Statement of Corporate Intent 2015/16

July 2015

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This document contains highly confidential material relating to the business affairs of Ergon Energy. Release of its contents is subject to the provisions of the *Right to Information Act 2009*. Any unauthorised disclosure of material contained in this document may diminish the commercial value of that information and would have an adverse effect on the business, commercial and financial affairs of Ergon Energy.

Please note: This Statement of Corporate Intent (SCI) has been prepared following the release on 30 April 2015 of the Australian Energy Regulator's (AER) Preliminary Decision on Ergon Energy's Regulatory Proposal. Ergon Energy is challenging a number of the outcomes including via its Revised Proposal. For the purposes of preparing this SCI, Ergon Energy has taken into account the AER's Preliminary Decision in developing its financial forecasts. These financial forecasts may require revision during the 2015/16 financial year, pending the final AER decision in October 2015. Ergon Energy will continue to keep shareholding Ministers closely informed as the regulatory Determination process proceeds.

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Introduction

This Statement of Corporate Intent (SCI) has been prepared in compliance with the *Government Owned Corporations Act 1993* (the GOC Act) and applies to Ergon Energy Corporation Limited and its subsidiaries (Ergon Energy) for the 2015/16 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.

Organisational Overview

Ergon Energy is a regional electricity distribution entity and an electricity retailer within regional Queensland. 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.

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.

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 over 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 Solutions Pty Ltd (SPARQ). SPARQ is a company jointly owned with Energex and provides Information and Communications Technology (ICT) and telecommunication support.

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. Currently, Ergon Energy's distribution network is an essential service that operates with levels of reliabilty and security of supply that customers and other energy suppliers cannot effectively replicate. Customer value is delivered by supplying reliable energy at an affordable price: affordability being measured as the amount of energy being delivered for the amount paid. However, as customers are increasingly able to economically install local generation and storage that can also reliably and securely meet their energy needs, their connection to the network will become more optional and energy consumption through the network could fall.

For customers to see value in remaining connected to the network, Ergon Energy's customer value proposition needs to 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. At the same time, Ergon Energy needs to efficiently and prudently deliver a safe and reliable distribution network within an appropriate risk profile and at least cost.

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 safe and reliable distribution network services within an appropriate risk profile at least cost.

2015/16 Performance Measures

Ergon Energy's performance measures for 2015/16 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: Non- Financial Performance Targets

	2014/15 Budget	2014/15 Est Actual	2015/16 Forecast
Value to Customer[1]	Better than Peer Average (>100)	102	Better than Peer Average (>100)
Demand Reduction (MVA)[2]	13.3	13.3	14.3
Urban SAIDI[3,]	≤ 149	122.6	≤ 149
Short Rural SAIDI	≤ 424	365.7	≤ 424
Long Rural SAIDI	≤ 964	1,037	≤ 964
Urban SAIFI[4,]	≤ 1.98	1.6	≤ 1.98
Short Rural SAIFI	≤ 3.95	3.4	≤ 3.95
Long Rural SAIFI	≤ 7.40	6.9	≤ 7.40
Lost Time Injury Frequency Rate (LTIFR) – Employees[5]	2.20	2.10	2.10
Lost Time Injury Frequency Rate (LTIFR) – Contractors[5]	2.50	3.38	2.70
All Injury Frequency Rate (AIFR) – Employees[6]	8.50	5.70	6.70
Asset Related Public Shocks[7]	252	185	242
Employee Engagement [8]	yourView Action Plan complete	Progress against yourView Action Plan	60.0

Notes:

1. The Value to Customer measure provides customer feedback on the value provided by Ergon Energy.
2. MVA: Megavolt Ampere. The 2015/16 target shown is correct as of the time of writing, however Ergon Energy is currently preparing its response to the Australian Energy Regulator and as part of this work the demand management targets are being reviewed.
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. 2014/15 estimated actuals are based on data up to 31 March 2015.
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. 2014/15 estimated actuals are based on data up to 31 March 2015.
5. LTIFR: Lost Time Injury Frequency Rate, the frequency rate of the number of Lost Time Injuries per million hours worked.
6. AIFR: All Injury Frequency Rate, the frequency rate of the number of injuries per million hours worked 'All Injuries' are made up of Lost Time Injuries and Medical Treatment Injuries.
7. The 2014/15 Budget figure shown is the corrected figure as the figure in the 2014/15 SCI contained an error. The 2015/16 Forecast is based upon a rolling five year average (including the available 2014/15 YTD figures), with a 15% Probability of Exceedance (PoE) value added representing the natural variability in Public Shocks due to weather events impacting the Ergon Energy network. These weather events directly influence the number of Public Shocks received. Acceptable performance (inclusive of these normal weather events) should remain within this 15% PoE value. However, it is expected that occasionally (approximately one year in seven) the total number of Public Shocks will exceed this 15% PoE value.
8. Employee Engagement - the target is based on the 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 2015/16 and thereafter every two years. As the survey was not run during the 2014/15 year, progress against the target was measured by progress against the Ergon Energy yourView action plan for 2014/15.

Table 2: Financial Performance Targets							
Quarter 2015/16					2014/15	2014/15	2015/16
Sep	Dec	Mar	Jun		Budget	Est Actual	Forecast
242.3	294.6	337.4	217.3	EBIT (consolidated)	1,187.4	1,300.7	1,091.6
128.8	155.2	180.5	95.9	Net Profit After Tax (NPAT) – Consolidated ($M)	590.7	693.0	560.4
-	-	-	-	Return on Assets[1] – Consolidated	9.7%	11.3%	9.2%
-	-	-	-	Return on Assets – Regulated	10.7%	11.5%	8.0%
-	-	-	-	Return on Assets – Non-Regulated	16.0%	13.9%	17.2%
-	-	-	-	Return on Assets – Group excluding EEQ	9.1%	9.4%	8.0%
53.0%	71.8%	70.0%	67.5%	Debt to Fixed Assets[2] (%) – Consolidated	48.1%	51.8%	67.5%
74.0%	78.3%	76.5%	79.4%	Debt / (Debt + equity (including reserves)) – (%) Consolidated	57.1%	74.6%	79.4%
-	-	-	-	Fixed Asset Turnover[3] – Consolidated	0.2	0.2	0.2
5.7	5.3	5.4	3.9	Interest Cover[4] (EBITDA Times) - Consolidated	4.7	5.4	5.0

Notes:

1. Return on Assets (%) = [EBIT/Average of opening & closing assets]. (Assets = "Total Assets")
2. Debt to Fixed Assets (%) = Debt/[Net PP&E]
3. Fixed Asset Turnover = [(Sales + grid services revenue)/Average PP&E]
4. Interest Cover (EBITDA Times) = [EBITDA/(Finance Charges]

Initiatives

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, and new affordable technology is changing 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 made a number of changes to tariffs including:

- Changing the measure for the demand tariffs used by our very large users (kW to kVA)
- Commencing the process of 'rebalancing' tariffs towards more fixed and less usage dependent charges for our large and small users
- Introducing 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. Ergon Energy is proposing to make further changes in 2015-16. These changes are currently the subject of customer consultation and will be subject to approval by the Australian Energy Regulator (AER) but include:

- Incorporating long run marginal cost into network tariffs (as required by the latest changes to the National Electricity Rules)
- Introducing an excess KVAr charge for our very largest customers
- Continuing to change the measure for the demand tariffs used by our larger users (kW to kVA)
- Introducing seasonal time-of-use demand tariffs for our small and large customers

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. Taken together, these changes would be expected to result in lower prices for customers over the medium to long term.

National Energy Customer Framework (NECF)

The NECF is a single national regulatory framework designed to improve consumer protection and streamline the regulation of energy retail markets. The NECF will commence in Queensland on 1 July 2015, subject to a number of jurisdictional derogations. Key changes under the NECF include:

- A new national connections framework

- Provision of specialised standard retail and connection contracts for card operated meter customers that set out clear rights and obligations within technical limitations of the service to better align rights and obligations with similar services
- Additional protections for life support customers

Ergon Energy is currently working to implement system and process changes to ensure compliance with the NECF obligations by 1 July 2015.

Demand Management

Ergon Energy's Demand Management Program is on track to exceed the full regulatory control period target of 122MVA of demand reduction by June 2015. As at end of June 2015, the Demand Management Program is expected to have delivered, 110.0% (135MVA) of the regulatory control period target.

Some of the initiatives to date include:

- Empower Mackay Non-Network Alternative project, utilising a market delivery mechanism for engaging with customers
- Completion of 20MVA of peak demand reductions from the Townsville Network Demand Management Pilot
- 5MVA reduction through the Toowoomba Network Demand Management Power Factor Correction program

In addition to the delivered MVA reductions 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. Ergon Energy is also working with the University of Technology Sydney to develop a National Capacity Map that will leverage off the DRIM data.
- Demand Management Portal - the introduction of a new portal to manage channel partners, such as the Trade Ally Network, and facilitating service providers' participation in the regulatory investment process.
- Dynamic Planning - 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.
- Demand Reduction Automation Server (DRAS) – A project has been established to implement a DRAS which will enable us to communicate more freely with customers with demand enabled appliances, automating the management of demand under control whilst maintaining our contractual obligations.

Ergon Energy's 2015/16 Demand Management Plan which includes a forecast 14.3MVA demand reduction at a forecast cost of $9.9M has been based on the regulatory proposal to the AER for the 2015-2020 Regulatory Control Period. However, the Preliminary AER decision which was issued at the end of April 2015 included a significant reduction in operating expenditure. Ergon Energy is currently preparing its response to the AER and as part of this work, the demand management program and targets are under review. Ergon Energy will keep shareholding Ministers informed of the progress of this review and will provide reporting as necessary as part of its quarterly SCI report.

Solar PV Connections

The number of solar photovoltaic (PV) connections in regional Queensland has continued to grow and the total PV generation capacity now exceeds 395MW. This consists of around 107,000 rooftop grid-connected PV systems connected under the Solar Bonus Scheme (SBS), and around 1,900 other PV systems connected outside the SBS. By the end of April 2015, around 18% of all residential customers, or 23% of detached houses in regional Queensland had a solar PV system installed. In 2015/16, Ergon Energy expects PV system connections to average around 280 per week. This is lower than past years; PV systems connections were around 620 per week in 2012/13; 350 per week in 2013/14; and 290 in 2014/15. Ergon Energy considers that the continued growth in PV system connections reflects customer responses to electricity price rises, the allowance of non-exporting PV systems by Queensland distributors, and competitive pricing by PV companies.

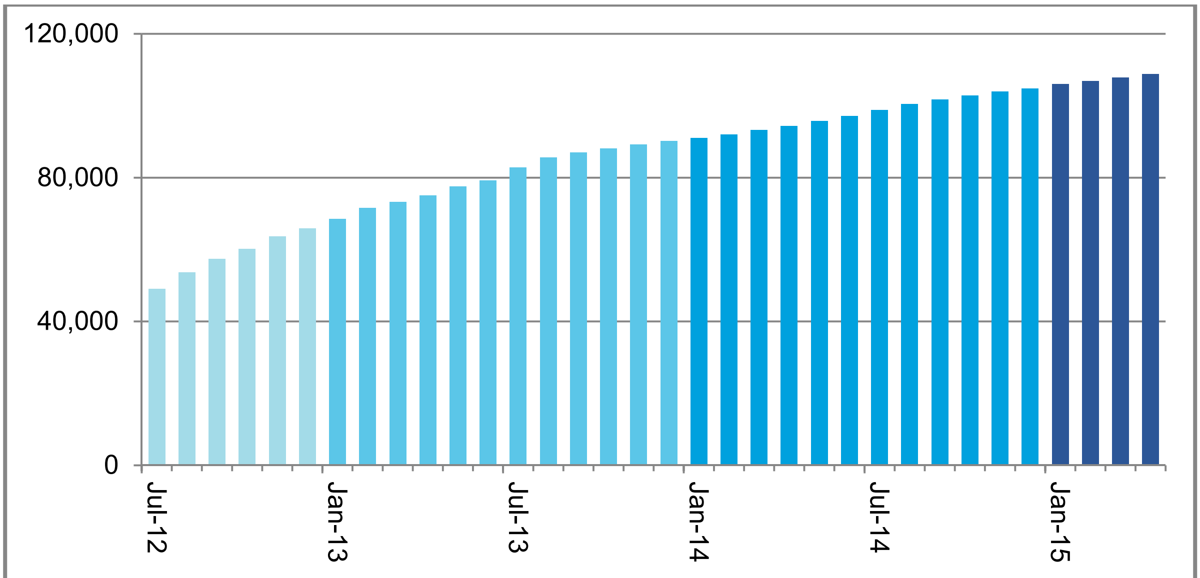

Figure 1: Solar PV Connections, July 2012 to April 2015

The estimated cost of the 44c/kWh Feed in Tariff (FiT) for 2014/15 is $116 million, down slightly from $118m in 2013/14. The cost of the 44c/kWh FiT is forecast to decrease again in 2015/16 to around $114m. The slight decrease reflects the combined impact of around 2,500 customers leaving the 44c/kWh FiT (reducing its cost) while around 1,000 customers who retain their eligibility for the 44c/kWh FiT increase the capacity of their solar PV systems (raising its cost). The costs of the 44c/kWh FiT put upward pressure on the unit price of electricity and Ergon Energy will continue to work to ensure only eligible customers continue to receive this FiT.

