

EnergyAustralia[®]
We're on it

Annual Report **2007/08**



New Energy Efficiency Centre

The Shareholding Ministers
Governor Macquarie Tower
1 Park Place
SYDNEY NSW 2000

Dear Ministers

Annual Report for EnergyAustralia for the year ended 30 June 2008

We are pleased to submit this Annual Report covering the performance, operations and financial results for the year ended 30 June 2008.

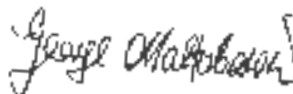
The report has been prepared in accordance with Section 21A of the State Owned Corporations Act (1988) and the Annual Reports (Statutory Bodies) Act (1984).

Copies of the report are being sent to the Premier of NSW, the Auditor General, Members of Parliament, key customers and other interest groups.

Yours sincerely



John C. Conde AO
Chairman



George Malaherrow
Managing Director

Sydney
30 October 2008



*...on track to deliver
for future generations.*

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EnergyAustralia's objectives are to deliver a safe and reliable electricity supply while achieving commercial returns. In delivering this outcome, we have established sustainability objectives including energy efficiency and conservation initiatives.

John Conde AO
Chairman

Chairman's report

I am pleased to report that EnergyAustralia improved the reliability performance of its network and achieved a three per cent increase in profit from ordinary operations in 2007/08. Safety is our highest priority and the safety result, although slightly below last year's performance, met the targets set by the Board.

EnergyAustralia's earnings before interest and tax (EBIT) of \$574 million were \$20 million lower than last year's result (\$594 million) and 12 per cent above target (\$511 million). This result is after allowing for a charge of \$59 million for superannuation arising from the actuarial assessment of Defined Benefit Superannuation Schemes.

The retail business maintained market share and exceeded all targets. The NSW Government is proceeding with plans to transfer the highly successful EnergyAustralia retail business to the private sector.

This year's distributions to Government of \$272 million were \$66 million (32 per cent) above the expected \$206 million. Future distributions will be affected by the sale of the retail business.

Our investment in the network has grown by an average of 44 per cent per annum over the past four years. A highlight of EnergyAustralia's capital expenditure of \$951 million in 2007/08 was our progress on the new City North zone substation and cable tunnel from Haymarket under Darling Harbour. EnergyAustralia has submitted to the Australian Energy Regulator (AER) an investment proposal of \$8.6 billion for the next five years to 2013/14. This investment will improve reliability performance and establish a "smart" network for the future.

EnergyAustralia proposes to borrow \$6.5 billion in the period to 2013/14 to fund the network investment, increasing debt gearing to 81 per cent. The Board considers that the large investment program is prudent and the capital structure is sustainable. The investment program and capital structure are subject to the decisions of the AER due by May 2009.

In the coming year, the electricity and gas markets may be changed fundamentally by the introduction of an emissions trading market. For 10 years, Australia's competitive wholesale electricity market has delivered reliable supply at competitive prices. This year, the first Comprehensive Reliability Review recognised emerging risks if the amount of generation investment required is either delayed or does not occur. These include the impact of greenhouse abatement measures and uncertainty about the operation of the contract market over the long term. The contract market has shortened over the past year with prices rising by eight per cent. It is EnergyAustralia's view that the long term benefits of a competitive market require policies that promote investment in new generation and networks so as to ensure security of electricity supply. This in turn will require broad ranging carbon reduction measures and timely resolution of issues relating to the design of the Carbon Pollution Reduction Scheme.

I thank all of our customers and staff, recognising their support and commitment to EnergyAustralia during this period of change. Similarly, I thank my fellow Directors, the Managing Director, George Maltabarow, and his management team for their dedication and for their contribution to our success in 2007/08.



Our purpose is to be Australia's energy provider of choice because our network is safe and reliable, our customers value our service, our staff are proud to work here and our community recognises our citizenship and achievements.

George Maltabarow
Managing Director

Managing Director's report

I am pleased to present EnergyAustralia's report for 2007/08 detailing our significant progress towards the achievement of our goals. In particular, this year we achieved, and in many cases exceeded, all our safety, reliability and profit targets.

EnergyAustralia achieved the Best Performing Australian & New Zealand Company in the Corporate Responsibility Index. As a consequence, we have been invited to join the Australian Leaders Group for advancing Corporate Social Responsibility. This is recognition of our values of striving to do the right thing by the community we serve and the environment we operate in. This report details our 2007/08 sustainability performance and showcases many responsible practices including recycling wastewater and the purchase of 100 per cent GreenPower in all our buildings, depots and major sites. Our excellent performance in the Corporate Responsibility Index independently verifies that we are listening to our staff and our customers and leading by reducing our own footprint on the environment. The Best Performing Award is a credit to all our staff and their initiatives and commitment to working in a responsible way.

EnergyAustralia's Energy Efficiency Centre opened at Homebush in May 2008 to demonstrate energy saving best practices for homes and businesses. EnergyAustralia's vision is for our customers to have the right products, technologies and price signals to be able to manage their footprint on the environment by using less energy. The Energy Efficiency Centre is a showcase for this vision; indeed, one that is unique in Australia.

Our staff have enthusiastically embraced our community investment programs "More Than Energy" and "We Match Your Energy" that provide time and money to those organisations for which our staff are personally contributing to on a voluntary basis. This year we expanded this program by launching a \$200,000 partnership with the New South Wales Rural Fire Service to fund electrical refits, equipment, efficiency audits and training.

EnergyAustralia continues to grow and this year I welcomed 459 new staff. We are still the largest direct employer of apprentices in NSW. We are becoming both younger and smarter as a result of our programs to attract and develop the skills we need to build and maintain the network of the future.

The transition to a low carbon future is the key challenge for all sectors of our industry. This requires a broad ranging transformation of energy markets including new generation technologies and new appliances and products. An emissions trading scheme will be designed next year to add the price of carbon to the price of kilowatt hours consumed; but this alone will not reduce carbon emissions. EnergyAustralia is focussing on energy efficiency and "smart" technologies on the network to deliver the information and innovative products required to change energy use.

We have the opportunity to introduce new technologies on the network because we plan to invest \$8.6 billion in the network over the next five years. My management team and staff have responded with dedication and professionalism to deliver the NSW Government's plan to transfer the highly successful EnergyAustralia retail business to the private sector.

I thank all my staff for their hard work to deliver these business changes in addition to achieving all our safety, reliability and profit targets this year.

EnergyAustralia believes our customers, the community and our employees are fundamental to the success of our business. In addition to our shareholders, this is a report written for these stakeholders.

EnergyAustralia is proud of our performance and we continually strive for improvement to meet our purpose of being Australia's energy provider of choice.

About this report

This report covers our financial performance, statutory obligations and sustainability performance between 1 July 2007 and 30 June 2008. The main body of this report (pages 11 to 34) is an overview of our progress and achievements for the 2007/08 financial year.

To demonstrate our commitment to a sustainable future, we have reported on wider issues than legally required (under Section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*) to include reporting on social, environmental and economic issues of interest to our stakeholders. This report is set out to reflect our five key business areas – customers, community and sustainability, operational excellence, people and finance – consistent with our corporate scorecard.




EnergyAustralia's goals for 2010 are to be Australia's safest and most reliable network and Australia's most respected energy provider. We will achieve this by:

- Driving reliability, investing in growth and securing competitive supplies of energy for our **customers**.
- Meeting the **community and sustainability** expectations by building stronger relationships, delivering a sustainable and environmentally responsible business, and investing in our communities and environment.
- Pursuing **operational excellence** through providing a safe network, investing in the network, improving productivity and capability and complying with all licence conditions.
- Delivering a safe workplace, developing our leadership capability and building a culture of performance for our **people**.
- Meeting the **financial** expectations of our shareholders by delivering shareholder results, securing regulated income and driving corporate strategy.

These key areas align with "Our Scorecard 2007/08", and form the basis for our 2007/08 Annual Report.

Our 2007/08 Annual Report compares our performance against the sustainability indicators outlined in the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 3.0*. We also follow the Energy Supply Association of Australia (esaa) *Guidelines for Economic, Environmental and Social Performance Indicators for the Australian Electricity Industry 2004*, which are more specific to the energy industry.

We have used symbols throughout this report to identify the GRI and esaa sustainability indicator that has been addressed. The symbols are as follows:

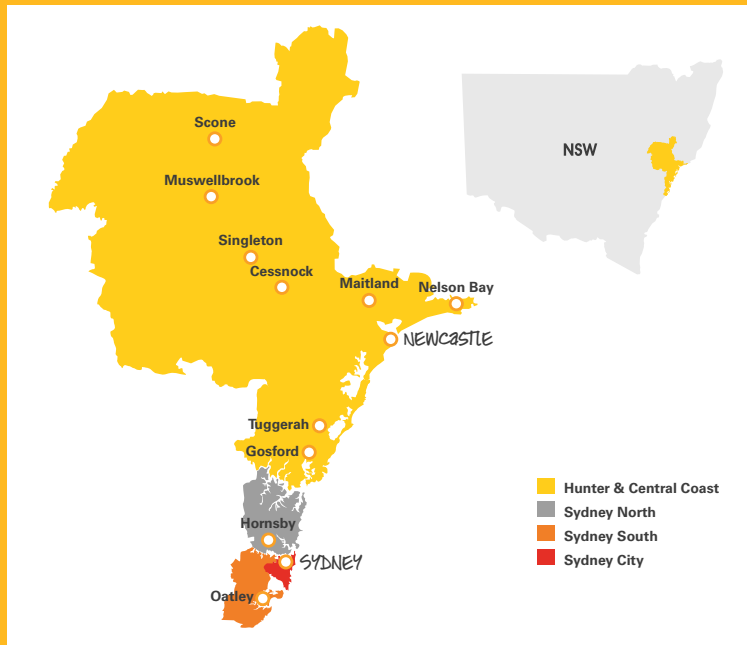
-  – environmental indicator
-  – social indicator
-  – economic indicator

The Sustainability Indicators table on pages 101 to 116 provide further detail on the relevant indicator.

Our financial statements and statutory requirements appears on pages 35 to 81, and 84 to 100 respectively. The financial content of the Annual Report is externally audited by the NSW Auditor-General's office (see page 83). The non-financial content of the Annual Report is externally audited by Net Balance in accordance with the AA1000 Assurance Standard (AA1000AS) (see pages 117 to 118).

This report is available on our website at www.energy.com.au

Our network covers 22,275 square kilometres from Waterfall, in Sydney's south, to Auburn in western Sydney, and the upper Hunter Valley in the north.



Our company

EnergyAustralia supplies electricity and gas to more than three million people. We re-build and maintain our electricity network, sell electricity and gas, promote energy efficiency and renewable energy alternatives. Our 1.6 million network customers are in both rural and urban areas and include small to large businesses and industries such as mining, shipping, tourism, manufacturing and agriculture. We have more than 1.4 million retail customers in NSW, ACT, Victoria and Queensland.

Scale

EnergyAustralia has been operating for over 100 years and is the largest energy network in Australia. In 2007/08, EnergyAustralia's network supplied more than 32,000 GWh of electricity to 1.6 million network customers. We have 5,389 full-time employees and a total revenue of \$3,096 million. Total company assets are \$7,921 million with shareholders equity of \$1,935 million.

EnergyAustralia's distribution network includes:

- a subtransmission system of 33 kV, 66 kV and 132 kV assets;
- a high voltage (HV) distribution system of 5 kV, 11 kV and 22 kV assets; and
- a low voltage (LV) distribution system of 415 V and 240 V assets.

These network elements (both transmission and distribution) are referred to throughout this report as our "network".



Significant Events – Electricity Industry Reform

In December 2007, the NSW Government announced its response to the key recommendations of the Owen Inquiry into Electricity Supply in NSW. The proposed reforms involved the lease of existing power generators and the transfer of the retail activities of the electricity distributors to the private sector.

On 28 August 2008 the NSW Government announced a revised plan that involved the transfer of retail activities and the sale of generation development sites to the private sector.

EnergyAustralia will continue to work with NSW Treasury to implement the Government's preferred strategy.

Stakeholders

EnergyAustralia engages with key stakeholders to gain a better perspective on key issues and expectations of our company.

We measured the quality of our relationships with key external stakeholders through an independent external survey of 40 key stakeholders including regulators, environmental groups and local councils undertaken by Woolcott Research. It found that EnergyAustralia was viewed as a market leader in energy efficiency. 15 16

The table below outlines EnergyAustralia's key stakeholder processes and frequency of engagement for each:

Stakeholder Group	Frequency of Engagement
Employees	Biannual – Employee Opinion Survey Annual – Follow up survey Biennial – MD Roadshow Monthly – Inside Energy Magazine Weekly – Broadcast communications Regular – Executive Roadshows Regular – Branch and Section Team Briefs See "communicating with our staff" in Our People on page 29 for further details
Customers	Annual – Customer Satisfaction Survey Quarterly – Energy Wise pamphlet Quarterly – Customer Council meetings See "Customer Council" in Statutory Information on page 86 for further details
Shareholder	Annual – Statement of Corporate Intent submitted Biennial – Report to Shareholders Quarterly – Report to Shareholders
Suppliers	Annual – Supplier Breakfast Quarterly – Various major supplier meetings
Community	See "Community consultation" in the Community & Sustainability section on page 21

1. John Conde
2. George Maltabarow
3. Michael Lambert
4. Warwick Tomlins
5. Patricia Akopiantz
6. Paul Jeans



Our board

Board composition

In accordance with the *State Owned Corporations Act 1989*, up to seven directors can be appointed including a director nominated by Unions NSW. The non-executive directors are subject to reappointment by the shareholders. The remuneration of non-executive directors is determined by the shareholders and paid for by EnergyAustralia.

The directors holding office at the date of this report are:

John Conde AO

BSc, BE (Hons), MBA

Chairman

A non-executive director of EnergyAustralia since November 1997. Member of the Audit & Compliance and Retail Performance & Risk Management Sub-Committees. Chairman of MBF Australia Pty Limited, Sydney Symphony Orchestra, Whitehaven Coal Limited, and BUPA Australia Health Pty Ltd. President of the Commonwealth Remuneration Tribunal and the Dermatology Research Foundation – University of Sydney. Director of Energy Australia Pty Limited and Down Town Utilities.

George Maltabarow

BE, BEc

Managing Director

A member of the Network Performance & Capital Investment, Human Resources and Retail Performance & Risk Management Sub-Committees. An attendee at the Board's Audit & Compliance Sub-Committee. Director of Energy Australia Pty Limited. Chairman of the Energy Networks Association of Australia. Member of the Australian Energy Market Commission (AEMC) Reliability Panel.

Michael Lambert

BEc, MEc

A non-executive director of EnergyAustralia since November 1998. Chairman of the Network Performance & Capital Investment Sub-Committee and interim Chairman of the Audit & Compliance Sub-Committee and member of the Human Resources Sub-Committee. Director of Queensland Thoroughbred Racing Board, the Sax Institute, Boardroom Partners and Asylum Seekers Centre.

Warwick Tomlins

A non-executive director since October 2004. Member of the Audit & Compliance and Human Resources Sub-Committees. Assistant Secretary of the Electrical Trades Union NSW.

Patricia Akopiantz

BA, MBA

A non-executive director since March 2006. Chairman of the Retail Performance & Risk Management Sub-Committee and member of the Audit & Compliance Sub-Committee. Director of Wattyl, YWCA (NSW), AXA APH and National Mutual Life Association.

Paul Jeans

BE

A non-executive director since March 2000. Chairman of the Human Resources Sub-Committee and member of the Network Performance & Capital Investment Sub-Committee. Chairman of Newcastle Ports Corporation.

1. Managing Director

George Maltabarow
BE, BEc

2. Enerserve

John Eisenhuth
BE, GradDipMgmt

3. Network

Geoff Lilliss
BE, MBA

4. Retail

Mike Bailey

5. Shared Services

Don Anderson
BSc

6. Chief Internal Auditor

Noel Kean
BBus, DipComm

7. General Counsel

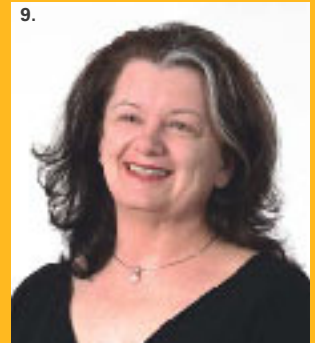
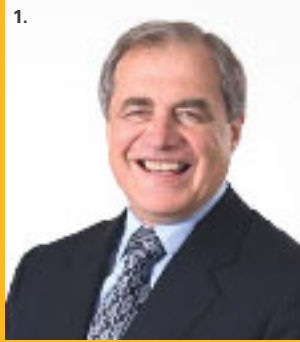
Susan Bailey
BA, LLB

8. Finance and Corporate

Craig James
BFin Admin, DipFinServ

9. Corporate Secretary

Lisa Maffina
BBus, GradDipMgmt



Our executive

Structure

In 2007/08, EnergyAustralia had two main areas of business – network and retail. Our business was delivered by four operating divisions with corporate support from Finance & Corporate, Secretariat, Legal and Internal Audit divisions. Our four operating divisions in 2007/08 were:

Enerserve – responsible for the maintenance and upgrade of our electricity infrastructure.

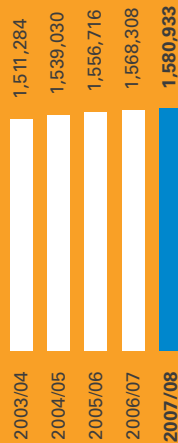
Network – responsible for the operation of the distribution and transmission networks including financial return and performance, planning, major project development, customer operations and network regulation.

Retail – responsible for sales, marketing, wholesale activities and retail regulations.

Shared Services – responsible for key customer interfaces through our contact centre, billing and back office processing and IT operational capability.

A number of measures are in place to ensure we work together, effectively and efficiently. We share a common purpose as detailed in “Our Scorecard” and we abide by the same Code of Conduct.

Key results

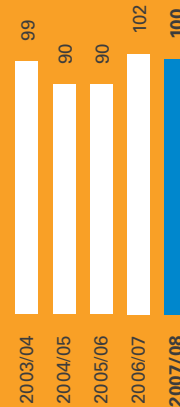


CUSTOMERS

Active network customers

Average growth 1.2%

Average growth per year, calculated from the base year of 2003/04



CUSTOMER MINUTES WITHOUT SUPPLY

Minutes

Average performance 96 mins

Average performance per year, calculated from the base year of 2003/04

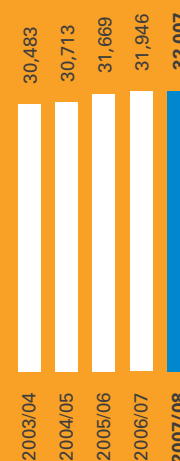


GAS SUPPLIED

Terajoules

Average growth 1.2%

Average growth per year, calculated from the base year of 2003/04



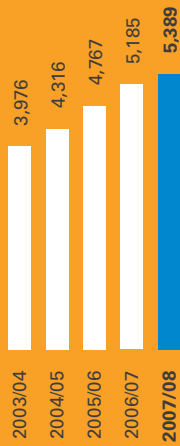
ELECTRICITY TRANSMITTED¹

Gigawatt hours

Average growth 1.2%

Average growth per year, calculated from the base year of 2003/04

¹ This is a new measure, replacing the previous Electricity Supplied measure, and includes Bulk Supply Points (BSP).

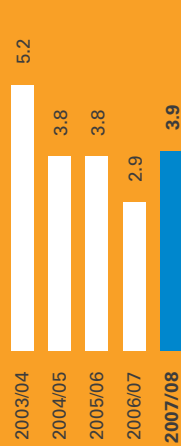


EMPLOYEES

Total employees

Average growth 8.9%

Average growth per year, calculated from the base year of 2003/04

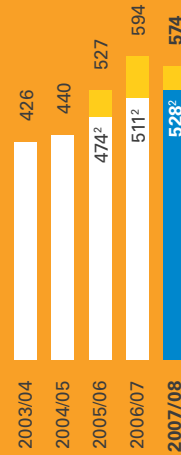


LOST TIME INJURY FREQUENCY RATE

Per million hours worked

Average improvement 6.3%

Average improvement per year, calculated from the base year of 2003/04



EARNINGS BEFORE INTEREST AND TAX

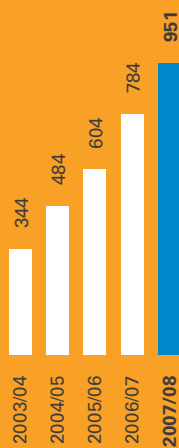
\$ millions

Average growth 8.7%

Average growth per year, calculated from the base year of 2003/04

2 474 (2005/06), 511 (2006/07) and 528 (2007/08) is EBIT from ordinary operations.

■ EBIT from EA-IPR partnership, sold on 16 August 2007.



CAPITAL EXPENDITURE

\$ millions

Average growth 44.1%

Average growth per year, calculated from the base year of 2003/04



ENVIRONMENT INCIDENTS

Number of fines and licence breaches

No significant change

Strategic achievements, challenges and targets

Our achievements

In 2007/08 EnergyAustralia was awarded the Best Performing Australian and New Zealand Company in the Corporate Responsibility Index. Other highlights of the year were:

- We launched our retail business in Queensland and re-launched retail operations in Victoria. We maintained our market share in a challenging NSW market.
- Our investment in environmental initiatives and carbon reduction increased by 16 per cent to \$116 million.
- Under the Greenhouse Gas Abatement Scheme, the carbon intensity of energy consumed by our customers was reduced by 10 per cent, meaning that approximately 5.7 million tonnes of carbon emission savings were delivered.
- Our vision for energy efficiency is now showcased at our new Energy Efficiency Centre at Homebush.
- Reliability performance improved by two per cent from 2006/07, to 100 minutes. Major improvements were delivered for customers in rural areas.
- Our EnergyAssist and Customer Hardship Programs helped reduce the number of customers who were disconnected and the rate of disconnection by 14 per cent.
- We launched a new partnership with the NSW Rural Fire Service.

Our challenges

Safety is our highest priority. The safety result in 2007/08 was below last year's performance, and will be a focus in 2008/09. We will be refreshing our approach next year to improve.

Over one-fifth of our staff are under 30, and 42 per cent have worked for EnergyAustralia for less than five years. EnergyAustralia is dedicated to maintaining a safe workplace where employees develop both professionally and personally. Our challenge is to grow employee awareness of our sustainability position, values and ethical standards. We will continue to recruit high numbers of apprentices and graduates and encourage commitment to EnergyAustralia to ensure we are well placed for the future.

EnergyAustralia has a very large investment program to deliver. We will embrace new contracting models and work practices to deliver the largest electricity infrastructure program in Australia over the next 10 years.

By the end of next year, the carbon emissions trading scheme will be designed. EnergyAustralia is well positioned to help our customers and the wider community to transition to carbon-inclusive pricing of energy.

We will strive to improve customer satisfaction with our services and build on our retail customer base.

Key targets for 2008/09



Customers make EnergyAustralia the country's energy provider of choice. Along the east coast of Australia, our customers live between Queensland in the north and Victoria in the south. Within our network area in Sydney, the Central Coast, Newcastle and the Hunter, customers large and small connect to one of the most reliable networks in the country.

Delivering to our customers

What we planned to do

- Improve reliability for customers
- Deliver high customer satisfaction
- Meet retail retention and customer growth targets.

What we did in 2007/08

- Met reliability targets with customers experiencing an average of 100 minutes without supply, improving on our 102 minutes without supply in 2006/07
- Did not meet customer satisfaction target with 52 per cent (compared to target of 60 per cent) for "very" or "extremely" satisfied rating
- Retail customers at the end of the year were 10 per cent more than our target.

Our targets for 2008/09

- Deliver 100 per cent of the critical reliability projects identified in the capital works program
- Deliver projects identified in the 'Electric Thinking' program
- Improve customer satisfaction
- Improve reliability. The system average interruption duration targets range is 86 to 104 minutes.

EnergyAustralia's distribution business invests in the electricity network to make it safe and reliable for customers and the community. We also sell electricity and gas through our retail business. A range of other services such as street lighting, safety check-ups, energy reviews, customer hardship and 24-hour electrical repairs are all provided through our contact centre.

Driving reliability

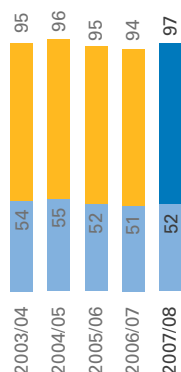
We strive to deliver a safe and reliable supply of electricity to our customers. The average time customers were without electricity improved from 102 minutes in 2006/07 to 100 minutes in 2007/08. Both our 2006/07 and 2007/08 results fall within our reliability targets for system average interruptions.

The Department of Water and Energy (DWE) sets Design, Reliability and Performance Licence Conditions for electricity networks in NSW. These Licence Conditions require EnergyAustralia to report average reliability performance by feeder type – CBD, urban, short rural and long rural, across our network area. We met all these Licence Conditions and the results for CBD and rural areas were significantly better than the required DWE Conditions.

Feedback from our customers as well as performance data enable us to target which parts of the 44,000 kilometres of the distribution network are not meeting our Licence Conditions and need improvement. For example, an important rural reliability project commenced in 2007/08 to overhaul our longest rural 11 kV power line that services over 1,000 customers in the small rural communities between Paxton, Wollombi and Bucketty.

We invested \$6.2 million on targeted local urban and rural reliability projects requiring immediate attention such as the Paxton project. These programs are mainly on the 11 kV electricity network – the electricity mains spanning the streets around our suburbs and towns across our network. We also began a program installing smart communications and remote control technology across the network to improve restoration times after a fault occurs.

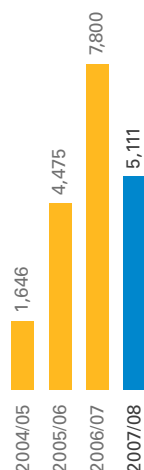
Total Customer Satisfaction Index (%)



Customer satisfaction ("very" or "extremely")

18

EnergyAssist (Customers)



Energy Sales (\$ millions)



Gas sales ordinary operations
 Gas sales through partnership with International Power
 Electricity sales ordinary operations
 Electricity sales through partnership with International Power

2

This year our Customer Satisfaction survey result was 97 per cent satisfied, three per cent better than last year. The number of customers who requested EnergyAssist services was 5,111 – 34 per cent fewer than last year. Energy sales was eight per cent less than last year because of the finalisation of the sale of the partnership.

While we maintain reliability of 99.98 per cent, interruptions do occur from time to time. We provide a 24-hour emergency response if a fault on the electricity network interrupts electricity supply. Under our Customer Service Standards, customers can claim for compensation in cases where the number or duration of outages has exceeded acceptable levels. There are exceptions, such as major storms. In 2007/08 payments totalling \$5,360 were made for 67 customer claims that met the eligibility criteria.

Electricity and gas services

In 2007/08, EnergyAustralia supplied more than 32,000 GWh of electricity and 9,931 terajoules of gas to homes and businesses. This equates to energy sales of \$2,421 million in 2007/08 (see graph above). In addition to electricity and gas, we offer a range of services for our customers.

We launched our retail business for customers in Queensland in 2007/08 and relaunched retail operations in Victoria. Customers were offered savings on their standard electricity tariffs as well as accredited GreenPower.

EnergyFix

EnergyAustralia runs Australia's largest network of licensed electricians through our EnergyFix service. This is a 24-hour, seven-day-a-week electricity and gas repair service as well as maintenance and installation services to homes and small to medium businesses. We also offer electrical fault diagnosis, repairs, safety inspections, installation of telephone and data cabling and maintenance and repair of hot water systems and appliances. EnergyFix delivered electrical maintenance and hot water installation services to 24,888 homes and businesses in 2007/08.

Utility Services and energy reviews

Our Utility Services business provides audit, monitoring and energy management to 1,871 large customers, schools and other government bodies, such as local councils.

The Royal Motor Yacht Club at Newport on Sydney's northern beaches was one of a number of small to medium businesses that benefited from an energy review to identify opportunities to reduce electricity consumption and greenhouse gas emissions. As part of the review, EnergyAustralia identified more than 400 high energy-use down lights that have since been switched to infra-red coated bulbs which use less energy. The reduction in heat from the lights also helped reduce the need for additional air conditioning for the Club.

Street Lighting

We provide street lighting services to 41 local councils in our network area. In 2007/08 EnergyAustralia repaired 19,440 street lights across our area from our 24-hour reporting hotline and website.

Customer safety check-ups

As part of our commitment to community safety, EnergyAustralia inspects electrical work carried out by contractors on customers' installations. Electrical contractors are required to notify EnergyAustralia of work undertaken and we conduct audits to make sure it meets national and state safety standards. The number of notifications received from electrical contractors has continued to decline in recent years. EnergyAustralia is working with the Office of Fair Trading on a new campaign aimed at encouraging safety checkups. In 2007/08 there were 13,705 installations inspected with a major defect rate of 6.3 per cent, down from 2006/07 (6.7 per cent). Of the 17,128 contestable service connections inspected, 1.3 per cent contained major defects, down from 2006/07 (1.4 per cent). In 2007/08 EnergyAustralia conducted 380 safety audits of accredited service providers performing contestable service connection work.



Utility Services

Our Utility Services business helps large customers over the life cycle of energy management. This includes determining ways to save energy, implementing change and monitoring consumption.

Improving affordability

More families are staying powered thanks to EnergyAustralia's customer hardship programs. In addition to preventing disconnections, our programs help customers save money by becoming more energy efficient.

Energy and water-saving devices were installed free of charge in about 10,800 households in the Central Coast and lower Hunter regions of NSW, under a joint program between EnergyAustralia, the NSW Department of Housing, Hunter Water Corporation and Wyong and Gosford Councils. Under this program, energy-efficient light bulbs were installed, water and energy saving showerheads fitted and water-saving Aqualocs were placed in taps in Department of Housing homes, enabling the residents to make long-term cuts to energy and water use without changes to their lifestyles. The program is expected to deliver greenhouse gas savings of 35,000 tonnes and savings on electricity and water bills of up to \$5 million over the lifetime of the products installed.

Customer disconnections

The trend for customers being disconnected for non-payment has continued to decline. Over the past year, for every 1,000 customers, only 4.5 were disconnected for non-payment. This is down from 5.2 for every 1,000 in 2006/07.

Customer hardship

Our EnergyAssist program helps customers who are experiencing hardship in paying their energy bills due to financial difficulty. In 2007/08 a total of 5,111 customers were accepted to the EnergyAssist program (see page 12). For further details on the EnergyAssist program, see page 86 in Statutory Information.

In July 2007, EnergyAustralia partnered with Fisher & Paykel and the Toukley Neighbourhood Centre to launch a new pilot program on the Central Coast called FridgeAssist. The program helps low income customers purchase new, energy-efficient fridges at less than half the retail price. Replacing around 300 old fridges with new energy-efficient fridges meant a saving of about 324

tonnes of CO₂ per year and more than \$39,300 in running costs. The FridgeAssist program followed EnergyAustralia's successful Spare Fridge Retirement program in 2006/07.

In June 2008, EnergyAustralia distributed a winter heating booklet comparing different heating options and a free room thermometer to our EnergyAssist customers.

In 2007/08 EnergyAustralia expanded its customer hardship prevention and intervention program. The program is designed to help customers in need to stay connected to the electricity network by using energy efficiently and keeping bills low. The program includes:

- translation of key energy efficiency messages and hardship program information into 10 community languages,
- hardship sensitivity and empathy training for relevant staff,
- the development of EnergySmart cards with energy efficiency tips for community welfare workers and educators,
- energy efficiency training for bilingual educators from the Ethnic Communities Council,
- more funding for the No Interest Loan Scheme for the purchase of energy efficient appliances for low income households and,
- improvements of referral resources.

Future plans include:

- implementation of the Centrepay payment option from the Contact Centre,
- educational workshops for adults and children in community centres,
- comprehensive field audits for EnergyAssist customers including energy saving products and installation,
- bilingual education workshops for specific community language groups with the Ethnic Communities Council, and
- workshops for financial counsellors and community workers on energy efficiency and assistance options.

One of EnergyAustralia's values is our respect for the community and the environment. This year we opened an innovative Energy Efficiency Centre to encourage key community groups to reduce energy use and greenhouse gases. We continue to look for ways to minimise our organisation's impact on the environment, while supporting the communities we serve.

Community & sustainability

What we planned to do

- Achieve Corporate Responsibility Index (CRI) rating of 90 per cent
- Implement community involvement program
- Meet greenhouse gas compliance obligations
- Achieve >95 per cent implementation of our Environmental Improvement Plan (EIP).

What we did in 2007/08

- Achieved Best Australian Performing Company in the Corporate Responsibility Index, and rating of 96 per cent
- Launched a new community partnership with NSW Rural Fire Service
- 100 per cent compliance with the NSW and ACT Greenhouse Gas Abatement Scheme and Commonwealth Mandatory Renewable Energy Targets
- Achieved 99 per cent of EIP actions.

Our targets for 2008/09

- Maintain our Corporate Responsibility Index gold rating
- Deliver our sustainability strategy
- Deliver our environmental improvement plan at >95 per cent
- Implement waste reduction and purchasing plan initiatives
- 100 per cent renewable energy in our buildings
- Maintain EnergyAustralia's community involvement program.

EnergyAustralia has developed a strong community program to help support the community we serve. We believe we can also support the community by helping them use energy more efficiently and making sure our own operations are delivered in a more sustainable way. New innovations such as smart meters and incentive pricing are important tools to support these goals. Greater support for renewable energy at a customer level is also important and should sit alongside a strong and transparent legislative framework to reduce carbon emissions.

Energy efficiency

EnergyAustralia has continued to roll out a suite of programs designed to help households and businesses use energy more efficiently. These include education programs and rebate schemes as well as our new energy efficiency centre – a showcase for the community on practical steps to reduce energy use.

To encourage people to use energy more wisely and highlight our range of green energy options, EnergyAustralia launched a new "Giant" advertising campaign in 2007. Importantly, the campaign provided information on services to help customers reduce their environmental footprint.

Energy efficiency for our customers

Following on from the successful compact fluorescent lamps promotion in 2006, we continued to help our customers save money and help the environment through our Welcome Pack campaign. This program offers our new account holders who have just moved house, the opportunity to make their new home more energy efficient. These customers received a six pack of energy efficient lightbulbs, free of charge. The program was launched in September 2007 and more than 150,000 energy saving lightbulbs have been distributed to customers under the program. It is accredited under the NSW Greenhouse Gas Abatement Scheme, and is expected to save around 48,000 tonnes of greenhouse gas over the life of the lamps.



Energy Efficiency Centre

Our state-of-the-art Energy Efficiency Centre was launched in May 2008 featuring interactive displays to demonstrate practical ways for people to save energy and help reduce greenhouse gases. The Centre is designed to engage advisors, influencers and other people who customers rely on for energy efficiency advice, including plumbers, electricians and architects, as well as those who help shape ideas and behaviour. Exhibits are themed around climate change, renewable energy, hot water, kitchen and laundry, heating and cooling, the office, lighting and industrial and commercial businesses.

The EnergySave Program was targeted at older residential apartments and flats, offering energy-efficient lighting and water-saving showerheads. Supported by the NSW Government's Climate Change Fund, the program also included an energy 'check-up' to identify common areas in the household where energy waste occurs. In 2007/08, the program helped more than 6,000 customers make their homes more energy and water efficient.

