

SNAPSHOT OF OUR
ANNUAL STAKEHOLDER
REPORT **2010/11**

responsive. resourceful. **ready.**



Ergon Energy was **responsive** throughout 2010/11, both to the natural disasters experienced throughout the summer and to the changing needs of our customers.

We were **resourceful** in finding smarter ways of doing things to improve efficiency, better manage demand and demonstrate leadership.

It was about getting **ready** to meet future challenges by embracing innovation and developing our network and services for an increasingly technology-driven world.

This brochure outlines the highlights of our year, as a snapshot of our full Annual Stakeholder Report 2010/11.

Our full report, along with our Annual Financial Statements, can be obtained by contacting us on 13 10 46 or by going online at www.ergon.com.au/annualreport

ready to deliver

Ergon Energy's strategic themes, in summary, are around being customer-driven, delivering asset management excellence and developing as a high performance organisation.

This snapshot provides an overview of our progress towards our goals in these strategic areas.

CUSTOMER-DRIVEN

Being customer-driven is about providing a more cost-efficient and dependable electricity service, one that is focused on delivering increasing customer value and choice, as well as broader economic and social benefits, now and in the future.

New council for customer voice

To help us better connect with our customers, this year we launched a Customer Council as a community consultative forum. We also established a new specialist role to improve engagement with our Aboriginal and Torres Strait Islander communities and tested our revised engagement model for major capital projects.

These initiatives reinforce our broader customer insights program, which continues to confirm our customers' main concerns are around cost and affordability.



powersavvy Field Officer Wendy Phineasa's role has been central to engaging our isolated communities in the Torres Strait around energy efficiency – this program is about sharing the simple things that can be done to save power.

Helping to ease cost pressures

We have set about positioning the business to limit increases to network charges (the main component of the end price that we can influence) to less than the Consumer Price Index (CPI) over the long-term.

To do this we are advancing our ability to manage network demand to defer or avoid network investment and drive savings for our customers, our business and the environment.

Cover: Dalby's Chris Mandall works on repairing connections on a pole in Andrew Street, Kurrimine Beach, one of the areas hardest hit by Cyclone Yasi.

Our innovative **powersavvy** program, for example, helped our off-grid communities reduce their power bills by an average of 15%, and saved over 1.5 million litres of diesel in our isolated generation area.

At the same time we have maintained our focus on operational efficiency and effectiveness with significant savings realised through the year as part of our Joint Workings program with Energen, our south-east Queensland counterpart.

Helping our customers save

We continued our integrated 'energy sense' communications strategy to better educate our customers on how to save electricity and reduce their bills.

We also expanded the capacity of our customer assistance team to respond to financial hardship.

The 3,900 customers on our assistance program are being given general energy advice on how to reduce consumption, tailored payment plans and alternative payment methods and direct referral to Lifeline Community Care Queensland for financial counselling if needed.

Being easy to deal with

Throughout 2010/11 we have been working on the overall experience customers have when dealing with us – with process improvements, technology investment and other targeted efforts.

The natural disasters over summer saw our National Contact Centre rise to the challenge of a dramatic increase in call volumes – with double the usual number in February alone.



The inaugural Customer Council meeting: From L, General Manager Service Operations Alan Newman, Agforce representative Sue Bennetto, Executive General Manager Customer and Stakeholder Engagement Justin Fitzgerald, Linda Parmenter from QCOSS, Customer Advocate Tanya Acheson, CCIQ representative Mark Menkens, Greening Australia's Bob Osborne, UDIA's Paul Spina, Lifeline representative Don Anderson and Greg Hoffman from LGAQ.

"I am confident, smart technologies... fresh thinking and a shared determination to work safely and efficiently will develop further as the hallmarks of Ergon Energy in the future."

Dr Ralph Craven, Chairman



While the storm season's challenges did see customer service levels drop temporarily, by the end of the year we were back above target at 72.8% calls answered within 30 seconds (target 70%).