From 1 July 2014, both Ergon Energy and Energex have allowed PV systems up to 30kVA (kW) to be configured to not export to the grid. This has allowed many customers in regional Queensland whose applications had been downsized or declined to re-apply for their desired system, as there was no risk of the system interfering with the network.

In line with requirements from both Ergon Energy and Energex, it will become mandatory for reactive power control (RPC) to be used on most PV system inverters applied for from 30 September 2015. This change is expected to benefit all customers as RPC has a moderating effect on PV system and network voltage which enhances the operational effectiveness of the PV system inverter and the distribution network. Work will continue over 2015/16 to trial and implement other technical solutions to mitigate the voltage and other network impacts of PV systems, and facilitate more connections.

Network Reliability

Ergon Energy's network reliability performance has improved significantly over the period from 2005/06 to 2014/15. The average duration of unplanned outages has reduced by 28.5% and the average frequency of customer interruptions has reduced by 31.6%. The overall (planned and unplanned) frequency and duration of outages over 2005/06 to 2014/15 has also improved by 32.7% and 33.3% 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.

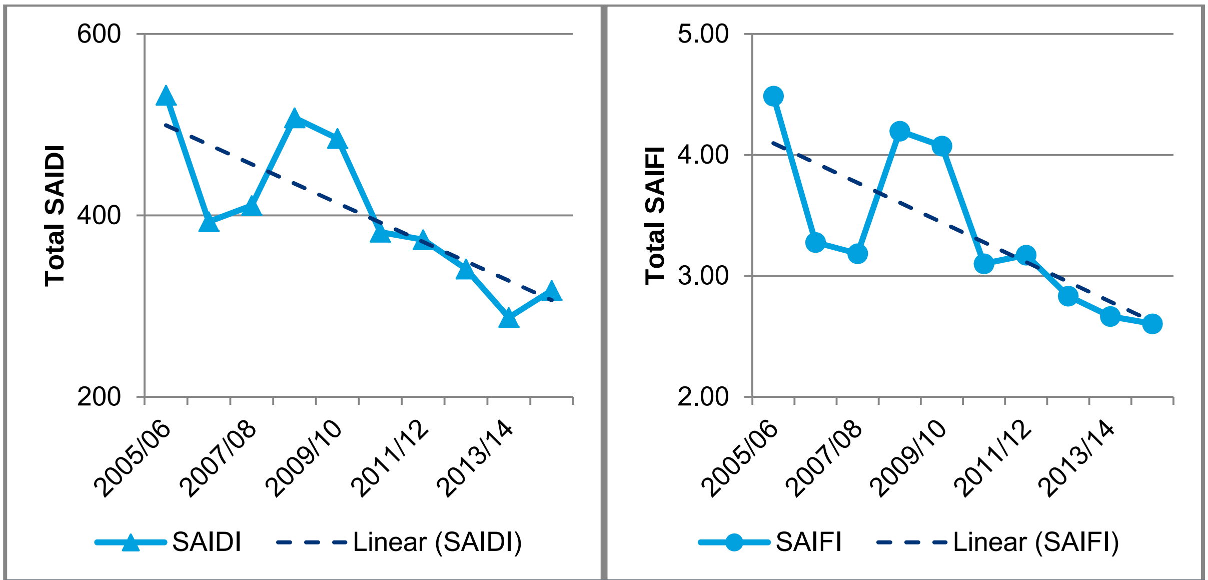

Figure 2 Network Reliability Performance: Ergon Energy's SAIFI and SAIDI performance has improved significantly since 2005/06.

The Ergon Energy Distribution Authority was amended on 1 July 2014, to incorporate the Minimum Service Standards (MSS) which had previously been included in the Electricity Industry Code. The Distribution Authority sets constant reliability limits for the 2014/15 to 2019/20 period that are equivalent to the MSS limits that applied in 2010/11 (see Table 1: non-financial performance targets).

For the 2014/15 year, Ergon Energy expects its reliability of supply performance to be favourable to the Distribution Authority MSS for five of the six measures. Long Rural SAIDI is not expected to be met owing to the impact of severe summer storms on network reliability.

For the 2014/15 year, Ergon Energy is expecting to report performance that is favourable to four of the six Australian Energy Regulator's Service Target Performance Incentive Scheme (STPIS) reliability of supply measures. Two measures, Long Rural SAIDI and Long Rural SAIFI, are at risk of not meeting the STPIS owing to the impact of severe summer storms on network reliability.

Based on this year to date performance Ergon is forecasting a neutral revenue outcome under the STPIS. Ergon Energy is outworking the final stages of a number of key reliability improvement programs that aim to ensure a positive outcome within the framework of the STPIS continues to be achieved beyond the current regulatory control period.

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

Improving Operational Effectiveness

FACOM Replacement

Historically, Ergon Energy's retail and distribution functions have been 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. In 2014/15, Ergon Energy prepared for the retirement of the aged FACOM customer information and management system. As the FACOM system is tightly integrated, both retail and distribution functions must migrate off FACOM concurrently when the new system is implemented. In replacing FACOM, both the distribution and retail businesses will move to customer information and management systems that are already in use by other Australian electricity distributors and retailers.

The replacement of FACOM has shareholding Ministers approval and the project is nearing completion. It is expected that both retail and distribution will 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 nears completion and will also provide regular reporting on the roll out of the project in its quarterly SCI report.

Health and Safety

Ergon Energy remains committed to ensuring the health and safety of its people, communities and environment. Ergon Energy's All Injury Frequency Rate (AIFR) has improved from 8.37 for the year ended December 2013 to 6.14 for the year end December 2014 which equates to 20 less injured employees. During 2015 and 2016, Ergon Energy will continue to strengthen our positive safety culture and continue the journey which has led to our lowest injury rates since 2006/7. Key programs will include:

- Continuation of Health Safety and Environment leadership initiatives
- A review of objectives and key performance indicators
- Enhancement of the Comprehensive Safety Indicator (CSI) to better capture quality and behaviours
- Improving safety performance through the review of close calls reported and encouraging reporting of close calls and hazards
- Continuing to implement health and safety initiatives that address identified trends in both reported incidents and close calls include Fatigue Risk Management, Drug and Alcohol Programs, Behavioural Leadership/operational programs and vehicle monitoring systems
- Using proactive approaches through the ongoing promotion of health and wellbeing programs, Employee Assistance Program and pro-active rehabilitation and return to work programs for both work related and non-work related injuries where relevant
- Continued focus on the high risk areas of high voltage network switching, motor vehicle driving, contractor management and electrical work

Financial Information

Introduction

This section of the SCI provides a summary of Ergon Energy's capital and operating expenditures over the 2014/15 year, and financial forecasts for the 2015/16 year. At the time of writing Ergon Energy was in the process of receiving a new regulatory Determination for the five year regulatory control period 2015/16 to 2019/20. As part of this process, Ergon Energy submitted its regulatory proposal for the 2015/16 - 2019/20 regulatory control period to the AER on 30 October 2014. On 30 April 2015, the AER issued its Preliminary Decision on Ergon Energy's regulatory proposal. Ergon Energy will submit its revised regulatory proposal to the AER in early July 2015 and the AER is expected to issue its final Determination for the five year regulatory control period 2015/16 to 2019/20 in October 2015. As this SCI has been prepared in advance of the final Determination, the budgeted figures in this SCI may require revision during the 2015/16 financial year. Ergon Energy will continue to keep shareholding Ministers closely informed as the regulatory Determination process proceeds.

In its Preliminary Decision, the AER reduced the revenue Ergon Energy could recover from customers from the $8,241.7 million (nominal) set out in Ergon Energy's regulatory proposal to $6,021million[1] (nominal) for the 2015-2020 regulatory control period, a decrease of 27%. In its decision, the AER stated that "To a large extent, this reflects much lower financing costs and our expectation that Ergon Energy can operate more efficiently in future."[2] The AER also reduced operating expenditure forecasts by 10.5% and capital expenditure forecasts by 36% compared to Ergon Energy's regulatory proposal.

Examination of the AER's reasoning for the capital expenditure reduction revealed errors in the calculation of labour and materials escalators; these escalators are forecasts of price increases in Ergon Energy's inputs over the five years of the regulatory control period. In its Preliminary Decision, the AER re-calculated these escalators and reduced Ergon Energy's capital expenditure by $720 million. However, this re-calculation was incorrect. Re-calculating the escalators correctly results in a capital expenditure reduction of $120 million over the five years using the AER's rationale. The AER has acknowledged this error and plans to adjust for this in the Final Determination in October 2015.

Ergon Energy does not agree with the Preliminary Decision and will challenge a number of the outcomes in its Revised Proposal. However, the Preliminary Decision has set revenue for the 2015/16 year and also for subsequent years pending the final AER decision in October 2015. Therefore, for the purposes of preparing this SCI, Ergon Energy has taken into account the AER's Preliminary Decision. In comparison to Ergon Energy's regulatory proposal the forecasts below contain a reduction in operating expenditure of 10.5%, and a reduction of 18% in capital expenditure giving a reduction in total expenditure of 15% over the five years of the 2015/16 to 2019/20 regulatory control period.

[1] This amount excludes other additional factors that will be recovered as part of DUoS but not within the building block revenue, such as the Solar Bonus Scheme feed-in tariff (FiT). Once these items are included revenue increases to $7,083.7 million for the period 2015-2020.
[2] AER: "Preliminary Decision, Ergon Energy Determination 2015/16 to 2019/20, Overview" April 2015.

In addition, in making its Preliminary Decision, the AER disallowed Ergon Energy's proposed WACC. For the purposes of developing the forecasts shown below Ergon Energy has used a WACC of 5.85% in line with the AER's Preliminary Decision. The lower WACC reduces forecast distribution revenue.

In developing its 2015/16 budget Ergon Energy has faced considerable uncertainty as the AER Determination process is not complete. The financial forecasts shown seek to take into account a balancing of Ergon Energy's key priorities of:

- Maintaining the current risk and reliability levels of the distribution network
- Minimising the impact on shareholder returns
- Managing the financial and balance sheet impacts that could arise out of the AER's final regulatory Determination
- Ensuring compliance with relevant shareholder requirements, including priorities in regard to job security and employment.

Capital Expenditure

Overall, for the 2014/15 year, Ergon Energy expects total capital expenditure to be around $983 million, or nearly 3% less than the budget of $1,009 million largely due to lower than expected expenditure in the isolated systems and retail areas of the business, and the deferment of the distribution management system project.

For the current five year regulatory control period ending 30 June 2015, Ergon Energy expects regulated system capital expenditure to be approximately 71.9% of the allowance set by the AER. 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; the outcomes of the Electricity Network Capital Program (ENCAP) Review in 2011, which identified and agreed capital investment saving targets for the Queensland Electricity Distribution businesses; and changes in Ergon Energy's security criteria for network investments.

In 2015/16 Ergon Energy's forecast for regulated capital expenditure is $827 million, a decrease of nearly 8% compared to the estimated actual for 2014/15. This reflects Ergon Energy's updated forecasts taking into account the Preliminary Decision from the AER and updated estimates of demand for capital works.

Non-regulated capital expenditure in 2015/16 is expected to be around $104 million largely reflecting investments in Ergon Energy's isolated systems, and updates to IT systems in Ergon Energy and Ergon Energy Queensland.

Table 3: Capital Expenditure		
	2014/15 Est Actual $000s	2015/16 Forecast $000s
Regulated Capital Expenditure		
Asset Replacement/Renewal	339,962	245,103
Customer Initiated Capital Works	170,124	213,284
Corporation Initiated Augmentation	131,845	169,138
Reliability & Quality Improvements	65,489	3,317
Other System Capital Expenditure	49,432	42,412
Non-System Capital Expenditure	139,248	153,268
Total Regulated Capital Expenditure[3]	**896,099**	**826,521**
Non-Regulated Capital Expenditure	86,408	103,456
Total Capital Expenditure	**982,507**	**929,977**

Asset Replacement / Renewal: expenditure on the replacement of network assets that are at risk of failure. The need for this work is determined both by actual asset failure and through the results of assessments made on the condition of assets as part of the overall asset inspection regime.

Customer Initiated Capital Works: expenditure on extending the network and providing access so customers can connect to the network.

Corporation Initiated Augmentation: expenditure on the sub-transmission and distribution network in response to increasing network usage and demand from customers.

Reliability and Quality Improvements: expenditure on improving the reliability and quality of supply for customers.

Other System: expenditure on improving communications, protection, the performance of the Single Earth Wire Return (SWER) network and undergrounding, as well as other programs.

Non-System: expenditure on supporting the operation of Ergon Energy and includes items such as tools and equipment, fleet, property and IT systems.

Non-Regulated Capital Expenditure: expenditure on non-regulated assets including our assets in the isolated and remote communities which are not connected to the national electricity network and the Carpentaria Minerals Province 220kV system servicing large mines in the states North West.