Pool pumps are one of the biggest energy users in the home after electric hot water systems and air-conditioners. Pool owners can cut their energy use and save around \$240 a year on electricity bills by installing a smart meter and running their pool pumps during off peak periods. In November 2007, EnergyAustralia provided an incentive for pool owners to use their pool pumps during off peak times by offering a \$150 rebate towards the purchase of a new quieter pump which is less likely to disturb the neighbours. The rebate applied to customers replacing their existing pool pump with one of five models which were tested by the Australian Greenhouse Office and shown to be quieter than the average on the market. By the end of June 2008, more than 900 rebates were issued for quieter pool pumps.

Our Hot Water Awareness Campaign encouraged our customers to invest in new hot water systems that were better for the environment than electric storage systems. We offered discounts and rebates for conversion to a gas, heat pump or solar system which produce lower greenhouse gas emissions and can save up to \$241 a year on energy bills. Our offer to residential customers continued to be successful, with more than 290 conversions from electric hot water recorded by the end of June 2008. The campaign was extended to target non-residential customers during 2007/08, offering a rebate of up to \$5,000 to businesses that replaced their electric hot water system with a solar, gas or heat pump unit.

Energy efficiency in the community

In addition to promoting energy efficiency for our customers, we work with other community and environmental groups on a range of programs every year to encourage energy efficiency.

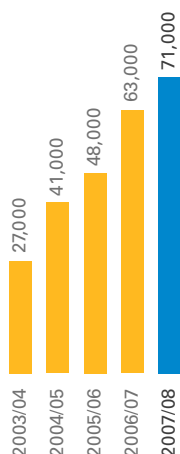
We launched a new energy-saving campaign to mark World Environment Day in June, by giving away 500,000 packs of 12 brightly designed biodegradable stickers urging customers to incorporate energy saving into their everyday activities. The stickers were designed to be stuck on electrical appliances or near light switches as reminders of how easy it is to take simple energy-saving steps to reduce energy.

In March 2008, EnergyAustralia staff took a leading role in the World Wildlife Fund's Earth Hour event to raise awareness of climate change. We ensured our own non-essential power and lights were switched off at our 54 substations, depots and offices. We also measured the impact of the event on electricity use to help show the community that basic energy efficiency steps can reduce carbon emissions. The overall result was an energy consumption drop by an estimated 8.4 per cent for the Sydney CBD (saving about 21 tonnes of greenhouse gases) and 4.3 per cent (saving 24 tonnes of CO₂) in our Hunter network area. This is equivalent to the same amount of energy required to power 3.5 million energy efficient light bulbs for one hour.

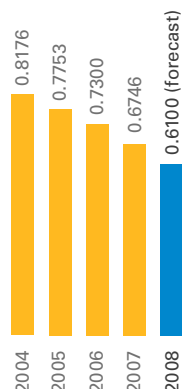
At a local level, we sponsored events throughout the year, including the City of Sydney's 'Live Green' to promote our energy efficiency programs and offer practical advice to help customers to reduce their impact on the environment. EnergyAustralia was a major partner for the Community Climate Challenge run by the Nature Conservation Council on the Central Coast (October 2007) and in Mosman (March 2008). In the Central Coast 315 households entered the challenge, while in Mosman more than 400 households entered the challenge.



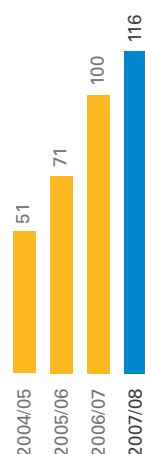
Customers on green energy products
(Number of customers)



Carbon Intensity of EnergyAustralia's NSW Electricity Purchases after compliance with the NSW Greenhouse Gas Abatement Scheme
(kg CO₂/kWh)



Environmental Expenditure
(\$ millions)



This year 13 per cent more customers chose green energy from EnergyAustralia. The carbon intensity of electricity purchases in NSW after abatement reduced by 10 per cent. Our investment in direct environmental action increased 16 per cent.

Renewable energy

Renewable generation projects

EnergyAustralia continues to support renewable energy generation with a contract portfolio of more than 20 renewable generation projects, including solar, wind, hydro and biomass. Our Kooragang turbine in Newcastle – the first large-scale, grid-connected wind generator in Australia – celebrated 10 years of service in November 2007. Our Singleton Solar Energy Farm also celebrated 10 years in use and is still the largest facility of its type in Australia. In 2007/08, we increased our supply of renewable energy from accredited GreenPower generators through two new long-term purchase agreements with wind farms at Mount Millar in South Australia and Toora in Victoria. These two wind generators are expected to add up to an additional 276,000 MWh of renewable energy to our portfolio each year and provide enough electricity for around 37,000 homes.

We entered into an agreement with a renewable energy generator at Tarago, near Goulburn, which started generation in February 2008. When fully developed, it is expected to produce up to 25 MW of generation capacity at its peak. The Woodlawn bioreactor, located in a disused mine, speeds up the decomposition of waste material to produce gas that can be captured and used to generate electricity. 5 6

Green products

We provided accredited GreenPower via our PureEnergy products to more than 71,000 customers, an increase of 13 per cent from last year, (see graph above). We have three PureEnergy products – PureEnergy10, PureEnergyPremium, and PureEnergy100. PureEnergy10 customers receive an assurance that we will match 10 per cent of their total electricity usage with electricity from GreenPower accredited renewable sources, such as solar, wind, hydro or biomass power plants. Under PureEnergyPremium and PureEnergy100 we promise to match 100 per cent of the customer's usage with electricity from accredited GreenPower sources. 1

Reducing greenhouse gas emissions

NSW Greenhouse Gas Abatement Scheme

Under the NSW Greenhouse Gas Abatement Scheme, EnergyAustralia delivered 5.7 million tonnes of greenhouse gas savings associated with electricity use. This is equal to removing 1.6 million cars (see page 119) off the road for one year. This includes a forecast component for future 2008 sources under the scheme. Our greenhouse gas abatement target for 2008/09 is 6.3 million tonnes. This scheme sets the targets for carbon intensity of each kWh purchased, as shown on the graph above.

Commonwealth Mandatory Renewable Energy Target

In complying with the Commonwealth Mandatory Renewable Energy Target, EnergyAustralia surrendered certificates representing the generation of 651,000 MWh of electricity from approved renewable generators. The 651,000 MWh includes a forecast component for future 2008 surrenders under the scheme. Our forecasted Commonwealth Mandatory Renewable Energy target for 2008/09 is 758,000 MWh.

Commonwealth Greenhouse Friendly Scheme

In 2007 EnergyAustralia obtained accreditation as an abatement provider under the Commonwealth Government's Greenhouse Friendly Scheme. With the support of this Scheme we distributed more than 380,000 energy-efficient light bulbs to potential residential customers in south-east Queensland as part of our Queensland market-entry. This is expected to deliver more than 145,000 tonnes of greenhouse gas savings and up to \$41 million in reduced electricity bills over the life of the bulbs. 4



Smart meters

EnergyAustralia has been rolling out the first generation of smart meters since 2003 and Time of Use has been the standard network tariff since 2004. Interval meters, which allow time-based pricing, are being rolled out to customers who use more than 15MWh of electricity a year. They are also being installed in premises which require a new or upgraded connection to the EnergyAustralia network. A two-year trial using in-house displays, cutting edge customer communications and innovative pricing signals concluded in April 2008.

Managing demand and smart meters

We continued to roll out smart meters and time based pricing to all new and large customers. In 2007/08 we also offered smart meters and time-of-use pricing to any customer, free of charge. More than 200,000 customers are now on time-of-use pricing and more than 400,000 smart meters have been installed. Customers on time-of-use rates pay different amounts for their electricity over three different time periods. The rates are cheaper during the off peak and shoulder periods, which represents 82 per cent of the time. Analysis of the bills of 10,300 customers found that the average annual saving on electricity bills was \$45 a year, compared to traditional rates.

Smart meters with in-built communications devices and in-house displays have also been used in a two-year study involving 1,300 customers. We believe that this study is the most extensive and detailed study of its type in Australia. Some of these customers are on different pricing structures that we are testing, such as dynamic peak pricing (DPP). Under the DPP trial, customers pay less for their electricity, except during 12 DPP events held each year. The price of their electricity then rises up to \$2 per/kWh for a four-hour period. Customers are informed via text message, phone, email and on their in-house display before the event. They can then switch off appliances they don't need, and switch them on at a later time. The trial was completed in 2007/08 and the results are being analysed. Early results have shown that customers shifted around 20 per cent of their electricity use from peak to non-peak times during DPP events.

EnergyAustralia has also rolled out smart meters with communications technology such as Distribution Line Carrier (DLC) and GPRS (radio technology). About 7,000 of these meters were installed, enabling EnergyAustralia to conduct remote meter reads and other advanced functionality. The pilot was designed to test the various technologies available before a decision can be made on a further roll-out of these meters.

EnergyAustralia uses a range of approaches to meet the increasing demand for electricity, including demand management solutions which can save money for both the community and customers. We undertake demand management investigations whenever planning for expansions to electrical infrastructure that costs more than \$1 million. We balance the need to boost capacity with our ability to reduce demand, to find the most reliable and cost-effective solution. Over the past three years our demand management programs have helped defer more than \$57 million in capital spending. See pages 91 to 96 in the Statutory Information for details on demand management activities for 2007/08.



**Morisset substation
Wildlife Corridor**

EnergyAustralia has retained vegetation around the Morisset 132/11 kV substation to help protect and enhance two threatened fauna and flora species native to the area.

The vegetation along the north boundary of the site is part of a local corridor for *Petaurus norfolcensis*, commonly known as the squirrel glider.

This marsupial uses a skin membrane between its front and rear legs to glide through the air between trees.

The vegetation corridor also contains *Angophora inopina*, a small tree restricted to areas between Charmhaven and Wyee.

© Illustration courtesy of Marjorie Crosby-Fairall, sourced from the Murray-Darling Basin Commission

Minimising the environmental impact of our operations

Each year EnergyAustralia sets an Environmental Improvement Plan that details our plan to reduce our impact on the environment. Together with our Environmental Policy (available on our website) and Environmental Code of Conduct, they are our blueprint for improving our environmental performance.

EnergyAustralia's Enerserve Division has continued to maintain its environmental management system (EMS), which has been certified to AS/NZS ISO 14001 since 1996 (see page 110). See pages 106 to 111 for information on our energy consumption, fleet management, greenhouse gas emissions, water conservation, biodiversity and waste management. See page 100 for our Statement of Waste Reduction and Purchasing Policy.

In 2007/08, we invested \$116 million on environmental management, an increase from \$100 million in 2006/07 (see graph on page 16). This included funding for the labour and materials for operating and maintaining renewable generators owned by EnergyAustralia, energy management for our properties, the cost of environmental licences, Renewable Energy Certificates, NSW Greenhouse Abatement Certificates, vegetation management, polychlorinated biphenyl (PCB) disposal, and environmental duty of care projects.

We continue to monitor all of our buildings and depots to identify opportunities for energy savings. We purchase 100 per cent accredited GreenPower for all our buildings such as offices, depots and training centres, which is more than 75 buildings across Sydney, the Central Coast and the Hunter. EnergyAustralia purchased more than 29,000 MWh of GreenPower in 2007/08. In 2007/08 we commenced several energy efficiency improvements in our Head Office Building in the Sydney CBD and replaced the air-conditioning system chillers providing newer efficient technology, which will result in an estimated energy reduction of 30 per cent.

We also encourage staff to support accredited GreenPower by offering them a 12 per cent discount on our Pure Energy products. Staff have also been given energy efficient light bulbs, shower timers and weather stations to help them be energy efficient at home.

Special environmental projects

Plans to protect the environment and local wildlife were incorporated into a number of major electricity projects across our electricity network. These included:

- Preliminary investigations for a new 132/11 kV zone substation on the site of our subtransmission switching station at Potts Hill revealed more than 200 specimens of the threatened tree species, *Acacia pubescens* (commonly known as Downy Wattle). By working closely with ecologists, construction plans were redesigned to ensure that the tree's population were protected.
- A survey in June of our nest box project on the Tomaree Peninsula found that local wildlife, including squirrel gliders and microbats, have taken up residence in almost 70 per cent of the high-rise eco-homes. Two hundred nest boxes were installed on trees adjoining an easement in which power lines are being built as part of a \$75 million upgrade to the electricity supply to Nelson Bay and surrounding areas. The hollow log homes were part of a series of initiatives along the Peninsula aimed at protecting and preserving native plants and animals, as well as known indigenous heritage areas. These included creating a number of wildlife corridors to assist animal movements across the easement and the funding of a \$200,000 biodiversity improvement program across the Peninsula.
- When rainbow lorikeets were detected in a tree earmarked for removal for 11 kV underground cable works at Lake Munmorah, the design was changed to underbore beneath the tree instead of removing it. This reflects our awareness of the value of hollow-bearing trees for native fauna.



Rural Fire Service partnership

EnergyAustralia signed a unique partnership with the NSW Rural Fire Service (RFS) in May 2008, marking an important milestone for our CommunityCare program and the start of in-kind support valued at \$200,000. The partnership includes Electrical Hazard Awareness training for up to 160 RFS volunteers and in-kind electrical wiring work by our first-year apprentices for up to 10 RFS brigades a year. EnergyAustralia's own staff support and volunteer in rural fire and other emergency services, and the partnership is a natural fit for our organisation with electricity infrastructure located in bushland in northern Sydney, the Hunter Valley and Central Coast.

Community sponsorships and partnerships

We have a responsibility to support communities where our network exists and assist in their development and growth. We supported a range of organisations through our \$3.8 million sponsorship and partnership program in 2007/08. More than 35 organisations are included, reflecting the broad nature of EnergyAustralia's customer and stakeholder base and our focus on sustainability. This year we established new relationships:

- A three-year partnership with the Central Coast Mariners FC was launched in October 2007 to support the Mariners community program. As the team's official energy partner, we promote sustainability, energy efficiency and electricity safety on the Central Coast.
- The Taronga Conservation Society Australia to fund the Great Southern Oceans precinct (see page 21).

For a complete list of organisations we sponsor, see page 106.

We have also supported a number of education programs including:

- At the EnergyAustralia Education Centre, Sydney Olympic Park, more than 2,400 school students have undertaken renewable energy learning programs in the solar-powered classroom since the Centre's 2007 launch.
- Our long-term partnership with the Sydney Theatre Company has expanded to support its vision for energy and water conservation. We match the company's energy consumption with PureEnergy100.
- EnergyAustralia took part in an Adopt-a-School pilot program, sponsoring year 10 students from Kogarah High School to encourage students in maths and science subjects and reinforce electrical safety messages.
- The NSW Premier's EnergyAustralia Environmental Education Scholarships for TAFE NSW, primary school and secondary school teachers to encourage innovation in environmental studies.

CommunityCare

EnergyAustralia employees have a long and proud history of contributing to the communities they live and work in. Our CommunityCare program is an employee directed, local community investment, governed and administered by employee representative committees. Where our employees volunteer their personal time and skills in community organisations, EnergyAustralia provides support and encouragement in a number of ways:

- a regional based grants program;
- practical "in kind" support for community organisations;
- a community partnership with the NSW Rural Fire Services; and
- facilitating a payroll giving program.

About 22 per cent of our employees participated in the program in 2007/08. Throughout the year, we established seven Regional Employee Community Committees to oversee CommunityCare. They approved 277 'We match your Energy' applications for grants to community organisations where our employees are already volunteers. A further seven 'More than Energy' applications were approved to provide practical assistance for community groups including the Epping Scout Hall. A highlight was the signing of a new partnership with the NSW Rural Fire Service (RFS) in May 2008 (see above). As part of this partnership, EnergyAustralia provided practical assistance at the Cottage Point, Spencer and Hornsby RFS Brigades and donated excess office furniture to RFS brigades across NSW.

Other activities included promoting our Payroll Giving Program to increase employee participation. Around 16 per cent of employees donated \$116,762 to 12 charities during the year.



EnergyAustralia tops Corporate Responsibility Index

EnergyAustralia topped Australia's fifth Corporate Responsibility Index (CRI) and was the Best Performing Australian Company for 2007. The CRI is an independent assessment of how responsible a company's practices are in key areas including the community, environment and workplace. This year EnergyAustralia was ranked alongside 34 companies and achieved Australia's top score of 96 per cent. The ranking builds on the CRI gold rating the company achieved for the past two years. As part of giving back to the community, our apprentices provided in-kind assistance to community groups such as the 2nd Mortdale Scouts.

Consulting with our community

Heritage

EnergyAustralia recognises the importance of Aboriginal and non-Aboriginal culture and heritage. In 2007/08 we involved 19 Aboriginal community groups in four major projects located in Rothbury, Scone, Wamberal and Tomago. EnergyAustralia's Heritage and Conservation Register, including 12 sites of State significance and 193 sites of local significance, was formally endorsed by the Heritage Council in August 2007. In May 2008, three new sites were added to the State Heritage Register (substations at No. 167 Auburn, 269 Waverley and 349 Prince Street Randwick) and one site removed and retained as an item of Local Significance on the Heritage and Conservation Register (Records Repository, Newtown). Conservation plans were prepared for six State Significant sites (substations at No. 5 Mountain Street Ultimo, 15 Johnston Street Annandale, 195 Pymble, 269 Waverley, 341 Randwick and 349 Prince Street Randwick). Online Heritage Awareness Training has been developed for staff and will be rolled out over 2008/2009. 14

Electric and magnetic fields

Electric and magnetic fields (EMF) are produced wherever electricity or electrical equipment is in use. Common household appliances generate EMF when turned on, even in standby mode. Safety around our electricity network is EnergyAustralia's highest priority and our commitment to safety includes designing new network infrastructure to comply with health guidelines relating to EMF. We received and addressed 262 customer and community enquiries about EMF in 2007/08, and 99.2 per cent of these were resolved. The two unresolved issues require unique management approaches. EMF Contact Officers are available on our EMF advisory line on (02) 9394 6659. Further information is available on our website or from the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) at www.ARPANSA.gov.au 5



Zoo partnership

In early 2007 EnergyAustralia launched a five-year principal partnership with Taronga Conservation Society Australia. The EnergyAustralia Great Southern Oceans precinct at Sydney's Taronga Zoo opened to the public in April 2008, with an official opening event staged in July 2008. Its centrepiece is the new 950-seat EnergyAustralia Seal Discovery Theatre which shares messages about sustainability and marine conservation with up to 2,000 visitors each day during its seal shows.

Community consultation

As we progress with our record capital works program (see page 22), we face the continuing challenge of building new electricity infrastructure to provide a safe and reliable power supply while balancing the local community's needs. We are committed to involving the community in the planning, design and building of both new and replacement infrastructure.

In 2007/08 EnergyAustralia engaged local communities on about 60 major projects which ranged from providing input into the selection of cable routes to suggestions for the exterior design of new substations. Consultation included community information displays, distributing newsletters and notification letters, and door-knocking of residents and businesses around project sites. Community consultation projects included:

- **Ourimbah – Wamberal 132 kV Power Line** – Work on this project started in March 2008, following two years of detailed community consultation and environmental assessments. In response to community concern, the consultation for this project was broadened to a series of forums between EnergyAustralia and community representatives. Community concerns captured by the consultation process and subsequently considered as part of the environmental assessment process included EMF, environment, property values and aesthetics. To overcome technical constraints EnergyAustralia invested an additional \$12 million to underground a 4km section of the line in the more dense suburban area. The line design also adopted contemporary prudent avoidance measures to ensure minimal EMF.
- **Kurri 132 kV feeder project** – After engaging the community during the early planning stages we modified our plans to achieve an outcome that was technically and environmentally feasible, acceptable to the local community and could be delivered in a timeframe that met the community's electricity requirements.
- **Belmore Park substation** – A new substation in Haymarket is one of a number of key projects being planned for Sydney's CBD. EnergyAustralia has engaged both government authorities and the local community early in the planning stage. A stakeholder workshop, a planning focus meeting and two community information displays were held to seek feedback into this project.
- **Scone substation and power line** – A new substation is being constructed at Scone to replace the existing substation. EnergyAustralia held a community information display where feedback was sought from the local community into the external design and landscaping. EnergyAustralia will plant five trees for every one tree removed from the site. An alternative route acceptable to the community and technically and environmentally possible was chosen.
- **Kogarah substation** – Construction of EnergyAustralia's Kogarah substation started in early 2008. In planning the substation, a range of community consultation activities were carried out, including a series of community newsletters and an information display, to inform the community about the proposal and give people an opportunity to provide input. Feedback was incorporated into the substation design and community updates have continued through the project.

EnergyAustralia is investing in a major program of capital works and technology upgrades to meet the growing demand for electricity, while ensuring safety and reliability of supply for our customers. Our capital works program is the largest in more than 30 years and is aimed at improving the performance of our network.

Operational excellence

What we planned to do

- Provide a safe network
- Deliver our capital works and maintenance program
- Comply with all Network and Retail licence conditions.

What we did in 2007/08

- Public safety incidents increased from four to five, with no fatalities
- Invested \$951 million in capital programs – an increase of \$167 million (21 per cent) on the previous year
- EnergyAustralia had more than 40 major subtransmission and zone substation expansion projects with a total value of \$1.3 billion under construction or ready to start
- Spent \$68 million on 11 kV development works and reliability improvement programs
- Invested \$240.5 million on essential network maintenance
- More than 32,000 GWh of electricity was transmitted
- No significant breaches for Network and Retail licences.

Our targets for 2008/09

- Increase public electrical safety awareness
- Deliver our \$1,091 million investment program
- Deliver the IT Strategic Plan
- Continue to reduce our cost to serve
- Ensure sustainability considerations are included in all future procurement guidelines.

Our network investment is driven by a large replacement program following a cycle of network expansion that occurred after the second World War and again in the 1970s. It is also being driven by a need to meet new reliability licence requirements introduced by the NSW Government and to cater for growing demand for power.

Upgrading and improving our network

The ongoing proliferation of appliances, population growth and economic prosperity, brings with them an increased demand for electricity. We estimate about 58,000 air-conditioners are installed in homes throughout our network area every year. By 2014, we expect approximately three-quarters of all homes on our network will have an air-conditioner. These factors, and others, are used by EnergyAustralia's planners and forecasters to help determine where we invest in our network and when. Residential demand for power during peak summer periods is growing at about 3.7 per cent a year. Despite this, a new record peak demand of 5,683 MW was set on 17 July 2007, a day on which the average temperature was 7.8 degrees. This was the coldest day recorded across our network area for more than 17 years.

Capital Works Program

We plan to spend \$8.6 billion in the next five years. In 2007/08, we invested \$951 million of which \$811 million was invested in system capital works programs, including Kogarah in Sydney's south to Morisset in Lake Macquarie and Berkeley Vale in the Central Coast region (see graph on page 33). This represents an increase in system expenditure of \$114 million compared to 2006/07.

More than \$260 million of this investment was spent on major projects including Argenton subtransmission substation and zone substation, City North zone substation, and Wamberal zone substation. As at 30 June 2008, EnergyAustralia had more than 40 major subtransmission and zone substation development projects with a total value of more than \$1.3 billion either in construction or about to commence. Other major projects



Newcastle CBD zone substation

Our new \$22.6 million Newcastle CBD zone substation was commissioned during the year, highlighting EnergyAustralia's technical and design excellence. Our technical staff successfully managed the complex task of transferring 35 high-voltage cable from the old City Main substation to the new facility without interruption to 15,000 inner city customers. Our design team also excelled in delivering a design that was consistent with the inner city's distinctive architecture, incorporated community feedback, and was cost-effective. As a result, the new substation earned a special award at the 2007 Lower Hunter Urban Design Awards.

Photo credit: Courtesy Newcastle Herald

included Kogarah zone substation and power line development, Potts Hill zone substation development, Adamstown zone substation development, Turrumurra zone substation power line replacement, and Ourimbah STS refurbishment.

A further \$240 million was invested in network maintenance to preserve the performance and safety of our equipment.

Ongoing works

Homebush subtransmission substation

EnergyAustralia's \$46 million Homebush subtransmission substation replacement uses state-of-the-art technology will be used to help improve the power supply to more than 36,000 inner-west homes and businesses. Homebush subtransmission substation is the heart of power distribution in the area, receiving electricity at 132 kV and distributing it at 33 kV to zone substations in Auburn, Lidcombe, Five Dock and Concord.

The new substation has been architecturally designed to fit in with the local area and will feature innovative 33 kV gas insulated switchgear equipment, which is half the size of the old technology and more efficient. The new substation will replace an existing facility at EnergyAustralia's Homebush depot on Underwood Road. It will initially house two transformers, with space for future expansion to three times the capacity of the existing substation to ensure it continues to meet the area's growing electricity needs.

The stage-two building works including new switchroom and control room building, cable chase and first transformer bay is complete. Electrical fitout works are proceeding. Commissioning of the substation is expected in April 2009, followed by the transferral of existing 33 kV cables to the new substation and is expected to be operational toward the end of 2010.

Kogarah zone substation

Work on a \$43 million substation in Kogarah, the first in the area for more than 30 years, is on target for completion by November 2009. It will replace the existing Carlton zone substation. Around \$55 million will also be invested in underground cabling to and from the substation. Foundation work on the substation site is complete and preparations are now being made for the rest of the building that will house the electrical equipment.

A 120 metre by 2.4 metre cable tunnel that will house high voltage cables has broken through to the basement of the Kogarah zone substation. The next phase of work will be the installation of steel work in the tunnel to support the cables.

A five-metre-long tunnel boring machine that weighs about 18 tonnes was purpose-built to complete the project. As the front of the machine cut through the rock, pipes that will house the cables were jacked into the tunnel created by the machine at the rear of the cutting head.

The final design of the substation was made after consultation with the community. Kogarah Council wanted the building to be a landmark for the area and the final design reflects this feedback. When complete, the new substation will supply electricity to more than 25,000 homes and businesses in Kogarah and surrounding areas into the future to cater for the increasing demand for power from the community.



Award-winning safety at Homebush

EnergyAustralia's \$41 million Homebush STS replacement is one of the biggest substations in Sydney, supplying electricity to 46,000 local homes. The records showing the location of underground cables and sewers have long since disappeared. As well, it was likely that the ground was contaminated, and it also contains a pile of asbestos. To address these issues, safety screens were built. "Tool-box talks" were held for workers to discuss safety steps. EnergyAustralia's contractor, Richard Crookes Constructions, won the Safety Award in the Infrastructure/Civil Construction section of the 2007 MBA Construction Awards for its project at Homebush STS.

Kingsford

EnergyAustralia's \$32 million Kingsford zone substation is due for completion by the end of 2009. It will replace the Randwick zone substation. The building works are close to complete and EnergyAustralia workers have started the electrical fitout process. The two-storey building will supply electricity to more than 18,000 customers. A further \$9 million will also be invested to install new underground cables connecting the substation to the existing overhead and underground electricity network. A collection, storage and distribution water recycling system was installed at the substation site to reduce dust, contributing to EnergyAustralia's reputation as an organisation concerned about environmental and sustainability issues. A large roof has been built over the site buildings at Kingsford to supply rainwater to three 12,500 litre storage tanks, providing a total capacity of 37,500 litres of clean water to the site.

Completed works

- **Lindfield to Willoughby** – This \$42.5 million project involved the replacement of two 132 kV underground cables that run from Lindfield subtransmission substation to Willoughby subtransmission substation over a distance of 8.3 kilometres.
- **Nelson Bay** – A new \$4.1 million, 132 kV powerline was built from Tomago to Williamtown to boost supply to the local community.
- **Newcastle** – The new \$22.6 million substation at Tyrrell Street replaces the existing City Main 33/11 kV substation which was built in 1938-1940. The new substation supplies power to around 15,000 homes and businesses in Newcastle's CBD and surrounding inner city areas including Honeysuckle, Newcastle West, Cooks Hill, The Junction and Merewether.
- **Morisset** – The new \$20 million Morisset zone substation boosts power supply to more than 2,000 homes and businesses throughout south-western Lake Macquarie. Construction included:
 - A new, 132/11 kV zone substation to replace an existing, smaller (33/11 kV) substation
 - A 132 kV power line diversion to supply the substation at higher voltage
 - Associated 11 kV power line works
 - Special measures to protect a colony of local squirrel gliders until 2012/13
 - A new, purpose-built depot for 100 staff.
- **City pits beneath Sydney CBD** – The maze of electricity cables beneath the streets of Sydney city has been plotted, thanks to a three-year project mapping our 3,980 underground pits and ducts. Comprehensive information on the pits and their condition now appears on our Geographical Information System (GIS). This allows staff to electronically see our assets beneath the Sydney CBD, to aid the effectiveness of planned and emergency work.

Building a smarter network

As we roll out our massive capital program, we are also progressively transforming our electricity network into a smart network. We are installing new technologies and systems to make our electricity network more efficient, more reliable and one that gives customers more control over their energy use and bills.

We have installed a high-speed communications network connecting all our zone substations which is the foundation for a smarter network. This involves installing more than 800 kilometres of new fibre optic cable between substations.

This new network provides greater efficiencies through new voice services capabilities, new remote access capability for field staff and high-speed connectivity between offices and depots. By the end of 2007/08, we had deployed approximately 580 kilometres of this new network, connecting up to 119 major zone substations.

We are adding smart sensors to our substations and equipment which will automatically detect faults. This will dramatically improve maintenance efficiencies and reduce the length of interruptions to the electricity supply.

The rollout of smart meters to customers led by EnergyAustralia will be the gateway between customers and the intelligent network. Ultimately a smarter network will deliver customers more options, more real time information, and more opportunities to choose electricity products that suit their household.

Commitment to Public Safety

Duty of Care

We invested \$29 million in our Duty of Care program in 2007/08 to help manage safety and environmental risks.

The management of safety risks, both public and workplace safety, include fire prevention and risk mitigation strategies and asbestos management and removal strategies. More than \$17 million has been invested in this area during the year on projects such as distribution substation security upgrades, roof replacements and the installation of fire alarm systems.

The management of environment risks include waste disposal, pollution, contamination of land, remediation and environmentally hazardous chemicals. EnergyAustralia invested \$11 million on projects relating to oil containment and management including PCB oils and the replacement of noisy equipment.

Projects to address asset security and compliance risks, or infrastructure risk, include battery room upgrades in preparation for duplication, electronic security and under frequency load shedding. Almost \$1 million has been invested in this area during the year.

Public awareness – electrical safety

EnergyAustralia reported five Serious Electricity Network Accidents involving the public in 2007/08, one more than in 2006/07. All electrical accidents are investigated thoroughly to improve our future safety plans. Our Public Electrical Safety Awareness Plan helps to build awareness and describes our safety programs aimed to raise electricity safety awareness among key groups including primary school aged children, residents living near substations, DIY home renovators, handymen and the general public.

During 2007/08 we launched "Mind the Zap", a new radio and online safety campaign urging outdoor workers, irrigators and the general public to stay well clear of overhead powerlines.

In September, more than 700 primary schools participated in Electricity Safety Week – an annual program endorsed by the Department of Education and Training. More than 350 electricity safety resource kits were also distributed to primary schools in our network area. These hands-on kits allow students to conduct experiments and build their own electrical projects to help them learn about staying safe around electricity in a fun and interactive way.

Other electrical safety programs undertaken in 2007/08 included Dial Before You Dig promotions, school holiday safety, home renovation and maintenance safety, and Christmas safety.

Bushfire management

EnergyAustralia manages bushfire risks to life, property, and the environment by helping to ensure our assets and our customers' private power lines are properly designed, constructed and maintained. This includes regular tree trimming around powerlines, and annual aerial and/or ground patrols to identify and repair potential faults on powerlines ahead of the bushfire season. Our Bushfire Risk Management Plan outlines the procedures, standards, codes and guidelines EnergyAustralia applies to the construction, operation and management of our network. The plan also includes how we communicate with key stakeholders.

19 20

Hosting the E21C conference

EnergyAustralia was proud to co-host the 9th International Transmission and Distribution E21C Conference at Darling Harbour in November 2007. E21C brought together owners, designers, planners, equipment manufacturers, builders and customers of international electricity and gas networks from across the Asia Pacific region. There were keynote speakers and presentations, workshops, field trips and demonstrations which allowed industry professionals to swap notes on key issues. E21C was also an opportunity to showcase the knowledge, skills and talent of EnergyAustralia's people and leadership in the industry to conference delegates.

EnergyAustralia is committed to providing a safe workplace with development opportunities and a culture that helps us achieve our goals. For the fifth year in a row, we are proud to be the largest single employer of apprentices in New South Wales, with 570 apprentices in training who will help deliver our record capital works program.

Delivering to our people

What we planned to do

- Achieve our safety targets
- Develop our leadership capabilities
- Build a culture of performance.

What we did in 2007/08

- Achieved a Lost Time Injury Frequency Rate of 3.9
- Implemented the EnergyAustralia Senior Leadership and Succession Planning programs
- Recruited 173 apprentices and 25 commercial and engineering graduates.

Our targets for 2008/09

- Improve safety
- Continue to implement a learning and development framework
- Achieve the actions outlined in our culture of performance program
- Achieve a score of >70 per cent for employee opinion survey
- Implement a new learning and development framework for all employees.

Our highest priority is to provide a safe workplace and provide opportunities for our staff to develop their skills. We want to continue to build a culture that encourages collaboration, innovation and leadership and continue to be an employer of choice in our community.

Providing a safe workplace

EnergyAustralia is committed to providing a safe workplace. The 'PeopleSafe' program and OHS system provide the processes and procedures to achieve our workplace safety goals and objectives.

OHS committees and consultative mechanisms operate throughout EnergyAustralia to ensure employees are consulted on health, safety and welfare matters, assist with continuous improvement and help promote a culture of safety awareness and responsibility.

EnergyAustralia holds a Workers Compensation Self Insurers Licence, an indication of a successful Occupational Health and Safety system.

Asbestos Management Plan

In 2007/08, a new Asbestos Management Plan was developed and refresher and survey training started for more than 200 construction technicians so our people are aware of risks and correct procedures. The Asbestos Management Plan included an holistic review of our asbestos management strategy, mitigation program, and work procedures. The Plan was developed in consultation with our employees, and staff information sheets have been issued. A highlight was the CBD Pit asbestos removal project.

2



Safety at work

We are committed to safety for our people. A key measure is the Lost Time Injury Frequency Rate which was 3.9 in 2007/08. This result was better than our target, however, our result was higher than last year. We continue to promote our PeopleSafe program to contribute to protecting our people at work.

Safety performance

EnergyAustralia's Lost Time Injury Frequency Rate, for 2007/08 was 3.9. This result was better than our target of 4.5, but was higher than our 2006/07 result of 2.9. The average lost time due to injuries was 11.4 days compared to our target of less than seven days. Analysis showed injuries greater than 15 days accounted for 6.1 days of the total time lost. We will be reviewing and refreshing our approach to injury management as a result of this outcome. Manual handling caused most lost time injuries during the year, and these results will be addressed in the PeopleSafe plan for next year.

