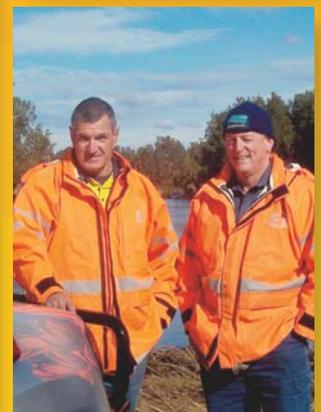
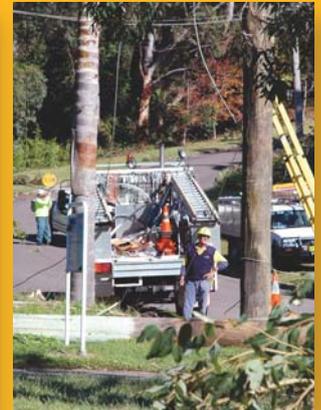




**EnergyAustralia™**  
We're on it

Annual Report  
2006/07





The Hon J A Watkins MP  
Minister for Finance  
Level 30  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

The Hon M Costa MLC  
Treasurer  
Level 31  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

Dear Ministers

**Annual Report for EnergyAustralia for the year ended 30 June 2007**

We are pleased to submit the Annual Report covering the performance, operations and financial results for the year ended 30 June 2007.

The report has been prepared in accordance with Section 24A of the State Owned Corporations Act (1989) 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

A handwritten signature in black ink, reading "John C Conde".

John C Conde AO  
Chairman

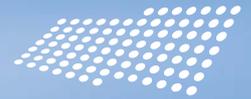
A handwritten signature in black ink, reading "George Maltabarow".

George Maltabarow  
Managing Director

Sydney  
29 October 2007

**Cover**

A huge power restoration effort followed extensive storm damage to EnergyAustralia's network in June 2007 (see page 24). Employees Greg Sessions and Bob Bunn (second from top) rescued four people stranded in storm floodwaters.



**EnergyAustralia**<sup>®</sup>

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## Our purpose

EnergyAustralia's purpose is to be Australia's energy provider of choice. We will be Australia's first choice because:

- we have a safe and reliable network
- our customers value our service
- our staff are proud to work here; and
- our community recognises our values, contribution, citizenship and achievements.

Our Annual Report reflects our 2006/07 corporate scorecard which sets targets across our five key business areas of:

- Further improving the reliability of our electricity network for our **customers**; offering a range of competitive and tailored retail products in electricity and gas; helping customers be more energy efficient; and responsibly managing the wholesale trading of energy.
- Meeting **community and sustainability** expectations by building stronger relationships; delivering a sustainable and environmentally responsible business; and meeting our customer service payment obligations.
- Pursuing **operational excellence** by delivering a safe electricity network for the public; delivering our record investment in capital works and maintenance; focussing on our customer service processes; and complying with our licences.
- Providing our **people** with a safe workplace; continuing our recruitment of apprentices and graduates to ensure we are well-placed for the future; developing our leadership capability; and continuing to build a culture of high performance.
- Meeting the **financial** expectations of our shareholder, the NSW Government, through operating an efficient business.

## About this report

EnergyAustralia's 2006/07 Annual Report follows the Energy Supply Association of Australia (esaa) *Guidelines for Social/Economic Performance Indicators for the Australian Electricity Industry 2004 and Environmental Performance Indicator Guidelines for the Australian Electricity Industry 2004*, in conjunction with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002*. This is the third year we have reported against these social, economic and environmental indicators following these guidelines.

We have reported these indicators across our five key business areas – customers, community and sustainability, operational excellence, people and finance – consistent with our corporate scorecard. Detailed information on each indicator can be found in the Sustainability indicators section on page 99.

This year we have improved our reporting to more accurately reflect how sustainability is integrated with management practices in our company performance and targets. In 2006/07 we have independently assured and audited this report to demonstrate our commitment to preparing documents of quality, accuracy, relevance and reliability. The non-financial content of EnergyAustralia's 2006/07 Annual Report has been externally audited by Net Balance in accordance with the AA1000 Assurance Standard (AA1000AS) principles of materiality, completeness and responsiveness. See page 105 for Net Balance's assurance statement.

To continue our dialogue with stakeholders there is a reader feedback form at the end of this publication for comments.

## Our company



With more than 1.5 million valued network customers, EnergyAustralia operates Australia's largest electricity network.

EnergyAustralia supplies electricity and gas to more than three million people in Sydney, the Central Coast, Newcastle and the Hunter, making us one of the nation's largest energy suppliers.

Our network covers 22,275 square kilometres from Waterfall, in Sydney's south, to Auburn in western Sydney, to the upper Hunter Valley in the north. We cover some of the most densely populated and fastest growing areas of NSW.

We are investing record amounts in building and maintaining our electricity network to meet growing demand for electricity and to provide a safe, reliable supply to our customers.

We sell gas as well as electricity to customers in New South Wales (NSW), the Australian Capital Territory (ACT), Queensland, South Australia and Victoria. Operations in South Australia and Victoria were in a partnership with International Power (Retail) Pty Ltd. Our 50 per cent share of the partnership was sold to International Power on 16 August 2007.

Our customers range in size from householders, small businesses and farmers to major commercial and industrial enterprises.

EnergyAustralia's vision is to help our customers use less energy and provide products and information to reduce the impact of energy use on the environment.

We are proud of the dedication and commitment of our employees and the trust we have earned from our suppliers and customers in our efforts to deliver a high level of customer service. We will continue to strive towards being Australia's energy provider of choice.

### Our operations

EnergyAustralia's two business segments, Network and Retail, are delivered by four operating divisions:

- Enerserve – responsible for the maintenance and upgrade of our electricity infrastructure
- Network – responsible for the operation of the distribution and transmission networks
- Retail – responsible for sales, marketing and wholesale activities
- Shared Services – responsible for key customer interfaces through our contact centres, billing and IT operational capability.

Our core businesses are managing the electricity infrastructure in our area and the supply of energy for our customers across the national energy market. We offer energy advice and services, including EnergySave products and EnergyFix, the largest network of qualified energy specialists in Australia.

We take an active role in informing the community about electrical safety, energy efficiency and the environmental impact of their energy use.

### Our values

Our values of safety, integrity, reliability, respect for our people, community and environment, and commercial success are central to how EnergyAustralia operates. These values underpin our business goals, customer relationships and the way our employees approach their work.



**John Conde AO**  
Chairman

## Chairman's report

**EnergyAustralia's objectives are to deliver a safe and reliable electricity supply, conscious of energy efficiency and conservation and within a framework of commercial returns.**

EnergyAustralia improved profitability and safety performance in 2006/07. While reliability continues at stable satisfactory levels, investment in the network is at a record high in order to create new capacity and replace aged assets. These high levels of expenditure are projected to continue for several years, bringing reliability improvements.

EnergyAustralia's earnings before interest and tax (EBIT) in 2006/07 of \$594 million was 13 per cent above last year's result of \$527 million including, in both years, profit from the sale of the Victorian and South Australian retail business. The EBIT from ordinary operations of \$511 million was six per cent above the target of \$483 million and eight per cent higher than last year's result of \$474 million. This year's distributions to our shareholder of \$278 million were \$63 million, or 29 per cent, above our target of \$215 million.

The financial statements reflect the impact of accounting for electricity hedge derivatives revalued in our balance sheet. This year, EnergyAustralia's hedge revaluation reserve increased by \$584 million as a result of the volatile electricity market. Hedge derivatives now account for 26 per cent of equity. The return on equity, reported as 12.4 per cent, would be 15.6 per cent excluding this derivative revaluation impact, higher than last year's result of 14.4 per cent. The reported gearing of 59.1 per cent would be 68 per cent.

Capital expenditure of \$784 million was 30 per cent higher than last year. Over the next five years, EnergyAustralia proposes to invest approximately \$5 billion in network assets, nearly doubling the carrying value of our network assets. To fund this expenditure, EnergyAustralia plans to borrow \$3.3 billion and this will impact on our capital structure and shareholder returns.

This year EnergyAustralia obtained in-principle approval for a 350MW gas-fired generation plant to secure supply for our retail business. EnergyAustralia has expanded its retail business into Queensland. We have grown the number of retail customer contracts. The successful partnership in Victoria and South Australia concluded during the year, when International Power exercised its right to purchase our half of the business. Overall, EnergyAustralia invested approximately \$23 million over four years and sold the business for \$207 million – a successful result for our interstate retail initiative. EnergyAustralia invested in a fibre-optic communications network to provide the backbone for new automation and control technologies for our network. Continued investment in this initiative will enhance not only the technical efficiency of our network but enable the provision of new energy efficient products and services for our customers.

I compliment George Maltabarow, his management team and all our people on another successful year. Similarly, I thank all of our customers for their commitment to EnergyAustralia. Thank you to my fellow Directors for their dedication and diligent work and for their contribution to our success in 2006/07.



**George Maltabarow**  
Managing Director

## Managing Director's report

**I am pleased to present EnergyAustralia's report for 2006/07. This year we have embraced a new vision for a sustainable energy future. Our customers have told us that energy providers have a responsibility to be involved in efficiency and sustainability. EnergyAustralia will strive to help our customers use less energy, use more green energy and will provide new products and information to help our customers reduce their carbon footprint.**

EnergyAustralia believes it is time to shift the industry focus from energy sales to energy efficiency. This year we have invested in time-based pricing, in energy efficiency programs and have renewed our PureEnergy product range to be fully GreenPower accredited. EnergyAustralia is the second largest and fastest growing GreenPower provider in Australia.

We are also leading with changes to the way we manage our business to reduce our own impact on the environment.

Most importantly, we are investing in a sustainable workforce for the future. I am enormously proud of our apprentices and graduates who are achieving excellent results. Five apprentices were awarded the highest state prize in their trade this year. Eight indigenous students from our multi-award winning Aboriginal and Torres Strait Islander Commission (ATSIC) pre-apprenticeship program were awarded apprenticeships on merit and have commenced their careers with EnergyAustralia.

This year our staff began a new CommunityCare program which includes financial contributions (More Than Energy) and voluntary work (We Match Your Energy) for small community groups who would not otherwise have access to corporate support.

Forty-one per cent of our staff have been working for EnergyAustralia for four years or less. Nearly 2,000 of our people are members of Generation "Y", who are younger than 34, with aspirations to make a difference and critically concerned with our impact on the environment. I am mindful of the expectations and responsibilities that come with this exciting period of growth and change. We plan to build a new training centre of excellence at Silverwater to be a place for development, collaboration, innovation and leadership. This will help to ensure that we make the most of our opportunities for generational change within the organisation.

Safety is our greatest responsibility. This year we set a new record for safety performance with a Lost Time Injury Frequency Rate of 2.9, 24 per cent better than last year. This was achieved while delivering \$784 million in capital works, 30 per cent more than last year, and our field staff growing by 261 new recruits, or nine per cent more than last year. EnergyAustralia developed a new plan for resourcing our \$5 billion capital program to 2012.

Our reliability performance was an average of 102 customer minutes without supply, 12 minutes more than last year, largely because of the wet, cold weather in June. In 2007/08 we intend to improve on this result. Our staff met the challenge of the Queen's Birthday weekend storms when the Hunter and Central Coast regions suffered the most widespread damage in EnergyAustralia's history. We appreciate the support we received from the community and from our industry colleagues around Australia.

This year's EBIT of \$594 million includes a contribution from the sale of the partnership in Victoria and South Australia. In total, EnergyAustralia will receive proceeds from the sale of \$207 million and a profit of \$188 million, reflecting the outstanding success of this business in attracting over 400,000 customers in less than four years. However, our underlying business profit was impacted by the three-fold increase in wholesale electricity costs in the last quarter of the year. This result reflected the impact of the drought together with a tightening of the supply balance in the wholesale market.

I would like to thank our staff for their contribution and recognise their achievements in 2006/07. We have built a solid foundation preparing us to meet the long-term challenge of energy sustainability.



John Conde AO

George Maltabarow

Patricia Akopiantz

Paul Jeans

Michael Lambert

Warwick Tomlins

## 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 Limited, Chairman of Sydney Symphony Orchestra, and Whitehaven Coal Limited, President of the Commonwealth Remuneration Tribunal and the Dermatology Research Foundation – University of Sydney.

#### 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. A Director of EnergyAustralia Pty Limited, Deputy Chair of the Energy Networks Association of Australia, Director of WEC Australia Ltd, and member of the Australian Energy Market Commission (AEMC) Reliability Panel.

#### 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. A director of Coles Group Limited, WattyI, 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. A director of Newcastle Port Corporation.

#### Michael Lambert

BEc, MEc

A non-executive director of EnergyAustralia since November 1998. Chairman of the Network Performance & Risk Management Sub-Committee, interim Chairman of the Audit & Compliance Sub-Committee. Director of Queensland Thoroughbred Racing Board, SAS Trustee Corporation, 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, Electrical Trades Union NSW.

# Our Executive Team

EnergyAustralia's two business segments, Network and Retail, are delivered by four operating divisions with corporate support provided from areas including Finance, Secretariat, Legal and Audit. EnergyAustralia's four operating divisions are:

**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 regulation.

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



**Managing Director**  
George Maltabarow  
BE, BEc



**Enerserve**  
John Eisenhuth  
BE, GradDipMgmt



**Network**  
Geoff Lilliss  
BE, MBA



**Retail**  
Tim O'Grady  
BE, GradDipOR, MBA  
Ceased employment 16 July 2007



**Shared Services**  
Don Anderson  
BSc



**Chief Internal Auditor**  
Noel Kean  
BBus, DipComm



**General Counsel**  
Susan Bailey  
BA, LLB

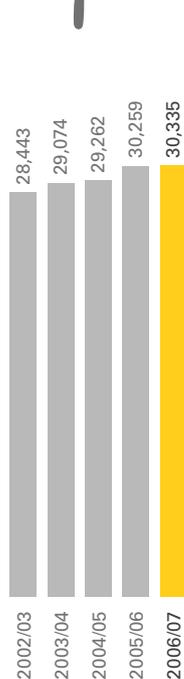


**Finance and Corporate**  
Craig James  
B-Fin Admin, DipFinServices



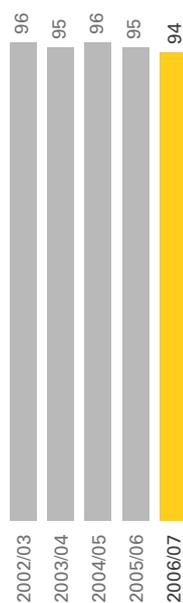
**Corporate Secretary**  
Lisa Maffina  
BBus, GradDipMgmt

# Key results



**Electricity supplied**  
Gigawatt hours

**Average growth 1.7%**  
Average growth calculated over four years.



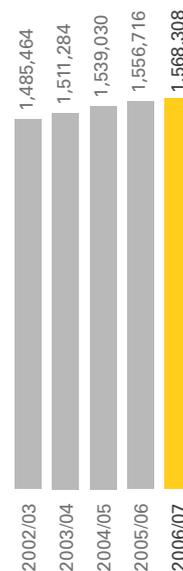
**Total customer satisfaction index**  
%

**No significant change**  
Average change 0.5% calculated over four years.



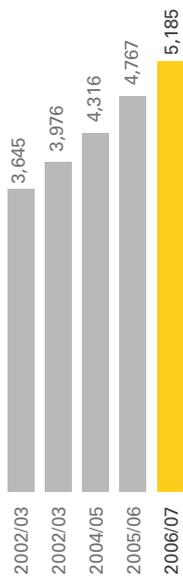
**Earnings before interest and tax**  
\$ millions

**Average growth 8.9%**  
Average growth calculated over four years.  
\*474 (2005/06) and 511 (2006/07) is EBIT from ordinary operations.  
■ EBIT from EA-IPR partnership, sold on 16 August 2007.



**Customers**  
Active network customers

**Average growth 1.4%**  
Average growth calculated over four years.



## Employees

Full-time employees

### Average growth 10.6%

Average growth calculated over four years.

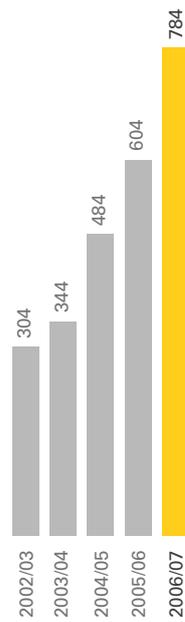


## Customer minutes without supply

Minutes

### Average performance 93 minutes

Average calculated over five years.

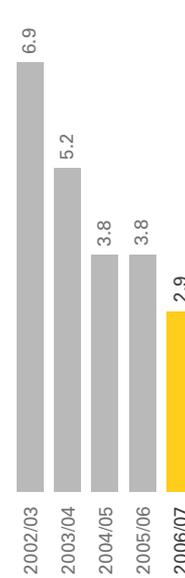


## Capital expenditure

\$ millions

### Average growth 39.5%

Average growth calculated over four years.



## Lost time injury frequency rate

Per million hours worked

### Average improvement 14.5%

Average improvement calculated over four years.

# Strategic achievements and challenges

## Our achievements

This report outlines our targets and achievements in 2006/07. In summary, we successfully:

- Abated 4.6 million tonnes of greenhouse gases, 27 per cent more than last year. The carbon intensity of electricity has fallen 22 per cent since the NSW Greenhouse Gas Abatement Scheme commenced in 2003.
- Relaunched our green products under the PureEnergy banner, accredited under the national GreenPower renewable energy program. Now, 63,000 customers choose green energy, 25 per cent more than last year.
- Improved our safety performance by 24 per cent over last year, to a Lost Time Injury Frequency Rate of 2.9 lost time injuries per million hours worked.
- Delivered \$697 million worth of work on our network, 33 per cent more than last year.
- Increased our staff by 418 and welcomed 164 new apprentices. We remain the largest direct employer of apprentices in NSW.
- Continued our time-based billing rollout – more than 340,000 smart meters are installed on our network and more than 140,000 customers have PowerSmart tariffs.

## Our challenges

EnergyAustralia's key challenge is to build new capacity in our electricity network and to improve reliability for our customers. Our promise is to invest \$5 billion in new assets in the five-year period to 2011/12. We will continue engaging local communities in the delivery of a record number of capital works projects.

We will continue to improve our safety performance and will invest in the ongoing development and training of our people.

The issue of energy sustainability raises new challenges for energy providers, policy makers and government. In our view, the National Energy Policy should provide a framework to ensure long-term security in a manner which is sustainable in a carbon-constrained future. The industry faces future challenges arising from greenhouse gas regulatory uncertainty and retail price caps. Both have had an impact on investment in new generation and are compromising the national electricity market's effectiveness.

EnergyAustralia has a new vision for energy efficiency. Our challenge is to respond effectively to the issue of climate change. We will do this by putting our own operations on a sustainable basis while helping our customers to use less energy, use more green energy and reduce the impact of their energy use on the environment.

# Customers

**As well as providing a safe, reliable source of energy to our customers, EnergyAustralia is committed to helping our customers become more energy efficient. This means we can also help our customers reduce their bills and their greenhouse impact. We are giving all our customers more information on how to use less energy and we have rolled out programs to help them be more energy efficient.**

## What we planned to do for 2006/07

- Meet our reliability targets
- Encourage energy efficiency through products and services
- Continue our rollout of smart meters and time-based tariffs
- Launch new green products
- Grow retail partnership with International Power in Victoria and South Australia
- Boost gas sales and market share.

## What we did in 2006/07

- Reliability, while within the target range, was impacted by adverse weather conditions in June. Customers on average experienced 102 minutes without supply, 12 minutes longer than 2005/06
- Commenced a new targeted reliability program designed to meet improved reliability standards
- Introduce new Customer Service System
- Continued the rollout of smart meters to over 340,000 homes and businesses
- Relaunched green energy products (PureEnergy) attracting more than 63,000 customers, up 25% from 2005/06
- Introduced new Customer Service Standards and an Outage Management System (OMS)
- As at 31 March 2007 achieved 393,000 contestable contracts in Victoria and South Australia.
- Increased gas sales by 18 per cent.

## Our objectives for 2007/08

- Improve reliability for customers
- New energy efficiency services and products
- Continue our rollout of smart meters and time-based pricing
- Grow our customer base in Queensland
- Increase our number of gas customers.

## Key challenges

- Managing wholesale market risk
- Keeping pace with the growth in peak demand on our network.

See page 99 for Sustainability Indicators.

## Customer highlights – PureEnergy

A growing concern for the environment in the community is reflected in a 25 per cent increase in the take up of our 'green' products over the past year. We want to meet our customers' expectations that we can help them reduce their greenhouse gas emissions through sourcing energy from renewable sources. We relaunched our existing green products in 2006/07 to provide only accredited products.

## Green products

EnergyAustralia was one of the first energy companies to develop green products for its customers which we commenced in 1996. Community interest in renewable energy increased markedly in 2006/07, with more than 60,000 additional customers subscribing to our 'green' products. This represented a 25 per cent increase over the previous year. EnergyAustralia has the second largest GreenPower volume sales nationally.

In 2006/07 we refreshed our commitment to sourcing energy from renewable sources, relaunching our green products under the PureEnergy banner. Two new products accredited under the national GreenPower renewable energy program were launched – PureEnergy10 and PureEnergyPremium (see page 15). We have 60,000 PureEnergy customers – approximately 57,000 on our 10 per cent GreenPower offer and approximately 3,000 on the PureEnergy premium offer which is 100 per cent GreenPower. Customers who sign up for PureEnergy10 receive an assurance that EnergyAustralia will source the equivalent of 10 per cent of the electricity supplied to them from renewable sources, such as solar, wind, hydro or biomass power plants. Under PureEnergyPremium we promise to source 100 per cent of the electricity supplied to the customer from renewable sources and deliver it to the national grid. These products, which are easier to understand than those offered in the past, deliver our promise to purchase electricity from sources such as solar, wind, hydro and biomass gases.



### Get gas and get happy

EnergyAustralia is a dual fuel company, offering gas as well as electricity. A catchy advertising campaign in summer 2006/07 reinforced the message with the launch of 'HappyGas', an initiative offering 10 per cent discount off regulated gas rates for people making the switch to EnergyAustralia. A new website was launched for the promotion.



### Driving reliability

Reliability was heavily influenced by weather conditions, particularly in June 2007. A series of storm-related incidents pushed the figure higher for 2006/07. In June 2007 we suffered the most widespread damage to our network in history.

EnergyAustralia is investing \$5 billion across our network in the five year period to 2011/12 to keep pace with growing demand for power and provide a safe, reliable electricity supply. While we maintain a reliability of about 99.98 per cent, interruptions do occur due to maintenance work, equipment problems or damage to our network through environmental factors such as storms, accidents or falling trees.

In July 2006, the NSW Government introduced new reliability standards. This includes Customer Service Standards, which sets out the level of service that electricity businesses must provide to their customers. Under the new Standards, customers can now claim for compensation (up to a maximum of \$320 a year) in cases where the number or duration of outages has exceeded acceptable limits. There are exceptions, such as major storms.

In 2006/07 we implemented our new computerised Outage Management System (OMS) which is helping to provide more accurate and faster information on where and when interruptions occur, and more accurately determine which customers are experiencing blackouts. This means we can better co-ordinate our response to any interruption or incident on the electricity network.

### Growing our competitive retail energy business

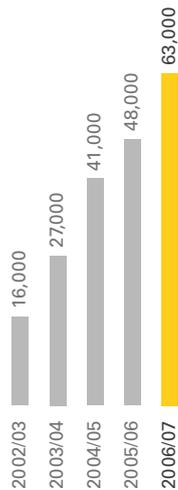
EnergyAustralia has continued to expand its retail business in the national competitive energy market. Competitive prices have been offered to electricity and gas customers throughout NSW, Queensland, South Australia, Victoria and the ACT.

Our Victorian and South Australian business grew from 300,000 accounts in 2005/06 to 393,000 contestable contracts in 2006/07.

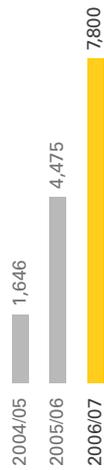
In May 2007 the independent power generator International Power (IP), EnergyAustralia's partner in our successful retail business in Victoria and South Australia, took up its option to purchase our 50 per cent share in the business.

In November 2006, we announced that we intended to enter the Queensland retail energy mass market by growing a start up business, instead of buying one of the government-owned businesses up for sale. Queensland's growing economy and population are contributing towards strong growth in the state's energy market. In preparation for our launch into the Queensland market in July 2007, a new local advertising campaign and energy-efficient lightbulb campaign was planned. Our aim is to have more than 100,000 mass market customers in Queensland in three years. EnergyAustralia is also building on our existing customer base (above 100 MWh per year), including high profile customers such as the Queensland Rugby Union Ltd and the Tattersalls Club in Brisbane.

**Number of Green Energy Customers**



**EnergyAssist Customers**



**Number of REFIT Installations**



Effective communication is a key to growing our business. We launched a new magazine 'Smart Business' for small-to-medium sized enterprises (SMEs) to improve communication and build relationships with this sector. The internet will become an increasingly important sales tool with the launch of our web sales channel, expected to come online in 2007/08.

We now have over 350,000 customers (up from 320,000 in 2005/06) who have taken up our two Smarter Pay payment options – the Regular Payment Option (RPO) and Automatic Payment. RPO estimates a customer's yearly energy spend and divides it into equal monthly or fortnightly payments, which are paid automatically from an account or credit card. Automatic Payments are direct debit quarterly bills. This makes it easier for our customers to manage their energy accounts with us.

### Smart meters and PowerSmart

EnergyAustralia has installed more than 340,000 electronic smart meters in homes and businesses. Time-based tariffs help customers control their electricity bills. We are continuing to rollout more than 500 smart meters to customers every week.

Existing electricity meters record how much power is used over a three month period. This means customers pay the same amount for their electricity use no matter what time of day it is.

The new electronic smart meters measure how much electricity is used every 30 minutes. This means you pay different rates for electricity based on when you use it.

