-Personal Benefits	Performance Payment Made
Peter Effeney	Chief Executive	$365,190	$36,515	0	0	0	$401,705	0	$47,503
Col Hanley	Applications Capability Manager	$222,517	$22,250	0	0	0	$244,767	0	$27,042
Bryce Maskey	Projects Delivery Manager	$229,396	$18,133	0	0	0	$247,529	0	$28,438
Paul Cockburn	Service Delivery Manager	$232,157	$18,133	0	0	0	$250,290	0	$29,442
Jonathan Thompson	CFO	$248,759	$24,874	0	0	0	$273,633	0	$10,771
Peter Poncini	Group Manager – Office of CIO	$237,520	$23,750	0	0	0	$261,270	0	$27,714

SPARQ Solutions Employment and Industrial Relations Plan

1. Employment Conditions

As a subsidiary of a Government Owned Corporation covered by federal industrial relations legislation, SPARQ Solutions will continue to meet its obligations consistent with the guidelines provided by the Queensland Government and the Federal Government's Fair Work Act 2009.

SPARQ Solutions employees are employed under the following industrial instruments and identified arrangements as applicable:

- The SPARQ Solutions Union Collective Agreement 2012 (SSUCA 2012). This is the only industrial instrument that is applicable to SPARQ Solutions Award/enterprise agreement covered employees;
- Individual Employment Arrangements (IEA's) operating within the enterprise agreement parameters. These arrangements provide for market rate salary adjustments and at-risk performance incentives; and
- Total Employment Cost (TEC) or Total Fixed Remuneration (TFR) contracts for employees outside the application of the Enterprise Agreement.

As at 31 Jan 2014, there were the following numbers of employees covered by these employment arrangements:

Type	Number of Employees
Enterprise Agreement	322
IEA	3
TEC and TFR	13

The SSUCA 2012 applies to all employees of SPARQ Solutions, except those employees paid a salary for the purposes of superannuation which exceeds 115 percent of salary point 16.5 and those on a TEC or TFR employment contract.

Salary increases for TEC/TFR employees are set each year by the SPARQ Solutions Board and considers factors such as market data, shareholder expectations and individual performance, etc.

2. Enterprise Bargaining and Productivity Initiatives

The SSUCA 2012 has a nominal expiry date of 29 January 2016. SPARQ Solutions will progress preparations for bargaining for a replacement agreement, including relevant approvals in accordance with the applicable Government Owned Corporations Wages Policy, as required during 2015.

The SSUCA 2012 provides a 2.5% per annum base wage increase and a further 1% per annum on-wage productivity funded increase, with the following productivity initiatives being applicable. In addition, an annual 0.5% productivity funded cash payment (on base salary) is due on 30 January each year, with staff having the options to salary sacrifice the payment to superannuation.

Productivity Initiative	Target End Date	Achievement to Date
Initiative 1: Support for change / new ways of working	Progressively and ongoing	A number of initiatives were implemented as part of the SPARQ Solutions Business Plan in 2013/14. These initiatives involved maximising the benefits available to SPARQ Solutions through the introduction of new technology and operating arrangements. These initiatives included: o A revised Service Desk Contract was implemented along with an upgraded model for Next Generation Desktop Support which will enable further efficiencies to be achieved through enhanced technology. o Enhancing Project Delivery efficiency and effectiveness was progressed through the New Delivery Model initiative and establishment of the Project Delivery Panel. Further initiatives which require the workforce to embrace new technology and ways of working to achieve efficiencies have been included in the SPARQ Solutions Business Plan 2014/15. These include: o Operationalising and embedding the NDM Project Delivery Panel including organisational capability transition. o Reshaping the SPARQ business and federated near IT to engage in agile/innovative IT ideas and delivery.
Initiative 2: Embedding enhanced process management framework	Progressively and ongoing	A revised process management framework was implemented company-wide in September 2012. All existing processes were reviewed as part of the implementation. Processes were migrated to the new framework as part of the implementation. Under the revised framework, greater accountability has been provided to process owners and administrators to ensure continuous improvement of processes and workflows as a standard way of operating. The SPARQ Business continued to implement the process management framework throughout 2013/14 with SPARQ employees as Process Owners being more capable of adapting work processes to meet operational requirements.
Initiative 3: Support for organisational	Progressively and ongoing	A program of embedding activities was continued throughout 2013.