During 2007/08, benchmarking with industry partners formed a significant focus for OHS management review, and provided the initiatives to improving safety performance, including:

- Introducing the 'Jobfit' system to assess all manual handling tasks. Up to 1,000 employees have completed task-specific manual handling training and further training is planned for 2008/09.
- Introducing a new Injury Management Forum to help improve our injury management and claims process.
- Completing the third stage of FitWell, our health and fitness initiative for employees. More than 1,000 employees took part in FitWell assessments over three years.
- EnergyAustralia also encourages workplace safety innovation through PeopleSafe Awards. Two awards were presented to employees Stephen Bursill and Graeme Boorman for their safer way to climb two-pole transformers. The process is now in use, helping us to better manage a height safety risk.



Our changing workforce

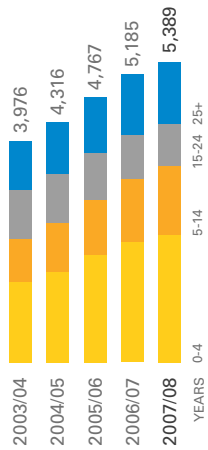
In 2007/08, our workforce grew to 5,389 employees, including an additional 459 new employees and an overall increase of 3.9 per cent from last year. This growth has been driven by the record capital works program EnergyAustralia is currently undertaking and has seen a generational shift in our workforce. Our key demographics include:

- 173 new apprentices, including seven women, an increase of 5.2 per cent female apprentices since 2006/07.
- 21 new engineering and four commercial graduates.
- We have 36 indigenous employees, which represents 0.68 per cent of the 2007/08 full-time equivalent staff. Our target is to increase this to two per cent to be in line with community representation. Seven indigenous Australians were welcomed as apprentices this year.
- Our employees include 1,745 people aged 15-34 years and 1,396 employees aged 35-44 (see graph on page 28).
- We have 59 employees aged over 65.
- 2,290 staff have worked here less than four years (see graph on page 28).

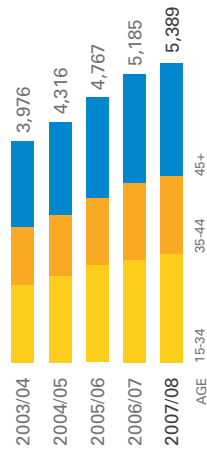
Apprenticeship program

We have been training apprentices since 1910. Our apprentice recruitment numbers have tripled over the past five years to be ready for our massive Capital Works Program. In 2008, EnergyAustralia is the largest direct employer of apprentices in NSW and we recruited record numbers for the fifth year in a row (see page 29). Our 570 apprentices range in age from 16 to 42 years old, including 50 new apprentices from other industry organisations who joined us this year. Our third-year Apprentice Motor Mechanic Brian Monger topped the state in his heavy vehicle mechanical studies at TAFE.

Employee Service Distribution
(Number of employees)



Age Distribution
(Number of employees)



Environmental Training Program
(Number of employees trained)



This year EnergyAustralia grew by almost four per cent and our workforce profile is changing. We are expanding our environmental training.

Equal employment opportunity

EnergyAustralia provides a fair workplace, supported by our Equal Employment Opportunity and Discrimination and Harassment Prevention policy. EnergyAustralia's Equity and Diversity Strategy is focussed particularly on increasing the number of women in non-traditional roles and indigenous Australians.

In October 2007, EnergyAustralia established an Indigenous Steering Committee for indigenous employees to meet quarterly to discuss employment issues affecting them. EnergyAustralia continued our involvement with the Indigenous Australian Engineering Summer School in 2008 which was held in partnership with the University of Newcastle. The program enables indigenous students in Years 11 & 12 to gain insight into engineering as a profession and an understanding of the job opportunities that are available.

Our Aboriginal and Torres Strait Islander Pre-Apprenticeship Program was recognised with a 2007 TAFE Gili Award in the category of 'Industry Partnership Award'. The program provides participants with the skills to apply for an apprenticeship with us. Developed as part of EnergyAustralia's Equity & Diversity Strategy, the program is now in its fourth year, and is a stepping stone in preparing for an apprenticeship with EnergyAustralia. Fourteen participants were enrolled in the 2007 Program and of these, seven were successful in gaining an apprenticeship starting with EnergyAustralia in 2008.

Developing our people

EnergyAustralia's aim is to have high-quality leaders and people with the right skills, working safely and effectively to achieve our business outcomes. Our employees attend up to nine training courses per year, many of which are related to mandatory safety training. In 2007/08, we also focussed on culture, leadership and performance, while addressing feedback from our 2007 Employee Opinion Survey. Our environmental training program has continued to grow since its inception in 2004/05 (see graph above). This program includes topics such as environmental awareness and environmental impact assessment in addition to four new online courses as part of all new employee inductions: environmental, Geographical Information Systems (GIS), waste awareness and heritage awareness.

In August, the Organisational Culture Index survey was conducted to review and improve existing ways of working and behavior. The EnergyAustralia Senior Leadership Program was then designed to take EnergyAustralia forward and improve overall business performance. In 2007/08, 156 sessions were attended by staff at the EA Tomorrow leadership training. About 52 staff from across the organisation also took part in EA Tomorrow focus groups aimed at enhancing performance management, innovation, reward and recognition and business improvement.

EnergyAustralia provides induction on the energy industry and our business operations for new employees. In addition employees are inducted to their individual worksites and teams by their manager or supervisor. Throughout their careers with us, employee training needs are identified, discussed and documented within the Performance Development System. Goals, targets, training and development objectives and plans are set annually and reviewed on a six-monthly basis. This program is an agreement between an employee and their immediate manager involving clear goals and expectations, in addition to a communication channel for ongoing feedback.





Apprentices welcomed

More than 170 of our newest recruits were officially welcomed this year at a special event at our Lake Macquarie property, Bargoed House. Apprentices, guests and staff were also given a sneak preview of what the apprentices will encounter over the four years of their apprenticeships in the electrical mechanic, cable jointing, linework and motor mechanic trades. Second-year apprentices and technical instructors helped demonstrate some of the skills the new recruits will learn, including cable jointing, pole-top rescues, confined spaces training and firefighting. The class of 2008 also posed for a photo in the form of a giant footprint to reflect EnergyAustralia's commitment to reduce our 'footprint' on the environment.

EnergyAustralia's Enerserve Division is a Registered Training Organisation (RTO) delivering statutory safety training and numerous in-house training courses specific to individual work areas and their needs. This year the Board approved plans for a new Learning Centre to be built at Silverwater, including a new apprentice training centre. The new Learning Centre will showcase our technical leadership as well as provide a physical centre for developing our people.

We sponsor secondary school science programs, pre-apprenticeship programs and engineering programs including the Chair of Power Engineering at Sydney University. For the second year in a row, one of our engineering cadets won the Sydney University medal when David Hughes matched Kenny Ma's excellent results.

Communicating with our people

We demonstrate respect for our people through open, transparent two-way communication. This includes Roadshows by the Managing Director, a monthly staff magazine, weekly broadcasts and regular team briefings. Staff feedback and questions are encouraged through our 'Ask the MD' mail and email to the Managing Director. We also use our annual corporate scorecard as a way to communicate our organisation's purpose, values, targets and goals. In 2008, we expanded the scorecard to include a set of behaviours we hope will underpin the new culture we are working towards – collaboration, accountability, reliability, commerciality, innovation and leadership.

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Workplace relations

In 2007, EnergyAustralia and the Electrical Trades Union (ETU) signed an historic Memorandum of Understanding (MoU), the result of extensive consultation between employee representatives, management and the ETU. The agreement aims to help EnergyAustralia meet our massive Capital Works Program and build a stronger and more reliable network.

9

More than 91 per cent of our staff are covered by conditions under the EnergyAustralia Agreement 2006, to which seven unions are a party. The remaining nine per cent are senior contract staff. Our people are consulted through a number of committees including the OHS, Peak, Divisional and Local workplace consultative committees.

1

Employee support programs

The Employee Assistance Program provides a confidential counselling service to all employees and their immediate families, including a specific counselling service for employees exposed to trauma or critical incidents. Other support includes an advisory hotline service for managers, the Energy Industries Superannuation Scheme which provides information sessions for interested staff, and our retired staff club. EnergyAustralia's Injury Management Program helps support injured and ill employees during their return to work.

EnergyAustralia offers parental leave, support to parents, enhanced flexibility in balancing work and family responsibilities, limited income support for employees on parental leave and encouragement to return to work. Our Managing Part Time Work procedure enables negotiation for part-time and job-sharing arrangements to be initiated by either management or employees. Our redundancy and redeployment procedure provides that redeployment is the first consideration for employees whose positions are declared excess to requirements.

Codes of Conduct

EnergyAustralia has codes of conduct outlining our expectations of our people and contractors at all levels and locations. The codes also highlight our values and standards of behavior and breaches may result in disciplinary action.

EnergyAustralia is committed to continually improving our economic management performance and adding value to the business by providing commercial rates of return.

Finance & Directors' Report

What we planned to do

- Deliver shareholder results
- Drive Corporate Strategy
- Secure our regulated income.

What we did in 2007/08

- Achieved EBIT of \$574 million, exceeding our target
- Exceeded our commitment of total distributions – \$272 million to the NSW Government
- Submitted our regulatory proposal to the Australian Energy Regulator.

Our targets for 2008/09

- Deliver shareholder results (Statement of Corporate Intent targets)
- Achieve a return on assets of 5.4 per cent
- Identify and manage risks within agreed parameters
- Drive our corporate strategy through improving stakeholder relations.

Financial highlights

EnergyAustralia achieved earnings before interest and tax (EBIT) of \$574 million, from total revenues of \$3,096 million. EBIT this year was \$20 million less than last year after allowing for a charge of \$59 million for superannuation arising from the actuarial assessment of Defined Benefit Superannuation Scheme.

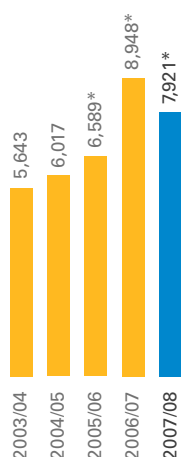
Excluding this year-end adjustment for superannuation and adjustments for derivatives, our underlying EBIT was \$607 million against a target of \$511 million. The retail business performed well ahead of target due to better than expected wholesale and retail prices. The market conditions that were experienced in the final quarter of 2006/07, which saw record wholesale prices for electricity and gas, were not experienced in the 2007/08 financial year.

Return on Shareholders funds

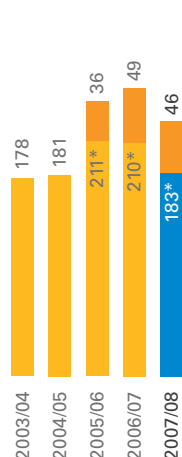
Total company assets were \$7,921 million and the return on assets was 6.8 per cent.

Shareholders equity decreased during the financial year to \$1,935 million. This decrease reflected the effect of AASB 132 and AASB 139, which requires the unrealised value of effective energy derivative instruments to be stated at fair value and written to the revaluation reserve within Equity. The 2006/07 total assets reflected the impact of record wholesale prices on energy related assets and liabilities. This has been normalised in 2007/08 with a resultant decrease in derivative fair values and reserves as well as energy related assets and liabilities. The net assets of the business are lower as a result. EnergyAustralia achieved 10.4 per cent Return on Equity better than the Statement of Corporate Intent target of 6.7 per cent.

Total assets
(\$ millions)



Net profit after tax
(\$ millions)



Revenue
(\$ millions)



This year our total assets reduced when the record wholesale prices and derivative fair values returned to normal levels. Net profit after tax was less than last year after superannuation charges. Revenue increased by seven per cent.

* These results are on an Australian Equivalents to the International Financial Reporting Standards (AEIFRS) basis. Previous results are on an Australian Generally Accepted Accounting Principles (AGAAP) basis.

* Ordinary operations
■ Sale of 50% of EA-IPR partnership

Total earnings provided a net profit after tax of \$229 million. EnergyAustralia's distributions to the NSW Government were \$272 million from a dividend of \$183 million and income tax expense of \$89 million. The distributions were \$66 million higher than our Statement of Corporate Intent target, reflecting the excellent retail results.

Total capital expenditure of \$951 million was above target by \$58 million because of additional expenditure in both the network performance and customer growth categories, strategic land purchases and new customer connection assets.

Finalisation of Sale of Victorian and South Australian Partnership

EBIT included \$46 million relating to the sale of our share of the partnership retail business in Victoria and South Australia to International Power which was finalised in August 2007.

The total financial effect of the Victorian and South Australian operations since 2005, has realised \$188 million profit before tax for EnergyAustralia, being \$60 million in 2005/06, \$82 million in 2006/07 and \$46 million in 2007/08 from operations and sale of the business.

Principal activities

EnergyAustralia's main activities are:

- Asset ownership and management of an electricity distribution network;
- Retailing of energy and related products in the national market;
- Procurement and trading in the national wholesale electricity and gas markets;
- Production, procurement and trading of green energy products;
- Infrastructure related construction and maintenance services and consultancy.

Our distribution network covers 22,275 square kilometres in NSW and during the year we were a gas and electricity retailer in NSW, Queensland and ACT. In August 2007 we finalised the sale of our share of the retail partnership in Victoria and South Australia to International Power.

Legislative framework and management system

EnergyAustralia is a State Owned Corporation established under the *Energy Services Corporations Act 1995* and the *State Owned Corporations Act 1989*. It is subject to a significant number of statutory and legislative requirements, including the *Electricity Supply Act 1995* and regulations, the National Electricity Law, the National Electricity Rules and relevant Network and Retail Licences. These various legislative and licence obligations reflect the importance of a safe and reliable electricity supply for our community.

Objectives and performance targets are established each year in our Statement of Corporate Intent, our business plans and our Network Management Plans. Network reliability targets are established in the Design, Reliability and Performance Licence Conditions for Distribution Network Service Providers which applied from 5 August 2005 (and were amended by the Minister for Finance in December 2007). Other plans available on our website establish the objectives and targets for electrical safety, community education and bush fire risk management. EnergyAustralia prioritises safety over all other objectives.

EnergyAustralia operates within a suite of Board and management approved policies, key planning documents and our Codes of Conduct. This management system establishes the overall approach of the organisation to various economic, environmental and social practices. We have comprehensive compliance programs in place to monitor and report our performance against our plans and targets.

Events after balance date

In December 2007, the NSW Government announced its response to the key recommendations of the Owen Inquiry into Electricity Supply in NSW. The proposed reforms involved the lease of existing power generators and the transfer of the retail activities of the electricity distributors to the private sector.

On 28 August 2008 the NSW Government announced a revised plan that involved the transfer of retail activities and the sale of generation development sites to the private sector.

EnergyAustralia will continue to work with NSW Treasury to implement the Government's preferred strategy.

Governance

The Board oversees the organisation's strategic direction and has delegated the responsibility for the management of the company to the Managing Director.

The Board has implemented governance practices to support the business operations of EnergyAustralia. In determining those practices the Board has taken into consideration the Australian Securities Exchange (ASX) 'Corporate Governance Council, Principles of Good Corporate Governance and Best Practice Recommendations' and other relevant best practice guides.

The Board also undertakes a formal process to review the performance of the Managing Director and Executive team. The evaluation is based on pre-agreed criteria which incorporates an independent assessment of organisational and business performance.

Sub-Committees play an important role in guiding the organisation on governance and policy issues. The Sub-Committees provide information and advice to the full Board regarding issues that have been considered. Charters have been approved for each Sub-Committee and these are reviewed annually.

Financial results

	2007/08 Result	2007/08 SCI	Variation to SCI	2006/07 Result
Operating Revenue (\$m)	3,096	3,055	41	2,889
EBIT (\$m)	574	511	63	594
EBITDA (\$m)	852	780	64	862
Net Profit After Tax (\$m)	229	165	64	259
Dividend (\$m)	183	125	58	162
Total Distributions to Government (\$m)	272	206	66	278
Return on Equity (%)	10.4	6.7	3.7	12.4
Capital Expenditure (\$m)	951	893	58	784

2007/08 Directors' attendance schedule

	Scheduled Board		Audit & Compliance		Retail Performance & Risk Management		Human Resources		Network Performance & Capital Investment	
	A	B	A	B	A	B	A	B	A	B
J Conde AO	10	10	6	6	10	10	–	–	–	1*
G Maltabarow	10	10	6*	6*	10	10	5	5	9	9
P Akopiantz	10	9	6	6	10	10	–	–	–	–
P Jeans	10	9	–	–	–	–	5	4	9	8
M Lambert	10	10	6	6	–	–	5	4	9	9
W Tomlins	10	9	6	6	–	–	5	5	–	–

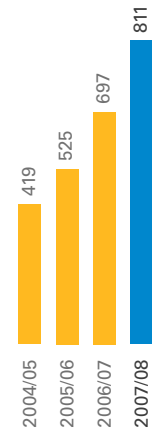
A Indicates number of meetings held during the period the Director was a committee member

B Indicates the number of meetings attended by the Director

* Attended Sub-Committee meeting as an invitee



**Building the network
system capital expenditure**
(\$ millions)



Board role and responsibility

The Board's responsibilities are encompassed in a formal Charter which is regularly reviewed to determine if changes are required. There were no significant changes to the Charter in the past year.

The functions of the Board include:

- Approving the business plan, including the budgets;
- Reviewing and approving reports to the shareholders of progress against the business plan;
- Considering and determining the strategic direction of the organisation;
- Monitoring reports on issues including the safety of the workforce, environmental performance and issues, regulatory compliance and financial performance;
- Monitoring of the risk management and internal control systems;
- Appointing, evaluating and remunerating the Managing Director;
- Ensuring that assets are effectively utilised to achieve the desired outcomes for the shareholders, customers and the community.

During the course of its work, the Board is able to obtain independent advice as required.

Audit & Compliance Sub-Committee

The key responsibilities of this Sub-Committee include:

- Considering the half-yearly and annual statutory and regulatory financial statements;
- Assessing the effectiveness of the internal and external audit functions;
- Overseeing compliance with statutory responsibilities relating to financial disclosure;
- Reviewing the adequacy of risk management systems and the internal control framework;
- Reviewing compliance with relevant government regulations;
- Reviewing and monitoring of the propriety of related party transactions;
- Assessing the overall financial management processes.

The external auditor is invited to attend all meetings of this Sub-Committee and the Sub-Committee members meet separately with the external auditors each year.

Retail Performance & Risk Management Sub-Committee

The key responsibilities of this Sub-Committee include:

- Reviewing and endorsement of risk management policies prior to Board approval;
- Monitoring the performance of the retail and wholesale trading business and its impact on risk management;
- Reviewing and approving delegations relating to the wholesale and retail operations;
- Reviewing retail debtor and creditor policies management;
- Reviewing the adequacy of the internal controls for retail and wholesale operations;
- Monitoring compliance with a suite of policies that govern wholesale and retail operations.

Human Resources Sub-Committee

The key responsibilities of this Sub-Committee include:

- Reviewing the occupational health and safety management processes and performance;
- Reviewing the workforce planning approach;
- Examining employee development and recruitment strategies;
- Reviewing policies in relation to remuneration and performance payment structures;
- Advising the Board on succession planning for the senior executive team.

Network Performance & Capital Investment Sub-Committee

The key responsibilities of this Sub-Committee include:

- Reviewing the process for the formulation of the capital program and its linkage to the overall corporate strategy;
- Considering major regulatory submissions prior to Board review;
- Assessing the capital program against the regulatory framework to ensure regulatory approval of the program;
- Reviewing the capital governance framework, including the process for evaluation and prioritisation of major capital projects and regular reporting of expenditure on those projects;
- Considering post implementation reviews of completed major capital projects;
- Reviewing the approach to the planned maintenance and utilisation of major assets.

Internal Control and Business Risk Management Framework

EnergyAustralia has in place effective internal control processes administered by its Board of Directors, management and staff to enable assurance that the corporate objectives are being achieved, laws and regulations are being complied with, and financial reporting is reliable.

EnergyAustralia has a strong internal audit function that provides independent assessments of the effective design and operation of this internal control framework and the management of key business risks.

The Internal Audit Division undertakes its audits in line with a plan approved each year by the Audit and Compliance Sub-Committee of the Board. Internal Audit reports significant audit findings to the Audit and Compliance Sub-Committee along with the management action taken in relation to these findings.

The business risk framework consists of the identification and assessment of emerging and perennial business risks and the development of action plans to improve the way risks are managed. For 2007/08, 17 key strategic risks were identified by management and formal risk assessments completed. Operational risk assessments were also completed for each business area which include contingency and continuity planning.

EnergyAustralia has a comprehensive insurance program in place and reviews the adequacy of its insurance limit annually. We ensure that participating insurers meet acceptable insurance security requirements.

Ethics

EnergyAustralia has a Code of Conduct which outlines the rules for professional conduct of the organisation, its employees and its contractors. The Audit & Compliance Sub-Committee periodically reviews the Code as well as procedures to ensure compliance.

EnergyAustralia has an Ethics Committee comprising senior divisional management representatives, which oversees the implementation and effectiveness of appropriate ethical programs. Application of the Code is monitored by various control mechanisms. All disciplinary matters are handled under the provisions of EnergyAustralia's Code of Conduct.

This year the Ethics Committee has met on four occasions in various workplace locations. The main focus of the committee during the year has been on reviewing business practices for alignment with EnergyAustralia's ethical values.

There have been no cases referred to the EnergyAustralia Ethics Committee by either EnergyAustralia employees or contractors through the 2007/08 period. Employees can also call the St James Ethics Centre helpline if they do not wish to raise an issue with the EnergyAustralia Ethics Committee.

There were nine employees disciplined in 2007/08 due to inappropriate actions. There has been one court appearance by an EnergyAustralia employee during the 2007/08 financial year.



Compliance

EnergyAustralia's Code of Conduct outlines our intent to comply with the letter and spirit of our policies, procedures, guidelines and legislation. Primary responsibility for managing compliance risk resides with business management. All business compliance programs have a common control framework comprising a 'business owner' responsibility, a statement of EnergyAustralia's policy, authorised written procedures, instruction and training, audit and reporting, risk identification and assessment.

There are 15 key areas of compliance obligations that have been identified for regular reporting to the Audit & Compliance Sub-Committee of the Board. Reports are provided on compliance issues and emerging compliance obligations.

The key areas for compliance reporting include:

- NSW Distribution Network Service Provider Licence;
- Retail Electricity and Gas Licences;
- Occupational Health and Safety;
- Financial Services Licence;
- Environmental;
- Trade Practices;
- Human Resources.

Finance

- Statements and Notes

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EnergyAustralia and controlled entities

Income Statements

For the year ended 30 June 2008

	Note	Consolidated Entity		EnergyAustralia	
		2008	2007	2008	2007
		\$M	\$M	\$M	\$M
Continuing Operations					
Revenue	2	3 096.3	2 889.0	3 096.3	2 889.0
Expenses, excluding finance costs	3(a)	(2 562.0)	(2 374.7)	(2 562.0)	(2 374.7)
Finance costs	3(b)	(256.6)	(220.0)	(256.6)	(220.0)
Gain/(Loss) on disposal	4	39.3	46.4	81.6	(2.9)
Share of profit of partnership		0.7	33.4	–	–
Profit before tax		317.7	374.1	359.3	291.4
Income tax expense	5	88.6	115.4	103.4	102.9
Profit for the year		229.1	258.7	255.9	188.5
Profit attributable to minority interest	19	–	–	–	–
Profit attributable to members of EnergyAustralia	19	229.1	258.7	255.9	188.5
Dividends per share	19	91.7	81.2	91.7	81.2

The above income statements should be read in conjunction with the accompanying notes.

EnergyAustralia and controlled entities

Balance Sheets

As at 30 June 2008

	Note	Consolidated Entity		EnergyAustralia	
		2008 \$M	2007 \$M	2008 \$M	2007 \$M
Current assets					
Cash and cash equivalents	6	1.5	5.6	1.5	5.6
Trade and other receivables	7	520.5	1 298.4	520.6	1 298.4
Other financial assets	8, 20(d)	106.0	673.3	106.0	673.3
Inventories	9	26.1	23.9	26.1	23.9
Other current assets	10	107.4	98.2	107.4	98.2
Total current assets		761.5	2 099.4	761.6	2 099.4
Non-current assets					
Other financial assets	8, 20(d)	79.1	579.1	79.1	579.1
Property, plant and equipment	11	6 706.2	5 964.3	6 706.2	5 964.3
Intangible assets	12	191.0	171.0	191.0	171.0
Deferred tax assets	14	182.9	168.4	182.9	181.0
Total non-current assets		7 159.2	6 882.8	7 159.2	6 895.4
Total assets		7 920.7	8 982.2	7 920.8	8 994.8
Current liabilities					
Trade and other payables	15	379.6	1 043.2	379.6	1 043.2
Interest bearing liabilities	16	779.6	853.0	779.6	853.0
Other financial liabilities	18, 20(d)	14.1	189.5	14.1	189.5
Deferred revenue		55.7	40.4	55.7	40.4
Employee benefits	29	440.5	382.3	440.5	382.3
Provisions	17	224.2	212.5	224.2	212.5
Deposits		27.3	29.5	27.3	29.5
Current tax payable	13	15.4	21.5	17.7	21.5
Deferred government grants		1.0	1.0	1.0	1.0
Total current liabilities		1 937.4	2 772.9	1 939.7	2 772.9
Non-current liabilities					
Interest bearing liabilities	16	3 227.4	2 700.2	3 227.4	2 700.2
Other financial liabilities	18, 20(d)	10.2	0.9	10.2	0.9
Employee benefits	29	11.1	8.6	11.1	8.6
Provisions	17	38.8	51.7	38.8	51.7
Deposits		1.5	1.6	1.5	1.6
Deferred tax liabilities	14	727.9	956.3	727.9	956.3
Deferred government grants		31.7	32.7	31.7	32.7
Total non-current liabilities		4 048.6	3 752.0	4 048.6	3 752.0
Total liabilities		5 986.0	6 524.9	5 988.3	6 524.9
Net assets		1 934.7	2 457.3	1 932.5	2 469.9
Equity					
Parent entity interest					
Share capital	19	–	–	–	–
Contributed equity	19	402.1	402.1	402.1	402.1
Reserves	19	1 065.8	1 639.0	1 065.8	1 680.6
Retained earnings	19	467.1	416.5	464.6	387.2
Total parent entity interest		1 935.0	2 457.6	1 932.5	2 469.9
Minority interest in controlled entity	19	(0.3)	(0.3)	–	–
Total equity	19	1 934.7	2 457.3	1 932.5	2 469.9

The above balance sheets should be read in conjunction with the accompanying notes.

EnergyAustralia and controlled entities

Statements of Changes in Equity

For the year ended 30 June 2008

	Note	Consolidated Entity		EnergyAustralia	
		2008 \$M	2007 \$M	2008 \$M	2007 \$M
Total equity at the beginning of the year	19	2 457.3	1 725.0	2 469.9	1 766.2
Net increase/(decrease) in revaluation reserve		(20.1)	48.5	(61.7)	90.1
Net increase in hedging reserve		(553.0)	584.1	(553.0)	584.1
Transfers to and from reserves/retained profits		4.9	3.3	4.9	3.3
Net income recognised directly in equity		(568.2)	635.9	(609.8)	677.5
Profit for the year		229.1	258.7	255.9	188.5
Total recognised income and expense for the year		(339.1)	894.6	(353.9)	866.0
Dividends provided for or paid		(183.5)	(162.3)	(183.5)	(162.3)
Total equity at the end of the year	19	1 934.7	2 457.3	1 932.5	2 469.9

The above statements of changes in equity should be read in conjunction with the accompanying notes.

EnergyAustralia and controlled entities

Cash Flow Statements

For the year ended 30 June 2008

The Cash Flow Statements and their Notes apply to both EnergyAustralia and the Consolidated Entity.

	Note	2008 \$M	2007 \$M
Cash flows from operating activities			
Receipts from customers		3 308.6	3 093.3
Payments to suppliers and employees		(2 458.2)	(2 487.5)
Cash generated from operations		850.4	605.8
Interest received		5.5	3.5
Interest paid		(249.2)	(215.3)
Income tax equivalent paid		(111.7)	(175.5)
Net cash from operating activities	28	495.0	218.5
Cash flows from investing activities			
Proceeds from sale of investments		142.0	–
Proceeds from sale of property, plant and equipment		7.0	6.2
Payments for property, plant and equipment and intangible assets		(944.4)	(776.1)
Net cash used in investing activities		(795.4)	(769.9)
Cash flows from financing activities			
Proceeds from borrowings		445.3	700.4
Dividend paid		(162.3)	(205.2)
Net cash from financing activities		283.0	495.2
Net increase/(decrease) in cash and cash equivalents		(17.4)	(56.2)
Cash and cash equivalents at 1 July	6	(43.7)	12.5
Cash and cash equivalents at 30 June	6	(61.1)	(43.7)

The above cash flow statements should be read in conjunction with the accompanying notes.

1 SIGNIFICANT ACCOUNTING POLICIES

EnergyAustralia is a NSW statutory state owned corporation (for-profit) established on 1 March 1996 by the *Energy Services Corporations Act 1995*. The consolidated financial report of the Corporation for the year ended 30 June 2008 comprises the Corporation and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled entities.

The financial report was authorised for issue by the Directors on 17 September 2008.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the *State Owned Corporations Act 1989*. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). The financial reports of the consolidated entity and the Corporation also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and items of property, plant and equipment.

The Corporation is exempt from Clause 9 of the *Public Finance and Audit Regulation 2005*. The amounts shown in the accounts have been rounded to the nearest tenth of a million dollars, unless otherwise stated.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(x).

Unless otherwise indicated, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by consolidated entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (see Notes 7, 8, 15, 17, 18, 20 and 29).

Certain new and revised accounting standards and the Australian Accounting Interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The EnergyAustralia Group has elected not to apply these new standards and interpretations to the annual reporting period beginning 1 July 2007 (see Note 1(z)).

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Corporation's financial statements.

(ii) Partnerships

Partnerships are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in partnership entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated Income Statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

In the Corporation's financial statements, investments in partnership entities are carried at cost.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investments accounted for using the equity method" account.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the jointly controlled entities or, if not consumed or sold by the jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Income tax

EnergyAustralia and its controlled entities ("the Group") are exempt from federal income tax under the Income Tax Assessment Acts. However, the Group is subject to the National Tax Equivalent Regime which is based on the Income Tax Assessment Acts. Tax equivalents are payable to the Office of State Revenue.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Corporation and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is EnergyAustralia.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below).

The Corporation recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft and short-term accommodation from NSW Treasury Corporation (T-Corp) which form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

(f) Receivables and revenue recognition

Trade and other receivables are stated at their cost less impairment losses (see Note 1(j)). Cost does not materially differ from amortised cost using the effective interest rate method.

Revenue

(i) Sale of energy and services rendered

The Group recognises revenue involving the rendering of electricity supply services in the Income Statement using a percentage stage of completion methodology. The stage of completion is assessed by reference to how the proportion that costs incurred to date bear to the estimated total costs over the life of the service transaction. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or the costs incurred or to be incurred cannot be measured reliably.

1 SIGNIFICANT ACCOUNTING POLICIES continued

(ii) Rental income

Rental income from properties leased under property leases is recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) Government grants

Government grants are recognised in the Balance Sheet initially as deferred income when they are received and the consolidated entity complies with the conditions attaching to them. Grants that compensate the consolidated entity for the cost of an asset are recognised in the Income Statement as other operating income on a systematic basis over the useful life of the asset.

The contribution of assets by the Sydney Organising Committee of the Olympic Games (under grounding of overhead mains at Homebush) and the State Government (digital radio network) respectively are considered to be government grants under the provisions of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

AASB 120 requires revenue associated with transactions from government related entities to be deferred and recognised over the life of the above assets, being 41 years and 7 years respectively.

(iv) Contributions for capital works

This represents sums contributed by customers and developers, mainly towards the capital cost of electricity connections. Cash and non-cash capital contributions have been reported in order to comply with Australian Accounting Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network*.

Cash capital contributions are initially recorded as liabilities. Once the network asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to revenue, and the asset is recognised at fair value.

Contributions of non-current assets are recognised as revenue and an asset when the EnergyAustralia Group gains control of the asset. The fair value of contributed assets is recognised at the date at which control is gained.

(v) Social programs

Pensioner rebates are funded by the NSW Government. However the Government, at reporting date, has not reimbursed all of the rebates for the year ended 30 June 2008. An income accrual has been recognised for rebates not yet reimbursed.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of manufactured stock for internal use, costs include direct labour, materials and a portion of variable overhead which is allocated on the basis of labour hours. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Property, plant and equipment

(i) Owned assets

System assets

System assets are stated at fair value less accumulated depreciation and impairment losses. This is in accordance with NSW Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value* [TPP07-1]. Fair value is best represented as current market price, however, where this cannot be observed, an asset's fair value is measured at depreciated replacement cost in accordance with AASB 116 *Property, Plant and Equipment*.

The *Policy Guidelines for the Valuation of Network Assets of Electricity Network Business* (December 1995) were developed by industry regulators and NSW Treasury and issued as a NSW Treasury technical paper. The guidelines developed Optimised Depreciated Replacement Cost (ODRC) as the method of valuing network assets for the electricity transmission and distribution industries.

A revaluation of the network system assets was undertaken and booked during 2005/06. All network assets were revalued at ODRC. The ODRC valuations used were based on the revaluation method applied in the NSW Treasury Report for EnergyAustralia on the NSW Electricity Supply Industry ODRC Valuation of Distribution Assets (March 2003) and Sinclair Knight Merz (SKM) report ODRC Valuation of Transmission Assets 30 June 2004. The ODRC values were indexed through to 30 June 2005 using the Australian Bureau of Statistics' CPI figures for Sydney.

Non-system land and buildings

Non-system land and buildings are valued at fair value of the asset.

Non-system land and buildings were revalued during 2007/08 to reflect fair value in accordance with AASB 116 and the NSW Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value* [TPP07-1]. Independent valuers, Preston Rowe Paterson NSW Pty Limited (PRP) were engaged to value these assets. The 2007/08 valuations were assessed at fair value based upon existing use which was provided by PRP.

Other property, plant and equipment

Other property, plant and equipment assets are recorded initially at cost in the Balance Sheet and are depreciated as outlined in Note 1(h)(v) (deemed to be fair value in accordance with NSW Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value* [TPP07-1] as there is no material difference between the two).

(ii) Revaluations

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss. Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited directly to the asset revaluation reserve.

Gains and losses on disposal of revalued assets are included in the Income Statement for the year. Any related revaluation increments in the asset revaluation reserve upon disposal are transferred to Retained Earnings.

(iii) Capitalisation policy

Non-system assets purchased below \$500, are expensed as acquired. All cost of assets constructed by the EnergyAustralia Group (system assets) are capitalised. This includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and a proportion of overhead is allocated on the basis of labour hours.

(iv) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(v) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|-----------------------|------------|
| • buildings | 40 years |
| • system assets | 4–70 years |
| • plant and equipment | 4–25 years |

The residual value, if significant, is reassessed annually.

(i) Intangible assets

Intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses (see Note 1(j)).

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Easements are not amortised as they are granted for an unlimited time. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|-------------------------|-----------|
| • computer software | 4 years |
| • customer acquisitions | 1–3 years |

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories, derivatives and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see Note 1(j)(i)).

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if any) allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES continued

(k) Trade and other payables

Trade and other payables are stated at cost. These amounts represent liabilities for goods and services provided to the EnergyAustralia Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Financial instruments

The EnergyAustralia Group's accounting policies for financial instruments are set out below.