Over 152,000 customers are now on time-based pricing tariffs. In 2006/07, 96,000 customers used PowerSmart (for small and medium enterprise customers), while 14,000 customers used LoadSmart (for large business customers). With the time based PowerSmart system, we separate the day into three periods: shoulder, peak and off-peak. Customers pay a lot less for electricity used during the off-peak, a little bit less for the shoulder and more during the peak.

This system gives customers the choice to switch some non-essential electricity use to times when the price of electricity is cheaper. For example shifting a pool pump to off-peak times can help customers save up to \$250 a year on their electricity bill.

This also helps even out electricity use throughout the day and helps to make our electricity network more efficient.

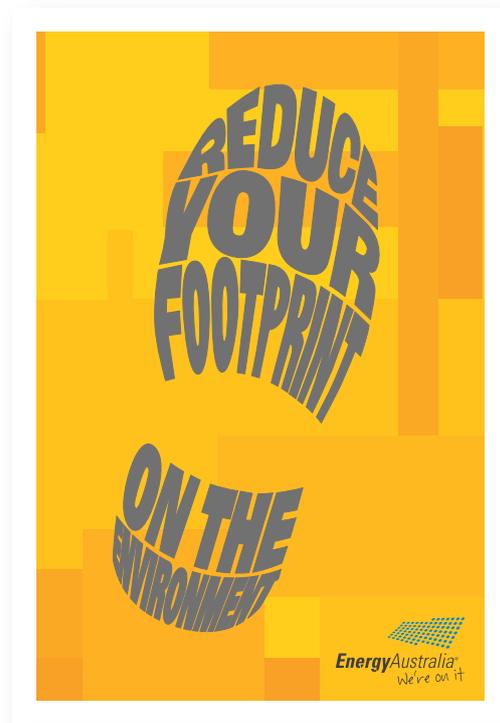
Recent surveys show that these customers use about 78 per cent of their electricity in non-peak times. It also shows that about 90 per cent of these customers are paying less or the same under time-based pricing compared to the traditional tariff.

EnergyAustralia is also trialling advanced smart meters with in-built communications. These meters can be read remotely and could deliver new services to our customers such as remote connection and disconnection when they move houses or on-line management of their energy account.

A two and a half year strategic pricing study is also testing new pricing products that can be offered to customers with smart meters. This includes dynamic peak pricing. Under this system, our customers are charged less than the normal rate for their electricity, except for 12 periods throughout the year when their price is increased.

### Wiser customers

We are helping our customers reduce their footprint on the environment. EnergyWise is a new quarterly publication offering energy-efficiency tips, recipes and links to our website. In addition, this year we proactively sent energy efficiency brochures prior to winter to customers who had high energy use. We also ensure that customers who request a meter reading check have it done quickly, and then receive a letter with the results.



### Shorter shower singing

Families who can cut as little as two minutes off their individual shower times can save up to \$100 a year. To promote the benefits of shorter showers, EnergyAustralia distributed 550,000 free shower timers to residential customers, staff, schools, businesses and environmental and community groups during 2006/07. Research commissioned by EnergyAustralia showed that singing in the shower added energy and money to your bill. Local, national, and even international media embraced the message that 'singing shorter songs' in the shower was a good way to save energy and money.

### EnergySave products

We are helping our customers reduce their impact on the environment. The EnergySave program helps customers to make informed choices about their energy use, and rewards energy-saving behaviour. EnergySave initiatives for 2006/07 included our EnergyWise newsletter, web-based Energy Usage Gauge, REFIT program, Spare Fridge Retirement Program and the Hot Water Awareness campaign. These products are described in more detail below.

To provide more information and help our residential customers save energy, we launched a newsletter called EnergyWise (see above), which is distributed with bills. It includes energy efficiency tips, safety messages, competitions, and information on our PureEnergy products. In addition, customers can now use the internet to find out how much energy their home appliances are using, and how much they are costing to run. Our web-based Energy Usage Gauge shows the environmental impact of adding additional appliances.

The REFIT program, supported by EnergyAustralia, Hunter Water and the Gosford, Wyong, Newcastle and other Lower Hunter councils, helps households become more energy efficient by offering an energy review, as well as compact fluorescent lamps (CFLs), a three star rated shower head and garden hose trigger nozzle. At the end of 2006/07 there have been a total of 16,000 REFIT installations, which will save up to 487 million litres of water per annum and prevent more than 77,000 tonnes of greenhouse gases entering the atmosphere over the life of the products fitted. Customers stand to save up to \$2.4 million through reduced water and energy bills. Our popular CFL giveaway saw 2.5 million energy efficient lamps distributed to 437,000 customers, bringing an estimated greenhouse gas abatement of 1.28 million tonnes over the life of the lamps.

The Spare Fridge Retirement program was extended to the Newcastle region in 2006/07, with a total of 1,095 customers parting company with their old fridges, and reducing their energy bills by more than \$1 million in the process. The program offered customers a \$50 rebate for their spare fridge. It is estimated that the disposal of spare fridges will have saved 1,533 MWh of electricity over the next five years. This is enough energy to power 207 homes for a year, and equivalent to saving more than 7,200 tonnes of greenhouse gases entering the atmosphere, or taking 2,080 cars\* (see page 107) off the road for one year. The program's success was recognised with a Green Globe Energy Champion Business Award in November 2006.



#### **Pure commitment**

EnergyAustralia's GreenPower products are becoming increasingly popular. A growing number of customers are using our renewable energy products – PureEnergy Premium and PureEnergy10 – to reduce their impact on the environment. EnergyAustralia's photovoltaic power station at Singleton, established 10 years ago, is still the largest of its type in Australia.

Hot water systems can account for as much as 40 per cent of total household electricity consumption. About 60 per cent of systems in NSW are electric. Our Hot Water Awareness campaign encouraged customers to invest in new hot water systems that are better for the environment by offering large discounts for conversion to a gas, heat pump, or solar model. These hot water systems produce lower greenhouse gas emissions and can save up to \$241 a year on energy bills. A trial promotion and conversion program held over summer 2006/07 resulted in 127 conversions and this was followed up with a full-scale program in April. So far there have been approximately 1,000 enquiries, 300 quotes offered, and more than 100 installations.

About 56 per cent of EnergyAustralia's customers now own air-conditioners, compared to 35 per cent just five years ago. As well as being responsible for increased demand, air-conditioners can add hundreds of dollars to a customer's summer energy bill. We provided advice to customers on how to run air-conditioners more efficiently.

#### **Offering affordability**

EnergyAustralia understands that some people in the community will experience financial and other personal problems which affect their ability to pay their energy bills. Through individual case management, our EnergyAssist program helps customers who are experiencing hardship in paying their energy bills due to financial difficulty. This includes advice to help customers reduce their energy bills through greater energy efficiency and a range of payment options including extensions to pay, payment plans and Centrepay (payment direct from their Centrelink payments). Throughout 2006/07 we helped 7,800 customers through EnergyAssist. In 2006/07, the rate of customer disconnection for non-payment fell by more than 10 per cent from 5.8 disconnections per 1,000 customers in 2005/06 to 5.2 in 2006/07.

We work with the NSW and ACT governments to implement a number of social programs which provide reimbursements and rebates worth \$29.2 million to pensioners, customers on life support systems, and those who receive Energy Accounts Payment Assistance vouchers, which are issued by charitable organisations on behalf of the NSW Government to people suffering financial hardship.

We have introduced a new 'braille bill' for our vision impaired customers following a successful six-month trial involving 17 customers in NSW and the ACT. The one-page bill summary, in braille, gives vision-impaired customers the ability to compare their current and recent energy use. In the past, customers relied on a sighted-person's reading to monitor their bill details. In 2006/07, we had 27 customers on braille bills, up from 17 customers in 2005/06.

# Community and sustainability

EnergyAustralia strives to be Australia's energy provider of choice and to be a supportive member of the communities in which we operate. By promoting energy from renewable sources, minimising our own greenhouse gas emissions and supporting energy efficiency awareness and education we are reducing our, and our customers' impact on the environment.

## What we planned to do

- Meet our renewable energy and greenhouse gas abatement targets
- Continue to develop stronger regional partnerships
- Continue to provide community sponsorships
- Develop and implement a staff-led community involvement program
- Deliver on more than 95% of our Environmental Improvement Plan (EIP).

## What we did in 2006/07

- Abated 4.6 million tonnes of greenhouse gases (up from 27% in 2005/06)
- Implemented our Regional Stakeholder Management Plan, and consulted with stakeholders on 43 major regional network infrastructure programs
- Invested more than \$3.8 million in sponsorships
- Commenced a new CommunityCare Program
- Completed 100% of our Environmental Improvement Plan.

## Our objectives for 2007/08

- Meet new greenhouse gas abatement target of 5.7 million tonnes
- Continue to build on our solid relationships with stakeholders and the community
- Focus our sponsorships on underpinning our new brand positioning
- Open a new Energy Efficiency Centre.

## Key challenges

- Engaging local communities in the delivery of a record number of capital works projects
- Helping the community reduce its impact on the environment and continuing to reduce our own impact
- Working with the Regulator to develop an EMF Standard.

See page 99 for Sustainability Indicators.

## Energy efficiency – ways to use less energy

EnergyAustralia believes that one of the simplest ways for the community to reduce energy bills and their household greenhouse emissions is to become more energy efficient. We take a leadership role in the industry in promoting energy efficiency by offering advice and practical help for the community to become more energy efficient.

Over the past year our energy efficiency team has helped publish more than 250 newspaper columns with energy efficient advice.

We joined in the spirit of the World Wildlife Fund's (WWF) Earth Hour by turning off lights at our offices and depots in the Sydney metropolitan area from 7.30pm to 8.30pm on 31 March 2007. We also provided the WWF with technical advice and energy efficiency advice for people to follow during this campaign. Residents and businesses across the city showed their support for Earth Hour resulting in an impressive 10.2 per cent drop in energy usage across the Sydney Central Business District. This is double the anticipated energy saving and represents a reduction of 24.86 tonnes of carbon dioxide – the equivalent of taking 48,613 cars off the road for one hour.

We also teamed up with the *Sydney Morning Herald* to produce a special energy efficiency supplement for schools throughout NSW. The education tool followed our close involvement with the WWF's Earth Hour Campaign, where we helped to monitor the response from the community to the event.

EnergyAustralia joined with Newcastle City Council, Hunter Water and NBN Television in developing Climate Cam – a web based measuring and reporting tool which tracks greenhouse gas emissions for the Newcastle community.

Local schools in the Hunter area have also been trialling the use of WEBGraphs – an internet link which allows students to view electricity consumption. This helps them to monitor their school's electricity consumption and develop action plans to reduce consumption and their impact on the environment.

### Sunny future for wartime bunker

A former WWII ammunition bunker has been converted into a solar-powered classroom to teach students about renewable energy, thanks to a partnership between EnergyAustralia and the Sydney Olympic Park Authority. Once used to store explosives and shells for ships' guns, the heritage listed building on the former Newington naval armaments depot at Homebush Bay, now supplies a mix of hands-on experiments and online learning programs to teach primary and secondary students about solar, wind and other renewable energy sources. The classroom is fitted with exterior solar panels.



EnergyAustralia also assisted businesses to manage and audit their electricity use. Throughout the year, 24 energy audits were conducted for businesses including Flemington Markets, Sheraton on the Park Hotel and five major railway stations, helping them to reduce energy use and costs. An audit of a large sporting complex led to the identification of energy savings opportunities in excess of \$30,000 on its annual energy bill if it implemented the suggestions made after completing the energy audit.

### Renewable energy – ways to use green

EnergyAustralia purchases renewables from a range of generators, including solar, wind, hydro, and biomass.

We have increased our support of renewable energy generation projects. In 2006/07 EnergyAustralia purchased GreenPower Rights guaranteeing the generation of 634,276 MWh of renewable electricity from accredited GreenPower generators for these customers' electricity consumption. In total, in 2006/07 EnergyAustralia sold 162,000 MWh of accredited GreenPower from renewable sources, including solar, wind, hydro and biomass, an increase of 28,000 MWh since last year. These renewable sales are independently audited.

This year we entered into a new contract under an \$80 million deal negotiated between EnergyAustralia and Envirogen. We have agreed to purchase about 80,000 MWh of energy annually from a new power plant being built at Glennies Creek coal mine, near Singleton. The plant will be powered by waste gas from the mine – mainly methane, a highly potent greenhouse gas, which would otherwise be released into the atmosphere.

As well as purchasing renewable energy, we have a small number of our own green generators producing 1,347 MWh of renewable energy in 2006/07. Our portfolio of renewable generators include the Singleton Photovoltaic Power Station (the first and still the largest of its type in Australia), Kooragang Wind Turbine Generator, Sydney Superdome Photovoltaic Power Station, Sydney Olympic Park solar panels, Homebush Depot solar panels, National Innovations Centre solar panels in Redfern,

and Foreshore Park solar panels in Newcastle. This has avoided approximately 1,259 tonnes of carbon dioxide from being released into the atmosphere – the equivalent of taking about 364 cars\* (see page 107) off the road for one year.

### Reducing greenhouse gas emissions

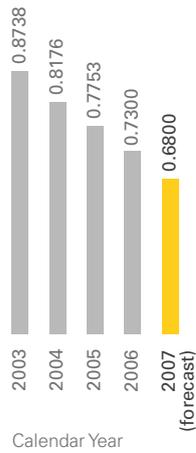
EnergyAustralia's greenhouse abatement projects reduce the amount of greenhouse gases associated with electricity use. In 2006/07 we delivered 4.6 million tonnes of greenhouse gas abatement, which is equal to removing about 1.3 million cars\* off the road for one year. The 4.6 million tonnes of greenhouse gas abatement includes a forecast component for the 2007 calendar year from NSW Greenhouse Abatement Certificate (NGAC) surrenders. This was achieved from the surrender of certificates and recognition of the meeting of obligations under the Commonwealth Mandatory Renewable Energy Target to meet the NSW Government's greenhouse gas reduction targets.

EnergyAustralia secured abatement from a number of our own accreditations held under the NSW Greenhouse Gas Abatement Scheme. These projects included a number of low emission generation projects as well as demand side abatement initiatives (see pages 13 and 14) including the electricity to gas hot water replacement initiative, a second refrigerator retirement program, the residential energy efficiency REFIT campaign, EnergySave On-line Shop, and the compact fluorescent lamp promotion. From these accredited programs, EnergyAustralia was able to create over 1.4 million tonnes of additional greenhouse gas abatement.

### Looking after our own backyard

EnergyAustralia is mindful of the impact of its own operations on the environment and is a signatory to the Energy Supply Association of Australia's (esaa) Code of Sustainable Practice. The code outlines standards for its members in sustainable development, social responsibility, environmental management and resource management. In 2006/07, we achieved an esaa Code of Sustainable Practice score of 4.4 out of 5, an improvement from 4.3 out of 5 in 2005/06. We participated in the 2006 Corporate Responsibility Index (CRI), along with

**Carbon Intensity of EnergyAustralia's NSW Electricity Purchases after Greenhouse Gas Offsets**  
(Kg CO<sub>2</sub>/kWh)



**Environmental Expenditure (\$ millions)**



We started measuring environmental expenditure in 2004/05

33 other companies, to evaluate our practices in key areas of corporate responsibility, such as the community, environment, workplace and marketplace. The annual index was prepared by a consortium of the St James Ethics Centre, the Business in the Community (UK), *The Sydney Morning Herald*, *The Age* and Ernst and Young, and we received a gold rating for the second year in a row. Our overall score this year was 93 per cent, an improvement from 92.6 in 2005, and the highest score achieved by an energy company. Our staff have been encouraged to take a lead in supporting energy from renewable sources. Staff are now able to receive a discount on our PureEnergy products.

**In our offices**

We are committed to a Waste Reduction and Purchase Policy (WRAPP), which includes initiatives to avoid waste and increase reuse and recycling. Practical measures include tips for staff on reducing office waste, encouraging double-sided document printing, increasing the purchase of recycled products, and switching off computers and other office equipment when not in use. EnergyAustralia has used 100 per cent renewable energy in all its major office buildings since 2004. We have a five-star Australian Buildings Greenhouse Rating accreditation in our major office buildings in Wallsend and Sydney.

**In the field**

EnergyAustralia undertakes an annual Environmental Risk Assessment to identify and minimise the potential for our operations to have an impact on the environment. Our environmental programs and initiatives include the following:

- Carbon dioxide emissions from EnergyAustralia's vehicle fleet have been reduced by an estimated 47 tonnes in 2006/07 through the replacement of a number of six cylinder cars with four-cylinder models.
- A newly-upgraded vehicle wash bay at Homebush Depot has reduced our reliance on town water by about 765,000 litres a year, by harvesting rainwater, which is recycled for multiple washes. (See page 19)

- Routine maintenance around our operational sites and replacement of equipment at the end of its useable life creates waste. However EnergyAustralia is committed to recycling as much of its by-products as possible. In 2006/07 we recycled 30,395 tonnes of used copper, aluminium, steel, transformers and house meters.
- EnergyAustralia has about 20 million litres of oil either in our equipment or in storage. Oil containment systems are installed at 64 per cent of our larger substations for environmental management. The remaining 36 per cent are covered through a Substation Risk Mitigation Program.
- Our oil-filled cables contain two million litres of biodegradable oil. Our losses (excluding those caused by third party damage) were 30,078 litres, compared to 26,000 litres in 2005/06. We have targets for managing and reducing our oil losses. The 2006/07 losses were in line with our longer-term targets.
- Approximately 390,000 litres of polychlorinated biphenyl (PCB) contaminated oil and 202,000 kilograms of PCB-contaminated materials were removed from equipment taken out of service, or via routine maintenance. EnergyAustralia has removed all known pure PCBs from service and all scheduled PCBs from our zone transformers. We are on target to remove all other known PCBs in accordance with the Department of Environment and Climate Change (DECC) requirements.
- Pesticides are used for weed control around our substations, and for protecting the 445,987 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. In 2006/07, EnergyAustralia published a new Pesticides Notification Plan which describes how and when the community must be notified about the use of pesticides in public places. A copy of this plan can be found on our website at [www.energy.com.au](http://www.energy.com.au)
- Tree trimming around power lines is carried out by quality-assured service providers trained in internationally-approved techniques, and all work is generally conducted to the Australian Standard AS4373 – Pruning of Amenity Trees. EnergyAustralia received and addressed 3,318 issues related to tree trimming during the reporting period.



### A cleaner 'greener' vehicle fleet

Recycled water is keeping EnergyAustralia's large vehicle fleet clean at Homebush Depot, where a 105,000 litre rainwater tank and recycling unit have been installed at the upgraded wash bay. The new system, which stores rainwater and then recycles it after a vehicle has been washed, will cut the company's reliance on town water by about 765,000 litres per year. As part of a new Green Fleet Policy, EnergyAustralia has been replacing six-cylinder vehicles with four-cylinder models, and now has 79 liquefied petroleum gas (LPG) vehicles and 10 hybrid petrol-electric cars. EnergyAustralia is applying to become a participant to the RTA's Clean Fleet Program which aims to reduce emissions from diesel vehicles by ensuring they are well maintained.



### Residents move into new homes

A comprehensive Environmental Management Plan for the \$75 million Tomaree Peninsula supply upgrade included creation of wildlife corridors, construction of 200 nesting boxes for fauna, and \$200,000 for vegetation restoration and regeneration. Wildlife residents have moved into nearly a third of these nest boxes installed to compensate for habitat clearing required for construction of a new 132kV line from the Tomago Subtransmission station to the Nelson Bay Zone Substation. More than 60 boxes are being used by a range of species, including squirrel gliders, microbats and marsupial mice. Most of the remaining boxes show signs of interest from other animals or birds.

- In 2006/07 we investigated four construction noise complaints and 18 operational noise complaints. Of these, 21 complaints were addressed in the reporting period, with the remaining one to be addressed.
- We have a Contaminated Land Management Strategy to identify contamination by our past operations. This program is being used to manage the decommissioning and/or replacement of more than 180 assets a year, ranging from pole-top transformers to kiosks and chamber substations.
- In 2006/07 we received one written warning for an environmental-related breach of a Department of Environment and Climate Change licence condition, and we reported 13 environmental issues to regulators and received no environmental infringement notices in the reporting period. EnergyAustralia has environmental protection licences for 10 depots, 37 mobile waste processing plant sites and the storage of PCBs. During the year, five operational depots were assessed and we delivered on 67 minor improvement actions.

### Special environmental projects

- The route of the new high-voltage line into our zone substation at Berkeley Vale on the Central Coast was altered to avoid roosting and nesting trees inhabited by a pair of ospreys, a protected species.
- A new transformer storage facility has been constructed at our Rutherford Depot in the Hunter Valley. This 900 square metre fully-bunded area has allowed us to decommission several non-compliant storage facilities.
- In order to minimise the impact on a sensitive coastal sand dune area at North Entrance, EnergyAustralia used a special "Spider" tracked elevated work platform to recover and replace eight condemned power poles. The equipment's rubber tracks prevented it sinking into the sand and causing damage to the local ecology.

### Sponsoring community activities

In 2006/07 EnergyAustralia invested more than \$3.8 million in a range of community events, programs and organisations.

We have longstanding partnerships with essential community services such as the Hunter Rescue Helicopter and Surf Life Saving Australia. Other key charitable partnerships include the Red Cross, the National Breast Cancer Foundation, the Hunter Valley Research Foundation and the Smith Family.

Our support for the arts includes a 13-year association with 'Star Struck' – the Hunter Valley schools' spectacular, sponsorship of the Festival of Sydney, and partnerships with the Sydney Theatre Company and Sydney Symphony Orchestra. Sporting sponsorships range from the Australian Olympic Committee to local surf life saving clubs.

EnergyAustralia played a role in the commemoration of the 75th Anniversary of the Sydney Harbour Bridge, with 300 staff volunteering their time to help with the festivities. We also committed to sourcing the equivalent energy used to light the Harbour Bridge during the commemorative night walks from renewable sources.

### CommunityCare

Scouts and the State Emergency Service (SES) are just two of 43 community organisations which have benefited from EnergyAustralia's staff-led CommunityCare program. CommunityCare provides funding and in-kind support for social causes in which our people are involved. Applications are assessed by seven Regional Employee Community Committees. Under the 'We Match Your Energy' criteria, Baulkham Hills SES received funding towards the purchase of sleeping bags for volunteers to use on search and rescue operations, while the 'More Than Energy' category saw a crew of supervised first-year apprentices gain some real-life experience by re-wiring the 1st East Hills Scout Group's Hall.

### Consulting with our community Heritage

EnergyAustralia recognises the importance of Aboriginal culture and heritage, and European heritage. In 2006/07 we involved 13 Aboriginal community groups in three major projects, at Rothbury, Antiene and Berkeley Vale, which identified archaeological potential.

An external consultant was engaged to review the EnergyAustralia Heritage and Conservation Register. As a result, 205 of our sites have been assessed as having heritage significance, including 12 sites of state significance and 193 sites of local significance. EnergyAustralia's oldest substation still in use is the No 5 in Ultimo, which was built in 1908.

### Electric and magnetic fields (EMF)

Electric and magnetic fields (EMF) are created wherever electricity flows. EMF contact officers are available on our EMF advisory line on (02) 9394 6659. Further information on EMF can be found on EnergyAustralia's website or on the Australian Radiation Protection and Nuclear Safety Agency's (ARPANSA) website at [www.ARPANSA.gov.au](http://www.ARPANSA.gov.au)

EnergyAustralia has prepared a new brochure and information kit to help the community better understand EMF. The material includes a listing of typical EMF levels produced by a range of everyday appliances, as well as power lines and substations. Community concerns are taken seriously with new cable routes being implemented following community consultation and we have responded to 216 customer and community EMF enquiries in 2006/07 with 98.6 per cent of these enquiries being resolved.

### Stakeholder engagement

EnergyAustralia involves the community during the planning stage of our infrastructure projects to ensure we can balance our need to provide a safe and reliable supply of electricity with local concerns for the natural and man-made environment. In 2006/07 we engaged local communities on 43 major projects, ranging from new substations and power lines, to the replacement of transformers in existing substations.

Engagement with the community can include letterbox drops, displays to council and precinct meetings, home visits to neighbours, and construction hotlines. The community's input has been sought over the location of new infrastructure, suggestions for the exterior design and aesthetics of new substations, as well as landscaping and preservation of surrounding areas.

During 2006/07 regional managers met with communities, councils, and members of parliament on a range of issues, including demand management initiatives, street lighting, undergrounding of power lines and our infrastructure program. In March 2007 we launched our plan for regional and community engagement to a group of key business and community leaders in the Hunter, in the first of a series of regional forums to be held across our network area.

In May 2007, about 80 industry stakeholders attended EnergyAustralia's ninth Retailer Information Forum. Attendees were briefed on network price changes, the rollout of smart meters, time-based pricing, demand management and the Advanced Smart Meter Pilot. In June 2007, we held our second Stakeholder Briefing, where attendees were briefed on future demand management initiatives, innovative ways of reducing the environmental effects of energy use, and pricing solutions as a means of improving network performance and energy efficiency.

### Major projects

EnergyAustralia is embarking on the biggest capital works program on our network in decades and one of the challenges of the works program is the need to build new substations and connecting power lines in high density residential areas. As part of this, EnergyAustralia is committed to involving the community in the planning, design and building of the new and replacement infrastructure.