Operating Expenditure

For the current five year regulatory control period ending in 2014/15, Ergon Energy is expecting standard control services (SCS) operating expenditure to be approximately 97.5% of the operating expenditure allowance set by the AER despite the expenditure associated with a number of significant weather events (cyclones and major floods) whose costs were not anticipated in the Distribution Determination. This expected outcome reflects the positive results of a number of initiatives, which have been undertaken during the regulatory control period including improvements in contracting and maintenance performance as well as the introduction of Remote Observation Automated Economic Simulation (ROAMES[4]) into maintenance programs.

[3] Totals may not add due to rounding.
[4] This technology assists Ergon Energy to better manage its assets through aerial observation and modelling of the network and its condition.

For the 2014/15 year, regulated operating expenditure is expected to be around 12% higher than budgeted due to additional costs associated with restoring the distribution network following Tropical Cyclone Marcia in February 2015 and the expensing of some project costs where changes to the reliability and security criteria have removed the need for these projects.

Table 4: EECL Operating Expenditure		
	2014/15 Est Actual $000s	2015/16 Forecast $000s
Regulated Operating Expenditure	482,745	438,255
Non-Regulated Operating Expenditure	4,082	1,172
Isolated Generation Operating Expenditure	55,711	56,865
External Works and Services	66,567	75,393
Other Operating Expenditure	0	34,478
Total EECL Operating Expenditure	**609,104**	**606,164**

Regulated Operating Expenditure: expenditure (including net support costs) on the maintenance of the regulated asset base. It includes network operations as well as preventative, corrective and forced maintenance such as asset inspection, vegetation management, and work on the network that is required in response to events such as cyclones or flooding.

Non-Regulated Operating Expenditure: expenditure on the maintenance of non-regulated assets.

Isolated Generation Operating Expenditure: expenditure on Ergon Energy's 33 stand-alone power stations which are primarily diesel generators and are not connected the distribution network.

External Works and Services: expenditure undertaken as part of Ergon Energy's contracts with external parties such as the maintenance service agreement with Powerlink, and the work undertaken by energy solutions (Banyo Workshops).

For the whole of the regulatory control period 2015/16 to 2019/20, Ergon Energy is currently forecasting regulated operating expenditure to be around $2,256 million. To manage expenditure within this forecast, Ergon Energy will need a strong and ongoing focus on reducing overhead and support costs, improving the efficiency of internal processes, reviewing contract management practices to ensure the company is receiving value for money and further integrating ROAMES based technology into maintenance programs. As part of the reduction in overhead and support costs, the number of permanent staff required is expected to decrease. Ergon Energy will manage this decrease in accordance with its obligations under relevant enterprise agreements and the Government's wages policy.

Dividends, Community Service Obligations and Tax Expense

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.

Table 5: Transactions with Owners

	2014/15 Est Actual $000s	2015/16 Forecast $000s
Dividends Provided for	1,922,040	560,385
CSOs	596,071	479,981
Tax Expense[5]	297,770	240,165

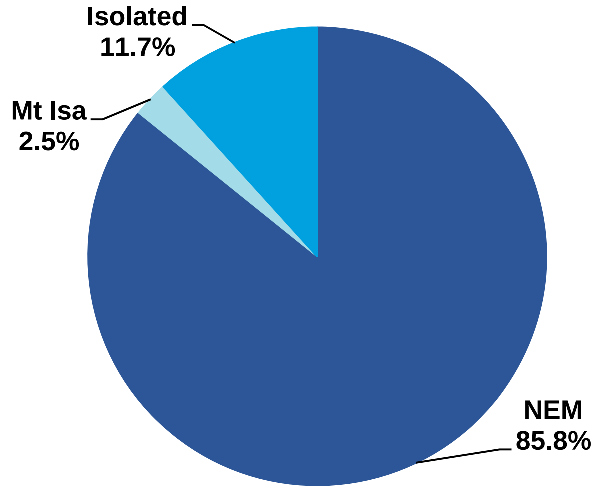

Figure 3: Regional CSO Breakdown

Ergon Energy also receives a concession in regard to pensioner rebates. This is expected to be approximately $52 million in 2015/16 and is funded by the Department of Communities, Child Safety and Disability Services.

[5] This is the provision for tax expense, which forecasted at 30% of Earnings Before Tax.

Financial Contributions – Major Business Divisions

Table 6: Financial Contributions			
Subsidiary	Nature of Business	EBIT Contribution to Group Financial Outcome 2014/15 Est Actual $000s	2015/16 Forecast $000s
EECL	Network Supply and Maintenance and Business Development	1,151,170	1,025,416
Ergon Energy Queensland (EEQ)	Retail Franchise Business	294,398	211,709
Ergon Energy Telecommunications (EET)	EET trading as Nexium Telecommunications is a licensed carrier offering wholesale high-speed data capacity in regional Queensland.	2,593	676
Eliminations[6]		(147,467)	(146,166)
Ergon Energy Group EBIT		**1,300,694**	**1,091,635**

Note: The forecast decline in the EBIT contribution from EET reflects an expected decrease in both internal and external sales in 2015/16 while operating costs are forecast to remain stable. EET is seeking alternative growth opportunities (hence the stable operating costs) and is expecting a gradual improvement in EBIT in 2016/17 and beyond.

[6] Eliminations include inter-company transactions and accounting for SPARQ on consolidation.

Financial Statements

Ergon Energy Group

Quarters 2015-16 Sept $'000s	Dec $'000s	Mar $'000s	Jun $'000s	Statement of Comprehensive Income Ergon Energy Group	Actual 2013-14 $'000s	SCI 2014-15 $'000s	Est Actual 2014-15 $'000s	Budget 2015-16 $'000s
				ENERGY RELATED REVENUE				
451,081	522,914	575,341	432,535	Energy Sales	1,960,545	2,061,610	2,035,662	1,981,872
0	0	0	0	Guarantee Deficiencies	35	45	1	0
8,120	4,450	(2,432)	1,115	Renewable Energy Revenue	28	0	51	11,253
0	0	0	0	Mark to Market Revenue	0	0	84,457	0
2,298	2,671	2,589	2,093	Meter Cards Revenue	8,168	9,277	8,433	9,652
99,800	112,187	114,919	98,451	DUOS	364,551	421,200	405,836	425,357
0	0	0	0	Current Year DUOS Alignment	32,520	0	0	0
0	0	0	0	Current Year STPIS Alignment	29,622	0	0	0
0	0	0	0	Current Year Solar FiT Alignment	127,265	131,560	0	0
0	0	0	0	Prior Year STPIS Alignment	(1,841)	(31,479)	0	0
0	0	0	0	Prior Year DUOS Alignment	(39,029)	(87,539)	0	0
0	0	0	0	Prior Year Shared Asset Alignment	0	2,344	0	0
0	0	0	0	Prior Year Caps Cons Alignment	(73,519)	(63,652)	0	0
0	0	0	0	Prior Year Solar FiT Alignment	(28,055)	(84,020)	0	0
(29,271)	(33,224)	(28,316)	(23,434)	Solar Bonus	(131,097)	(122,254)	(115,530)	(114,245)
225	225	225	225	TUOS	877	889	890	900
2,573	2,944	2,944	2,573	Diesel Fuel Rebate	9,836	10,299	10,504	11,034
0	0	0	0	Mark to Market Net Sales	(123,403)	0	0	0
534,827	612,168	665,271	513,558	**TOTAL ENERGY RELATED REVENUE**	2,136,504	2,248,279	2,430,304	2,325,823
				COST OF SALES				
90,100	104,571	131,139	78,991	Energy Purchases	467,970	448,493	497,757	404,802
2,723	3,698	3,560	3,293	Solar FiT Sales Scheme	0	0	6,145	13,274
(96,631)	(107,250)	(114,583)	(93,581)	CSO Expense - NEM	(433,335)	(570,413)	(526,876)	(412,045)
(19,271)	(15,160)	(14,262)	(19,243)	CSO Expense - Non Grid	(85,590)	(83,847)	(69,195)	(67,936)
0	0	0	0	Energy Brokerage Fees	361	0	295	0
0	0	0	0	Hedge Costs Realised	53,768	0	(102,594)	0
15,041	17,389	20,623	15,609	Certificate Compliance Expenses	81,054	62,269	66,143	68,662
0	0	0	0	Contestable Charges Recoverable	81	0	81	0
90,799	92,278	89,127	91,691	Transmission Charges	325,510	349,292	319,057	363,895
0	0	0	0	Avoided Transmission Charges	5,875	0	1,930	0
670	765	851	643	Market Charges	2,703	4,936	4,143	2,929
286	328	367	274	Ancillary Charges	1,276	1,281	1,415	1,255
0	0	0	0	Metering Charges Non-Recoverable	(1,944)	0	5	0
0	0	0	0	Embedded Energy	28,605	30,394	22,570	0
9,143	9,621	9,763	9,326	Isolated Energy	34,742	37,514	31,011	37,852
0	0	0	0	Loss on Sale Environmental Products	(7)	0	(1,101)	0
92,859	106,241	126,585	87,002	**TOTAL COST OF SALES**	481,068	279,920	250,785	412,688
441,968	505,927	538,685	426,556	**ELECTRICITY GROSS MARGIN**	1,655,436	1,968,360	2,179,519	1,913,135
				OTHER PRODUCT REVENUE				
24,791	22,279	20,085	22,707	Sales Revenue	89,066	85,620	73,409	89,862
1,290	1,290	1,890	1,890	Non-Energy Purchases	4,129	5,394	3,684	6,359
23,501	20,989	18,195	20,817	**NON ENERGY RELATED GROSS MARGIN**	84,937	80,226	69,724	83,503
				MISCELLANEOUS REVENUE				
3,765	4,033	3,778	3,597	Interest	13,058	13,680	14,448	15,173
0	0	0	0	Government Grants	2,519	0	4,514	0
625	625	625	625	Rent	2,928	1,297	2,859	2,500
0	0	0	0	Gain on Sale of Assets	4,260	0	1,071	0
3,288	3,288	3,288	3,288	Metering Contributions - Cash	0	0	0	13,152
2,383	2,383	2,383	2,383	Capital Contributions - Cash	37,688	42,000	28,402	9,533
0	0	0	0	Capital Contributions - Non-Cash	22,302	15,775	15,763	0
0	0	0	0	Capital Contributions - AARR Alignment	70,709	83,725	0	0
7,248	7,248	7,248	7,248	Subdivisions Gifted Contributions	0	0	0	28,991
5,565	5,565	5,565	5,565	Alternative Control	20,047	22,142	15,076	22,259
8,310	8,310	8,310	8,310	Large Customer Connection	11,789	985	5,473	33,241
0	0	0	0	Altern Control Services Contrib Assets	18,273	5,368	12,184	0
0	0	0	0	Street Lighting	1,433	1,200	0	0
1,747	1,747	1,747	1,747	Streetlighting Cash Contributions	0	0	1,713	6,987
3,901	3,901	3,901	3,901	Streetlighting Gifted Assets	0	0	5,993	15,603
0	0	0	0	Gain on Foreign Exchange	0	0	4	0
0	0	0	0	Discounts Received	0	0	0	0
0	0	0	0	Insurance Claims	0	0	1,147	0
0	0	0	0	SLA Revenue	0	0	0	0
0	0	0	0	Discount of NC Assets	35,421	21,960	0	0
86	86	433	86	Other Revenue	4,943	757	12,856	690
36,918	37,185	37,277	36,749	**TOTAL MISCELLANEOUS REVENUE**	245,371	208,888	121,503	148,129
502,386	564,101	594,158	484,122	**GROSS MARGIN & OTHER REVENUE**	1,985,744	2,257,474	2,370,746	2,144,767
150,838	158,740	144,539	153,075	Opex	560,706	577,000	632,175	607,192
				Opex - Additional Items				
150,838	158,740	144,539	153,075	**TOTAL OPERATING EXPENSES**	560,706	577,000	632,175	607,192
				OTHER OPERATING EXPENDITURE				
103,123	104,519	105,951	107,380	Depreciation	425,105	464,034	413,487	420,972
6,143	6,209	6,275	6,341	Amortisation	36,940	29,006	25,935	24,967
0	0	0	0	Decrements Valuation	15,666	0	(1,545)	0
109,265	110,728	112,226	113,721	**TOTAL OTHER OPERATING EXPENDITURE**	477,711	493,039	437,877	445,940
242,283	294,633	337,393	217,326	**EARNINGS BEFORE INTEREST & TAXES (EBIT**	947,327	1,187,434	1,300,694	1,091,635
58,222	72,960	79,570	80,333	Finance Charges	371,837	343,533	309,884	291,085
184,061	221,673	257,823	136,993	**EARNINGS BEFORE TAXES (EBT)**	575,490	843,902	990,810	800,550
55,218	66,502	77,347	41,098	Income Tax	172,361	253,170	297,770	240,165
128,843	155,171	180,476	95,895	**NET PROFIT AFTER TAXES (NPAT)**	403,129	590,731	693,040	560,385
107,628	236,471	391,642	572,118	**OPENING RETAINED EARNINGS**	706,199	750,985	1,266,378	107,628
0	0	0	0	Adjustment for Super Surplus	42,422	(0)	70,250	0
236,471	391,642	572,118	668,013	**TOTAL AVAILABLE FOR APPROPRIATION**	1,151,751	1,341,716	2,029,668	668,013
0	0	0	560,385	Dividends Provided For	391,609	472,585	1,922,040	560,385
0	0	0	0	Share/Associates Profit/Loss	0	0	0	0
0	0	0	560,385	**TOTAL DIVIDENDS**	391,609	472,585	1,922,040	560,385
236,471	391,642	572,118	107,628	**CLOSING RETAINED EARNINGS**	760,142	869,132	107,628	107,628