(i) Foreign exchange contracts

The EnergyAustralia Group enters into foreign exchange contracts for anticipated purchase commitments for the supply of parts and equipment which are denominated in foreign currencies. Where the instruments are not designated to hedging relationships, movements in the fair value of these instruments are recognised in the Income Statement.

(ii) Loans

The EnergyAustralia Group's primary objective in the management of its investments and borrowings is to optimise economic returns for given risk levels. These risk levels have been defined in terms of the modified duration of the respective portfolios managed and have been set relative to appropriate benchmarks independently defined by major financial institutions.

In order that the EnergyAustralia Group's portfolios are aligned with these benchmarks, financial securities of varying maturities are sold (issued) by T-Corp on EnergyAustralia's behalf. These securities comprise the core debt portfolio. These are initially recognised at fair value, net of transaction costs incurred and then are subsequently measured at amortised costs. The difference between the face value and the capital value of these debt securities is amortised over the life of the specific instrument. Interest associated with these instruments is brought to account on an accrual basis.

T-Corp utilises financial instruments to manage the modified duration of the EnergyAustralia Group's debt portfolios. The gains and losses on derivatives are recognised in the Income Statement.

Loan debt shown as a current liability is nominally due for repayment within twelve months. However, due to the availability of roll-over facilities and the liquidity of the underlying debt instruments, the EnergyAustralia Group may not necessarily need to repay these loans within twelve months.

(iii) Energy derivatives

The EnergyAustralia Group is a participant in the wholesale energy market. Market volatility is managed by entering into commodity based contracts (swaps and options) as cash flow hedges against movements in spot prices. Energy trading activities are conducted in accordance with Board approved policies. Under the Group's energy risk management policies, derivatives that do not qualify for hedge accounting are required to be accounted for as trading instruments.

Energy derivative instruments are stated at fair value and are revalued against observed market data. Movements in the unrealised fair value of all designated hedges (to the extent they are effective) are written to a revaluation reserve within Equity and recognised in the Income Statement only when realised. Similar movements in the unrealised and realised fair value of all other instruments are recognised within the Income Statement.

Current accounting policy

The fair value of energy derivatives designated as hedges is classified as a non-current asset or non-current liability when the maturity of the derivative is more than twelve months and as a current asset or current liability when the remaining maturity of the hedge relationship is less than twelve months from reporting date. The fair value of all other energy derivatives is classified as a current asset or current liability as they are deemed to be held for trading, as they do not qualify for hedge accounting.

Previous accounting policy

The fair value of energy derivatives is classified as non-current when the maturity of the derivative is more than twelve months and as current when it is less than twelve months from reporting date.

Comparative amounts were reclassified for consistency, which resulted in \$126.8 million being reclassified from non-current to current assets and \$140.5 million reclassified from non-current to current liabilities.

(iv) Available for sale asset

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale (see Note 1(y)).

(m) Employee benefits

All liabilities for employee benefits that are expected to be paid for services provided by employees to balance date are fully provided for in the financial report.

Liabilities for employee benefits for wages, salaries, annual leave, sick leave and long service leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers' compensation, insurance and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employees' departures and periods of service.

Expected future payments (over twelve months) are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(n) Superannuation

In 1996/97 the EnergyAustralia Group contributed to three defined benefits schemes, namely the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS). On 1 July 1997 the bulk of employees' benefits was transferred from these superannuation schemes to three divisions of the Energy Industries Superannuation Scheme (EISS) as follows (one employee remains as the member of both SASS and SANCS as at 30 June 2008):

SASS – Division B
SANCS – Division C
SSS – Division D

The consolidated entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement.

All actuarial gains and losses as at 1 July 2004, the date of transition to Australian equivalents to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 July 2004 in calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the Income Statement over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

The EnergyAustralia Group has determined that detailed disclosure of the defined benefit schemes (for one member) of SASS, SANCS, SSS will not materially influence the users of the financial report and therefore has not been disclosed.

(o) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Insurance

Workers' compensation insurance

The EnergyAustralia Group is a self-insurer through its insurance provision for workers' compensation and meets all liabilities under the Workers' Compensation legislation in NSW and other States. The liabilities cover claims incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims.

During 2007/08, a consulting actuary, David A. Zaman, undertook the annual investigation of the EnergyAustralia Group's estimated liability for workers' compensation as at 30 June 2008. The liability is measured as the present value of future payments at 30 June 2008 and was estimated to be \$15.0 million (2007: \$17.4 million). This includes the liability for dust related diseases which is estimated at \$5.9 million (2007: \$6.5 million).

General insurance

The EnergyAustralia Group purchases insurance from the commercial insurance market. An actuarial assessment has been performed by David A. Zaman as at 30 June 2008 which has determined the EnergyAustralia Group's estimated exposure to outstanding public liability claims left by the default of HIH. The EnergyAustralia Group recognises a liability and provision for these outstanding claims, and allows for both unpaid reported claims and incurred but not reported claims. Alternative insurance arrangements are in place.

(ii) Dividends

Provision is made for the amount of any dividend determined by the Directors on or before the end of the financial year but not distributed at balance date. The dividend has regard to the annual performance agreement (Statement of Corporate Intent) with NSW Treasury.

(iii) Other

Provision for site remediation

A provision for site remediation has been created in 2001/02 to cover all asbestos remediation costs to be incurred during subsequent years.

The provision as at 30 June 2008 was estimated to be \$5.1 million (2007: \$7.4 million). The provision is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES continued

Provision for removal and disposal of equipment (restoration provision)

A provision for removal and disposal of system equipment was created in 2004/05 to cover future end of life removal costs where there is a legislative obligation to perform this.

The provision as at 30 June 2008 was estimated to be \$22.5 million (2007: \$32.8 million). The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology.

Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in Note 1(h)(v). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Other provisions

Other provisions include a provision for litigation payments expected to be made after reporting date.

(p) Deferred revenue

Deferred revenue is recognised for revenue from electricity supply contracts and customer prepayments for external, recoverable and contestable works carried out by EnergyAustralia at reporting date. The revenue is deferred pending completion of the works and services.

Deferred revenue ensures costs associated with extreme events over a contract's life are matched with recognition of the revenue for the contract.

(q) Deposits

Deposits represent liabilities for customer and contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held up to 6 years before being transferred to the Office of State Revenue. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

(r) Share capital

EnergyAustralia was corporatised on 1 March 1996 with issued capital of two \$1 shares.

EnergyAustralia's shareholding Ministers are the Treasurer and the Minister for Finance. The \$2 share capital has been rounded to zero in the Balance Sheet.

EnergyAustralia attributes the distribution to members only on consolidated operating profit as in agreement with the Statement of Corporate Intent.

(s) Financing costs

Finance costs are recognised as expenses in the period in which they are incurred and include:

- interest on overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- a government loan guarantee fee assessed by NSW Treasury.

(t) Leases as lessee

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense and spread over the lease term.

The EnergyAustralia Group has not entered into any finance leases as at reporting date. Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

The EnergyAustralia Group has leases of land with a term exceeding 50 years. The title of these leases has been retained and the aggregate fair value of the leased assets is negligible.

(u) Greenhouse legislation

The *Renewable Energy (Electricity) Act 2000* imposes on electricity retailers, the obligation to 'surrender' sufficient certificates each year to meet the Commonwealth Government's Mandatory Renewable Energy Target (MRET) for the quantity of electricity generated from renewable sources. The Act imposes an obligation on the EnergyAustralia Group to purchase Renewable Energy Certificates (RECs) and surrender them and lodge an annual liability statement to the Office of the Renewable Energy Regulator in discharge of the EnergyAustralia Group's renewable energy obligations under the MRET Scheme.

The *Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002* and *Electricity (Greenhouse Gas Emissions) Act 2004 (ACT)* impose on electricity retailers in NSW and ACT, the obligation to 'surrender' sufficient certificates each year to satisfy respectively the NSW and ACT Governments' strategy to reduce greenhouse gas per capita emissions from electricity use. This imposes an obligation upon the EnergyAustralia Group to purchase NSW Greenhouse Gas Abatement Certificates (NGACs) and surrender them and lodge an annual greenhouse benchmark statement with the Independent Pricing and Regulatory Tribunal (IPART) and the Independent Competition and Regulatory Commission (ICRC) respectively in discharge of the EnergyAustralia Group's greenhouse gas emission reduction obligations in both jurisdictions.

The *Electricity Act 1994 (Qld)* imposes on electricity retailers, the obligation to 'surrender' sufficient Gas Electricity Certificates each year in line with the Queensland Government's strategy of encouraging the greater use of natural gas to generate electricity. The 13% target for electricity generated by natural gas also encourages the development of new gas sources and infrastructure in Queensland as well as reduces greenhouse gas emissions from the Queensland electricity sector. This imposes an obligation on the EnergyAustralia Group to purchase Gas Electricity Certificates (GECs) and surrender them and lodge an annual self-assessment report to the Department of Mines and Energy in discharge of the EnergyAustralia Group's obligations under the scheme.

All such acquired certificates are accounted for as an asset at the lower of cost or net realisable value. The surrender of these certificates is recognised in the underlying purchase commitment as an element of electricity purchase costs.

(v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(w) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(x) Accounting estimates and judgements

Investment properties

The consolidated entity leases out a portion of its properties. These properties are in excess of current usage requirements and are held for future use as owner occupied properties. Therefore these properties fall outside the definition of investment properties and are treated as leases of property, plant and equipment.

Asset definition

EnergyAustralia's view is that the distribution network as a whole should be considered to be a "single asset" for the purposes of revaluation. This is because all components within the network must work together in order to reliably supply electricity. Further, due to the specialised nature of EnergyAustralia's network, components cannot be readily sold to third parties for different uses.

(y) Assets and liabilities held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(z) New and revised accounting standards and Australian Accounting Interpretations

Certain new and revised accounting standards and Australian Accounting Interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Group's assessment of the impact of these new standards and interpretations, which have not been early adopted, is set out below.

(i) Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

Interpretation 1 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not elected to adopt this interpretation early. It will appear Interpretation 1 in the 2009/10 financial statements. This interpretation provides guidance on how to account for the effect of changes in the measurement of existing obligations to dismantle, remove and restore items of property, plant and equipment.

(ii) Interpretation 4 *Determining whether an Arrangement contains a Lease* (February 2007)

Interpretation 4 is applicable to annual reporting periods beginning on or after 1 January 2008. The Group has not elected to adopt this interpretation early. It will apply Interpretation 4 in the 2008/09 financial statements. The Group will therefore apply this interpretation on the basis of facts and circumstances that existed as of 1 July 2008. Implementation of Interpretation 4 is not expected to change the accounting for any of the Group's current arrangements.

(iii) Interpretation 12 *Service Concession Arrangements* and Interpretation 129 *Service Concession Arrangements: Disclosures* (February 2007)

Interpretation 12 and Interpretation 129 are applicable to annual reporting periods beginning on or after 1 January 2009 and 1 January 2008 respectively. The Group does not have public-to-private service concession arrangements. These interpretations will not affect the Group's financial statements.

(iv) Interpretation 13 *Customer Loyalty Programmes*

Interpretation 13 is applicable to annual reporting periods beginning on or after 1 July 2008. The Group does not have customer loyalty programmes for customers. This interpretation will not affect the Group's financial statements.

(v) Interpretation 14 *AASB 119 – The Limit on a Defined Benefit asset, Minimum Funding Requirements and their Interaction*

Interpretation 14 is applicable to annual reporting periods beginning on or after 1 January 2008. The Group has not elected to adopt this interpretation early. It will apply Interpretation 14 in the 2008/09 financial statements. This interpretation provides general guidance on how to assess the limit in AASB 119 *Employee Benefits* paragraph 58 on the amount of the surplus that can be recognised as an asset by the Group. Implementation of Interpretation 14 may affect the Group's financial statements.

(vi) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (December 2007)

Interpretation 1038 is applicable to annual reporting periods beginning on or after 1 July 2008. The Group has not elected to adopt this interpretation early.

1 SIGNIFICANT ACCOUNTING POLICIES continued

(vii) **AASB 3 Business Combinations** (March 2008)

The revised AASB 3 is applicable to annual reporting periods beginning on or after 1 July 2009. The Group has not elected to adopt this revised Standard early. The Standard requires the use of the acquisition method to account for a business combination.

(viii) **AASB 8 Operating Segments**

AASB 8 is applicable to annual reporting periods beginning on or after 1 January 2009. This Standard does not apply to the Group as AASB 8 only applies to for-profit entities whose debt or equity instruments are traded in a public market.

(ix) **AASB 101 Presentation of Financial Statements** (September 2007)

AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2009 and incorporates changes from the Standard as issued in October 2006. The Group has not elected to adopt this Standard early. It will apply AASB 101 in the 2009/10 financial statements. This Standard will affect the structure and content of the Group's financial statements.

(x) **AASB 123 Borrowing Costs** (June 2007)

AASB 123 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not elected to adopt this revised Standard early. It will apply AASB 123 in the 2009/10 financial statements. Implementation of this Standard will require the Group to capitalise borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset.

(xi) **AASB 127 Consolidated and Separate Financial Statements** (March 2008)

The amendments to AASB 127 made in March 2008 are applicable to annual reporting periods beginning on or after 1 July 2009. The Group has not elected to adopt the amendments early which are related to accounting for non-controlling interests and the loss of control of a subsidiary.

(xii) **AASB 1004 Contributions** (December 2007), **AASB 1049 Whole of Government and General Government Sector Financial Reporting** (October 2007), **AASB 1050 Administered Items**, **AASB 1051 Land under Roads** and **AASB 1052 Disaggregated Disclosures**.

These Standards are applicable to annual reporting periods beginning on or after 1 July 2008. They do not apply to the Group as the requirements are not applicable to government-owned corporations.

(xiii) **AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8** [AASBs 5, 6, 102, 107, 119, 127, 134, 136, 1023 and 1038]

AASB 2007-3 is applicable to annual reporting periods beginning on or after 1 January 2009. These amendments arise from AASB 8 *Operating Segments* which does not apply to the Group (see Note 1(z)(viii)).

(xiv) **AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123** [AASBs 1, 101, 107, 111, 116 and 138 and Interpretations 1 and 12]

AASB 2007-6 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not elected to adopt this Standard early. It will apply AASB 2007-6 in the 2009/10 financial statements.

(xv) **AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101**

AASB 2007-8 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not elected to adopt this Standard early. It will apply 2007-8 in the 2009/10 financial Statements (see Note 1(z)(ix)).

(xvi) **AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASBs 27, 29 and 31** [AASBs 3, 5, 8, 101, 114, 116, 127 and 137]

AASB 2007-9 is applicable to annual reporting periods beginning on or after 1 July 2008. This Standard does not apply to the Group as AASB 2007-9 only applies to local governments, government departments and governments respectively.

(xvii) **AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations** [AASB 2]

AASB 2008-1 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group does not have share-based payment transactions with employees (or other suppliers of goods and services). This Standard will not affect the Group's financial statements.

(xviii) **AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation** [AASBs 7, 101, 132, 139 and Interpretation 2].

AASB 2008-2 is applicable to annual reporting periods beginning on or after 1 January 2009. This Standard will not affect the Group's financial statements.

(xix) **AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127** [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 and 107]

AASB 2008-3 is applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not elected to adopt this Standard early.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

2 REVENUE

Sale and delivery of energy	2 867.7	2 634.8	2 867.7	2 634.8
Public lighting system charge	28.4	26.6	28.4	26.6
Capital contributions ⁽¹⁾	55.1	55.9	55.1	55.9
Recoverable works	13.0	19.5	13.0	19.5
Community service obligations refunds from Government	26.9	27.3	26.9	27.3
Interest income	2.4	5.6	2.4	5.6
Other	102.8	119.3	102.8	119.3
	3 096.3	2 889.0	3 096.3	2 889.0

(1) Capital Contributions

Gross capital contributions	18.6	25.0	18.6	25.0
Contribution of assets	35.5	30.0	35.5	30.0
Government grants	1.0	0.9	1.0	0.9
	55.1	55.9	55.1	55.9

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

3 EXPENSES

(a) Expenses, excluding finance costs

Distribution of energy	2 562.0	2 374.7	2 562.0	2 374.7
These expenses include the following:				
Depreciation				
Buildings	10.0	5.5	10.0	5.5
System assets	197.0	193.3	197.0	193.3
Plant and equipment	30.9	27.5	30.9	27.5
Total depreciation	237.9	226.3	237.9	226.3
Amortisation				
Intangible – customer acquisitions	16.0	17.0	16.0	17.0
Intangible – computer software	23.7	24.4	23.7	24.4
	39.7	41.4	39.7	41.4
Bad debts and impairment of trade receivables	7.0	10.8	7.0	10.8
Impairment of greenhouse certificates expense	7.2	(12.2)	7.2	(12.2)
Employee benefits expense	444.0	289.5	444.0	289.5
Maintenance expenses				
(i) Employee related maintenance expenses included in employee benefits expense	102.2	97.2	102.2	97.2
(ii) Contracted labour and other (non-employee related) expenses	144.5	118.3	144.5	118.3
	246.7	215.5	246.7	215.5
Net foreign exchange (gain)/loss	(0.2)	0.7	(0.2)	0.7
(Gain)/loss arising on derivatives in fair value hedge	(9.5)	–	(9.5)	–
(Gain)/loss arising on derivatives in supply commitment in fair value hedge	9.5	–	9.5	–
(Gain)/loss recognised from non-designated energy derivatives	(29.3)	2.4	(29.3)	2.4
(b) Finance costs				
Interest and finance charges paid/payable	254.4	217.6	254.4	217.6
Unwinding of discount on provisions	2.2	2.4	2.2	2.4
	256.6	220.0	256.6	220.0

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

4 GAIN/(LOSS) ON DISPOSAL

Loss on disposal of property, plant and equipment

Proceeds from disposal	7.5	6.6	7.5	6.6
Less: Written down value of assets disposed	(13.4)	(9.5)	(13.4)	(9.5)
	(5.9)	(2.9)	(5.9)	(2.9)
Gain on deconsolidation	–	49.3	–	–
Gain on available-for-sale asset recognised in profit and loss	45.2	–	87.5	–
	39.3	46.4	81.6	(2.9)

5 INCOME TAX EXPENSE

Recognised in the income statement

Current tax expense				
Current year	106.9	106.5	109.2	106.5
Adjustments for prior years	0.3	(1.2)	0.3	(1.2)
	107.2	105.3	109.5	105.3
Deferred tax expense				
Origination and reversal of temporary differences	(18.6)	9.0	(6.1)	(3.5)
Benefit of tax losses recognised	–	1.1	–	1.1
	(18.6)	10.1	(6.1)	(2.4)
Total income tax expense in income statement	88.6	115.4	103.4	102.9
Attributable to:				
Continuing operations	88.6	115.4	103.4	102.9
	88.6	115.4	103.4	102.9

Numerical reconciliation between tax expense and pre-tax net profit

Profit before tax	317.7	374.1	359.3	291.4
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	95.3	112.2	107.8	87.4
Increase in income tax expense due to:				
Non-deductible expenses	(2.8)	(2.8)	(0.5)	(2.7)
Assessable tax capital gain	–	45.2	–	45.2
Unrealised accounting gain	–	(13.2)	–	(25.8)
Accounting capital profits not assessable	–	(14.8)	–	–
Non-assessable income	(4.2)	(10.0)	(4.2)	–
Under/(over) provided in prior years	0.3	(1.2)	0.3	(1.2)
Income tax expense on pre-tax net profit	88.6	115.4	103.4	102.9
Attributable to:				
Continuing operations	88.6	115.4	103.4	102.9
	88.6	115.4	103.4	102.9

Deferred tax recognised directly in equity

Relating to revaluation of property, plant and equipment	11.1	1.1	11.1	1.1
Relating to revaluation of hedge derivatives	(237.0)	250.3	(237.0)	250.3
	(225.9)	251.4	(225.9)	251.4

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M

6 CASH AND CASH EQUIVALENTS

Cash on hand	0.1	0.1	0.1	0.1
Bank balances	1.4	5.5	1.4	5.5
Cash and cash equivalents	1.5	5.6	1.5	5.6
T-Corp short-term accommodation (Note 16)	(62.6)	(49.3)	(62.6)	(49.3)
Cash and cash equivalents in the cash flow statement	(61.1)	(43.7)	(61.1)	(43.7)

7 TRADE AND OTHER RECEIVABLES

Trade receivables	233.3	859.9	233.3	859.9
Less: impairment of trade receivables	(13.7)	(15.0)	(13.7)	(15.0)
	219.6	844.9	219.6	844.9
Prepayments	14.1	170.8	14.1	170.8
Receivables due from controlled entities	–	–	0.1	–
	233.7	1 015.7	233.8	1 015.7
Accrued sales of energy	290.0	285.9	290.0	285.9
Less: impairment of accrued sales of energy	(3.2)	(3.2)	(3.2)	(3.2)
	520.5	1 298.4	520.6	1 298.4

The movement in the impairment of trade receivables is detailed below:

Opening Balance at 1 July	(15.0)	(12.9)	(15.0)	(12.9)
– additional provisions	–	(2.1)	–	(2.1)
– amounts used	0.1	–	0.1	–
– amounts reversed	1.2	–	1.2	–
Closing Balance at 30 June	(13.7)	(15.0)	(13.7)	(15.0)

The movement in the impairment of accrued sales of energy is detailed below:

Opening Balance at 1 July	(3.2)	(3.0)	(3.2)	(3.0)
– additional provisions	–	(0.2)	–	(0.2)
Closing Balance at 30 June	(3.2)	(3.2)	(3.2)	(3.2)

The Group has reclassified comparative amounts being \$1.5 million between prepayments and trade receivables, and reclassified \$1.5 million between prepayments and trade payables to ensure consistency.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

8 OTHER FINANCIAL ASSETS

Current

Energy derivatives–undesignated	52.9	201.5	52.9	201.5
Energy derivatives–designated	53.1	329.8	53.1	329.8
Available for sale asset	–	142.0	–	142.0
	106.0	673.3	106.0	673.3

Non-current

Energy derivatives	73.5	574.2	73.5	574.2
Other financial assets	5.6	4.9	5.6	4.9
	79.1	579.1	79.1	579.1

The Group has changed its accounting policy to reflect more appropriately the classification of current/non-current energy derivatives. Comparative amounts were classified for consistency, which resulted in \$126.8 million being reclassified from non-current to current assets.

9 INVENTORIES

Stores and materials				
– at cost	25.3	22.8	25.3	22.8
– at net realisable value	0.8	1.1	0.8	1.1
	26.1	23.9	26.1	23.9

10 OTHER CURRENT ASSETS

Deferred costs	28.5	24.4	28.5	24.4
Greenhouse certificates				
– at cost	57.9	50.9	57.9	50.9
– at net realisable value	34.2	26.8	34.2	26.8
Less: impairment of greenhouse certificates – at net realisable value	(13.2)	(3.9)	(13.2)	(3.9)
	107.4	98.2	107.4	98.2

The movement in the impairment of greenhouse certificates is detailed below:

Opening balance at 1 July	(3.9)	(16.1)	(3.9)	(16.1)
– additional provisions	(9.3)	–	(9.3)	–
– amounts used	–	12.2	–	12.2
Closing balance at 30 June	(13.2)	(3.9)	(13.2)	(3.9)

Consolidated Entity and EnergyAustralia

Land and Buildings	System Assets	Other Assets	Total
\$M	\$M	\$M	\$M

11 PROPERTY, PLANT AND EQUIPMENT**At 1 July 2007 – fair value**

Gross carrying amount	299.0	7 188.8	346.5	7 834.3
Accumulated depreciation and impairment	(17.6)	(1 665.5)	(186.9)	(1 870.0)
Net carrying amount	281.4	5 523.3	159.6	5 964.3

At 30 June 2008 – fair value

Gross carrying amount	347.9	8 038.4	365.5	8 751.8
Accumulated depreciation and impairment	(10.1)	(1 856.3)	(179.2)	(2 045.6)
Net carrying amount	337.8	6 182.1	186.3	6 706.2

Year ended 30 June 2008

Net carrying amount at start of year	281.4	5 523.3	159.6	5 964.3
Additions	34.4	858.0	60.9	953.3
Disposals	(0.1)	(9.3)	(3.3)	(12.7)
Net revaluation increment less revaluation decrement recognised in reserves	34.2	5.0	–	39.2
Depreciation expense (Note 3(a))	(10.0)	(197.0)	(30.9)	(237.9)
Other movements	(2.1)	2.1	–	–
Net carrying amount at end of year	337.8	6 182.1	186.3	6 706.2

At 1 July 2006 – fair value

Gross carrying amount	281.4	6 466.3	322.3	7 070.0
Accumulated depreciation and impairment	(12.1)	(1 479.3)	(175.3)	(1 666.7)
Net carrying amount	269.3	4 987.0	147.0	5 403.3

At 30 June 2007 – fair value

Gross carrying amount	299.0	7 188.8	346.5	7 834.3
Accumulated depreciation and impairment	(17.6)	(1 665.5)	(186.9)	(1 870.0)
Net carrying amount	281.4	5 523.3	159.6	5 964.3

Year ended 30 June 2007

Net carrying amount at start of year	269.3	4 987.0	147.0	5 403.3
Additions	17.7	735.4	43.3	796.4
Disposals	–	(6.3)	(2.8)	(9.1)
Depreciation expense (Note 3(a))	(5.5)	(193.3)	(27.5)	(226.3)
Other movements	(0.1)	0.5	(0.4)	–
Net carrying amount at end of year	281.4	5 523.3	159.6	5 964.3

Assets under construction

During the year ended 30 June 2008, the consolidated entity continued with its Network Capital Program.

At the balance sheet date, the construction in progress totalled:

Land and buildings	\$13.5 million (2007: \$9.7 million)
System assets	\$520.0 million (2007: \$373.1 million)
Other assets	\$29.4 million (2007: \$15.9 million)

Historic cost of revalued assets

The carrying amount of assets had they been carried under the cost model is:

Land and buildings	\$241.9 million (2007: \$214.7 million)
System assets	\$5,357.8 million (2007: \$4,660.8 million)
Other assets	\$248.5 million (2007: \$159.6 million)

Consolidated Entity and EnergyAustralia

	Easements \$M	Computer Software \$M	Customer Acquisitions \$M	Total \$M
12 INTANGIBLE ASSETS				
At 1 July 2007				
At cost	80.4	320.2	48.7	449.3
Accumulated amortisation and impairment	–	(244.9)	(33.4)	(278.3)
Net carrying amount	80.4	75.3	15.3	171.0
At 30 June 2008				
At cost	83.2	368.8	24.7	476.7
Accumulated amortisation and impairment	–	(268.5)	(17.2)	(285.7)
Net carrying amount	83.2	100.3	7.5	191.0
Year ended 30 June 2008				
Net carrying amount at start of year	80.4	75.3	15.3	171.0
External acquisitions	2.8	48.7	8.2	59.7
Amortisation (Note 3(a))	–	(23.7)	(16.0)	(39.7)
Net carrying amount at end of year	83.2	100.3	7.5	191.0
At 1 July 2006				
At cost	78.2	275.6	36.5	390.3
Accumulated amortisation and impairment	–	(216.3)	(21.5)	(237.8)
Net carrying amount	78.2	59.3	15.0	152.5
At 30 June 2007				
At cost	80.4	320.2	48.7	449.3
Accumulated amortisation and impairment	–	(244.9)	(33.4)	(278.3)
Net carrying amount	80.4	75.3	15.3	171.0
Year ended 30 June 2007				
Net carrying amount at start of year	78.2	59.3	15.0	152.5
External acquisitions	2.2	40.5	17.2	59.9
Amortisation (Note 3(a))	–	(24.5)	(16.9)	(41.4)
Net carrying amount at end of year	80.4	75.3	15.3	171.0

Note: See Note 1(i) for amortisation rates and methods.

Assets under construction

During the year ended 30 June 2008, the consolidated entity continued with its Capital Program. At the balance sheet date, the construction in progress totalled:

Computer software \$45.1 million (2007: \$20.5 million)

13 CURRENT TAX LIABILITIES

The current tax liability for the consolidated entity of \$15.4 million (2007: \$21.5 million) and the Corporation of \$17.7 million (2007: \$21.5 million) represent the amount of income taxes payable in respect of current and prior periods.

In accordance with the tax consolidation legislation, EnergyAustralia as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax consolidation group.

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	\$M	\$M	\$M	\$M	\$M	\$M
14 DEFERRED TAX ASSETS AND LIABILITIES						
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Consolidated Entity						
Unrealised gain	-	(13.2)	-	-	-	(13.2)
Property, plant and equipment	-	-	618.8	593.7	618.8	593.7
Intangible assets	-	-	8.5	8.4	8.5	8.4
Hedge derivatives	-	-	46.7	272.3	46.7	272.3
Employee benefits	(115.4)	(106.2)	-	-	(115.4)	(106.2)
Deferred government grants	(9.8)	(10.1)	-	-	(9.8)	(10.1)
Provisions	(47.1)	(28.2)	-	-	(47.1)	(28.2)
Other items	(10.6)	(10.7)	53.9	81.9	43.3	71.2
Tax (assets)/liabilities	(182.9)	(168.4)	727.9	956.3	545.0	787.9
Set off of tax	-	-	-	-	-	-
Net tax (assets)/liabilities	(182.9)	(168.4)	727.9	956.3	545.0	787.9
EnergyAustralia						
Unrealised gain	-	(25.8)	-	-	-	(25.8)
Property, plant and equipment	-	-	618.8	593.7	618.8	593.7
Intangible assets	-	-	8.5	8.4	8.5	8.4
Hedge derivatives	-	-	46.7	272.3	46.7	272.3
Employee benefits	(115.4)	(106.2)	-	-	(115.4)	(106.2)
Deferred government grants	(9.8)	(10.1)	-	-	(9.8)	(10.1)
Provisions	(47.1)	(28.2)	-	-	(47.1)	(28.2)
Other items	(10.6)	(10.7)	53.9	81.9	43.3	71.2
Tax (assets)/liabilities	(182.9)	(181.0)	727.9	956.3	545.0	775.3
Set off of tax	-	-	-	-	-	-
Net tax (assets)/liabilities	(182.9)	(181.0)	727.9	956.3	545.0	775.3

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits therefrom.

14 DEFERRED TAX ASSETS AND LIABILITIES continued

	Consolidated Entity				EnergyAustralia			
	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Movement in temporary differences during the year								
Unrealised gain	(13.2)	13.2	–	–	(25.8)	25.8	–	–
Property, plant and equipment	593.7	14.0	11.1	618.8	593.7	14.0	11.1	618.8
Intangible assets	8.4	0.1	–	8.5	8.4	0.1	–	8.5
Hedge derivatives	272.3	11.4	(237.0)	46.7	272.3	11.4	(237.0)	46.7
Employee benefits	(106.2)	(9.2)	–	(115.4)	(106.2)	(9.2)	–	(115.4)
Deferred government grants	(10.1)	0.3	–	(9.8)	(10.1)	0.3	–	(9.8)
Provisions	(28.2)	(18.9)	–	(47.1)	(28.2)	(18.9)	–	(47.1)
Other items	71.2	(27.9)	–	43.3	71.2	(27.9)	–	43.3
	787.9	(17.0)	(225.9)	545.0	775.3	(4.4)	(225.9)	545.0

	Balance 1 July 06	Recognised in income	Recognised in equity	Balance 30 June 07	Balance 1 July 06	Recognised in income	Recognised in equity	Balance 30 June 07
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Unrealised gain	–	(13.2)	–	(13.2)	–	(25.8)	–	(25.8)
Property, plant and equipment	583.1	9.5	1.1	593.7	583.1	9.5	1.1	593.7
Intangible assets	13.3	(4.9)	–	8.4	13.3	(4.9)	–	8.4
Hedge derivatives	22.5	(0.5)	250.3	272.3	22.5	(0.5)	250.3	272.3
Employee benefits	(105.3)	(0.9)	–	(106.2)	(105.3)	(0.9)	–	(106.2)
Deferred government grants	(10.1)	–	–	(10.1)	(10.1)	–	–	(10.1)
Provisions	(36.8)	8.6	–	(28.2)	(36.8)	8.6	–	(28.2)
Other items	60.7	10.5	–	71.2	60.7	10.5	–	71.2
Tax value of loss carry-forwards utilised	(1.1)	1.1	–	–	(1.1)	1.1	–	–
	526.3	10.2	251.4	787.9	526.3	(2.4)	251.4	775.3

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

15 TRADE AND OTHER PAYABLES

Trade payables and accrued expenses	379.6	1 043.2	379.6	1 043.2
	379.6	1 043.2	379.6	1 043.2

The Group has reclassified the energy certificate obligation from trade payables to provisions to reflect more appropriately the nature of the obligation. Comparative amounts were reclassified for consistency, which resulted in \$39.9 million being reclassified and \$1.5 million was reclassified from prepayments to trade payables.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

16 INTEREST BEARING LIABILITIES

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risks, see Note 20.

Current liabilities

Current portion of loans	717.0	803.7	717.0	803.7
T-Corp short-term accommodation (Note 6)	62.6	49.3	62.6	49.3
	779.6	853.0	779.6	853.0

Non-current liabilities

Non-current portion of loans	3 227.4	2 700.2	3 227.4	2 700.2
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Financing facilities

The Corporation has access to the following lines of credit:

Total facilities available

Bank overdraft ⁽²⁾	2.0	2.0	2.0	2.0
T-Corp short-term accommodation	450.0	450.0	450.0	450.0
T-Corp loans	4 050.0	3 500.0	4 050.0	3 500.0
Inscribed stock	5.5	5.5	5.5	5.5
	4 507.5	3 957.5	4 507.5	3 957.5

Facilities utilised at reporting date

Bank overdraft ^{(3), (4)}	–	–	–	–
T-Corp short-term accommodation ⁽⁴⁾	62.6	49.3	62.6	49.3
T-Corp loans ⁽⁴⁾	3 938.9	3 498.4	3 938.9	3 498.4
Inscribed stock ⁽⁴⁾	5.5	5.5	5.5	5.5
	4 007.0	3 553.2	4 007.0	3 553.2

Facilities not utilised at reporting date

Bank overdraft	2.0	2.0	2.0	2.0
T-Corp short-term accommodation	387.4	400.7	387.4	400.7
T-Corp loans	111.1	1.6	111.1	1.6
Inscribed stock	–	–	–	–
	500.5	404.3	500.5	404.3

(2) Represents the bank overdraft limit in relation to any debit balances of the daily bank statements.

(3) The bank statement balance at reporting date was \$1.6 million credit (2007: \$6.9 million credit).

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
%	%	%	%

(4) Effective interest rates:

Bank overdraft	6.8	6.0	6.8	6.0
T-Corp short-term accommodation	7.4	6.4	7.4	6.4
T-Corp loans	6.6	6.2	6.6	6.2
Inscribed stock	6.7	6.7	6.7	6.7

16 INTEREST BEARING LIABILITIES continued

Financing arrangements

Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates plus an additional 5.0% on any balance in excess of the approved overdraft on the Group Limit Facility of \$2 million.

The total bank overdraft of the consolidated entity is secured by a charge over the consolidated entity's assets. The bank overdrafts are payable on demand and are subject to annual review.

