The Way We See It

Delivering an affordable, dependable and smart electricity supply

A snapshot of our annual stakeholder report 2008/09
Our strategic plans and Regulatory Proposal are underpinned by a clear understanding of our purpose – to enhance the economic and lifestyle aspirations of our customers through sustainable energy solutions.

CHAIRMAN DR RALPH CRAVEN
Ergon Energy’s strategic plan is all about ensuring regional Queensland has an affordable, dependable and smart electricity network fit for the challenges of the future. The way we see it our challenges are around:

DELIVERING AFFORDABLE SOLUTIONS TO ADDRESS PEAK DEMAND

Over recent years regional Queensland’s main centres have experienced rapid growth in electricity demand, driven by economic and population growth, as well as the take-up of air conditioning and other electronic equipment. This rise in demand is the primary driver of Ergon Energy’s network augmentation costs. Part of our strategy to respond to the issue of peak demand, and at the same time play our role in addressing climate change, is to significantly expand the network’s functionality. This future ‘smart’ network will support a whole range of innovative approaches.

GIVING CUSTOMERS REAL CHOICES

The issues that we are currently facing around affordability and climate change present opportunities for us to take advantage of non-traditional responses. We plan to use the network’s expanded functionality to empower our customers to control and reduce their energy use and therefore carbon emissions. We’ll also continue to expand the range of scenarios where we can offer developers more say in who builds their development’s electrical infrastructure. This strategy is all about ensuring that this infrastructure is available to the community at the most competitive price possible.

RESPONDING TO CLIMATE CHANGE

During 2008/09 we have continued to expand our understanding around climate change, build business resilience and proactively capitalise on the opportunities it presents. Of our many initiatives two are worthy of note here. First, we began generating power through our $4.6 million solar concentrator power station at Windorah in south-west Queensland. Second, the pioneering Townsville: Queensland Solar City project, part of the Australian Government’s Solar City program, continued to break new ground in the concentrated deployment of distributed solar generation and energy conservation.

SECURING VITAL FUTURE FUNDING

During the year we prepared a comprehensive Regulatory Revenue Proposal – one that we believe balances both cost and service delivery. It is now the Australian Energy Regulator’s role to benchmark Ergon Energy against how efficiently and effectively other energy companies are operating, and then determine what our revenue allowance will be for 2010 to 2015.

FOR MORE ABOUT OUR YEAR, KEEP READING THIS SNAPSHOT
The current financial crisis – together with increasing electricity prices – has seen participation rates in our financial hardship program jump 39% compared to the same time last year. This ‘Keeping Customers Connected’ program not only helps customers with difficulties paying their electricity bill, but offers them a direct referral to Lifeline Community Care Queensland.

Looking forward, Ergon Energy and ultimately its customers face further price pressures as a result of potential regulatory reset impacts, increased climate change compliance costs, and the likely introduction of the Australian Government’s Carbon Pollution Reduction Scheme. In anticipation of these price pressures, we are putting in place measures to mitigate the impact on our customers and our business – from educating our customers about managing their electricity usage, to driving operational efficiency programs, and focusing on demand management.

In 2008/09, our sponsorships and corporate donations saw us invest more than $1.9 million towards targeted social and environmental initiatives. A highlight this year was the launch of Ergon Energy’s new Envirofund with $100,000 a year available for community-based energy conservation initiatives.

In addition, we invested $6.9 million through Ergon Energy’s Community Powerline Projects fund to assist local communities relocate, underground or replace overhead powerlines as part of our community-based beautification projects.

As the trusted brand for energy conservation advice, we launched our ‘Energy Sense’ campaign during the year, providing energy-saving hints through the media, and at community events to help our customers save.
MAKING THE WORKPLACE ALWAYS SAFE

During 2008/09 three serious workplace injuries occurred. Following the second electrical incident, Ergon Energy took the unprecedented step of suspending all live line work on our high voltage assets while we undertook a rigorous internal review of our operations. This was not a decision taken lightly; however, strong and decisive action was necessary to ensure the issues were properly investigated and addressed.

In response to injury and illness trends, and the need to address fitness for safe work issues, this year we began to roll out the comprehensive health and wellbeing program, PowerUp, in addition to our other behavioural change initiatives.