Productivity Initiative	Target End Date	Achievement to Date
Cultural Improvement and Employee Well-being		Embedding activities included: o Monthly company-wide communication of relevant ZIP themes. o Adoption of ZIP principles in managing change. o Coaching for Senior Leaders o Active involvement of the employee implementation team in developing initiatives (ZiPIT). A further program of activities will be continued in 2014. SPARQ Solutions implemented a Health Assessment Program in December 2013 as part of the annual program of health and safety activities for 2013/14. The program will allow SPARQ Solutions to develop more targeted health and safety initiatives to support the wellbeing of employees in 2014/15.

3. Interstate Acquisitions/Operations

There are no interstate acquisitions or operations to report.

4. Redundancy Provisions

Schedule 6 of the SSUCA 2012 contains the SPARQ Solutions redundancy provisions, which meet the legislative requirements.

In summary, the redundancy provisions provide:

- An ex-gratia retrenchment payment of three (3) weeks per year of service, together with a proportionate amount for an incomplete year of service. The minimum and maximum retrenchment payment will be three (3) weeks and seventy five (75) weeks respectively.
- An Early Separation Incentive Payment (ESIP) of 13 weeks will be paid where applicable. Approval of ESIP is at the discretion of SPARQ Solutions. Employees must apply for ESIP within 14 days of notification and their employment must terminate within 14 days of receipt of approval of an ESIP application. Applications for ESIP may be refused or delayed by SPARQ Solutions if acceptance would be detrimental to its operations.
- Annual Leave: Payment for annual leave includes an employee's accumulated balance as well as the pro-rata balance. Pro-rata annual leave is paid to the date of termination.
- Long Service Leave: A long service leave payment of 1.3 weeks for each completed year of service will be made.
- Any approved and documented Time Off in Lieu (TOIL) balances will be paid out at the base rate applicable at the time of termination.

5. Superannuation

In accordance with the relevant Superannuation legislation, all employees can elect to choose a complying superannuation fund other than the default fund (Energy Superannuation Fund).

There are employees in both the Defined Benefit and the Defined Contribution parts of the Energy Super Fund. The Energy Defined Benefits section is closed to new employees of SPARQ Solutions (i.e. all new employees join the Defined Contribution part of the Fund).

- As at 31 January 2014, SPARQ Solutions has the following numbers in each of the Superannuation Funds:
- Energy Super Defined Contribution – 257 employees
- Energy Super Defined Benefit – 60 employees; and
- Other – own choice of superannuation fund – 21 employees

6. Types of Employment

The following table reflects the categories of employment for SPARQ Solutions total directly employed and total workforce:

Employment Category	30 June 2014 Estimate	30 June 2015 Estimate
Permanent Full Time (includes IEA's)	317	310
Permanent Part Time	9	9
Other Contract (TEC)	5	5
Senior Executive Contract	6	6
Apprentices (In House)	-	-
Trainees (In House)	-	-
Casual Employees	-	-
Total Directly Employed Workforce	**337**	**330**
Apprentices Group	-	-
Trainees Group	-	-
Contractor Employees (Trade/Technical)	-	-
Contractor Employees (Prof/Admin/Clerical)	75	115
Labour Hire (Trade/Technical)	-	-
Labour Hire (Prof/Admin/Clerical)	20	20
s457 Temporary Visa (excluded from total)	-	-
Total Workforce	**432**	**465**

Notes:

- All figures are total directly employed personnel numbers, not FTE. Contractor Employee numbers reflects the anticipated 65% increase in the level of new ICT capability work to be undertaken in the 2014/15 year. While SPARQ Solutions has established a Panel contract to undertake outsourced delivery of new ICT capability, this is not taken into account in the above table due to uncertainty as to the level of which the Panel will be utilised to deliver the ICT program of work.

7. Workplace Health & Safety

SPARQ Solutions complies with all relevant health and safety legislation, standards, codes of practice, Australian Standards and industry guidelines.

SPARQ Solutions has a robust Safety Management System and associated processes in place which is certified to AS4801.

SPARQ Solutions was reassessed and received re-accreditation for AS/NZS 4801; 2001 and AS/NZS 14001; 2004 in July 2012. The external health, safety and environment audit process includes six (6) monthly surveillance audits with an accreditation audit every three (3) years.

8. Consultation

SPARQ Solutions has undertaken consultation on various aspects of this plan with the Department of Energy and Water Supply, Queensland Treasury and Trade and the Public Service Commission.

Consultation on this E&IR Plan has also occurred with unions and employees, and any issues raised have been recorded and where appropriate incorporated into the plan or relevant policy, procedure as applicable to the circumstances.