T-Corp short-term accommodation

EnergyAustralia has approval from the *Public Authorities (Financial Arrangements) Act 1987* ("PAFA Act") to obtain a \$450 million short-term accommodation (Come-and-Go facility) from T-Corp.

Interest on T-Corp short-term accommodation is charged at prevailing market rates.

T-Corp loans

EnergyAustralia has approval from the "PAFA Act" to obtain \$4,050 million loan funds from T-Corp.

The loans amount in current liabilities includes the portion of the consolidated entity's T-Corp loans payable within one year of \$715.8 million (2007: \$803.7 million).

The non-current T-Corp loans are payable on or before 1 April 2019, with maturity dates ranging between two and eight years from reporting date.

All T-Corp debt is fully payable on maturity with the majority being fixed rate loans.

Inscribed stock

EnergyAustralia has borrowings by the issue of inscribed stock to private individuals, companies and various government bodies. There have been no new debt issues for this type of borrowing since 1980.

The loans amount in current liabilities includes the consolidated entity's inscribed stock principal repayments to be made within one year of \$1,192,921 (2007: \$12,091).

The non-current inscribed stock comprises principal repayments to be made on or before 28 February 2018, with repayment dates ranging between two and nine years from reporting date.

All inscribed stock are fixed rate loans and fully payable on maturity except for three loans which require half-yearly principal repayments.

Consolidated Entity and EnergyAustralia

Insurance	Dividends	Other	Total
\$M	\$M	\$M	\$M

17 PROVISIONS

Balance at 1 July 2007	20.1	162.3	81.8	264.2
Provisions made during the year	1.7	183.5	0.7	185.9
Provisions used during the year	(4.1)	(162.3)	(3.0)	(169.4)
Provisions reversed during the year	(0.5)	–	(17.2)	(17.7)
Balance at 30 June 2008	17.2	183.5	62.3	263.0
Non-current	14.7	–	24.1	38.8
Current	2.5	183.5	38.2	224.2
	17.2	183.5	62.3	263.0

Note: See Note 1(o) for commentary on provisions.

The Group has reclassified the energy certificate obligation from payables to provisions to reflect more appropriately the nature of the obligation. Comparative amounts were reclassified for consistency, which resulted in \$39.9 million being reclassified.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

18 OTHER FINANCIAL LIABILITIES**Current**

Energy derivatives–undesignated	9.5	182.9	9.5	182.9
Energy derivatives–designated	4.4	6.3	4.4	6.3
Forward exchange contracts	–	0.3	–	0.3
Other financial liabilities	0.2	–	0.2	–
	14.1	189.5	14.1	189.5

Non-current

Energy derivatives	0.4	0.7	0.4	0.7
Supply contract commitment	9.5	–	9.5	–
Other financial liabilities (Note 20(d))	0.3	0.2	0.3	0.2
	10.2	0.9	10.2	0.9

The Group has changed its accounting policy to reflect more appropriately the classification of current/non-current energy derivatives. Comparative amounts were reclassified for consistency, which resulted in \$140.8 million being reclassified from non-current to current liabilities.

19 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves Attributable to equity holders of the parent

	Share capital \$M	Contributed equity \$M	Revaluation reserve \$M	Hedging reserve \$M	Retained earnings \$M	Total \$M	Minority interest \$M	Total equity \$M
Consolidated Entity								
Balance at 1 July 2007	–	402.1	1 004.5	634.5	416.5	2 457.6	(0.3)	2 457.3
Net revaluation increment less revaluation decrement	–	–	30.8	–	–	30.8	–	30.8
Transfers to/(from) reserves	–	–	(4.9)	–	4.9	–	–	–
Total recognised income and expense	–	–	–	–	229.1	229.1	–	229.1
Adjustment (restoration provision)	–	–	11.1	–	–	11.1	–	11.1
Available for sale asset – amount transferred to profit	–	–	(46.0)	–	–	(46.0)	–	(46.0)
Deferred tax movement recognised directly in equity	–	–	(11.1)	237.0	–	225.9	–	225.9
Hedges – effective component recognised in equity	–	–	–	(790.0)	–	(790.0)	–	(790.0)
Dividends to shareholders	–	–	–	–	(183.5)	(183.5)	–	(183.5)
Balance at 30 June 2008	–	402.1	984.4	81.5	467.0	1 935.0	(0.3)	1 934.7
Balance at 1 July 2006	–	402.1	956.0	50.4	316.8	1 725.3	(0.3)	1 725.0
Transfers to/(from) reserves	–	–	(3.3)	–	3.3	–	–	–
Total recognised income and expense	–	–	–	–	258.7	258.7	–	258.7
Adjustment (restoration provision)	–	–	6.9	–	–	6.9	–	6.9
Available for sale asset – effective component recognised in equity	–	–	46.0	–	–	46.0	–	46.0
Deferred tax movement recognised directly in equity	–	–	(1.1)	(250.3)	–	(251.4)	–	(251.4)
Hedges – effective component recognised in equity	–	–	–	834.4	–	834.4	–	834.4
Dividends to shareholders	–	–	–	–	(162.3)	(162.3)	–	(162.3)
Balance at 30 June 2007	–	402.1	1 004.5	634.5	416.5	2 457.6	(0.3)	2 457.3

19 CAPITAL AND RESERVES continued**Reconciliation of movement in capital and reserves**

	Share Capital \$M	Contributed equity \$M	Revaluation reserve \$M	Hedging reserve \$M	Retained earnings \$M	Total equity \$M
EnergyAustralia						
Balance at 1 July 2007	-	402.1	1 046.1	634.5	387.2	2 469.9
Net revaluation increment less revaluation decrement	-	-	30.8	-	-	30.8
Transfers to/(from) reserves	-	-	(4.9)	-	4.9	-
Total recognised income and expense	-	-	-	-	255.9	255.9
Adjustment (restoration provision)	-	-	11.1	-	-	11.1
Available for sale asset – amount transferred to profit	-	-	(87.6)	-	-	(87.6)
Deferred tax movement recognised directly in equity	-	-	(11.1)	237.0	-	225.9
Hedges – effective component recognised in equity	-	-	-	(790.0)	-	(790.0)
Dividends to shareholders	-	-	-	-	(183.5)	(183.5)
Balance at 30 June 2008	-	402.1	984.4	81.5	464.5	1 932.5
Balance at 1 July 2006	-	402.1	956.0	50.4	357.7	1 766.2
Transfers to/(from) reserves	-	-	(3.3)	-	3.3	-
Total recognised income and expense	-	-	-	-	188.5	188.5
Adjustment (restoration provision)	-	-	6.9	-	-	6.9
Available for sale asset – effective component recognised in equity	-	-	87.6	-	-	87.6
Deferred tax movement recognised directly in equity	-	-	(1.1)	(250.3)	-	(251.4)
Hedges – effective component recognised in equity	-	-	-	834.4	-	834.4
Dividends to shareholders	-	-	-	-	(162.3)	(162.3)
Balance at 30 June 2007	-	402.1	1 046.1	634.5	387.2	2 469.9

19 CAPITAL AND RESERVES continued

**Consolidated Entity
and EnergyAustralia
Ordinary Shares**
2008 2007

Share capital

Number of shares

On issue at 30 June – fully paid

2 2

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation.

Contributed equity

The Share Premium Account of \$1,532.1 million was established in 1996/97 as a result of a decision to transfer the full balance of the Asset Revaluation Reserve at 30 June 1997 following EnergyAustralia's corporatisation on 1 March 1996.

Consequent upon an amendment to the Corporations Law, which abolished par value shares, and in accordance with best practice, the above amount standing to the credit of the Share Premium Account at 1 July 1998 was deemed to become Contributed Equity. This amount has been reduced to \$402.1 million following the decision by shareholders to restructure EnergyAustralia's equity in July 2000. EnergyAustralia's debt was increased by \$1,130.0 million in 2000/01 and an equity restructuring payment of the same amount was made to NSW Treasury on behalf of the shareholders on 14 July 2000.

Revaluation reserve

The revaluation reserve relates to fair value movements in property and records movements in the fair value of available-for-sale financial assets.

Hedging reserve

The hedging reserve is used to record the unrealised gains or losses of effective cash flow hedges. The unrealised gains or losses of all other energy derivatives are recognised in profit and loss.

The hedging reserve also comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

Dividends recognised in the current year by the Corporation are:

	Total amount \$M	Date of payment
2008		
Interim 2008	62.5	1 August 2008
Final 2008	121.0	1 December 2008
Total amount	183.5	
2007		
Interim 2007	72.8	1 August 2007
Final 2007	89.5	1 December 2007
Total amount	162.3	

20 FINANCIAL INSTRUMENTS

Financial instruments apply to both EnergyAustralia and the consolidated entity.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Exposure to credit, interest rate, energy price, foreign currency and liquidity risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to trade and hedge exposure to fluctuations in foreign exchange rates, interest rates and energy prices.

(a) Foreign exchange risk

The consolidated entity is exposed to foreign currency risk in respect of purchases of capital equipment that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily U.S. Dollars, Japanese Yen and Euro.

The consolidated entity hedges all foreign exchange exposures that exceed A\$300,000 in value.

The consolidated entity uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date.

There are no other significant assets or liabilities denominated in currencies other than AUD.

The consolidated entity classifies its forward exchange contracts that are not designated to hedging relationships and states them at fair value.

The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2008 was nil (2007: -\$0.269 million), comprising nil assets (2007: \$3.514 million) and nil liabilities (2007: \$3.783 million) that were recognised in fair value derivatives.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the Income Statement. The changes in fair value of the forward contracts are recognised in the Income Statement. There were no forward exchange contracts designated as economic hedges at 30 June 2008 (2007: nil).

(b) Interest rate risk

Interest rate risk is managed using futures instruments and interest rate swaps. All derivatives are managed through T-Corp in accordance with Board policies for the purpose of managing interest rate exposures associated with external debt raised.

The consolidated entity adopts a policy of ensuring that its debt portfolio is managed around a 'neutral' modified duration within specified limits. In order to do this, interest rate futures and swap instruments denominated in AUD are used.

There were no swaps outstanding at balance date (2007: nil).

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the table in Note 20(g) indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature (whichever is earlier).

Capital risk management

Consistent with NSW Treasury Accounting Policy *Capital Structure Policy for Government Businesses [TPP02-7]* which is a component of the NSW Government's Commercial Policy Framework, the consolidated entity's objectives are to determine an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

Under the policy, both an appropriate capital structure and a minimum-to-maximum capital structure range are determined whilst considering the following criteria:

- provision of an acceptable stream of dividends;
- maintenance of an appropriate investment grade rating, taking into account industry and entity specific factors;
- ability to meet key debt service criteria, based on industry benchmarks;
- capacity to finance the approved capital expenditure program through internally generated cash flows and debt, with consideration of the current phase of the investment cycle; and
- provision of sufficient flexibility for relevant contingencies.

The minimum to maximum capital structure 'range' is an acceptable variation (indicated by gearing ratios) around the consolidated entity's capital structure. The consolidated entity monitors this on the basis of gearing levels and ratios. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and T-Corp short-term accommodation less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

20 FINANCIAL INSTRUMENTS continued

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Total loans	3 944.4	3 503.9	3 944.4	3 503.9
T-Corp short-term accommodation	62.6	49.3	62.6	49.3
Less: cash and cash equivalents	(1.5)	(5.6)	(1.5)	(5.6)
Net debt	4 005.5	3 547.6	4 005.5	3 547.6
Total equity	1 934.7	2 457.3	1 932.5	2 469.9
Total capital	5 940.2	6 004.9	5 938.0	6 017.5
Gearing ratio	67.4%	59.1%	67.5%	59.0%

The consolidated entity's agreed capital structure and range is reviewed every year as part of the SCI "Statement of Corporate Intent" process. The purpose of such a review is to confirm whether or not the current capital structure and range continue to be appropriate and, if not, to negotiate revised arrangements between the Board and Shareholders.

(c) Energy price risk

The EnergyAustralia Group maintains two broad energy derivative portfolios – a Trading Portfolio and a Hedge Portfolio.

The Trading Portfolio does not hedge an underlying cashflow exposure, and will only contain trading instruments. Segregated trading contracts held within the Trading Portfolio are marked to market with both realised and unrealised gains and losses recognised in the Income Statement immediately. The terms of these contracts are generally for no more than five years.

The Hedge Portfolio does have an underlying cashflow exposure, and the EnergyAustralia Group enters into hedging contracts in this portfolio to hedge against movements in spot prices in the National Electricity Market (NEM) for anticipated purchase commitments of energy. The EnergyAustralia Group uses a combination of swap and option contracts transacted with generators and other market participants in its hedging strategy. The terms of these contracts are generally for no more than five years, but some longer-term contracts have been transacted to strategically manage EnergyAustralia Group's long-term position structure. As these contracts are hedging anticipated future purchases, any realised gains and losses on the contracts will be recognised in the measurement of the underlying purchase commitment as an element of electricity purchase costs.

While the derivative contracts within the Hedge Portfolio are true economic hedges, and most of these contracts are effective cashflow hedges within the strictures of AASB 139 *Financial Instruments: Recognition and Measurement*, some contracts have been treated as trading instruments. Movements in the unrealised and realised fair value of these trading instruments within the Hedge Portfolio are recognised within the Income Statement. Movements in the unrealised fair value of all designated hedges are written to a revaluation reserve within Equity (to the extent that they are effective) and recognised in the Income Statement only when the underlying hedge cashflow is also recognised in the Income Statement.

Certain hedge transactions are de-designated from time to time as part of the management of the energy contract portfolio and related load risks. Of the contracts that we have previously undesignated, the practice has been to hold the previous fair value prevalent in the previous reporting period (ie the month end prior to de-designation) in equity, and to record in the Income Statement any subsequent changes in fair value. However, when the contract in question enters into, or is in the contract period, that amount that is held in equity is evenly released to the Income Statement until its maturity.

Hedge Accounting

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Cash flow hedges				
The effective portion of the gains/(losses) on cash flow hedges recognised in the cashflow hedge reserve	(790.0)	834.4	(790.0)	834.4

Note: All cashflow hedges are effective.

20 FINANCIAL INSTRUMENTS *continued*

(d) Net fair values of financial assets and liabilities

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the following table.

(i) Electricity derivatives

Fair value of electricity derivatives is calculated either using readily observed market sources or internally adjusted market prices.

The forward curve against which electricity derivatives are revalued is constructed from readily observed market sources. As at June 2007 this source was primarily the *AFMA* curve which was a result of a daily market survey of electricity market participants conducted by the Australian Financial Markets Association. Since then however, the inputs for this curve are more broadly sourced and are distilled from a combination of available brokers' screens on the Reuters electronic news service as well as closing Sydney Futures Exchange prices.

For those electricity derivatives, where directly appropriate market price valuations are not available, the net fair value for such contracts has been calculated based on internally adjusted market price estimates for similar products or reasonable extrapolation of the last observed relative reference prices. Certain other more exotic contracts involving term structures, conditions and strike prices for which there are no observable market prices have been valued based on entity specific inputs using models that are also used in risk management. In all of these cases, estimated future cashflows resulting from the valuation exercise are discounted to derive the relative net fair values as at balance date. The discount rates used are sourced from a swap-based zero curve constructed by an independent content provider.

The EnergyAustralia Group also has two other significant long-dated contracts the fair value of which has been determined using, in the absence of market observable data, long-term valuation models. One of these contracts is in a fair value hedge arrangement with a customer electricity supply agreement, and the other has a renegotiation clause in 2021.

The EnergyAustralia Group is of the view that the short-term price in the NSW electricity market is unlikely to reflect the long-term nature of these contracts. Therefore, the valuation modelling adopted has been based on key internal assumptions relating to factors which would impact such long-term contracts.

(ii) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(iii) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

(iv) Interest rates used for determining fair value

The entity uses the government yield curve as at 30 June 2008 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2008	2007
Loans and borrowings	7.3%–7.7%	6.5%–6.8%

(v) Foreign exchange contracts

The net fair value of foreign exchange contracts is calculated by reference to the current spot and forward market currency exchange rates.

(vi) Deposits

Customer deposits represent liabilities for customer and contractors' deposits which can be refunded at any time after the end of the financial year. The net fair value is the carrying value.

(vii) Available for sale financial asset

The available for sale investment as at 30 June 2007 of \$142 million represented the fair value of the investment in Energy Australia Pty Ltd. The fair value has been determined with reference to the partnership agreement with IPower Pty Ltd which had the option to purchase the shares of Energy Australia Pty Ltd from 1 April 2007. As such, EnergyAustralia no longer controls Energy Australia Pty Ltd which was excluded from the consolidated financial statements from that date.

20 FINANCIAL INSTRUMENTS continued

Net fair values

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	Consolidated Entity			
	2008		2007	
	Carrying Amount \$M	Net Fair Value \$M	Carrying Amount \$M	Net Fair Value \$M
Financial instruments				
Financial assets				
Cash and cash equivalents (Note 6)	1.5	1.5	5.6	5.6
Trade and other receivables (Note 7)	520.5	520.5	1 298.4	1 298.4
Energy derivatives (Note 8)	179.5	179.5	1 105.5	1 105.5
Available for sale asset (Note 8)	–	–	142.0	142.0
Other financial assets (Note 8)	5.6	5.6	4.9	4.9
	707.1	707.1	2 556.4	2 556.4
Financial liabilities				
T-Corp short-term accommodation (Note 16)	62.6	62.6	49.3	49.3
Loans (Note 16)	3 944.4	3 825.9	3 503.9	3 425.5
Trade and other payables (Note 15)	379.6	379.6	1 043.2	1 043.2
Deposits	28.8	28.8	31.1	31.1
Deferred government grants	32.7	32.7	33.7	33.7
Energy derivatives (Note 18)	14.3	14.3	189.9	189.9
Forward exchange contracts (Note 18)	–	–	0.3	0.3
Supply contract commitment (Note 18)	9.5	9.5	–	–
Other financial liabilities (Note 18) ⁽⁵⁾	0.4	0.4	0.2	0.2
	4 472.3	4 353.8	4 851.6	4 773.2

	Energy Australia			
	2008		2007	
	Carrying Amount \$M	Net Fair Value \$M	Carrying Amount \$M	Net Fair Value \$M
Financial instruments				
Financial assets				
Cash and cash equivalents (Note 6)	1.5	1.5	5.6	5.6
Trade and other receivables (Note 7)	520.6	520.6	1 298.4	1 298.4
Energy derivatives (Note 8)	179.5	179.5	1 105.5	1 105.5
Available for sale asset (Note 8)	–	–	142.0	142.0
Other financial assets (Note 8)	5.6	5.6	4.9	4.9
	707.2	707.2	2 556.4	2 556.4
Financial liabilities				
T-Corp short-term accommodation (Note 16)	62.6	62.6	49.3	49.3
Loans (Note 16)	3 944.4	3 825.9	3 503.9	3 425.5
Trade and other payables (Note 15)	379.6	379.6	1 043.2	1 043.2
Deposits	28.8	28.8	31.1	31.1
Deferred government grants	32.7	32.7	33.7	33.7
Energy derivatives (Note 18)	14.3	14.3	189.9	189.9
Forward exchange contracts (Note 18)	–	–	0.3	0.3
Supply contract commitment (Note 18)	9.5	9.5	–	–
Other financial liabilities (Note 18) ⁽⁵⁾	0.4	0.4	0.2	0.2
	4 472.3	4 353.8	4 851.6	4 773.2

(5) Represents mainly the non-current liability portion of EnergyAustralia portfolio performance fees payable to NSW Treasury Corporation (T-Corp).

20 FINANCIAL INSTRUMENTS continued**(e) Sensitivity analysis**

In managing interest rate, foreign currency and energy price risks, the consolidated entity aims to reduce the impact of short-term fluctuations on the consolidated entity's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The EnergyAustralia Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate interest rate derivatives as hedging instruments under a fair value hedge accounting model. The Group does have variable rate financial liabilities and it is estimated that a change in interest rates by one percentage point at reporting date would decrease/increase the consolidated entity's profit before tax by approximately \$0.1 million (2007: \$0.1 million). There would be no effect on equity. This analysis is different to last year based on the amount of variable debt effected.

It is estimated that a change at reporting date by ten percentage points in the value of the AUD against other foreign currencies would not have a material impact on the consolidated entity's profit nor value of equity.

EnergyAustralia manages wholesale energy price risk associated with contestable retail contracts being sold, i.e. other than the NSW regulated customers in its electricity distribution area, under the framework of an Energy Risk Management Policy mandated by the Board. The Policy prescribes various risk parameters and limits under which all hedging activities must operate. At 30 June 2008, it is estimated that a significant adverse 10 percentile shift in EnergyAustralia's market valuation models would have resulted in changes to consolidated earnings by \$52.7 million (2007: \$0.8 million using the sensitivity measure of a \$1 shift in the forward curve) and the hedge revaluation reserve by \$63.8 million (2007: \$18.1 million using the sensitivity measure of a \$1 shift in the forward curve). This analysis has been changed from last year due to updated valuation techniques employed during 2008 based on revised view of volatility in the market.

(f) Credit risk exposures

The credit risk on trade and other receivables, and accrued sales of energy of the EnergyAustralia Group that have been recognised in the Balance Sheet, is generally the carrying amount, net of any impairment provisions. The EnergyAustralia Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and is not materially exposed to any individual customer. Our policy requires customers to pay us in accordance with agreed payment terms. Our payment terms are generally 14 days, the minority of customers that request longer terms are required to negotiate the arrangement with management and an extended terms premium is applied. All credit and recovery risk associated with trade receivables has been provided for in the Balance Sheet.

The credit risk of accrued sales of energy is less than six months offset by a 1–2% impairment provision for revenue recoverability. All credit and recovery risk associated with accrued sales has been provided for in the Balance Sheet.

The ageing of trade receivables past due but not impaired at 30 June 2008 is detailed below:

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Less than 3 months overdue	29.4	35.7	29.4	35.7
3 months to 6 months overdue	1.0	71.4	1.0	71.4
Later than 6 months overdue	3.7	2.5	3.7	2.5
Total	34.1	109.6	34.1	109.6

Interest rate swaps are subject to credit risk in relation to the relevant counter-parties which are principally large banks. The credit risk on swap contracts is limited to the net amount to be received from counter-parties on contracts that are favourable to the EnergyAustralia Group. As at 30 June 2008, the EnergyAustralia Group's swap position did not give rise to any favourable contracts (2007: nil).

Exposure to fluctuations in the wholesale price of energy is managed by entering into derivative transactions with approved counter-parties for the purpose of hedging the purchase cost of energy. By entering into these arrangements the EnergyAustralia Group is exposed to credit related losses in the event of non-performance by counter-parties to these derivative instruments. These derivative contracts are transacted within the terms of the International Swaps and Derivatives Association documentation framework and include mitigating netting provisions. The EnergyAustralia Group holds collateral for one counter-party amounting to \$2.5 million (2007: \$2.5 million) at reporting date.

The EnergyAustralia Group's credit risk is minimised as it transacts predominantly with other Government owned corporations in the energy industry. Where counter-party is a non-Government owned corporation, its creditworthiness is established in accordance with the EnergyAustralia Group's risk management policies. At balance date the maximum credit exposure resulting from energy derivatives, excluding realised gains and losses not yet settled, amounted to \$173.9 million (2007: \$1,072.7 million), with the only significant concentration of credit risk being with a Government owned entity in New South Wales.

20 FINANCIAL INSTRUMENTS continued

(g) Liquidity risk

The Energy Australia Group's liquidity risks are managed with the availability of readily accessible standby facilities and other funding arrangements and by investing surplus funds in marketable securities and deposits (see Notes 1(e), 6 and 16).

The contractual maturity of the Group's fixed and floating rate financial liabilities and derivatives are shown in the following table:

Consolidated Entity and Energy Australia										
As at 30 June 2008						As at 30 June 2007				
Weighted average effective interest rate %	Total \$M	1 year or less \$M	1-5 years \$M	More than 5 years \$M		Weighted average effective interest rate %	Total \$M	1 year or less \$M	1-5 years \$M	More than 5 years \$M
Derivative financial liabilities										
Energy derivatives	-	(14.3)	(13.9)	(0.4)	-	-	(189.9)	(189.2)	(0.7)	-
Forward exchange contracts	-	-	-	-	-	-	(0.3)	(0.3)	-	-
Derivative financial assets										
Energy derivatives	-	179.5	106.0	63.0	10.5	-	1 105.5	531.3	574.2	-
Non derivative financial liabilities										
AUD fixed rate loans	6.5	(4 372.6)	(197.8)	(2 187.9)	(1 986.9)	6.2	(3 622.3)	(330.8)	(1 786.3)	(1 505.2)
AUD floating rate loans	7.8	(733.3)	(733.3)	-	-	6.4	(872.4)	(650.5)	(221.9)	-
T-Corp short-term accommodation	7.4	(62.6)	(62.6)	-	-	6.4	(49.3)	(49.3)	-	-
Trade and other payables	-	(379.6)	(379.6)	-	-	-	(1 043.2)	(1 043.2)	-	-
Non derivative financial assets										
Available for sale asset	-	-	-	-	-	-	142.0	142.0	-	-
Cash and cash equivalents	6.5	1.5	1.5	-	-	5.9	5.6	5.6	-	-

Note: The amounts disclosed above for loans are the contractual undiscounted cash flows and therefore will not reconcile to the Balance Sheet.

21 RELATED PARTIES – KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the consolidated entity at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period.

Directors

Mr J Conde AO (Chairman)
 Mr G Maltabarow (Managing Director)
 Ms P Akopiantz
 Mr P Jeans
 Mr M Lambert
 Mr W Tomlins

Executives

Mr C James (Executive General Manager – Finance and Corporate)
 Mr J Eisenhuth (Executive General Manager – Enerserve)
 Mr G Lilliss (Executive General Manager – Network)
 Mr T O’Grady (Executive General Manager – Retail) (ceased employment effective 16 July 2007)
 Mr D Anderson (Executive General Manager – Shared Services)
 Mr M Bailey (Executive General Manager – Retail) (appointment effective 3 September 2007)
 Ms L Maffina (Corporate Secretary)

Transactions with key management personnel

In addition to their salaries, the consolidated entity also provides post employment benefits to Directors and executive officers (see Notes 1(m) and 1(n)).

The key management personnel compensation included in “employee benefits expense” (see Note 3(a)) are as follows:

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Short-term employee benefits	3.8	3.3	3.8	3.3
Long-term benefits	0.9	1.1	0.9	1.1
Post-employment benefits	0.5	1.1	0.5	1.1

Other transactions

During the financial year, EnergyAustralia entered into the following transactions with its Director-related entities:

- EnergyAustralia paid \$382,252 (2007: \$328,398) to the Sydney Symphony Orchestra in accordance with a sponsorship agreement. Mr J Conde was a Director of the Sydney Symphony Orchestra prior to being appointed as Chairman in May 2007.

In the case of these transactions, the Director(s) concerned took no part in the transaction for either the Corporation or the Director-related entity.

The Directors of EnergyAustralia are also Directors of other companies which may have had transactions with EnergyAustralia during the financial year. With respect to any such transaction, no Director has declared that he/she has control or significant influence on the financial and/or operating policies of those companies in their dealings with EnergyAustralia.

From time to time, Directors of the Corporation or its controlled entities, or their Director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

All transactions are conducted on an arm’s-length basis in the normal course of business and on commercial terms and conditions.

22 RELATED PARTIES – NON-KEY MANAGEMENT PERSONNEL DISCLOSURES

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see Note 27) and with its Directors and executive officers (see Note 21).

Other related party transactions

(i) Subsidiaries

During the year ended 30 June 2008, EnergyAustralia provided funding to the controlled entities to enable them to meet their commitments but did not receive any repayments from them. It is expected that this funding will continue in 2008/09. Loans outstanding between EnergyAustralia and its controlled entities have no fixed date of repayment and is non-interest bearing. There were no loans (net) to subsidiaries at 30 June 2008 (2007: nil).

(ii) Other transactions

During the financial year, EnergyAustralia entered into a number of services for nil consideration with all controlled entities within the Group. These services have been categorised as follows:

- accounting services
- supply and rental of premises
- inter-company funding
- information technology services
- administrative and other services

No services were provided to EnergyAustralia by any of the controlled entities.

EnergyAustralia has also provided the necessary cash facilities for each of the controlled entities, with respect to external transactions which were not settled by the controlled entity.

	Consolidated Entity		EnergyAustralia	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
23 REMUNERATION OF AUDITOR				
Amounts paid and payable to the Audit Office of NSW for:				
Audit of Financial Report	0.4	0.4	0.4	0.4
Australian Financial Services Licence Audit	- #	- #	- #	- #
	0.4	0.4	0.4	0.4

Amount reduced to zero as a result of rounding to nearest \$0.1 million (see Note 1(b))

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

Guarantees issued by financial institutions ⁽⁶⁾

Bank guarantees provided in the normal course of business, in lieu of retention and security deposits

Bank guarantees provided in the normal course of business, in lieu of retention and security deposits	0.5	1.1	0.5	1.1
Guarantees provided to regulatory and statutory authorities	441.1	585.2	441.1	585.2
	441.6	586.3	441.6	586.3

Contingent assets

Potential recoveries from gross workers compensation claim payments	1.8	2.0	1.8	2.0
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(6) The EnergyAustralia Group has fully indemnified the issuing financial institutions in the unlikely event these guarantees are called on.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

25 CAPITAL AND OTHER COMMITMENTS

(a) Capital commitments

Commitments for the acquisition of system assets, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

Within twelve months	201.6	154.0	201.6	154.0
Twelve months or longer and not longer than five years	24.3	–	24.3	–
Total (including GST)	225.9	154.0	225.9	154.0
GST credits	20.5	14.0	20.5	14.0

(b) Other commitments

Commitments in relation to operating expenditure contracted for at the reporting date but not recognised as liabilities, payable:

Within twelve months	11.7	16.6	11.7	16.6
Twelve months or longer and not longer than five years	4.2	5.8	4.2	5.8
Longer than five years	–	0.3	–	0.3
Total (including GST)	15.9	22.7	15.9	22.7
GST credits	1.4	2.1	1.4	2.1

EnergyAustralia has future commitments to purchase power from generators and to purchase GHG certificates. These commitments are based on future volumes supplied by the generators over a period of time which varies from 1 to 13 years.

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

26 OPERATING LEASES

Leases as lessee

Non-cancellable operating leases are payable as follows:

Within twelve months	21.1	17.2	21.1	17.2
Twelve months or longer and not longer than five years	33.9	26.9	33.9	26.9
Longer than five years	104.2	105.6	104.2	105.6
Total (including GST)	159.2	149.7	159.2	149.7
GST credits	14.5	13.6	14.5	13.6

EnergyAustralia leases various premises under operating leases including a warehouse facility and a number of offices at interstate locations. The Corporation also has a long-term operating lease arrangement in place for a zone substation installation at Strathfield which expires in 2065. Lease payments under these leases are subject to annual, bi-annual or three-yearly reviews to reflect market rentals. The majority of these operating leases which are in place for the purpose of securing tenure to EnergyAustralia's Network Infrastructure Assets, are long term (generally for periods in excess of 25 years and up to 99 years) and are for a nominal or "peppercorn" consideration. None of the Corporation's operating leases include contingent rentals. There have been no properties sublet by the Corporation.

In addition, EnergyAustralia leases fleet and personal computers under operating leases. The majority of the fleet leases are fully maintained leases and typically run for a period of 4 years, while all personal computer leases are for a period of 3 years.

During the year ended 30 June 2008, \$19.6 million (2007: \$17.1 million) was recognised as an expense in the Income Statement in respect of operating leases.

26 OPERATING LEASES continued

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

Leases as lessor

The consolidated entity leases out its properties, including premises, land and communications towers, under operating lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease payments under non-cancellable leases are as follows:

Within twelve months	6.8	5.2	6.8	5.2
Twelve months or longer and not longer than five years	13.2	11.9	13.2	11.9
Longer than five years ⁽⁷⁾	10.1	9.1	10.1	9.1
Total (including GST)	30.1	26.2	30.1	26.2
GST debits	2.7	2.4	2.7	2.4

During the year ended 30 June 2008, \$6.9 million (2007: \$6.2 million) was recognised as rental income in the Income Statement and \$0.7 million (2007: \$0.8 million) in respect of repairs and maintenance was recognised as an expense in the Income Statement relating to these properties.

(7) The leases greater than 5 years are mainly leases with no fixed term contract and are expected to continue for an indefinite period. A period of 10 years has been disclosed in the Note.

Country of incorporation	Ownership interest	
	%	%
	2008	2007

27 CONSOLIDATED ENTITIES

Parent entity

EnergyAustralia

Subsidiaries

Energy Australia Pty Ltd (formerly Energy Management International Pty Ltd)	Australia	100	100
Downtown Utilities Pty Ltd	Australia	70	70

Consolidated Entity		EnergyAustralia	
2008	2007	2008	2007
\$M	\$M	\$M	\$M

28 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year	229.1	258.7	255.9	188.5
Add/(less) non-cash items:				
Depreciation and amortisation	277.6	267.7	277.6	267.7
Amortisation of unrealised capital (debt)	(2.7)	(5.8)	(2.7)	(5.8)
Amortisation of deferred government grants	(1.0)	(0.8)	(1.0)	(0.8)
Impairment of assets	8.0	(9.9)	8.0	(9.9)
Share of profit from partnership	(0.7)	(33.4)	–	–
Loss on disposal of property, plant and equipment	5.9	2.9	5.9	2.9
(Gain) on deconsolidation	–	(49.3)	–	–
(Gain) on available-for-sale recognised in profit and loss	(45.3)	–	(87.6)	–
(Gain) on reversal asset revaluation	(8.5)	–	(8.5)	–
(Profit) on disposal of other non-current assets	(0.2)	–	(0.2)	–
(Profit)/loss on close out liability contracts	(7.5)	0.6	(7.5)	0.6
(Increase)/decrease in fair value of financial instruments	(29.3)	2.4	(29.3)	2.4
Changes in assets and liabilities:				
(Increase)/decrease in accrued sales of energy	(4.1)	24.0	(4.1)	24.0
(Increase)/decrease in other accrued income	626.6	(544.9)	626.5	(544.8)
(Increase)/decrease in operating related inventories	(2.2)	1.8	(2.2)	1.8
(Increase)/decrease in deferred tax assets	(14.5)	0.9	(1.9)	(11.7)
(Increase)/decrease in prepaid operating expenditure	137.5	(147.4)	137.5	(147.4)
Increase/(decrease) in accrued operating expenditure	(490.4)	286.9	(490.4)	286.9
(Decrease) in provision for income tax payable	(6.1)	(72.1)	(3.8)	(72.1)
Increase/(decrease) in deferred tax liabilities	(228.4)	260.7	(228.4)	260.7
Increase in other provisions	38.2	9.1	38.2	9.1
Increase/(decrease) in deferred revenue	15.3	(29.4)	15.3	(29.4)
(Decrease) in customer security deposits	(2.3)	(4.2)	(2.3)	(4.2)
Net cash from operating activities	495.0	218.5	495.0	218.5

29 EMPLOYEE BENEFITS

Aggregate liability for employee benefits, including on-costs:				
Short-term benefits	112.1	92.6	112.1	92.6
Long-term benefits	311.3	298.2	311.3	298.2
Post-employment benefits	28.2	0.1	28.2	0.1
	451.6	390.9	451.6	390.9
Non-current	11.1	8.6	11.1	8.6
Current	440.5	382.3	440.5	382.3
	451.6	390.9	451.6	390.9

30 SUPERANNUATION

Superannuation benefits apply to both EnergyAustralia and the consolidated entity.
All references are to the April 2007 version of AASB 119 *Employee Benefits*.