The Energy and Water Ombudsman Queensland's complaints statistics showed we have fewer unresolved complaints than any other electricity retailer or distributor in Queensland.

Ergon Energy was also recognised for its commitment to customer service excellence as the Queensland winner in the State and Federal Government category at this year's Australian Service Excellence Awards.

ASSET MANAGEMENT EXCELLENCE

Our strategic focus on asset management excellence is all about delivering a secure, reliable and quality electricity supply for our customers, wherever they are in regional Queensland.

While peak demand for 2010/11 was significantly lower than forecast – as a result of the milder summer conditions, natural disasters, current economic climate and behavioural change – keeping up with peak demand will continue to be central to our asset management challenge.

Investing wisely in the network

Despite the extended wet season and the scale of our emergency responses impacting on works delivery, during 2010/11 \$660.5 million was invested through our capital works program to deliver network improvements and increase capacity.

Highlights included the:

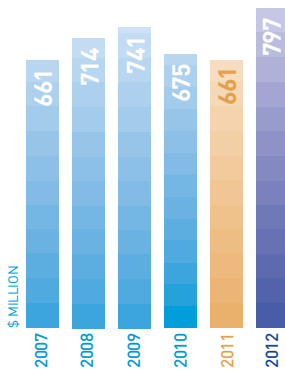
- rollout of our \$135 million UbiNet telecommunications project. This will provide the foundation for our network vision by enabling the connectivity to service intelligent network devices, which will ultimately help us better monitor and control the power grid.
- commissioning of the \$90 million North Mackay power reinforcement program, the \$20 million Belgian Gardens and \$27 million Oonooba zone substations in Townsville, the \$23 million Jubilee Pocket zone substation in Airlie Beach and the \$24 million Berserker zone substation in Rockhampton.
- replacement of generating sets at Burketown, Jundah, Kowanyama, Windorah, Kubin, Pormpuraaw, Mabuig Island and Warraber Island power stations.
- increased level of investment in renewing the ageing sections of the network and other reliability measures.

Finding smarter ways to respond

To keep the cost of electricity down for our customers, Ergon Energy is looking for smarter ways to respond to demand and improve asset utilisation.

NETWORK INVESTMENT REMAINS VITAL FOR SECURITY OF SUPPLY

Ergon Energy-initiated capital works saw \$446.4 million invested in our electricity distribution assets, slightly higher than 2009/10. Network connections initiated by our customers, however, were at the lowest level since 2005/06 at \$188.4 million. This was due to uncertainty in global financial markets, as well as the weather conditions.



Through our long-term demand management strategy, we are developing smart asset management techniques and investing in research and development into demand management technologies.

This includes looking at how we utilise the load already controlled; through our economy tariffs. Just under 365,000 residential customers currently benefit from these discounted off-peak tariffs.

We are also looking for better ways to manage the growing level of distributed generation, such as solar.

These efforts are seeing us testing new technology to support improved network analysis, as well as time-of-use tariffs, through our Solar City project and the Reward Based Tariff Trial, to give customers an incentive to change when they use their discretionary power.

Climate change response

During 2010/11 our demand management program delivered 17.1MW of peak demand energy savings – well above the targeted 15MW – along with the associated greenhouse gas emissions avoided.

This success came from our commercial and industrial demand management trials and through a range of residential customer initiatives, which have included both financial incentives and education.

The Townsville Solar City project has delivered a 32% reduction in peak demand and avoided 27,735 tonnes of emissions. This has allowed us to defer a \$17 million investment in an additional undersea cable.

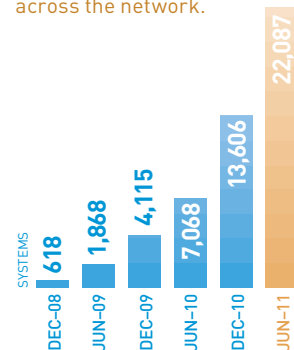
We also enabled more than 15,000 solar energy systems to be connected to the network, allowing our customers to take advantage of the solar bonus tariff and avoid 36,000 tonnes of greenhouse gas emission.