Quarters 2015-16				Statement of Financial Position	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Group	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
481,062	471,507	449,735	267,636	Cash & Cash Equivalents	224,420	244,578	323,690	267,636
476,431	680,063	644,963	653,052	Current Receivables	750,495	934,616	525,277	653,052
99,673	98,742	97,460	96,174	Inventories	110,866	103,786	103,641	96,174
52,960	52,960	52,960	52,960	Financial Assets Current	27,679	38,136	52,960	52,960
38,409	38,409	38,409	38,409	Other Current Assets	38,479	43,120	38,409	38,409
1,148,534	1,341,680	1,283,527	1,108,230	**CURRENT ASSETS**	1,151,939	1,364,236	1,043,977	1,108,230
0	0	0	0	Long Term Receivables	300,619	128,008	0	0
0	0	0	0	Non-Current Inventories	0	2,400	0	0
10,293,906	10,409,982	10,525,141	10,775,334	Property, Plant & Equipment	9,879,543	10,989,487	10,182,578	10,775,334
0	(0)	(0)	(0)	Deferred Tax Equivalent Assets	0	3	0	0
129,094	136,573	143,985	151,332	Intangible Non-Current	76,232	119,537	121,550	151,332
132,580	126,580	120,580	117,580	Superannuation Surplus	79,105	23,300	137,580	117,580
10,555,581	10,673,135	10,789,706	11,044,246	**NON-CURRENT ASSETS**	10,335,499	11,262,735	10,441,708	11,044,246
11,704,115	12,014,815	12,073,233	12,152,476	**ASSETS**	11,487,438	12,626,971	11,485,685	12,152,476
347,404	357,284	365,059	341,356	Current Payables	317,342	272,462	333,504	341,356
204,831	428,975	316,720	26,206	Interest Bearing Liabilities Current	275,879	43,026	26,584	26,206
32,296	32,296	32,296	32,296	Financial Liabilities Current	127,009	80,999	32,263	32,296
20,147	22,732	23,986	24,117	Current Provisions	27,782	26,230	28,030	24,117
169,951	172,538	174,781	175,129	Employee Benefits Current	152,600	143,538	163,605	175,129
1,922,040	(0)	(0)	560,385	Dividends	391,609	472,585	1,922,040	560,385
260,381	174,827	199,226	185,539	Other Current Liabilities	50,802	309,699	228,044	185,539
2,957,049	1,188,652	1,112,067	1,345,028	**CURRENT LIABILITIES**	1,343,023	1,348,539	2,734,070	1,345,028
11,405	12,286	11,769	11,900	Employee Benefits Non-Current	14,625	14,311	11,639	11,900
467	467	467	467	Payables Non-Current	255	1,787	467	467
5,273,418	7,073,418	7,073,418	7,273,418	Interest Bearing Liabilities Non-Current	4,865,457	5,273,409	5,273,418	7,273,418
1,531,112	1,654,265	1,609,397	1,623,571	Deferred Tax Equivalent Liabilities	1,792,569	1,998,243	1,664,516	1,623,571
4,409	4,438	4,485	4,396	Non-Current Provisions	4,512	4,176	4,027	4,396
5,973	5,837	5,702	5,306	Other Non Current Liabilities	6,842	6,362	6,109	5,306
6,826,784	8,750,711	8,705,238	8,919,058	**NON-CURRENT LIABILITIES**	6,684,260	7,298,288	6,960,176	8,919,057
9,783,833	9,939,363	9,817,305	10,264,086	**LIABILITIES**	8,027,283	8,646,827	9,694,246	10,264,085
942,393	942,393	942,393	942,393	Share Capital	2,294,582	2,294,582	942,393	942,393
0	0	0	0	Unissued Capital	(1,352,190)	(1,352,190)	0	0
942,393	942,393	942,393	942,393	**Contributed Equity**	942,392	942,392	942,393	942,393
711,962	711,962	711,962	808,913	Asset Revaluation	1,768,192	2,234,676	711,962	808,913
0	0	0	0	General Reserves	0	0	0	0
40,028	40,028	40,028	40,028	Hedging Reserves	0	0	40,028	40,028
(10,572)	(10,572)	(10,572)	(10,572)	Government Contribution Reserve	(10,572)	(66,056)	(10,572)	(10,572)
741,418	741,418	741,418	838,369	**Reserves**	1,757,620	2,168,620	741,418	838,369
104,367	104,367	104,367	104,367	Retained Profits	771,698	774,123	1,333,367	104,367
128,843	284,014	464,490	0	Current Year Profit	11,520	118,146	(1,229,000)	0
3,261	3,261	3,261	3,261	Ret Earn DB Super Surplus/Deficit	(23,077)	(23,138)	3,261	3,261
236,471	391,642	572,118	107,628	**Retained Earnings**	760,141	869,131	107,628	107,628
1,920,282	2,075,453	2,255,929	1,888,390	**EQUITY**	3,460,153	3,980,143	1,791,439	1,888,390

Quarters 2015-16				Cash Flow	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Group	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
532,011	347,949	632,639	454,867	Receipts from Customers	2,342,181	2,709,562	2,394,394	1,967,467
(161,069)	77,518	(428,588)	(588,781)	Payments to Suppliers & Employees	(1,501,741)	(1,791,163)	(1,342,639)	(1,100,919)
3,765	4,033	3,778	3,597	Interest Received	13,058	13,680	14,448	15,173
(84,105)	(58,559)	(73,107)	(79,424)	Interest and Other Costs of Financing	(369,349)	(354,657)	(337,142)	(295,195)
2,383	2,383	2,383	2,383	Capital Contributions	37,688	42,000	28,402	9,533
115,902	122,410	128,845	112,824	Community Service Obligations	518,925	654,260	596,071	479,981
0	0	0	0	Other Operating Receipts	0	0	16,215	0
(22,921)	(149,051)	(52,929)	(54,798)	Tax Paid	0	0	(55,027)	(279,699)
385,967	346,683	213,022	(149,332)	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	1,040,763	1,273,682	1,314,720	796,340
				CASH FLOWS FROM INVESTING ACTIVITIES				
0	0	0	0	Gain on Sale of Assets	30,373	0	0	0
(214,451)	(220,594)	(221,110)	(219,072)	Land and Property Plant & Equipment	(799,419)	(947,666)	(913,380)	(875,228)
(13,687)	(13,687)	(13,687)	(13,687)	Intangibles - Software	(60,013)	(61,167)	(69,127)	(54,749)
(228,139)	(234,282)	(234,797)	(232,759)	**NET CASH USED IN INVESTING ACTIVITIES**	(829,058)	(1,008,833)	(982,507)	(929,977)
				CASH FLOWS FROM FINANCING ACTIVITIES				
0	1,800,000	0	200,000	Proceeds from Borrowings	456,772	400,000	400,000	2,000,000
0	0	0	0	Repay Borrowings	(320,000)	(241,536)	(242,040)	0
(457)	83	4	(8)	Repayable Deposits	1,979	2,472	705	(377)
0	(1,922,040)	0	0	Dividends Paid	(325,764)	(393,158)	(391,609)	(1,922,040)
(457)	(121,957)	4	199,992	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(187,013)	(232,222)	(232,943)	77,583
157,372	(9,555)	(21,772)	(182,099)	**NET INCREASE/(DECREASE) IN CASH HELD**	24,691	32,626	99,270	(56,055)
323,690	481,062	471,507	449,736	**CASH HELD BEGINNING OF PERIOD**	199,729	211,951	224,420	323,690
481,062	471,507	449,736	267,636	**CASH HELD AT END OF PERIOD**	224,420	244,578	323,690	267,636

Ergon Energy Corporation Limited

Quarters 2015-16				Statement of Comprehensive Income	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Corporation Limited	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				ENERGY RELATED REVENUE				
0	0	50	0	Renewable Energy Revenue	28	0	51	50
99,800	112,187	114,919	98,451	DUOS	364,551	421,200	405,836	425,357
352,821	398,256	410,693	350,002	Inter-Company DUOS	1,538,536	1,782,346	1,702,542	1,511,772
0	0	0	0	Current Year DUOS Alignment	32,520	0	0	0
0	0	0	0	Current Year STPIS Alignment	29,622	0	0	0
0	0	0	0	Current Year Solar FiT Alignment	127,265	131,560	0	0
0	0	0	0	Prior Year STPIS Alignment	(1,841)	(31,479)	0	0
0	0	0	0	Prior Year DUOS Alignment	(39,029)	(87,539)	0	0
0	0	0	0	Prior Year Shared Asset Alignment	0	2,344	0	0
0	0	0	0	Prior Year Caps Cons Alignment	(73,519)	(63,652)	0	0
0	0	0	0	Prior Year Solar FiT Alignment	(28,055)	(84,020)	0	0
(2,030)	(2,304)	(1,963)	(1,625)	Solar Bonus	(422)	0	(372)	(7,922)
(27,241)	(30,920)	(26,352)	(21,809)	Inter-Company Solar Bonus	(130,856)	(118,311)	(114,969)	(106,323)
21,274	21,108	20,267	20,900	Inter-Company GUOS	90,769	97,961	81,899	83,549
225	225	225	225	TUOS	877	889	890	900
2,573	2,944	2,944	2,573	Diesel Fuel Rebate	9,836	10,299	10,504	11,034
447,421	501,496	520,782	448,718	**TOTAL ENERGY RELATED REVENUE**	1,920,281	2,061,598	2,086,381	1,918,418
				COST OF SALES				
90,799	92,278	89,127	91,691	Transmission Charges	325,510	349,292	319,057	363,895
0	0	0	0	Avoided Transmission Charges	5,875	0	1,930	0
0	0	0	0	Inter-Company Avoided Transmission Charges	1,648	1,894	2,164	0
125	125	125	125	Inter-Company Compensation Retail	686	500	736	500
90,924	92,403	89,252	91,816	**TOTAL COST OF SALES**	333,718	351,687	323,887	364,395
356,497	409,094	431,530	356,901	**ELECTRICITY GROSS MARGIN**	1,586,563	1,709,912	1,762,494	1,554,022
				OTHER PRODUCT REVENUE				
23,426	20,915	18,221	20,842	Sales Revenue	82,631	78,836	67,420	83,404
47	47	47	47	Inter-Company Sales	892	0	1,048	189
23,474	20,962	18,268	20,890	**NON ENERGY RELATED GROSS MARGIN**	83,523	78,836	68,468	83,593
				MISCELLANEOUS REVENUE				
674	669	654	641	Interest	3,469	3,724	3,518	2,638
1,523	1,774	1,885	1,999	Interest on MOFA	5,456	6,962	5,416	7,181
0	0	0	146,120	Inter-Company Dividends	2,475	95,913	146,451	146,120
0	0	0	0	Government Grants	2,519	0	4,514	0
375	375	375	375	Rent	1,737	1,297	1,526	1,500
0	0	0	0	Gain on Sale of Assets	4,260	0	1,071	0
6,556	7,400	7,623	6,495	Inter-Company Metering Revenue	0	0	0	28,074
3,288	3,288	3,288	3,288	Metering Contributions - Cash	0	0	0	13,152
2,383	2,383	2,383	2,383	Capital Contributions - Cash	37,688	42,000	28,402	9,533
0	0	0	0	Capital Contributions - Non-Cash	22,302	15,775	15,763	0
0	0	0	0	Capital Contributions - AARR Alignment	70,709	83,725	0	0
7,248	7,248	7,248	7,248	Subdivisions Gifted Contributions	0	0	0	28,991
4,780	4,780	4,780	4,780	Alternative Control	18,642	20,631	13,116	19,122
784	784	784	784	Inter-Company Alternative Control	1,410	1,511	1,292	3,138
8,310	8,310	8,310	8,310	Large Customer Connection	11,789	985	5,473	33,241
0	0	0	0	Altern Control Services Contrib Assets	18,273	5,368	12,184	0
0	0	0	0	Street Lighting	1,433	1,200	0	0
7,642	8,626	8,886	7,571	Inter-Company Street Lighting	37,048	34,000	34,696	32,724
1,747	1,747	1,747	1,747	Streetlighting Cash Contributions	0	0	1,713	6,987
3,901	3,901	3,901	3,901	Streetlighting Gifted Assets	0	0	5,993	15,603
0	0	0	0	Gain on Foreign Exchange	0	0	4	0
739	739	739	739	Corporate Service Fees	3,117	3,169	3,169	2,955
0	0	0	0	Discounts Received	0	0	0	0
0	0	0	0	Insurance Claims	0	0	1,147	0
14,470	13,997	14,071	14,036	Inter-Company SLA Revenue EEQ	43,486	48,606	44,845	56,574
555	555	555	555	Inter-Company SLA Revenue EETL	1,969	2,410	1,916	2,219
0	0	0	0	SLA Revenue	0	0	0	0
0	0	0	0	Discount of NC Assets	35,442	21,960	0	0
0	0	0	0	Other Revenue	4,247	0	8,424	0
64,973	66,575	67,229	210,973	**TOTAL MISCELLANEOUS REVENUE**	327,473	389,235	340,635	409,751
444,944	496,631	517,027	588,764	**GROSS MARGIN & OTHER REVENUE**	1,997,559	2,177,983	2,171,597	2,047,366
150,464	158,468	144,254	152,978	Opex	577,012	574,338	609,104	606,164
				Opex - Additional Items				
150,464	158,468	144,254	152,978	**TOTAL OPERATING EXPENSES**	577,012	574,338	609,104	606,164
				OTHER OPERATING EXPENDITURE				
100,895	102,291	103,723	105,152	Depreciation	416,971	454,852	406,558	412,061
925	929	933	937	Amortisation	14,356	6,357	6,309	3,725
0	0	0	0	Decrements Valuation	15,666	0	(1,545)	0
101,820	103,220	104,656	106,090	**TOTAL OTHER OPERATING EXPENDITURE**	446,993	461,209	411,322	415,786
192,661	234,943	268,117	329,696	**EARNINGS BEFORE INTEREST & TAXES (EBIT**	973,554	1,142,436	1,151,170	1,025,416
57,595	72,005	78,468	79,375	Finance Charges	367,814	339,554	307,321	287,443
17	9	9	11	Inter-Company Finance Charges	160	86	293	46
135,048	162,928	189,640	250,310	**EARNINGS BEFORE TAXES (EBT)**	605,579	802,796	843,557	737,927
40,514	48,879	56,892	31,257	Income Tax	181,012	212,065	209,637	177,542
94,534	114,050	132,748	219,053	**NET PROFIT AFTER TAXES (NPAT)**	424,568	590,731	633,920	560,385
(0)	94,534	208,584	341,332	**OPENING RETAINED EARNINGS**	646,166	629,457	1,219,514	(0)
0	0	0	0	Adjustment for Super Surplus	40,096	0	68,606	0
94,534	208,584	341,332	560,385	**TOTAL AVAILABLE FOR APPROPRIATION**	1,110,829	1,220,188	1,922,040	560,385
0	0	0	560,385	Dividends Provided For	391,609	472,585	1,922,040	560,385
0	0	0	0	Share/Associates Profit/Loss	0	0	0	0
0	0	0	560,385	**TOTAL DIVIDENDS**	391,609	472,585	1,922,040	560,385
94,534	208,584	341,332	(0)	**CLOSING RETAINED EARNINGS**	719,221	747,603	0	(0)