EnergyAustralia's consultation program in 2006/07 included:

- **Wamberal-Terrigal upgrade** – EnergyAustralia is planning a \$50 million boost to the local electricity network in the Wamberal-Terrigal area, including a new suburban zone substation and the associated transmission connections to supply power to the new facility. During 2006/07 a community liaison group made up of local residents assisted EnergyAustralia to finalise the substation plans including the location and orientation on the chosen site, and exterior design and landscaping before the proposal was approved by Gosford Council. Community representatives were also part of a separate consultative group to assist EnergyAustralia select a preferred route for the new connections into the substation.
- **Botany Bay Cable Project** – A major consultation program was undertaken for the Botany Bay Cable Project that is proposed to replace existing underground transmission cables supplying power to the Bunnerong Substation via a combination of land cables and submarine cables across the Bay. Project information packages were distributed to 1,500 homes and businesses around the proposed cable route and our Major Projects staff held community information days and visited individual residents and local interest groups.
- **Rothbury Substation** – A new substation was constructed at Rothbury to meet the growing demand for power from the wine and tourism industries. While the substation was in a rural location with few residents, EnergyAustralia sought input from neighbours to prepare and implement an extensive landscaping plan to enhance the visual appeal of the site.
- **City West Cable Tunnel** – Work on EnergyAustralia's second dedicated transmission cable tunnel in Sydney's Central Business District (CBD) started this year after an extensive consultation process, including the exhibition and approval of an Environmental Assessment for the project and the successful establishment of a Community Liaison Group. The Community Liaison Group will continue to meet regularly throughout the construction phase of the project to provide project updates and receive feedback on any construction related issues.

# Operational excellence

**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, the largest in more than 30 years, is improving all parts of our network.**

## What we planned to do

- Deliver our capital works and maintenance program
- Meet Network and Retail licence conditions.

## What we did in 2006/07

- \$784 million capital investment, a 30% increase from 2005/06 (including \$697 million in network system assets, a 33% increase from 2005/06)
- Invested \$210 million in network maintenance works
- Supplied 30,335 GWh electricity
- Electricity and gas sales of \$2.3 billion from ordinary operations, with gas revenue up by 18%
- Demonstrated leadership in engineering innovation – Platform for Intelligent Network Communications (Pinc), Advanced Smart Meter Pilot and Distribution Monitoring Automation
- Implemented an in-house sales capability through the Contact Centre.

## Our objectives for 2007/08

- Provide a safe network
- Deliver our capital works and maintenance program
- Meet reliability service standards
- Invest in our intelligent communications platform.

## Key challenges

- Continuing leadership in the development of an intelligent network
- Building and maintaining our network to meet an underlying summer peak demand growth rate of around 3%.

See page 99 for Sustainability Indicators.

EnergyAustralia's network performance continues to be among the most reliable and stable in Australia. We are investing \$5 billion over the five-year period to 2011/12 to maintain the reliability of our network by adding capacity to meet growth and replacing ageing assets.

## Upgrading and improving our network

Rising wealth and new technology are increasing customers' demand for electricity and driving our record investment in building and maintaining our network. Our capital works program, the largest in more than 30 years, is improving all parts of our network.

Over the past five years summer peak demand has continued to grow by an average of 2.8 per cent per year, on a weather corrected basis. At the same time, energy supply has grown at a lower rate of 1.6 per cent per year. As well as consuming more electricity, customers are using more appliances, such as reverse-cycle air-conditioners, pool pumps and computers. About 56 per cent of our customers have air-conditioning and the average new home requires twice the electricity capacity for peak times than it did 10 years ago. However, this year our new highest peak demand record occurred in winter at 5,484 MW on 27 June 2007.

EnergyAustralia continues to build a network to meet the growth in demand. We are spending \$5 billion on upgrading the electricity network in the five-year period to 2011/12. Our extensive program of work is described in "*Investing for Future Generations*", available on our website at [www.energy.com.au](http://www.energy.com.au)

In 2006/07 we spent \$697 million on upgrading and augmenting our network – a 33 per cent increase over the previous year. A further \$210 million was spent on network maintenance to preserve the engineering integrity and safety of assets. We delivered 96 per cent of our investment program on schedule and within budget.

### **Croudace Bay our new \$15 million zone substation**

The \$15 million zone substation at Croudace Bay is an integral part of our overall strategy to meet the needs of our customers in the fast-growing north-east Lake Macquarie area. The substation site and surrounds were designed to protect and enhance the threatened native species *Tetratheca juncea* (commonly known as Black-eyed Susan) which was found on the site. The substation was positioned to minimise the impact on the low-growing shrub.



### **Digital data updates for Sydney CBD**

EnergyAustralia's high-tech digital mapping and spatial analysis tool, the Geospatial Information System, is used by more than 1,000 of our staff to access information about our network and accurately pinpoint the location and connectivity of all our network assets. In 2006/07 the system database was updated with more detailed information, including aerial and digital photography, following a spatial and key data capture project as part of the redevelopment of Sydney's City North and City Central Zone Substations.

Major infrastructure upgrade works during the year included:

- **Bankstown** – The \$19 million upgrade of the Bankstown subtransmission substation allows us to ensure uninterrupted supply to our customers in south-western Sydney during an ongoing maintenance program on the network in that area.
- **Vales Point** – The system upgrade at Vales Point saw completed work on two high-voltage feeders supplying the Vales Point area.
- **Hornsby** – In June 2007, we commissioned a third transformer and new switchgear, worth \$6 million, at Hornsby Zone Substation, almost doubling its capacity.

Major construction of new substations during the year included:

- **Croudace Bay** – The \$15 million zone substation at Croudace Bay is an integral part of our overall strategy to meet the needs of our customers in the fast-growing north-east Lake Macquarie area.
- **Rothbury** – The zone substation at Rothbury has replaced the temporary substation feeding the Cessnock, Pokolbin, Branxton and Rothbury areas in the Hunter Valley.

A further eight large 132kV subtransmission and zone development projects at Homebush, Argenton, Wamberal, City North, Morisset, Mayfield and Kingsford are underway, as well as work on our new City West Cable Tunnel and the Botany Bay Cable Project.

We invested in 11kV zone development works, and our Reliability Program, which aims to improve performance in targeted areas. During 2006/07, \$63 million was invested in new 11kV network performance projects in Sydney, the Central Coast and Hunter region. We invested \$10 million on individual feeder works in rural and urban areas.

Customer connections continue to grow across all regions. Our spending of \$68 million in 2006/07 was eight per cent higher than 2005/06. A further \$28 million was spent on metering, including the installation of smart meters, while our contribution to street lighting was \$13 million.

### **Contact Centre sales capability**

A Contact Centre sales capability program was implemented in December 2006 in the Sydney Contact Centre. In January 2007 this capability was rolled out across both the Sydney and Newcastle Contact Centres.

Implementation includes training skills for all customer service representatives, including understanding customer needs, rapport building and advanced customer service. The second phase is to be completed early next year.

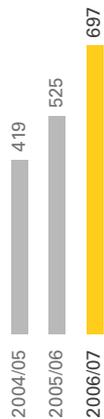
### **Continued commitment to public safety**

EnergyAustralia draws on more than 100 years of experience to help create public awareness of the risks associated with the distribution and use of electricity. We are committed to providing and maintaining a safe network for our staff and the community. We regularly update our Public Electrical Safety Awareness Plan, Bushfire Risk Management Plan, Customer Installation Safety Plan and our Duty of Care Program.

### **Duty of Care**

As part of our commitment to safety and environmental management, EnergyAustralia invested \$34 million during the past year in our Duty of Care portfolio. We spent about \$15 million on safety and security issues, including inspection programs, fencing and electronic security and surveillance. Environmental issues, including oil containment, civil projects, remediation, noise abatement and asbestos management or removal, accounted for \$12 million of expenditure. More than \$5 million was spent on fire management equipment and systems, while \$2 million was invested in critical assets, such as fire mitigation, replacement of oil-filled circuit breakers with vacuum circuit breakers, repair and replacement of equipment in underground substations, and structural repair work on a number of Sydney pits in the central business district.

**Building the network – major projects commissioned (\$ millions)**



**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

\*This was the number at 31 March 2007, which was the date EnergyAustralia stopped benefiting from the Partnership business.

EnergyAustralia reported four Serious Electricity Network Accidents involving the public in 2006/07 (the same number as in 2005/06). All four incidents are also classified as Serious Electrical Accidents as they involved electricity. All electrical accidents are investigated thoroughly to improve our future safety plans.

EnergyAustralia continues its efforts to reduce electrical accident occurrences through the Public Electrical Safety Awareness Campaign which utilises a range of topical media releases and a variety of advertising mediums to alert the public to the risks involved when in proximity to the electricity network.

**Public Electrical Safety Awareness**

EnergyAustralia's Public Electrical Safety Awareness Plan (PESAP) aims to raise awareness of the potential hazards and risks associated with the transmission and distribution of electricity. This Plan meets the obligations of the Electricity Supply (Safety and Network Management) Regulation 2002, and complements our Network Management Plan, Customer Installation Safety Plan and Bushfire Risk Management Plan. Copies of these Plans can be found on our website at [www.energy.com.au](http://www.energy.com.au)

Our public safety programs are aimed at ensuring safety awareness, particularly among:

- primary school children
- residents living within a kilometre of a high-risk substation
- do-it-yourself (DIY) home renovators and handymen
- industrial, construction and outdoor workers
- tenants/owners of premises where there is a private electricity pole
- people decorating their homes with Christmas lights
- irrigators and
- the general public.

We use a number of ways to reach these target markets, including radio and print advertisements, sponsorships, education kits, presentations, brochures, direct mail and our website.

During 2006/07 we updated our children's safety program, working closely with the NSW Education Department to develop a Schools' Electricity and Safety Kit and lesson plans for primary schools. During Electricity Safety Week held in September 2006, we ran a number of teachers' workshops in support of the new kit. We also updated our EnergyKids website to include online quizzes and games to help children learn about electricity safety.

We continued our general public safety messages in 2006/07, including summer readiness advertisements in suburban and metropolitan newspapers, and a special summer safety report. In addition to summer safety messages, campaigns were run on radio to support industrial and DIY electrical safety messages, overhead power lines and Christmas safety programs. During our response to major storms in the Hunter and Central Coast areas in June 2007, additional live radio safety messages were broadcast.

In January 2007 we conducted a letterbox drop campaign to homes within a kilometre radius of specified high-risk substations on our electricity network to raise awareness of the dangers of entering a substation and encourage people to report unauthorised access to our properties. In 2006/07 we constructed safety and security fencing at six sites, completing the 220 scheduled sites identified through our Substation Risk Mitigation Program.

**Bushfire management**

EnergyAustralia manages bushfire risks to life, property, and the environment by ensuring that our assets and our customers' private power lines are properly designed, constructed and maintained. Our Bushfire Risk Management Plan outlines the procedures, standards, codes and guidelines which EnergyAustralia applies to the construction, operation and management of our network. The Plan includes our strategies in relation to key stakeholders.



### Storm recovery

The worst storm in 30 years ripped through Newcastle, the Central Coast, and northern parts of Sydney during the Queen's Birthday weekend, causing unprecedented damage and leaving about 200,000 customers without power. The restoration effort saw our field crews, Contact Centre staff, Control Room operators, network managers and many others pulling together to restore electricity for customers. Almost 1,500 field staff worked up to 16 hours a day, assisted by an extra 300 people from other NSW and interstate energy companies. Not only was this restoration effort our biggest field response to an incident, the Contact Centre also received a record number of calls to our emergency line, receiving in excess of 190,000 calls during the Queen's Birthday weekend.



### Thinking Pinc for the future

Fibre optics are replacing copper wires and radio links currently used to transmit data throughout EnergyAustralia's network, under the Platform for Intelligent Network Communications (Pinc) project. The upgrade will provide faster, smarter and more reliable communications and introduce new technology capabilities for a large number of substations and depots. Staff will have better access to data, including the Geographical Information System, which shows the location of wires and poles. Pinc was showcased to visitors from around the world at a demonstration at the International Utilities Working Group seminar, held in Sydney in May 2007.

### Ensuring customer installation safety

Our Customer Installation Safety Plan addresses the management of safety from within a customer's premises to the point of connection between their installation and our network. The Plan applies only to installations operating below 132kV.

In 2006/07, the proportion of inspected electrical work with major defects showed significant improvement. Of 14,797 installations inspected, 6.7 per cent had major defects, a decrease from nine per cent of 15,374 in 2005/06. Of the 21,585 contestable service connections inspected, only 1.4 per cent contained major defects, a decrease from 1.9 per cent of 21,884 in the previous year.

EnergyAustralia also conducted 400 separate safety audits of accredited service providers performing contestable service connection work. All observed safety breaches were dealt with according to established disciplinary procedures.

### Building an intelligent network

EnergyAustralia is building the framework for an active, automated network which will use digital technology to provide a complete understanding of the interactions between our network and customers, as well as offering customers real-time pricing information. This will allow customers to change the way they use electricity to reduce their energy consumption and save money.

Work continued throughout 2006/07 on improvements to our communications technology through our Platform for Intelligent Network Communications (Pinc). Pinc will use fibre optics to replace our old copper and radio-wave network to provide internet protocol (IP) communications. This year we deployed our new telecommunications network to 36 of our major zone substations, which are now linked by more than 200 kilometres of overhead fibre network.

Our Distribution Monitoring Automation Project initially aims to provide real-time fault information for improved control of the 11kV network and low voltage loading data. In 2006/07, distribution monitoring equipment was installed at 80 substation sites. Increased remote monitoring on the 11kV network will assist staff to identify the location of faults and restore supply quicker, improving reliability for customers. Ultimately the program will expand to enable remote control and automation on the 11kV network.

EnergyAustralia is leading the industry in Australia with our Advanced Smart Meter Pilot Project which involves the installation and trial of advanced smart meters with two-way communications and remote connection/disconnection capabilities. In 2006/07, we installed 5,011 advanced smart meters in five clusters around the Paddington, Burwood/Homebush, Nelson Bay, Meadowbank and Somersby Zone Substations. This project was designed to understand the cost benefits of smart meter technology, and help guide future policy, investment and regulatory decisions. A key objective will also be to assess the level of customer control over their energy consumption.

### International Utilities Working Group

Senior representatives from companies delivering electricity to some of the world's largest cities came together in Australia for the first time to take part in the International Utilities Working Group (IUWG) seminar in May 2007, hosted by EnergyAustralia. The seminar focussed on ideas and technologies needed to meet the energy needs of customers in cities such as Sydney, New York, Chicago, Paris, London, Hong Kong, Tokyo, Shanghai, and Osaka. The participants inspected some of the green energy initiatives being developed in the Hunter. This included a visit to EnergyAustralia's Solar Farm at Singleton, CSIRO's Steel River headquarters for a presentation on clean-coal technologies, and Macquarie Generation's leading edge solar technology at Liddell Power Station.

# Our people

**Without the power of our people, we could not deliver a safe, reliable supply of electricity now or into the future. We are committed to encouraging people of all ages and genders, from a diverse range of backgrounds to join us and to develop their skills. This will help us ensure the electricity industry has a pool of talented, trained people into the future. In 2006/07 EnergyAustralia surpassed our own record for apprentice recruitment for the fourth year in a row.**

## What we planned to do

- Achieve our safety targets
- Recruit more than 150 apprentices and graduates
- Maintain high employee satisfaction.

## What we did in 2006/07

- Improved our 2005/06 safety rate (Lost Time Injury Frequency Rate) from 3.8 to 2.9 per million hours worked
- Appointed 164 new apprentices (a 14% increase over the previous year), seven scholars, 13 engineering graduates and seven commercial graduates
- Increased employee numbers by 418 (9%) to 5,185
- Opened a temporary training facility for line worker and cable jointer apprentices at Silverwater, the first step toward building a centre of excellence
- Conducted an Employee Opinion Survey, introduced a Leadership Index in the opinion survey and identified tools to help us improve how we do business in areas identified by our staff.

## Our objectives for 2007/08

- Deliver a safe workplace and achieve our safety targets
- Develop our leadership capability and reinforce our values.

## Key challenges

- Acquiring and retaining specialised skills in a resource constrained market
- Improving safety.

See page 99 for Sustainability Indicators.

In 2006/07 we achieved an excellent safety result, with a Lost Time Injury Frequency Rate (LTIFR) of 2.9, compared to 3.8 in 2005/06. LTIFR is a measure of the frequency of lost time injuries per million hours worked. We also achieved a 70.2 per cent employee satisfaction score, the second best result in ten years. This year, we asked questions to measure employee engagement and benchmarked the results to external energy sector companies. The engagement in activities was 85 per cent. Eighty-six per cent of our employees responded "I am proud to work for EnergyAustralia". The benchmark for external energy companies was 65 per cent.

## Providing a safe workplace

Safety is our top priority. PeopleSafe, our safety program, provides the framework, systems and measurements for us to implement Occupational Health and Safety (OHS) obligations. OHS committees, comprising of both management and employees, operate across all our divisions. They consult on health, safety and welfare matters and continuously look for ways to improve our performance. EnergyAustralia is represented on industry OHS forums.

Risks in our workplace are addressed through Electrical Safety Rules, Network Standards, Technical Instructions, Industry Standards, Australian Standards, Codes of Practice, guides, the field-based Safe Work Method Statements and associated risk assessments.

## Safety performance

EnergyAustralia measures our average time lost due to injuries in two ways. Firstly, we measure the raw time lost which this year is an average of 10.6 days per lost time injury, compared with 7.5 days last year. Our second measure is an adjusted average lost time figure which excludes lost time injuries where more than 15 days are lost. In 2006/07 we had 5.2 days lost to injuries, which surpassed our target of seven days lost. This adjusted figure has not been measured in previous years.



### New record number of recruits welcomed

For the fourth consecutive year, 2007 saw the induction of a record number of apprentices – 164 of them. The apprentices will help deliver our five-year, \$5 billion capital works program to 2011/12. This year's apprentices range in age from 16 to 48 years, and were selected from a group of about 2,800 hopefuls. EnergyAustralia and our TAFE NSW 2006 Apprentice of the Year Karen Hourigan welcomed the newcomers at an event held at Homebush Depot in February. EnergyAustralia's apprentice recruitment numbers have tripled over the past four years.

While the rate of lost time injuries is improving, we are also focussing on the injuries requiring medical treatment. The Medical Treatment Injury Frequency Rate (MTIFR) of 27.7 increased from 26.6# in 2005/06. The PeopleSafe plan for next year includes initiatives to address this trend.

Our expenditure on workers' compensation in 2006/07 was \$3.83 million, nine per cent more than last year. EnergyAustralia is a self-insurer for workers' compensation and during 2006/07 WorkCover NSW audited our OHS management systems at Hornsby Depot against the requirements of the WorkCover OHS Self Insurers model. EnergyAustralia's results from the three-yearly audit were extremely positive.

### Demographics

EnergyAustralia now has 5,185 staff, an increase of nine per cent from last year. Over the past five years, we have grown by twelve per cent, an increase largely driven by the capital investment in the network.

In a snapshot of our people:

- Our workforce grew by 305 full-time equivalent employees to 5,072 full-time equivalents. 524 people joined the organisation and 215 employees left. At 30 June 2007, we employed 5,185 employees.
- We recruited 164 apprentices, including four women, in 2006/07 – an increase of 14 per cent on the previous year. We now employ 498 apprentices, including 188 adult apprentices.
- In 2006/07 we had an intake of 13 electrical engineering graduates. There were a total of 46 graduates on our Electrical Engineering Graduates Program.
- There are 35 people over the age of 65 working for us.
- There are 1,847 people or 36 per cent of our staff under 34 years. The average employee age is 40 years.
- There are 2,147 of our staff, or 41 per cent, who have worked for EnergyAustralia for four years or less. This has increased from 1,192 of 3,645 staff five years ago, or 33 per cent.

### Apprenticeship program

EnergyAustralia is the largest direct employer of apprentices in NSW and this year recruited a record number of apprentices for the fourth year in a row. Our apprentice recruitment attracts young and older people – the successful candidates were aged between 16 and 48 – from many backgrounds. Our award winning Aboriginal and Torres Strait Islander Commission (ATSIC) pre-apprenticeship program has helped eight indigenous students win apprenticeships.

While we have had a steady increase of newer recruits who will help us grow the organisation, we have also retained our levels of experienced staff to continue to share their knowledge.

In February 2007, District Operator James 'Barry' Williams marked a half-century of service with EnergyAustralia and its predecessors. Barry, who joined Sydney County Council as an apprentice electrical fitter, followed in the footsteps of his father, who had been a control room operator at Pyrmont Power Station.

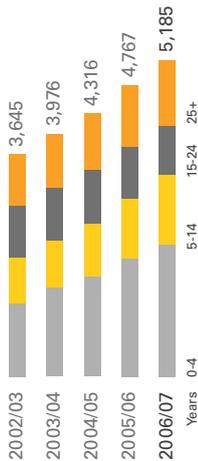
### Equal Employment Opportunity

EnergyAustralia provides a fair working environment by complying with Australian legislation covering Equal Employment Opportunity (EEO). We have an EEO and Discrimination and Harassment Prevention Policy, which has been endorsed by the Managing Director and Executive Team. The policy is available to employees through induction training and our website. We report annually on EEO compliance to the Office of Employment Equity and Diversity, Public Employment Office and through our EnergyAustralia Employee Opinion Survey.

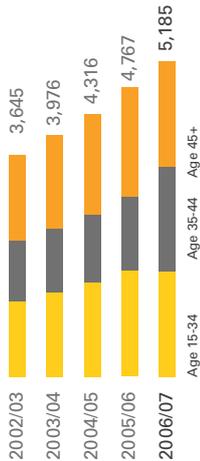
EnergyAustralia encourages people from across the community to take up a career in the energy industry, through targeted programs and sponsorships. In addition to our Aboriginal and Torres Strait Islander Pre-Apprenticeship Training Program (see page 28). EnergyAustralia sponsors the University of New South Wales' annual Indigenous Australian Engineering Summer

# The 2005/06 data has been amended since last year's Annual Report to incorporate MTIs that occurred during the reporting period but were logged into the system after 30 June 2006.

**Employee Service Distribution**  
Number of Employees



**Age Distribution**  
Number of Employees



**Environmental Training Program**  
Number of Employees Trained



School to give students in Years 11 and 12 an understanding of engineering as a profession. Aboriginal and Torres Strait Islander (ATSI) employment in EnergyAustralia is moving in the right direction, with ATSI representation in the workforce doubling in the past three years from 19 employees in 2004/05 to 44 employees in 2006/07.

We have a specific grievance procedure within the Equal Employment Opportunity and Discrimination and Harassment Prevention Policy which ensures complaints are dealt with by trained officers in a timely manner, and appropriately recorded.

**Developing our people**

Training and development of our people starts with an online induction program, as well as a half-day face-to-face orientation program. New starters are also inducted into their specific worksites and teams. The induction process gives people an understanding of our industry and company, our vision, culture, values, processes and customers.

Ongoing training and development of our people is a vital component in meeting our purpose, to become Australia's energy provider of choice. Employee needs are identified and discussed with managers under our Performance Development System, which occurs during six-monthly reviews. EnergyAustralia is a Registered Training Organisation (RTO) and we provide a range of in-house training programs specific to individual work areas.

External training programs are provided on a needs basis, and our study assistance program helps employees undertake approved courses, such as degrees, diplomas, certificates and associate diploma courses in areas relevant to our business. Opportunities also exist for international study and professional development. In 2006/07, two employees took part in a 12-month exchange with the China Light and Power (CLP) company in Hong Kong as part of an ongoing program which involves two people from CLP working with us.

**Power engineering chair**

We have been financially supporting electrical engineering students through university since 1953. In 2006/07, seven school leavers joined our scholarship program which was designed to encourage young talented people into the industry. They will combine full time study for a Bachelor of Engineering (Electrical) degree with work experience at EnergyAustralia.

With an eye on the future, EnergyAustralia has funded a Chair in Power Engineering at Sydney University in order to boost the pool of tomorrow's engineers. The company's network investment is at record levels, however more of Australia's engineering workforce is nearing retirement and there have been fewer power engineers graduating. Professor Vassilios Angelidis is the EnergyAustralia Chair in Power Engineering at the University. There are 15 students enrolled in the degree, four of whom are on EnergyAustralia scholarships.

**Secondary school programs**

EnergyAustralia was involved in a new Adopt-a-School program with Kogarah High School in Sydney's St George area through its association with the St George Workplace Learning Partnership. Under the program, Year 10 maths students undertook an energy audit in their homes and were exposed to the energy industry as a possible future career choice. In the Upper Hunter area, we are sponsoring outstanding achievement awards in local schools in Years 10 and 12 in subjects such as engineering studies, maths, physics and design technology, as another means of stimulating interest in careers in the energy industry. We are also encouraging environmental studies through our sponsorship of the NSW Premier's EnergyAustralia Environmental Education Scholarships for TAFE and secondary school teachers.

### Award-winning program

Our Aboriginal and Torres Strait Islander Pre-Apprenticeship Program was named the 2006 winner of the TAFE NSW Sydney Institute Staff Celebration of Achievements award. The joint EnergyAustralia/TAFE program aims to help indigenous students improve their chances of obtaining an apprenticeship with us. Four of our 2007 intake of apprentices were 'graduates' of the program. Program participant and first-year apprentice Robert Thomas picked up three awards – Petersham TAFE College's 2006 Student of the Year; and both the Petersham and TAFE Sydney Institute Aboriginal and Torres Strait Islander Student of the Year.



### Medal for EnergyAustralia engineer

Kenny Ma, who studied electrical engineering as part of EnergyAustralia's scholarship program was awarded the prestigious Sydney University Medal for Electrical Engineering. After completing three years of a four-year degree, Kenny worked full time for us, before completing his degree in 2006. During his scholarship, Kenny worked in various sections of EnergyAustralia, including Capital Works Planning, Network Business Systems, Field Services East, Technical Services East, and TCA Metering. He is currently employed on the engineering graduate program and enrolled in a part-time Masters Degree in Engineering Management at the University of Technology, Sydney.

### Communicating with our people

In 2007, 2,459 employees responded to the annual Employee Opinion Survey, which tracks employee satisfaction. Overall results were excellent, and our strongest result related to a new 'engagement' index, on which we scored 82 per cent. The Employee Satisfaction score remained fairly stable at 70.8 per cent (our second best result in the 10 years this measure has been tracked).

We undertook an audit in 2007 of our employee communications to ensure our people's expectations are being met. In addition to our monthly 'Inside Energy' staff magazine, our people are invited to twice-yearly Managing Director employee briefing sessions held throughout our network. Executive General Manager briefing sessions and regular Team Briefs are also held. Staff feedback is encouraged through special 'Ask the MD' mail and email to the Managing Director.