Magnetic Island identities Don and Barbara Kinsey have reduced their energy use by more than 30%, thanks to support from our Solar City project, showing that by working together we can make a difference.

OUR CUSTOMERS EMBRACE SOLAR BY CHOICE

Australian Government rebates and the Queensland Government's Solar Bonus Scheme have driven a significant increase in the installation of solar photovoltaic systems across the network.



“Our storm season response... is one of the clearest examples in the company’s history of our people truly demonstrating their commitment to our vision of being a world-class, customer-driven energy business.”

Ian McLeod, Chief Executive



Summer preparedness proves invaluable

Our Summer Preparedness Plan for 2010/11, and our disaster management capability, proved invaluable for what was a summer of unprecedented natural disasters, with record flooding and the largest cyclone in living memory.

At least half the total area of our state was affected by heavy rainfall and flooding. By December entire towns were submerged, some repeatedly as the weeks went on. All up, at least 10,500 customers had their power switched off at different times simply for flood-related safety reasons.

After Cyclone Yasi crossed the coast in February more than 220,000 customers had lost power – a third of our entire customer base. In the worst affected areas the network had to be rebuilt from the ground up.

The recovery effort after Cyclone Yasi was the biggest deployment of electrical workers in Australia’s history – ensuring by the end of the first week that more than 90% of the homes and businesses impacted had their power back on.



Crews across southern and central Queensland undertook plenty of preventative switching during the past summer’s long-running flood crisis. Here a crew is disconnecting by boat in Rockhampton.

For some customers, however, it didn’t end once the power was switched back on. In the aftermath of these disasters, we received record numbers of calls from customers experiencing hardship. These events, their impact, and our response are detailed in our full report.

Network reliability improved

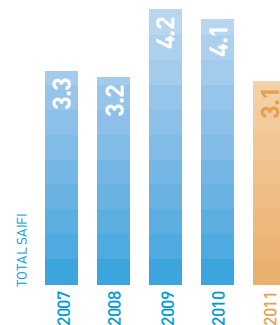
Overall network reliability performance improved significantly – with the duration and frequency of outages down 21% and 24% respectively compared to 2009/10.

Minimum Service Standards for the frequency of outages (SAIFI) were met across all three feeder categories of urban, short rural and long rural. Outage duration (SAIDI) performance was favourable for two of the three categories – with a 33% improvement in urban supply.

The dramatic turnaround was achieved through the reinstatement of live-line work practices (suspended for about 10 months in 2009 to enable safety concerns to be addressed), along with other initiatives as part of an integrated reliability improvement plan.

FREQUENCY OF OUTAGE SHOWS MAJOR IMPROVEMENT

Changes to operational practices and a range of asset-focused initiatives have reduced the overall frequency of outages by 24%. This work is part of our commitment to achieving performance levels as close as possible to Minimum Service Standards.



HIGH PERFORMANCE ORGANISATION

Ergon Energy’s goal is to be a preferred employer, with a high performing, professional, values-based culture, achieving best-practice outcomes across all areas. Our strategic focus is on creating an organisation that is responsive, resourceful and ready to adapt and thrive in a changing world.

The past year has seen the ongoing rollout of our Work Group Leader Program, to enhance the engagement and overall performance of our field-based teams, and our Works Delivery Improvement Program, which is streamlining workflows, cutting waste and unnecessary bureaucracy and improving performance.

Information enablement the key

Our people are also being supported through a focus on information enablement with progress this year on a large Information and Communications Technology program, as another Joint Working initiative with Energex.

This is seen as vital to our ability to meet the needs of our customers in the future. It is also key to meeting our financial commitments. The strengths of our results in this area for 2010/11 are detailed in our full report.