Quarters 2015-16 Sept $'000s	Quarters 2015-16 Dec $'000s	Quarters 2015-16 Mar $'000s	Quarters 2015-16 Jun $'000s	Statement of Financial Position Ergon Energy Corporation Limited	Actual 2013-14 $'000s	SCI 2014-15 $'000s	Est Actual 2014-15 $'000s	Budget 2015-16 $'000s
32,852	32,672	32,794	49,956	Cash & Cash Equivalents	107,130	125,357	35,684	49,956
520,206	563,263	551,244	639,318	Current Receivables	682,201	877,894	581,777	639,318
99,584	98,653	97,371	96,084	Inventories	110,633	103,711	103,552	96,084
54	54	54	54	Other Current Assets	7,713	55	54	54
652,696	694,642	681,463	785,413	**CURRENT ASSETS**	907,677	1,107,017	721,067	785,413
81,252	85,944	90,635	95,326	Long Term Receivables	341,554	204,975	76,561	95,326
2,498	2,498	2,498	2,498	Non-Current Investments	2,498	2,498	2,498	2,498
0	0	0	0	Non-Current Inventories	0	2,400	0	0
10,284,874	10,400,387	10,514,985	10,764,616	Property, Plant & Equipment	9,868,928	10,951,397	10,174,107	10,764,616
12,903	12,317	11,728	11,134	Intangible Non-Current	15,182	26,022	13,484	11,134
128,264	122,264	116,264	113,264	Superannuation Surplus	76,913	23,000	133,264	113,264
0	0	0	0	Other Non Current Assets	0	0	0	0
10,509,791	10,623,410	10,736,109	10,986,839	**NON-CURRENT ASSETS**	10,305,075	11,210,292	10,399,914	10,986,839
11,162,487	11,318,053	11,417,572	11,772,251	**ASSETS**	11,212,752	12,317,309	11,120,981	11,772,251
226,568	222,469	242,259	213,843	Current Payables	223,431	199,112	242,161	213,843
70,512	163,317	134,611	0	Interest Bearing Liabilities Current	250,000	4,261	0	0
17,176	19,767	21,045	21,211	Current Provisions	25,565	25,460	24,898	21,211
162,552	165,140	167,382	167,730	Employee Benefits Current	146,792	137,843	156,207	167,730
1,922,040	(0)	(0)	560,385	Dividends	391,609	472,585	1,922,040	560,385
155,974	101,706	119,329	106,678	Other Current Liabilities	26,516	275,485	128,724	106,678
2,554,822	672,399	684,627	1,069,847	**CURRENT LIABILITIES**	1,063,913	1,114,746	2,474,030	1,069,847
10,826	11,707	11,191	11,322	Employee Benefits Non-Current	13,959	13,672	11,061	11,322
467	467	467	467	Payables Non-Current	255	1,787	467	467
5,273,418	7,073,418	7,073,418	7,273,418	Interest Bearing Liabilities Non-Current	4,865,457	5,273,409	5,273,418	7,273,418
1,576,219	1,699,372	1,654,504	1,668,678	Deferred Tax Equivalent Liabilities	1,840,673	1,958,875	1,709,623	1,668,678
1,203	1,245	1,308	1,239	Non-Current Provisions	1,293	1,370	1,251	1,239
5,973	5,837	5,702	5,306	Other Non Current Liabilities	6,725	6,109	6,109	5,306
6,868,106	8,792,046	8,746,589	8,960,429	**NON-CURRENT LIABILITIES**	6,728,362	7,255,222	7,001,929	8,960,429
9,422,929	9,464,445	9,431,216	10,030,276	**LIABILITIES**	7,792,275	8,369,968	9,475,959	10,030,276
942,392	942,392	942,392	942,392	Share Capital	2,294,582	2,294,582	942,392	942,392
0	0	0	0	Unissued Capital	(1,352,190)	(1,352,190)	0	0
942,392	942,392	942,392	942,392	**Contributed Equity**	942,392	942,392	942,392	942,392
711,962	711,962	711,962	808,913	Asset Revaluation	1,768,192	2,234,676	711,962	808,913
(9,330)	(9,330)	(9,330)	(9,330)	Government Contribution Reserve	(9,330)	22,670	(9,330)	(9,330)
702,632	702,632	702,632	799,583	**Reserves**	1,758,862	2,257,346	702,632	799,583
(0)	(0)	(0)	(0)	Retained Profits	710,956	651,885	1,288,120	(0)
94,534	208,584	341,332	(0)	Current Year Profit	32,959	118,146	(1,288,120)	(0)
0	0	0	0	Ret Earn DB Super Surplus/Deficit	(24,694)	(22,429)	0	0
94,534	208,584	341,332	(0)	**Retained Earnings**	719,221	747,602	(0)	(0)
1,739,558	1,853,608	1,986,356	1,741,975	**EQUITY**	3,420,475	3,947,340	1,645,024	1,741,975

Quarters 2015-16 Sept $'000s	Quarters 2015-16 Dec $'000s	Quarters 2015-16 Mar $'000s	Quarters 2015-16 Jun $'000s	Cash Flow Ergon Energy Corporation Limited	Actual 2013-14 $'000s	SCI 2014-15 $'000s	Est Actual 2014-15 $'000s	Budget 2015-16 $'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
558,677	400,491	499,185	550,145	Receipts from Customers	2,117,677	2,486,979	2,437,406	2,008,498
(257,990)	(14,513)	(212,006)	(400,432)	Payments to Suppliers & Employees	(956,932)	(1,005,655)	(1,065,507)	(884,940)
2,196	2,443	2,540	2,640	Interest Received	8,925	10,686	8,934	9,819
(83,495)	(57,612)	(72,014)	(78,477)	Interest and Other Costs of Financing	(365,423)	(350,764)	(334,872)	(291,599)
2,383	2,383	2,383	2,383	Capital Contributions	37,688	42,000	28,402	9,533
0	146,451	0	0	Dividends Received	61,419	1,281	2,475	146,451
10,322	9,417	51,626	12,328	Other Operating Receipts	35,692	6,250	51,908	83,693
(22,921)	(149,051)	(52,929)	(54,798)	Tax Paid	0	0	(55,027)	(279,699)
209,173	340,009	218,785	33,789	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	939,047	1,190,776	1,073,718	801,756
				CASH FLOWS FROM INVESTING ACTIVITIES				
0	0	0	0	Gain on Sale of Assets	30,373	0	0	0
(211,662)	(217,805)	(218,320)	(216,283)	Land and Property Plant & Equipment	(760,648)	(916,220)	(909,987)	(864,069)
(344)	(344)	(344)	(344)	Intangibles - Software	(1,301)	(10,506)	(1,528)	(1,375)
(212,006)	(218,148)	(218,664)	(216,626)	**NET CASH USED IN INVESTING ACTIVITIES**	(731,577)	(926,726)	(911,515)	(865,444)
				CASH FLOWS FROM FINANCING ACTIVITIES				
(0)	1,800,000	0	200,000	Proceeds from Borrowings	456,772	400,000	400,000	2,000,000
0	0	0	0	Repay Borrowings	(320,000)	(241,536)	(242,040)	0
0	(1,922,040)	0	0	Dividends Paid	(325,764)	(393,158)	(391,609)	(1,922,040)
(0)	(122,040)	0	200,000	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(188,992)	(234,695)	(233,648)	77,960
(2,833)	(179)	121	17,163	**NET INCREASE/(DECREASE) IN CASH HELD**	18,479	29,356	(71,445)	14,272
35,684	32,852	32,672	32,794	**CASH HELD BEGINNING OF PERIOD**	88,651	96,002	107,130	35,684
32,852	32,672	32,794	49,956	**CASH HELD AT END OF PERIOD**	107,130	125,357	35,684	49,956

Ergon Energy Queensland

Quarters 2015-16				Statement of Comprehensive Income	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				ENERGY RELATED REVENUE				
451,081	522,914	575,341	432,535	Energy Sales	1,960,545	2,061,610	2,035,662	1,981,872
0	0	0	0	Guarantee Deficiencies	35	45	1	0
8,120	4,450	(2,482)	1,115	Renewable Energy Revenue	0	0	0	11,203
0	0	0	0	Mark to Market Revenue	0	0	84,457	0
2,298	2,671	2,589	2,093	Meter Cards Revenue	8,168	9,277	8,433	9,652
(27,241)	(30,920)	(26,352)	(21,809)	Solar Bonus	(130,674)	(122,254)	(115,158)	(106,323)
610	461	411	411	Inter-Company TUOS	1,648	1,894	2,157	1,894
0	0	0	0	Mark to Market Net Sales	(123,403)	0	0	0
434,869	499,576	549,507	414,345	**TOTAL ENERGY RELATED REVENUE**	1,716,319	1,950,572	2,015,552	1,898,298
				COST OF SALES				
90,100	104,571	131,139	78,991	Energy Purchases	467,970	448,493	497,757	404,802
21,274	21,108	20,267	20,900	Inter-Company Energy Purchases	90,769	97,961	83,866	83,549
2,723	3,698	3,560	3,293	Solar FiT Sales Scheme	0	0	6,145	13,274
(96,631)	(107,250)	(114,583)	(93,581)	CSO Expense - NEM	(433,335)	(570,413)	(526,876)	(412,045)
(19,271)	(15,160)	(14,262)	(19,243)	CSO Expense - Non Grid	(85,590)	(83,847)	(69,195)	(67,936)
0	0	0	0	Energy Brokerage Fees	361	0	295	0
0	0	0	0	Hedge Costs Realised	53,768	0	(102,594)	0
15,041	17,389	20,623	15,609	Certificate Compliance Expenses	81,054	62,269	66,143	68,662
0	0	0	0	Contestable Charges Recoverable	81	0	81	0
339,777	383,362	400,849	342,260	Inter-Company Contestable Charges Recoverable	1,446,911	1,698,035	1,620,689	1,466,247
670	765	851	643	Market Charges	2,703	4,936	4,143	2,929
286	328	367	274	Ancillary Charges	1,276	1,281	1,415	1,255
0	0	0	0	Inter-Company Meter Charges Non-Recoverable	(1,817)	0	5	0
0	0	0	0	Metering Charges Non-Recoverable	(1,944)	0	5	0
0	0	0	0	Embedded Energy	28,605	30,394	22,570	0
9,143	9,621	9,763	9,326	Isolated Energy	34,742	37,514	31,011	37,852
0	0	0	0	Loss on Sale Environmental Products	(7)	0	(1,101)	0
363,111	418,433	458,574	358,471	**TOTAL COST OF SALES**	1,685,547	1,726,624	1,634,357	1,598,589
71,758	81,143	90,934	55,874	**ELECTRICITY GROSS MARGIN**	30,773	223,948	381,195	299,709
				OTHER PRODUCT REVENUE				
0	0	500	500	Sales Revenue	3	303	(3)	1,000
0	0	0	0	Inter-Company Sales	5	0	0	0
784	784	784	784	Inter-Company Non-Energy Purchases	1,410	1,511	1,292	3,138
200	200	800	800	Non-Energy Purchases	0	0	0	2,000
(984)	(984)	(1,084)	(1,084)	**NON ENERGY RELATED GROSS MARGIN**	(1,403)	(1,208)	(1,296)	(4,138)
				MISCELLANEOUS REVENUE				
3,037	3,309	3,068	2,900	Interest	9,383	9,735	10,661	12,314
0	0	0	0	Inter-Company Interest	0	0	174	0
784	784	784	784	Alternative Control	1,405	1,511	1,960	3,138
0	0	0	0	Discount of NC Assets	(21)	0	0	0
80	80	426	80	Other Revenue	676	732	4,432	665
125	125	125	125	Inter-Company Other Revenue	686	500	736	500
4,025	4,298	4,404	3,889	**TOTAL MISCELLANEOUS REVENUE**	12,128	12,478	17,963	16,617
74,799	84,456	94,253	58,679	**GROSS MARGIN & OTHER REVENUE**	41,497	235,218	397,862	312,188
24,966	24,493	24,642	24,533	Opex	66,517	92,244	102,155	98,635
				Opex - Additional Items				
24,966	24,493	24,642	24,533	**TOTAL OPERATING EXPENSES**	66,517	92,244	102,155	98,635
				OTHER OPERATING EXPENDITURE				
7	7	7	7	Depreciation	96	3,225	56	28
361	423	485	547	Amortisation	1,922	661	1,253	1,815
368	430	492	554	**TOTAL OTHER OPERATING EXPENDITURE**	2,019	3,886	1,309	1,843
49,465	59,533	69,119	33,592	**EARNINGS BEFORE INTEREST & TAXES (EBIT**	(27,038)	139,088	294,398	211,709
627	956	1,102	957	Finance Charges	4,112	3,979	3,286	3,642
48,838	58,577	68,017	32,635	**EARNINGS BEFORE TAXES (EBT)**	(31,150)	135,109	291,111	208,067
14,651	17,573	20,405	9,790	Income Tax	(9,712)	40,533	87,355	62,420
34,187	41,004	47,612	22,844	**NET PROFIT AFTER TAXES (NPAT)**	(21,439)	94,576	203,757	145,647
58,498	92,685	133,689	181,300	**OPENING RETAINED EARNINGS**	14,873	20,884	(622)	58,498
0	0	0	0	Adjustment for Super Surplus	0	0	0	0
92,685	133,689	181,300	204,145	**TOTAL AVAILABLE FOR APPROPRIATION**	(6,566)	115,460	203,134	204,145
0	0	0	145,647	Inter-Company Dividends Provided For	0	94,576	144,636	145,647
92,685	133,689	181,300	58,498	**CLOSING RETAINED EARNINGS**	(6,566)	20,884	58,498	58,498