### Workplace relations

More than 91 per cent of our staff are covered by conditions under the EnergyAustralia Agreement 2006. Seven unions are a party to this Agreement and they represent their members in negotiations concerning wages and conditions. Negotiations also comply with the NSW Wages Policy for productivity improvements. The remaining nine per cent of employees are engaged under individual contracts.

Our people also are consulted through a number of committees, including the OHS, Peak, Divisional, and Local Workplace consultative committees. The Joint Outsourcing and Contracting-Out Committee met for the last time in September 2006 and this role was devolved to the Divisional Consultative Committee.

### Employee support programs

The welfare and wellbeing of our people is important to us. Staff are supported by a range of programs including a confidential counselling and chaplaincy service, superannuation information sessions, access to the Transport NSW's 'Jump on Board' program, staff discounts on energy bills, and Staff Club promotions and discounts.

FitWell, our industry health and fitness initiative, helps staff cope physically and mentally with the demands of their roles. Educational topics have included manual handling, the psychology of change, nutrition and fatigue, immunity and women's health. Personal achievement coaching sessions provide people with one-on-one support in areas such as nutrition, exercise and physical fitness.

### Codes of Conduct

EnergyAustralia has in place Codes of Conduct which set out what is expected of our employees and contractors and communicate our values and standards of behaviour. The Codes apply to employees and contractors at all levels and locations and any breaches may result in disciplinary action.

# Finance and Directors' Report

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

## What we planned to do

- Deliver shareholder results in line with the Statement of Corporate Intent (SCI)
- Manage operating and capital efficiency.

## What we did in 2006/07

- Achieved earnings before interest and tax (EBIT) of \$594 million, exceeding our target and delivering 13% annual growth in EBIT. The sale of our interest in the EA-IPR Retail Partnership (operating in Victoria and South Australia) contributed \$49.3 million in terms of EBIT for the year
- \$278 million was distributed to the NSW Government, down from \$304 million in 2005/06
- 7.6% return on assets, being better than target, but down from 8.4% in 2005/06, reflecting higher growth in network assets.

## Our objectives for 2007/08

- Deliver on our agreed targets with our shareholder (Statement of Corporate Intent targets)
- Secure regulated income by managing regulatory reset of prices.

## Key challenges

- Managing wholesale market risks in a supply constrained market
- Network regulation and preparation for the first national Distribution Determination
- Delivering a record capital expenditure program in an environment of scarce resources.

See page 99 for Sustainability Indicators.

## Financial highlights

EnergyAustralia achieved earnings before interest and tax of \$594 million, from total revenues of \$2,889 million.

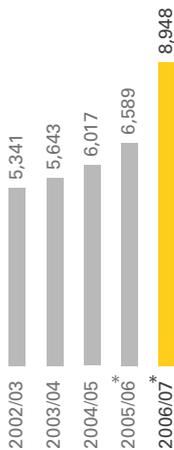
This included profits from the sale of our remaining 50 per cent share of a partnership in Victoria and South Australia. EnergyAustralia has operated a partnership with International Power (Retail) Pty Ltd to sell electricity and gas to customers in Victoria and South Australia since 2005. Under the terms of the Partnership Agreement, International Power (Retail) Pty Ltd had an option to purchase EnergyAustralia's share in the Partnership held by our wholly owned subsidiary Energy Australia Pty Limited from 1 April 2007. This option was exercised, and therefore Energy Australia Pty Limited has been excluded from the Consolidated Financial Statements from that date. The final completion date of the sale was 16 August 2007, at which time the remaining profit from the sale was realised.

The total financial effect of the sale of the Victorian and South Australian operations since 2005 will realise \$148 million profit before tax for EnergyAustralia, being \$53 million in 2005/06, \$49 million in 2006/07 and \$46 million in 2007/08. In addition, EnergyAustralia has realised a further \$40 million share of partnership profits, being \$7 million in 2005/06 and \$33 million in 2006/07.

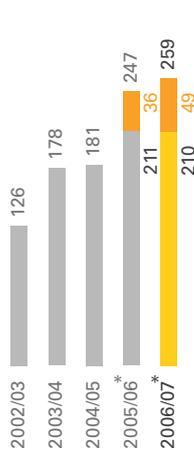
Total earnings provided a net profit after tax of \$259 million. EnergyAustralia's distributions to the NSW Government were \$278 million from a dividend of \$162 million and income tax expense of \$115 million.

Total company assets were \$8,948 million and the return on assets was 7.6 per cent. EnergyAustralia invested \$784 million in capital projects in 2006/07 and borrowed \$751 million to do so. At the end of the financial year, EnergyAustralia had \$404 million in available facilities.

**Total assets**  
(\$ millions)



**Net profit after tax**  
(\$ millions)



**Revenue**  
(\$ millions)



\*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 (AGAPP) basis.

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

Shareholder's equity increased during the financial year to \$2,457 million. This increase mainly reflected the effect of AASB132 and AASB139, which requires the unrealised value of effective energy derivative instruments to be stated at fair value and written to the revaluation reserve within Equity. EnergyAustralia achieved 12.4 per cent Return on Equity better than the Statement of Corporate Intent target of 10.8 per cent. Excluding the effect of the derivative revaluation, the Return on Equity would have been 15.6 per cent.

The Directors of EnergyAustralia are pleased to present their report for the financial year ended 30 June 2007.

**Principal activities**

EnergyAustralia's main activities are:

- Asset ownership and management of an electricity distribution network
- Retailing of energy and related products and services
- Procurement and trading in the national wholesale electricity and gas market
- Production, procurement and trading of green energy products
- Sale of 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, ACT, and in Victoria and South Australia (in partnership with International Power Retail Pty Ltd).

**Legislative framework and management system**

EnergyAustralia is a State Owned Corporation established under the Energy Services Corporation 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 Act 2005, 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 Customer Service Standards in the Design, Reliability and Performance Licence conditions for Distribution Network Service Providers which applied from 5 August 2005. 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.

**Review of performance**

The 2006/07 financial year proved to be challenging for our Retail business as the wholesale market saw record prices for electricity and gas in the final quarter of the year. Our Network business continued its strong performance, however, as our large capital program continues its rollout, our ability to plan and deliver on this program requires continual focus.

Excluding year-end adjustments for superannuation and partnership impacts, our underlying EBIT was \$465 million against a target of \$484 million. The Network business performed ahead of target mainly due to lower operating expenditure. The Retail business did not achieve its targeted EBIT for the year due to additional wholesale costs as a result of market conditions experienced in the final quarter of the year.

Capital expenditure of \$784 million was above target by \$65 million. The network capital expenditure was \$102 million ahead of budget reflecting additional expenditure in both the network performance and customer growth categories.

## Financial results

(\$ millions)	2006/07 Result	2006/07 SCI	Variation to SCI	2005/06 Result
Operating Revenue (\$m)	2,889	2,877	12	2,800
EBIT (\$m)	594	483	111	527
EBITDA (\$m)	862	756	106	785
Net Profit After Tax (\$m)	259	190	69	247
Dividend (\$m)	162	133	29	205
Total Distributions to Government (\$m)	278	215	63	304
Return on Equity (%)	12.4	10.8	1.6	14.4
Capital Expenditure (\$m)	784	719	65	604

### Events after balance date

On 16 July 2007 the Executive General Manager Retail ceased employment with EnergyAustralia. Following an executive search process, Mr. Mike Bailey was appointed to the position of Executive General Manager Retail on 3 September 2007. Mr. Bailey previously held the position of General Manager Wholesale Energy at EnergyAustralia.

On 16 August 2007 the sale of EnergyAustralia's remaining 50% share in the EA-IPR Retail partnership was completed with International Power (Retail) Pty Ltd (see Note 29). Proceeds from the sale of \$142 million were received by EnergyAustralia on the same date. On completion of the sale in 2007/08, a further \$46.0 million profit on sale will be reflected in EnergyAustralia's consolidated results for the year ending 30 June 2008.

The financial statements reflect the impact of accounting for electricity hedge derivatives as at 30 June 2007. This value has also been reassessed as at 31 August 2007 against the electricity forward curve. As a result of that assessment the net fair value has decreased by \$541.8 million and further explanation is provided in the notes to the financial statements (Note 36). This change is not reflective of the underlying business performance and purely reflects the movement in the balance sheet values based on a revaluation against the electricity forward curve required by the accounting standards and is quarantined in our balance sheet as they are 'effective' hedges.

### 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 account the Australian Securities Exchange (ASX) 'Corporate Governance Council, Principles of Good Corporate Governance and Best Practice Recommendations' and other relevant best practice guides.

### 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 access independent advice as required.

### 2006/07 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	11	11	–	–	–	1*
G. Maltabarow	10	10	6*	5*	11	11	5	5	6	5
P. Akopiantz	10	9	6	5	11	11	–	–	–	–
P. Jeans	10	10	–	–	–	–	5	5	6	6
M. Lambert	10	8	6	6	–	–	5	4	6	5
W. Tomlins	10	7	6	4	–	–	5	4	–	–

A Indicates number of meetings held during the period the Director was in office

B Indicates the number of meetings attended by the Director

\* Attended sub-committee meeting as an invitee

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.

### **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, and
- 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, and
- 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, and
- 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 link 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, and
- 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 & Compliance Sub-Committee of the Board. Internal Audit reports significant audit findings to the Audit & 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 2006/07, 22 key strategic risks were identified by management and formal risk assessments completed. Operational risk assessments were also completed for each business area.

### **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 established Ethics Committee comprising of 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 provision of EnergyAustralia's Code of Conduct.

This year the Ethics Committee has met on six occasions in various workplace locations. The main focus of the Committee during the year has been on reviewing training programs to ascertain the nature of ethics training being conducted and ensuring that this training is adequate and consistent.

There have been no cases referred to the EnergyAustralia Ethics Committee by either EnergyAustralia employees or contractors through the 2006/07 period. Employees can also call the St James Ethics Centre help line if they do not wish to raise an issue with the EnergyAustralia Ethics Committee. There were 16 employees disciplined in 2006/07 due to inappropriate actions on their behalf. There have been no court appearances by either EnergyAustralia employees or contractors throughout the year.

### **Compliance**

EnergyAustralia's Codes of Conduct outlines our intent to comply with the letter and spirit of our policies, procedures, guidelines and legislation. Codes of Conduct, which cover what EnergyAustralia expects of its employees and contractors, are in place. The Codes apply to people at every level and all of our locations. Breaches of the Codes may result in disciplinary action.

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 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 and
- Human Resources.

# Finance -

## Statements and Notes

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## Income Statement

for the year ended 30 June 2007

	Note	Consolidated Entity		EnergyAustralia	
		2007	2006	2007	2006
		\$M	\$M	\$M	\$M
<b>Continuing Operations</b>					
Revenue	2	2 889.0	2 800.1	2 889.0	2 800.1
Expenses, excluding finance costs	3(a)	(2 374.7)	(2 326.6)	(2 374.7)	(2 331.1)
Finance costs	3(b)	(220.0)	(181.1)	(220.0)	(181.1)
Gain/(Loss) on disposal	4	46.4	(5.2)	(2.9)	(5.2)
Share of profit of partnership		33.4	6.3	–	–
<b>Profit before tax from continuing operations</b>		<b>374.1</b>	293.5	<b>291.4</b>	282.7
Income tax expense	5	115.4	83.0	102.9	71.4
<b>Profit after tax from continuing operations</b>		<b>258.7</b>	210.5	<b>188.5</b>	211.3
<b>Profit after tax from discontinuing operations</b>	34	–	36.8	–	72.6
<b>Profit for the year</b>		<b>258.7</b>	247.3	<b>188.5</b>	283.9
Profit attributable to minority interest	21	–	–	–	–
<b>Profit attributable to members of EnergyAustralia</b>	21	<b>258.7</b>	247.3	<b>188.5</b>	283.9
<b>Dividends per share</b>	21	<b>81.2</b>	102.6	<b>81.2</b>	102.6

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

## Balance Sheet

as at 30 June 2007

	Note	Consolidated Entity		EnergyAustralia	
		2007	2006	2007	2006
		\$M	\$M	\$M	\$M
<b>Current assets</b>					
Cash and cash equivalents	6	5.6	12.5	5.6	12.5
Trade and other receivables	7	1 301.8	637.8	1 301.8	697.9
Other financial assets	8, 22(d)	546.5	36.1	546.5	36.1
Inventories	9	23.9	25.7	23.9	25.7
Other current assets	10	98.2	87.9	98.2	87.9
Non-current assets held for sale	11	–	0.4	–	0.4
<b>Total current assets</b>		<b>1 976.0</b>	800.4	<b>1 976.0</b>	860.5
<b>Non-current assets</b>					
Investments accounted for using the equity method	12	–	15.2	–	–
Other financial assets	22(d)	668.2	48.6	668.2	48.6
Property, plant and equipment	13	5 964.3	5 403.3	5 964.3	5 403.3
Intangible assets	14	171.0	152.5	171.0	152.5
Deferred tax assets	16	168.4	169.3	181.0	169.3
<b>Total non-current assets</b>		<b>6 971.9</b>	5 788.9	<b>6 984.5</b>	5 773.7
<b>Total assets</b>		<b>8 947.9</b>	6 589.3	<b>8 960.5</b>	6 634.2
<b>Current liabilities</b>					
Trade and other payables	17	1 084.6	448.5	1 084.6	452.2
Interest bearing liabilities	18	853.0	629.1	853.0	629.1
Other financial liabilities	22(d)	48.7	0.1	48.7	0.1
Deferred revenue		40.4	69.8	40.4	69.8
Employee benefits	31	353.8	348.9	353.8	348.9
Provisions	19	172.6	215.4	172.6	215.4
Deposits		29.5	33.2	29.5	33.2
Current tax payable	15	21.5	93.6	21.5	93.6
Deferred government grants		1.0	0.9	1.0	0.9
<b>Total current liabilities</b>		<b>2 605.1</b>	1 839.5	<b>2 605.1</b>	1 843.2
<b>Non-current liabilities</b>					
Interest bearing liabilities	18	2 700.2	2 179.7	2 700.2	2 179.7
Other financial liabilities	22(d)	108.7	4.2	108.7	4.2
Employee benefits	31	34.1	49.1	34.1	49.1
Provisions	19	51.7	60.9	51.7	60.9
Deposits		1.6	2.1	1.6	2.1
Deferred tax liabilities	16	956.3	695.6	956.3	695.6
Deferred government grants		32.7	32.7	32.7	32.7
Other non-current liabilities	20	0.2	0.5	0.2	0.5
<b>Total non-current liabilities</b>		<b>3 885.5</b>	3 024.8	<b>3 885.5</b>	3 024.8
<b>Total liabilities</b>		<b>6 490.6</b>	4 864.3	<b>6 490.6</b>	4 868.0
<b>Net assets</b>		<b>2 457.3</b>	1 725.0	<b>2 469.9</b>	1 766.2
<b>Equity</b>					
Parent entity interest					
Share capital	21	–	–	–	–
Contributed equity	21	402.1	402.1	402.1	402.1
Reserves	21	1 639.0	1 006.4	1 680.6	1 006.4
Retained earnings	21	416.5	316.8	387.2	357.7
<b>Total parent entity interest</b>		<b>2 457.6</b>	1 725.3	<b>2 469.9</b>	1 766.2
Minority interest in controlled entity	21	(0.3)	(0.3)	–	–
<b>Total equity</b>	21	<b>2 457.3</b>	1 725.0	<b>2 469.9</b>	1 766.2

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

## Statement of Changes in Equity

for the year ended 30 June 2007

	Note	Consolidated Entity		EnergyAustralia	
		2007	2006	2007	2006
		\$M	\$M	\$M	\$M
<b>Total equity at the beginning of the year</b>	21	<b>1 725.0</b>	1 670.4	<b>1 766.2</b>	1 675.0
Adjustment on adoption of AASB 132 and AASB 139 to:					
Retained profits		–	(38.2)	–	(38.2)
Reserves		–	13.7	–	13.7
<b>Restated total equity at the beginning of the year</b>		<b>1 725.0</b>	1 645.9	<b>1 766.2</b>	1 650.5
Net increase/(decrease) in revaluation reserve		<b>48.5</b>	(4.7)	<b>90.1</b>	(4.7)
Net increase in hedging reserve		<b>584.1</b>	36.5	<b>584.1</b>	36.5
Net increase in foreign exchange reserve		–	0.2	–	0.2
Transfers to and from reserves/retained profits		<b>3.3</b>	5.0	<b>3.3</b>	5.0
<b>Net income recognised directly in equity</b>		<b>635.9</b>	37.0	<b>677.5</b>	37.0
<b>Profit for the year</b>		<b>258.7</b>	247.3	<b>188.5</b>	283.9
<b>Total recognised income and expense for the year</b>		<b>894.6</b>	284.3	<b>866.0</b>	320.9
Dividends provided for or paid		<b>(162.3)</b>	(205.2)	<b>(162.3)</b>	(205.2)
<b>Total equity at the end of the year</b>	21	<b>2 457.3</b>	1 725.0	<b>2 469.9</b>	1 766.2

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

## Cash Flow Statement

for the year ended 30 June 2007

The Cash Flow Statement and its Notes apply to both EnergyAustralia and the Consolidated Entity

	Note	2007 \$M	2006 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		3 093.3	3 071.7
Payments to suppliers and employees		(2 487.5)	(2 398.0)
Cash generated from operations		605.8	673.7
Interest received		3.5	1.8
Interest paid		(215.3)	(188.7)
Income tax equivalent paid		(175.5)	(54.0)
<b>Net cash from operating activities</b>	30	<b>218.5</b>	432.8
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments (discontinuing operations)		–	64.5
Proceeds from sale of property, plant and equipment		6.2	5.7
Payments for property, plant and equipment and intangible assets		(776.1)	(567.7)
<b>Net cash from investing activities</b>		<b>(769.9)</b>	(497.5)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		700.4	169.8
Dividend paid		(205.2)	(81.1)
<b>Net cash from financing activities</b>		<b>495.2</b>	88.7
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(56.2)</b>	24.0
Cash and cash equivalents at 1 July	6	12.5	(11.5)
<b>Cash and cash equivalents at 30 June</b>	6	<b>(43.7)</b>	12.5

The above cash flow statement 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 2007 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 12 September 2007.

### (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 in conformity with AASBs 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 8, 17, 19, 22(d) and 31).

Certain new and revised accounting standards and the Australian Accounting Interpretations have been published that are not mandatory for the 30 June 2007 reporting period. The EnergyAustralia Group has elected not to apply these new standards and interpretations to the annual reporting period beginning 1 July 2006 (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, and 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.

##### (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 (undergrounding 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.

## 1 Significant accounting policies continued

### (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 2007. 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 2004/05 to reflect fair value in accordance with AASB 116 and the previous NSW Treasury Accounting Policy *Valuation of Physical Non-Current Assets at Fair Value* [TPP05-3]. Independent valuers, Preston Rowe Paterson NSW Pty Limited (PRP) were engaged to value these assets. The 2004/05 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)(iv) (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) Subsequent costs

Property, plant & equipment assets purchased below \$500, are expensed as acquired. The cost of property, plant & equipment constructed by the EnergyAustralia Group 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.

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.

#### (iv) 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 – 60 years
  - plant and equipment 4 – 25 years
- The residual value, if not insignificant, 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 2 – 3 years

#### (j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories 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.

#### (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 (derivatives) 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 cost. The difference between the face value and the capital value of all debt securities acquired at inception is amortised over the life of the specific instrument. Interest associated with these instruments is brought to account on an accruals 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.

## 1 Significant accounting policies continued

Loan debt shown as 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 cashflow hedges against movements in spot prices. Energy trading activities are conducted in accordance with Board approved policies.

Energy derivative instruments are stated at fair value based on last observed market prices. Whilst segregated trading contracts are accounted for wholly on a mark-to-market basis, 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.

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.

### (iv) Available for sale asset

The Corporation's investment in Energy Australia Pty Ltd is treated as an available for sale financial asset under AASB 139 *Financial Instruments: Recognition and Measurement*. The available for sale investment represents the fair value of the investment in Energy Australia Pty Ltd. The fair value has been determined with reference to the partnership agreement (see Note 29).

### (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 2007):

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.

During 2006/07, a consulting actuary, David A. Zaman, undertook the annual investigation of the EnergyAustralia Group's estimated liability for workers' compensation as at 30 June 2007. The liability is measured as the present value of future payments at 30 June 2007 and was estimated to be \$17.4 million (2006: \$18.6 million). This includes the liability for dust related diseases which is estimated at \$6.5 million (2006: \$8.0 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 2007 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 2007 was estimated to be \$7.4 million (2006: \$10.7 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.

##### 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 2007 was estimated to be \$32.8 million (2006: \$37.7 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). 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 does have 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.

## 1 Significant accounting policies continued

### (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 strategy to lift Australia's use of electricity generated from renewable sources. This imposes an obligation on the EnergyAustralia Group to purchase Renewable Energy Certificates (RECs) and surrender them to the Office of the Renewable Energy Regulator in discharge of the EnergyAustralia Group's renewable energy obligations.

The *Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002* imposes on electricity retailers, the obligation to 'surrender' sufficient certificates each year to satisfy the State Government's strategy to reduce greenhouse gas per capita emissions from electricity purchases. This imposes an obligation upon the EnergyAustralia Group to purchase NSW Greenhouse Abatement Certificates (NGACs) and surrender them to the Independent Pricing and Regulatory Tribunal (IPART) in discharge of the EnergyAustralia Group's greenhouse gas emission reduction obligations.

All purchases of certificates are accounted for as an asset at cost. The surrender of these certificates are recognised in the underlying purchase commitment as an element of electricity purchase costs.

Internally generated RECs and NGACs are recognised at fair value.

### (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 2007 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 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.

#### (ii) Interpretation 10 *Interim Financial Reporting and Impairment*

Interpretation 10 is applicable to annual reporting periods beginning on or after 1 November 2006. The Group has not elected to adopt this interpretation early. It will apply Interpretation 10 in the 2007/08 financial statements. Implementation of this interpretation is not expected to affect the Group's financial statements.

**(iii) Interpretation 11 AASB 2 – Group and Treasury Share Transactions**

Interpretation 11 is applicable to annual reporting periods beginning on or after 1 March 2007. The Group does not have share-based payment transactions with employees (or other suppliers of goods and services). This interpretation will not affect the Group's financial statements.

**(iv) Interpretation 12 Service Concession Arrangements and Interpretation 129 Service Concession Arrangements: Disclosures**

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

**(v) 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.

**(vi) Interpretation 14 AASB 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions**

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.

**(vii) AASB 7 Financial Instruments: Disclosures**

AASB 7 is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not elected to adopt this Standard early. Application of AASB 7 will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

**(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**

AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not elected to adopt this Standard early. It will apply AASB 101 in the 2007/08 financial statements. Implementation of AASB 101 will require additional disclosure of information about the Group's objectives, policies and processes for managing capital.

**(x) AASB 2005–10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]**

AASB 2005–10 is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not elected to adopt

this Standard early. It will apply AASB 2005–10 in the 2007/08 financial statements. These amendments arise from AASB 7 *Financial Instruments: Disclosures* (see Note 1(z)(v)).

**(xi) AASB 2007–1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]**

AASB 2007–1 is applicable to annual reporting periods beginning on or after 1 March 2007. The amendment arises from Interpretation 11 *AASB 2 – Group and Treasury Share Transactions* (see Note 1(z)(iii)). This Standard will not affect the Group's financial statements.

**(xii) AASB 2007–2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139]**

AASB 2007–2 is applicable to annual reporting periods beginning on or after 1 January 2008. The Group has not elected to adopt this Standard early. It will apply AASB 2007–2 in the 2008/09 financial statements (see Note 1(z)(iv)).

**(xiii) AASB 2007–3 Amendments to Australian Accounting standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 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)(vi)).

**(xiv) AASB 2007–4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 and 1038]**

AASB 2007–4 is applicable to annual reporting periods beginning on or after 1 July 2007. The Group has not elected to adopt this Standard early. It will apply AASB 2007–4 in the 2007/08 financial statements.

**(xv) AASB 2007–5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]**

AASB 2007–5 is applicable to annual reporting periods beginning on or after 1 July 2007. This Standard does not apply to the Group as AASB 2007–5 only applies to not-for-profit entities.

**(xvi) AASB 2007–6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 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.

**(xvii) AASB 2007–7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]**

AASB 2007–7 is applicable to annual reporting periods beginning on or after 1 July 2007. The Group has not elected to adopt this Standard early. It will apply AASB 2007–7 in the 2007/08 financial statements.

