

FORECAST REPORT

Ergon Energy is committed to making electricity more affordable for our customers by limiting the growth in our network charges to below the Consumer Price Index over the long term. This commitment forms the heart of our strategic plan. Over 2012/13 we aim to improve long term affordability by continuing to develop and implement better ways to respond to demand, ensuring investment is prudent, and reducing our own costs through business efficiency and effectiveness improvements. We will also improve network performance where necessary to achieve a balance between customer needs for a cost effective and a safe, reliable and secure electricity supply.

FORECASTS

2012/13 FORECAST		EXPLANATION
Earnings Before Interest and Tax (EBIT), consolidated*	≥\$815.4 million	The forecast EBIT and NPAT reflects the 2010-2015 Distribution Determination from the Australian Energy Regulator, inclusive of the outcomes of the Merits Review, and the impact of a \$1.5 billion reduction in total expenditure in line with reduced demand for electricity and network connections.
Net Profit After Tax (NPAT)	≥\$315.3 million	
Duration Index SAIDI	Urban SAIDI ≤147 Short Rural SAIDI ≤412 Long Rural SAIDI ≤932	The SAIDI forecasts for 2012/13 are the Minimum Service Standards for SAIDI set in the Electricity Industry Code. SAIDI is the system average interruption duration index, and indicates the total minutes, on average, that customers are without electricity.
Frequency Index SAIFI	Urban SAIFI ≤1.94 Short Rural SAIFI ≤3.85 Long Rural SAIFI ≤7.20	The SAIFI forecasts for 2012/13 are the Minimum Service Standards for SAIFI set in the Electricity Industry Code. SAIFI is the system average interruption frequency index and indicates the average number of occasions each customer is interrupted.

STRATEGIC PRIORITIES

Ergon Energy is operating in an economic and policy environment that is very different to what was anticipated when the Australian Energy Regulator made its Distribution Determination for Ergon Energy for the 2010-15 period. In particular, energy consumption, peak demand and customer network connections are expected to remain below the levels forecast in the Distribution Determination.

In response, Ergon Energy has reduced its actual and forecast total expenditure for the remaining three years of the current regulatory period and continues to implement significant cost control and productivity improvements. These changes will deliver value for money for our customers and will improve the efficiency and effectiveness of the business without compromising service, or employee and community safety.

Ergon Energy will engage with the government and regulators at both federal and state levels to advocate for standards, regulations and pricing structures that support the needs of our customers in regional Queensland for an affordable, safe, and reliable electricity supply into the future.

MARKET ENVIRONMENT

Electricity peak demand is forecast to increase in 2012/13 to 2557MW compared to 2417MW last year and a record peak of 2572MW in March 2007; however the actual outcome will be heavily influenced by actual summer weather conditions, carbon policies, solar PV penetration, success of our Demand Management Plan, customer behaviour and economic factors. Ergon Energy will continue to analyse and influence the major contributors to peak demand to improve network utilisation and as a consequence reduce network investment into the future.

MAJOR PROJECTS

Ergon Energy's major network projects aim to improve the security, quality, reliability and availability of supply as set out in the Ergon Energy Network Management Plan see: <http://www.ergon.com.au/community--and--our-network/network-management-and-projects/network-management-plan>

Ergon Energy's demand management program will progress a number of initiatives and trials to reduce peak demand growth by 21MW for 2012/13. For more information see: <http://www.ergon.com.au/energy-conservation/what-are-we-doing/demand-management/electricity-demand-trials>

* The financial information provided in this report is unaudited. This report has been prepared based on information available as at 28 September 2012 and has been prepared for general information purposes. Representations in this report are forecasts only, are subject to change and should not be relied upon.