Quarters 2015-16				Statement of Financial Position	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
431,107	425,711	407,844	210,220	Cash & Cash Equivalents	108,952	115,154	280,470	210,220
384,419	570,737	542,885	544,861	Current Receivables	410,243	560,065	437,276	544,861
52,960	52,960	52,960	52,960	Financial Assets Current	27,679	38,136	52,960	52,960
38,354	38,354	38,354	38,354	Other Current Assets	30,766	43,065	38,354	38,354
906,841	1,087,762	1,042,043	846,394	**CURRENT ASSETS**	577,641	756,419	809,060	846,394
126	119	112	105	Property, Plant & Equipment	786	18,158	133	105
39,726	39,726	39,726	39,726	Deferred Tax Equivalent Assets	39,712	0	39,726	39,726
12,674	14,436	16,137	17,776	Intangible Non-Current	3,492	1,240	10,849	17,776
52,526	54,281	55,975	57,607	**NON-CURRENT ASSETS**	43,990	19,398	50,708	57,607
959,366	1,142,043	1,098,018	904,001	**ASSETS**	621,630	775,817	859,769	904,001
361,089	546,964	532,003	472,037	Current Payables	400,774	441,202	409,018	472,037
134,319	265,658	182,109	26,206	Interest Bearing Liabilities Current	25,879	38,765	26,584	26,206
32,296	32,296	32,296	32,296	Financial Liabilities Current	127,009	80,999	32,263	32,296
230	254	260	255	Current Provisions	334	284	361	255
0	0	0	0	Employee Benefits Current	0	0	0	0
144,636	(0)	(0)	145,647	Dividends	0	94,576	144,636	145,647
104,095	73,179	80,062	79,094	Other Current Liabilities	24,165	34,214	98,822	79,094
776,665	918,351	826,730	755,536	**CURRENT LIABILITIES**	578,161	690,041	711,684	755,536
0	0	0	0	Deferred Tax Equivalent Liabilities	0	46,992	0	0
2,895	2,882	2,866	2,846	Non-Current Provisions	2,942	2,806	2,466	2,846
2,895	2,882	2,866	2,846	**NON-CURRENT LIABILITIES**	2,942	49,797	2,466	2,846
779,560	921,233	829,596	758,382	**LIABILITIES**	581,102	739,839	714,150	758,382
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
40,028	40,028	40,028	40,028	Hedging Reserves	0	0	40,028	40,028
47,094	47,094	47,094	47,094	Government Contribution Reserve	47,094	15,094	47,094	47,094
87,121	87,121	87,121	87,121	**Reserves**	47,094	15,094	87,121	87,121
58,498	58,498	58,498	58,498	Retained Profits	14,873	20,884	(622)	58,498
34,187	75,191	122,803	0	Current Year Profit	(21,439)	0	59,120	0
0	0	0	0	Ret Earn DB Super Surplus/Deficit	0	0	0	0
92,685	133,689	181,300	58,498	**Retained Earnings**	(6,566)	20,884	58,498	58,498
179,806	220,810	268,422	145,619	**EQUITY**	40,528	35,978	145,619	145,619

Quarters 2015-16				Cash Flow	Actual	SCI	Est Actual	Budget
Sept	Dec	Mar	Jun	Ergon Energy Queensland	2013-14	2014-15	2014-15	2015-16
$'000s	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s
				CASH FLOWS FROM TRADING ACTIVITIES				
370,760	189,513	448,866	299,718	Receipts from Customers	1,612,487	1,951,346	1,659,965	1,308,858
(325,725)	(163,734)	(544,127)	(597,710)	Payments to Suppliers & Employees	(2,051,828)	(2,586,542)	(2,031,405)	(1,631,296)
3,037	3,309	3,068	2,900	Interest Received	9,383	9,735	10,835	12,314
(627)	(956)	(1,102)	(957)	Interest and Other Costs of Financing	(4,175)	(3,979)	(3,286)	(3,642)
115,902	122,410	128,845	112,824	Community Service Obligations	518,925	654,260	596,071	479,981
(10,068)	(9,200)	(51,235)	(12,207)	Tax Paid	(23,475)	(5,152)	(53,353)	(82,710)
153,279	141,342	(15,685)	(195,432)	**NET CASH PROVIDED BY OPERATING ACTIVITIES**	61,317	19,669	178,826	83,505
				CASH FLOWS FROM INVESTING ACTIVITIES				
0	0	0	0	Land and Property Plant & Equipment	(688)	(18,870)	0	0
(2,185)	(2,185)	(2,185)	(2,185)	Intangibles - Software	(710)	0	(8,014)	(8,742)
(2,185)	(2,185)	(2,185)	(2,185)	**NET CASH USED IN INVESTING ACTIVITIES**	(1,397)	(18,870)	(8,014)	(8,742)
				CASH FLOWS FROM FINANCING ACTIVITIES				
(457)	83	4	(8)	Repayable Deposits	1,979	2,472	705	(377)
0	(144,636)	0	0	Dividends Paid	(58,760)	0	0	(144,636)
(457)	(144,553)	4	(8)	**NET CASH PROVIDED BY FINANCING ACTIVITIES**	(56,782)	2,472	705	(145,014)
150,637	(5,397)	(17,867)	(197,625)	**NET INCREASE/(DECREASE) IN CASH HELD**	3,138	3,271	171,518	(70,251)
280,470	431,107	425,711	407,844	**CASH HELD BEGINNING OF PERIOD**	105,814	111,883	108,952	280,470
431,107	425,711	407,844	210,220	**CASH HELD AT END OF PERIOD**	108,952	115,154	280,470	210,220

Key Assumptions

The key assumptions associated with this SCI are set out below.

Table 7: Key Assumptions

	2014/15 Est Actual	2015/16 Budget
Consumer Price Index	1.50%	2.55%
Wages Growth	3.0%	3.0%
Long Term Interest Rates	6.16%	4.55%
Dividend Payout Ratio[1]	100%	100%
Weighted Average Cost of Capital (WACC)	9.72%	5.85%
Maximum Demand (MW) [2]	2,354	2,414
Number of Customers[3]	736,372	747,565

Notes:

1. The 2014/15 dividend will be calculated in accordance with the direction given to Ergon Energy by shareholding Ministers on 29 June 2015 (see the Government Directions section of this SCI). The 2015/16 dividend will be calculated in accordance with the dividend policy section of this SCI.
2. The maximum demand forecast figures are from Ergon Energy's system maximum demand model and are temperature corrected (50% Probability of Exceedance: 50 POE). The 2014/15 figure is the actual maximum demand on the network for the 2014/15 year.
3. The customer numbers are as per the Ergon Energy 2015-2020 Reset RIN Table 3.4.2

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 100% (or the percentage approved by shareholding Ministers, if different) of Ergon Energy's adjusted consolidated profit for 2015/16. 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.

Capital Structure

The Board will prudently manage the financing of Ergon Energy's existing business and new business developments and will act in accordance with the shareholding Ministers' Direction dated 29 June 2015. This direction requires Ergon Energy to pay an extraordinary dividend of $1.229 billion in respect of the 2014/15 financial year and requires Ergon Energy to increase its borrowings to fund the dividend payment. The increase in borrowings will increase Ergon Energy's gearing ratio (defined as the ratio of net debt owed to Queensland Treasury Corporation (QTC) to the Regulated Asset Base (RAB)) to almost 70% during the 2015/16 financial year. Ergon Energy's net asset position will also reduce to approximately $1.8 billion to effect the 2014/15 dividend payment.

[redacted]

Ergon Energy will request equity contributions from its shareholders if this is required to maintain an investment grade credit rating of BBB- to ensure compliance with its lending documentation. Current 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 2019/20. 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 minimum investment grade credit rating of BBB-.

Investment Thresholds

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

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.

As part of its Fiscal Strategy and Debt Action Plan (Fiscal Strategy), the Government raised its intention to drive savings in the electricity Government Owned Corporations through merging the three network businesses into a single network business; and the two generation businesses into a single generation business, subject to a final structure being agreed with the Australian Competition and Consumer Commission.

While no decisions regarding future structures of the businesses have been made, the Government has commenced work to identify efficiency and synergy gains which may be achieved through merging the businesses, along with developing organisational structures which will support the achievement of those gains, while managing any competition issues.

Ergon Energy will continue to assist and work with Government throughout this process through the provision of information and the identification of potential efficiency and synergy savings.

The Government has expressed its intention to support the further development of Queensland's solar resources at both residential and commercial scales. Ergon Energy will work with Government as it seeks to achieve its goals of having one million Queensland rooftops fitted with solar panels by 2020 and having fifty percent of electricity supplied by renewable resources by 2030.

2011 Electricity Network Capital Program 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 were implemented for a term of up to four years from 2013/14.

2014/15 Dividend

On 29 June 2015, Ergon Energy received a direction from shareholding Ministers under section 131(3)(b) of the GOC Act. This direction required Ergon Energy to pay a dividend for the 2014/15 financial year of 100% of Ergon Energy’s net profit after tax and the lessor of $1,229,000,000 or an amount that when paid means that Ergon Energy’s gearing ratio[7] is 70%. The direction also required the 2014/15 dividend to be allocated as follows:

(a) Against Ergon Energy's retained earnings as at 30 June 2015 to the extent available; and

(b) After the allocation against Ergon Energy’s retained earnings, the balance (if any) to be made against Ergon Energy's revaluation reserve as at 30 June 2015.

In accordance with this direction, on 30 June 2015, the Board resolved to declare a dividend of $1,881.7 million for the 2014/15 year with the final dollar amount of the dividend to be calculated in accordance with the direction during the preparation of the audited accounts.

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[7] The direction defined the Gearing Ratio as the ratio of Net Debt owed to Queensland Treasury Corporation to the Regulated Asset Base.

Performance Agreement

This Statement of Corporate Intent (SCI), for the financial year 2015/16 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 2015/16 year.

This SCI is consistent with Ergon Energy's Corporate Plan 2015/16 to 2019/20, 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 2015/16.

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.

……………………………………………...