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
<b>2 Revenue</b>				
Sale and delivery of energy	2 634.8	2 549.0	2 634.8	2 549.0
Public lighting system charge	26.6	25.1	26.6	25.1
Capital contributions <sup>(1)</sup>	55.9	58.5	55.9	58.5
Recoverable works	19.5	11.6	19.5	11.6
Community service obligations refunds from Government	27.3	29.8	27.3	29.8
Investment income	5.6	2.3	5.6	2.3
Other	119.3	123.8	119.3	123.8
	<b>2 889.0</b>	<b>2 800.1</b>	<b>2 889.0</b>	<b>2 800.1</b>
<sup>(1)</sup> Capital Contributions				
Gross capital contributions	25.0	31.5	25.0	31.5
Contribution of assets	30.0	26.1	30.0	26.1
Government grants	0.9	0.9	0.9	0.9
	<b>55.9</b>	<b>58.5</b>	<b>55.9</b>	<b>58.5</b>

### 3 Expenses

#### (a) Expenses, excluding finance costs

Distribution of energy	2 374.7	2 326.6	2 374.7	2 331.1
These expenses include the following:				
Depreciation				
Buildings	5.5	5.9	5.5	5.9
System assets	193.3	179.2	193.3	179.2
Plant and equipment	27.5	28.2	27.5	28.2
Total depreciation	<b>226.3</b>	<b>213.3</b>	<b>226.3</b>	<b>213.3</b>
Amortisation				
Intangible – customer acquisitions	17.0	15.8	17.0	15.8
Intangible – computer software	24.4	28.8	24.4	28.8
	<b>41.4</b>	<b>44.6</b>	<b>41.4</b>	<b>44.6</b>
Bad debts and impairment of trade receivables	10.8	8.6	10.8	8.6
Impairment of greenhouse certificates expense	(12.2)	8.2	(12.2)	8.2
Employee benefits expense	289.5	352.3	289.5	352.3
Maintenance expenses				
(i) Employee related maintenance expenses included in employee benefits expense	97.2	92.0	97.2	92.0
(ii) Contracted labour and other (non-employee related) expenses	118.3	137.5	118.3	137.5
	<b>215.5</b>	<b>229.5</b>	<b>215.5</b>	<b>229.5</b>
<b>(b) Finance costs</b>				
Interest and finance charges paid/payable	220.0	181.1	220.0	181.1

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
<b>4 Gain/(Loss) on disposal</b>				
<b>Loss on disposal of property, plant and equipment</b>				
Proceeds from disposal	6.6	6.0	6.6	6.0
Less: Written down value of assets disposed	(9.5)	(11.2)	(9.5)	(11.2)
	(2.9)	(5.2)	(2.9)	(5.2)
<b>Gain on deconsolidation (Note 29)</b>	<b>49.3</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>46.4</b>	<b>(5.2)</b>	<b>(2.9)</b>	<b>(5.2)</b>
<b>5 Income tax expense</b>				
<b>Recognised in the income statement</b>				
<b>Current tax expense</b>				
Current year	106.5	141.9	106.5	145.6
Adjustments for prior years	(1.2)	-	(1.2)	-
	105.3	141.9	105.3	145.6
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	9.0	(58.8)	(3.5)	(58.8)
Benefit of tax losses recognised	1.1	15.7	1.1	15.7
	10.1	(43.1)	(2.4)	(43.1)
Total income tax expense in income statement	115.4	98.8	102.9	102.5
Attributable to:				
Continuing operations	115.4	83.0	102.9	71.4
Discontinuing operations (Note 34)	-	15.8	-	31.1
	115.4	98.8	102.9	102.5
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>				
Profit before tax	374.1	346.1	291.4	386.4
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	112.2	103.8	87.4	115.9
Increase in income tax expense due to:				
Non-deductible expenses	(2.8)	(5.0)	(2.7)	(13.4)
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	(10.0)	-	-	-
Under/(over) provided in prior years	(1.2)	-	(1.2)	-
Income tax expense on pre-tax net profit	115.4	98.8	102.9	102.5
Attributable to:				
Continuing operations	115.4	83.0	102.9	71.4
Discontinuing operations (Note 34)	-	15.8	-	31.1
	115.4	98.8	102.9	102.5
<b>Deferred tax recognised directly in equity</b>				
Relating to revaluation of property, plant and equipment	1.1	(2.0)	1.1	(2.0)
Relating to revaluation of hedge derivatives	250.3	21.6	250.3	21.6
	251.4	19.6	251.4	19.6

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M

## 6 Cash and cash equivalents

Cash on hand	0.1	0.1	0.1	0.1
Bank balances	5.5	1.3	5.5	1.3
Money market securities and deposits	–	11.1	–	11.1
Cash and cash equivalents	5.6	12.5	5.6	12.5
T-Corp short term accommodation (Note 18)	(49.3)	–	(49.3)	–
Cash and cash equivalents in the cash flow statement	(43.7)	12.5	(43.7)	12.5

## 7 Trade and other receivables

Trade receivables	858.4	315.0	858.4	315.1
Less: impairment of trade receivables	(15.0)	(12.9)	(15.0)	(12.9)
Prepayments	175.7	28.8	175.7	28.8
Receivables due from controlled entities	–	–	–	60.0
	1 019.1	330.9	1 019.1	391.0
Accrued sales of energy	285.9	309.9	285.9	309.9
Less: impairment of accrued sales of energy	(3.2)	(3.0)	(3.2)	(3.0)
	1 301.8	637.8	1 301.8	697.9

## 8 Other financial assets

Derivatives	404.5	36.1	404.5	36.1
Available for sale asset	142.0	–	142.0	–
	546.5	36.1	546.5	36.1

## 9 Inventories

Stores and materials				
– at cost	22.8	25.4	22.8	25.4
– at net realisable value	1.1	0.3	1.1	0.3
	23.9	25.7	23.9	25.7

## 10 Other current assets

Deferred costs	24.4	42.4	24.4	42.4
Greenhouse certificates	77.7	61.6	77.7	61.6
Less: impairment of greenhouse certificates	(3.9)	(16.1)	(3.9)	(16.1)
	98.2	87.9	98.2	87.9

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M

## 11 Non-current assets held for sale

Land and buildings	-	0.4	-	0.4
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## 12 Investments accounted for using the equity method

Investment in jointly controlled entities	-	15.2	-	-
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	Consolidated Entity and EnergyAustralia			
	Land and Buildings	System Assets	Other Assets	Total
	\$M	\$M	\$M	\$M

## 13 Property, plant and equipment

### At 1 July 2006

At fair value	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

At fair value	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

**Consolidated Entity and EnergyAustralia**

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

## 13 Property, plant and equipment continued

### At 1 July 2005

At fair value	262.3	5 460.8	295.6	6 018.7
Accumulated depreciation and impairment	(6.2)	(857.1)	(154.4)	(1 017.7)
Net carrying amount	256.1	4 603.7	141.2	5 001.0

### At 30 June 2006

At fair value	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

### Year ended 30 June 2006

Net carrying amount at start of year	256.1	4 603.7	141.2	5 001.0
Additions	19.2	568.7	39.1	627.0
Disposals	(0.1)	(8.5)	(2.6)	(11.2)
Net revaluation increment less revaluation decrement recognised in reserves	–	978.0	–	978.0
Depreciation expense (Note 3(a))	(5.9)	(179.2)	(28.2)	(213.3)
Impairment losses recognised directly in equity	–	(978.0)	–	(978.0)
Other movements	–	2.3	(2.5)	(0.2)
Net carrying amount at end of year	269.3	4 987.0	147.0	5 403.3

### Assets under construction

During the year ended 30 June 2007, the consolidated entity continued with its Network Capital Program.

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

Land and buildings	\$9.7 million (2006: \$12.5 million)
System assets	\$373.1 million (2006: \$304.0 million)
Other assets	\$15.9 million (2006: \$14.6 million)

### Historic cost of revalued assets

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

Land and buildings	\$214.7 million (2006: \$201.5 million)
System assets	\$4 660.8 million (2006: \$4 074.9 million)
Other assets	\$159.6 million (2006: \$147.0 million)

Notes to the financial statements  
for the year ended 30 June 2007

	<b>Consolidated Entity</b>			
	Easements	Computer Software	Customer Acquisitions	Total
	\$M	\$M	\$M	\$M
<b>14 Intangible assets</b>				
<b>At 1 July 2006</b>				
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
<b>At 30 June 2007</b>				
At cost	<b>80.4</b>	<b>320.2</b>	<b>48.7</b>	<b>449.3</b>
Accumulated amortisation and impairment	<b>–</b>	<b>(244.9)</b>	<b>(33.4)</b>	<b>(278.3)</b>
Net carrying amount	<b>80.4</b>	<b>75.3</b>	<b>15.3</b>	<b>171.0</b>
<b>Year ended 30 June 2007</b>				
Net carrying amount at start of year	<b>78.2</b>	<b>59.3</b>	<b>15.0</b>	<b>152.5</b>
External acquisitions	<b>2.2</b>	<b>40.5</b>	<b>17.2</b>	<b>59.9</b>
Amortisation (Note 3(a))	<b>–</b>	<b>(24.5)</b>	<b>(16.9)</b>	<b>(41.4)</b>
Net carrying amount at end of year	<b>80.4</b>	<b>75.3</b>	<b>15.3</b>	<b>171.0</b>
<b>At 1 July 2005</b>				
At cost	76.1	243.8	38.5	358.4
Accumulated amortisation and impairment	–	(187.6)	(15.1)	(202.7)
Net carrying amount	76.1	56.2	23.4	155.7
<b>At 30 June 2006</b>				
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
<b>Year ended 30 June 2006</b>				
Net carrying amount at start of year	76.1	56.2	23.4	155.7
External acquisitions	2.1	31.9	11.8	45.8
Amortisation (Note 3(a))	–	(28.8)	(15.8)	(44.6)
Other movements	–	–	(4.4)	(4.4)
Net carrying amount at end of year	78.2	59.3	15.0	152.5

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

**EnergyAustralia**

Easements	Computer Software	Customer Acquisitions	Total
\$M	\$M	\$M	\$M

## 14 Intangible assets continued

### 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	<b>80.4</b>	<b>320.2</b>	<b>48.7</b>	<b>449.3</b>
Accumulated amortisation and impairment	–	<b>(244.9)</b>	<b>(33.4)</b>	<b>(278.3)</b>
Net carrying amount	<b>80.4</b>	<b>75.3</b>	<b>15.3</b>	<b>171.0</b>

### Year ended 30 June 2007

Net carrying amount at start of year	<b>78.2</b>	<b>59.3</b>	<b>15.0</b>	<b>152.5</b>
External acquisitions	<b>2.2</b>	<b>40.5</b>	<b>17.2</b>	<b>59.9</b>
Amortisation (Note 3(a))	–	<b>(24.5)</b>	<b>(16.9)</b>	<b>(41.4)</b>
Net carrying amount at end of year	<b>80.4</b>	<b>75.3</b>	<b>15.3</b>	<b>171.0</b>

### At 1 July 2005

At cost	76.1	243.8	30.3	350.2
Accumulated amortisation and impairment	–	(187.6)	(11.3)	(198.9)
Net carrying amount	76.1	56.2	19.0	151.3

### At 30 June 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

### Year ended 30 June 2006

Net carrying amount at start of year	76.1	56.2	19.0	151.3
External acquisitions	2.1	31.9	11.8	45.8
Amortisation (Note 3(a))	–	(28.8)	(15.8)	(44.6)
Net carrying amount at end of year	78.2	59.3	15.0	152.5

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

### Assets under construction

During the year ended 30 June 2007, the consolidated entity continued with its Capital Program. At the balance sheet date, the construction in progress totalled:

Computer software                      \$20.5 million (2006: \$14.8 million)

## 15 Current tax liabilities

The current tax liability for both the consolidated entity and the Corporation of \$21.5 million (2006: \$93.6 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	
	2007	2006	2007	2006	2007	2006
	\$M	\$M	\$M	\$M	\$M	\$M
<b>16 Deferred tax assets and liabilities</b>						
<b>Recognised deferred tax assets and liabilities</b>						
Deferred tax assets and liabilities are attributable to the following:						
<b>Consolidated Entity</b>						
Unrealised gain	(13.2)	–	–	–	(13.2)	–
Property, plant and equipment	–	–	593.7	583.1	593.7	583.1
Intangible assets	–	–	8.4	13.3	8.4	13.3
Hedge derivatives	–	–	272.3	22.5	272.3	22.5
Employee benefits	(106.2)	(105.3)	–	–	(106.2)	(105.3)
Deferred government grants	(10.1)	(10.1)	–	–	(10.1)	(10.1)
Provisions	(28.2)	(36.8)	–	–	(28.2)	(36.8)
Other items	(10.7)	(16.0)	81.9	76.7	71.2	60.7
Tax value of loss carry-forwards recognised	–	(1.1)	–	–	–	(1.1)
Tax (assets)/liabilities	(168.4)	(169.3)	956.3	695.6	787.9	526.3
Set off of tax	–	–	–	–	–	–
Net tax (assets)/liabilities	(168.4)	(169.3)	956.3	695.6	787.9	526.3
<b>EnergyAustralia</b>						
Unrealised gain	(25.8)	–	–	–	(25.8)	–
Property, plant and equipment	–	–	593.7	583.1	593.7	583.1
Intangible assets	–	–	8.4	13.3	8.4	13.3
Hedge derivatives	–	–	272.3	22.5	272.3	22.5
Employee benefits	(106.2)	(105.3)	–	–	(106.2)	(105.3)
Deferred government grants	(10.1)	(10.1)	–	–	(10.1)	(10.1)
Provisions	(28.2)	(36.8)	–	–	(28.2)	(36.8)
Other items	(10.7)	(16.0)	81.9	76.7	71.2	60.7
Tax value of loss carry-forwards recognised	–	(1.1)	–	–	–	(1.1)
Tax (assets)/liabilities	(181.0)	(169.3)	956.3	695.6	775.3	526.3
Set off of tax	–	–	–	–	–	–
Net tax (assets)/liabilities	(181.0)	(169.3)	956.3	695.6	775.3	526.3

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.

	Consolidated Entity				EnergyAustralia			
	Balance	Recognised	Recognised	Balance	Balance	Recognised	Recognised	Balance
	1 July 06	in income	in equity	30 June 07	1 July 06	in income	in equity	30 June 07
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M

## 16 Deferred tax assets and liabilities continued

### Movement in temporary differences during the year

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	-	-
	<b>526.3</b>	<b>10.2</b>	<b>251.4</b>	<b>787.9</b>	<b>526.3</b>	<b>(2.4)</b>	<b>251.4</b>	<b>775.3</b>

	Balance	Recognised	Recognised	Balance	Balance	Recognised	Recognised	Balance
	1 July 05	in income	in equity	30 June 06	1 July 05	in income	in equity	30 June 06
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Unrealised gain	-	-	-	-	-	-	-	-
Property, plant and equipment	550.7	34.4	(2.0)	583.1	550.7	34.4	(2.0)	583.1
Intangible assets	39.7	(26.4)	-	13.3	39.7	(26.4)	-	13.3
Hedge derivatives	-	0.9	21.6	22.5	-	0.9	21.6	22.5
Employee benefits	(67.5)	(37.8)	-	(105.3)	(67.5)	(37.8)	-	(105.3)
Deferred government grants	(10.4)	0.3	-	(10.1)	(10.4)	0.3	-	(10.1)
Provisions	(23.0)	(13.8)	-	(36.8)	(23.0)	(13.8)	-	(36.8)
Other items	77.3	(16.6)	-	60.7	77.3	(16.6)	-	60.7
Tax value of loss carry-forwards utilised	(16.8)	15.7	-	(1.1)	(16.8)	15.7	-	(1.1)
	<b>550.0</b>	<b>(43.3)</b>	<b>19.6</b>	<b>526.3</b>	<b>550.0</b>	<b>(43.3)</b>	<b>19.6</b>	<b>526.3</b>

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M

## 17 Trade and other payables

Trade payables due to controlled entities	-	-	-	3.7
Other trade payables and accrued expenses	1 084.6	448.5	1 084.6	448.5
	<b>1 084.6</b>	<b>448.5</b>	<b>1 084.6</b>	<b>452.2</b>

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
<b>18 Interest bearing liabilities</b>				
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 22.				
<b>Current liabilities</b>				
Current portion of loans	803.7	629.1	803.7	629.1
T-Corp short term accommodation (Note 6)	49.3	–	49.3	–
	853.0	629.1	853.0	629.1
<b>Non-current liabilities</b>				
Non-current portion of loans	2 700.2	2 179.7	2 700.2	2 179.7
<b>Financing facilities</b>				
The Corporation has access to the following lines of credit:				
<b>Total facilities available</b>				
Bank overdraft <sup>(2)</sup>	2.0	2.0	2.0	2.0
T-Corp short term accommodation	450.0	450.0	450.0	450.0
T-Corp loans	3 500.0	3 020.0	3 500.0	3 020.0
Inscribed stock	5.5	5.7	5.5	5.7
	3 957.5	3 477.7	3 957.5	3 477.7
<b>Facilities utilised at reporting date</b>				
Bank overdraft <sup>(3),(4)</sup>	–	–	–	–
T-Corp short term accommodation <sup>(4)</sup>	49.3	–	49.3	–
T-Corp loans <sup>(4)</sup>	3 498.4	2 803.1	3 498.4	2 803.1
Inscribed stock <sup>(4)</sup>	5.5	5.7	5.5	5.7
	3 553.2	2 808.8	3 553.2	2 808.8
<b>Facilities not utilised at reporting date</b>				
Bank overdraft	2.0	2.0	2.0	2.0
T-Corp short term accommodation	400.7	450.0	400.7	450.0
T-Corp loans	1.6	216.9	1.6	216.9
Inscribed stock	–	–	–	–
	404.3	668.9	404.3	668.9

(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 \$6.9 million credit (2006: \$3.0 million credit).

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	%	%	%	%
(4) Effective interest rates:				
Bank overdraft	6.0	5.5	6.0	5.5
T-Corp short term accommodation	6.4	5.7	6.4	5.7
T-Corp loans	6.2	6.1	6.2	6.1
Inscribed stock	6.7	6.7	6.7	6.7

## 18 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 \$3,500 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 \$803.7 million (2006: \$629.0 million).

The non-current T-Corp loans are payable on or before 1 March 2017, with maturity dates ranging between two and nine 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 \$12,091 (2006: \$111,314).

The non-current inscribed stock comprises principal repayments to be made on or before 28 February 2018, with repayment dates ranging between two and ten 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

## 19 Provisions

Balance at 1 July 2006	21.3	205.2	49.8	276.3
Provisions made during the year	2.8	162.3	1.0	166.1
Provisions used during the year	(4.0)	(205.2)	(2.9)	(212.1)
Provisions reversed during the year	-	-	(6.0)	(6.0)
Balance at 30 June 2007	20.1	162.3	41.9	224.3
Non-current	17.5	-	34.2	51.7
Current	2.6	162.3	7.7	172.6
	20.1	162.3	41.9	224.3

Note: See Note 1(o) for commentary on provision classes.

	Consolidated Entity		EnergyAustralia						
	2007	2006	2007	2006					
	\$M	\$M	\$M	\$M					
<b>20 Other non-current liabilities</b>									
Non-current portion of payables and accrued expenses	0.2	0.5	0.2	0.5					
<b>21 Capital and reserves</b>									
<b>Reconciliation of movement in capital and reserves</b>									
<b>Attributable to equity holders of the parent</b>									
	Share capital	Contributed equity	Revaluation reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total	Minority interest	Total equity
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Consolidated Entity</b>									
Balance at 1 July 2006	-	402.1	956.0	50.4	-	316.8	1 725.3	(0.3)	1 725.0
Impairment losses	-	-	-	-	-	-	-	-	-
Net revaluation increment less revaluation decrement	-	-	-	-	-	-	-	-	-
Adjustment on adoption of AASB 139 and minority interest	-	-	-	-	-	-	-	-	-
Transfers to/(from) reserves	-	-	(3.3)	-	-	3.3	-	-	-
Total recognised income and expense	-	-	-	834.4	-	258.7	1 093.1	-	1 093.1
Adjustment (restoration provision)	-	-	6.9	-	-	-	6.9	-	6.9
Available for sale asset	-	-	46.0	-	-	-	46.0	-	46.0
Deferred tax movement recognised directly in equity	-	-	(1.1)	(250.3)	-	-	(251.4)	-	(251.4)
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
Balance at 1 July 2005	-	402.1	960.7	-	-	307.9	1 670.7	(0.3)	1 670.4
Impairment losses	-	-	(978.0)	-	-	-	(978.0)	-	(978.0)
Net revaluation increment less revaluation decrement	-	-	978.0	-	-	-	978.0	-	978.0
Adjustment on adoption of AASB 139 and minority interest	-	-	-	13.9	(0.2)	(38.2)	(24.5)	-	(24.5)
Transfers to/(from) reserves	-	-	(5.0)	-	-	5.0	-	-	-
Total recognised income and expense	-	-	-	58.1	0.2	247.3	305.6	-	305.6
Adjustment (restoration provision)	-	-	(1.7)	-	-	-	(1.7)	-	(1.7)
Deferred tax movement recognised directly in equity	-	-	2.0	(21.6)	-	-	(19.6)	-	(19.6)
Dividends to shareholders	-	-	-	-	-	(205.2)	(205.2)	-	(205.2)
Balance at 30 June 2006	-	402.1	956.0	50.4	-	316.8	1 725.3	(0.3)	1 725.0

## 21 Capital and reserves continued

### Reconciliation of movement in capital and reserves

#### EnergyAustralia

	Share capital \$M	Contributed equity \$M	Revaluation reserve \$M	Hedging reserve \$M	Foreign exchange reserve \$M	Retained earnings \$M	Total equity \$M
Balance at 1 July 2006	-	402.1	956.0	50.4	-	357.7	1 766.2
Impairment losses	-	-	-	-	-	-	-
Net revaluation increment less revaluation decrement	-	-	-	-	-	-	-
Adjustment on adoption of AASB 139	-	-	-	-	-	-	-
Transfers to/(from) reserves	-	-	(3.3)	-	-	3.3	-
Total recognised income and expense	-	-	-	834.4	-	188.5	1 022.9
Adjustment (restoration provision)	-	-	6.9	-	-	-	6.9
Available for sale asset	-	-	87.6	-	-	-	87.6
Deferred tax movement recognised directly in equity	-	-	(1.1)	(250.3)	-	-	(251.4)
Dividends to shareholders	-	-	-	-	-	(162.3)	(162.3)
Balance at 30 June 2007	-	402.1	1 046.1	634.5	-	387.2	2 469.9
Balance at 1 July 2005	-	402.1	960.7	-	-	312.2	1 675.0
Impairment losses	-	-	(978.0)	-	-	-	(978.0)
Net revaluation increment less revaluation decrement	-	-	978.0	-	-	-	978.0
Adjustment on adoption of AASB 139	-	-	-	13.9	(0.2)	(38.2)	(24.5)
Transfers to/(from) reserves	-	-	(5.0)	-	-	5.0	-
Total recognised income and expense	-	-	-	58.1	0.2	283.9	342.2
Adjustment (restoration provision)	-	-	(1.7)	-	-	-	(1.7)
Deferred tax movement recognised directly in equity	-	-	2.0	(21.6)	-	-	(19.6)
Dividends to shareholders	-	-	-	-	-	(205.2)	(205.2)
Balance at 30 June 2006	-	402.1	956.0	50.4	-	357.7	1 766.2

**Consolidated Entity  
and EnergyAustralia  
Ordinary Shares**

**2007** 2006

## 21 Capital and reserves continued

### 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 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:

	<b>Total Amount</b>	<b>Date of payment</b>
	\$M	
<b>2007</b>		
Interim 2007	<b>72.8</b>	1 August 2007
Final 2007	<b>89.5</b>	1 December 2007
Total amount	<b>162.3</b>	
<b>2006</b>		
Interim 2006	90.5	1 August 2006
Final 2006	114.7	1 December 2006
Total amount	205.2	

## 22 Financial instruments

Financial instruments apply to both EnergyAustralia and the consolidated entity.

Exposure to credit, interest rate, energy price and foreign currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to 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 US 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.

### Forecasted transactions

The consolidated entity classifies its forward exchange contracts that are not designated to hedging relationships and states them at fair value. The fair value of forward exchange contracts at 1 July 2005 was adjusted against the opening balance of the hedging reserve at that date.

The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2007 was -\$0.269 million (2006: -\$0.005 million), comprising assets of \$3.514 million (2006: \$0.502 million) and liabilities of \$3.783 million (2006: \$0.507 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 as a component of finance costs. There were no forward exchange contracts designated as economic hedges at 30 June 2007 (2006: 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.

## 22 Financial instruments continued

### Effective interest rates and repricing analysis

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

#### Consolidated Entity and EnergyAustralia

##### 2007

	Note	Effective interest rate	Total \$M	1 year or less \$M	1-2 years \$M	2-3 years \$M	3-4 years \$M	4-5 years \$M	More than 5 years \$M
Cash and cash equivalents	6	5.9%	5.6	5.6	–	–	–	–	–
AUD fixed rate loans	18	6.2%	(3 282.0)	(803.6)	(1.2)	(132.8)	(616.8)	(524.7)	(1 202.9)
AUD floating rate loans	18	6.4%	(221.9)	(0.1)	(221.8)	–	–	–	–
T-Corp short term accommodation	18	6.4%	(49.3)	(49.3)	–	–	–	–	–
			(3 547.6)	(847.4)	(223.0)	(132.8)	(616.8)	(524.7)	(1 202.9)

##### 2006

Cash and cash equivalents	6	5.6%	12.5	12.5	–	–	–	–	–
AUD fixed rate loans	18	6.1%	(2 816.9)	(637.2)	(507.6)	(1.2)	(1.2)	(528.7)	(1 141.0)
AUD floating rate loans	18	5.8%	8.1	8.1	–	–	–	–	–
T-Corp short term accommodation	18	5.7%	–	–	–	–	–	–	–
			(2 796.3)	(616.6)	(507.6)	(1.2)	(1.2)	(528.7)	(1 141.0)

### (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 5 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) and the Victorian gas market, 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 5 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 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 realised. Similar movements in the unrealised and realised fair value of all other instruments within the Hedge Portfolio are recognised within the Income Statement.

The terms and face value, defined as contract volume multiplied by strike price, of the EnergyAustralia Group's outstanding energy derivative contracts at the reporting date are detailed in the following table:

	Consolidated Entity	
	2007	2006
	\$M	\$M
<b>Face Value</b>		
<b>Energy Derivatives</b>		
Not longer than one year	849	772
One to five years	4 337	4 521
Longer than five years	3 338	2 718

## 22 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 table.

#### (i) Energy derivatives

For energy derivatives, directly appropriate market price valuations are not available for all of the instruments (particularly the highly sculpted or large volume types) held by the EnergyAustralia Group. Therefore, net fair value for such contracts has been calculated based on internally adjusted market price estimates for similar products. 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. 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.

#### (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. All other receivables/payables are discounted to determine the fair value.

#### (iv) Interest rates used for determining fair value

The entity uses the government yield curve as at 30 June 2007 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2007	2006
Loans and borrowings	6.5% – 6.8%	5.8% – 6.2%

#### (v) Available for sale financial asset

The available for sale investment represents the fair value of the investment in Energy Australia Pty Ltd. The fair value has been determined with reference to the partnership agreement (see Note 29).