A GREAT PLACE TO WORK

Ergon Energy invested more than $5 million in developing its people in 2008/09. We continued to invest heavily in apprenticeships – at the start of 2009 there were more than 360 apprentices indentured by Ergon Energy, including 68 from the 2009 intake. We are also prioritising the development of our frontline work group leaders as a critical element in the continued success of our operations, with more than 260 attending leadership development training.

We are also focusing on our social responsibility to bring greater diversity to Ergon Energy’s workforce and create an authentic inclusive culture. Thanks to our efforts in this area the number of Indigenous employees has significantly increased – since 2007 we have doubled both those in entry level positions (from 24 to 57) and senior level positions (five to 11).

Diversity is not only integral to us being a genuine ‘preferred employer’, it also creates a pool of different perspectives when approaching challenges and, ultimately, supports better service delivery and business outcomes.

While our performance against the stringent All Injuries Frequency Rate remains a concern, our Lost Time Injury Frequency Rate was reduced by 25%.

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<tr>
<th>Diversity Goals</th>
<th>Target 2007-10</th>
<th>Progress 2009</th>
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<tbody>
<tr>
<td>Women in middle management</td>
<td>≥25%*</td>
<td>20%</td>
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<tr>
<td>Women in upper management</td>
<td>≥14%</td>
<td>13%</td>
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<tr>
<td>Women in non-traditional roles (engineering &amp; technical roles)</td>
<td>≥24%</td>
<td>2.5%</td>
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<tr>
<td>Aboriginal &amp; Torres Strait Islanders (A&amp;TSI) in the workforce</td>
<td>≥2.4% of total workforce</td>
<td>1.9%</td>
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<tr>
<td>A&amp;TSI employees in senior positions (ie. grades 9.0 to 16.5)</td>
<td>≥5 additional employees</td>
<td>6 additional employees</td>
</tr>
<tr>
<td>A&amp;TSI in entry level positions, eg. apprenticeships and Casual Power Station Attendants</td>
<td>≥50 additional employees</td>
<td>33 additional employees</td>
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<tr>
<td>Employees from a Non-English Speaking Background (NESB)</td>
<td>≥6 additional employees</td>
<td>40 additional employees identified as NESB</td>
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*Target increased to 25%, as the 20% target established in 2007 was exceeded.
RESPONDING TO CLIMATE CHANGE

As one of a suite of climate change initiatives, we have made exciting progress in 2008/09 through collaborative network demand management with a number of organisations across Townsville. The projects they have committed to already will achieve reductions of more than 10MVA in demand – slashing greenhouse gas emissions by 25,000 tonnes each year.

We have also closely examined our own operations, building the capacity to accurately measure and report on Ergon Energy’s carbon emissions. Our Greenhouse Gas Emission Management Plan commits us to a number of important emissions reduction targets.

SOLAR – A GREEN CHOICE

With more than 2,000 solar energy systems now connected to regional Queensland’s electricity grid, we estimate they are reducing emissions by around 4,000 tonnes annually, the equivalent of taking 1,000 cars off the road. On Magnetic Island alone Ergon Energy has installed more than 60 solar energy systems, through the Townsville: Queensland Solar City project. In addition to the solarplus systems that we have installed on our customers’ homes and businesses across the state, we have also installed 14 systems on our own buildings.

IMPROVING WORKS PRACTICES

Ergon Energy is committed to best-practice waste and resource management. Our first line of defence is to avoid or reconsider whether we need an item. This year, Ergon Energy recovered 990 tonnes of scrap metal from its redundant infrastructure. We also had a positive year in managing office consumables – copier paper usage was down once again, by over 4%.

We also continued to develop innovative vegetation management strategies to balance sound environmental practices with safety and cost benefits for the community.

ISO14001 accreditation to the international Environmental Management System Standard was also maintained in 2008/09 – this is seen as critical in allowing us to move from compliance to ‘environmental responsibility’ and ultimately leadership.

Emissions associated with air travel down 7%, as part of our climate change response.