Gary Humphrys

Chairman

Date: 31 July 2015

………………………………………………

Hon Curtis Pitt MP

Treasurer, Minister for Employment and Industrial Relations, Minister for Aboriginal and Torres Strait Islander Partnerships

Date: 16/09/2015

………………………………………………

Hon Mark Bailey MP

Minister for Energy and Water Supply, Minister for Main Roads, Road Safety and Ports

Date: 15/9/15

Attachment 1: Employment and Industrial Relations Plans

Ergon Energy Employment and Industrial Relations Plan 2015/16

Shareholder Information

Employment and Industrial Relations Philosophy and Direction

Ergon Energy's Strategic Plan (2015-2020) is about increasing energy productivity, bringing down the cost of energy supply and creating more choice and value for our customers.

To achieve this we will deliver an effective market and efficient service.

Each theme is important and Ergon Energy must deliver on both to be a sustainable business into the future. Together, an effective market and efficient service 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; and being a great place to work.

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

Ergon Energy's Australian Energy Regulator (AER) proposal for 2015-2020 and refreshed customer service commitments are about delivering peace of mind; choice and control; for the best possible price. 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.

Ergon Energy's People Strategy 'Our People, Our Future' is aligned to deliver a 'high performing customer driven energy business'. 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.

This will be achieved through a continuous focus on people, performance and engagement to drive the development of a culture that delivers business outcomes. The People Strategy is delivered through strategic focus areas including Culture (Open/Transparent, Decisive, Whole of business focussed, Collaborative, Action Oriented); Leadership (Our leaders inspire, engage and empower our workforce to overcome the challenges of the future); Talent (Our people have the skills and capabilities needed to deliver business objectives and customer outcomes now and in the future); Performance (Our people are high performing and empowered to think and act like prudent customer focussed owners of a commercial business); Customer (We understand and listen to our customers - they are represented in who we are, what we do and why).

Ergon Energy will continue to build and sustain a co-operative and constructive workplace culture that supports Ergon Energy's Strategic Vision. Ergon Energy's employee relations philosophy is driven by business needs and is aligned with the organisation's overarching people vision, which places primary importance on effective leadership and direct engagement with our employees to support a cultural transformation.

Ergon Energy's employee relations practices will be compliant with legislative requirements, as well as being robust and adaptable to the operational, regulatory and political environment within which the organisation operates. Ergon Energy will work co-operatively with unions, whilst continuing to maintain organisational decision making and direct engagement with employees for the implementation of necessary organisational changes.

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

The Ergon Energy Union Collective Agreement 2011 nominally expired on 1 October 2014 and Ergon Energy had been undertaking negotiations with industry unions since August 2014 for a replacement enterprise agreement in accordance with the respective Government Owned Corporation Wages Policies in place over this period.

In accordance with the Government Owned Corporations Wages and Industrial Relations Policy 2015, in-principle agreement was reached in April 2015 with industry unions on terms for a replacement enterprise agreement, and a ballot of eligible employees was successfully completed on 2 June 2015.

Ergon Energy will seek approval of the new enterprise agreement with the Fair Work Commission and will progress implementation of the outcomes throughout the 2015/16 financial year.

While bargaining for a new enterprise agreement has been resolved, industry reform and change is ongoing. Ergon Energy will continue to implement internal changes and key initiatives to reduce costs, restructure the organisation to deliver greater efficiencies to meet the needs of a changing operating environment and providing value for customers.

A significant issue for the Corporation to address for the next financial year will be the management of outcomes associated with the AER's Preliminary Determination. In April 2015, the AER delivered its Preliminary Determination for Ergon Energy for the regulatory control period from 2015-2020. The Regulator in the determination has significantly reduced Ergon Energy's revenue and expenditure over this period.

The revenue and expenditure reductions outlined in the AER Preliminary Determination will require Ergon Energy to review operational requirements and seek cost reductions and efficiency improvements broadly across the organisation.

Ergon Energy's initial internal response to deliver the expenditure and revenue reductions also includes a requirement to reduce the internal workforce. While the need to reduce expenditure through associated labour costs has been identified through financial modelling, ongoing analysis of operational requirements is being undertaken to confirm the organisation's workforce reduction requirements. As such, at the time of the preparation of the Employment and Industrial Relation Plan, it is not possible for specific reduction targets or forecast total workforce numbers to be provided beyond 30 June 2015 (see Part 6).

The internal workforce reductions would be implemented through a managed approach utilising activities such as natural attrition by closing vacant positions and recruitment to business critical roles only, voluntary retrenchment and internal organisational change and restructuring processes.

Additionally, Ergon Energy has also significantly reduced its external contractor numbers for the 2015/16 period. Ensuring a targeted focus on the ongoing reduction of the external contractor workforce ensures alignment with the internal workforce reduction requirements.

Government stakeholders will be continuously briefed on the actions to be implemented and Ergon Energy will meet all consultation requirements with employees and industry unions.

Senior Executive Remuneration

Ergon Energy Corporation Limited (EECL): Senior Executive Remuneration as at 1 July 2014[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[6]
Ian McLeod[2]	Chief Executive	$719,496	$18,783	$0	$0	$0	$738,279	$0	$22,518
Peter Billing[4]	Executive General Manager Customer Service	$376,569	$18,783	$0	$0	$0	$395,352	$0	$51,645
Mal Leech[7]	Executive General Manager People & Shared Services	$331,374	$18,783	$0	$0	$0	$350,157	$0	$40,731
Roslyn Baker	Executive General Manager Retail	$347,549	$18,783	$0	$0	$0	$366,332	$0	$40,513
Mike Hutchens[3]	Chief Financial Officer	$316,217	$18,783	$0	$0	$0	$335,000	$0	$28,232
Gordon Taylor[4]	Executive - Strategy Revenue and Transformation	$581,217	$18,783	$0	$0	$0	$600,000	$0	$16,787
David Edmunds[5]	Executive General Manager Network Optimisation	$357,217	$18,783	$0	$0	$0	$376,000	$0	$8,919

Notes:

1. Data reflected captures Executive remuneration as at 1 July 2014.
2. The Chief Executive's performance payment was pro-rated from February 2014 as per current contractual arrangements. This is the actual performance payment made for the financial year 2013/2014.
3. As at 1 July 2014, Mike Hutchens was the Acting Chief Financial Officer and the TFR shown in the table reflects the acting incumbent's nominal salary and a higher duties component of $104,932. Mike Hutchens was appointed Chief Financial Officer on 1 July 2015.
4. Commenced employment with Ergon Energy in March 2014 as a result of the new Executive structure. The Executive's performance payment was pro-rated from March 2014 for the financial year 2013/2014. The Executive's employment ceased effective as at 5 June 2015.
5. Commenced employment with Ergon Energy in April 2014 as a result of the new Executive structure. The Executive's performance payment was pro-rated from April 2014 for the financial year 2013/2014.
6. All figures reflect the actual performance payment made for the financial year 2013/2014 – see notes above as applicable for each Executive.
7. The Executive's employment ceased effective as at 1 July 2015.

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 contractual arrangements as applicable:

- Enterprise Agreements:
  - The EEQ Retail Enterprise Agreement 2014. This new agreement was established through the bargaining round in 2014 and covers employees whose position is within the Retail business unit of Ergon Energy.
  - The Ergon Energy Union Collective Agreement 2011 (2011 Agreement). This existing enterprise agreement covers all other employees that are within enterprise agreement coverage.
- Total Employment Cost (TEC) or Total Fixed Remuneration (TFR) contracts for employees outside the coverage and application of the EEQ Retail Enterprise Agreement 2014 and the 2011 Agreement.

As at 1 January 2015, there were the following numbers of employees covered by these employment arrangements:

Type	Number of Employees
Enterprise Agreements:	
• 2011 Agreement	3,961
• EEQ Retail EA 2014*	316
TEC and TFR	123

*This agreement did not become operative until 29 January 2015.

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 2011 Agreement nominally expired on 1 October 2014. Ergon Energy has undertaken negotiations with industry unions for a replacement agreement in accordance with the Government Owned Corporations Wages Policy 2012.

The 2011 Agreement provided for the delivery of productivity initiatives. Ergon Energy has delivered a range of efficiency and effectiveness programs which have driven the productivity savings and has worked within the 2011 Agreement to enable these savings to be made.

3. Interstate Acquisitions/Operations

There are no interstate acquisitions or operations to report.

4. Redundancy Provisions

For employees covered by either the 2011 Agreement or the EEQ Retail Enterprise Agreement 2014, schedule 3 of each agreement contains the applicable redundancy provisions, which meet all legislative requirements.

There are some differences between the operation of these redundancy provisions.

In summary, the 2011 Agreement redundancy provisions provide:

- 'No forced retrenchment' for employees provided they do not unreasonably refuse suitable alternative employment within a fifty (50) kilometre radius of their original location.
- Salary maintenance at the employee's base rate of pay while they remain in their redeployed position.

In summary, the EEQ Retail Enterprise Agreement 2014 redundancy provisions provide:

- 'No forced retrenchment' for existing employees provided they do not unreasonably refuse suitable alternative employment within a fifty (50) kilometre radius of their original location.
- New employees engaged under the terms of the EEQ Retail Enterprise Agreement 2014 are provided a six (6) month notice period prior to retrenchment.
- Where an employee accepts redeployment to a lower classified position, salary maintenance at the employee's base rate of pay will be provided for a period of 12 months, after which they will revert to the salary of the redeployed position.

Both the 2011 Agreement and the EEQ Retail Enterprise Agreement 2014 provide the following redundancy pay arrangements for employees:

- Commitment to take all reasonable steps to determine what suitable alternative employment exists within Ergon Energy.
- 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.
- 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.

5. Superannuation

Ergon Energy makes superannuation contributions on behalf of eligible employees which meet legislative requirements.

All Ergon Energy employees who are employed under the 2011 Agreement must be members of the Energy Super Fund. Choice of super fund is available to employees covered by the EEQ Retail Enterprise Agreement 2014 and also employees on TEC or TFR contract arrangements.

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 2015, Ergon Energy has the following number of employees in each part of the Energy Super Fund and also who have accessed choice of fund:

- Defined Contribution of Energy Super – 3,457 employees; and
- Defined Benefit of Energy Super – 929 employees
- Choice of fund – 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 2015 Actual	30 June 2015 Estimate
Permanent Full Time[1]	3,826	3,927
Permanent Part Time	93	96
Other Contract[2]	117	120
Senior Executive Contract[3]	7	7
Apprentices (In House)[4]	189	194
Trainees (In House)[5]	56	58
Casual Employees[6]	112	115
Total Directly Employed Workforce	**4,400**	**4,517**
Apprentices Group	0	0
Trainees Group	0	0
Contractor Employees (Trade/Technical)[7]	578	632
Contractor Employees (Prof/Admin/Clerical)[8]	35	36
Labour Hire (Trade/Technical)[9]	15	15
Labour Hire (Prof/Admin/Clerical)[10]	44	45
s457 Temporary Visa (excluded from total)[11]	3	3
Number of Employees engaged on AWAs with Contractors	0	0
Total Workforce	**5,072**	**5,245**

Notes:

- All figures are total direct employee numbers, not FTE. Data correct as at 1 January 2015. Apprentice totals fluctuate throughout the year.

1. Permanent Full Time includes Permanent Full Time employees and Sponsored Apprentices (33 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 in remote areas and Customer Service Representatives within Retail.

7. Represents equivalent number of FTE for the completed hours as reported.
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 Strategic success is built upon the safety and wellbeing of our people, our community and our environment.

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 Industrial Relations Queensland Treasury and Trade.

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 identified for enterprise agreements will be reported quarterly to shareholding Ministers as required by Queensland Treasury and Trade.

SPARQ Solutions Pty Ltd Employment and Industrial Relations Plan 2015/2016

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 likely to impact SPARQ Solutions, Ergon Energy and Energex in 2015/16.

SPARQ Solutions will continue to ensure efficiency of ICT expenditure and will further progress the deployment of a multi-sourcing strategy including through the implementation of the Project Services Panel through 2015/16. The multi-sourcing strategy involves the sourcing of products and services from multiple suppliers, and internally, based on assessments of internal capacity, prudence and efficiency. The two significant categories of procurement where multi-sourcing is significant are for Operational Products & Services and IT Project Products & Services.

Several unknown environmental factors may influence the final version of this plan, for example outcomes of the final AER determination and potential industry merger arrangements. Finally replacement of the current SPARQ Union Collective Agreement, which expires on 29 January 2016, will require negotiation during the latter part of this period.

Continued use of Project Services Panel

The project services panel has seen the establishment of a small panel of ICT providers capable of delivering significant ICT projects which was implemented in 2014/15. The use of the Project Services Panel initiative will continue to 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 continued use of the project services panel will remain a focus for 2015/16.

Preparation for new SPARQ Solutions Enterprise Agreement

SPARQ Solutions will continue to focus on delivering savings from the enterprise agreement productivity measures throughout 2015/16. In addition, SPARQ will be required to prepare for negotiations for a new agreement following the expiry of the current SPARQ Solutions Union Collective Agreement on 29 January 2016. Preparations will commence under the current Industrial Framework, and will be reviewed for consistency with any future GOC Wages Policy.