	<b>Consolidated Entity</b>			
	<b>2007</b>		2006	
	Carrying Amount \$M	Net Fair Value \$M	Carrying Amount \$M	Net Fair Value \$M
<b>22 Financial instruments</b> continued				
<b>Net fair values</b>				
The carrying amounts and net fair values of financial assets and liabilities at balance date are:				
Financial instruments				
<b>Financial assets</b>				
Cash and cash equivalents (Note 6)	5.6	5.6	12.5	12.5
Trade and other receivables (Note 7)	1 301.8	1 301.8	637.8	637.8
Derivatives	1 072.7	1 072.7	84.7	84.7
Available for sale asset	142.0	142.0	–	–
	<b>2 522.1</b>	<b>2 522.1</b>	735.0	735.0
<b>Financial liabilities</b>				
T-Corp short term accommodation (Note 18)	49.3	49.3	–	–
Loans (Note 18)	3 503.9	3 425.5	2 808.8	2 805.5
Trade and other payables (Note 17)	1 084.6	1 084.6	448.5	448.5
Deposits	31.1	31.1	35.3	35.3
Deferred government grants	33.7	33.7	33.6	33.6
Other financial liabilities (Note 20)	0.2	0.2	0.5	0.5
Derivatives	157.4	157.4	4.3	4.3
	<b>4 860.2</b>	<b>4 781.8</b>	3 331.0	3 327.7
<b>EnergyAustralia</b>				
	<b>2007</b>		2006	
	Carrying Amount \$M	Net Fair Value \$M	Carrying Amount \$M	Net Fair Value \$M
Financial instruments				
<b>Financial assets</b>				
Cash and cash equivalents (Note 6)	5.6	5.6	12.5	12.5
Trade and other receivables (Note 7)	1 301.8	1 301.8	697.9	697.9
Derivatives	1 072.7	1 072.7	84.7	84.7
Available for sale asset	142.0	142.0	–	–
	<b>2 522.1</b>	<b>2 522.1</b>	795.1	795.1
<b>Financial liabilities</b>				
T-Corp short term accommodation (Note 18)	49.3	49.3	–	–
Loans (Note 18)	3 503.9	3 425.5	2 808.8	2 805.5
Trade and other payables (Note 17)	1 084.6	1 084.6	452.2	452.2
Deposits	31.1	31.1	35.3	35.3
Deferred government grants	33.7	33.7	33.6	33.6
Other financial liabilities (Note 20)	0.2	0.2	0.5	0.5
Derivatives	157.4	157.4	4.3	4.3
	<b>4 860.2</b>	<b>4 781.8</b>	3 334.7	3 331.4

## 22 Financial instruments continued

### (e) Sensitivity analysis

In managing energy price, interest rate and currency 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 foreign exchanges and interest rates would have an impact on consolidated earnings.

At 30 June 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the consolidated entity's profit before tax by approximately \$7.2 million (2006: \$6.4 million). Interest rate swaps have been included in this calculation.

It is estimated that a general increase of one percentage point in the value of the AUD against other foreign currencies would not have a measurable impact on the consolidated entity's profit before tax. All material foreign exchange exposures are hedged.

At 30 June 2007, it is estimated that a general increase of \$1 in forward market electricity prices would have resulted in a decrease in consolidated earnings by \$0.8 million (2006: \$0.6 million) and an increment of \$18.1 million (2006: \$19.2 million) to the hedge revaluation reserve.

### (f) Credit risk exposures

The credit risk on financial assets, excluding investments, of the EnergyAustralia Group which have been recognised in the Balance Sheet, is generally the carrying amount, net of any impairment provisions for doubtful debts. 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.

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 2007 the EnergyAustralia Group's swap position did not give rise to any favourable contracts (2006: 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's credit risk is minimised as it transacts predominantly with other Government owned corporations in the energy industry. Where a 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 \$1 072.7 million (2006: \$84.7 million), with the only significant concentration of credit risk being with a Government owned entity in New South Wales.

## 23 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)

### 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	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
Short-term employee benefits	3.1	3.0	3.1	3.0
Long-term benefits	1.1	0.9	1.1	0.9
Post-employment benefits	1.1	0.6	1.1	0.6

### Other transactions

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

- EnergyAustralia paid \$328,398 (2006: \$323,408) to the Sydney Symphony Orchestra in accordance with a sponsorship agreement. Mr Conde was a Director of the Sydney Symphony Orchestra prior to being appointed as Chairman in May 2007.
- EnergyAustralia paid \$3,794,114 (2006: \$7,646,810) to PowerTel as part of provision of services. The contracts for these services were entered into in 2001/02 following a tender process. Mr Conde was appointed Chairman of PowerTel in June 2006 and resigned from that position 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.

## 24 Related parties – non-key management personnel disclosures

### Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see Note 29), partnership (see Note 1(c)(iii)) and with its Directors and executive officers (see Note 23).

### Other related party transactions

#### (i) Subsidiaries

During the year ended 30 June 2007, 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 2007/08. Loans outstanding between EnergyAustralia and its controlled entities have no fixed date of repayment and are non-interest bearing. There were no loans (net) to subsidiaries at 30 June 2007 (2006: \$56.3 million).

#### (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.

### Partnership

EnergyAustralia processes network settlements, some billing and collection services and has prudential guarantees for the partnership. These services are provided and priced on an arm's length basis. During the year ended 30 June 2007, the partnership paid the consolidated entity \$85.4 million (2006: \$30.8 million).

EnergyAustralia and IPower Pty Ltd (or its nominee) have a put and call option respectively on the remaining 50% shareholding in the partnership. These options were exercisable in April 2007 and were subsequently exercised on 16 May 2007 (see Note 29).

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
<b>25 Remuneration of auditor</b>				
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)).				
<b>26 Contingent liabilities and contingent assets</b>				
<b>Contingent liabilities</b>				
Guarantees issued by financial institutions <sup>(5)</sup>				
Bank guarantees provided in the normal course of business, in lieu of retention and security deposits	1.1	11.6	1.1	11.6
Guarantees provided to regulatory and statutory authorities	585.2	226.4	585.2	226.4
	586.3	238.0	586.3	238.0
<b>Contingent assets</b>				
Potential recoveries from gross workers compensation claim payments	2.0	2.3	2.0	2.3

(5) The EnergyAustralia Group has fully indemnified the issuing financial institutions in the unlikely event these guarantees are called on.

Consolidated Entity		EnergyAustralia	
2007	2006	2007	2006
\$M	\$M	\$M	\$M

## 27 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	154.0	53.2	154.0	53.2
Twelve months or longer and not longer than five years	–	1.9	–	1.9
Total (including GST)	154.0	55.1	154.0	55.1
Input tax credits	14.0	5.0	14.0	5.0

### (b) Other commitments

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

Within twelve months	16.6	17.2	16.6	17.2
Twelve months or longer and not longer than five years	5.8	11.3	5.8	11.3
Longer than five years	0.3	–	0.3	–
Total (including GST)	22.7	28.5	22.7	28.5
Input tax credits	2.1	2.6	2.1	2.6

## 28 Operating leases

### Leases as lessee

Non-cancellable operating leases are payable as follows:

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
Within twelve months	17.2	16.3	17.2	16.3
Twelve months or longer and not longer than five years	26.9	26.8	26.9	26.8
Longer than five years	105.6	100.7	105.6	100.7
	149.7	143.8	149.7	143.8

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 2007, \$17.1 million (2006: \$15.8 million) was recognised as an expense in the Income Statement in respect of operating leases.

### 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:

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
Within twelve months	4.7	5.8	4.7	5.8
Twelve months or longer and not longer than five years	10.8	15.9	10.8	15.9
Longer than five years <sup>(6)</sup>	8.3	9.6	8.3	9.6
	23.8	31.3	23.8	31.3

During the year ended 30 June 2007, \$6.2 million (2006: \$6.4 million) was recognised as rental income in the Income Statement and \$0.8 million (2006: \$0.8 million) in respect of repairs and maintenance was recognised as an expense in the Income Statement relating to these properties.

(6) 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 %	
	2007	2006

## 29 Consolidated entities

### Parent entity

EnergyAustralia

### Subsidiaries

Energy Management International Pty Ltd	Australia	100	100
Energy Australia Pty Ltd	Australia	100 <sup>(7)</sup>	100
Downtown Utilities Pty Ltd	Australia	70	70

(7) Through its 100% owned subsidiary Energy Australia Pty Ltd, EnergyAustralia operated a partnership with IPower Pty Ltd to sell electricity and gas to customers in Victoria and South Australia. Under the terms of the partnership agreement, IPower Pty Ltd 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. Subsequently, the investment in Energy Australia Pty Ltd is treated as an 'Available for Sale' financial asset under AASB 139 *Financial Instruments: Recognition and Measurement*.

As a result of loss of control of the subsidiary at 1 April 2007 the remaining \$49.3 million of deferred profit that arose on the initial 50% sale transaction is recognised in the 2006/07 profit and loss results. On completion of the sale in 2007/08, a further \$46.0 million profit will be reflected in the EnergyAustralia's consolidated results.

As at 30 June 2007, the 'Available for Sale' asset is valued at \$142 million in both the EnergyAustralia entity and Consolidated Financial Statements. This arose from the remeasurement of EnergyAustralia's investment in Energy Australia Pty Ltd and results in the creation of revaluation reserves of \$46.0 million in the consolidated results and \$87.6 million in the EnergyAustralia entity.

	Consolidated Entity		EnergyAustralia	
	2007	2006	2007	2006
	\$M	\$M	\$M	\$M
<b>30 Reconciliation of cash flows from operating activities</b>				
Profit for the year	258.7	247.3	188.5	283.9
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation	267.7	257.9	267.7	257.9
Amortisation of unrealised capital (debt)	(5.8)	(7.5)	(5.8)	(7.5)
Amortisation of deferred government grants	(0.8)	(0.8)	(0.8)	(0.8)
Impairment of assets	(9.9)	10.2	(9.9)	10.2
Share of profit from partnership	(33.4)	(6.3)	–	–
Loss on disposal of property, plant and equipment	2.9	4.4	2.9	4.4
(Profit) on sale of division	–	(52.6)	–	(103.7)
(Gain) on deconsolidation	(49.3)	–	–	–
(Profit) on disposal of other non-current assets	–	(0.1)	–	(0.1)
(Profit)/loss on close out liability contracts	0.6	(7.4)	0.6	(7.4)
<b>Changes in assets and liabilities:</b>				
Decrease in accrued sales of energy	24.0	33.6	24.0	15.0
(Increase) in other accrued income	(543.4)	(123.0)	(543.3)	(130.6)
Decrease in operating related inventories	1.8	1.0	1.8	1.0
(Increase)/decrease in deferred tax assets	0.9	(20.2)	(11.7)	(20.2)
(Increase) in prepaid operating expenditure	(145.0)	(80.1)	(145.0)	(70.3)
Increase/(decrease) in accrued operating expenditure	328.3	(5.6)	328.3	19.0
Increase/(decrease) in provision for income tax payable	(72.1)	87.9	(72.1)	87.9
Increase/(decrease) in deferred tax liabilities	260.7	(3.5)	260.7	(3.5)
Increase/(decrease) in other provisions	(33.8)	92.4	(33.8)	92.4
Increase/(decrease) in deferred revenue	(29.4)	6.6	(29.4)	6.6
(Decrease) in customer security deposits	(4.2)	(1.4)	(4.2)	(1.4)
Net cash from operating activities	218.5	432.8	218.5	432.8

### 31 Employee benefits

**Aggregate liability for employee benefits, including on-costs:**

Short term benefits	89.6	87.1	89.6	87.1
Long term benefits	298.2	295.9	298.2	295.9
Post employment benefits	0.1	15.0	0.1	15.0
	387.9	398.0	387.9	398.0

**2007** 2006  
\$M \$M

## 32 Superannuation

Superannuation benefits apply to both EnergyAustralia and the consolidated entity. All references are to the December 2004 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.

### Reconciliation of the present value of the defined benefit obligation

Present value of defined benefit obligations	<b>621.1</b>	577.2
Other movements	<b>(17.8)</b>	–
Present value of defined benefit obligations at beginning of the year	<b>603.3</b>	577.2
Current service cost	<b>18.1</b>	15.6
Interest cost	<b>36.6</b>	30.5
Contributions by Scheme participants	<b>8.6</b>	7.8
Actuarial (gains)/losses	<b>37.3</b>	16.8
Benefits paid	<b>(32.1)</b>	(26.8)
Present value of defined benefit obligations at end of the year	<b>671.8</b>	621.1

### Reconciliation of the fair value of Scheme assets

Fair value of Scheme assets at beginning of the year	<b>606.3</b>	509.3
Expected return on Scheme assets	<b>45.2</b>	38.2
Actuarial gains/(losses)	<b>54.5</b>	59.6
Employer contributions	<b>19.9</b>	18.2
Contribution by Scheme participants	<b>8.6</b>	7.8
Benefits paid	<b>(32.1)</b>	(26.8)
Fair value of Scheme assets at end of the year	<b>702.4</b>	606.3

### Reconciliation of the assets and liabilities recognised in the balance sheet

Present value of defined benefit obligations at end of the year	<b>671.8</b>	621.1
Fair value of Scheme assets at end of the year	<b>(702.4)</b>	(606.3)
Net liability/(asset) recognised in balance sheet at end of the year	<b>(30.6)</b>	14.8

	2007	2006
	\$M	\$M
<b>32 Superannuation</b> <i>continued</i>		
<b>Expense recognised in the income statement</b>		
Components recognised in the income statement:		
Current service cost	18.1	15.6
Interest cost	36.6	30.5
Expected return on Scheme assets (net of expenses)	(45.2)	(38.2)
Actuarial losses/(gains) recognised in the year	(17.2)	(42.8)
Expense/(income) recognised	(7.7)	(34.9)
<b>Amounts recognised in the statement of changes in equity</b>		
Actuarial (gains)/losses	-	-
Adjustment for limit on net asset	-	-
<b>Cumulative amount recognised in the statement of changes in equity</b>		
Cumulative amount of actuarial (gains)/losses	-	-
Cumulative adjustment for limitation on net asset	-	-
<b>Scheme assets</b>		
The percentage invested in each asset class at the balance sheet date:		
		2006
Australian equities		38.9%
Overseas equities		36.9%
Australian fixed interest securities		7.1%
Overseas fixed interest securities		3.4%
Property		8.6%
Cash		4.2%
Other		0.9%
<b>Fair value of Scheme assets</b>		
All Scheme assets are invested by the Trustees at arm's length through independent managers.		
<b>Expected rate of return on assets</b>		
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.		
	2007	2006
	\$M	\$M
<b>Actual return on Scheme assets</b>		
Actual return on Scheme assets	89.6	91.6

2007

2006

## 32 Superannuation continued

### 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

Salary increase rate (excluding promotional increases)	<b>6.0% pa until June 2009; 4.0% pa thereafter</b>	4.0% pa
Rate of CPI increase	<b>2.5% pa</b>	2.5% pa
Expected rate of return on assets	<b>7.6% pa</b>	7.3% pa
Discount rate	<b>5.9% pa</b>	5.0% pa

#### (c) Demographic assumptions

The demographic assumptions at 30 June 2007 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	
<b>Males</b>					
30	4	8	–	100	3.0
40	6	8	–	90	0.1
50	11	12	–	45	–
60	30	20	1 570	–	–
<b>Females</b>					
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
	<b>Widow</b>	<b>Widower</b>
55	0.2500	0.2500
65	0.5380	0.5800
75	0.4825	0.5160
85	0.3928	0.3728

## 32 Superannuation continued

(iii) Pensioner Mortality – assumed mortality rates (in 2006/2007) 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

2007	2006
\$M	\$M

### Historical information

Present value of defined benefit obligation	671.8	621.1
Fair value of Fund assets	(702.4)	(606.3)
(Surplus)/Deficit in Scheme	(30.6)	14.8
Experience adjustments – Scheme liabilities	37.3	16.8
Experience adjustments – Scheme assets	(54.4)	(59.6)

### Expected contributions

Expected employer contributions	16.6	16.3
---------------------------------	------	------

**Consolidated Entity**

<b>2007</b>	2006
\$M	\$M

## 32 Superannuation continued

### 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	<b>631.3</b>	539.3
Net market value of Scheme assets	<b>(702.4)</b>	(606.3)
Net (surplus)/deficit	<b>(71.1)</b>	(67.0)

#### (b) Contribution recommendations

Recommended contribution rates for the entity are:

	<b>Division B</b>	<b>Division C</b>	<b>Division D</b>
	Multiple of member contributions	% member salary	Multiple of member contributions
	<b>1.90</b>	<b>2.5%</b>	<b>1.64</b>

#### (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:

	<b>2007</b>	2006
Weighted-Average Assumptions		
Expected rate of return on Scheme assets	<b>7.0% pa</b>	7.5% pa
Expected salary increase rate	<b>6.0% pa until June 2009; 4.0% pa thereafter</b>	4.0% pa
Expected rate of CPI increase	<b>2.5% pa</b>	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.

## 33 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.

### 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

#### Year ended 30 June 2007

#### Revenue

	Energy \$M	Other \$M	Inter- segment Elimina- tions \$M	Consol- idated Entity \$M
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	8 704.8	69.2	–	8 774.0
Excluded assets				173.9
Total assets				8 947.9

Segment liabilities	1 695.9	101.4	–	1 797.3
Excluded liabilities				4 693.3
Total liabilities				6 490.6

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.

### 33 Segment reporting continued

#### Primary reporting – business segments (cont.)

Year ended 30 June 2006

#### Revenue

	Energy \$M	Other \$M	Inter- segment elimina- tions \$M	Con- solidated Entity \$M
Sales to external customers	2 613.7	112.5	–	2 726.2
Inter-segment sales	0.2	–	(0.2)	–
Total sales revenue	2 613.9	112.5	(0.2)	2 726.2
Other revenue	70.6	1.0	–	71.6
Total segment revenue	2 684.5	113.5	(0.2)	2 797.8

#### Result

Segment result	449.9	16.1	–	466.0
Excluded revenue less excluded expenses – interest				(178.8)
Profit from ordinary activities before tax				287.2
Share of profit of partnership	6.3	–	–	6.3
Income tax expense				(83.0)
Profit after tax from continuing operations				210.5
Gain on sale of the division from discontinuing operations (Note 34)				52.6
Income tax expense				(15.8)
Profit after tax from discontinuing operations				36.8
Profit for the year				247.3
Segment assets	6 300.4	92.0	–	6 392.4
Investment in jointly controlled entities	15.2	–	–	15.2
Excluded assets				181.7
Total assets				6 589.3
Segment liabilities	939.6	121.6	–	1 061.2
Excluded liabilities				3 803.1
Total liabilities				4 864.3
Acquisition of PPE, intangibles and other non-current segment assets	669.5	3.3	–	672.8
Depreciation and amortisation expense	253.9	4.0	–	257.9
Impairment of assets	1 009.7	0.5	–	1 010.2

Note: All segments are continuing operations.

#### Consolidated Entity

	2007 \$M	2006 \$M
<b>Reconciliation of segment revenue to entity revenue</b>		
Total segment revenue	2 883.4	2 797.8
Add investment revenue	5.6	2.3
Revenue from ordinary activities	2 889.0	2 800.1

**Australia**

<b>2007</b>	2006
\$M	\$M

### 33 Segment reporting continued

#### Secondary reporting – geographical segment

EnergyAustralia operates in one geographical segment, Australia.

Revenue by location of customers	<b>2 883.4</b>	2 797.8
Carrying amounts of segment assets by location	<b>8 947.9</b>	6 589.3
Acquisition of PPE, intangibles and other non-current segment assets	<b>856.4</b>	672.8

### 34 Discontinued operation

#### (a) Description

On 18 April 2005, the consolidated entity's management announced its intention to sell the Victoria and South Australia operations. These operations were sold on 7 July 2005 (effective 1 July 2005).

#### (b) Financial performance and cash flow information

The financial performance and cash flow information is only for the year ended 30 June 2005 as the sale was effective 30 June 2005.

	Consolidated Entity		EnergyAustralia	
	<b>2007</b>	2006	<b>2007</b>	2006
	\$M	\$M	\$M	\$M
Gain on sale of the division before tax	–	52.6	–	103.7
Income tax expense	–	(15.8)	–	(31.1)
Gain on sale of the division after tax	–	36.8	–	72.6
Profit after tax from discontinuing operation	–	36.8	–	72.6
Net cash inflow from investing activities	–	64.5	–	64.5
Net increase in cash generated by the division	–	64.5	–	64.5

#### (c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities information is not shown in the Note as it only applies to the 30 June 2005 reporting period.

### 35 External consultants

The total amount paid to or accrued for consultants during the year ended 30 June 2007 was \$0.6 million (2006: \$1.6 million).

### 36 Events occurring after reporting date

Settlement on the sale of EnergyAustralia's partnership with IPower Pty Ltd (see Note 29) was achieved on 16 August 2007. Proceeds from the sale of \$142 million have been received by EnergyAustralia on the same date. On Completion of the sale in 2007/08, a further \$46.0 million profit on sale will be reflected in the EnergyAustralia's consolidated results for the year ending 30 June 2008.

The fair value of derivatives held at 30 June 2007 has been reassessed using 31 August 2007 Forward Curve. The net fair value has decreased by \$541.8 million since reporting date. As at 31 August 2007, reassessed fair value of these derivative assets was \$513.4 million (\$559.3 million lower than the fair value at reporting date) and the reassessed fair value of these derivative liabilities was \$139.9 million (\$17.5 million lower than the fair value at reporting date). This affects the Balance Sheet only. See Note 22(d).

END OF AUDITED FINANCIAL STATEMENTS

## Directors' Declaration

Pursuant to Section 41C 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 2005*, 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 2007 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 Maltabarow  
Managing Director

Sydney  
12 September 2007



## Independent Auditor's Report EnergyAustralia

### To Members of the New South Wales Parliament

I have audited the accompanying financial report of EnergyAustralia (the Corporation) and EnergyAustralia and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. 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 2007, 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).

#### The Responsibility of Directors' 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 control 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 director's also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', 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 control relevant to the entity'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 entity's internal control. 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 it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office 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 are not compromised in their role by the possibility of losing clients or income.

**MT Spriggins**  
Director, Financial Audit Services

13 September 2007  
SYDNEY

# Statutory Information

## Access to information/Statement of Affairs

As a large decentralised organisation, EnergyAustralia holds many files, documents, instructions, and manuals 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 the following documents are treated on their merits in accordance with the Freedom of Information (FOI) Act which include, but are not limited to, personnel records; property matters; corporate directives; procedure manuals; reports (including administrative, testing), photographs; and customer details.

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**

EnergyAustralia Building  
570 George Street, Sydney  
Telephone: (02) 9269 2941  
Facsimile: (02) 9269 2830

### **Or post to:**

FOI Coordinator  
EnergyAustralia  
GPO Box 4009  
Sydney NSW 2001

	Personal	Other	Total 2006/07	Total 2005/06
The following table shows all categories affected by Freedom of Information Act 1989 (NSW) requests in 2005/06 and 2006/07. Where a category is not shown, it is a nil return for both the years shown. Note: The refused applications were on the basis that documents were not held.				
<b>Number of new FOI requests</b>				
New (including transferred in)	0	33	33	21
Brought forward	1	1	2	1
<b>Total to be processed</b>	1	34	35	22
Completed	1	30	31	19
Withdrawn	0	3	3	1
<b>Total Processed</b>	1	30	31	20
Unfinished (carried forward)	0	1	1	2
<b>What happened to completed requests?</b>				
Granted in full	1	23	24	17
Granted in part	0	5	5	2
Refused	0	2	2	0
<b>Total Completed</b>	1	30	31	19
<b>Number of requests requiring formal consultation</b>				
	1	5	6	1
<b>FOI requests granted in part or refused</b>				
Section 24 (1) (a) – exempt	1	5	6	2
Section 28 (1) (b) – documents not held	0	2	2	5
<b>Costs and fees of requests processed</b>				
Assessed costs	\$0	\$0	\$0	\$600
FOI fees received	\$0	\$915	\$915	\$555
<b>Discounts allowed</b>				
Public interest	0	3	3	0
Financial hardship – Non-profit organisation	0	1	1	1
<b>Days to process</b>				
0 – 21	0	17	17	13
22 – 35	0	9	9	4
Over 35	1	4	5	2
<b>Processing time</b>				
0 – 10 hours	1	30	31	18
11 – 20 hours	0	0	0	1
21 – 40 hours	0	0	0	0
<b>Reviews and appeals</b>				
Number of internal reviews finalised	0	1	1	1
Number of Ombudsman reviews finalised	0	1	1	1
Number of Administrative Decisions Tribunal (ADT) appeals finalised	1	0	1	0
<b>Details of internal review results</b>				
Grounds on which internal review requested				
Exempt matter	0	1	1	1

An assessment of FOI requirements on EnergyAustralia's activities found no major impact during the 2006/07 financial year. There were no major issues that arose during the year with regard to EnergyAustralia's annual reporting compliance on FOI issues. There is currently one application which has been reviewed by the Ombudsman and one application that has been finalised by the Administrative Decisions Tribunal.

## Employment Equity

In 2006/07, 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 and 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.