Accounting policy for recognising actuarial gains/losses

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

General description of the type of plan

The Energy Industries Superannuation Scheme:

Division B
Division C
Division D

These Divisions are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Divisions are closed to new members.

	2008 \$M	2007 \$M
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligations	–	621.1
Other movements	–	(17.8)
Present value of defined benefit obligations at beginning of the year	671.8	603.3
Current service cost	33.5	18.1
Interest cost	42.8	36.6
Contributions by Scheme participants	9.2	8.6
Actuarial (gains)/losses	(55.7)	37.3
Benefits paid	(32.5)	(32.1)
Present value of defined benefit obligations at end of the year	669.1	671.8
Reconciliation of the fair value of Scheme assets		
Fair value of Scheme assets at beginning of the year	702.4	606.3
Expected return on Scheme assets	52.2	45.2
Actuarial gains/(losses)	(111.4)	54.5
Employer contributions	21.1	19.9
Contribution by Scheme participants	9.1	8.6
Benefits paid	(32.5)	(32.1)
Fair value of Scheme assets at end of the year	640.9	702.4
Reconciliation of the assets and liabilities recognised in the balance sheet		
Present value of defined benefit obligations at end of the year	669.1	671.8
Fair value of Scheme assets at end of the year	(640.9)	(702.4)
Net liability/(asset) recognised in balance sheet at end of the year	28.2	(30.6)
Expense recognised in the income statement		
Components recognised in the income statement:		
Current service cost	33.5	18.1
Interest cost	42.8	36.6
Expected return on Scheme assets (net of expenses)	(52.2)	(45.2)
Actuarial losses/(gains) recognised in the year	55.7	(17.2)
Expense/(income) recognised	79.8	(7.7)

30 SUPERANNUATION continued

	2008	2007
	\$M	\$M
Amounts recognised in the statement of changes in equity		
Actuarial (gains)/losses	-	-
Adjustment for limit on net asset	-	-
Cumulative amount recognised in the statement of changes in equity		
Cumulative amount of actuarial (gains)/losses	-	-
Cumulative adjustment for limitation on net asset	-	-

Scheme assets

The percentage invested in each asset class at the balance sheet date:

	2008
Australian equities	37.6%
Overseas equities	34.0%
Australian fixed interest securities	10.7%
Overseas fixed interest securities	6.3%
Property	3.2%
Cash	6.0%
Other	2.2%

Fair value of Scheme assets

All Scheme assets are invested by the Trustees at arm's length through independent managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

	2008	2007
	\$M	\$M
Actual return on Scheme assets		
Actual return on Scheme assets	(66.0)	89.6

Valuation method and principal actuarial assumptions at the balance sheet date**(a) Valuation method**

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic assumptions

	2008	2007
Salary increase rate (excluding promotional increases)	6.0% pa until June '09; 4.0% pa thereafter	6.0% pa until June '09; 4.0% pa thereafter
Rate of CPI increase	2.5% pa	2.5% pa
Expected rate of return on assets		7.6% pa
Expected rate of return on assets backing current pension liabilities	8.3%	
Expected rate of return on assets backing other liabilities	7.3%	
Discount rate	6.19% pa	5.9% pa

30 SUPERANNUATION continued

(c) Demographic assumptions

The demographic assumptions at 30 June 2008 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) Contributors – the number of contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

Age nearest birthday	Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of:				Additional promotional salary increase rate %
	Death	Total & Permanent Disability	Retirement	Resignation	
Males					
30	4	8	–	100	3.0
40	6	8	–	90	0.1
50	11	12	–	45	–
60	30	20	1,570	–	–
Females					
30	4	1	–	35	2.5
40	6	5	–	225	1.6
50	11	30	–	150	1.1
60	20	–	1,400	–	–

(ii) Commutation – the proportion of members assumed to commute their pension to lump sum in any one year.

Age	Proportion of pension commuted	
	Retirement	Breakdown
Later of commencement or age 55	0.15	0.20
	Widow	Widower
55	0.2500	0.2500
65	0.5380	0.5800
75	0.4825	0.5160
85	0.3928	0.3728

(iii) Pensioner Mortality – assumed mortality rates (in 2006/07) for pensioners (separately for normal retirement/spouses and invalidity).

Age	Retirement pensioners and spouses and widows		Invalidity pensions	
	Males	Females	Males	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(iv) Pensioner Mortality Improvements – per annum assume rates of mortality improvement for pensioners.

Age	Improvement rates (for years post 2006)	
	Males	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

30 SUPERANNUATION continued

	2008	2007
	\$M	\$M
Historical information		
Present value of defined benefit obligation	669.1	671.8
Fair value of Fund assets	(640.9)	(702.4)
(Surplus)/Deficit in Scheme	28.2	(30.6)
Experience adjustments – Scheme liabilities	55.7	37.3
Experience adjustments – Scheme assets	(111.4)	(54.4)
Expected contributions		
Expected employer contributions	18.5	16.6

Funding arrangements for employer contributions**(a) Surplus/deficit**

The following is a summary of the 30 June financial position of the Scheme calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

Accrued benefits	632.4	631.3
Net market value of Scheme assets	(640.9)	(702.4)
Net (surplus)/deficit	(8.5)	(71.1)

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	Division B	Division C	Division D
	Multiple of member contributions	% member salary	Multiple of member contributions
	1.90	2.5%	1.64

(c) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Scheme were:

	2008	2007
Weighted–Average Assumptions		
Expected rate of return on Scheme assets	7.0% pa	7.0% pa
Expected salary increase rate	6.0% pa until June '09; 4.0% pa thereafter	6.0% pa until June '09; 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the Scheme, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Scheme's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Scheme assets and the defined benefit obligation.

31 SEGMENT REPORTING

Accounting policies

Segment information is prepared in conformity with the accounting policies of the EnergyAustralia Group as disclosed in Note 1(w) and AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to that segment, and also include any portion that can be allocated to that segment on a reasonable basis. Segment assets and liabilities include those that are used by that segment and include allocations of assets and liabilities attributable to that segment using appropriate drivers as a reasonable estimate. Segment assets exclude income tax assets and financing assets. Segment liabilities exclude income tax liabilities, dividend provision, borrowings, bank overdraft and other financing liabilities.

Business segments

The consolidated entity operates in the Energy Segment. This involves the distribution and retailing of electricity and retailing of gas. Revenue is earned from sales to both franchise and contestable customers as well as from electricity retailers for the use of its electricity network. Included in the total energy segment revenue is \$483.4 million (2007: \$389.8 million) of revenue earned from external parties and \$748.7 million (2007: \$737.9 million) of revenue earned from internal sales.

Geographical segment

The consolidated entity operates in one geographical segment, being Australia, predominantly NSW.

Assets held for sale

Non-current assets classified as held for sale are part of the Energy Segment.

Primary reporting – business segments

	Energy \$M	Other \$M	Inter-segment Eliminations \$M	Consolidated Entity \$M
Year ended 30 June 2008				
Revenue				
Sales to external customers	2 932.4	88.2	–	3 020.6
Inter-segment sales	0.2	-	(0.2)	-
Total sales revenue	2 932.6	88.2	(0.2)	3 020.6
Other revenue	70.7	2.6	-	73.3
Total segment revenue	3 003.3	90.8	(0.2)	3 093.9
Result				
Segment result	558.9	12.3		571.2
Excluded revenue less excluded expenses – interest				(254.2)
Profit from ordinary activities before tax				317.0
Share of profit of partnership	0.7	–	–	0.7
Income tax expense				(88.6)
Profit for the year				229.1
Segment assets	7 657.0	79.3	–	7 736.3
Excluded assets				184.4
Total assets				7 920.7
Segment liabilities	950.4	101.8	–	1 052.2
Excluded liabilities				4 933.8
Total liabilities				5 986.0
Acquisition of PPE, intangibles and other non-current segment assets	998.2	3.8	–	1 002.0
Depreciation and amortisation expense	272.3	5.3	–	277.6
Impairment of assets	29.3	0.8	–	30.1

Note: All segments are continuing operations.

31 SEGMENT REPORTING continued

	Energy \$M	Other \$M	Inter-segment Eliminations \$M	Consolidated Entity \$M
Year ended 30 June 2007				
Revenue				
Sales to external customers	2 697.3	116.4	–	2 813.7
Inter-segment sales	0.2	–	(0.2)	–
Total sales revenue	2 697.5	116.4	(0.2)	2 813.7
Other revenue	68.7	1.0	–	69.7
Total segment revenue	2 766.2	117.4	(0.2)	2 883.4
Result				
Segment result	528.3	26.8	–	555.1
Excluded revenue less excluded expenses – interest				(214.4)
Profit from ordinary activities before tax				340.7
Share of profit of partnership	33.4	–	–	33.4
Income tax expense				(115.4)
Profit for the year				258.7
Segment assets	8 739.1	69.2	–	8 808.3
Excluded assets				173.9
Total assets				8 982.2
Segment liabilities	1 730.2	101.4	–	1 831.6
Excluded liabilities				4 693.3
Total liabilities				6 524.9
Acquisition of PPE, intangibles and other non-current segment assets	853.8	2.6	–	856.4
Depreciation and amortisation expense	264.7	3.0	–	267.7
Impairment of assets	21.6	0.5	–	22.1

Note: All segments are continuing operations.

31 SEGMENT REPORTING continued

	Consolidated Entity	
	2008	2007
	\$M	\$M
Reconciliation of segment revenue to entity revenue		
Total segment revenue	3 093.9	2 883.4
Add investment revenue	2.4	5.6
Revenue from ordinary activities	3 096.3	2 889.0

	Australia	
	2008	2007
	\$M	\$M

Secondary reporting – geographical segment

EnergyAustralia operates in one geographical segment, Australia.

Revenue by location of customers	3 093.9	2 883.4
Carrying amounts of segment assets by location	7 920.7	8 982.2
Acquisition of PPE, intangibles and other non-current segment assets	1 002.0	856.4

32 EXTERNAL CONSULTANTS

The total amount paid to or accrued for consultants during the year ended 30 June 2008 was \$1.2 million (2007: \$0.6 million).

33 EVENTS AFTER THE BALANCE SHEET DATE

In December 2007, the NSW Government announced it would accept the key recommendations of the Owen Inquiry into Electricity Supply in NSW. The proposed reforms involved the lease of existing power generators and the transfer of the retail activities of the electricity distributors to the private sector.

On 28 August 2008, as the enabling legislation was not going to be supported by NSW Parliament, the NSW Government announced a revised plan that involves the transfer of retail activities of the distributors and the sale of generation development sites to the private sector.

EnergyAustralia has determined that the proposed plan of transferring the retail activities of electricity retailers to the private sector does not meet the provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* and does not apply to the 30 June 2008 accounts. However, EnergyAustralia is in the process of assessing the potential impacts to the financial report for 2008/09.

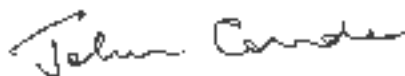
END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

Pursuant to Section 410 of the *Public Finance and Audit Act 1983*, we state that in the opinion of the Directors of EnergyAustralia:

- (a) the accompanying consolidated financial statements and notes comprise a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the *State Owned Corporations Act 1989*, and give a true and fair view of the EnergyAustralia Group's financial position as at 30 June 2008 and its financial performance for the year ended on that date;
- (b) at the date of this statement, there are reasonable grounds to believe that the EnergyAustralia Group will be able to pay its debts as and when they become due and payable; and
- (c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Directors.



John Conde AO
Chairman



George Malabarow
Managing Director

Sydney
17 September 2008



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDITOR'S REPORT

EnergyAustralia and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of EnergyAustralia (the Corporation), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes for both the Corporation, and the Corporation and controlled entities (the consolidated entity). The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as of 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- also complies with International Financial Reporting Standards as disclosed in Note 1(a).

My opinion should be read in conjunction with the rest of this report.

Directors' Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the Directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat

Auditor-General

22 September 2008
SYDNEY

Statutory Information

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Access to information/statement of affairs

As a large decentralised organisation, EnergyAustralia maintains records on its operations. The public can also have input in relation to EnergyAustralia's policies by making representations, recommendations and/or complaints to EnergyAustralia. A list of Policy documents available to the public is available in EnergyAustralia's Freedom of Information Summary of Affairs. Requests for access to documents are treated on their merits in accordance with the *Freedom of Information Act (FOI)*. Access to documents or amendments to documents related to personal affairs can be made by writing to the Freedom of Information Coordinator supplying all details required and should be accompanied with the application fee. Application forms are available on EnergyAustralia's website and may be lodged in person or posted to the FOI Coordinator. The FOI Coordinator is available during business hours of 8.00 am to 4.45 pm or a meeting can be arranged by prior appointment. Contact details for the FOI Coordinator are:

FOI Coordinator	OR post to:
EnergyAustralia Building	FOI Coordinator
570 George Street, Sydney	EnergyAustralia
Telephone: (02) 9269 2941	GPO Box 4009
Facsimile: (02) 9269 2830	Sydney NSW 2001

The following table shows all categories affected by *Freedom of Information Act 1989 (NSW)* requests in 2006/07 and 2007/08. Where a category is not shown, it is a nil return for both the years shown.

	Personal	Other	Total 2007/08	Total 2006/07
New FOI Applications				
New (including transferred in)	1	37	38	33
Brought forward	0	1	1	2
Total to be processed	1	38	39	35
Completed	1	36	37	31
Discontinued	0	2	2	3
Total Processed	1	36	37	31
Unfinished (carried forward)	0	0	0	1
Why were FOI applications discontinued?				
Transferred to another Agency	0	1	1	0
Withdrawn by Applicant	0	1	1	3
What happened to completed requests?				
Granted in full	1	27	28	24
Granted in part	0	3	3	5
Refused	0	0	0	0
No documents held	0	6	6	2
Total Completed	1	36	37	31
FOI requests granted in part or refused				
Cabinet Document (CI 1)	0	0	0	2
Document affecting intergovernmental relations (CI 5)	0	0	0	1
Document affecting personal affairs (CI 6)	0	0	0	2
Document affecting business affairs (CI 7)	0	1	1	
Documents subject to legal professional privilege (CI 10)	0	2	2	1
Number of requests requiring formal consultation	0	2	2	6
Fees and Costs				
Assessed costs	\$0	\$0	\$0	\$0
Fees received	\$30	\$1070	\$1100	\$915
Fees Discounts				
Public interest	0	2	2	3
Financial hardship – pensioner/child	0	1	1	1
Days to process				
0–21 days	1	16	17	17
22–35 days	0	14	14	9
Over 35 days	0	6	6	5
Processing time				
0–10 hours	1	36	37	31
11–20 hours	0	0	0	0
21–40 hours	0	0	0	0
Number of Reviews				
Internal reviews	0	0	0	1
Ombudsman reviews	0	1	1	1
ADT reviews	0	0	0	1
Results of internal reviews				
Exempt matter deleted from documents	0	0	0	1

An assessment of FOI requirements on EnergyAustralia's activities found no major impact or compliance issues during the 2007/08 financial year. There was one application reviewed by the Ombudsman.

Annual report costs

The total external costs for the production of this Annual Report were \$82,560 excluding GST. It is printed on recycled paper and also available on EnergyAustralia's website.

Consultancies

Type of Consultancy	Total (\$)	Title/Nature of Major Items
Finance & Accounting	\$384,888	Tax advice, Accounting Standards, Retail review
IT	\$62,000	IT system review, Distribution Network Metering System (DNMS) review
Management Services	\$591,314	Regulatory assurance review, culture change, and benchmarking
Engineering	\$113,117	Unit rate review and feeder review
Total Consultancies	\$1,151,319	

Consumer response

EnergyAssist

For the financial year 2007/08 a total of 5,111 customers were accepted into the EnergyAustralia's EnergyAssist program. Of the current customer base: 61 per cent have established a Centrepay payment arrangement, 1,246 customers successfully exited the program during the year and 1,721 were exited from EnergyAssist due to not maintaining contact with EnergyAustralia or due to a lack of commitment to meeting payment arrangements. EnergyAustralia's Contact Centre and field officers dominate the referral source together with community agencies and approximately 19 per cent of the customer referrals involve customers previously assisted by EnergyAssist. Current strategies aimed at assisting customers in hardship include EnergyAustralia's Fridge Assist, No Interest Loan Scheme (NILS) and EnergySave programs, together with telephone and site energy audits, assisted repayment plans and referrals to community agencies. The EnergyAssist team has participated in several Hardship forums and conducted visits to community agencies where significant customer referrals are sourced.

Customer Relations

The Customer Relations Complaint team is the referral point for disputes raised through the Energy and Water Ombudsman (EWON) NSW, and their dedication to delivering a high standard of complaint resolution has seen the team resolve 929 EWON disputes during the financial year 2007/08, together with an additional 2,932 internal complaints related to the Retail and Network businesses. Each dispute is formally recorded and the team will continue to work with the Ombudsman in the new financial year to ensure an ongoing high standard of customer service.

Contact Centre

The Contact Centre handled more than 2.9 million calls during 2007/08. Customer Service Representatives handled more than 1.7 million calls with the remainder of calls completed through our automatic options. The majority of calls related to customer account enquiries, and customers moving premises. For the majority of our customers the Contact Centre is the frontline service for EnergyAustralia. Service quality continued to be a focus for the Contact Centre in 2007/08 with first-call resolution at 96.7 per cent of all calls handled.

Customer Council

EnergyAustralia's Customer Council is a two-way communication forum involving diverse stakeholder and community groups, including The Smith Family, The Council of Social Service NSW, the Ethnic Community Council, Country Women's Association, Australian Consumers Association, COTA Over 50s, and the Nature Conservation Council. The Customer Council met four times in 2007/08 to discuss, review and improve a range of matters including products, services and dispute resolution.

Electronic services delivery

EnergyAustralia website

EnergyAustralia continues to improve the usability of its website www.energy.com.au to:

- provide our stakeholders with greater access to energy-related information, such as energy safety and efficiency,
- inform our customers on products, bill payment options, price changes; and
- publish key documents and all print media releases.

Electronic Tendering

During 2007/08 EnergyAustralia trialled an electronic tendering system as part of our overall commitment to improving systems and processes for dealing with our supplier base. On 1 August 2008, the electronic tendering system was officially launched. This system is in line with procurement best practices in both the public and private sectors.

The key features and benefits of the system are:

- Electronic uploading of tenders to the EnergyAustralia website at www.tenderlink.com/energy.
- Ability to issue public tenders or restrict access to a limited number of suppliers.
- Allow suppliers to download the tenders directly from the website.
- Provide a secure and audited process for communicating during the tender process.
- Allow suppliers to lodge responses into a secure electronic tender box which can only be opened after the closing time.
- Allow staff to collect responses as soon as the electronic box is opened by the nominated contract manager.

Employment equity

In 2007/08, EnergyAustralia maintained a sound base of equity and diversity policies including merit appointment, part-time work and parental leave. We also continued our compulsory training program, 'Working with Equity and Respect', to communicate our EEO and Discrimination and Harassment Prevention Policy.

Our Equity and Diversity Strategy resulted in proactive merit based programs such as the TAFE NSW Gili Award winning 'Aboriginal & Torres Strait Islander Pre-Apprenticeship Program'.

As a result of our strong equity policies and strategy, we maintained our number of indigenous Australians and women in non-traditional roles, recruited for our apprenticeship and graduate programs.

Our goals for 2008/09 include:

Indigenous Cadetship

- Develop improved strategy to attract and retain an Indigenous Cadet in line with the Government's Indigenous Cadetship Program.

Indigenous Pre-Apprenticeship Program

- Continue and further improve the annual Indigenous Cadetship Pre-Apprenticeship Program in partnership with TAFE NSW.
- Continue and further improve the Indigenous Steering Committee to discuss Indigenous employment issues within EnergyAustralia.
- Establish an internal Indigenous Mentoring network.
- Provide cultural awareness to EnergyAustralia employees involved in the Indigenous Pre-Apprenticeship Program.
- Sponsor an Indigenous Employee to represent EnergyAustralia at the World Indigenous People's Conference on Education in Victoria.

Women In Non-Traditional Roles (WINTR)

- Continue and further improve quarterly WINTR Network meetings to including the introduction of guest speakers/presenters.

Table 1. Trends in the Representation of EEO Groups¹

Representation	Benchmark or Government Target	EnergyAustralia – Percentage of Total Staff ²			
		2005	2006	2007	2008
Women	50%	18%	19%	18%	14%
Aboriginal people and Torres Strait Islanders	2%	0.4%	0.8%	0.9%	0.8%
People whose language first spoken as a child was not English	20%	11%	15%	12%	11%
People with a disability	12%	5%	4%	5%	4%
People with a disability requiring work-related adjustment	7%	0.9%	0.9%	0.9%	0.8%

Table 2. Trends in the Distribution of EEO Groups³

Distribution index	Benchmark or Government Target	EnergyAustralia – Distribution Index ⁴			
		2005	2006	2007	2008
Women	100	86	85	85	101
Aboriginal people and Torres Strait Islanders	100	N/A	67	75	77
People whose language first spoken as a child was not English	100	104	102	105	108
People with a disability	100	98	101	102	102
People with a disability requiring work-related adjustment	100	94	99	99	102

Note: Information for the above tables is provided by the Workforce Profile Unit, Department of Premier and Cabinet.

Comments:

1. Staff numbers as at 30 June 2008
2. Excludes casual staff
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels that is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases this index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. This Distribution Index is automatically calculated by the software provided by OED.
4. Excludes casual staff

Ethnic affairs priority statement program

EnergyAustralia is committed to meeting the needs of its diverse customer base and all products and services are delivered with the greater needs of the community in mind. During the financial year 2007/08, EnergyAustralia offered the following products to its customers:

- An interpreter services was provided to enable customers to contact EnergyAustralia. Information in six community languages (Italian, Greek, Spanish, Vietnamese, Cantonese and Arabic) were provided on our bills.
- Details of the interpreter service on other documents such as reminder notices, disconnection notices, vacant premises letters and our general information booklet "EnergyAustralia and You". This booklet outlines customers' rights and our responsibilities under a standard form contract (regulated customers). For customers in NSW on negotiated contracts, the interpreter information is included in their contract conditions and on renewal notices.
- Financial hardship advice to assist people in managing their energy consumption and developing financial skills to empower independent management in the future.
- Centrepay payment channel for customers receiving a Centrelink benefit – this free payment channel allows low income customers to better manage their funds.
- By waiving security deposits for customers who have refugee status, and waiving security deposits for asylum seekers, EnergyAustralia ensures access to the essential service of electricity as quickly and conveniently as possible. EnergyAustralia also recognises the ethnically diverse backgrounds of our employees and all support programs for staff are culturally sensitive. EnergyAustralia's recruitment program also supports the employment of culturally diverse employees through advertisements in a wide range of media.

EnergyAustralia has been working closely with the Ethnic Communities Council (ECC) to improve energy efficiency education for people from Culturally and Linguistically Diverse backgrounds who speak community languages. Initiatives to date include:

- Liaison regarding the development of bilingual Key Energy Efficiency Messages and bilingual EnergySmart cards in 10 community languages. EnergySmart cards give key facts on energy use and options for saving energy and money on small business sized cards.
- Advice and feedback on translations for the above.
- Provision of key energy efficiency messages in 10 community languages on the web.
- Provision of EnergyAssist information in 10 community languages on the web.
- The provision of an educational workshop for ECC bilingual educators including a training tour of the Energy Efficiency Centre.
- Plans to transcribe information from the Energy Efficiency Centre and provide to the ECC bilingual educators for verbal translation for community language groups.
- EnergyAustralia will provide the ECC with educational material to be used at workshops and community festivals (such as translated EnergySmart cards, Key Energy Efficiency Messages, stickers, Winter Heating Guide).

In 2008/09 EnergyAustralia will fund:

- 20 community language workshops in community languages including a theoretical and practical component (tour at the Energy Efficiency Centre).
- 10 workshops at language centres.

EnergyAustralia continues to conduct quarterly Customer Council meetings where representatives of various diverse community groups meet to review, discuss and improve upon EnergyAustralia's products and services. EnergyAustralia continues strategic development to improve our profile as an energy distributor and retailer in all communities from across New South Wales.

Executive remuneration

Name	Position	Remuneration and Performance Payment	Statement of Performance
G Maltabarow	Managing Director	\$578,800 Bonus \$130,230	Has been in this role for the full reporting period. All organisational financial targets were exceeded. Achievements in regulatory strategy and stakeholder relations.
G Lilliss	Executive General Manager – Network	\$354,000 Bonus \$76,995	Has been in this role for the full reporting period. Delivered regulatory strategy and record capital investment program.
J Eisenhuth	Executive General Manager – Enerserve	\$354,000 Bonus \$76,110	Has been in this role for the full reporting period. Delivered record capital investment and maintenance.
D Anderson	Executive General Manager – Shared Services	\$289,000 Bonus \$58,523	Has been in this role for the full reporting period. Delivered operating cost savings for Retail-related functions and improved processes and capability in contact centre.
C James	Executive General Manager – Finance & Corporate	\$362,000 Bonus \$81,450	Has been in the role for the full reporting period. All financial targets exceeded. Managed significant stakeholder relations.
M Bailey	Executive General Manager – Retail	\$325,000 Bonus \$124,750*	Has been in this role for the full reporting period. Achieved Retail growth targets and increase profitability.

*Includes payment from an additional bonus pool.

Performance payments are based on an assessment of actual results in relation to corporate, strategic and individual performance. Performance payments are independently assessed and measured against actual results.

Exemptions from the reporting provisions

List of financial and annual reporting exemptions for agencies in competition

Statutory requirements	Act/Regulation references #	Comments
Annual reporting exemptions		
Budgets		
• detailed budget for the year reported on	s. 7(1)(a)(iii) ARSBA	
• outline budget for next year	s. 7(1)(a)(iii) ARSBA	
• particulars of material adjustments to detailed budget for the year reported on	cl. 6 ARSBR	
Report of Operations	s. 9(i) ARSBA	Exemption subject to a condition. The condition is that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
Management and Activities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
Research and Development	Schedule 1 ARSBR	
Human Resources	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that overseas visits with the main purpose highlighted are required to be disclosed.
Consumer Response	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to the "consumer response" are to be disclosed in a summarised form.
Payment of Accounts	Schedule 1 ARSBR	The exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in cl. 15 of the Public Finance and Audit Regulation (PF&A Reg).
Time for Payment of Accounts	Schedule 1 ARSBR	The exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in cl. 15 of the Public Finance and Audit Regulation (PF&A Reg).
Risk Management and Insurance Activities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the comments are to be disclosed in a summarised form.
Investment Performance	cl. 12 ARSBR	
Liability Management Performance	cl. 13 ARSBR	
Financial Statements of Controlled Entities	s. 7(1)(a)(i) ARSBA	EnergyAustralia has sought an exemption from NSW Treasury on this reporting requirement.

#Reference

ARSBA – Annual Reports (Statutory Bodies) Act 1984

ARSBR – Annual Reports (Statutory Bodies) Regulation 2005

PF&AA – Public Finance & Audit Act 1983

PF&A Reg – Public Finance and Audit Regulation 2005

SOC – State Owned Corporation

Funds granted to non-government community organisations

Refer to the Community and Sustainability section (see page 19).

Heritage Act requirements

Refer to the Community and Sustainability section (see page 20).

Legislative changes

As a NSW Statutory State Owned Corporation, EnergyAustralia is generally subject to the same statutory and other general legal requirements as other businesses. The following lists the main legislative and other regulatory changes which have been made during the last financial year which particularly impact on EnergyAustralia as an energy services corporation. These changes principally relate to the energy regulatory environment.

Commonwealth

National Electricity Market (NEM) Reform

National Electricity Law (NEL)

A number of significant changes to the NEL commenced on 1 January 2008. These were to:

- Confer jurisdiction upon the Australian Energy Regulator (AER) for the economic regulation of distribution networks;
- Expand the information gathering and disclosure powers of the AER;
- Provide for a limited form of merits review for certain economic regulatory decisions of the AER;
- Provide a formal access determination and dispute resolution process for electricity networks;
- Reform a number of aspects of the Rule change process.

The changes to the NEL were supported by a number of consequential amendments to the *National Electricity (South Australia) Regulations*.

Legislative changes continued

National Electricity Rules

A number of changes were made to the *National Electricity Rules* during the year by both the AEMC and through the Ministerial Council on Energy. These included changes in relation to metrology integration, integration of wind and other intermittent generation and the weighted average cost of capital. The most significant changes for EnergyAustralia were changes to distribution network revenue pricing made by the *National Electricity Amendment (Economic Regulation of Distribution Services) Amendment Rules* and the *National Electricity Amendment (Economic Regulation of Transmission Services Undertaken by Distributors) Rule*. The *National Electricity Amendment (Economic Regulation of Distribution Services) Amendment Rules* commenced on 1 January 2008 and complemented the changes to the NEL which commenced on 1 January 2008. The rules implemented a new Chapter 6 of the Rules and a modified version of that Chapter 6 to apply as transitional Rules in NSW and ACT for the regulatory control period 2009-2014. The *National Electricity Amendment (Economic Regulation of Transmission Services Undertaken by Distributor) Rule* commenced on 26 June 2008 and provides for DNSPs which also own transmission (such as EnergyAustralia) to have a single economic determination.

National Greenhouse and Energy Reporting Legislation

The *National Greenhouse and Energy Reporting Act 2007* (the Act) commenced on 28 September 2007. The Act establishes a national system for reporting greenhouse gas emissions, abatement actions, and energy consumption and production by corporations. Data reported under the Act will underpin the Australian Carbon Pollution Reduction Scheme. Under the Act, a corporation must be registered on the National Greenhouse and Energy Register if it is the ultimate Australian holding company of a corporate group and the corporate group or facilities under the operational control of the corporate group meet one or more specified thresholds for greenhouse gas emissions, energy production or energy consumption. Registered corporations will be required to report annually to the Greenhouse and Energy Data Officer on the greenhouse gas emissions, energy production and energy consumption of their corporate group and the facilities under the operational control of their corporate group. The reporting obligations under the Act commenced on 1 July 2008.

The Act is supported by the *National Greenhouse and Energy Reporting Regulations 2008* which sets out in detail the registration and reporting obligations of corporations, and the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* which provides methods and criteria for calculating greenhouse gas emissions and energy data under the Act.

New South Wales

Electricity Supply Amendment (Offences) Act 2007

The *Electricity Supply Amendment (Offences) Act 2007* commenced on 19 March 2008. The Act amended the *Electricity Supply Act 1995* by increasing the maximum prison term for theft of electricity from two to five years and making theft of electricity an indictable offence if committed by an individual. The Act also makes it an offence to unlawfully enter, climb, or be on electricity works, with a maximum penalty of 10 penalty units or three months imprisonment.

Electricity Supply (General) Amendment Regulation 2007

On 1 July 2007 the *Electricity Supply (General) Amendment Regulation 2007* (Amending Regulation) amended the *Electricity Supply (General) Regulation 2001* to provide increased protection to small retail customers facing financial difficulty from having their electricity supply discontinued. The Amending Regulation:

- requires all electricity retailers (not just standard retailers) to operate payment plans for residential customers which, in the retailer's opinion, are experiencing financial difficulties;
- prohibits a retailer from discontinuing supply to residential premises owned or occupied by a small retail customer, or requesting the service provider to disconnect such premises, on the grounds that the customer has failed to pay the retailer unless the retailer has provided written notice to the customer indicating the customer could apply for a payment plan if the customer is experiencing financial difficulty.

The Amending Regulation also amends some of the requirements under Standard Form Customer Supply Contracts (SFSCs) and Negotiated Supply Contracts (NSCs) to give effect to the objectives of the Amending Regulation. These amendments require SFSCs and NSCs to:

- include provisions stating that the disconnection process will include advice to the customer of any payment plan offered by the retailer which is available to the customer if the customer is experiencing financial difficulty, and if the customer has applied for assistance under the payment plan, advice of the outcome of that application before a final disconnection notice is given;
- require retailers and service providers to use best endeavours to make contact with customers outside of business hours as part of the disconnection process;
- provide that the retailer will not discontinue electricity supply for failure to make due payment to the retailer where the relevant customer has applied for assistance under a payment plan before the date specified in the disconnection notice.

Brothels Legislation Amendment Act 2007

The *Brothels Legislation Amendment Act 2007* came into effect on 1 October 2007. The Act amends the *Environmental Planning and Assessment Act 1979* to make provisions for dealing with brothels that are operating unlawfully. One of the key amendments made to the *Environmental Planning and Assessment Act 1979* is the introduction of provisions enabling a Local Court or the Land and Environment Court to make an order (a utilities order) directing that a provider of water, electricity or gas to premises to cease to provide those services to the premises or part of the premises (other than residential premises) if a brothel closure order is not complied with.

Judicial decisions

There were no significant decisions affecting EnergyAustralia, or the users of the services provided by EnergyAustralia, during the year.

Ministry reporting requirements – demand management

Efficient and effective consideration of Demand Management (DM) is an important part of delivering cost-effective network services to customers and satisfying licence and legislative requirements. EnergyAustralia's DM process has been developed and implemented as an integral part of the Investment Governance Process to improve the effectiveness and efficiency of DM investigations.

EnergyAustralia's DM process also enables it to meet its obligations regarding the investigation of demand management alternatives under the *NSW Electricity Supply Act 1995* and the conditions of its Distribution Network Service Provider Licence. In developing this process EnergyAustralia has considered the requirements embodied in the revised *Demand Management for Electricity Distributors: NSW Code of Practice (May 2004)* as published by the Department of Energy, Utilities and Sustainability (now known as the Department of Water and Energy), which provides guidance on the interpretation of the legislative requirements. The DM process is also designed to meet the requirements relating to DM in the National Electricity Rules.

Emerging constraints on the supply system are identified through the planning process, and published in the Annual Electricity System Development Review (AESDR) on the EnergyAustralia website. EnergyAustralia maintains a DM Register of Interested Parties, who are notified of the publication of the AESDR as well as the release of DM public consultation papers and any other related reports.

Each constraint is assessed to determine whether it is reasonable to expect that DM might prove to be cost-effective. Emerging constraints that are expected to have a network augmentation solution with a capital cost of less than \$1 million are not normally considered material and DM investigations are not normally pursued for these constraints.

All material constraints identified are subjected to a DM Screening Test, which is the first step in the demand management process. It consists of an analysis of the drivers behind the emerging constraint, determination of the extent to which demand is driving investment and the demand management requirement. This requirement is described as the approximate size, cost per kVA and nature (time of day, seasonality, etc) of the demand management options that would be required to defer the proposed investment for at least one year. The test report provides the basis for a decision regarding whether it would be reasonable to expect that it would be cost-effective to avoid or postpone the expansion of the network by implementing DM strategies. Once determined that DM is likely to be cost-effective, a formal DM Investigation follows.

