

Forecast Report 2010/11

Released 30 July 2010



INTRODUCTION

During 2009/10 Ergon Energy has delivered across its strategic priorities, performing well financially and across its key operational performance targets. Network reliability and workplace safety performance outcomes will continue to receive management focus as we move into 2010/11.

The 2010/11 year is the first year of Ergon Energy's new five year Distribution Determination under the auspices of the Australian Energy Regulator (AER). Ergon Energy is committed to operating within the Distribution Determination parameters while ensuring regional Queensland has an electricity network that will meet the challenges of the future.

	FORECAST FOR 2010/11	EXPLANATION
Earnings Before Interest and Tax (EBIT), consolidated*	\$743.6 million	The increase in forecast EBIT for 2010/11 reflects the new Distribution Determination from the AER.
Duration Index SAIDI	Urban SAIDI ≤ 149 Short Rural SAIDI ≤ 424 Long Rural SAIDI ≤ 964	The SAIDI forecasts for 2010/11 are the Minimum Service Standards for SAIDI set in the Electricity Industry Code. SAIDI is the system average interruption duration index, and indicates the total minutes, on average, that customer are without electricity.
Frequency Index SAIFI	Urban SAIFI ≤ 1.98 Short Rural SAIFI ≤ 3.95 Long Rural SAIFI ≤ 7.4	The SAIFI forecasts for 2010/11 are the Minimum Service Standards for SAIFI set in the Electricity Industry Code. SAIFI is the system average interruption frequency index and indicates the average number of occasions each customer is interrupted.

STRATEGIC PRIORITIES FOR 2010/11

Ergon Energy's 2010/11 strategy focuses on delivering value for its shareholders and customers by providing a cost efficient and dependable electricity service, while improving its safety performance and asset management practices.

Ergon Energy will work closely with its customers to better understand and manage peak demand on the network. It will improve the level of customer service by providing customers with more ways of communicating with the organisation. Ergon Energy will continue to work closely with its communities to assist them to interact safely with network assets.

Ergon Energy will continue to evaluate and introduce new technologies that improve network performance, while meeting customer supply expectations and minimising environmental impacts.

2010/11 will also see Ergon Energy continuing to develop its people to keep pace with the changing environment and will focus on improving both safety leadership and behavioural safety to provide long term benefits for all employees.

Successfully achieving these strategic priorities is an important step towards delivering a more sustainable and affordable electricity service for regional Queensland.

MARKET ENVIRONMENT 2010/11

Customers electricity demands are expected to continue to grow over 2010/11 in line with current trends. Ergon Energy will monitor the economic drivers that influence the demand for new customer connections.

Retail electricity prices are expected to increase in line with the increase in the costs of supplying electricity.

MAJOR PROJECTS FOR 2010/11

Network performance will be improved across security, quality, reliability and availability of supply as set out in the Ergon Energy Network Management Plan see: <http://www.ergon.com.au/community--and--our-network/network-management-and-projects/network-management-plan>

Ergon Energy's 2010/11 demand management program will see progress on a number of initiatives and trials that will test options for reducing or mitigating the growth of peak demand on the network. For more information on demand management see:

<http://www.ergon.com.au/energy-conservation/what-are-we-doing/demand-management/electricity-demand-trials>

*The financial information provided in this report is unaudited. This report has been prepared based on information available as at 30 May 2010 and has been prepared for general information purposes. Representations in this report are forecasts only, are subject to change and should not be relied upon.