9. Reporting

SPARQ Solutions will provide reports on performance against the employment and industrial relations plan to Queensland Treasury and Trade. Progress on achievement of the productivity initiatives in the SSUCA 2012 will be reported quarterly to shareholding Ministers as required by Queensland Treasury and Trade.

Attachment 2: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Table: Sponsorship, Advertising, Corporate Entertainment, and Other Arrangements

Activity	2012/13 Actual	2013/14 Budget	2013/14 Estimated Actual	2014/15 Budget
Distribution Advertising (And Other Marketing Channels)		2,187,500	2,105,000	2,135,000
Retail Advertising (And Other Marketing Channels)		937,500	905,000	1,275,000
Other Advertising Expenditure		299,500	208,992	292,000
Advertising (And Other Marketing Channels) (1)	**3,520,112**	**3,424,500**	**3,218,992**	**3,702,000**
Distribution Community Partnership Programme		489,700	489,160	405,400
Retail Community Partnership Programme		0	0	85,000
Community Partnership Programme (2)	430,227	489,700	489,160	490,400
Corporate Entertainment (3)	62,561	67,000	60,200	65,000
Other Related Activities (4)	72,900	85,977	84,795	85,977
TOTAL	**4,085,800**	**4,067,177**	**3,853,147**	**4,343,377**

Ergon Energy's advertising and marketing activities were reviewed in 2013/14 and the budget reduced accordingly. The budget is based on Ergon Energy continuing to operate with its current accountabilities and structure, recognising its shared Ergon Energy brand and non-competing retailer status. However, consideration has been given to the potential split between Ergon Energy Corporation Limited (distribution) and Ergon Energy Queensland Pty Ltd (retail) so activities belonging to each entity have been reported separately where possible.

Ergon Energy's engagement is around achieving the strategic goal of limiting network charges to less than CPI. It is only through customers changing their energy consumption that we will be able to reduce the growth of peak demand and defer network investment, ultimately taking the pressure off electricity prices and helping reduce the CSO.

Apart from the objective of improving network productivity, as a distributor, Ergon Energy engages customers in a range of other areas including electrical safety, storm response, emergency management, infrastructure planning- projects and network connections. This work assists Ergon Energy to build awareness on issues of community concern such as how to interact safely with Ergon Energy assets and who to contact in an emergency.

As a non-competing retailer, Ergon Energy focuses on managing electricity bills, promoting a range of payment options, communicating with customers on life support or in hardship, and understanding electricity tariffs.

Advertising and other Related Activities

Ergon Energy uses its marketing channels to engage with customers and build advocacy. It is an essential tool to build community awareness and prompt the behavioural change required to support demand management, and raise awareness of network issues, including public safety around electricity and preparedness for summer storms. Customers are also made aware of ways to reduce bill shock and help them make payments in the easiest and most convenient ways. Customer response to these communication activities is regularly tested to assess and improve effectiveness.

Depending on Government's decision on Ergon Energy Queensland Pty Ltd (EEQ), additional expenditure may be required to support brand separation and development activities for both EECL and EEQ.

Community Partnerships

Ergon Energy's community partnership activities allow it to engage directly with communities to build community support, strengthen stakeholder relationships and facilitate business outcomes. The sponsorship-membership program is focused on local community engagement, energy-related education activities and sponsorship of other grass roots activities.

Townsville Enterprise continues to assist Ergon with networking activities and allows our representatives to be involved in discussions with key stakeholders and to communicate important messages to their members and guests about issues for the electricity industry and our customers.

Corporate Entertainment

Ergon Energy's annual corporate entertainment expenditure includes staff Christmas function costs. The five major regional centres represent approximately half of the total Christmas function spend with the other half of the expenditure spread across approximately 50 other smaller regional depots and centres.

Table: 2014/15 Detailed Budget Sponsorship, Advertising, Corporate Entertainment, and Other Arrangements