Our goal to be an information-enabled organisation is also driving the development of ROAMES, our remote observation, automated modelling and economic simulation capability, and our partnership with Google, which will help integrate spatial information into our business systems and processes.

Always safe central to high performance

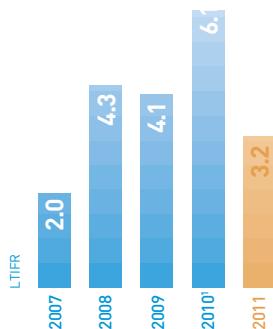
Central to our high performance objectives this year was workplace health and safety improvement. This saw a 48% improvement in our Lost Time Injury Frequency Rate (LTIFR) for employees.

The goal of our Safety Management Plan for 2010-15 is to take the organisation's safety performance further into the top quartile of the electricity distribution industry's recognised benchmarks.

This led us to establish a new Comprehensive Safety Indicator, supported by a broader focus on our safety management competence, and the implementation of a new Health, Safety and Environment Integrated Management System.

2010/11 SAW A DRAMATIC DROP IN LOST TIME INJURIES

Efforts to build a sustainable safety culture, our safety management skills and safety leadership have resulted in a dramatic drop in the number of injuries requiring time away from work.



Community electrical safety awareness

Our Community Electrical Safety Awareness Plan was recognised as the 'best solution to an identified electrical safety issue' by Workplace Health and Safety Queensland at its WorkSafe Awards in October 2010.

The real reward, however, is the dramatic reduction in network safety-related incidents in the community over recent years. But we can not be complacent, tragically over the past year, three people were killed in separate incidents involving our electricity network.

Developing our people and supporting diversity

Our vision is to have a skilled workforce diverse in thought, experience, culture and personality.

Our operational requirement for a high level of both technical and non-technical expertise led to an investment of more than \$28 million in training and development over the past year.

A highlight being the opportunities given to those starting out in their careers – we are currently supporting 19 graduates, 271 apprentices and 65 trainees.

To support greater diversity, we also centred our effort on Aboriginal and Torres Strait Islander recruitment and

women in leadership, as well as intergenerational and career transition support.

Protecting the environment

A focus on environmental performance has seen us act on our pledge to be a leader in cultural heritage with improvements to our employees' access to current and required cultural heritage information.

We also continued our powerline corridor mapping program to minimise any potential operational impact associated with our infrastructure located in environmentally sensitive areas.

Environmental benefits also go hand in hand with our efforts to ensure a sustainable and secure power pole supply – we are now growing our own renewable supply in our own native forests. And our new buildings are now being designed and built to the best-practice environmental green-star rating.



Ergon Energy's new \$14 million training and development facility in Rockhampton was officially opened in May this year as a one-stop shop for the delivery of technical, field, safety, corporate and customer contact training.

ABOUT ERGON ENERGY

Ergon Energy supplies electricity to around 690,000 customers across a vast operating area of more than one million square kilometres – 97% of the state of Queensland – from the state’s expanding coastal and rural population centres to the remote communities of outback Queensland and the Torres Strait.

To deliver on our purpose – ‘to enhance the economic and lifestyle aspirations of our customers through sustainable energy solutions’ – Ergon Energy has around 4,700 employees located across Queensland and a \$10 billion asset base.

Ergon Energy is a Queensland Government-owned corporation. Our principal operating companies are Ergon Energy Corporation Limited, responsible for the distribution business, and its subsidiary Ergon Energy Queensland Pty Ltd, a non-competing electricity retailer.

Customer Service

13 10 46

7.00am – 6.30pm, Monday to Friday

Faults Only

13 22 96

24 hours a day, 7 days a week

Life-Threatening Emergencies Only

Triple zero (000) or 13 16 70

24 hours a day, 7 days a week

Ergon Energy Corporation Limited

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ergon.com.au