Senior Executive Remuneration

SPARQ Solutions Pty Limited: Senior Executive Remuneration as at 1 July 2014:

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	379,432	37,939	0	0	0	417,371	0	47,923
Col Hanley	Applications Capability Manager	228,303	22,828	0	0	0	251,131	0	26,312
Bryce Maskey	Projects Delivery Manager	235,429	18,783	0	0	0	254,212	0	30,718
Paul Cockburn	Service Delivery Manager	238,015	18,783	0	0	0	256,798	0	30,410
Jonathan Thompson	CFO	253,735	25,371	0	0	0	279,106	0	30,592
Peter Poncini	Group Manager – Office of CIO	243,696	24,367	0	0	0	268,063	0	30,569

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 December 2014, there were the following numbers of employees covered by these employment arrangements:

Type	Number of Employees
Enterprise Agreement	329
IEA	5
TEC and TFR	12

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.

Three initiatives are listed below as part of the outcomes of the current SSUCA 2012. It is noted that this will expire on 29 January 2016. Therefore, any future productivity requirements for the remainder of the 2015/2016 period will be negotiated as part of these discussions.

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: • A revised Service Desk Contract was implemented along with an upgraded model for Next Generation Desktop Support which has enabled further efficiencies to be achieved through enhanced technology. • Enhancing Project Delivery efficiency and effectiveness was progressed through the New Delivery Model initiative and establishment of the Project Services 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: • Operationalising and embedding the Project Services Panel including organisational capability transition. • 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. • SPARQ 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.

Productivity Initiative	Target End Date	Achievement to Date
Initiative 3: Support for organisational Cultural Improvement and Employee Well-being	Progressively and ongoing	• A program of embedding activities was continued throughout 2014/15. • 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 (Leadership Communication). o Active involvement of the employee implementation team in developing initiatives (ZiPIT). o ZIP Resilience Program for all employees. • A further program of activities will be continued in 2015. • SPARQ will continue with employee Health Assessment Program in February 2015 as part of the annual program of health and safety activities for 2015/16. The program allows SPARQ to develop more targeted health and safety initiatives to support the wellbeing of employees in 2015/16 (for example, Corporate Fitness program as a result of 2014/15 Health Assessments).

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 29 January 2015, SPARQ Solutions has the following numbers in each of the Superannuation Funds:

- Energy Super Defined Contribution – 265 employees
- Energy Super Defined Benefit – 63 employees; and
- Other – own choice of superannuation fund – 18 employees

6. Types of Employment

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

Employment Category	31 Dec 2014 Actual	30 June 2015 Estimate
Permanent Full Time (includes IEA's)	332	332
Permanent Part Time	2	2
Other Contract (TEC)	6	6
Senior Executive Contract	6	6
Apprentices (In House)	-	-
Trainees (In House)	-	-
Casual Employees	-	-
Total Directly Employed Workforce	**346**	**346**
Apprentices Group	-	-
Trainees Group	-	-
Contractor Employees (Trade/Technical)	-	-
Contractor Employees (Prof/Admin/Clerical)	127	156
Labour Hire (Trade/Technical)	-	-
Labour Hire (Prof/Admin/Clerical)	4	4
s457 Temporary Visa (excluded from total)	-	-
Total Workforce	**477**	**506**

Note: All figures are total directly employed personnel numbers, not FTE.

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. These are due for recertification in July 2015. 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 Industrial Relations, Queensland Treasury and Trade.

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

Activity	2014/15 Budget	2014/15 Estimated Actual	2015/16 Budget
Advertising (And Other Marketing Channels)	3,702,000	3,698,544	4,800,875
Community Partnership Program	450,400	392,638	705,400
Corporate Entertainment	65,000	52,000	60,000
Other Related Activities	125,977	105,290	110,500
TOTAL	**4,343,377**	**4,248,472**	**5,676,775**

Note: A more detailed table, showing the activities and expenditures in each of these areas is included below.

Distribution Business

As a responsible energy industry leader, the Distribution business uses advertising and other marketing channels to communicate messages associated with network optimisation and electrical safety, as well as to support general customer engagement.

This is complemented by sponsorships and related community activities targeted at maintaining a positive presence across our regional service area and in social media. This remains especially important to meeting stakeholder engagement expectations around the Regulatory Proposal and service commitments.

The grants program, the Community Fund remains focused on supporting community-based energy and safety initiatives. In addition to the community partnerships listed, Ergon Energy is currently seeking to sponsor the Queensland State Emergency Service.

Retail Business

It is anticipated that the retail business will use marketing to deliver the new service offerings to customers that underpin the delivery of the benefits arising from the business transformation program (FACOM replacement) and strengthen the relationship that customers have with the brand, improve customer perceptions of effort and satisfaction, and build loyalty. At the time of writing the 2014/15 budget for these activities has not been finalised and the numbers provided are indicative. A major focus in 2015/16 is expected to be educating customers on tariffs and other related fees and services with the aim of helping customers to understand tariff structures, and assist them to bundle tariffs with other new offerings, such as bill smoothing. Another focus will be on building customer knowledge of new bill payment options, consolidated billing options for business customers and other online options like Self Service and web chat.

The community partnerships strategy and sponsorships will be used to strengthen community connections in regional Queensland and provide engagement opportunities.

Activity	2014/15 Budget ($)	2014/15 Estimated Actuals ($)	2015/16 Budget ($)	2015/16 Quarter				2015/16 Per Head Budget ($)
				Sep	Dec	Mar	Jun	
Advertising (and other marketing activities)								
Distribution Campaigns over $5,000[1]								
Energy Conservation - Distribution	570,000	303,124	200,000	50,000	50,000	50,000	50,000	
Community and high risk industry safety - Distribution	1,190,000	1,443,197	1,585,000	396,250	396,250	396,250	396,250	
General customer engagement [2]	415,000	418,940	270,000	67,500	67,500	67,500	67,500	
Total	**2,175,000**	**2,165,261**	**2,055,000**	**513,750**	**513,750**	**513,750**	**513,750**	
Distribution Other Marketing Activities								
Other Marketing Activities[3]	227,000	163,283	206,500	51,625	51,625	51,625	51,625	
Total	**227,000**	**163,283**	**206,500**	**51,625**	**51,625**	**51,625**	**51,625**	
Retail Campaigns over $5,000								
General customer engagement	975,000	975,000	803,875	200,968	200,969	200,969	200,969	
Billing & Payment Options	300,000	300,000	0	0	0	0	0	
eBilling[4]	0	40,000	0	0	0	0	0	
Product and Services Marketing[5]	0	30,000	1,435,500	358,875	358,875	358,875	358,875	
Total	**1,275,000**	**1,345,000**	**2,239,375**	**559,843**	**559,843**	**559,843**	**559,843**	
Retail Other expenditure over $5,000								
Leveraging the Community Partnership program - retail	25,000	25,000	300,000	75,000	75,000	75,000	75,000	
Total	**25,000**	**25,000**	**300,000**	**75,000**	**75,000**	**75,000**	**75,000**	
Total Advertising	**3,702,000**	**3,698,544**	**4,800,875**	**1,200,219**	**1,200,219**	**1,200,219**	**1,200,219**	

Activity	2014/15 Budget ($)	2014/15 Estimated Actuals ($)	2015/16 Budget ($)	2015/16 Quarter				2015/16 Per Head Budget ($)
				Sep	Dec	Mar	Jun	
Community Partnership Program								
Distribution sponsorship of individual entities over $5,000								
LGAQ and LGMA - local government engagement	35,000	34,750	35,000	8,750	8,750	8,750	8,750	
Carnival of Flowers - regional stakeholder engagement - energy efficiency messages	40,000	40,000	50,000	12,500	12,500	12,500	12,500	
Beef Australia[6]	25,000	0	0	0	0	0	0	
General community sponsorship program - funds over $5,000 not yet allocated to entities	40,000	36,650	148,000	37,000	37,000	37,000	37,000	
Discontinued community partnership programs[7]	53,000	23,869	0					
Total	**193,000**	**135,269**	**233,000**	**58,250**	**58,250**	**58,250**	**58,250**	
Distribution Sponsorship of entities under $5,000								
Tactical local community sponsorships	172,400	172,369	172,400	43,100	43,100	43,100	43,100	
Total	**172,400**	**172,369**	**172,400**	**43,100**	**43,100**	**43,100**	**43,100**	
Retail sponsorship of individual entities over $5,000								
QUT Business Leaders Forum - business stakeholder engagement	30,000	30,000	30,000	0	30,000	0	0	
LGAQ and LGMA - local government engagement	5,000	5,000	0	0	0	0	0	
Carnival of Flowers - regional stakeholder engagement - energy efficiency messages	10,000	10,000	0	0	0	0	0	
Indigenous Program	10,000	10,000	0	0	0	0	0	
General community sponsorship program - funds over $5,000 not yet allocated to entities	20,000	20,000	50,000	12,500	12,500	12,500	12,500	

Activity	2014/15 Budget ($)	2014/15 Estimated Actuals ($)	2015/16 Budget ($)	2015/16 Quarter				2015/16 Per Head Budget ($)
				Sep	Dec	Mar	Jun	
Not yet allocated	0	0	220,000	55,000	55,000	55,000	55,000	
Total	**75,000**	**75,000**	**300,000**	**67,500**	**97,500**	**67,500**	**67,500**	
Retail Sponsorship of entities under $5,000								
Tactical local community sponsorships	10,000	10,000	0	0	0	0	0	
Total Community Partnership Program	**450,400**	**392,638**	**705,400**	**168,850**	**198,850**	**168,850**	**168,850**	
Corporate Entertainment								
Event over $5,000								
Staff Christmas Function[8]	65,000	52,000	60,000	0	50,000	10,000	0	30
Total Corporate Entertainment	**65,000**	**52,000**	**60,000**	**0**	**50,000**	**10,000**	**0**	
Other Related Activities								
Distribution Corporate Memberships - interface with key stakeholders on regional development issues over $5,000								
Townsville Enterprise	33,000	32,673	33,000	8,250	8,250	8,250	8,250	
Capricorn Enterprise	20,000	20,000	20,000	5,000	5,000	5,000	5,000	
Mount Isa to Townsville Economic Development Zone Inc	10,000	7,500	7,500	1,875	1,875	1,875	1,875	
Mackay Whitsunday Regional Economic Development Corporation	20,000	0	0	0	0	0	0	
Total	**83,000**	**60,173**	**60,500**	**15,125**	**15,125**	**15,125**	**15,125**	
Distribution Corporate Memberships under $5,000								
Tourism Tropical North Queensland	2,977	3,052	0	0	0	0	0	
Total	**2,977**	**3,052**	**0**	**0**	**0**	**0**	**0**	

Activity	2014/15 Budget ($)	2014/15 Estimated Actuals ($)	2015/16 Budget ($)	2015/16 Quarter				2015/16 Per Head Budget ($)
				Sep	Dec	Mar	Jun	
Distribution Other Related Activities over $5,000								
Community Fund	40,000	42,065	50,000	12,500	12,500	12,500	12,500	
Total	**40,000**	**42,065**	**50,000**	**12,500**	**12,500**	**12,500**	**12,500**	
Total Other Related Activities	**125,977**	**105,290**	**110,500**	**27,625**	**27,625**	**27,625**	**27,625**	
TOTAL OF ALL ACTIVITIES	**4,343,377**	**4,248,472**	**5,676,775**	**1,396,693**	**1,476,694**	**1,406,694**	**1,396,694**	

Notes:

- 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.
- Discontinued Community Partnership Programs - Queensland Energy Museum $43k budget (2014-15) and $22k estimated actuals (2014-15); Indigenous Program $10k budget (2014-15) and $2k estimated actuals (2014-15).

1. Distribution Campaigns over $5000 - while total distribution advertising for 2015/16 remains under 2014/15 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 and vehicle accidents with our assets. This additional spend is balanced by a reduction in the area of Distribution Network Efficiency where savings will be realised from re-using campaign material and cost efficient media buys and working collaboratively with Retail and Network Optimisation.
2. General Customer Engagement - this line item now includes Leveraging the Community Partnership program - distribution $40k budget (2014-15); $33k estimated actuals (2014-15) and $25k budget (2015-16).
3. Other marketing activities includes advertising activities charged by EECL to Nexium Telecommunications ($27,500); Energy Solutions-Market development ($130,000); Isolated Systems Community Engagement ($44,000); Network generation -Community Engagement ($5,000).
4. eBilling was a new service capability introduced to customers mid 2014/15 which was including in planning at the time of developing the 2014/15budget. An additional budget allocation to promote this service capability to customers was provided for from within the EEQ budget.
5. Additional budget of $30,000 was allocated for Product & Services Marketing in 2014/15 as increased focus was provided to this area. In 2015/16 EEQ plans to implement a number of new product and service offerings, and the budget allocated to this item has been increased accordingly. In addition to the promotion of new product and service offerings, this amount will `also include promotion of our existing ebilling and payment options, as well as an increase focus on tariffs. The 2015/16 budget allocated for product & services marketing includes both the development of marketing collateral and media spend.
6. Beef Australia is sponsored every three years and was last paid in 2014-15.
7. Discontinued Community Partnership Programs - Queensland Energy Museum $43k budget (2014-15) and $22k estimated actuals (2014-15); Indigenous Program $10k budget (2014-15) and $2k estimated actuals (2014-15).
8. Christmas functions are organised by the regional employee social clubs who receive a maximum reimbursement of $30 per head. This budget covers all regions.