Activity	Description - Benefit	2013-14 Budget ($)	2013-14 Estimated Actuals ($)	2014-15 Budget ($)	2014-15 Quarter				2014-15 Per Head Budget ($)
					Sep	Dec	Mar	Jun	
ADVERTISING (and other marketing activities)									
Distribution Campaigns over $5,000[1]	Energy Conservation - Distribution	861,000	865,000	570,000	115,000	185,000	125,000	145,000	
	Community and high risk industry safety - Distribution	948,500	935,000	1,190,000	205,000	470,000	330,000	185,000	
	General customer engagement	308,000	305,000	375,000	115,000	80,000	80,000	100,000	
	Contracted agency fees	70,000	0	0	0	0	0	0	
Total Distribution Advertising		**2,187,500**	**2,105,000**	**2,135,000**	**435,000**	**735,000**	**535,000**	**430,000**	
Retail Campaigns over $5,000[2]	General customer engagement	801,000	802,165	975,000	350,000	200,000	200,000	225,000	
	Billing & Payment Options[3]	136,500	102,835	300,000	75,000	75,000	75,000	75,000	
Total Retail Advertising		**937,500**	**905,000**	**1,275,000**	**425,000**	**275,000**	**275,000**	**300,000**	
Other expenditure over $5,000	Leveraging the Community Partnership program - distribution	62,000	61,992	40,000	10,000	10,000	10,000	10,000	
	Leveraging the Community Partnership program - retail	0	0	25,000	6,250	6,250	6,250	6,250	
	Other marketing activities[4]	237,500	147,000	227,000	56,750	56,750	56,750	56,750	
Other expenditure under $5,000	Other expenditure under $5,000	0	0	0	0	0	0	0	
Total Other Expenditure		**299,500**	**208,992**	**292,000**	**73,000**	**73,000**	**73,000**	**73,000**	
Total Advertising (Distribution, Retail And Other) (1)		**3,424,500**	**3,218,992**	**3,702,000**	**933,000**	**1,083,000**	**883,000**	**803,000**	

Table: 2014/15 Detailed Budget Sponsorship, Advertising, Corporate Entertainment, and Other Arrangements

Activity	Description - Benefit	2013-14 Budget ($)	2013-14 Estimated Actuals ($)	2014-15 Budget ($)	2014-15 Quarter				2014-15 Per Head Budget ($)
					Sep	Dec	Mar	Jun	
COMMUNITY PARTNERSHIP PROGRAM									
Distribution sponsorship of individual entities over $5,000	Queensland Energy Museum - preservation of the history of the electricity industry	47,300	43,000	43,000	43,000	0	0	0	
	LGAQ and LGMA - local government engagement	40,000	41,160	35,000	10,000	0	10,000	15,000	
	QUT Business Leaders Forum - business stakeholder engagement [5]	25,000	30,000	0	0	0	0	0	
	Carnival of Flowers - regional stakeholder engagement - energy efficiency messages	50,000	50,000	40,000	40,000	0	0	0	
	Indigenous Program	20,000	20,000	10,000	0	0	10,000	0	
	General community sponsorship program - funds over $5,000 not yet allocated to entities[6]	125,000	125,000	80,000	20,000	20,000	20,000	20,000	
	Beef Australia[7]	0	0	25,000	25,000	0	0	0	
Total Distribution Sponsorship Over $5,000		**307,300**	**309,160**	**233,000**	**138,000**	**20,000**	**40,000**	**35,000**	
Sponsorship of entities under $5,000	Tactical local community sponsorships	182,400	180,000	172,400	43,100	43,100	43,100	43,100	
Total Distribution Sponsorship Under $5,000		**182,400**	**180,000**	**172,400**	**43,100**	**43,100**	**43,100**	**43,100**	
Retail sponsorship of individual	LGAQ and LGMA - local government engagement	0	0	5,000	5,000	0	0	0	

Table: 2014/15 Detailed Budget Sponsorship, Advertising, Corporate Entertainment, and Other Arrangements

Activity	Description - Benefit	2013-14 Budget ($)	2013-14 Estimated Actuals ($)	2014-15 Budget ($)	2014-15 Quarter				2014-15 Per Head Budget ($)
					Sep	Dec	Mar	Jun	
entities over $5,000	QUT Business Leaders Forum - business stakeholder engagement	0	0	30,000	0	30,000	0	0	
	Carnival of Flowers - regional stakeholder engagement - energy efficiency messages	0	0	10,000	10,000	0	0	0	
	Indigenous Program	0	0	10,000	0	0	10,000	0	
Total Retail Sponsorship Over $5,000		**0**	**0**	**55,000**	**15,000**	**30,000**	**10,000**	**0**	
Sponsorship of entities under $5,000	General community sponsorship program - funds over $5,000 not yet allocated to entities[6]	0	0	20,000	5,000	5,000	5,000	5,000	
	Tactical local community sponsorships	0	0	10,000	2,500	2,500	2,500	2,500	
Total Retail Sponsorship Under $5,000		**0**	**0**	**30,000**	**7,500**	**7,500**	**7,500**	**7,500**	
Total Community Partnership Program (Distribution And Retail (2)		**489,700**	**489,160**	**490,400**	**203,600**	**100,600**	**100,600**	**85,600**	
CORPORATE ENTERTAINMENT									
Event over $5,000	Staff Christmas Function[8]	65,000	60,200	65,000	0	50,000	15,000	0	28
	Corporate Hospitality – Tickets[9]	2,000	0	0	0	0	0	0	
Total Corporate Entertainment (3)		**67,000**	**60,200**	**65,000**	**0**	**50,000**	**15,000**	**0**	
OTHER RELATED ACTIVITIES									