EMISSIONS FROM PASSENGER AND LIGHT COMMERCIAL VEHICLE FLEET REDUCED

EMISSIONS FROM AIR TRAVEL REDUCED

Our most frequent environmental incidents involve fauna – birds and small native animals, such as snakes – contacting our powerlines. We have a number of measures in place to manage this. However, due to the random nature of these events, they are difficult to prevent. There were no major incidents during the year.

Here, Senior Energy Assessor Brian Kerr talks to Magnetic Island residents Stephanie and Erin Hinks about smart ways to save energy and keep Magnetic Island beautiful, as part of our ‘Townsville: Queensland Solar City’ project. As well as home audits, we opened the Smart Lifestyle Centre on the island to engage the local community on how to use energy more wisely.

The Mossman depot in Far North Queensland was recognised with a Master Builders Award for Innovation in Environmental Management – captured water is used for toilets, water runoff is filtered, energy-efficient lighting is used throughout and the building is fully insulated.

Ergon Energy has reduced its passenger and light commercial fleet-related emissions by 11.6%, compared with the baseline year 2006/07. This success places us on target to achieve our targeted 15% reduction by the end of 2010, as we move to our goal of a 50% reduction by 2017.

Over the past year, our reductions in air travel equate to taking 60 cars off the road and our offsets equate to another 870 cars. Our target is a 20% reduction in air travel by 2010/11.
DELIVERING ECONOMIC VALUE

INVESTING IN VITAL INFRASTRUCTURE
Driven by customer demand, Ergon Energy delivered a challenging $844.3 million capital program in 2008/09. The highlights of the program included an increase of:

- 168MVA in installed transformer capacity at the network’s bulk supply points, including augmenting the Oakey network with a new 110/33kV bulk supply point
- 231MVA in installed transformer capacity at the network’s zone substations, including three new zone substations at Cairns North in the Far North, Agnes Water in Central Queensland and Kearnys Spring in Toowoomba.

Sustaining this level of investment, and in many areas escalating it, is critical to meeting the ongoing energy infrastructure needs of regional Queensland. This is central to the Regulatory Proposal we submitted to the Australian Energy Regulator in June this year.

PLACING A PRIORITY ON ‘GETTING FIT’
In 2008/09, Ergon Energy exceeded its profit target, as agreed with the Queensland Government in our Statement of Corporate Intent. The result was achieved, despite major cost impacts, through a strong business-wide focus on achieving a $30 million reduction in discretionary costs.

Our priority on improving our operational efficiency – to ‘get fit’ – is also at the centre of our joint working initiatives with Energex, our south-east Queensland equivalent. In addition, we have continued to improve our works management. Another step forward was the redevelopment of the Work Group Leader position to improve the frontline role’s effectiveness in delivering sustainability, safety, productivity and customer service.

Ergon Energy invested $844.3 million in 2008/09 to keep up with the energy needs of regional Queensland.

Demand is driving investment
Peak or maximum demand is a major consideration in our asset management task, and a key driver of our augmentation investment. Driven by economic and population growth, as well as the take-up of air conditioning and other electronic equipment, maximum demand, shown here, is currently forecast to grow around 5% a year. This year’s summer demand was 2,427MW, representing an increase of 4.4% over the previous summer.

Investment in strengthening the network continued
While our customer-initiated capital works has slowed slightly due to the economic downturn, due to the growth rate in customer connections over recent years, this area has been the major contributor to the investment that has been required above the Queensland Competition Authority five-year allowance to June 2010.

Profit exceeds expectations
The $129.3 million profit result exceeded our commitment, which was particularly pleasing given the current economic environment.

Return on assets sound
Our Return on Assets (5.4%) has been impacted slightly this year by the growth in our asset base.

* 2006/07 had a one-off return from the sale of our contestable retail operations.
Our $4.6 million solar concentrator power station at Windorah in southwest Queensland began generating in late 2008. The dishes act like giant sunflowers, facing and following the sun to capture as much sunlight as possible to cater for the daytime electricity needs of the local community.

To read more about our year, and our plans for the future, go to our full Annual Stakeholder Report, available online at ergon.com.au

Alternatively, request a copy by calling 13 10 46
7.00am – 6.30pm Monday to Friday.