Representation	EnergyAustralia					Benchmark or Govt Target
	2007	2006	2005	2004	2003	
Women	18%	19%	18%	18%	17%	50%
Aboriginal people and Torres Strait Islanders	0.9%	0.8%	0.4%	0.5%	0.8%	2%
People whose language first spoken as a child was not English	12%	15%	11%	12%	11%	20%
People with a disability	5%	4%	5%	6%	6%	12%
People with a disability requiring work-related adjustment	0.9%	0.9%	0.9%	1%	1.1%	7%

Distribution Index	EnergyAustralia					Benchmark or Govt Target
	2007	2006	2005	2004	2003	
Women	85	85	86	83	83	100
Aboriginal people and Torres Strait Islanders	75	67	N/A	N/A	91	100
People whose language first spoken as a child was not English	105	102	104	102	102	100
People with a disability	102	101	98	94	96	100
People with a disability requiring work-related adjustment	99	99	94	89	87	100

### Comments:

1. Excludes casual staff.
2. 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 OEEED.
3. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

## Ethnic Affairs Priority Statement Program

EnergyAustralia is committed to meeting the needs of our diverse customer base and all products and services are delivered with the greater needs of the community in mind. During the financial year 2006/07 EnergyAustralia offered the following products to our customers:

- An interpreter service 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 is currently reviewing our three-year Community Relations program with the intention of considering the introduction of products including:

- a translated website page specifically designed to assist community workers in offering advice on efficient energy usage on a daily basis;
- translated information to market retail energy contract offers to customers from ethnically diverse backgrounds;
- translated brochures on EnergyAustralia's hardship service called EnergyAssist.

## Consultancies

Type of Consultancy	Total (\$)	Title/Nature of Major Items
Finance & Accounting	308,762	Accounting Standards, Risk and Policy review
IT	56,880	IT Procurement and Interim Plan
Management Services	3,375	Vision & Strategy for Network Line of Business
Engineering	193,323	Treasury Reliability Standards Review
<b>Total Consultancies</b>	<b>\$562,340</b>	

## Senior executive remuneration

Name	Position	Remuneration and Performance Payment	Statement of Performance
G. Maltabarow	Managing Director	\$548,625 Bonus \$116,583	Has been in this role for the full reporting period. Delivered SCI financial targets and key operating targets for safety, key capital programs and stakeholder management.
G. Lillis	Executive General Manager Network	\$325,000 Bonus \$68,250	Has been in this role for the full reporting period. Delivered capital plan including improvements in the planning cycle for capital projects and managed significant regulatory issues.
J. Eisenhuth	Executive General Manager Enerserve	\$307,000 Bonus \$62,935	Has been in this role for the full reporting period and exceeded targets for safety and the delivery of maintenance and capital works.
D. Anderson	Executive General Manager Shared Services	\$275,000 Bonus \$52,525	Has been in this role for the full reporting period. Delivered improvements to processes in the call centre, back office operations and program to rollout time of use meters.
C. James	Executive General Manager Finance & Corporate	\$345,000 Bonus \$69,863	Has been in the role for the full reporting period and integrated the corporate groups and delivered on key financial reporting targets and industrial arrangements.

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

Mr Tim O'Grady – Executive General Manager Retail ceased employment with EnergyAustralia on 16 July 2007. His remuneration for the 2006/07 financial year was \$307,000.

### Heritage Act requirements

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

### Funds granted to non-government community organisations

Refer to Community and Sustainability section (see page 19)

### Research and development

Refer to Operational Excellence section (see page 24)

## Overseas visits statistics

Name	Position	Country	Dates	Purpose
Albert Tong	Investment Analyst, Network	Hong Kong	16 July 2006 – 6 February 2007	Participate in staff exchange program with China Light & Power
George Maltabarow	Managing Director	USA	18 – 28 August 2006	Review IT systems in overseas utilities
Sharron Kennedy	Chief Information Officer, Finance & Corporate			
Colin Peacock Part EnergyAustralia funded	Manager – Transmission, Enerserve	France & UK	17 August – 14 September 2006	Attend meeting of technical working group, visit overseas utilities and suppliers.
David Pengilly	Manager – Logistics & Training, Enerserve	France	24 August – 1 September 2006	Attend meeting of technical working group
Bill Woods	Senior Consultant, Enerserve	New Zealand	29 – 30 August 2006	Attend standards meeting
Tony Histon	Manager – Telecommunications Network	Sweden, Switzerland & France	8 – 22 September 2006	Attend standards meeting and visit overseas utilities
Jeff Child	Engineering Officer, Shared Services	Vietnam	18 – 26 September 2006	Attend trade exhibition
Peter Ryan	Manager – TCA, Shared Services	Vietnam	18 – 26 September 2006	Attend trade exhibition
John Ainsworth Part EnergyAustralia funded	Engineering Policy Development Manager, Network	Germany & Switzerland	26 – 28 September 2006	Attend energy industry meeting and inspect network infrastructure
Craig Moody	Manager Network Engineering, Network	Hong Kong	26 September – 4 October 2006	Inspect network infrastructure
John Merlino	Executive Manager, Enerserve	Hong Kong	26 – 30 September 2006	Inspect network infrastructure
Don Hay	System Operator, Network	Hong Kong	26 – 30 September 2006	Inspect network infrastructure and review systems
John Redwin	Area Operator, Network	Hong Kong	26 – 30 September 2006	Inspect network infrastructure and review systems
Lisa Maffina	Corporate Secretary	UK, Switzerland, Bermuda & USA	1 – 14 September 2006	Meetings with insurance underwriters
Patrick McMullan	Senior Engineer, Network	New Zealand	8 – 11 October 2006	Attend technical conference
John Eisenhuth	Executive General Manager, Enerserve	France, Switzerland, UK & USA	29 September – 26 October 2006	INSEAD Advanced Management Program
			27 October – 8 November	Visit Engineering Training Facilities, inspect network infrastructure and visit suppliers
David Eccles	Senior Engineer, Enerserve	USA	11 – 22 October 2006	Attend industry conference
Lynton Jamieson Part EnergyAustralia funded	Executive Manager, Network	Hong Kong	10 – 11 October 2006	Meeting with overseas utility
Tim O'Grady	Executive General Manager, Retail	New Zealand	20 – 22 November 2006	Inspection of infrastructure and meetings with overseas utilities and metering supplier.
George Maltabarow	Managing Director			

Name	Position	Country	Dates	Purpose
Craig James	Executive General Manager, Finance & Corporate	France, Switzerland, UK & USA	28 October – 16 November 2006	Visit Engineering Training Facilities, inspect network infrastructure and visit suppliers. Attend International Utility Working Group meeting
Geoff Lilliss	Executive General Manager, Network	France, Switzerland, UK & USA	28 October - 19 November 2006	Visit Engineering Training Facilities, inspect network infrastructure and visit suppliers. Attend International Utility Working Group meeting
Peter Ryan	Senior Consultant, Shared Services	Singapore, Thailand, Hong Kong & Malaysia	2 – 23 December 2006	Customer meetings
Rob Bradley	Senior Engineer, Enerserve	Korea	2 – 6 January 2007	Visit overseas manufacturer and witness technical testing.
Phil Ramsay	Manager – Network Test, Enerserve	Korea	2 – 6 January 2007	Visit overseas manufacturer and witness technical testing
Gunter Theisz	Manager – Product Compliance, Shared Services	New Zealand	26 – 28 February 2007	Attend technical standards meeting
Robert Smith	Manager – Demand Management & Policy Strategy, Network	New Zealand	17 – 21 February 2007	Attend conference
Alex Miller	Senior Economist, Network	New Zealand	17 – 21 February 2007	Attend conference
Edwin Shaw	Manager IT Strategy, Finance & Corporate	Amsterdam	25 February – 2 March 2007	Attend conference
Murray Pickering	Installation Inspector, Network	New Zealand	28 February – 7 March 2007	Attend standards meeting
Peter Ryan	Manager – TCA, Shared Services	Thailand	5 – 10 March 2007	Attend conference
John Hardwick	A/Manager – Asset & Investment Management, Network	USA	25 March – 7 April 2007	Attend conference and inspect network infrastructure
Bill Carman	Network Earthing/ Safearth Manager, Enerserve	USA	7 – 20 April 2007	Attend energy industry meeting
Ezra Beeman Part EnergyAustralia funded	Manager – Metering & Pricing Strategy, Network	Thailand	24 – 26 April 2007	Attend energy industry meetings
Lynton Jamieson	Executive Manager, Network Customer Operations, Network	USA, Canada & Hong Kong	25 April – 12 May 2007	Attend energy industry meetings
Sharron Kennedy	Chief Information Officer, Finance & Corporate	Japan	13 – 18 May 2007	Attend IT industry meetings
Colin Peacock	Manager – Transmission, Enerserve	Spain, France	18 June – 10 July 2007	Attend technical working group meeting and meet with energy companies and suppliers

## 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

#### Renewable Energy (Electricity) Amendment Act 2006

The Renewable Energy (Electricity) Amendment Act 2006 commenced on 11 September 2006. The Act amended the Renewable Energy (Electricity) Act 2000 to improve the operational efficiency of the Federal Government's Mandatory Renewable Energy Target scheme (MRET). The key amendments include:

- Setting time limits for the creation of Renewable Energy Certificates (RECs) and providing the opportunity to voluntarily surrender RECs.
- Providing for provisional accreditation of proposed renewable generation projects.
- Providing for the responsible Minister to prescribe in the regulations additional renewable energy sources for which power stations can be accredited and to prescribe definitions of what constitutes renewable energy sources.
- Providing the Regulator with greater powers to investigate and monitor compliance with the MRET scheme and to suspend a power station's accreditation scheme in a range of circumstances.

The Renewable Energy (Electricity) Regulations 2001 was amended by a number of amending regulations during the financial year to give effect to the MRET scheme. These are the Renewable Energy (Electricity) Amendment Regulations No.2, Renewable Energy (Electricity) Amendment Regulations No.3 and Renewable Energy (Electricity) Amendment Regulations No.4.

#### National Electricity Rules

The Australian Energy Market Commission made a number of Rules under the National Electricity Law during the financial year which impact on EnergyAustralia as a participant in the National Electricity Market. The most significant Rules being:

- National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006 (which commenced on 16 November 2006)
- National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 (which commenced on 21 December 2006)
- National Electricity Amendment (Metrology) Rule 2006 (which commenced on 9 November 2006)

- National Electricity Amendment (Reform of the Regulatory Test Principles) Rule 2006 (which commenced on 30 November 2006)
- National Electricity Amendment (Resolution of existing generator performance standards) Rule 2006 (which commenced on 7 December 2006)
- National Electricity Amendment (Transmission Last Resort Planning) Rule 2007 (which commenced on March 2007)
- National Electricity Amendment (Technical Standards for Wind Generation and other Generator Connections) Rule 2007 No.2 (which commenced on 15 March 2007)
- National Electricity Amendment (Reallocations) Rule 2007 (which commenced on 31 May 2007)

More information about the Rules is available from the Australian Energy Market Commission website.

#### Do Not Call Register Legislation

Legislation to establish a national Do Not Call Register scheme was introduced on 30 June 2006 to allow people to choose not to receive unsolicited telemarketing calls by registering their telephone number on the Do Not Call Register. The main components of the Legislation are:

- the Do Not Call Register Act 2006 (Cth) (the DNCR Act), together with;
- the Do Not Call Register Regulations 2006 (Cth) (Regulations); and
- the Do Not Call (Consequential Amendments) Act 2006 (Cth) (the CA Act).

The DNCR Act and Regulations establish the Do Not Call Register scheme, to be administered by the Australian Communications and Media Authority (ACMA), while the CA Act enables the ACMA to enforce the Do Not Call Register scheme and to develop industry codes and standards relating to telemarketing.

The Do Not Call Register commenced on 31 May 2007.

#### New South Wales

##### Electricity Supply Amendment (Greenhouse Gas Abatement Scheme) Act 2006

The Electricity Supply Amendment (Greenhouse Gas Abatement Scheme) Act 2006 commenced on 8 December 2006. The Act:

- amended the Electricity Supply Act 1995 to extend the operation of the NSW Greenhouse Gas Abatement Scheme from 2012 to 2021 and beyond or until a scheme with similar objectives is established on a national basis or in New South Wales and at least one or more other States or Territories; and
- increased in incremental steps commencing 1 January 2010 the penalty payable by a benchmark participant who fails to comply with the participant's greenhouse gas benchmark for reducing greenhouse gas emissions in any year.

### **Energy and Utilities Administration Amendment (Climate Change Fund) Act 2007**

The Energy and Utilities Administration Amendment (Climate Change Fund) Act 2007, which commenced on 1 July 2007, amends the Energy and Utilities Administration Act 1987 (Principal Act) to:

- establish the Climate Change Fund (which is a consolidation of the Energy Savings Fund and the Water Savings Fund established under the Principal Act);
- set out the purposes of the Climate Change Fund which are similar to the previous funds but expanded to include the provision of funding to reduce the impacts of climate change; and
- make consequential amendments to the Electricity Supply Act regarding the obligations of retail suppliers and distribution network service providers in relation to the pass through of payments made to the Climate Change Fund.

### **Electricity Supply (General) Amendment (Renewable Energy Sources) Regulation 2006**

The Electricity Supply (General) Amendment (Renewable Energy Sources) Regulation 2006 came into effect on 15 January 2007. The Regulation amended the Electricity Supply (General) Regulation 2001 to introduce a requirement on retail suppliers of electricity to make an offer to certain small retail customers that a minimum of 10 per cent of electricity supplied to the customer will be obtained from accredited renewable energy sources. The requirement applies in respect of small retail customers who own or occupy residential premises and who enter into new customer supply contracts, either with their existing supplier or with another supplier. The requirement is in the form of a condition attached to licences held by retail suppliers.

### **Electricity Supply Amendment (Miscellaneous) Regulation 2007**

The Electricity Supply Amendment (Miscellaneous) Regulation 2007 commenced on 2 March 2007. The Regulation amended the Electricity Supply (General) Regulation 2001 to extend the scheme for the determination of regulated retail tariffs for the supply of electricity to small retail customers and the operation of the electricity Tariff Equalisation Fund to 30 June 2010.

#### **Queensland**

Full retail competition (FRC) for both electricity and gas in Queensland commenced on 1 July 2007. FRC amendments to the Electricity Act 1994, the Electricity Regulation 2006, and the Gas Supply Act 2003, supported by new Acts, Regulations, rules and codes, establish a framework for the introduction of retail competition in relation to residential and small business customers.

EnergyAustralia is a holder of a retail authority for electricity and a general retail authority for gas in Queensland.

#### **Judicial decisions**

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

## **Property Disposal**

EnergyAustralia disposed of three properties that attracted a total value of \$724,000 in 2006/07. 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 substation properties at Hurstville and Waverley were sold, together with the former substation site at Darlinghurst that sold at auction for \$399,000. 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, 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 [www.energy.com.au](http://www.energy.com.au)

## **Annual Report Costs**

The total external costs for the production of this Annual Report were \$70,000 excluding GST. It is printed on recycled paper and also available on EnergyAustralia's website [www.energy.com.au](http://www.energy.com.au)

## Consumer Response

### EnergyAssist

EnergyAssist, EnergyAustralia's customer hardship program commenced in November 2004, providing assistance to customers suffering long term financial hardship to manage their energy consumption and associated costs during difficult times, and to learn skills to manage independently in the future. EnergyAssist is a voluntary program of support that provides holistic care for customers and importantly protects them from disconnection and other debt recovery actions. Case management, that we offer to customers, includes budgetary and energy information, useful payment options such as Centrepay (a payment channel for pensioner recipient customers), appropriate referrals to consumer networks, quarterly energy-related newsletters, payment and reward incentives and individual care and support.

The EnergyAssist program has also participated in community forums and delivered training to financial counsellors and community welfare organisations.

### Customer Relations

The Customer Relations complaints team is the referral point for disputes raised through the Energy and Water Ombudsman NSW, and their dedication to delivering a high standard of complaint resolution has seen 2252 disputes resolved during the financial year 2006/2007. This represents a nine per cent reduction in the overall number of disputes when compared to the previous year. 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 3.2 million calls during 2006/07. Customer Service Representatives handled 1.9 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 front line service for EnergyAustralia. Service quality continued to be a focus for the Contact Centre in 2006/07 with first-call resolution at 94 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 2006/07 to discuss, review and improve a range of matters including products, services and dispute resolution.

## Statement of Waste Reduction and Purchasing Policy

EnergyAustralia has taken part in the NSW Government Waste Reduction and Purchasing Policy 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:

- Tips for staff on reducing office waste
- Encouraging double-sided document printing
- Increasing the purchase of recycled content products
- Developing the promotion of the dechlorination and regeneration of transformer oil
- Improving our waste tracking for generation and recycling of building materials such as bricks, concrete, fill, and asphalt, in addition to wood poles
- Assessing the safe disposal and recycling of fluorescents used in street lighting
- Investigating options for conducting an office waste audit to determine how much waste our offices actually produce, to better implement waste minimisation initiatives.

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 2006/07 include:

- 28,927 tonnes of vegetation recycled (98 per cent)
- 349 tonnes of steel recycled (100 per cent)
- 960 tonnes of non ferrous metal recycled (100 per cent)
- 159 tonnes of house meters recycled
- 589 transformers recycled

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.

## Ministry reporting requirements – Demand Management

This section describes actions aimed at shifting the timing and level of peak demand for electricity. Demand Management by Network aims to reduce the scale and frequency of peaks in locations and therefore change the timing and alleviate network congestion or possible constraints.

EnergyAustralia also undertakes other demand side measures aimed at improving energy efficiency and helping customers reduce their electricity bill and their impact on the environment. These other demand side activities are described in the Customers section, which includes our demand side products supplied for our customers, and the Community and Sustainability section, which includes general programs, information and price signals to encourage energy efficiency.

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, 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 Electricity System Development Review (ESDR) on EnergyAustralia's website. EnergyAustralia maintains a DM Register of Interested Parties, who are notified of the publication of the ESDR 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 solutions above \$1 million are subjected to a DM Screening Test consisting 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 Screening Test determines 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. If 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 project may use 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:

- 31 DM Screening Tests have been completed. Five full DM Investigations, resulting in two viable projects.
- DM program to improve power factor at customer sites in the North Sydney area has been initiated. We also continued to implement programs in the Hunter Valley, Carlingford, Leightonfield, Berowra, Hornsby & Pennant Hills areas. These targeted programs raise 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.
- Completed a program called Energy Savings Home Delivered, a residential light-bulb installation program in Balmain and Drummoyne from August 2006 to May 2007 to reduce peak demand in the area. The program involved the installation of over 80,000 compact florescent light (CFL) globes in 5000 homes in the Drummoyne Zone Substation load area.
- Continued to operate embedded generator projects at Medowie (1MW) and Wollombi (1MW).
- Capacitors have been installed to provide reactive power support which will reduce demand on upstream network elements at six locations.
- Controlled load tariffs continue to be used to manage hot water load into off peak periods.

**Demand Management Projects Implemented During 2006/2007**

Project	Description of Demand Management Project Implemented	Peak Demand Reduction (kVA)	CO <sub>2</sub> Reduction (Tonnes Per Year and Expected Duration)	PV of Costs of Demand Management Project	PV of Total of Capital Expenditure Deferment plus Operating Expenditure Savings
<b>Individual Large Projects</b>					
North Sydney Power Factor Correction Program	This program is intended to facilitate installation of Power Factor (PF) correction equipment at nine large customers' premises where PF is low. Customers are offered project facilitation and discounted prices through bulk buying.	1,750kVar	100 tonnes/yr for 10 years	\$20,000 (budget)	\$470,000
Wollombi Distributed Generation Extension Project	This project is an extension of a previous project, and is intended to support voltage levels in the 11kV system during high load. It will also enable upgrade works to occur on feeder sections while minimising customer outages.	1,000kVA	16 tonnes/yr for 6 years	\$1,219,000 (budget)	\$683,000
Network capacitors at Nulkaba	Installation of reactive support within the network.	8,000kVar	456 tonnes/yr for 10 years	\$225,000	Not applicable <sup>1</sup>
Network capacitors at Pelican Point	Installation of reactive support within the network.	6,000kVar	342 tonnes/yr for 10 years	\$336,000	Not applicable <sup>1</sup>
Network capacitors at Epping	Installation of reactive support within the network.	12,000kVar	684 tonnes/yr for 10 years	\$592,000	Not applicable <sup>2</sup>
Network capacitors at Mt Thorley	Installation of reactive support within the network.	18,000kVar	855 tonnes/yr for 10 years	\$930,000	\$90,000
Network capacitors at Denman	Installation of reactive support within the network.	8,000kVar	456 tonnes/yr for 10 years	\$762,000	Not applicable <sup>1</sup>
Network capacitors at Croudace Bay	Installation of reactive support within the network.	8,000kVar	456 tonnes/yr for 10 years	\$400,000	Not applicable <sup>1</sup>
Sub-totals		10,000kVar + 61,750kVA	3,531 tonnes/yr for 6yrs and 3,520 tonnes/yr for further 4yrs	\$4,484,000	\$1,243,000

**Footnotes**

1 Provided some improvements to (N-1) loading, voltage and power factor, but did not fully address the associated network needs to allow any effective capital deferral.

2 The driver was to improve power factor at Carlingford Bulk Supply Point to comply with National Energy Regulator requirements.

## Demand Management Investigations concluded in 2006/07

Project	Description of Potential Demand Management Project Investigated	PV of Costs of Investigations
Macquarie Park Zone	A constraint was identified for investigation. A full investigation was completed and concluded that DM would not be a cost effective alternative in this instance. DM options considered included using existing Standby Generators, commercial Power Factor Correction Program, commercial HVAC Programs and commercial Lighting Programs.	\$30,364
Auburn Zone 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Eastern Greenacre Park 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Greenacre Park Zone	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Sefton Nth 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Rathmines Zone Substation	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Crows Nest Zone Capacitors	A constraint was identified for investigation. A full investigation was completed and concluded that DM would be a cost effective alternative in this instance. The preferred DM option is a commercial Power Factor Correction Program.	\$14,592
Mosman 11kV	A constraint was identified for investigation. A full investigation was completed and concluded that DM would not be a cost effective alternative in this instance.	\$2,095
Woy Woy 11kV Pa 6 & 16	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Double Bay 11kV – Supply to Pt Piper	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Mona Vale 11kV Pa 5R, 7L, 11L, 12	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
North Sydney Pa 25	A constraint was identified for investigation. A full investigation was completed and concluded that DM would not be a cost effective alternative in this instance. DM options considered included using existing standby diesel generators, and a Power Factor Correction Program.	\$5,944 (est)
Pymble Pa 25 & Turrumurra Pa 4	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Campsie Pa 5, 6, 27	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Nelson Bay 2nd 132kV feeder from Tomago STS – Stage 2A	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Top Ryde – Meadowbank 11kV Pa 2, 4, 24	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Randwick Zone 11kV – New feeder to Nth East	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Galston 132/11kV Zone Substation	A constraint was identified for investigation. A full investigation was completed and concluded that DM would not be a cost effective alternative in this instance. DM options considered included relocatable diesel generators, existing standby generators, and commercial lighting programs.	\$5,944 (est)
St Ives Pa 5, 11, 12, 13	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Brookvale Pa 4, 10L & 17	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Wamberal 132/66/11kV Substation V2.0	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Peats Ridge Pa 2 & Somersby Pa 14 & 17	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Punchbowl North 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Randwick Zone Development 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)

**Demand Management Investigations concluded in 2006/07**

Project	Description of Potential Demand Management Project Investigated	PV of Costs of Investigations
Beacon Hill Zone Development	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Carlton Zone Pa 9 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Pymble 11kV Pa 3 & 4	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Revesby East Zone 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Revesby South Zone 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Revesby Zone Pa 18 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)
Flemington South Zone 11kV	A constraint was identified for investigation. The screening test was completed and concluded that DM would not be a cost effective alternative in this instance.	\$5,944 (est)

**Demand Management Investigations in progress 2006/2007**

Project	Description of Potential Demand Management Projects Under Investigation	PV of Costs of Investigations
Balgowlah Zone	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$31,037
Engadine, Jannali & Kirrawee	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$8,016
Baerami & Merriwa	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$15,203
Ku-ring-gai STS - St. Ives/Pymble/Turrumurra/Lindfield	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$10,103
Punchbowl South 11kV	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Top Ryde 132/11kV Zone Substation	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Sefton Zone Substation – 4th transformer	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Inner Metropolitan BSP	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,230
Revesby Zone Substation - 3rd transformer	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Nelson Bay 2nd 132kV fdr from Tomago STS – Stage 2B	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Royal Nth Shore Hospital Zone Substation	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Brookvale 33kV feeders	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Lake Munmorah Zone Substation	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Sydney East STS to Terrey Hills 33kV Feeder	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Mosman 11kV Pa 21, 29 & 31	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Mortdale 11kV Pa 7 & 18	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)
Nelson Bay 11kV Feeder Network	A constraint was identified for investigation in 2005/06. This investigation is in progress.	\$5,944 (est)

## 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 2006/07.

EnergyAustralia Network Operating Statistics	2006/07
<b>Telephone services for faults and difficulties</b>	
The Licence Holder's telephone number for reporting network faults and difficulties	Tel 131 388
Calls made to this service during 2006/07	612,522
Calls dropped out or were abandoned	96,453 <sup>1</sup>
Calls to this service answered by an operator within 30 seconds	455,322
<b>Timely provision of services</b>	
Number of connections provided by the Licence Holder for existing and new premises where the Licence Holder undertook the work	4,731
Of the connections provided, the number not provided on or before the agreed date	1
The compensation paid in relation to these	\$300
<b>Timely notice of planned interruptions to supply</b>	
Number of planned interruptions to supply during 2006/07	1,335
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	78
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	2
Value of compensation paid in relation to these	\$1,640
<b>Repair of faulty street lights</b>	
Number of reported street light faults during 2006/07, excluding multiple reports for the same fault	19,049 <sup>2</sup>
Occasions the Licence Holder failed to complete the repairs of faulty street lighting on or before the date agreed between the Licence Holder and any eligible customer	235 <sup>3</sup>
Average number of days to repair faulty street lights	6
Value of compensation paid to customers	\$2,865
<b>Complaints</b>	
Complaints the Licence Holder received during 2006/07 from small retail customers in relation to distribution network service matters	1,350

### Footnotes

<sup>1</sup> 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 from a location about an incident unknown to EnergyAustralia are encouraged to remain on the line, and the call is routed to an experienced customer service representative.

<sup>2</sup> The figures for total reported street light faults may include multiple reports, since the CRD does not have the functionality to differentiate. A new system to replace the CRD is being investigated. The new system will have the functionality to indicate a duplicate report.