Table: 2014/15 Detailed Budget Sponsorship, Advertising, Corporate Entertainment, and Other Arrangements

Activity	Description - Benefit	2013-14 Budget ($)	2013-14 Estimated Actuals ($)	2014-15 Budget ($)	2014-15 Quarter				2014-15 Per Head Budget ($)
					Sep	Dec	Mar	Jun	
Corporate Memberships - interface with key stakeholders on regional development issues over $5,000 - Distribution	Townsville Enterprise	33,000	31,818	33,000	33,000	0	0	0	
	Capricorn Enterprise	20,000	20,000	20,000	20,000	0	0	0	
	Mount Isa to Townsville Economic Development Zone Inc	10,000	10,000	10,000	10,000	0	0	0	
	Mackay Whitsunday Regional Economic Development Corporation	20,000	20,000	20,000	20,000	0	0	0	
Total Corporate Entertainment Over $5,000		**83,000**	**81,818**	**83,000**	**83,000**	**0**	**0**	**0**	
Corporate Memberships under $5,000 - Distribution	Tourism Tropical North Queensland	2,977	2,977	2,977	2,977	0	0	0	
Total Corporate Entertainment Under $5,000		**2,977**	**2,977**	**2,977**	**2,977**	**0**	**0**	**0**	
Total Other Related Activities (4)		**85,977**	**84,795**	**85,977**	**85,977**	**0**	**0**	**0**	
Total (1)+(2)+(3)+(4)		**4,067,177**	**3,853,147**	**4,343,377**	**1,222,577**	**1,233,600**	**998,600**	**888,600**	

Note:

- This report covers campaign advertising and marketing activity, not operational advertising (recruitment, tenders, etc.) or web site development and maintenance. Other expenditure under $5,000 – within each section there is a line item for reporting expenditure under $5,000 which has been included to ensure that expenditure to a supplier that equal less than $5,000 within a quarter is captured.

1. Distribution Campaigns over $5000 - while total distribution advertising for 14/15 remains under 13/14 budget levels, changes have been made by category level. Additional spend has been channelled into Community and High Risk Industry Safety in order to ensure a robust level of community awareness across this key risk area, and to ensure an adequate spend level to address emerging risk areas – e.g. customer shocks and reporting shocks and tingles. This additional spend is balanced by a reduction in the area of Distribution Network Efficiency where savings will be realised from re-using current campaign material and cost efficient media buys, though additional effort will be focussed on this area through more targeted community and industry engagement under the category of General Customer Engagement.
2. Retail campaigns over $5,000 – General Customer Engagement: with greater separation between retail and distribution, we will be required to invest more in educating customers on the difference between the entities and creating separate marketing initiatives. In addition retail have several new products and services to promote in 2014-15. This has resulted in an increase in budget from $801,000 in 2013-14 to $975,000 in 2014-15.

3. Retail campaigns over $5,000 – Billing and payment options: in line with Retail's focus on debt reduction and customer retention, greater emphasis will be placed on preferred payment options like direct debit, and several new billing and payment options made available such as email billing, pay-per-month and BPay View. As a result, the planned budget is greater in 14-15 ($300,000) compared to $136,500 in 2013-14.
4. Other marketing activities includes; advertising activities charged by EECL to Nexium Telecommunications ($30,000); Enterprise Development market development for workshops ($90,000); all marketing activities for the energy savings powersavvy programme ($52,000); and Energy Sense Communities-Alternative Energy Solutions ($55,000). ROAMES has been divested so the trade shows etc. budget ($50,000) has been removed and the estimated actuals are less than the 2013-14 budget.
5. QUT Business Leaders Forum – business stakeholder engagement is reported as a retail activity in 2014-15, therefore there is nil budget assigned to distribution. The budget has increased by $5,000 in the 14/15 budget in line with the new contract.
6. General Community Sponsorship Program - includes the Community Fund grant program.
7. Beef Australia is sponsored every three years and is due in 2014-15.
8. Christmas functions are organised by the regional employee social clubs who receive a maximum reimbursement of $28 per head. This budget covers all regions.
9. Corporate Hospitality – Tickets has nil estimated actuals against $2,000 budget in 2013-14 and there is a nil budget for 2014-15.