Based on the DM requirements identified in the screening test, the DM Investigation identifies possible DM options that might exist in the study area. It determines the approximate amount of DM available and the likely cost (to EnergyAustralia) of each of the identified options. Options are identified based on existing knowledge, field visits, public consultation seeking proposals from interested parties, and through discussions with specific customers. The public consultation is focussed on identifying potential options and uncovering information that is already known (by others) but otherwise unavailable to EnergyAustralia. The information is analysed using a standard approach that compares the net present value of costs for the DM alternative to the net present value of the deferral of the network expansion option. The DM Investigation report identifies and describes any feasible DM options to be considered for development alongside network augmentation options.

If a feasible DM option is determined to be the most economical solution, it is developed into a DM Project Proposal. This consists of a business case and implementation plan that outlines clear deliverables in terms of demand reduction, timing and cost. Once authorised, a DM project is implemented.

The DM Implementation strategy may include a range of implementation options including RFPs (request for proposal), standard offers, marketing programs and direct customer negotiations depending on the DM options being implemented.

The process and methodologies used are described in detail in EnergyAustralia's 'Demand Management Guidelines'. A summary of this process is provided in various public documents and on EnergyAustralia's website.

Over the past 12 months, EnergyAustralia has undertaken the following DM activities:

- 43 DM Screening Tests have been completed, leading to five full DM Investigations and one viable project.
- We continued to implement the power factor correction program in the North Sydney area. This targeted program raises customer awareness about the potential savings on their energy bills, in addition to offering them cost-effective solutions to improve their power factor. This achieves the dual benefit of peak demand reductions on our network while also reducing energy costs for our customers.
- We continued to operate an embedded generator project at Wollombi (1MW).
- Network capacitors have been installed to provide reactive power support which will reduce demand on upstream network elements at five locations.
- Controlled load tariffs continue to be used to manage hot water load into off peak periods.
- Price signalling of energy costs is reflected through what is known as inclining block tariffs to domestic and business customers with induction disc meters. The block differential for 2008/09 is set at 50 per cent for the network component of customers' tariffs. In concert with this, the retail differential has also been increased, creating an overall differential of 49 per cent between the first and second block of domestic tariffs (GST included). This provides a strong signal to reduce energy consumption.
- More than 300,000 EnergyAustralia customers now have a Time of Use (ToU) capable interval meter in their home or business. These meters measure how much electricity is used over half hour intervals, compared to the standard meters that measure electricity use over a three-month period. We are continuing to roll out interval meters to customers using more than 15MWh/yr of electricity. This includes large residential and business customers. We are also installing interval meters in all new or upgraded properties or on request from customers.
- EnergyAustralia's two-and-half-year study to test customers' response to different Time of Use tariffs was completed in April 2008. About 1,300 customers volunteered to take part in the study, which involves real time access to electricity use and price signals. This information is communicated through in house displays, SMS and phone messaging. These tariffs offer lower electricity prices for 99 per cent of the year with only a small number of high priced periods during the year, which signal the limited occasions of congestion on the power system. Customer response to these innovative tariffs was substantial, with marked reductions of over 20 per cent in energy use during periods of high electricity prices. EnergyAustralia is analysing the results of this study, with a final report to be completed shortly.

Ministry reporting requirements – demand management continued

- EnergyAustralia is in the planning stages of carrying out a study of other innovative tariffs in conjunction with the next phase of testing Advanced Metering Infrastructure. EnergyAustralia is exploring options such as offering 'demand' products that operate similar to internet broadband where a customer buys capacity up to a certain level and then pays penalties beyond that. Other possible tariffs include rebate programs where customers are offered money for reductions in electricity during congested peak times.
- *FridgeAssist Pilot Program on Central Coast*
In partnership with Fisher & Paykel and the Toukley Neighbourhood Centre, this program helps low-income customers buy new energy efficient fridges with the assistance of an interest-free loan and discounts of up to 57 per cent off retail prices. By the end of June 2008, around 300 fridges had been replaced for low-income customers saving \$39,300 on bills and 324 tonnes CO₂ each year. A second pilot program will be run in Marrickville in July–August 2008 and will include discounted energy and water efficient washing machines as well as fridges.
- *Energy Efficiency Centre*
The Homebush Energy Efficiency Centre is designed to be a focal point of EnergySave education and awareness programs for both business and residential customers. Launched on 1 May 2008, it has had strong positive feedback from users and interest from stakeholders. As well as internal events the Centre has hosted bi-lingual community educators, Ecosmart electricians and was the venue for the Premier's launch of the \$150 million NSW Energy Efficiency Strategy.
- *Swimming Pool Efficiency and Pump Rebates*
This program consisted of an information booklet on swimming pool water and energy efficiency and an \$150 rebate for selected quieter pool pumps. This was supported by website information plus online calculator. 100,000 brochures and rebate application forms were distributed to Swimming Pool and Spa Association (SPASA) members and pool shops in our network area (with brochure stands). By the end of June 2008, more than 950 rebates had been issued for quieter pool pumps which may allow operation on lower cost off-peak periods.
- *Commercial Hot Water Rebates*
Rebates were offered for replacing electric hot water systems with gas, solar or heat pump systems. The benefit was limited to 20 per cent of the full replacement cost up to \$5,000. This was promoted via a bill insert to all LoadSmart and PowerSmart business customers in EnergyAustralia network area plus information on the EnergyAustralia website.
- *Photovoltaic (PV) Solar Program*
To assist customers interested in installing rooftop solar PV systems, we developed a comprehensive guide to Going Solar containing a list of preferred suppliers in EnergyAustralia's network area and a PV buyer's checklist. We referred 102 customers to the preferred suppliers between December 2007 and June 2008.
- *Business Demonstration Program (Case Studies)*
EnergyAustralia produced 11 case studies to help motivate businesses to reduce their energy use. The aim was to give selected business segments a better understanding of their energy usage and implement a number of energy efficiency measures aiming to reduce energy costs and greenhouse gas emissions. Case studies include hot water system replacements, gas space heating, energy efficient lighting, high star-rated fridges and washing machines, power factor correction, gas dryers, light sensors and timers, and window shading.
- *Winter Heating Guide and Free Room Thermometer*
The Winter Heating Guide compares different heating options and provides advice on reducing winter bills. The primary target is generally low-income or disadvantaged customers that have difficulty paying winter energy bills. A free room thermometer is offered with the booklet to help customers keep their room within the recommended temperature range during summer and winter (reduce overheating). The booklet and thermometer were mailed directly to 5,000 EnergyAssist customers and distributed more broadly in response to customer requests.
- *Energy Saving Stickers Free with Sun-Herald*
A pack of 12 energy-saving silicon stickers was issued free with the *Sun-Herald* on 9 June (following World Environment Day on 5 June 2008) to help high energy users reduce their energy consumption, bills and greenhouse gas emissions. 260,000 sticker packs were distributed to *Sun-Herald* readers and EnergyAustralia staff.
- *Singleton Gas Project*
EnergyAustralia, in partnership with Alinta, offered free gas connection and a free gas hot water system to 800 residents in the Singleton area that have access to reticulated gas for the first time via an expansion of the gas network. EnergyAustralia has converted 264 electric systems to more environmentally friendly gas, solar or heat pump models with Climate Change Fund support this financial year.
- *Community Climate Challenge*
EnergyAustralia was a major partner for the Community Climate Challenge run by Nature Conservation Council on the Central Coast and in Mosman.

Performance Data

Demand Management Projects Implemented During 2007/08

Project	Description of Demand Management Project Implemented	Peak Demand Reduction (kVA)	CO ₂ Reduction (Tonnes Per Year and Expected Duration)	PV of Costs of Demand Management Project	PV of Total Capital Expenditure Deferment plus Operating Expenditure Savings
Individual large projects					
Neutral Bay Residential Energy Saving Program	Installation of CFL lamps, triple star showerheads and conversion of electric hot water systems to gas in targeted residential area	57 kVA	261 tonnes/yr for 10 years	\$18,490	\$22,945
Network capacitors at Swansea zone	Installation of reactive support within the network	8,000 kVar	456 tonnes/yr for 10 years	\$580,000	Not applicable ¹
Network capacitors at North Ryde zone	Installation of reactive support within the network	12,000 kVar	684 tonnes/yr for 10 years	\$1,400,000	Not applicable ²
Network pole top capacitors at Branxton	Installation of reactive support within the network	3,000 kVar	171 tonnes/yr for 10 years	\$222,000	Not applicable ¹
Network pole top capacitors at Nelson Bay	Installation of reactive support within the network	6,000 kVar	342 tonnes/yr for 10 years	\$440,154	Not applicable ¹
Network pole top capacitors at Edgeworth	Installation of reactive support within the network	5,000 kVar	285 tonnes/yr for 10 years	\$554,998	Not applicable ³
Totals		57 kVA + 34,000 kVar	2,199 tonnes/yr for 10 years	\$3,215,642	\$22,945

Footnotes

1 Installed to support voltage levels

2 Installed to reduce risk at North Ryde zone until completion of Top Ryde zone

3 Installed to reduce risk on Edgeworth zone until completion of Argenton zone

Demand Management Investigations concluded in 2007/08

Description of Potential Demand Management Project Investigated		PV of Costs of Investigations
Mortdale 11 kV Pa 7 & 18	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Galston 132/11 kV zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Mosman 11 kV Pa 21, 29 & 31	A constraint was identified for investigation. The screening test was completed and concluded that DM would be a cost-effective alternative in this instance.	\$6,400 (estimated)
Nelson Bay 11 kV Feeder Network	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Dulwich Hill zone Development	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Tomago Bulk Supply Point	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Newcastle CBD 33 kV Supply	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Flemington Minor zone Development	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Top Ryde 132/11 kV zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Summerland Point – two new 11 kV feeders	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Enfield 11 kV zone development	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Berkeley Vale 11 kV Pa 4	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Campbell St – Surry Hills (for Darlington, Sydney Uni)	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Williamstown zone Transformer Upgrade	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Brookvale 33 kV feeders	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Punchbowl South 11 kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Belrose zone Augmentation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Glenrose Shopping Centre	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Tomaree zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Port Botany zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)

Demand Management Investigations concluded in 2007/08

Description of Potential Demand Management Project Investigated		PV of Costs of Investigations
Singleton STS – Third Transformer	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Burwood zone Development 11 kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Cronulla zone 11 kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Gateshead zone Capacitors	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Pennant Hills 11 kV Minor zone Development	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Waverley zone 11 kV Pa 16	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Raymond Terrace zone	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
St George (Eastern area)	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$2,480
Lake Munmorah zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$34,469
Muswellbrook STS & Scone – Aberdeen Ring	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Potts Hill 132/11 kV zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Kurri 132/11 kV zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$19,362
Kurri – Kearsley 33 kV Supply	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$8,522
Kurnell zone substation & STS busbar	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Adamstown zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Mortdale 33 kV Feeder replacement	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Bankstown zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Rathmines zone substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Riverwood feeder replacement & busbar retirement	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)
Hunter Region 132 kV Network Capacitors	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost-effective option to enable deferral of the supply side project in this instance.	\$6,400 (estimated)

Demand Management Investigations in progress in 2007/08

	Description of Potential Demand Management Project Under Investigation	PV of Costs of Investigations
Balgowlah zone	A constraint was identified for investigation. This investigation is in progress.	\$28,243
Baerami & Merriwa	A constraint was identified for investigation. This investigation is in progress.	\$60,839
Royal Nth Shore Hospital zone substation (Willoughby STS)	A constraint was identified for investigation. This investigation is in progress.	\$84,323
Nelson Bay 2nd 132 kV feeder from Tomago STS – Stage 2B	A constraint was identified for investigation. This investigation is in progress.	\$6,400 (estimated)
Sydney East STS to Terrey Hills 33 kV Feeder	A constraint was identified for investigation. This investigation is in progress.	\$64,953
Nelson Bay STS	A constraint was identified for investigation. This investigation is in progress.	\$6,400 (estimated)
Chatswood 11 kV Pa 17 & 55	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
City North 11 kV works	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
Lisarow 33 kV Feeder Upgrade	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
Raymond Terrace New 11 kV Feeders	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
Rutherford 33 kV Network	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
Umina zone Development	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)
Warnervale zone substation	A constraint was identified for investigation in 2007/08. This investigation is in progress.	\$6,400 (estimated)

Ministry reporting requirements – standard of service

EnergyAustralia has produced a Standard Customer Supply Contract and Standard Customer Connection Contract that outlines the standard of customer service and electricity supply customers can expect from EnergyAustralia. Under our Licence, EnergyAustralia reports to the Independent Pricing & Regulatory Tribunal (IPART) on standards of service or statistics including:

For our network

- Telephone services for faults and difficulties
- Timely provision of services
- Timely notice of planned interruptions to supply
- Repair of faulty street lights
- Complaints

The following tables represent Network statistics reported to IPART for 2007/08.

EnergyAustralia Network Operating Statistics	2007/08
Telephone services for faults and difficulties	
The Licence Holder's telephone number for reporting network faults and difficulties	Tel 131 388
Calls made to this service during 2007/08	408,377
Calls dropped out or were abandoned	43,925¹
Calls to this service answered by an operator within 30 seconds	331,396
Timely provision of services	
Number of connections provided by the Licence Holder for existing and new premises where the Licence Holder undertook the work	3,255
Of the connections provided, the number not provided on or before the agreed date	0
The compensation paid in relation to these	\$0
Timely notice of planned interruptions to supply	
Number of planned interruptions to supply during 2007/08	2,464
Number of occasions the Licence Holder did not provide at least two business days' notice to the affected customers about the interruption to their supply	25
Number of occasions the Licence Holder interrupted the customer's supply of electricity for longer than the time indicated in the relevant supply interruption notice	4
Value of compensation paid in relation to these	\$580
Repair of faulty street lights	
Number of reported street light faults during 2007/08, excluding multiple reports for the same fault	19,440²
Occasions the Licence Holder failed to complete the repairs of fault street lighting on or before the date agreed between the Licence Holder and any eligible customer	412³
Average number of days to repair faulty street lights	11.6
Value of compensation paid to customers	\$5,045
Complaints	
Complaints the Licence Holder received during 2007/08 from small retail customers in relation to distribution network service matters	1,491

Footnotes

¹ EnergyAustralia has an automated power outage management system (POMS) that provides recorded messages about known outages based on the location of the outage. If a customer calls from a location that has a known outage, they will be advised by automated message of the incident and the restoration time. The customer then terminates the call, consistent with the intent of the system. These calls are not classified as abandoned. Customers requiring additional information, wishing to report safety concerns or about an incident unknown to EnergyAustralia are encouraged to remain on the line, and the call is routed to an experienced customer service representative.

² The figures for total reported street light faults does not include multiple reports of the same fault. However, it is indicative of the volume of notifications received and the number of visits to a public lighting asset to ensure public safety.

³ It is important to note that this figure also includes faults that did not result in loss of illumination. Compensation is paid due to loss of illumination as per EnergyAustralia's Standard Form Customer Connection Contract.

Overseas visit statistics

1 July 2007 to 30 June 2008

Name	Position	Country	Dates	Purpose
Peter Cole	Senior Engineer – Engineering Standards & Research, Network	New Zealand	1–5 July 2007	Attend meeting of technical working group
Annalisa Haskell	Executive Manager – Strategic Marketing, Retail	New Zealand	2–6 July 2007	Meet with industry participants and undertake marketing activity
Peter Ryan	Manager – TCA, Shared Services	Thailand	24–28 July 2007	Meetings with Standards group and suppliers
James Hart	Environmental Services Manager, Enerserve	New Zealand	25–27 July 2007	Meetings with ARPANSA EMF Working Group regarding the draft EMF Standard
Lisa Maffina	Corporate Secretary, Executive Management	UK, Switzerland & USA	17–28 August 2007	Meetings with Insurance Underwriters
Wayne Pepper	Senior Engineer, Substation Engineering, Enerserve	Italy	3–15 October 2007	Inspect manufacturing facilities for substation equipment
Alex Dean	Operations Investment Engineer – Spares, Network	Canada	28 October–4 November 2007	Present paper at International Maintenance Excellence Conference
Terry Lampard	Manager – Engineering Standards & Research, Network	New Zealand	24–25 October 2007	Attend Standards meeting
Ezra Beeman	Manager – Metering & Pricing Strategy, Network	USA	14–26 September 2007	Attend industry meetings
Con Hindi	Manager – CBD Tunnel Construction, Enerserve	Portugal	5–14 October 2007	Inspect technical facility for tunnel boring
Adam Spink	Manager Metering Support Services, Shared Services	USA	20–26 October 2007	Attend conference
Craig James	Executive General Manager, Finance & Corporate	Hong Kong, UK, Switzerland & USA	20 October–5 November 2007	Attend industry meetings
Geoff Lilliss	Executive General Manager, Network	Hong Kong, UK, Switzerland & USA	20 October–5 November 2007	Attend industry meetings
Harry Colebourn	Executive Manager, Regulation & Pricing, Network	UK, Spain & Italy	2 November–17 November 2007	Attend conference and meet with industry participants
Kenneth Ma	Graduate Engineer, Enerserve	Italy	11–15 November 2007	Attend conference
Trevor Armstrong	Executive Manager – Asset & Investment Management, Network	USA & Canada	30 November–12 December 2007	Attend industry meeting
Brett Hooper	Executive Manager – Design Services, Enerserve	USA & Canada	30 November–12 December 2007	Attend industry meeting
Mark Andrews	Engineering Officer, Shared Services	New Zealand	6–7 December 2007	Technical testing
Peter Robinson	Senior Cable Engineer – Transmission Cables, Enerserve	Ireland	22–27 January 2008	Attend Technical Working Group Meeting
Don Anderson	Executive General Manager, Shared Services	UK, Holland, Denmark, Sweden, USA & Canada	29 January–14 February 2008	Attend industry meetings
Peter Turrin	Project Officer – Logistics & Training, Enerserve	Japan	16–27 February 2008	Inspect Gas Insulated Transformer factories

Name	Position	Country	Dates	Purpose
Adrian Clark	Manager Intelligent Networks, Network	France & Denmark	18–22 February 2008	Attend conference and industry meetings
Jeff Fry	Manager Network Telecommunications, Network	France & Denmark	18–22 February 2008	Attend conference and industry meetings
Nemet Nikpour	Senior Engineer – Transformers & Reactive Plant, Enerserve	Japan & Korea	14 February–5 March 2008	Inspect manufacturing facilities for substation equipment
Peter Cole	Senior Engineer, Engineering Standards & Research, Network	Japan & Korea	14 February–5 March 2008	Inspect manufacturing facilities for substation equipment
Peter Ryan	Manager – TCA, Shared Services	Malaysia, Thailand, Hong Kong, China & Vietnam	6 April–1 May 2008	Attend meetings with manufacturers
Peter Savage	Engineering Officer – Transmission, Enerserve	UK	11–26 April 2008	Inspect & test new cable oil plant
Ivan Templeton	Senior Oil Technician – Transmission Underground, Enerserve	UK	11–26 April 2008	Inspect & test new cable oil plant
Michael Winspear	Executive Manager Network Control, Network	China	13–18 April 2008	Undertake training
Adrian Clark	Manager Intelligent Networks, Network	New Zealand	16–18 April 2008	Attend industry meetings
Peter Birk	Executive Manager Development & Innovation, Network	New Zealand	16–18 April 2008	Attend industry meetings
Trevor Armstrong	Executive Manager – Asset & Investment Management, Network	Hong Kong & China	24–31 May 2008	Attend industry conference
George Maltabarow	Managing Director	Hong Kong & China	24–30 May 2008	Attend industry conference
Geoff Lilliss	Executive General Manager, Network	Hong Kong & China	25 May–1 June 2008	Attend industry conference
Steve Longhurst	Manager Emergency Risk, Network	Canada & New York	13–25 June 2008	Attend conference & industry meetings
Bill Hannan	Manager Business Policy & Planning, Finance & Corporate	Canada	13–20 June 2008	Attend conference
Aaron Parker	Engineering Officer – TCA, Shared Services	USA	16–20 June 2008	Attend technical training
Patrick McMullan	Senior Engineer – Major Projects & Engineering, Network	New Zealand	18–22 June 2008	Attend technical conference

Property disposal

EnergyAustralia disposed of three properties that attracted a total value of \$325,000 in 2007/08. The properties disposed of were surplus to EnergyAustralia's needs and the proceeds from the sales were placed in general revenue. EnergyAustralia is not aware of any family connection or business association between any party who acquired the properties and any member of EnergyAustralia who approved the sale or were involved in the sale process.

During the year, two former substation properties at Macquarie Park and Ryde were sold, together with land at Maryland via a land swap transaction. The proceeds from the sales have been taken up in this year's financial statements. Application for access to documents concerning details of properties disposed of may be made in accordance with the *Freedom of Information Act 1989*.

Publications

EnergyAustralia publishes an extensive range of publications to assist in keeping our customers informed. These publications include the Annual Report, Corporate Responsibility Index, Enerserve Corporate Profile, EnergyAustralia and You, Regular Payment Option, Energy Efficiency Tips booklet, EnergyFix, EnergySafety, PureEnergy Annual Report, Trees and Power Lines, Electricity Safety brochure, Risk Management Report, Capital Works Plan, Statement of Corporate Intent, Employment Equity Plan, Employment Equity Annual Report, Apprenticeship Program brochure, Electrical Engineering Cadetship Program brochure, Electrical Engineering Traineeship Program brochure, Electrical Engineering Graduate Program brochure and the Commercial Graduate Program brochure.

These publications are typically free of charge and are generally available at EnergyAustralia Customer Service Centres or by calling 13 15 25. Information on EnergyAustralia and the services provided is also available on our website.

Research and development

EnergyAustralia continues to support innovation and research for emerging energy technologies. We work closely with major equipment suppliers to introduce new solutions for our electricity networks and maintain close links with universities and other research institutions. We are a member of the Australian Strategic Technology Program which fosters collaborative research into energy technologies across a number of projects and institutions. We are participants in the Centre for Transformer Performance Management at Monash University, CIGRE (International Council on Large Electric Systems), the Canadian Electricity Association Technology Institute, the Australian Power Institute, we support research at the University of Technology Queensland, and we sponsor a Chair of Power Engineering at Sydney University among various other research involvements. We also provide support for numerous graduate theses and recognise the synergies between research and engineering education in Australia.

Waste Reduction and Purchasing Policy

EnergyAustralia has taken part in the NSW Government Waste Reduction and Purchasing Policy (WRAPP) initiative since 2001 as part of its commitment to reduce the generation of waste going to landfill. This commitment is designed to promote ecologically sustainable development by reducing the consumption of natural resources, recycling materials where possible, purchasing products with a recycled content, and reusing materials wherever practicable. EnergyAustralia has taken an active approach to minimise waste created at offices, depots and worksites by promoting the efficient use and re-use of resources where possible.

EnergyAustralia has undertaken several initiatives to assist in reducing the generation of waste. For example, in 2007/08, we introduced co-mingled bins to our major offices. This is a new recycling service for plastic, glass, aluminium and steel, in addition to our paper and cardboard recycling to reduce waste sent to landfill. We also introduced improved reporting for waste disposal, so we can better track our performance and identify areas for further improvement.

EnergyAustralia continues to use its resources wisely and wherever possible establishes work practices that encourage recycling of our waste.

Examples of the recycling undertaken throughout the 2007/08 year include:

- 94 per cent (42,970 of 45,641 tonnes) of vegetation recycled
- 100 per cent (415 tonnes) of steel recycled
- 100 per cent (200 tonnes) of aluminium-based cables recycled
- 100 per cent (640 tonnes) of copper-based cables recycled
- 100 per cent (350,000 litres) of used PCB-free transformer oil recycled
- 100 per cent (20,400 litres) of used motor oil recycled
- 100 per cent (150 tonnes) of kilowatt house meters recycled
- 100 per cent (40 tonnes) of miscellaneous street light fittings
- 100 per cent (110 tonnes) of switches and insulators.

EnergyAustralia has maintained a commitment to purchase products with recycled content and low-waste products, whenever these are cost and performance competitive. This includes all toner cartridges purchased.

Sustainability Indicators

The following issues are material to EnergyAustralia's operations.

Legend:

- ↑ Improved performance from 2006/07
- = Maintained performance since 2006/07
- ↓ Reduced performance

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Strategy and Analysis	1.1		CEO statement about the relevance of sustainability to organisation	See Chairman's Report and About This Report.	New	2, 4
–	Strategy and Analysis	1.2		Key impacts, risks and opportunities	See Strategic Achievements, Challenges and Targets, and "Internal Control and Business Risk Management Framework" in Finance and Director's Report.	New	10, 34
–	Organisational Profile	2.1		Name of organisation	EnergyAustralia	New	–
–	Organisational Profile	2.2		Primary brands/ products/ services	See Our Company and "Electricity and Gas Services" in Our Customers.	New	5, 12
–	Organisational Profile	2.3		Operational structure of organisation	See Our Executives.	New	7
–	Organisational Profile	2.4		Location of headquarters	See Our Company.	New	5
–	Organisational Profile	2.5		Countries of operation	EnergyAustralia operates in Australia.	New	–
–	Organisational Profile	2.6		Nature of ownership and legal form	See "Legislative framework" in Finance and Director's Report.	New	31
–	Organisational Profile	2.7		Markets served	See "Legislative Framework" in Finance and Director's Report.	New	31
–	Organisational Profile	2.8		Scale of the reporting organisation	See "Scale" in Our Company.	New	5
–	Organisational Profile	2.9		Significant changes during the reporting period	See "Significant Events" in Our Company and "Events after balance date" in the Finance and Director's Report.	New	5, 32
–	Organisational Profile	2.10		Awards received	Gold rating in the 2007 Corporate Responsibility Index; Bronze award for Australasian Reporting Awards 2008; and Finalist in the Engineering Excellence Awards for the Environment and Heritage category.	New	–
–	Report Profile	3.1		Reporting period	1 July 2007 to 30 June 2008.	New	–
–	Report Profile	3.2		Date of most recent report	2006/07 Annual Report	New	–
–	Report Profile	3.3		Reporting cycle	Annual	New	–
–	Report Profile	3.4		Contact point for the report	For all annual report enquiries, please contact EnergyAustralia's Executive Manager – Corporate Communications on 9269 2114.	New	–
–	Report Scope & Boundary	3.5		Process for defining report content	See About This Report.	New	4

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Report Scope & Boundary	3.6		Boundary of report	See About This Report.	New	4
–	Report Scope & Boundary	3.9		Data measurement techniques	See Independent Assurance Statement.	New	117
–	Report Scope & Boundary	3.11		Significant changes from previous reporting periods	See About This Report.	New	4
–	GRI Content Index	3.12		Table on standard disclosures	See Sustainability Indicators.	New	101
–	Assurance	3.13		External assurance	See Independent Auditor's Report and Independent Assurance Statement.	New	83, 117
–	Governance	4.1		Governance structure of organisation	See "Governance" in Finance and Directors' Report.	New	32
–	Governance	4.2		The chair is also an executive officer	See Our Board.	New	6
–	Governance	4.3		Independent and/or non-executive board members	See Our Board.	New	6
–	Governance	4.7		Board selection process	See Our Board and EC7.	New	6, 104
–	Governance	4.8		Mission and values statement, codes of conduct and principles	EnergyAustralia carries out its operations to achieve its Statement of Corporate Intent and the objectives of the <i>Energy Services Corporations Act 1995</i> . Additionally, EnergyAustralia has a Code of Conduct, "Our Scorecard 2007/08", Environmental Code of Conduct, Environmental Policy, People Safe Policy and Equal Employment Opportunity and Discrimination and Harassment Prevention Policy and business plans which sets mission statements, values and principles to which we adhere. These policies are available on our website.	New	–
–	Governance	4.9		Procedures for management of economic, social and environmental performance	We have established business and sustainability initiatives and goals for 2010. The performance of these targets are monitored using "Our Scorecard" and the cascaded performance targets to Divisions, Branches and Sections.	New	–
–	Governance	4.10		Processes for evaluating performance of highest governance body	EnergyAustralia's Board adopts the guidelines and performance review procedures in the NSW Government's "Guidelines for Boards of State Owned Corporations". The last independent review of the Board's performance was conducted for the Auditor General in 2006.	New	–
–	Commitments to external initiatives	4.11		Precautionary principle	EnergyAustralia has adopted the ENA energy industry approach to prudent avoidance. This commitment can be found on our website. In addition we continually monitor the latest scientific research and findings, on relevant issues such as EMF.	New	–
–	Commitments to external initiatives	4.12		Externally developed sustainability charters	EnergyAustralia has been a signatory to the esaa Code of Sustainable Practice since 2004, and a participant in the Corporate Responsibility Index, coordinated by the St James Ethics Centre, since 2005.	New	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Commitments to external initiatives	4.13		Significant memberships in associations/advocacy organisations	Following is a list of memberships maintained at an organisational level in associations and advocacy organisations in which EnergyAustralia has positions in governance bodies, participates in projects or committees, or provides substantive funding: Asset Management Council (formerly MESA); Australian Power Institute; Business Council of Australia; Business/Higher Education Round Table; Canadian Electricity Association Technology Institute (CEATI International – Canada); Centre for Power Transformer Monitoring; Clean Energy Council; CIGRE Australia – International Council on Large Electric Systems; Construction Agency Coordination Committee; Corporate Responsibility Index Leaders Network; Critical Infrastructure Protection Forum (USA); Electricity Association of New South Wales (EANSW); Energy Infrastructure Assurance Advisory Group (EIAAG); Electric Energy Society of Australia (EESA); Energy Industry Superannuation Scheme (EISS); Energy Network Association (ENA); Energy Retailers Association of Australia (ERAA); Energy Supply Association of Australia (esaa); Energy Water Ombudsman NSW Council (EWON); Environment Business Australia (EBA); Future Plus; Gas Market Company; International Electricity Infrastructure Assurance (IEIA); International Utilities Working Group; Monash University; National Electricity Market Management Company (NEMMCO); NSW Gas Supply Continuity Working Group; Retail Market Executive / Information Exchange Committee; Standards Australia; Sydney University Electrical Engineering Foundation.	New	–
–	Stakeholder engagement	4.14		List of stakeholder engagements	See “Stakeholders” in Our Company.	New	5
–	Stakeholder engagement	4.16		Approaches to stakeholder engagement	See “Stakeholders” in Our Company.	New	5

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Organisational Profile	EC2		Financial implications of climate change	EnergyAustralia's financial implications and risks due to climate change are primarily associated with Retail Licence greenhouse compliance obligations, consumer energy efficiency education and some internal resource efficiency activities. EnergyAustralia already purchases 100 per cent renewable energy for its buildings. Looking forward, EnergyAustralia is currently investigating any implication that may arise from 2009 reporting obligations invoked by the <i>National Greenhouse and Energy Reporting Act 2007</i> and the National Carbon Pollution Reduction Scheme, also known as the Australian Emissions Trading Scheme expected to commence in 2010. The Australian Government (through the Department of Climate Change) has released a new piece of legislation in an effort to focus on greenhouse gas mitigation. EnergyAustralia trigger the threshold to report under the National Greenhouse Emissions Reporting Scheme and from 2008/09 will publicly report greenhouse gas emissions for our electricity, fuel, SF ₆ , gas and refrigeration. EnergyAustralia was also invited to participate in the pilot group for the Department of Climate Change to trial the calculator and registration process associated with the Scheme. EnergyAustralia has been reporting greenhouse missions under the Greenhouse Challenge since 1997.	New	–
–	Economic	EC5		Standard entry level versus local minimum wage	EnergyAustralia has a mixture of award wage and salary staff. Regular evaluations are undertaken against industry benchmarks for comparisons and EnergyAustralia's entry level apprenticeship remuneration is above industry levels.	New	–
–	Economic	EC6		Policies of spending on locally based suppliers	EnergyAustralia sources goods and services based on market availability. EnergyAustralia procures goods and services from local, state, national and international supply markets. The supply market utilised is dependent upon the capacity, capability and cost structures within these markets. EnergyAustralia does not have an obligation, as a State Owned Corporation, to have an Australian preferencing policy. Nor does EnergyAustralia have any policy or practices on local sourcing.	New	–
–	Economic	EC7		Locally hired senior management	EnergyAustralia adopts a merit appointment approach to all positions, including senior management. To ensure the best possible candidate is appointed for senior management positions we undertake a local, national and international search as part of this merit appointment process. During the 2007/08 year, the Executive General Manager – Retail was appointed from within the company.	New	–
–	Economic	EU 7 – Electricity utility supplement G3		Research and development activity	See "Research and Development" in Statutory Information.	=	100
1	Economic		ECPI 01	Overview of the reporting organisation	See "Scale" in Our Company.	=	5
2	Economic		ECPI 02	Contribution to energy services market	See "Energy sales" graph in Our Customers (for ordinary operations).	↑	12
3	Economic		ECPI 04	Cost of operating and maintenance	See "Building the network system capital expenditure" graph in Finance and Directors' Report.	↑	33

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Economic		ECPI 05	Cost of wastes	Total cost of wastes was \$3.2 million for 2007/08. All waste was generated from the construction, maintenance and operation of the network. EnergyAustralia's waste expenditure increased in 2007/08 due to our massive capital works program to meet the growing demand for electricity, meet an even more reliable energy supply, and make our network more efficient.	↓	–
–	Economic		ECPI 06	Relationship with suppliers	EnergyAustralia has over 500 agreements in place to facilitate the acquisition of its goods and services. We maintain an ongoing Contract Renewal Programme to ensure contracts and agreements are renewed in good time and are fit for purpose. In September 2007 we commenced proceedings in the Construction Division of the Supreme Court against a supplier and its parent company for breach of contract and breach of the <i>Trade Practices Act</i> as a result of representations made prior to the award of a contract to design and construct a cable tunnel. We also commenced District Court proceedings in March 2008 in relation to a supplier and property damage caused to Head Office Building equipment and fittings in November 2005.	↑	–
–	Economic		ECPI 07	Payroll and benefits	See "Consultancies" and "Executive Remuneration" in Statutory Information. Workforce composition and total salaries paid in 2007/08: Number of full time males is 4,405 (\$421.8 million) Number of full time females is 741 (\$57.1 million) Number of part time males is 21 (\$1.0 million) Number of part time females is 222 (\$9.5 million) Number of contracted services (labour hire) is 420 (\$50.4 million) Fees paid to consultants in 2007/08 were \$1.2 million. Sick leave overall was \$14.8 million. Nine positions were made redundant to the value of \$0.9 million. Our total superannuation funds payments (including both employee and employer contributions) were \$76.6 million. As at 30 June 2008, EnergyAustralia employed 225 staff whose remuneration package exceeded SES Level 1 (\$141,250), 36 of whom were female employees. This compared with 180 staff as at 30 June 2007, 32 of whom were female.	↑	86, 88
–	Economic		ECPI 08	Distribution and trends	Total assets for 2007/08 is \$7 920.7 million. Capital expenditure for 2007/08 is \$951.1 million. Earnings per share for 2007/08 is \$91.7 million. Total outstanding borrowings for 2007/08 is \$4007 million. Return on assets for 2007/08 is 6.8 per cent. Debt to debt plus equity for 2007/08 is 67.4 per cent. Expense to net revenue ratio for 2007/08 is 90.2 per cent. Net profit for 2007/08 is \$229.1 million. Interest for 2007/08 is \$256.6 million Dividends for 2007/08 is \$183.5 million.	=	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Economic		ECPI 09	Taxes and other Government payments	Total revenue for 2007/08 is \$3096.3 million. Earnings before interest and tax (EBIT) for 2007/08 is \$574.4 million. Monies paid to Government (income tax) for 2007/08 is \$111.7 million. Monies paid to Government (dividend paid) for 2007/08 is \$162.3 million. Government guarantee fee paid for 2007/08 is \$18.5 million. Subsidies paid by Government or other for 2007/08 is \$26.9 million. EnergyAustralia provides an annual audited Financial Report and is tabled in Parliament. See Financial Statements section for additional information.	↓	–
4	Economic		ECPI 10	Contribution to community agendas	See “Community sponsorships and partnerships” in Community & Sustainability. A list of organisations we support through sponsorship or partnership include ANZ Stadium (formerly Telstra Stadium), Australian Olympic Committee, Australian Institute of Sport, Central Coast Mariners Football Club, City of Sydney Live Green, Hunter Valley Rescue Helicopter, Keep Australia Beautiful, National Breast Cancer Foundation, National Trust of Australia (NSW), Newcastle Knights Rugby League Football Club, NSW Premier’s Teachers Scholarship, Queensland Rugby Union, Australian Red Cross NSW, Smith Family, Starstruck (School concert competition for Hunter region), Sydney Festival, Sydney Olympic Park Authority, Surf Life Saving Australia (Sydney, Northern Beaches, Hunter and Central Coast Branches), Sydney Theatre Company, Sydney Symphony Orchestra, Taronga Zoo, Bankstown Awards, Central Coast Manufacturing Awards, Rural Fire Services, Electrical Energy Society Australia, Engineering Excellence Awards, Hunter Business Chamber, Sustainable Energy Awards, Hunter Institute Engineering Medal, Hunter Valley Research Foundation, MBA Housing Awards, Northern NSW Journalism Awards, Sydney University Chair in Power Engineering, Nature Conservation Council (NSW) Climate Challenge, World Wildlife Fund’s Earth Hour and E21C. EnergyAustralia continues to support the EnergyAustralia Employee’s Children’s Appeal by matching staff donations.	=	19
–	Economic		ECPI 11	Cost of reporting	See “Annual Report costs” in Statutory Information. Each year EnergyAustralia’s sustainability component of the Annual Report evolves, which increases the cost of production to include the growing body of issues to cover to be in accordance with the GRI and esaa guidelines.	↓	86