<sup>3</sup> It is important to note that this figure also includes faults that did not result in loss of illumination. Compensation is due for those due to lack of illumination as per the EnergyAustralia's Standard Form Customer Connection Contract.

## Exemptions from the reporting provisions

List of financial and annual reporting exemptions for agencies in competition

Statutory requirements	Act/Regulation references #	Comments
<b>Annual reporting exemptions</b>		
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. 7(1)(a)(iv) 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	This 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	This 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 and information are to be disclosed in a summarised form.
Investment Performance	cl. 12 ARSBR	
Liability Management Performance	cl. 13 ARSBR	

**# 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

# Sustainability Indicators

Social/ Economic/ Environment	Indicator heading	Sustainability Indicators	esaa indicator
<b>Customers</b>			
Social	Competition and pricing processes	<p>In June 2007 the NSW Independent Pricing and Regulatory Tribunal (IPART) released its determination of retail electricity prices for the next three years (to take effect from 1 July 2007). IPART estimated our average residential customers would pay about \$1 per week more for their electricity during 2007/08. IPART cited the effect of the drought on wholesale electricity prices; the impact of greenhouse gas abatement obligations on companies such as EnergyAustralia; and our investment in our network as justification for the increase.</p> <p>In 2006/07, EnergyAustralia issued one-off rebates to six per cent of our biggest regulated energy users to ensure their bills were in line with the Independent Pricing and Regulatory Tribunal (IPART) pricing determination in 2006. This was to ensure that a customer's bill over a year should not increase by more than CPI (2.7 per cent) plus five per cent.</p>	SPI 16
Social	Pricing for disadvantaged groups (Retail only)	See "Offering affordability" in Customers section (page 15).	SPI 17
Social	Promoting energy efficiency and renewable energy	<p>See "EnergySave products" in Customers section (page 14) and "Energy efficiency – ways to use less energy" in Community and Sustainability section (page 16).</p> <p>The promotion of renewable energy by EnergyAustralia includes brochures, customer newsletters, bill messages, website, press and outdoor advertisements, media releases, proactive offering of renewable energy options by Contact Centre and Sales Channels to new and moving customers and event sponsorships.</p> <p>The promotion of energy efficiency by EnergyAustralia includes website materials and calculators, customer newsletters, residential home energy efficiency campaigns (free CFLs and showerheads), free CFL giveaways via Sales Channels/Promotional activity, media releases and bill messages.</p> <p>The promotion of sustainability issues by EnergyAustralia includes brand campaign proposition on efficiency – supported by integrated marketing program of activities on switching from standard electricity product from coal to natural gas, to taking up renewable energy, and using less energy through energy efficiency and demand management. The focus is and will continue to be on using less energy, and switching to preferred less greenhouse gas emitting energy sources such as natural gas and renewable energy.</p>	SPI 21
Economic	Overview of the reporting organisation	<p>See Our Company section (page 3).</p> <p>Our net sales in 2006/07 were \$2,266.4 million for retail sales (\$2,153.8 million in electricity and \$112.5 million in gas), and \$389.5 million for network use of system.</p> <p>Total capitalisation via debt in 2006/07 was 60.3 per cent.</p> <p>Total capitalisation via equity in 2006/07 was 39.7 per cent.</p> <p>Total number of employees for 2006/07 were 4,898 full time employees and 287 part time employees.</p>	ECPI 01
Environment	Energy efficiency – Networks (transmission and distribution)	The transmitting of electricity over long distances generates heat and therefore creates greenhouse gas emissions. These are reported for Australian Greenhouse Office purposes as emissions from EnergyAustralia's operations. These unavoidable electricity losses account for 92 per cent of our reported emissions. In 2006/07 we recorded electricity losses of 1,603 GWh. This is up to 5.56 per cent of our electricity transmitted from 4.66 per cent in 2005/06.	EPI 26
Environment	Demand management	<p>See "Ministry reporting requirements – Demand Management" in Statutory Information section (page 92).</p> <p>As part of our network planning, EnergyAustralia investigates and integrates demand management initiatives with our ongoing investment in capital works. Initiatives in 2006/07 aimed at managing electricity demand included installation of energy efficient globes in 5,000 homes served by the Drummoyne Zone Substation, and installation of a 1,250kVA temporary diesel generator at our Wollombi substation site to provide back up in peak times during a network upgrade. Power Factor Correction (PFC) programs offer targeted customers cost-effective solutions to improve their power factor. Programs were carried out in the Hunter Valley, Carlingford, Leightonfield, Berowra, Hornsby, Pennant Hills and North Sydney areas, reducing energy costs for our customers, and peak demand on our network.</p>	EPI 27
Environment	Renewable energy – Retailing	See "Green products" in Customers section (page 11) and "Renewable energy – ways to use green" in Community and Sustainability section (page 17).	EPI 38
Environment	Energy efficiency – Retailing	See "EnergySave products" in Customers section (page 14) and "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 40

Social/ Economic/ Environment	Indicator heading	Sustainability Indicators	esaa indicator
<b>Community and Sustainability</b>			
Social	Indigenous relations	See "Consulting with our community" in Community and Sustainability section (page 20).	SPI 11
Social	Stakeholder recognition	See "Consulting with our community" in Community and Sustainability section (page 20).	SPI 12
Social	Stakeholder engagement	See "Consulting with our community" in Community and Sustainability section (page 20).	SPI 13
Social	Corporate ethics	See "Ethics" in Finance & Directors' Report section (page 32).	SPI 14
Social	Corporate position on matters of political consideration	No political donations were made. For further information on submissions, see our website, <a href="http://www.energy.com.au">www.energy.com.au</a>	SPI 15
Social	Promoting safe use of energy	See "Consulting with our community" in Community and Sustainability section (page 20) and "Continued commitment to public safety" in Operational Excellence section (page 22).	SPI 19
Economic	Contribution to community agendas	See "Sponsoring community activities" in Community and Sustainability section (page 19).	ECPI 10
Economic	Cost of precaution	<p>EnergyAustralia has adopted the esaa energy industry approach to electric and magnetic fields (EMF) of prudent avoidance. This commitment has been put into practice when designing and installing new network infrastructure, as well as our efforts to continually monitor the latest scientific research and findings. Community concerns are taken seriously with new cable routes being implemented following community consultation and we have responded to 216 customer and community-based EMF enquires in 2006/07 with 98.6 per cent of these enquiries being resolved. Further information has been revised and can be found on EnergyAustralia's website at <a href="http://www.energy.com.au">www.energy.com.au</a></p> <p>In 2006/07 EnergyAustralia spent \$16,000 on the Energy Network's Association EMF program. 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 four 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.</p>	ECPI 12
Economic	Cost of efficiency	<p>See "Ministry reporting requirements – Demand Management" in Statutory Information section (page 92).</p> <p>EnergyAustralia continues to monitor all of its buildings and depots to identify anomalies in energy usage that might indicate opportunities for energy savings.</p> <p>In 2006/07 we completed several energy efficiency improvements in our Roden Cutler House building in the Sydney CBD. In August 2006 we installed a gas-fired boiler to replace the existing electric and heat recovery water heating system. In September 2006 we replaced the existing chillers with two new energy efficient centrifugal chillers. During the year we also upgraded the lighting on three of the office floors with high efficiency T5 fittings.</p> <p>EnergyAustralia also purchased renewable energy for all of our buildings and we are one of the largest purchasers of GreenPower accredited energy in Australia.</p>	ECPI 13
Environment	Legislative compliance	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 01
Environment	Environmental management	<p>EnergyAustralia's Environmental Management System (EMS) has been certified to AS/NZS ISO 14001 since 1996. Our field and operational activities (construction and maintenance) are managed by Enerserve.</p> <p>Our environmental expenditure for 2006/07 period was about \$100 million. This includes greenhouse abatement, renewable generation, environmental demand management programs, environmental duty of care, and the gross expenditure of projects tracked through EnergyAustralia's operational Environmental Management System.</p>	EPI 02
Environment	Complaints	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 03
Environment	Renewable energy – renewable generation	See "Renewable energy – ways to use green" and "Reducing greenhouse gas emissions" in Community and Sustainability section (page 17).	EPI 15
Environment	Greenhouse – Networks (transmission and distribution)	EnergyAustralia greenhouse gas emissions in 2006/07 totalled 1,578 ktonnes CO <sub>2</sub> -e based on both real and projected data (compared with our 2005/06 emission of 1,459 ktonnes of CO <sub>2</sub> -e). This figure may change slightly in the 2006/07 Greenhouse Challenge Report when the projected data is confirmed. The transmitting of electricity over long distances generates heat and therefore creates greenhouse gas emissions. These are reported for Australian Greenhouse Office purposes as emissions from EnergyAustralia's operations.	EPI 28
Environment	PCB management	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 29

<b>Social/ Economic/ Environment</b>	<b>Indicator heading</b>	<b>Sustainability Indicators</b>	<b>esaa indicator</b>
Environment	Bushfires	EnergyAustralia had no claims as a result of bushfires caused by our assets or our activities in 2006/07.	EPI 30
Environment	Vegetation management	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 31
Environment	Visual impact	Our network consists of both overhead and underground electricity cables. In 2006/07, underground cables accounted for 29.1 per cent of our total electricity network.	EPI 33
Environment	Hazardous substances	In 2006/07 360,900 litres of PCB-free oil was disposed of or recycled externally.	EPI 34
Environment	Site contamination	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 35
Environment	Energy consumption	See "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 36
Environment	Solid and liquid waste	See "Looking after our own backyard" in Community and Sustainability section (page 17) and "Statement of waste reduction and purchasing policy" in Statutory Information section (page 91).	EPI 37
Environment	Renewable energy – Retailing	See "Green products" in Customers section (page 11) and "Renewable energy - ways to use green" in Community and Sustainability section (page 17).	EPI 38
Environment	Energy efficiency – Retailing	See "EnergySave products" in Customers section (page 14) and "Looking after our own backyard" in Community and Sustainability section (page 17).	EPI 40
<b>Operational Excellence</b>			
Social	Safe use of energy	See "Continued commitment to public safety" in Operational Excellence section (page 22).	SPI 18
Social	Promoting safe use of energy	See "Consulting with our community" in Community and Sustainability section (page 20) and "Public electrical safety awareness," "Bushfire management" and "Customer installation safety" in Operational Excellence section (pages 28 and 29).	SPI 19
Social	System and product certification	<p>We retained quality, environment and safety certification to AS/NZS ISO 9001:2000, AS/NZS ISO 14001:2004 and AS/NZS 4801:2001. The Quality, Environment and Safety Management System (QES), which includes contractor management, is administered by the Management Systems section of Enerserve and audited twice annually by external auditors against the requirements of The Australian Standards, AS/NZS ISO 9001:2000 – Quality, AS/NZS ISO 14001:2004 – Environment, and AS/NZS 4801:2001 – Safety management systems. The Shared Services division holds certification to AS/NZS ISO 9001:2000 and AS/NZS 4801:2001. Appliance Testing (Australia)</p> <ul style="list-style-type: none"> <li>• National Association of Testing Authorities (NATA) accreditation for Electrical Testing including Electrical Safety, Electromagnetic Compatibility (EMC) and Performance Testing.</li> <li>• NATA accredited to AS/ISO/IEC 17025.</li> <li>• NATA accreditation as an Inspection Body for Electrical Safety and EMC.</li> <li>• IECEE CB Scheme; Electrical Testing, Testing Laboratory No. TL023, Laboratory Accreditation Scheme: ISO/IEC 17025:1999-12, The Basic Rules, IECEE 01: 2003-10 and Rules of Procedure IECEE 02:2003-10, and the relevant IECEE CB-Scheme Operational Documents.</li> </ul>	
Social		<p>Test Station Accreditations</p> <ul style="list-style-type: none"> <li>• NATA: Electrical Testing, Accreditation No. 62, Laboratory Accreditation Scheme: AS/ISO/IEC 17025</li> <li>• ASTABEAB Certification Services: Electrical Testing, Registration Number 5118 (6th Issue)</li> <li>• Laboratory Accreditation Scheme: BSEN/ISO/IEC 17025 and ASTA Publication 31</li> <li>• Quality Management System; Certificate No. 14063, ISO 9001:2000</li> <li>• DNV Certification Pty Ltd: Quality Management System, Certificate No. 01904/01 – 2005: As/NZS ISO 9001: 2000 and Safety Management System, Certificate No. 01920 – 2005: AS/NZS 4801:2001.</li> <li>• ECEE CB Scheme; Electrical Testing, Testing Laboratory No. TL177, Laboratory Accreditation Scheme: ISO/IEC 17025:1999-12, The Basic Rules, IECEE 01:2003-10 and Rules of Procedure IECEE 02:2003-10, and the relevant IECEE CB-Scheme Operational Documents.</li> </ul> <p>Measurement Services</p> <ul style="list-style-type: none"> <li>• NATA Accreditation No. 62 Accredited by NATA to issue NATA endorsed reports for a wide range of Electrical Measurements. National Measurement Institute (NMI), approved by NMI as a Verifying Authority for: Reference Standards of Measurements, Electricity Meters</li> <li>• DNV Certification Pty Ltd: Quality Management System, Certificate No. 01904/01-2005, AS/NZS ISO 9001: 2000 and Safety Management System, Certificate No. 01920 – 2005, AS/NZS 4801:2001</li> </ul>	SPI 20
Social	Privacy policy	As a State Owned Corporation, EnergyAustralia complies with the National Privacy Principles. These principles are contained in the Privacy Act 1988.	SPI 22

<b>Social/ Economic/ Environment</b>	<b>Indicator heading</b>	<b>Sustainability Indicators</b>	<b>esaa indicator</b>
Economic	Contribution to energy services market	See "Energy sales" graph in Operational Excellence section (page 23).	ECPI 02
Economic	Cost of operating and maintenance	See "Upgrading and improving our network" in Operational Excellence section (page 21). EnergyAustralia procures goods and services from local, 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.	
Economic	Cost of wastes	Total cost of wastes was \$2.5 million for 2006/07. All waste was generated from the construction, maintenance and operation of the network.	ECPI 05
Economic	Relationship with suppliers	EnergyAustralia has over 300 agreements in place to facilitate the acquisition of its goods and services. EnergyAustralia maintains an ongoing Contract Renewable Program to ensure contracts and agreements are renewed in good time and are fit for purpose. EnergyAustralia renews on average about 70 agreements per annum.	ECPI 06
<b>People</b>			
Social	Labour statistics	<p>In 2006/07, EnergyAustralia's total number of employees were as follows:</p> <p>Total number of employees in NSW was 5,179.  Total number of employees in Victoria was 2.  Total number of employees in Queensland was 4.  Total number of full-time staff was 4,898.  Total number of part-time staff was 287.  Total number of male staff was 4,240.  Total number of female staff was 945.  Total number of staff aged &lt;18 years was 12.  Total number of staff aged 18-30 years was 1,280.  Total number of staff aged 30-50 years was 2,721.  Total number of staff aged 50-65 years was 1,137.  Total number of staff aged &gt;65 years was 35.  Full-time employees with length of service &lt;1 year was 470.  Full-time employees with length of service 1-5 years was 1,744.  Full-time employees with length of service 6-10 years was 639.  Full-time employees with length of service 11-20 years was 698.  Full-time employees with length of service &gt;20 years was 1,347.  Part-time employees with length of service &lt;1 year was 37.  Part-time employees with length of service 1-5 years was 142.  Part-time employees with length of service 6-10 years was 78.  Part-time employees with length of service 11-20 years was 25.  Part-time employees with length of service &gt;20 years was 5.  Total number of employees entering EnergyAustralia was 524.  Total number of employees leaving EnergyAustralia was 215.  Total number of terminations was 215.  Total number of resignations was 135.  Total number of dismissals was 3.  Total number of retirements was 56.  Total number of bona-fide redundancies was 10.  Total number of fixed-term expiries was 9.  Total number of deceased was 3.</p>	SPI 01
Social	Apprenticeship conditions	Measures to ensure our younger apprentices are looked after include agreement for above industry average rates for those starting under 21 years of age, guardian signatory on documents for those under 18 years of age, and apprentice trainers having completed child protection training.	

<b>Social/ Economic/ Environment</b>	<b>Indicator heading</b>	<b>Sustainability Indicators</b>	<b>esaa indicator</b>
Social	Renewable energy employment	We employ three people in our Green Development Group, responsible for compliance with our mandatory greenhouse gas abatement obligations.	SPI 02
Social	Employee Remuneration	See "Workplace relations" in Our People section (page 28).	SPI 03
Social	Employee representation in management decision-making	See "Workplace relations" in Our People section (page 28).	SPI 04
Social	Operational safety	See "Safety performance" in Our People section (page 25).	SPI 05
Social	Health and safety systems	See "Safety performance" in Our People section (page 25). Average sick leave increased from 6.9 days in 2005/06 to 7.0 days in 2006/07, above our target of 6 days. There were 282 (5.4 per cent) injuries requiring medical treatment in 2006/07, an increase from 251 (5.3 per cent) in 2005/06.	SPI 06
Social	Available training and education opportunities	See "Developing our people" in Our People section (page 27).	SPI 07
Social	Training and education undertaken	See "Developing our people" in Our People section (page 27).	SPI 08
Social	Equal opportunity policy and practice	See "Equal employment opportunity" in Our People section (page 26).	SPI 09
Social	Indigenous policy	EnergyAustralia is covered by the "Working Together for NSW" Agreement and the Managing Director reports on EnergyAustralia's targets and achievements under this Agreement. 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 Silverwater and Meadowbank. At the completion of the course, participants received a Certificate 1 in Electro-technology and were encouraged to apply for our apprenticeship program.	SPI 10
Social	Indigenous relations	See "Developing our people" in People section (page 27).	SPI 11
Economic	Payroll and benefits	See "Consultancies" (page 85) and "Senior Executive Remuneration" (page 86) in Statutory Information section. Workforce composition and total salaries paid in 2006/07: Number of full time males is 4,206 (\$365.1 million) Number of full time females is 692 (\$49.6 million) Number of part time males is 34 (\$1.5 million) Number of part time females is 253 (\$10.3 million) Number of contracted services (labour hire) is 310 (\$31.2 million) Fees paid to consultants in 2006/07 were \$0.6 million. Sick leave overall was \$13.3 million. Ten employees were made redundant to the value of \$1.8 million. Our total superannuation funds payments (including both employee and employer contributions) were \$64.3 million.	ECPI 07



## NetBalance

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MANAGEMENT GROUP

**Net Balance Management Group Pty Ltd**

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## Independent Assurance Statement

To the Board and Stakeholders of EnergyAustralia Limited:

EnergyAustralia Limited (EnergyAustralia) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the non-financial content of this EnergyAustralia Annual Report 2006/07 (the 'report'). The report presents EnergyAustralia's sustainability performance over the period 1st July 2006 to 30th June 2007. 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 management of EnergyAustralia alone and in accordance with the terms of reference agreed with them. Any reliance any such third party may place on the Report is entirely at their own risk.

### Assurance Objective

The objective of the assurance process is to provide stakeholders of EnergyAustralia with an independent opinion on the materiality, completeness and accuracy of the information presented in the report, and whether EnergyAustralia has responded to stakeholder concerns and adequately communicated those responses within the report. This is confirmed through a review of claims made, underlying systems, processes and competencies that support the report, as well as the embeddedness of policies and strategies on sustainability.

### Assurance Process & Limitations

Our approach to assurance provision is aligned to the AA1000 Assurance Standard. The assurance engagement was undertaken in August 2007. The process involved:

- Reviewing results of internal and external stakeholder engagement by EnergyAustralia to understand material issues raised by stakeholders;
- a review of EnergyAustralia's key sustainability strategies, policies, objectives, targets, management systems, measurement/data collection and reporting procedures and background documentation;
- a review of the report for any significant anomalies;
- an overview of the embeddedness of EnergyAustralia's key economic, environmental and social policies;
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to ensure selected claims were discussed and substantiated;
- the examination of the aggregation and/or derivation of, and underlying evidence for, over 100 selected data points and statements made in the report; and
- a review of selected external media sources relating to EnergyAustralia's sustainability performance.

Our scope of work did not involve verification of the accuracy and robustness of financial data, other than that relating to environmental, social or broader economic performance. No regional sites were visited as part of this year's assurance engagement other than Newcastle.

### Our Independence and Credentials

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. Net Balance was not responsible for preparation of any part of this report. Net Balance has not undertaken any commissions for EnergyAustralia in the reporting period concerning reporting or data collection. The audit team comprised of individuals with expertise in environmental and social performance measurement. The audit team has collectively undertaken over sixty assurance engagements in Australia over the past ten years and is also led by a Lead Sustainability Assurance Practitioner (Lead CSAP) accredited by the Independent Register of Certified Auditors (IRCA UK).

### Our Opinion

Based on the scope of the assurance process, the following represents Net Balance's opinion:

- The findings of the assurance engagement provide confidence in the reporting processes and systems established. 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.

Overall, Net Balance is satisfied that the report is an appropriate fair and balanced representation of EnergyAustralia's environmental, social and economic performance during the reporting period. The report continues to improve as a key communication tool to its stakeholders.

### Conclusions and Recommendations

- Materiality: Material environmental, social and broader economic aspects of EnergyAustralia's sustainability performance as deemed through a peer review process are appropriately addressed. Issues material to stakeholders as identified through our review have been considered and communicated within the report, but it is recommended that additional high interest and high influence stakeholder engagement be undertaken around material sustainability issues, and communicated within the report in future. EnergyAustralia's commitment to renewable energy markets shows the organisation's ability to adapt to and engage with emerging markets as a consequence of sustainability risks and opportunities to the sector. Notwithstanding, a stakeholder oriented approach to determining and evaluating material sustainability issues would further enhance EnergyAustralia's capacity to pulse-check such risks and opportunities.
- Completeness: The report was found to be complete in addressing key environmental, social and economic performance as well as all operations and sites of EnergyAustralia, using the Global Reporting Initiative's G3 Sustainability Reporting Guidelines (October 2006) as a guide.
- Responsiveness: EnergyAustralia is engaged with its broader stakeholder communities. However, this report is an appropriate tool for further stakeholder engagement and such additional engagement around key material sustainability issues with industry thought leaders and stakeholders is recommended.
- Recommendations: Net Balance has provided suggestions for reporting improvement, including enhancing procedures for data management in some areas. These have been outlined in a more detailed report presented to EnergyAustralia management.

On behalf of the audit team

11th September 2007

Melbourne, Australia



Terence Jeyaretnam

Director, Net Balance & Lead CSAP (IRCA UK)

# Abbreviations

Electricity	
<b>V volt</b>	A volt is the unit of potential or electrical pressure
<b>W watt</b>	A measurement of the power present when a current of one ampere flows under a potential of one volt
<b>kW kilowatt</b>	One kW = 1000 watts
<b>kWh kilowatt hour</b>	The standard unit of energy which represents the consumption of electrical energy at the rate of one kilowatt for one hour
<b>kV kilovolt</b>	One kV = 1000 volts
<b>kVA kilovolt ampere</b>	A unit of apparent power in an alternating current circuit equal to 1000 volt amperes
<b>MVA megavolt ampere</b>	A unit of apparent power in an alternative current circuit equal to one million volt amperes (A unit commonly used when expressing the rating of a large power transformer)
<b>MW megawatt</b>	One MW = 1000 kilowatt or one million watts
<b>MWh megawatt hour</b>	One MWh = 1000 kilowatt hours
<b>GWh gigawatt hour</b>	One GWh = 1000 megawatt hours or one million kilowatt hours
<b>Gg gigagram</b>	One Gg = 1 kilotonne
<b>GJ gigajoule</b>	One gigajoule = 1000 megajoules. A joule is the basic unit of energy used in the gas industry
Other	
<b>AEIFRS</b>	Australian Equivalents to the International Financial Reporting Standards
<b>CAR</b>	*A car refers to a family car with the equivalent of a 3.5 litre engine driving 15,000 km per year, which would emit 0.23kg of CO <sub>2</sub> per kilometre. This is based on data sourced from the Department of Transport (Green Vehicle Guide).
<b>EBIT</b>	Earnings before interest and tax
<b>EEO</b>	Equal Employment Opportunity
<b>EMF</b>	Electric and magnetic fields
<b>FTE</b>	Full-time equivalent
<b>GIS</b>	Geographical Information System
<b>IPART</b>	Independent Pricing and Regulatory Tribunal
<b>GGAS</b>	Greenhouse Gas Abatement Scheme
<b>GREENPOWER</b>	**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
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>MTIFR</b>	Medical Treatment Injury Frequency Rate
<b>NGACs</b>	NSW Greenhouse Gas Abatement Certificates
<b>OHS</b>	Occupational Health and Safety
<b>Pinc</b>	Platform for Intelligent Network Communications
<b>PCB</b>	Polychlorinated biphenyls
<b>RPO</b>	Regular payment option
<b>SAIDI</b>	System Average Interruption Duration Index
<b>SAIFI</b>	System Average Interruption Frequency Index

# Reader's Feedback

To help improve future editions of our Annual Report, please complete this feedback form.

We welcome your answers to the following questions by return fax or mail. If you require an online copy of this form or extra copies of the report, check our website, [www.energy.com.au](http://www.energy.com.au).

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Is there any additional information you would like us to address in next year's report?

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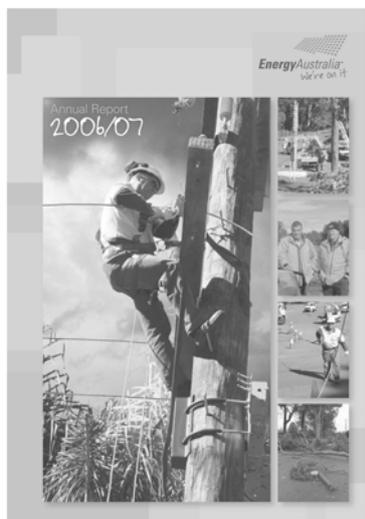
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Any other comments/suggestions?

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