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
5	Economic		ECPI 12	Cost of precaution	See "Electric and magnetic fields" in Community & Sustainability. EnergyAustralia's EMF policy includes the application of prudent avoidance, and hence the consideration of possible "low cost" and "no cost" measures to reduce such exposure. In this regard, "low cost" has been defined by some overseas authorities as 4 per cent of the project cost and would similarly be considered appropriate in the Australian context. It is reasonable to assume that prudent avoidance expenditure is mainly associated with major projects.	=	20
-	Economic		ECPI 13	Cost of efficiency	See "Ministry reporting requirements – Demand Management" in Statutory Information.	↑	91
-	Economic		ECPI 14	Cost of compliance	The overall cost of EnergyAustralia's various licences were \$2.3 million over the reporting period and covered the NSW Distribution Network Service Provider Licence, Retail Electricity Licences in NSW, Queensland and ACT, Retail Gas Licences in NSW and ACT, Financial Services Licence, Environmental Waste Licence, Workers' Compensation Self-Insurer Levy and Dust Diseases Levy.	↑	-
-	Environmental	EN3	EPI 26	Direct energy consumption	Our transport energy used was 5.4 megalitres of petrol (12,631.4 tonnes CO ₂ -e), 3.6 megalitres of diesel (9,575.5 tonnes CO ₂ -e), and 0.27 megalitres of LPG (435.1 tonnes CO ₂ -e). Our fugitive emissions from SF6 of approximately 50 kilograms equates to 1,195 tonnes CO ₂ -e. These emissions are our scope one greenhouse gas emissions, and equate to 23,837 tonnes of CO ₂ -e. These scope one emissions are combined with our scope two emissions which are discussed in EN4/EPI36, to make up our overall greenhouse gas emission reported in EN16/EPI28.	New	-
-	Environmental	EN4	EPI 36	Indirect energy consumption /transmission and distribution losses	The transmitting of electricity over long distances generates heat and therefore uses some energy. The type of energy used is determined by the end customers' choice. These losses are reported as scope two emissions, which for 2007/08 were 1,230,870 tonnes CO ₂ -e. Note: actual losses cannot be known with accuracy until around December 2008 to allow quarterly billing to settle, so the above figure is an estimate with accrual that will be updated when it comes time to calculate loss factors later in the year. This 1,230,870 tonnes CO ₂ -e represents 4.32 per cent of our electricity transmitted, up from the 2006/07 final loss factor was 4.66 per cent, which was revised down from an initial estimate of 5.56 per cent that was published in the 2006/07 Annual Report. Better data has allowed the revision of initial best estimates that were made at the time of producing the 2006/07 Annual Report. Our other scope two emissions come from our electricity end use, however, EnergyAustralia used approximately 29,000 MWh of 100 per cent renewable energy for its buildings, which equates to zero net carbon emissions.	↑	-

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Environmental	EN5	EPI 27	Energy saved due to conservation and efficiency improvements/ demand management	See “Energy efficiency” in Community & Sustainability and “Ministry reporting requirements – Demand Management” in Statutory Information. In 2007/08, EnergyAustralia saved approximately 30,000 tonnes of CO ₂ -e emissions. These emissions were abated from our internal operations through network planning initiatives such as the installation of capacitors, the power factor correction program, replacement of equipment to promote energy efficiency and the purchase of renewable energy for all our buildings.	New	14, 91
1	Environmental	EN6	EPI 38	Energy efficient initiatives/ Renewable energy – retailing	See “Renewable energy” in Community & Sustainability.	↑	16
2	Environmental	EN7	SPI 21	Reducing energy consumption initiatives/ promoting energy efficiency and renewable energy	See “Energy efficiency” in Community & Sustainability.	↑	15
–	Environmental	EN10		Water recycled and reused	The Homebush Depot vehicle wash bay has reduced our reliance on town water by about 765,000 litres a year, by harvesting rainwater in tanks, which is recycled for multiple washes. We are looking at the possibility of installing these wash bays in other EnergyAustralia depots.	=	–
–	Environmental	EN11		Land in biodiversity habitats	EnergyAustralia respects all protected areas in or near our area of operation. Our environmental Geographical Information System (GIS) includes sensitive environmental data that is considered when completing environmental impact assessments for various activities. Currently there are some 12,807 records of NSW threatened flora and 50,735 records of NSW threatened fauna species within our network area.	New	–
–	Environmental	EN12		Impact on biodiversity rich areas	EnergyAustralia had one minor incident where a contractor had carried out work in an exclusion zone (threatened species) without approval. One juvenile <i>Melaleuca biconvexa</i> was damaged. Steps were put in place to prevent further occurrences.	New	–
3	Environmental	EN13		Habitats protected or restored	See “Special environmental projects” in Community & Sustainability.	New	18
–	Environmental	EN14		Managing impacts on biodiversity	EnergyAustralia incorporates strategies for managing the impacts on biodiversity as part of the planning process for all new construction activities. Our Environmental Management System is focussed on developed strategies and management plans for the reduction of impacts of all environmental issues.	New	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Environmental	EN16	EPI 28	Greenhouse gas emissions	EnergyAustralia's overall greenhouse gas emission in 2007/08 were 1,257 ktonnes CO ₂ -e. This has improved from our 2006/07 emissions of 1,578 ktonnes CO ₂ -e, which were based on both real and projected data.	↑	–
–	Environmental	EN17		Other indirect greenhouse gas emissions	The transmitting of electricity over long distances generates heat and therefore uses some energy. The type of energy used is determined by the end customers' choice. These losses are reported as scope two emissions, which for 2007/08 were 1,230,870 tonnes CO ₂ -e.	New	–
4	Environmental	EN18		Reductions in greenhouse gas emissions	See "Reducing greenhouse gas emissions" in Community & Sustainability.	New	16
–	Environmental	EN22	EPI 37	Waste by type and destination	Waste recycling included 100 per cent (about 640 tonnes) of copper-based cables, 100 per cent (about 200 tonnes) of aluminium-based cables, 100 per cent (about 415 tonnes) of steel, 100 per cent (about 150 tonnes) of kilowatt house meters, 100 per cent (about 40 tonnes) of miscellaneous street light fittings, 100 per cent (about 110 tonnes) of switches and insulators, and 94 per cent (42,970 of 45,641 tonnes) of vegetation clippings.	=	–
–	Environmental	EN23		Significant spills	EnergyAustralia has 21.5 million litres of oil either in our equipment or in storage. Oil containment systems are installed at 83 per cent of our larger substations for ongoing environmental management. The remaining 17 per cent are covered through a Substation Risk Mitigation Program. Our oil-filled cables contain approximately two million litres of biodegradable oil. Our losses in 2007/08 were 19,203 litres, (excluding those caused by external third party damage) compared to 30,078 litres the previous year. The 2007/08 losses were in line with our longer-term targets.	↑	–
–	Environmental	EN24/ G3 – Electric Utility Sector Supplement	EPI 34	Hazardous waste	In accordance with EnergyAustralia's Waste Activities Licences the following hazardous waste was removed from our licensed sites in 2007/08: approximately 54 tonnes of asbestos waste, approximately four tonnes of regent and sefton jelly compounds, approximately three tonnes of bitumen waste, approximately eight tonnes of oily water, approximately 340 tonnes of transformer oil without PCB contamination and approximately 444 tonnes of transformer oil contaminated with scheduled PCBs. Additionally, in 2007/08 EnergyAustralia implemented a Pesticide use Notification Plan for all our assets. Pesticides are used for weed control around our substations and protecting the 445,584 timber power poles in our network against termites, rot and fungal decay. We maintain records of our pesticide applications, and our contractors and staff who use pesticides are appropriately trained.	↑	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Environmental	EN26		Impacts of products and services	EnergyAustralia's main product or service is provision of the infrastructure to enable the supply of electricity, which it also provides. The physical environment impacts from the infrastructure and related activities are addressed by a comprehensive Environmental Management System, which is accredited to ISO 14001:2004 certification. EnergyAustralia has adopted a position to positively influence the impacts of our suppliers and customers and their associated scope two emissions. This is undertaken through energy efficiency education and awareness. Examples of these activities includes collaborating with events such as the Sydney Live Green and Earth Hour as well as customer awareness campaigns, retrofit programs and the establishment of an Energy Efficiency Centre.	New	–
–	Environmental	EN28	EPI 01	Environmental legislative compliance	We are committed to complying with environmental legislation, regulations and licences. EnergyAustralia has environmental protection licences for 10 depots, a mobile waste processing plant and the storage of polychlorinated biphenyls. We reported four environmental issues to regulators and received one environmental infringement notice in the reporting period. These issues were for three identified cable leaks and a leaking transformer, and the infringement notice was for an inadvertent discharge of oil into Powells Creek from EnergyAustralia's Homebush Depot on 3 May 2007.	=	–
–	Environmental	EN29		Impacts from transport	We continued to replace six-cylinder vehicles with four-cylinder vehicles. In 2006/07, we had a total of 403 six-cylinder vehicles and 267 four-cylinder vehicles. In 2007/08, our six-cylinder vehicles dropped to 329, while our four-cylinder numbers dropped to 234. We also took part in a Diesel Retrofit Program with the Roads and Traffic Authority whereby emission reduction devices were fitted to the exhaust systems of five elevated work platform vehicles. All new trucks purchased have Euro 4 compliant engines and systems to further reduce emissions. We also have financial incentives for staff to choose business vehicles that achieve a minimum of 3.5 stars in the Australian Government green vehicle guide rating system.	New	–
–	Environmental	EN30	EPI 02	Total environmental expenditures/ Environmental Management	EnergyAustralia's Environmental Management System identifies environmental issues, risk strategies, implements controls and works towards reducing our impact on the environment. Enerserve, the operational division of EnergyAustralia has continued to maintain independent certification for its Environmental Management System, which it has done for the last 12 years. Additional to the \$116 million spent on environmental management (see page 15), EnergyAustralia has made a significant investment to having a positive impact on the environment. This has been through collaborating with events such as the Sydney Live Green and Earth Hour as well as customer awareness campaigns, retrofit programs and the establishment of an Energy Efficiency Centre.	↑	16
–	Environmental		EPI 03	Environmental Complaints	We investigated 12 construction noise complaints and four operational noise complaints and all were addressed in the reporting period.	↑	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
5	Environmental		EPI 15	Renewable energy generation	See "Renewable energy" in Community & Sustainability.	↑	16
–	Environmental		EPI 29	PCB management	In 2007/08, we recycled 20,400 litres of waste motor oil and 350,000 litres of polychlorinated biphenyls (PCB) free transformer oil. About 580,365 litres of PCB-contaminated oil and 276,270 kilograms of PCB-contaminated materials were removed from equipment taken out of service, or via routine maintenance. Of these, 14,243 kilograms and 3,795 litres were Scheduled PCB waste. EnergyAustralia has now removed all known Pure PCB from our network and all previously identified Scheduled PCB equipment identified in a risk-based survey required by the <i>Environmentally Hazardous Chemicals Act</i> . All current and future PCB equipment that is identified through maintenance activities will be removed and managed in accordance with EnergyAustralia's PCB licence.	↑	–
–	Environmental		EPI 30	Bushfires	EnergyAustralia has in place a Bushfire Risk Management Plan aimed at ensuring public safety, establishing vegetation management standards near power lines, reducing interruptions caused by vegetation, and minimising the possibility of fire ignition by electricity lines and associated equipment. EnergyAustralia received one claim in May 2008 for damages as a result of a bushfire in October 2007 allegedly caused by EnergyAustralia's assets. This claim is currently under investigation.	↓	–
–	Environmental	G3 – Electric Utility Sector Supplement	EPI 31	Vegetation management	EnergyAustralia's tree trimming program is designed around the latest arboricultural, environmental and safety standards. Tree trimming is carried out by contractors who generally follow the Australian Standard AS4373 "Pruning of Amenity Trees". EnergyAustralia received and addressed 3,458 issues related to tree trimming during the report period. EnergyAustralia has implemented and published a Tree Safety Management Plan for the community and stakeholder education.	↓	–
–	Environmental		EPI 35	Site contamination	EnergyAustralia has a Contaminated Land Management Strategy to identify contamination by our past operations. This program was used to manage the decommissioning and/or replacement of almost 400 assets, ranging from pole-top transformers, kiosks and chamber substations.	↑	–
6	Environmental		EPI 38	Renewable energy – Retailing	See "Renewable energy" in the Community & Sustainability.	↑	16
7	Environmental		EPI 40	Energy efficiency – Retailing	See "Energy efficiency" in Community & Sustainability.	↑	15
–	Social	LA1	SPI 01	Workforce	In 2007/08, EnergyAustralia's total number of employees were as follows: Total number of employees in NSW was 5,383. Total number of employees in Victoria was 2. Total number of employees in Queensland was 4. Total number of full-time staff was 4,783. Total number of part-time staff was 241. Total number of casual staff was 2. Total number of fixed-term staff was 363.	↑	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Social	LA2	SPI 01	Employee turnover	In 2007/08, EnergyAustralia's total number of employees were as follows: Total number of male staff was 4,426. Total number of female staff was 963. Total number of staff aged <18 years was 22. Total number of staff aged 18-30 years was 1,219. Total number of staff aged 30-50 years was 2,794. Total number of staff aged 50-65 years was 1,295. Total number of staff aged >65 years was 59. Total number of employees with length of service <1 was 442. Total number of employees with length of service 1–5 years was 1,850. Total number of employees with length of service 6–10 years was 924. Total number of employees with length of service 11–20 years was 686. Total number of employees with length of service >20 years was 1,487. Total number of employees entering EnergyAustralia was 459. Total number of employees leaving EnergyAustralia was 259. Total number of terminations (including contractor termination and dismissal) was 6. Total number of resignations was 162. Total number of retirements was 64. Total number of bona-fide redundancies was 9. Total number of fixed-term expiries was 3. Total number of deceased was 6.	↑	–
1	Social	LA4	SPI 04	Employees covered by enterprise bargaining	See "Workplace relations" in Our People.	=	29
–	Social	LA5		Notice periods for operational changes	EnergyAustralia does not have a minimum notice period regarding operational changes, however, consultation is part of our agreement. We pride ourselves on open and frequent communication with staff regarding all key business issues. The communication channels include but are not limited to MD Briefings, weekly Executive message, team briefs and monthly newsletters posted to all employees' homes.	New	–
2	Social	LA6		Workforce represented in formal health and safety committees	See "Providing a safe workplace" in Our People.	New	26
3	Social		SPI 06	Health and safety systems	See "Safety performance" in Our People.	=	27
4	Social	LA7	SPI 05	Absentee rates and injuries	See "Safety performance" in Our People.	↓	27
–	Social	LA8		Programs for serious diseases	During 2007/08 EnergyAustralia undertook a consultative approach to develop its pandemic preparedness strategy. The implementation will be carried out during 2008/09 and will include awareness and education for our employees and their families. Employees will also be provided the opportunity to have a one-on-one counselling session with the medical practitioner.	New	–
–	Social	LA9		Health and safety in formal trade union agreements	From a health and safety perspective, EnergyAustralia has an all-encompassing approach to all employees included into its agreements with employees and trade unions .	New	–
5	Social	LA10	SPI 07	Training per employee	See "Developing our people" in Our People.	↑	28

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
6	Social		SPI 08	Training and education undertaken	See "Developing our people" in Our People.	↑	28
7	Social	LA11		Career and skill development programs	See "Developing our people" in Our People.	New	28
8	Social	LA12		Percentage of employees receiving regular performance reviews	See "Developing our people" in Our People.	New	28
–	Social	LA14		Workforce by diversity	Workforce composition and total salaries paid in 2007/08: Number of full time males is 4,405 (\$421.8 million) Number of full time females is 741 (\$57.1 million) Number of part time males is 21 (\$1.0 million) Number of part time females is 222 (\$9.5 million)	New	–
–	Social		SPI 02	Renewable energy employment	We employ three people in our Green Development Group, responsible for compliance with our mandatory greenhouse gas abatement obligations.	=	–
9	Social		SPI 03	Employee Remuneration	See "Workplace relations" in Our People.	=	29
–	Social	HR4		Incidents of discrimination and actions taken	There were equal employment opportunity grievances for four employees that resulted in disciplinary action in 2007/08.	New	–
–	Social	HR5		Risk to freedom of association and collective bargaining	EnergyAustralia has a strong relationship with its employees and their associated union representatives. EnergyAustralia has signed a Memorandum of Understanding with the unions as part of its support for collective representation.	New	–
–	Social	HR6		Child labour	To ensure our younger apprentices are looked after includes providing competitive rates of pay for those starting under 21 years of age, guardian signatory on documents for those under 18 years, and apprentice trainers who have completed child protection training.	New	–
–	Social	HR9		Incidents involving indigenous people	EnergyAustralia has had no incidents of violations involving rights of indigenous people during 2007/08.	New	–
–	Social		SPI 09	Equal opportunity policy and practice	See "Equal employment opportunity" in Our People. All managers and employees are required to attend compulsory Working with Equity and Respect training, and 26 managers and 1,128 employees attended sessions in 2007/08. All participants were provided with a hard copy booklet of the full policy and it is also available on the intranet and through induction training for all employees.	=	28
–	Social	SO1		Managing impacts on communities	EnergyAustralia's network business is a monopoly with the local councils covered by our area of operation defined in the NSW <i>Electricity Supply Act 1995: No94</i> . Our performance of the network relating to the safety, quality of supply and supply reliability (broken down by CBD, Urban and Rural categories) is published in our Network Performance Report available on our website.	New	–
10	Social	SO2		Analysis of corruption	See "Ethics" in Finance and Director's Report.	New	34

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
11	Social	SO3		Employees trained on corruption	See "Ethics" in Finance and Director's Report.	New	34
12	Social	SO4		Actions in response to corruption	See "Ethics" in Finance and Director's Report.	New	34
–	Social	SO5	SPI 15	Public policy positions lobbying	For information on submissions EnergyAustralia has made, see our website.	=	–
–	Social	SO6		Political donations	No political donations were made in 2007/08.	=	–
13	Social		SPI 14	Corporate ethics	See "Ethics" in Finance & Directors' Report.	=	34
–	Social	SO8		Non-compliance with laws and regulations	EnergyAustralia takes a proactive role in ensuring compliance with licence and statutory obligations to identify minor breaches before they become significant issues. During 2007/08, we identified six NSW Distribution Network Service Provider Licence obligations where we have partially complied towards the target or process. Actions are in progress to improve compliance. Programs developed and implemented in accordance with the Australian Standard 3806:2006 consist of establishing clear responsibility and accountability for each individual obligation with a structured reporting and validation process. EnergyAustralia has had no significant fine during 2007/08. It did record minor fines and penalties accumulating to approximately \$13,000.	New	–
–	Social		SPI 10	Indigenous policy	EnergyAustralia does not have a specific policy relating to indigenous communities. Our Aboriginal Cadetship program offers a scholarship of \$12,000 per academic year for studies in business or commerce, reimbursement of up to \$1,000 per academic year for text books and other fees, incorporates a paid 12-week work placement with EnergyAustralia, and on completion of the program, an offer on the Commercial Graduate program. The Cadetship program is run in conjunction with the Office of Employment Equity & Diversity (OEED), the Department of Employment and Workplace Relations (DEWR) and the NSW Premier's Department for the NSW Public Sector. EnergyAustralia actively encourages applications from within the Aboriginal and Torres Strait Islanders community for the apprentice program, including offering a pre-apprenticeship training course for candidates. The 10-week pre-apprenticeship course is a nationally recognised, fully funded program run by TAFE, with one day of work experience per week at our Apprentice Training Centres in Matraville and Meadowbank. At the completion of the course, participants received a Certificate 1 in Electro-technology and are encouraged to apply for our apprenticeship program.	=	–
14	Social		SPI 11	Indigenous relations	See "Heritage" in Community & Sustainability and "Equal employment opportunity" in Our People.	=	20, 28
15	Social		SPI 12	Stakeholder recognition	See "Consulting with our community" in Community & Sustainability.	↑	20
16	Social		SPI 13	Stakeholder engagement	See "Stakeholders" in Our Company.	↑	5
17	Social		SPI 17	Pricing for disadvantaged groups	See "Improving affordability" in Our Customers.	↑	13

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page
–	Social	PR1		Products and services for health and safety	EnergyAustralia owns, manages and operates the network infrastructure required to distribute and supply electricity to commercial and domestic consumers. EnergyAustralia has in place a number of regulated plans to assess and manage the safety aspects of its infrastructure. These include: <ul style="list-style-type: none"> • Network Management Plan • Customer Installation Safety Plan • Public Electrical Safety Awareness Plan • Bushfire Risk Management Plan • Pesticide Use Notification Plan 	New	–
–	Social	PR2		Non-compliance on health and safety impacts	EnergyAustralia had no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during 2007/08. Other performance can be found in the EnergyAustralia Network Performance Report 2007/08, available of EnergyAustralia's website.	New	–
–	Social	PR3		Product and service information	EnergyAustralia has in place a 'Standard Form Customer Connection Contract' for all customers connected to the network and a 'Standard Customer Supply Contract' for the majority of retail customers that have not entered into a separate energy supply contact.	New	–
–	Social	PR4		Non-compliance with regulations and voluntary codes	In December 2007 the Australian Competition and Consumer Commission ("ACCC") confirmed the administrative settlement of its investigation into the marketing of EnergyAustralia's former non GreenPower accredited renewable energy products GreenFuture and ClearAir (CA). As part of the settlement, EnergyAustralia undertook to implement a range of measures to reduce the level of confusion in the market without admission of any misleading conduct under the <i>Trade Practices Act</i> . These measures included writing to customers, providing former CA customers with the benefits of PureEnergy Premium applied to their current quarterly bill and providing \$100,000 towards an educational brochure explaining the differences between accredited and non-accredited renewable energy products and their environmental benefits.	New	–
18	Social	PR5		Customer satisfaction	See "Customer satisfaction" in Our Customers.	New	12
–	Social	PR6		Laws, standards, and voluntary codes related to marketing	Each state has in place an Energy 'Marketing Code of Conduct'. All of EnergyAustralia's marketing communications are reviewed for adherence to laws, standards, and the codes prior to use. Field and telesales marketing activities are monitored for adherence on an ongoing basis.	New	–
–	Social	PR7		Non-compliance with regulations and codes	During the reporting period, 136 calls to the Contact Centre about the Door to Door and telemarketing conduct required investigation. Under this reporting obligation, EnergyAustralia employs a conservative approach to assessing and reporting compliance. If consumers complain about marketing conduct, their version of events will generally be accepted. Based upon this approach, approximately 70 contacts about Door to Door and telemarketing activities during 2007/08 have involved conduct contrary to this provision of the Marketing Code.	New	–

Reference Number	Issue	GRI Indicator	esaa Indicator	Indicator Description	Sustainability Indicators	Performance from 2006/07	Page	
–	Social	PR8	SPI 22	Complaints on breaches of privacy	See "Access to Information/Statement of Affairs" in Statutory Information. As a State Owned Corporation, EnergyAustralia complies with the National Privacy Principles. These principles are contained in the <i>Privacy Act 1988</i> .	=	84	
–	Social	PR9		Fines for non-compliance	EnergyAustralia has had no significant fines during 2007/08.	New	–	
19	Social		SPI 18	Safe use of energy	See "Commitment to public safety" in Operational Excellence	=	25	
20	Social		SPI 19	Promoting safe use of energy	See "Electric and magnetic fields" in Community & Sustainability and "Commitment to public safety" in Operational Excellence.	=	20, 25	
–	Social		SPI 20	System and product certification	We retained quality, environment and safety certification to AS/NZS ISO 9001:2000, AS/NZS 14001:2004 and AS/NZS 4801:2001. The Quality, Environment and Safety Management System (QES), which includes contactor management, is administrated by the Management Systems section of Enerserve and audited twice annually by external auditors. The Shared Services division holds certification to AS/NZS ISO 9001:2000 and AS/NZS 4801:2001.	=	–	
	Issues not addressed throughout this report			<p>The following issues were not addressed in this report as they were either not material to EnergyAustralia's operations or meaningful information was not available.</p> <p>Global Reporting Initiative sustainability indicators: 3.7 – limitations on scope or boundary of report, 3.8 – reporting on other entities, 3.10 – explanation of re-statements, 4.4 – recommendation mechanisms to highest governance bodies, 4.5 – linkage between compensation and organisational performance, 4.6 – conflict of interest, 4.15 – identification and selection process for stakeholder engagement, 4.17 – key stakeholder issues and concerns, EC1 – direct economic value generated and distributed, EC3 – coverage of organisation's defined benefit pension plan obligations, EC4 – significant financial assistance received from government, EC8 – development and Impact of Infrastructure Investments and services, EC9 – Indirect economic impacts, EN1 – Materials used by weight or volume; EN2 – Materials used with recycled input materials; EN8 – total water withdrawal by source, EN9 – water sources affected by withdrawal of water, EN15 – IUCN red list species, EN19 – ozone-depleting substances, EN20 – significant air emissions, EN21 – total water discharge, EN25 – biodiversity rich water bodies, EN27 – reclaimed products sold, LA3 – full-time employees benefits, LA13 – workforce by diversity Indicator, HR1 – human rights Investment agreements, HR2 – supplier screening on human rights, HR3 – employee training on human rights, HR7 – risk of forced or compulsory labour, HR8 – security personnel trained in human rights, SO7 – anti-competitive behavior, anti-trust and monopoly practices.</p> <p>esaa sustainability indicators: ECPI 03 – cost of raw materials, EPI 4 to EPI 14 covers thermal generation, EPI 16 to EPI 25 covers renewable generation, EPI 32 – land use, EPI 33 – visual impact, EPI 39 – greenhouse gas emissions compared to benchmarks for NSW retailers, SPI 16 – Competition and pricing processes.</p>				–

INDEPENDENT ASSURANCE STATEMENT

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To the Board of Directors, Management and Stakeholders of EnergyAustralia Pty Ltd:

EnergyAustralia Pty Ltd (EnergyAustralia) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the 2012/13 Annual Report (the 'Report'). The Report presents EnergyAustralia's sustainability performance over the period 1st July 2012 to 30th June 2013. EnergyAustralia was responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing our assurance activities is to the Board and Management of EnergyAustralia alone, in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard

The assurance was undertaken in accordance with the AA1000 Assurance Standard, which is based on the following principles:

- **Materiality:** Does the organisation have in place a process to determine what is material, including an evaluation of relevance and importance? Does the Report provide information about the organisation's sustainability management and performance required by its stakeholders for them to be able to make informed judgements, decisions and actions?
- **Completeness:** To what extent can the organisation identify and understand the material aspects of its sustainability performance? Is this done in a fair (giving consideration to reliability, comparability and understandability of information) and balanced manner (including both favourable and unfavourable information)?
- **Responsiveness:** Does the organisation have in place a process to prioritise issues for response? Has the organisation responded appropriately to the concerns and expectations of its stakeholders and adequately communicated those responses within the report? Is this information being provided in a timely manner? Does the organisation allocate adequate resources to enable it to meet its policy and standards commitments?

Assurance Objectives

The objective of the assurance process is to provide stakeholders of EnergyAustralia with an independent opinion on the quality of the report. This is confirmed through verification of the claims made, and a review of the organisation's underlying systems, processes and competencies that support the report with respect to the principles of materiality, completeness and responsiveness. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

Assurance Process

The assurance engagement was undertaken between June and September 2013, and the process involved:

- A review of the EnergyAustralia's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures and background documentation;
- Interviews with key staff responsible for information contained within the Report to ascertain their views, understanding and response to material sustainable development issues faced by the business;
- A series of interviews with key personnel responsible for collecting and writing various parts of the report in order to substantiate the veracity of selected claims;
- An overview of the embeddedness of the key economic, environmental and social policies within the business;
- An independent materiality check using the five-part materiality test, including a comparison of EnergyAustralia against its industry peers and the Global Reporting Initiative G3 Guidelines (GRI), a review of selected external media coverage, and an assessment of compliance performance;
- A review of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data; and
- Examination of the aggregation and/or derivation of, and underlying evidence for, over 150 selected data points and statements made in the report.

Assurance Level and Limitations

The level of assurance provided is reasonable as defined by the scope and methodology described in this assurance statement. The assurance focussed on systems and activities of EnergyAustralia during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.
- The assurance provider's involvement with stakeholder engagement was limited to reviewing information that was presented in the report by Energy Australia.
- The assurance provider's site visits were limited to the Head Office in Sydney and Regional Office in Newcastle.

Our Independence

Net Balance was not responsible for preparation of any part of the Report. Our team's independence was ensured by selecting an assurance team that had no other involvement with EnergyAustralia during the reporting period that could impair the team's independence or objectivity.

Our Capacity

The assurance was carried out by a multi-disciplinary team of sustainability specialists, comprising individuals with expertise in environmental, social and economic performance measurement. Net Balance is a global leader in the use of the AA1000 Assurance Standard. The assurance team has collectively undertaken over 80 assurance engagements in Australia over the past 10 years and is led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK).

Our Opinion

Based on the scope of the assurance process, the following represents the assurance provider's opinion:

- The findings of the assurance engagement provide confidence in the information contained within the Report. The level of data accuracy was found to be within acceptable limits. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All errors noted by the assurance provider were satisfactorily addressed by EnergyAustralia prior to finalising the report.

Overall, the assurance provider is satisfied that the Report is an appropriate representation of EnergyAustralia's sustainability performance during the reporting period.

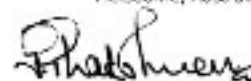
Conclusions

- **Materiality:** Environmental, social and broader economic aspects and issues that are considered material have been identified through a peer review process and have been addressed and communicated within the Report. It is recommended that additional stakeholder engagement be undertaken around material sustainability issues, and communicated within future reports.
- **Completeness:** EnergyAustralia has effective systems in place to measure, monitor and manage sustainability issues, as defined by our materiality review. Net Balance carried out visits to the Sydney and Newcastle offices during the assurance engagement and found that the teams responsible for managing sustainability were competent and had a good understanding of the material aspects of EnergyAustralia's sustainability performance. Net Balance found that the information presented is comparable (in terms of year-on-year performance) and is in a format that is easily understandable by a range of stakeholders. Overall, Net Balance felt that the information presented is a fair and balanced representation of EnergyAustralia's sustainability performance.
- **Responsiveness:** EnergyAustralia was found to be engaged with its broader stakeholder communities. However, this Report is a tool that could be used by EnergyAustralia to carry out further engagement around key material sustainability issues in the future.

The Way Forward

It was found that EnergyAustralia has processes in place for collecting sustainability performance information and that the Report appropriately addresses EnergyAustralia's environmental, social and economic material issues. To ensure that EnergyAustralia continues to improve, Net Balance has provided recommendations and suggestions for reporting on materiality, stakeholder engagement and the structure and flow of the Report. These have been outlined in a more detailed report presented to the EnergyAustralia's Annual Report Team.

On behalf of the assurance team
27 September 2008
Melbourne, Australia



Terence Jayaram
Director, Net Balance & Lead CSAP (IRCA UK)

Abbreviations

Electricity	
V volt	A volt is the unit of potential or electrical pressure
W watt	A measurement of the power present when a current of one ampere flows under a potential of one volt
kW kilowatt	One kW = 1000 watts
kWh kilowatt hour	The standard unit of energy which represents the consumption of electrical energy at the rate of one kilowatt for one hour
kV kilovolt	One kV = 1000 volts
kVA kilovolt ampere	A unit of apparent power in an alternating current circuit equal to 1000 volt amperes
mVA megavolt ampere	A unit of apparent power in an alternating current circuit equal to one million volt amperes (A unit commonly used when expressing the rating of a large power transformer)
MW megawatt	One MW = 1000kW or one million watts
MWh megawatt hour	One MWh = 1000 kilowatt hours
GWh gigawatt hour	One GWh = 1000 megawatt hours or one million kilowatt hours
Gg gigagram	One Gg = 1 kilotonne
GJ gigajoule	One gigajoule = 1000 megajoules. A joule is the basic unit of energy used in the gas industry
Other	
AEIFRS	Australian Equivalents to the International Financial Reporting Standards
CAR	A car is based on a family car travelling 15,000 kilometres per annum (Toyota Aurion 6 cylinder)
EBIT	Earnings before interest and tax
EEO	Equal Employment Opportunity
EMF	Electric and magnetic fields
ESAA	Energy Supply Association of Australia
FTE	Full-time equivalent
GIS	Geographical Information System
GGAS	Greenhouse Gas Abatement Scheme
GREENPOWER	GreenPower is a national accreditation program that sets stringent environmental and reporting standards for renewable energy products offered by electricity suppliers to households and businesses across Australia
GRI	Global Reporting Initiative
IPART	Independent Pricing and Regulatory Tribunal
LTIFR	Lost Time Injury Frequency Rate
MTIFR	Medical Treatment Injury Frequency Rate
NGACs	NSW Greenhouse Gas Abatement Certificates
OHS	Occupational Health and Safety
PINC	Platform for Intelligent Network Communications
PCB	Polychlorinated biphenyls
RPO	Regular payment option
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index

Reader's Feedback

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Is there any additional information you would like us to address in next year's report?

Any other comments/suggestions?



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